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City of **Plymouth**

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AUDIT COMMITTEE

DATE: **MONDAY 28 JUNE 2010**
TIME: **10.00 AM**
PLACE: **COUNCIL HOUSE, PLYMOUTH (NEXT TO THE CIVIC CENTRE)**

Members –
Councillors Berrow, Evans, Murphy, Stark and Thompson.

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

Substitutes -
Any Members other than a Member of the Cabinet may act as a substitute member provided that they do not have a personal and prejudicial interest in the matter under review

Members are invited to attend the above meeting to consider the items of business overleaf

Members and Officers are requested to sign the attendance list at the meeting.

BARRY KEEL
CHIEF EXECUTIVE

AUDIT COMMITTEE

PART I (PUBLIC COMMITTEE)

AGENDA

1.   APPOINTMENT OF CHAIR AND VICE-CHAIR

The Committee will appoint the Chair and Vice-Chair for the municipal year 2010/11.

2.   APOLOGIES

To receive apologies for non-attendance submitted by Committee Members.

3.   DECLARATIONS OF INTEREST

Members will be asked to make any declarations of interest in respect of items on this agenda.

4.   MINUTES   (Pages 1 - 8)

To confirm the minutes of the meeting held on 26 March, 2010.

5.   CHAIR'S URGENT BUSINESS

To receive reports on business which, in the opinion of the Chair, should be brought forward for urgent consideration.

**6.   REGISTRATION SERVICE - SERVICE DELIVERY   (Pages 9 - 40)
       REVIEW**

The Director of Corporate Support will submit a Service Delivery Review report in respect of Plymouth's Registration Service.

7.   TREASURY MANAGEMENT ANNUAL REPORT 2009/10   (Pages 41 - 66)

The Director for Corporate Support will submit the Treasury Management Annual Report for 2009/10.

8.   RISK MANAGEMENT - ANNUAL REPORT   (Pages 67 - 76)

The Director of Corporate Support will submit the Risk Management Annual Report.

9.   OPERATIONAL RISK MANAGEMENT UPDATE   (Pages 77 - 86)

The Director of Corporate Support will submit an update report in respect of Operational Risk Management.

10.   INTERNAL AUDIT ANNUAL REPORT 2009/10   **(Pages 87 - 130)**

The Assistant Head of Devon Audit Partnership will submit the Internal Audit Annual Report for 2009/10.

11.   ANNUAL GOVERNANCE STATEMENT 2009/10   **(Pages 131 - 152)**

The Director for Corporate Support will submit the Annual Governance Statement for 2009/10.

12.   STATEMENT OF ACCOUNTS 2009/10   **TO FOLLOW**

The Director for Corporate Support will submit the Statement of Accounts for 2009/10.

13.   EXTERNAL AUDIT - INTERIM AUDIT REPORT 2009/10   **TO FOLLOW**

The City Council's External Auditor, Grant Thornton, will submit the Interim Audit Report for 2009/10.

14.   EXTERNAL AUDIT - PERFORMANCE MANAGEMENT   **(Pages 153 - 164)**
ARRANGEMENTS

The City Council's External Auditor, Grant Thornton, will submit a report on Performance Management Arrangements.

15.   EXTERNAL AUDIT - REVIEW OF ARRANGEMENTS FOR   **(Pages 165 - 174)**
COMPLYING WITH AGE RELATED EQUALITIES
LEGISLATION

The City Council's External Auditor, Grant Thornton, will submit a Review of Arrangements for Complying with Age Related Equalities Legislation.

16.   EXTERNAL AUDIT - PLYMOUTH CITYBUS REVIEW   **(Pages 175 - 214)**

The City Council's External Auditor, Grant Thornton, will submit the Plymouth Citybus Review.

17.   EXTERNAL AUDIT - PROGRESS REPORT   **(Pages 215 - 216)**

The City Council's External Auditor, Grant Thornton, will submit a progress report.

18.   REVIEW OF WHISTLEBLOWING POLICY   **(Pages 217 - 224)**

The Assistant Head of Devon Audit Parnership will submit a Review of the Whistleblowing Policy.

19.   **DEVON AUDIT PARTNERSHIP - PLYMOUTH'S**   **(Pages 225 - 236)**
      INTERNAL AUDIT STRATEGY AND CHARTER

      The Assistant Head of Devon Audit Partnership will submit Plymouth's Internal
      Audit Strategy and Charter.

20.   **AUDIT COMMITTEE WORK PROGRAMME**   **(Pages 237 - 240)**

      The Assistant Head of Devon Audit Partnership will submit the Audit Committee's
      Work Programme for July 2010 to June 2011.

21.   **EXEMPT BUSINESS**

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

                    PART II (PRIVATE COMMITTEE)

                            AGENDA

MEMBERS OF THE PUBLIC TO NOTE

that under the law, the Committee is entitled to consider certain items in private.
Members of the public will be asked to leave the meeting when such items are
discussed.

Nil

Audit Committee

Friday 26 March, 2010

PRESENT:

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

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

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

The meeting started at 10.00 a.m. and finished at 1.10 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.

44. **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	48 – Internal Audit Plan 2010/11	Plymouth Community Homes Board Member	Personal

45. **MINUTES**

<u>Resolved</u> that the minutes of the meetings held on 11 December, 2009, and 5 February, 2010, be confirmed as correct records.

46. **CHAIR'S URGENT BUSINESS**

There were no items of Chair's Urgent business.

47. **MATTER ARISING FROM DECEMBER 2009 AUDIT COMMITTEE - PROJECT MANAGEMENT ARRANGEMENTS**

The Head of Capital and Assets was in attendance to present details of the arrangements which had been put in place to –

- improve the control of projects
- control the steps a project must follow
- deliver successful outcomes
- review projects post-delivery

The Committee was advised that –

(i)   whilst these procedures were based on the Prince 2 project management methodology and would enable best practice to be implemented in the management of the Council's capital construction projects, the same principles could be applied to any type of project;

(ii)   the procedures had been introduced in November 2009 and trialled in the Capital and Assets Team which had since been awarded an ISA Quality Assurance accreditation. A review of the trial period would be undertaken in April, following which it was anticipated that the process would be rolled out across the Council.

In response to questions raised, Members were advised that –

(iii)   projects were divided into different stages and each stage had to be reviewed and signed off (gateway process) before the next stage could be commenced. A complete project review was also undertaken upon completion and any lessons learned identified and fed back into the process;

(iv)   the coloured flowchart was contained within the Project Management Procedures, full details of which were available on the Council's website at – http://www.plymouth.gov.uk/homepage/business/projectmanagement.htm

(v)   authority to stop a project could rest at various levels, such as Cabinet, CMT, Capital Delivery Board, Director, depending on the projects' size and value;

(vi)   one area of weakness previously identified was around governance and officers were working to produce clearer guidance to address this;

(vii)   the Capital and Assets Team had all been trained in project management and, once the review had been undertaken in April, training would be rolled out across the Council.

The Committee welcomed the presentation and thanked the Head of Capital and Assets for his attendance.

48.   **INTERNAL AUDIT PLAN 2010/11**

The Assistant Head of Devon Audit Partnership submitted the Internal Audit Plan for 2010/11. The report –

- detailed information on the legislative requirements for local authorities to provide an Internal Audit service in accordance with the Accounts and Audit Regulations 2006;
- commented on delivery of the Council's Internal Audit provision by Devon Audit Partnership;
- contained details of the specific audit reviews to be undertaken, identified the number of days required for this work to be carried out and highlighted the resources available to do it

The External Auditor commented that, whilst the plan was good in respect of providing a detailed programme of work, in order to help monitor its delivery he suggested that the report should also include information such as –

- risk rating
- last review undertaken
- anticipated start dates
- planned completion dates

In response to questions raised, Members were advised that –

(i) the six-monthly update report and annual report provided details of what had been delivered to date, what, if anything, had slipped and why;

(ii) from the beginning of April, all audit work would be processed through the new Audit Management System which would make it easier to include the level of detail suggested. Inclusion of anticipated start dates would be more difficult whereas specifying which quarter (e.g. first, second etc.) should be achievable;

(iii) the plan was continually reassessed and anything put on hold as a result of reprioritisation was added to the work programme for consideration for the following year;

(iv) although all of the schools' site visits had been undertaken, the reports could not be finalised until discussion had taken place with the Headteacher. As the Easter holiday period was approaching and schools would be closing down for two weeks, the timescale had been slightly extended;

(v) the cost of undertaking the Internal Audit Plan was detailed in the Annual Report;

(vi) with regard to the Amey Contract, Auditors would be ensuring that the Council had been monitoring its performance in accordance with the recommendations made following last year's review. It was thought that the contract period was for 10 years but clarification would need to be sought.

Resolved that the Internal Audit Plan for 2010/11, as set out in Appendices 1 and 2 of the report, be approved, subject to the detail of the report being amended to reflect –

- risk rating
- last review undertaken
- anticipated start dates (e.g. first quarter, second quarter)
- planned completion dates

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

49. **EXTERNAL AUDIT REPORT - ANNUAL AUDIT FEE 2010/11**

The City Council's External Auditor, Grant Thornton, submitted the Annual Audit Fee for 2010/11. The Committee was advised that –

(i) although the fee represented an increase of 5 per cent, the Audit Commission was offering a 6 per cent reimbursement due to the additional work required on the International Financial Reporting Standards (IFRS).

Therefore, in cash terms, the fee reflected a 1 per cent decrease on the previous year;

(ii)   Grant Thornton's area partner had met with the Director for Corporate Support to discuss their work and he had been happy with the level and quality of the work undertaken;

(iii)   one area where savings had been achieved was in respect of certification of claims and returns which, in previous years, had cost the City Council in excess of £100,000.

In response to a questions raised around value for money, Members were advised that the Audit Commission had reviewed Grant Thornton under its quality regime and assessed them as having 'one of the best files it had seen'.

Resolved that the Annual Audit Fee for 2010/11 of £335,978 be approved.

50.   **AUDIT COMMISSION - ANNUAL INSPECTION FEE 2010/11**

The Committee considered the Audit Commission's Annual Inspection Fee for 2010/11.

Resolved that the Annual Inspection fee for 2010/11 of £16,630 be approved.

51.   **EXTERNAL AUDIT REPORT - GRANTS REPORT 2008/09**

The City Council's External Auditor, Grant Thornton, submitted the Grants Report for 2008/09. The Committee was advised that –

(i)   the Council had received nine grant claims and returns from government departments and other bodies that required external certification, representing income in excess of £197 million;

(ii)   a number of concerns had been highlighted during the certification process, including that –

- there had been an increase in the number of claims requiring amendment by the external auditor, and a more robust quality assurance process was recommended
- the Council did not maintain register of assets funded by the Sure Start, Early Years and Childcare grant

In response to questions raised, Members were advised that –

(iii)   a response from the Department for Work and Pensions in respect of the Housing and Council Tax Benefit Subsidy claim was still awaited;

(iv)   the absence of screen prints, whilst a problem, was not significant enough on its own to effect qualification.

Resolved that the Revenues and Benefits Service Manager be invited to attend a future meeting of the Committee to –

- report on the improvements put in place to address previous problems with processing Housing Benefit claims
- provide an overview of where Revenues and Benefits was going

52. EXTERNAL AUDIT REPORT - FINANCIAL STATEMENTS PLAN 2009/10

The City Council's External Auditor, Grant Thornton, submitted the Financial Statements Plan for 2009/10. Areas of the report highlighted to the Committee included –

- changes required to PFI accounting as a result of the 2009 SORP
- treasury management and the Icelandic banking crisis
- in respect of renumeration disclosures, that staff earning more than £100,000 had to be named and the job titles of those earning more than £50,000 had to be identified

The Committee noted the report with thanks.

53. EXTERNAL AUDIT PROGRESS REPORT

The City Council's External Auditor, Grant Thornton, submitted its Progress Report against projects undertaken in 2009/10. The Committee was advised that a draft report reviewing the sale of Plymouth Citybus had been submitted to the Director for Corporate Support for comment and a full and final report should be ready to come to the next meeting in June.

The Committee noted the report with thanks.

54. ANNUAL REVIEW OF FINANCIAL REGULATIONS

The Director for Corporate Support submitted the Annual Review of Financial Regulations for 2009/10. Members expressed concern at the late submission of this substantial report and, in view of its significance, requested that they be given more time to consider it.

Resolved that –

(1)   Committee Members submit any comments on the report to the Democratic Support Officer by Friday 2 April, 2010;

(2)   approval of the report's recommendations, namely –

(a)   to note the amendments made to the Financial Regulations following the 2009/10 annual review;

(b)   commend approval of the updated Financial Regulations to City Council;

(c)   inclusion within the Index of the Governance arrangements for ordering and paying for the purchase of work, supplies and services for the collection and processing of income, and other amounts due, as outlined in Appendix B to the report;

(d)   submission to the next meeting of the Audit Committee the following additional operational documents for formal adoption and inclusion

within the Index –

- Income and Credit Management Policy
- Money Laundering Policy
- Capital Programme Governance Document
- External Funding/Grants Protocol

taking on board any comments submitted by Members (as outlined at (1) above), be delegated to the Director for Corporate Support in consultation with the Chair and Vice-Chair.

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

The Director for Corporate Support submitted a progress report in respect of the International Financial Reporting Standards (IFRS) Transition Project.

The following comments were made –

(i)   a training session on the IFRS statement would be helpful;

(ii)   the use of the acronym PPE (Property Plant and Equipment) should be avoided.

The Committee noted progress of the IFRS Transition Project as at March, 2010.

56. **CHAIR'S DRAFT AUDIT COMMITTEE ANNUAL REPORT 2009/10**

The Chair presented a draft copy of the 2009/10 Annual Report and, in seeking the Committee's views on its format and content, was advised that –

(i)   the Committee's achievements should be accentuated and set out on page 1 of the report, with the following additions to the list –

- the Committee's role in monitoring the Council's 'Use of Resources'
- involvement in discussions around how to make the Statement of Accounts more user-friendly and accessible to the public
- the favourable comments of the External Auditor in his 2008/09 Annual Letter
- advanced notification of proposed land transfers to Ward Councillors

(ii)   a definition of the role of Audit Committee was welcomed but should also be included within the Financial Regulations report.

Resolved that –

(1)   the report be amended to take on board the comments made at (i) above;

(2)   once amended a copy of the report be circulated to all Members of the City Council;

(3)   the Chair make enquiries into the process for submitting the report to a future

meeting of Cabinet.

57. AUDIT COMMITTEE SELF-ASSESSMENT

The Assistant Head of Devon Audit Partnership submitted an initial draft assessment in order to facilitate discussion amongst Committee Members around the checklist recommended in the Chartered Institute of Public Finance and Accountancy (CIPFA) toolkit. A number of comments were made as follows –

- that better use of the comments column could be made to reflect how frequently something was reviewed and/or updated
- the Supporting Members Group was responsible for ensuring personal development plans were in place for each Councillor to build up appropriate skill sets and identify any gaps
- training for Audit Committee Members should be ongoing
- private meetings between Members of the Audit Committee and the Auditors (Internal and External) without the presence of council officers would enable a more frank and open dialogue

Resolved that –

(1) Committee Members and Auditors meet privately once a year. The Democratic Support Officer to arrange for the first meeting to take place in June;

(2) the Chair work with the Assistant Head of Devon Audit Partnership to complete the self-assessment in order for it to be brought back for consideration to the next meeting of the Committee.

58. STRATEGIC RISK REGISTER MONITORING REPORT

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

(i) summarised the latest formal monitoring exercise completed for the period September 2009 to February, 2010;

(ii) advised that the number of strategic risks reported remained at 36.

The Chair commented that a few of the risks centred around waste and landfill issues and suggested that it would be useful if the responsible department's Risk Champion could attend a future meeting to explain what measures were being put in place to mitigate this risk.

Resolved that –

(1) the current position with regard to the Strategic Risk Register be noted and endorsed;

(2) the appropriate Risk Champion be invited to attend a future meeting to address the Committee's concerns regarding to Risk References 55, 43 and 68.

59. **REVISED RISK MANAGEMENT STRATEGY**

The Director for Corporate Support submitted a Review of the Risk Management Strategy. A copy of the Strategy document 'hot off the press' in its new format was tabled for Members' information. The Committee was advised that –

(i)   the Strategy was still in proof form and may contain errors;

(ii)   the accompanying report highlighted –

- why such a Strategy was required
- that the revisions reflected the latest senior management restructure
- the main differences to the 2007 version
- the local and national drivers which could also include Financial Regulations

(iii)   the draft Strategy had also been circulated to Team Plymouth and the Council's Corporate Management Team (CMT).

A number of comments were made in respect of –

- identification of a grammatical error on page 150 under the heading 'Partnerships' where the word 'formerly' was used instead of 'formally'
- where overall responsibility for approval of the Risk Management Strategy lay
- adding a further bullet point to the Audit Committee's role and responsibilities on page 155 along the lines of 'checking robustness'

Resolved that the revised Risk Management Strategy be endorsed and recommended to Cabinet for approval.

60. **AUDIT COMMITTEE WORK PROGRAMME**

The Assistant Head of Devon Audit Partnership submitted the Audit Committee's Work Programme for April 2010 to March 2011. The Chair commented that she personally welcomed the training events which had recently taken place and would like to continue the momentum established. With this in mind, she proposed that provisional dates be scheduled for either January or February and that one of the areas to be covered should be risk management.

Resolved that the revisions to the Work Programme as outlined above be agreed.

61. **EXEMPT BUSINESS**

There were no items of exempt business.

CITY OF PLYMOUTH

Subject:	**Registration Service – Service Delivery Review**
Committee:	**Audit Committee**
Date:	**28th June 2010**
Cabinet Member:	**Cllr Ian Bowyer, Cabinet Member for Finance, Property, People and Governance**
CMT Member:	**Director of Corporate Support**
Author:	**Tim Howes, AD Governance and Democracy**
Contact:	tim.howes@plymouth.gov.uk; (01752) 305403
Ref:	**TH/Registration**
Part:	**1**

Executive Summary:

The delivery and administration of civil registration is a partnership between local government and the General Register Office (part of the Identity and Passport Service).

The General Register Office Delivery Partnership Unit (DPU) works with local authorities to review and improve service standards and to progress the modernisation of civil registration. The Unit also seeks to identify innovation and good practice within the service and to encourage its wider dissemination. In February 2010 a Service Delivery Review was undertaken at Plymouth City Council's Registration Service. The review evaluated Plymouth's services against the standards in the national Good Practice Guide, and provided an assessment of service performance (together with a summary of strengths and areas for improvements).

The review assessed the Statutory and Technical Standards within the service, together with Customer and Business Focus and evaluated the customer journey around accessing and utilising the service. It also examined the five underpinning Key Performance Indicators (KPIs) from the GPG and the local authority's associated monitoring systems.

The overall assessment shows that Plymouth is performing to a "Good" standard with regard to service provision, where the potential ratings are Excellent, Good, Fair or Weak. In terms of statutory standards the district has achieved a good overall rating against the Good Practice Guide which is underpinned by a sound technical knowledge of all registration activities and a good understanding of the associated legal requirements. While business planning is evident it is not currently informed by formal consultation with stakeholders and customers.

Corporate Plan 2010 - 2013:

The report and the Registration Service assist in the delivery of CIP 1 Improving customer service; CIP 4 Reducing inequalities between communities; CIP 13 Supporting council staff to perform better; and CIP 14 Providing better value for money.

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

There are no direct implications arising from this report.

Other Implications: e.g. Section 17 Community Safety, Health and Safety, Risk Management, Equalities Impact Assessment, etc.

There are no direct implications arising from this report

Recommendations & Reasons for recommended action:

The Committee notes the achievement of "good" in the service delivery review and the creation of a draft action plan to address the areas for improvement raised in the report.

Alternative options considered and reasons for recommended action:

None.

Background papers:

The background paper is the report which is attached hereto.

Sign off: comment must be sought from those whose area of responsibility may be affected by the decision, as follows (insert initials of Finance and Legal reps, and of HR, Corporate Property, IT and Strat. Proc. as appropriate):

Fin		Leg		HR		Corp Prop		IT		Strat Proc	
Originating SMT Member											

1.0 Background

1.1 In February 2010 the General Register Office Delivery Partnership Unit undertook a service delivery review of the Council's Registration Service. The report resulting from that inspection is attached.

1.2 The overall assessment of the service is a "Good" standard with regard to service provision, where the potential ratings are Excellent, Good, Fair or Weak. This assessment is derived from a marking frame which assesses performance against the Good Practice Guide for registration services and the associated technical quality. The underpinning marks for statutory and technical standards and customer and business focus show a rating of 'B' meaning that performance is good with a few minor improvements required.

1.3 The key strengths and innovations of the service were identified as:

- Timely birth and still birth registrations
- Prompt turnaround of all certificate applications
- A professional well organised workforce, which understands customer needs and delivers work to a good technical standard
- Effective marriage procedures with a robust checking system

The following were identified as areas of improvement since the last review in July 2007:

- Provision of a reception point on the ground floor
- A visible complaints and suggestions procedure is in place
- Offices locked when vacant and informants accompanied at all times
- Cashbook control and record procedures standardised across the office
- Nominated officer duties documented

1.4 The key recommendations from the review are:

- Improve the timely registration of deaths by engaging with the coroner and other stakeholders
- Introduce mechanism to assess availability of appointment times, and of waiting times on arrival at the register office
- Arrangements to ensure the prompt registration of coroners inquests need to be put in place. Additionally all incoming correspondence should be date stamped and associated actions documented so that a clear audit trail is in place
- Arrears of quarterly copy returns including outstanding uncertified entries on RON, need to be brought to order as a matter of urgency. Furthermore, procedures need to be established to ensure regular certification and submission takes place
- Emergency out of hours arrangements should be put in place
- The local authority should further develop the Service Delivery Plan which should be informed through customer and stakeholder consultation

1.5 A draft action plan has been created to address the key recommendations. Further work will be required to match the issues against resources to set appropriate timescales for implementation.

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Home Office

Identity &
Passport Service

THE REGISTRATION SERVICE PLYMOUTH

SERVICE DELIVERY REVIEW

CONTENTS

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INTRODUCTION

Background

1.1 The delivery and administration of civil registration is a partnership between local government and the General Register Office (part of the Identity and Passport Service). The Registrar General for England and Wales is the Chief Executive of IPS. In 2007 registration officers became local authority employees. This, together with the creation of a new governance framework, provided local authorities with greater responsibility and opportunities to develop the delivery of local registration services. To date some 70 local authorities have adopted the new governance arrangements, and formally committed to the national Code of Practice / Good Practice Guide (GPG).

1.2 The GRO Delivery Partnership Unit (DPU) works with local authorities to review and improve service standards and to progress the modernisation of civil registration. The Unit also seeks to identify innovation and good practice within the service and to encourage its wider dissemination. For local authorities that have yet to formally adopt the new governance arrangements, a Service Delivery Review (SDR) will be undertaken. SDRs evaluate local authority registration services against the standards in the national GPG, and provide an assessment of service performance (together with a summary of strengths and areas for improvements). A view is also provided of the local authority's preparedness for new governance

Terms of Reference

1.3 It was agreed that the review would assess the Statutory and Technical Standards within the service, together with Customer and Business Focus and evaluate the customer journey around accessing and utilising the service. It was also agreed that the five underpinning Key Performance Indicators (KPIs) from the GPG and the local authority's associated monitoring systems would be examined.

Methodology

1.4 The following methods were used to gather information, assess standards and measure performance against the Good Practice Guide:

- Examination of RON records and associated documentation
- observation of the registration of events, notice taking and ceremonies, and interviews with registration staff
- meetings with registration managers and other officers
- consideration of reports and statistics from the General Register Office (GRO)
- general observations, evaluation of customer comment and mystery shopping

The field work was carried out between 15 and 19 February 2010

Acknowledgement

1.5 The Local Government Delivery Partnership Unit would like to extend its thanks to all those who contributed to this review.

SUMMARY OF FINDINGS

2

Overall Assessment Rating

2.1   Plymouth Registration District has been rated as follows:

Statutory and Technical Standards → **B**

Customer and Business Focus → **B**

GRO Assessment → **Good**
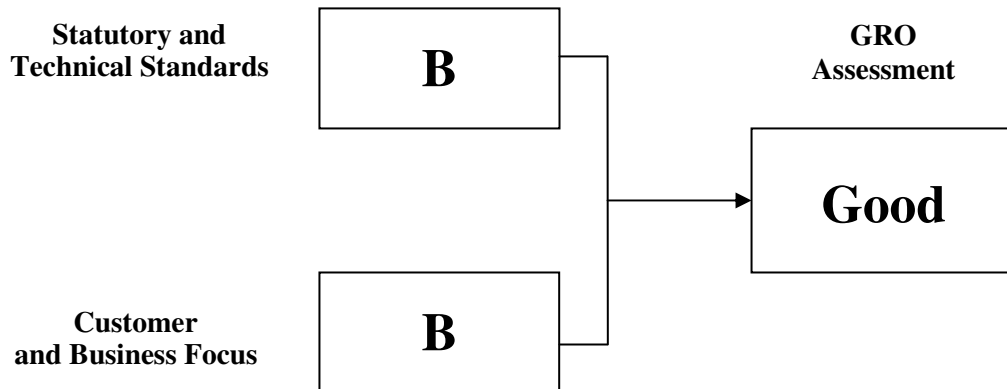
Background to Assessment

2.2   A previous service review was carried out in July 2007. Since this time the assessment methodology has been developed in line with a revised version of the Good Practice Guide for registration, which was published in May 2009. This version includes a broader range of non-statutory standards linked to business planning and development. Therefore, there is no direct correlation of markings between the two inspections.

Overall Assessment

2.3   The ratings show that Plymouth is performing to a good standard with regard to service provision. In terms of statutory standards the district has achieved a good overall rating against the Good Practice Guide which is underpinned by a sound technical knowledge of all registration activities and a good understanding of the associated legal requirements. While business planning is evident it is not currently informed by formal consultation with stakeholders and customers.

Statutory and Technical Standards

2.4   A professional and well organised workforce enables the district to produce a good standard of registration work. Register work is of good quality although better control of associated paperwork and the timely processing of inquests is required. The timely registration of births national standard is currently being exceeded but deaths are below the target level. Citizenship activity and the ceremonial business is effectively managed and delivered. There is good management and control of stock and registers. Certificate applications are processed quickly and efficiently. The timely certification and submission of quarterly certified copy returns (of register entries) to the General Register Office is an ongoing area of concern and some immediate action to bring returns to date is required.

Customer and Business Focus

2.5   Few complaints suggest that customer satisfaction is high. The district has sought customer feedback to further inform the position, but the results have not been compiled or published. Operational management of the service is sound and there is good communication between managers and staff. The staff appraisal scheme is effectively used to identify and address training and development needs. Performance monitoring is not widely undertaken and further development to enable measurement and evaluation would be useful.

SUMMARY OF FINDINGS

Preparedness for New Governance

2.6   As part of the approval process for new governance, which will allow greater freedom for local authorities to manage their registration service, there is a requirement to commit to a code of practice and to meeting the national standards contained within the Good Practice Guide. Plymouth have indicated their intention to move to new governance arrangements, but are yet to finalise a timescale. Most elements are already in place to enable this, but the local authority will need to ensure that its service delivery plan is informed through customer and stakeholder consultation and that monitoring mechanisms are in place for all the key performance indicators. A move to new governance arrangements within a year would not be unrealistic.

Key Strengths and Innovation

2.7   In delivering the service, Plymouth is successful in a number of areas including:

    i)   Timely birth and still birth registrations (*see 3.5*)

    ii)   Prompt turnaround of all certificate applications (*see 3.15*)

    iii)   A professional well organised workforce, which understands customer needs and delivers work to a good technical standard (*see 3.18, 3.19, 4.7 & 4.16*)

    iv)   Effective marriage procedures with a robust checking system (*see 4.6*)

2.8   In addition, the following have been identified as areas where improvements since the previous review are evident:

- Provision of a reception point on the ground floor
- A visible complaints and suggestions procedure is in place
- Offices locked when vacant and informants accompanied at all times
- Cashbook control and record procedures standardised across the office
- Nominated officer duties documented

Key Recommendations

2.9   The inspection has identified some key areas where action and development is required and these are listed below. <u>A number of these were also raised as issues at the previous inspection</u>.

    i)   There is an immediate need to improve the timely registration of deaths by engaging with the coroner and other stakeholders (*see 3.6 - 3.8*).

    ii)   Introduce mechanism to assess availability of appointment times, and of waiting times on arrival at the register office (*see 3.10 - 3.11*)

    iii)   Arrangements to ensure the prompt registration of coroners inquests need to be put in place. Additionally all incoming correspondence should be date stamped and associated actions documented so that a clear audit trail is in place (*see 4.4*)

    iv)   Arrears of quarterly copy returns including outstanding uncertified entries on RON, need to be brought to order as a matter of urgency. Furthermore, procedures need to be established to ensure regular certification and submission takes place (*see 4.10 - 4.12*)

    v)   Emergency out of hours arrangements should be put in place (*see 6.6*)

    vi)   The local authority should further develop the Service Delivery Plan which should be informed through customer and stakeholder consultation (*see 5.7*).

The local authority should also review areas of development at the end of each Chapter.

KEY PERFORMANCE INDICATORS

Key Performance Indicators (KPI's)

3.1 Whilst service delivery is measured against the Good Practice Guide as a whole, it is recognised that there are five underpinning Key Performance Indicators.

3.2 As part of the annual reporting process under New Governance arrangements, local authorities are specifically required to report on performance against these Indicators.

3.3 The table below shows the current position for Plymouth against the national standards.

KEY PERFORMANCE INDICATORS			
Key Indicators	**Monitoring mechanisms in place**	**Standard attained**	**Performance rating**
1. Events registered within statutory timeframe i) 98% of Births registered within 42 days ii) 98% of Still-births registered within 42 days iii) 95% of Deaths registered with 5 days	**Yes** Data extracted from RON (GRO)	99% 100% 81%	**Met** **Met** **Not met**
2. Average waiting times for registration and notice taking. i) 95% of customers to be able to obtain an appointment for business as follows: Births/declaration – 3 working days; Deaths/still births/declaration – 2 working days; Marriage/CP notice 5 working days.	**Yes** Manual system in place	100%	**Met**
ii) 90% of customers for birth, still-birth and death registration/declaration and marriage/civil partnership notice seen within 10 minutes of appointment time	**No**	Not recorded	**Met** (based on observations during inspection)
3. Certificate applications 95% of applications dealt with within 5 days of receipt	**Yes**	100%	**Met**
4. 90% of customers satisfied (evidenced from response to customer satisfaction surveys and actual number of returned forms)	**Yes**	Figures not collated	**Not met**
5. Total number of formal complaints received (less than 0.5% as a % of all registrations)	**Yes** Records of complaints kept by RO	Less than 0.1%	**Met**

3.4 The district has monitoring mechanisms in place for three of the key performance indicators. The following paragraphs further detail the findings in relation to the KPIs.

KPI 1 - Events registered within statutory timeframe

3.5 Speed of registration performance data for Plymouth has been available electronically since the district returned to the computerised RON system in June 2009. For the period June to January, Plymouth has achieved a very good level of performance with regard to the timely registration of births and still births and at 99% is currently exceeding the national standard of 98%.

3.6 During the same period 81% of deaths were registered within the 5 day statutory timescale, which is some way short of the national standard of 95%.

KEY PERFORMANCE INDICATORS

3 *continued*

3.7 In the case of Plymouth the delay appears to be mainly caused by deaths referred to the coroner which accounted for 53% of the events registered. The high number of referrals is linked to the local hospital being a teaching establishment with new doctors taking up post every 6 months. Just under a third of the referred deaths were registered outside the statutory timescale. In this respect routine engagement with the coroner is recommended to facilitate a more timely flow of paperwork.

3.8 Other reasons identified as contributory to the low timeliness figure included:
- relatives needing to travel from outside of the district
- cases where relatives could not be contacted
- informant delays in making an appointment

To help progress these issues it would be useful to liaise with bereavement service stakeholders, which could help to raise awareness of the timeliness requirements linked to registration.

3.9 Incoming coroner's paperwork is handled by the ground floor reception staff who record receipt in a log, file paperwork, and add the appointment details when made. This log is accessible to all staff. It was reported that the nominated officer regularly checks the log and when paperwork is available follows up with the coroner or hospital if no appointment has been made (to try to locate an informant). However, this practice is not documented in the nominated officer instructions and does not seem to be carried out by all. As such we recommend that the follow up procedure be documented and formalised.

KPI 2 - Average waiting times

3.10 During the period of inspection customers were able to obtain appointments to register births and deaths, or give notice of marriage or civil partnership, within the national standards. Given that Plymouth is a Designated Register Office for taking notices from non-EU nationals serving a large geographical area across the South West, this is a good achievement. However, no formal monitoring of appointment availability has been undertaken. This is key to assessing service accessibility and should be introduced.

3.11 Similarly, no monitoring of customer waiting times on arrival at the office is undertaken. Observations during the review did though show, that in line with the national standard, customers were attended to within 10 minutes of their appointment time. We recommend a formal logging system be introduced.

3.12 Customers attending without appointments are offered an appointment to return or the opportunity to wait to be seen by the nominated officer.

3.13 The local authority planned to introduce an automated booking system soon after the last inspection but this did not come to fruition. There are now plans to introduce one in the next financial year. Other local authorities who use automated systems are also using them to collect performance information, which enables them to measure against the key performance indicators in the Good Practice Guide.

KEY PERFORMANCE INDICATORS

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3 *continued*

KPI 3 – Certificate applications

3.14 Customers can apply for certificates through the post, by telephone, e-mail, or in person. Currently there is no on-line certificate service, although the local authority is exploring the possibility of offering the facility. Such a service has been introduced in other local authorities and feedback shows that these are appreciated by customers, as well as helping to streamline wider arrangements around certificate processing.

3.15 A manual system is in place to deal with receipt and clearance of certificate applications. The applications are processed in order of receipt. The office supervisor monitors production and additional resource is used to ensure the 5 day turnaround is met.

3.16 A priority service is in place for customers wishing to receive their certificates within 24 hours and these applications are held separately. An additional charge of £5 is levied for this service. It is not clear on what basis a fee over and above that provided by statute is being charged. We are informed that these additional charges have been introduced under the fee raising powers of the Local Government Act 2003.

KPI 4 – Satisfied customers

3.17 Customer surveys are in place to gauge customer satisfaction levels for births and deaths, marriage and civil partnership business. However, the overall results have not been scrutinised or published to date, so the satisfaction rate is unknown. We recommend that results are collated and publicised.

3.18 Registration service customers are able to make comments about the service via the local authority's corporate scheme "have your say", which is advertised both on the website and in the Register Office. Plymouth has received many cards and letters complimenting and praising the service provided. A customer comments folder, at the reception desk, is also available for feedback. This feedback, which could usefully highlight the good service provided, is not currently publicised and we recommend that these results are made available to the public.

3.19 During the inspection, officers were observed as being professional, polite, sympathetic, and helpful when dealing with the public either face to face or over the telephone.

KPI 5 – Formal complaints

3.20 There have been four formal complaints received by the registration service over the past twelve months. These were handled by the Superintendent Registrar.

3.21 The local authority's "have your say" process also provides an avenue for customers to make a complaint. There is a clear link on the registration home page to the complaints procedure. We see this as an important part of engaging with the public.

KEY PERFORMANCE INDICATORS

3 *continued*

Strengths and Innovations	Areas for development
• Timely registration of births and stillbirths • Customers seen quickly on arrival at the office • Appointment slots available to facilitate the timely giving of notice (including DRO) • Quick turnaround of certificate applications • Good understanding by staff of needs of customers • Positive customer feedback received via "have your say" process and letters of praise • Few customer complaints	• Improve awareness of registration targets by routine engagement with the coroner and other stakeholders • Introduce system to monitor appointment availability • Introduce system to monitor customer waiting times when attending the office • Consider introducing an 'on line' certificate application system • Compile and publicise customer feedback

STATUTORY AND TECHNICAL STANDARDS

4

Statutory standards

4.1 The following table summarises performance against the statutory standards contained within the Good Practice Guide by key activity. A full analysis is provided at Appendix B.

GOOD PRACTICE GUIDE SUMMARY TABLE				
Category	**Number of Standards**	**Compliant**	**Non compliant**	**Compliant %**
Birth and death activity	11	7	4	64
Marriage and civil partnership activity	7	7	0	100
Records, returns and certificates	7	5	2	71
Citizenship activity	3	2	1	67
Overall	**28**	**21**	**7**	**75**

4.2 Currently, Plymouth is achieving three quarters of the statutory standards within the Good Practice Guide. Statutory areas for development include the timely registration of deaths and the timely certification and submission of quarterly copies.

Birth and death activity

4.3 Commentary on the timely registration of events and inquests is included in Chapter 3.

4.4 The collection of information, scrutiny of medical certificates and issue of burial and cremation forms is performed to a good standard. Inward declarations, corrections, and inquests are generally processed quickly but as these documents are not always marked as received on arrival it has been difficult to fully assess performance in these areas. Outward declarations were sent on the same day the declaration was taken. Some inquests for which the receipt dates were logged were registered between 6 and 8 days after arrival at the office. This is well outside of the national standard which requires registration on receipt and arrangements to ensure the timely registration need to be put in place. Additionally, it is recommended that all incoming documentation be date-stamped thereby improving audit trails and the monitoring of standards.

4.5 Births informants who have not registered their event within 42 days are required to be requisitioned. The national model allows mothers to be reminded of the need to register at four weeks and then formally requisitioned after 42 days (if required). Within Plymouth both stages of the follow up process are carried out if necessary.

Marriage and civil partnership activity

4.6 There are sound procedures in place to ensure marriage/civil partnership business is carried out in accordance with legislation. Post-notice action is completed to a good standard with documentation fully labelled and filed systematically. Checks are in place to ensure marriage authorities can be properly issued and outstanding documentation chased on a regular basis.

STATUTORY AND TECHNICAL STANDARDS

4 *continued*

4.7 Observations of registrars attesting notices of marriage and conducting pre-marriage interviews highlighted a good standard of questioning and knowledge of necessary checks. Two ceremonies observed during the inspection were carried out in a professional, friendly manner. Both involved minor complications which the staff dealt with well, displaying a good standard of technical knowledge and excellent customer care skills.

4.8 The electronic registration of civil partnerships is compliant with national standards.

4.9 The Proper Officer has overall responsibility for the licensing of approved premises but the administration is dealt with by the Superintendent Register. A highlighted spreadsheet on display in her office alerts staff to forthcoming renewals. An automated reminder system is also in place to ensure licences due to expire are followed up.

Records, returns and certificates

4.10 The district continues to be tardy in submitting Quarterly Certified Copies (QCCs) of registration entries to GRO. Over the last year birth and death returns were late in each of the four quarters. Plymouth only returned to using the RON computer system in mid 2009 yet already some 4600 entries are listed as uncertified, which is well over 90% of registrations. These need to be certified by the superintendent registrar and cleared to GRO as a matter of urgency.

4.11 Until the original paper record has been checked by the superintendent registrar it can not be locked onto the computer system as a true and accurate copy of the original entry. As a consequence, where certification is delayed there is no contingency should anything untoward happen to the original paper record. Where uncertified records are lost or stolen the event usually has to be registered afresh, causing significant inconvenience for informants and additional work for the office. In other districts arrangements have been put in place to ensure that copies are checked and locked as true copies on a daily or weekly basis, this work is often shared between several officers acting as deputy superintendent registrars.

4.12 The submission of marriage returns from the clergy and authorised persons have also been late on a regular basis. It is important that this work is undertaken in a timely fashion and this too needs to be addressed as a matter of urgency.

4.13 Commentary on certificate applications and processing is included in Chapter 3.

Citizenship activity

4.14 The administration of Citizenship Ceremonies is undertaken within the registration service. There are effective working procedures in place with new citizens being offered a ceremony within the statutory timescale. Notification of the ceremony taking place is reportedly sent to the Home Office on the day the ceremony takes place but there was no evidence in place to support this and we therefore recommend that an audit trail is put in place.

STATUTORY AND TECHNICAL STANDARDS

4 *continued*

4.15 Citizenship Ceremonies take place every month. Public ceremonies are held in the Council House and private ceremonies in the register office's ceremony room. The ceremony is performed by the Superintendent Registrar or her deputy with the Lord Mayor normally in attendance at group ceremonies. A medal is presented to the citizens as a memento of the occasion.

Technical standard

4.16 The overall standard of technical work within the register office is good, although some issues raised at the last inspection feature again in this report and should be addressed, such as providing a clear audit trail, giving customers an overview of the registration process and recording full descriptions in register entries. A summary of technical findings can be found at Appendix D. This includes a short list of development needs that should be taken forward by the registration manager. There is a need for some officers to be more organised when dealing with post-registration paperwork. Examples were found of paperwork incorrectly or haphazardly filed including - a birth entry filed in a death register, marriage notices and authorities randomly placed on repository shelves and incorrectly filed coroner's paperwork.

Stock and security

4.17 Stock and registers are appropriately secured within the office. An electronic cashbook has been implemented since the last inspection which allows standardised accounting to take place, with cashbooks completed on a daily basis. Early last year a detailed check of the certificate stock held and recorded as used was made against the records held by the General Register Office and all was accountable. Offices are locked when vacant. A summary of findings together can be found at Appendix E.

Strengths and Innovations	Areas for development
• Good level of technical competence among staff • Post registration paperwork in good order with effective follow up procedures • Good control of processes relating to marriage and civil partnership paperwork • Effective control of the Approved Premises approvals. • Citizenship activity organised and effectively delivered.	• Arrears of QCC returns to be certified and submitted to GRO as a matter of urgency • Introduce process to ensure the ongoing timely certification and submission of QCC returns • All incoming paperwork to be date stamped on receipt and subsequent actions recorded • Procedures around the timely registration of inquests need to be reviewed • Review the process for filing post-registration paperwork

CUSTOMER AND BUSINESS FOCUS

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Customer and business focus

5.1 The following table summarises performance against the non-statutory standards contained within the Good Practice Guide by key activity. A full analysis is provided at Appendix C. *(Appendix A provides a district profile outlining demographics and business volumes.)*

GOOD PRACTICE GUIDE SUMMARY TABLE					
Category	**Number of Standards**	**Fully Attained**	**Mostly Attained**	**Partly Attained**	**Not Attained**
Customer service	7	2	1	4	0
Business continuity and resources	2	1	1	0	0
Leadership	6	1	3	2	0
Training and development	7	1	0	4	2
Overall	**22**	**5**	**5**	**10**	**2**

Customer service

5.2 Initial contact for customers is through the ground floor reception point at the register office, which has been installed since the last inspection. This provides a welcome front office service before customers are directed to the upstairs waiting area to wait for their appointment.

Business continuity and resources

5.3 Overall and strategic responsibility for civil registration in Plymouth lies with the Director for Corporate Support, in his capacity as Proper Officer for Registration matters. At an operational level, the service is headed by the Registration Manager who is also the Superintendent Registrar. Her duties include - business planning, office performance monitoring, day to day management of work and staff management. She is assisted by an Additional Superintendent Registrar who has responsibility for ceremonial business.

5.4 A comprehensive Business Continuity Plan is in place which includes plans for timely communication with customers and stakeholders in the event of an incident. A rota system is in place to inform staff of their forthcoming duties

5.5 Most of the core registration staff have been trained to perform all statutory duties. In addition to this there is a pool of seven deputies, all of whom can perform birth, still-birth, and death registrations. Two of these deputies are also able to attest notices.

5.6 The registrars carry out nominated officer duties on a rota basis. The duties covered include birth requisitions, incoming birth declarations, death registrations from coroner's paperwork, birth re-registration applications, walk-in registrations and submitting weekly returns. Nominated officer instructions are held in a folder and passed to the registrar carrying out the duties.

CUSTOMER AND BUSINESS FOCUS

5 *continued*

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Leadership

5.7 The registration service has a service delivery plan which feeds into the corporate system linking roles and responsibilities to the corporate strategies and drivers. However, the plan is currently not informed through customer and stakeholder consultation and this will need to be addressed. The plan also needs to be developed to encompass the key registration standards as detailed within the Good Practice Guide. Consulting, monitoring and measuring performance will help Plymouth to better understand its customer needs and strengthen a move towards a new governance arrangement.

5.8 During recent years there has been a high turnover of staff and the Registration Manager has needed to concentrate on staff development and introducing new systems rather than moving the service forward in line with the modernisation of registration agenda and towards the associated new governance arrangements. The service delivery plan does however highlight the local authority's intention to adopt new governance arrangements in due course.

5.9 Formal staff meetings are held weekly at different times to ensure that all staff have the opportunity to take part.

5.10 The Registration Manager regularly attends the Regional Management Group meetings. This group offers the opportunity to share good practice, network and be involved in the developing national agenda.

Training and development

5.11 Staff are fully integrated into the local authority's staff appraisal scheme. Annual appraisals set objectives and identify development needs which are reviewed at mid year.

5.12 Training is carried out by experienced staff using one to one training, shadowing, supervised registrations, role play, and external courses. The district does not currently play an active part in the South West Regional Training Group, although they engage through correspondence. This group brings training skills and resources together and develops training modules for use across the region. Additionally, the regional group links into the national forum, which provides a valuable steer for regional groups and wider links to training materials. Active participation within the regional group would be beneficial.

Strengths and Innovations	Areas for development
• Clear line management structure and appraisal system in place • Regular staff meetings held and effectively used to communicate key issues	• There is a need to seek and analyse customer and stakeholder opinion regarding service provision • Incorporate the key registration standards within the service delivery plan • More actively engage and participate with the regional training group

CUSTOMER JOURNEY

6

Customer experience

6.1 In addition to the analysis provided at Appendix F and generally throughout the report, the following paragraphs provide more information regarding the customer journey within Plymouth.

Facilities

6.2 The registration service operates from one central service point and is available within normal business hours. It also remains open until 6pm on a Tuesday evening. There are good local bus links to the city centre, which is just a short walk away. On site parking is also available.

6.3 There is a good range of facilities available at the register office. These include choices of ceremony rooms, a garden area which provides good photographic opportunities, baby change facilities and public toilets. Reasonable adjustments have been made to the building to make it DDA compliant, which include a lift to the first floor, a low counter, and disabled toilet facilities.

6.4 The adaptation of the accommodation to include a reception point on the ground floor offers a welcome at first point of contact. The ceremony rooms and spacious waiting area, also on the ground floor, are in a good state of decoration and provide pleasant surroundings for marriage customers. In contrast the first floor waiting area for registration customers is rather drab and the general appearance of the building is dated.

Reception

6.5 Two officers covering the reception answer the telephone, greet customers, make appointments, give advice, and deal with some certificate production. When both telephone lines are in use calls are redirected to the first floor reception/general office area where customers will be dealt with or a message call back form completed.

6.6 There is no facility through the main office telephone number to leave messages outside business hours, and emergency arrangements are only in place during public holiday periods, when callers are directed to the local authority emergency number. The Superintendent Registrar or her deputy can be contacted by the police or hospital for Registrar General's licences. The local authority plans to introduce an automated telephone information service and we recommend that when the system is upgraded it includes a message facility as well as emergency contact details for all contingencies.

6.7 Customers are requested to signal their arrival at reception on the ground floor, prior to moving to the first floor waiting area. The reception staff advise registrars that their customers have arrived.

6.8 As part of this service review, a telephone 'mystery shopping exercise' that explored a variety of registration scenarios was undertaken. Staff at the Register Office were described as generally courteous, helpful, and knowledgeable. Comprehensive, friendly advice was provided to a birth registration query, certificate application enquiry, and request for probate details. However, queries relating to a death registration and a marriage were reported as being dealt with rather brusquely.

CUSTOMER JOURNEY

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6 *continued*

Information

6.9   There is a good range of local information for customers visiting the Register Office which includes information on ceremonies, certificate production, and the customer comments, suggestions, and complaints procedure. Registration pages on the local authority website provide a range of information, although the requirement to register deaths within 5 days is not listed. The inclusion of this information may help to secure more timely death registrations.

Strengths and Innovations	Areas for development
• Good customer access to the registration service • Professional and courteous staff • Steps taken to ensure DDA compliancy of building • Good promotion of non-statutory services	• Review information available on statutory services • Improve arrangements around out of hours and emergency contact with the service

APPENDIX

A DISTRICT PROFILE

Demographic	
Governance	Unitary Authority
Formation	1998
Population	250,000 (*2008 population estimates*)
Size	80 sq km
Region	South West
Main hospital	Derriford Hospital, Plymouth

Access and facilities	
Location of Register Office	Central; good transport links
Other Service Points	None
Car parking	Free on site
Gardens	Fenced garden within Register Office Grounds and nearby tended grassed area
Opening hours	**Register Office:** Monday, Wednesday, Thursday 9am -5pm Tuesday 9am - 6pm Friday 9am – 4.30pm
Ceremony Rooms	2
Approved Premises	20
Designated RO	Yes

Business Volumes

Births	4842	Marriages	730
Deaths	3278	Civil Partnerships	34
Still-births	28	SR Certificates issued	7533
Marriage Notices	2346	Citizenship ceremony attendees	259
CP Notices	60	Birth Declarations	28

Staffing profile (core staff)

Local Structure	Statutory postholder (scheme)
Registration Manager (1)	Superintendent Registrar (1)
	Additional Superintendent Registrar (1)
Registrar of Births and Deaths/Deputy Superintendent Registrars (4)	Registrar of Births and Deaths (4)
Registrars of Births and Deaths (1)	Registrar of Births and Deaths (1)
Additional Registrar (1)	Additional Registrar (1)

APPENDIX

B GPG ASSESSMENT OF STATUTORY STANDARDS

1. Birth and death activity		
Task & Statutory Requirement	**National Standard**	**Findings**
All births accurately registered within 42 days. (**KPI 1**)	98% registered within 42 days of birth	**Compliant -** *99% attained*
All still-births accurately registered within 42 days. (**KPI 1**)	98% of still-births registered within 42 days	**Compliant –** *100% attained in 2008/09*
All deaths accurately registered within 5 days (except deaths following an inquest). (**KPI 1**)	95% of deaths registered within 5 days of occurrence	**Non-compliant -** *81% attained*
All deaths after inquest accurately registered on receipt of the coroner's certificate. (**KPI 1**)	90% to be registered on day of receipt of coroner's certificate.	**Non -Compliant –** *earliest registered day after, some a number of days after receipt*
Completed forms of declaration (birth, still birth & death) sent to receiving authority for registration on receipt	Completed outward declarations accurately completed and sent to receiving authority on the same day	**Compliant -** *post book shows date sent same day that declaration is made*
Inward declarations promptly processed.	90% of incoming declaration registered within 24 hours of receipt	**Compliant**
Requisitioning of responsible person to attend registrar's office and register birth.	Procedure in place for reminding of outstanding registration after 28 days and issuing formal requisition after 42 days.	**Compliant –** *Nominated Officer carries out this function*
Scrutiny of medical certificate of cause of death and reportable deaths referred to Coroner prior to registration.	Referral to coroner followed up by completion of form 52	**Compliant –** *cases referred with form 52 being issued*
All relevant statistical information requested and recorded.	Basis of request for information clearly explained to customers	**Non-Compliant –** *questions not always clearly explained*
Burial or cremation certificates accurately completed and issued at the appropriate time	Relevant documents issued.	**Compliant**
Applications for corrections and re-registrations processed and effected in accordance with statute	90% of applicants offered appointment within 7 working days of Registration Officer receiving GRO notification. Corrections accurately carried out.	**Non-compliant -** *Incomplete evidence to suggest timescale is being met*

2. Marriage and civil partnership activity		
Task & Statutory Requirement	**National Standard**	**Findings**
Taking notices of marriage or Civil Partnership to allow event to take place as planned.	Couples able to give notice in time to allow the marriage or civil partnership to take place as planned	**Compliant**
Accurate completion and processing of notices in accordance with legal requirements.	Preliminaries to Marriage and Civil Partnership completed in accordance with legal requirements.	**Compliant**
For ceremonies, the provision of a room within the register office to accommodate the couple and two guests for statutory fee.	Room identified on plan approved by the RG. Couples offered choice of words of declaration and contract provided for in legislation	**Compliant**

APPENDIX

B *continued*

Marriages registered immediately following the event.	Marriages accurately recorded immediately after event.	**Compliant**
Civil Partnerships recorded onto RON within 2 working days of formation.	Civil Partnerships recorded onto RON within 2 working days of the formation.	**Compliant** - *100% achieved (Sample Apr 2008 – Mar 2009)*
Approved premises applications processed in accordance with Marriages and Civil Partnerships (AP) Regulations 2005	Procedures in place for approval process to be managed.	**Compliant**
Local authority maintains the Approved Premises register	Controls in place to manage the expiry and renewal of licences	**Compliant** – *register maintained by Registration Manager at RO.*

3. Records, returns and certificates

Task & Statutory Requirement	National Standard	Findings
Quarterly copies certified and submitted to RG within 28 days of the end of the relevant quarter.	All returns made in accordance with statutory requirements and timescales	**Non-compliant –** *returns outstanding for last 5 quarters*
Occasional copies of corrected entries not on RON submitted within 7 days of correction	All returns made in accordance with statutory requirements and timescales	**Non-Compliant –** *Incomplete evidence to suggest timescale is being met*
Notifications to Health Authority, tax, electoral and education authorities, and to Local Safeguarding Children Boards made in accordance with statutory timescales	All returns made in accordance with statutory requirements and timescales	**Compliant**
Suspected sham marriages or civil partnerships reported to Home Office	All returns made in accordance with statutory requirements and timescales	**Compliant** – *although low rate of suspected sham marriages has meant few reported over recent years*
Registers to be kept in repository approved by the Registrar General	Registers stored to prevent deterioration and in secure and accessible location.	**Compliant**
Index to be prepared and made publicly available for deposited registration records	Provide public access to indexes on request.	**Compliant**
Certificates from entries in deposited registers issued in response to application **(KPI 3)**	95% of applications dealt with within 5 working days of application being received.	**Compliant** – *100% achieved.*

4. Citizenship activity

Task & Statutory Requirement	National Standard	Findings
Provision of or make arrangements for premises where citizenship ceremonies may be held.	Premises available for ceremonies.	**Compliant**
Ceremony must take place within 3 months of approval and must be conducted by a superintendent registrar or deputy.	Ceremony held within 3 months of applicant being informed that application has been successful. (See also good practice brochure).	**Compliant**
Citizenship certificates to be dated correctly and notification sent to Home Office within 14 days.	Citizenship certificate accurately completed and notification sent to within 14 days of the ceremony.	**Non-Compliant** - *no evidence to suggest standard is met*

APPENDIX

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C GPG ASSESSMENT OF NON-STATUTORY STANDARDS

1. Customer service

Key Activity & National Standards	Level of attainment and comments
1.1 Customer Satisfaction (KPI 4) 90% customer satisfaction level. Surveys undertaken to cover satisfaction with service access and availability; areas of service delivery dissatisfaction identified and acted upon; results published	**Partly attained** –*customer surveys in place to gauge satisfaction levels but results not compiled or published*
1.2 Compliments and Complaints (KPI 5) Formal complaints received to be less than 0.5% of registration activities; clear, visual Compliments and Complaints policy in place; results published annually.	**Mostly attained** – *for 2008/2009 there were 4 complaints recorded; procedure to complain available via council's website but visibility at the register office should be enhanced. No results published*
1.3 Consultation Public views used to inform Service Delivery Plan; public/staff consultation strategy in place and reviewed.	**Partly attained** – *no formal engagement with public and stakeholders has taken place*
1.4 On arrival - waiting times (KPI 2a) (ii) *Those offices with appointment system* 90% of customers seen within 10 minutes of appointment time	**Partly attained** – *Observations during the inspection showed that all customers were seen within 10 minutes of their appointment. No formal records kept*
1.5 Waiting Times for Appointments (KPI 2a) (i) 95% of customers to be able to obtain an appointment for business as follows: Births/declaration – 3 working days; Deaths/still births/declaration – 2 working days; Marriage/CP notice 5 working days. Customers without an appointment able to complete their business on the day if they choose to wait	**Fully attained** – *Appointments available within the statutory timescales* *Very few walk in customers, but they are seen by the nominated officer.*
1.6 Information about Services provided Available for statutory and non-statutory functions; in corporate format and obtainable at appropriate outlets; reviewed on a regular basis	**Fully attained** –*information available on the website, range of material displayed in public areas at the Register Office*
1.7 e-facilities Up to date and informative web site; credit/debit card payment facilities; e-appointment booking system in place	**Partly attained** – Up to date website, *but no automated booking system , or credit/debit payment facilities available*

2. Business continuity and resources

Key Activity & National Standards	Level of attainment and comments
2.1 Business Continuity Business Continuity plan in place linked to corporate policy and other key stakeholders; staff awareness of plan; business critical levels agreed with IT; reviewed and tested regularly; Risk Register in place	**Fully attained** – *BCP in place relating to Register Office activities, linked to corporate policy and other key stakeholders*
2.2 Resources Sufficient levels of appropriately trained staff employed to meet service delivery plan commitments.	**Mostly attained** - *most key staff trained in all registration duties. Temporary staff currently cover 2 vacancies. There is no dedicated training officer*

3. Leadership

Key Activity & National Standards	Level of attainment and comments
3.1 Developing a direction for the Service Clear statement of Service Aims and Objectives ("Mission") with objectives linked to council vision. Annual Service Plan informed through customer and staff consultation; reviewed to identify success and failure; service leaders engaged in processes/activities; aware of national agenda; staff management undertaken; proper financial control	**Mostly attained** – *vision in place to move service forward. Staff appraisal system, electronic accounting system and audits in place. Customers/stakeholders need to feed into formal Service Plan.*

APPENDIX

▬C *continued*

3.2 Engagement with customers and key partners External partners identified and engaged with; account taken of feedback/comments; Elected members involved	**Partly attained** – *partners identified and meetings held with them although feedback and views need to be sought*
3.3 Developing an appropriate culture/leading by example Clear values and behaviours in place and used when making decisions affecting staff, customers and key partners; action taken when behaviours and decisions not in accordance with the values for the Service; staff trained on fairness and diversity issues	**Fully attained**
3.4 Managing Change Service leaders aware of factors affecting service delivery; change communicated to staff; staff engaged in designing changes and improvements to service delivery; changes managed effectively	**Mostly attained –** *good lines of communication in place; Opportunities identified and consultations with staff made to develop service. Individual or group projects carried out and reported back through staff meetings, presentations. Monitoring of success has been sporadic.*
3.5 Managing Systems Systems in place to collect, collate and provide leaders with information regarding the achievement of objectives and delivery of service plans; clear roles and responsibilities for staff; effective succession plan in place.	**Mostly attained** – *Clear roles and responsibilities in place for staff; some manual monitoring systems in place. A structured staff development system is in place which provides progression opportunities for staff.*
3.6 Improving Performance Service is designed/structured to deliver continuous improvement within available resources; performance standards and team targets in place and communicated to staff; Guide to Good Practice is used to evaluate and improve key processes/practices; responsive to internal and external audit reports.	**Partly attained** – *Service Delivery Plan lists improvement priorities and other planned projects. GPG is used to set standards. Some development needs identified in previous Service Delivery Inspection are still an issue*

4. Training and development

Key Activity & National Standards	Level of attainment and comments
4.1 Induction Corporate and registration induction in place and evaluated	**Partly attained –** *Induction training is provided. Registration functions to be formalised. Training not currently evaluated.*
4.2 Identify and plan training needs – current and future Training plans in place for both existing staff and new starters which identifies skills required to undertake work and development needs; effective delivery of training; review of training needs; training delivered for new legislative changes; aware of GRO instruction.	**Partly attained** – *induction training for new starters is in place. Training plan has not been formalised*
4.3 Delivery methods Developmental activities include work shadowing, cascade training, mentoring and internal discussion groups.	**Fully attained**
4.4 Access to or appoint competent trainer Access to corporate and/or service training officer.	**Partly attained** – *Trainers identified for new staff from experienced members, but no dedicated training officer in post. Training bought in from other districts.*
4.5 Evaluation, and records of training Corporate training record; staff are set annual objectives against which performance is reviewed; staff aware of their role and responsibility	**Partly attained** – *performance appraisal system in place but there are no corporate training records*
4.6 Active regional training group Participate in a regional training group.	**Not attained** – *South West Regional Ttraining group provides information on its activities but Plymouth are not represented at the meetings*
4.7 Sharing of good practice Sharing ideas and good practice within training group. Training as a standard item on team meetings	**Not attained**

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D ASSESSMENT OF TECHNICAL DELIVERY AND PROCESSES

The tables below grades technical performance against the key activities within the registration process at an office-wide level. Where appropriate, development needs have been recorded.

Markings: 4 = *Fully compliant;* 3 = *Mostly compliant*; 2 = *Partly compliant;* 1 = *Non-compliant*

MARRIAGE AND CIVIL PARTNERSHIP (PART 1) TECHNICAL ASSESSMENT OF NOTICE PROCEDURES	Mark
Customer process from point of arrival to start of registration	4
Customers fully and consistently advised as to the documentation required for giving notice	4
Couples interviewed separately	4
Preliminary questioning to ensure marriage/ CP notice could be completed	4
Explanation of process given and due procedure followed	4
Questioning full, open and properly directed throughout	4
Names, aliases and ages properly sought, checked and recorded.	4
Condition properly checked and details recorded.	4
Places, addresses and residency fully checked/ recorded.	4
Current marriage/ CP venue thoroughly checked and details accurately recorded	4
Occupations detailed - expanded as required.	4
Relationships ascertained	4
Nationality thoroughly checked	4
Appropriate Notice declarations completed	4
Notice checked and serious nature impressed before signing; first notice properly attested before commencing second notice	4
Appropriate advice given regarding notice period, display, issue and collection	4
Suspected sham marriages being reported to the Home Office	4
Notices entered and displayed according to statutory requirements	3
Comparison and information copy action accurately undertaken	4
Effective process in place to ensure the issue of SR's Certificate of Marriage/ Schedule	4
Effective and efficient use of time and systems at notice attestation and ceremonies	4

MARRIAGE AND CIVIL PARTNERSHIP (PART 2) TECHNICAL ASSESSMENT OF CEREMONY AND REGISTRATION DUTIES	Mark ⬇
SR's Certificate for Marriage and CP Schedules checked for validity	4
Venue/ room meets prescribed requirements	4
Couples clearly established at outset of pre marriage / CP interview	4
Questioning full and direct throughout	4
Amendments to couples details recorded on reverse of own SR's Certificate	2
Established procedure between interviews and ceremony	4
Ceremony conducted in line with statutory requirements	4
Register entry completed in line with statutory requirements	4
Correct procedure followed for all types of corrections	4
Associated paperwork in order (e.g. Widows cards)	2
Marriage QCCs actioned in accordance with GRO instructions	1
Marriage indexing is up to date	4

APPENDIX

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■ **D** *continued*

BIRTH, STILL-BIRTH AND DEATH TECHNICAL ASSESSMENT OF REGISTRATION PROCEDURES AND DUTIES	Mark
Customer process from point of arrival to start of registration	4
Checks made to effect registration (e.g. Medical Certificate Cause of Death)	4
Relationships and qualification to register clearly established at outset	2
Customers advised regarding parental responsibility, re-registration and registration utilising father's name (where applicable)	4
Questioning full and open throughout	3
Names and aliases properly sought and recorded	4
Age and marital condition properly sought and recorded	4
Places and addresses properly collected and recorded	3
Detailed recording of occupations (expanded where required)	3
Statistical questions properly introduced and explained to customers	2
All statistical data collected	4
Review of Information: Details checked by informants and correctly signed off	4
Appropriate birth and death documentation issued and explained at end of registration	4
Loose-leaf register in order (accurate, complete and in sequential order)	3
Ancillary duties fully completed (e.g. Greens, F111s, CONL)	4
Deaths referred to Coroner as appropriate (Form 52 completed)	4
Statutory returns actioned appropriately	4
Declaration and Re-registration process actioned appropriately and accurately	4
Correct procedures followed for all types of corrections	4
Requisition process followed	4
Birth, Still-birth and Death QCCs actioned in accordance with GRO instruction	1
Effective and efficient use of time and systems during registrations	4
Documentation in order and filed appropriately	3
Awareness of and access to up to date GRO directives (handbook, circulars etc)	4

Technical recommendations

Marriage

1. Ensure the timely submission of marriage QCCs
2. Changes should be made on the reverse of the marriage authorities and fronts should be unmarked
3. Widow/widowers cards should be completed if appropriate

Birth, Still-birth and Death

1. The recording of occupations could be expanded upon – eg with regard to company directors, engineers, teachers
2. Use correct place of birth conventions– there were examples in the registers of Maesteg, Wales; Wrexham, Wales; Edgware, London; Hayes; Abingdon
3. Formally introduce Statistical Questions and ensure distinction is made between compulsory and voluntary sections.
4. Ensure the timely submission of birth, still-birth and death QCCs

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■ E STOCK AND SECURITY ASSESSMENT

The tables below assesses the management and control of stock and registers and the degree of security within the register office. Where appropriate, development needs have been recorded.

Markings: 4 = *Fully compliant;* 3 = *Mostly compliant*; 2 = *Partly compliant;* 1 = *Non-compliant*

	Mark
Stock Control	
Security of certificate stock at time of registration	4
Security of certificate stock when not in use (overnight)	4
Flu pandemic stock suitably labelled and secured separately from main stock	4
Record of Issue counterfoils completed at point of sale	4
Cashbook in operation to record daily business	4
Fees received for services rendered banked according to LA instruction	4
Counterfoils filed appropriately and kept for accounting purposes (minimum of 2 years)	4
Requisition and Stock Return Form in order	4
GRO Stock Record matches stock held at the register office	4
Register Control	
Last bound registers appropriately closed	4
Register pages accounted for in current register	4
Historic registers housed and secured appropriately (including Title Page)	4
Historic registers easily accessed for certificate production	4
Indexes maintained to GRO requirements	4
Same day return of marriage registers to register office if attendance at an approved premise	4
Security	
Effective security of building in place (eg burglar alarm, CCTV, security guards)	4
Offices and restricted areas appropriately secured (lockable/access control)	4
General Search facility in place and securely managed	4
Customers appropriately escorted and accompanied at all times	4
Effective management of keys/swipe cards/security codes	4
Marriage and CP Notices displayed to public held in secure environment	4
Strong Room meets GRO specifications	4
GRO RON User List matches current staff profile	4
PC Password protocols in place	4

APPENDIX

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F CUSTOMER JOURNEY

As part of the inspection process the "customer journey" was explored.

1. How easy is it for the customer to make contact with the registration service?		
Contact number accessed:	via website	☑
	other council offices	☑
	stakeholder establishments	☑
	local directories	☑
First point of contact	Direct to register office (registration office)	☐
(by telephone)	Direct to register office (reception point)	☑
	Direct to Contact Centre	☐
Emergency contact number in operation		☐
Comment: The public can access Plymouth services with little difficulty during normal business hours but there are no out of hours emergency arrangements		

2. How easy is it for the customer to access the registration service?	
Convenient central location of register office	☑
Additional service points within registration district	☐
Good public transport links in place	☑
Opening hours in line with other corporate services	☑
Extended opening hours in operation	☐
Lunchtime opening in operation	☑
Comment: The office is located close to the town centre. There has been no public consultation in relation to additional service points or extended opening hours	

3. How easy is it for the customer to locate and access the register office?	
Good signage in place (street sign to RO and signs indicating location of RO)	☐
On-site car parking/cycle area/disabled bays	☑
Drop-off points (for bridal cars)	☑
Direct access (office at street level with no steps or other barriers)	☑
At point of entry to building, access arrangements for disabled customers in place	☑
Reception point in place to greet/direct customers	☑
Comment: Signage is in place outside the office but none in the streets leading to it from the town centre	

4. How easy is it for customers to conduct their business quickly?	
Waiting time for an appointment meets national standards (all events)	☑
Waiting time from arrival to registration meets national standards	☐
Walk-in provision available	☑
Comment: Observations show minimum waiting times although no formal monitoring takes place.	

APPENDIX

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█ **F** *continued*

5. Is there good information about the registration service available to the customer?	
Wide selection of statutory notices, booklets and leaflets within public areas	☐
Wide selection of local information within public areas	☑
Use of IT to convey information (eg plasma screen) within public areas	☑
Easy access to registration services on website	☑
All information on website is up to date <u>and</u> relevant	☑
Promotional material in place (eg marriage brochure)	☑
Compliments and complaints policy in place <u>and</u> visible to customers	☑
Service standards/targets publicised	☐
Comment: Although there is a wide range of local information available there is scope for more information to be on offer of a statutory nature, for example, statutory fees, how to register a birth or death, passport information.	

6. What facilities and enhancements are available for customers at the register office?	
Garden area	☑
Good backdrop for photo opportunities	☑
Statutory ceremony room (meeting national standard)	☑
Decommissioned rooms	☑
Waiting areas	☑
Separate waiting areas	☐
Quiet room available for distressed informants	☐
Baby changing facilities	☑
Public toilets	☑
Public telephone	☐
Children's play area	☐
Water dispenser/Drinks dispenser	☐
Mobility provisions for disabled customers (eg ramps, wide doors, lower counter)	☑
Visual provisions for disabled customers (eg Braille, large signs)	☑
Aural provisions for disabled customers (eg hearing loop, microphone)	☑
Disabled washroom facilities	☑
Rooms: clean and tidy/room for business to be conducted	☑
Wide range of choice with regard enhancements at ceremonies	☑
Payment by credit/debit card	☑
Special arrangements for still-birth/neo natal death arrangements	☐
Home registrations	☐
Partnership working with associated groups (eg bereavement)	☐
Comment: A reasonable range of facilities are available for customers.	

APPENDIX

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F *continued*

7. Is there a good range of other services available to the public?	
Private citizenship ceremonies	☑
Baby naming ceremonies	☑
Re-affirmation of vows	☑
Civil Funerals	☐
National Checking Service (NCS)	☐
Comment:	

8. How did staff engage with the public?	
Confidentiality respected at all times	☑
Understanding needs of customer	☑
Clear and concise explanation of procedures etc	☑
Good explanation of certificates and forms	☑
Showed sympathy/empathy	☑
Receptive to questions	☑
Professional outlook	☑
Comment: Staff offer a good standard of customer care. This was observed in the general office, at registrations and ceremonies, and during the mystery shopper exercise	

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Agenda Item 7

Subject:	Annual Report on Treasury Management Activities for 2009/10
Committee:	Audit Committee
Date:	28 June 2010
Cabinet Member:	Councillor Bowyer
CMT Member:	Director for Corporate Support
Author:	Sandra Wilson (Corporate Finance and Accountancy Manager)
Contact:	Tel: (01752) (30)4942 e-mail: sandra.wilson@plymouth.gov.uk
Ref:	Acct/SW
Part:	I

Executive Summary:

In order to comply with the Code of Practice for Treasury Management, the Council is required to formally report on its Treasury Management activities for the year, providing information on the progress and outcomes against the Treasury Management Strategy. This report covers the treasury management activities for financial year 2009/10, including the final position on the statutory Prudential Indicators.

In line with the recommendations in the Revised Code of Practice, this report is this year being submitted to Audit Committee as the Committee responsible for scrutiny of the Treasury Management function.

This report is required to be submitted to full Council.

Corporate Plan 2010-2014:

Effective financial management is fundamental to the delivery of corporate improvement priorities. Treasury Management activity has a significant impact on the Council's activity both in revenue budget terms and capital investment and is key factor in facilitating the delivery against a number of corporate priorities.

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

Into the medium and longer term the Council is facing significant pressures due to the national economic situation, the Local Government funding settlement and local demand led pressures. Indications from the new Government are that there will be a further squeeze on resources available. Effective treasury management will be essential in ensuring the council's cash flows are used to effectively support the challenges ahead.

Other Implications: e.g. Section 17 Community Safety, Health and Safety, Risk Management, Equalities Impact Assessment, etc.

Treasury management continues to be a high risk area. The Council continues to manage this risk by ensuring all investments are undertaken in accordance with the approved investment strategy, and keeping the Counter party list under constant review.

Recommendations & Reasons for recommended action:

1.   Audit Committee note the Treasury Management report for 2009/10.

2.   The report be referred to full Council as required by the CIPFA Treasury Management Code of Practice (TMP note 6).

3.   Council be requested to approve the final Minimum Revenue Provision (MRP) Policy for 2009/10 as outlined in paragraph 7.3.

Alternative options considered and reasons for recommended action:

None- requirement to report to Council on the Treasury Management activities for the year.

Background papers:
- Treasury Management Strategy report to cabinet 10 February 2009
- 2009/10 Budget Papers – presented to Full Council 2 March 2009
- Joint Finance and Performance report to Cabinet 14 July 2009, 15 September 2009, 10 November 2009, 19 January 2010 and 16 March 2010
- Council's budget report to Cabinet 10 February 2010 and Council 3 March 2010
- Joint Finance and Performance report to Cabinet 8 June 2010.

Sign off:

Fin	MC CorpF91 0004	Leg/ Dem& Gov	TH 17/06	HR	n/a	Corp Prop	n/a	IT	n/a	Strat Proc	n/a
Originating SMT Member: Malcolm Coe											

Annual Report on Treasury Management Activities for 2009/10

1.   Introduction

1.1   Treasury Management in Local Government is governed by the CIPFA Code of Practice on Treasury Management in the Public Services and in this context is the "*the management of the Council's investments and cash flows, its banking and its capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks*".

1.2   The Treasury Management Code requires public sector authorities to determine an annual Treasury Management Strategy and now, as a minimum, formally report on their treasury activities and arrangements to full Council mid-year and after the year-end. These reports enable those tasked with implementing policies and undertaking transactions to demonstrate they have properly fulfilled their responsibilities, and enable those with ultimate responsibility/governance of the treasury management function to scrutinise and assess its effectiveness and compliance with policies and objectives.

1.3   This report outlines the Treasury Management activities in 2009/10, providing information on progress and outcomes against the approved strategy.

1.4   The responsibility for implementing and monitoring Treasury Management polices and practices and for the execution and administration of Treasury Management decisions is delegated by the Council to its Section 151 Officer – the Director for Corporate Support Services, and is overseen by a Treasury Management Board consisting of senior officers of the Council and the portfolio Member for Finance, Property, People and Governance. Treasury Management activities are reported to Cabinet as part of the bi-monthly finance and performance reporting process.

1.5   The Council works closely with its treasury management advisors Arlingclose who assist the Council in formulating views on interest rates when determining the treasury management strategy, regular updates on economic conditions and interest rate expectations, and advice on specific borrowing and investment decisions.

1.6   This report:
        a) is prepared in accordance with the revised CIPFA Treasury Management Code and the revised Prudential Code;
        b) presents details of capital financing, borrowing, debt rescheduling and investment transactions;
        c) reports on the risk implications of treasury decisions and transactions;
        d) gives details of the outturn position on treasury management transactions in 2009/10;
        e) confirms compliance with treasury limits and Prudential Indicators.

1.7   In accordance with Treasury Management Practice (TMP) note 6, the report is required to be presented to full Council.

2.   Revisions to the CIPFA Treasury Management and Prudential Codes, CLG Guidance on Investments

2.1   In November 2009 CIPFA released the revised Code of Practice for Treasury Management in the Public Services and accompanying Guidance Notes and the revised Prudential Code for Capital Finance in Local Authorities. The CLG also issued revised Guidance on Local Authority Investments for English authorities. The revised Codes/Guidance re-emphasise an appropriate approach to risk management, particularly in relation to the security and liquidity of invested funds. Authorities were also henceforth required to demonstrate value for money when borrowing in advance of need and ensure the security of such funds. Authorities are now also required to have a separate body or committee responsible for the scrutiny of the treasury function.

2.2   The Council has revised its treasury policy and will be revising its practices documentation to take account of the requirements and changes in the revised Codes and Guidance. The Audit Committee is now responsible for the scrutiny of the treasury management function and Members of the Audit Committee attended a training seminar in January 2010 in order to enable them to effectively undertake the scrutiny role.

3.   The Economy and Events in 2009/10

3.1   Before reviewing the Council's performance for the year it is appropriate to outline the national and economic background within which Council Officers operated during 2009/10.

3.2   A more detailed review has been provided by the Council's advisors, Arlingclose, and is attached at Appendix 1. The key financial issues are outlined below.

3.3   In order to stimulate growth, the Bank of England maintained the Bank Rate at 0.5% throughout the year.   The Bank also took extreme measures on an extraordinary scale to revive the economy through its Quantitative Easing (QE) programme. Financed by the issuance of central bank reserves QE was initially announced at £75bn, and then extended in stages to £200bn.

3.4 The November 2009 Budget was primarily about public debt. The Chancellor's forecast for net public sector borrowing in 2009/10 was £175bn or 12.4% of GDP. Gross gilt issuance was expected to hit a quite staggering £220bn in 2009/10. Standard & Poor's responded to the debt that the UK government was building up and a lack of a credible plan to reduce the debt burden by changing the UK's rating outlook from stable to negative.

3.5 LIBOR and LIBID rates (i.e. the rates at which a banks are willing to borrow from and lend to other banks) slowly moved lower towards the Bank Rate of 0.5%.

3.6 UK Government Gilts were the main beneficiary of the economic downturn and they also formed the significant bulk of the QE purchases and are thought to have pushed gilt yields, and consequently the cost of borrowing, lower by 0.5%.

3.7 Appendix 2 provides details of the Interest rates during the year.

4. The Council's Strategy for 2009/10

4.1 The 2009/10 Treasury Management Strategy was originally approved by the Council at its meeting of 2 March 2009. At that time, the economic interest rate view of the Council's treasury advisors, Arlingclose, was that rates were set to remain low with a high probability of zero or near zero interest rates. Market volatility was forecast to remain high, risk appetite at a low ebb, and markets were expected to continue in 'capital preservation mode' into early 2009.

4.2 In the light of the financial climate and falling interest rates, the Council strategy for 2009/10 was to continue to reduce the underlying level of borrowing by repaying borrowing from maturing investments and surplus cash balances. Capital expenditure levels, market conditions and interest rate levels were to be monitored during the year in order to minimise borrowing costs over the medium to longer term. A prudent and pragmatic approach to any new borrowing, both in terms of temporary borrowing to cover cash flow and longer term to finance the capital programme, was to be maintained to minimise borrowing costs without compromising the longer-term stability of the portfolio, consistent with the Council's Prudential Indicators.

5. Review of the Council's Performance 2009/10

5.1 Table 1 shows the Council's overall Treasury Portfolio at the end of 2009/10 compared to 2008/09.

Table 1

31/3/2009 £m	Average Interest rate %		31/3/2010 £m	Average Interest rate %
		External Borrowing Long-term:		
152.500	5.3769	PWLB	28.889	5.8084
130.000	3.9730	Market	130.000	4.4202
0.083	3.4458	Bonds	0.083	3.5574
87.800	0.7633	Temporary Borrowing	73.650	0.3685
370.383	**3.7901**	**Total PCC Borrowing**	**232.622**	**3.3095**
35.351	5.4770	Devon Debt	33.937	5.2395
405.734	**3.9370**	**Total Loan debt**	**266.559**	**3.5552**
		Long-term liabilities		
36.302	8.7300	PFI Schemes	33.156	8.7300
442.036		**Total External Debt**	**299.715**	
(213.800)	5.0816	**Total Investments**	(153.051)	2.1000
228.239		**Net Borrowing/(Net Investment) Position**	**146.664**	

5.2 The 2009 SORP has introduced changes to the accounting for PFI schemes, and now requires qualifying schemes to be included within the Council's Balance Sheet. The Council is however required to set up a matching long term liability reflecting the outstanding payments to the provider over the term of the contract. This liability is seen as a credit arrangement and increases the Council's total debt and must be taken into account within the statutory borrowing limits. The Council has one PFI scheme, the contract with Pyramid Consortium to build and run the schools at Woodview campus and Riverside.

Borrowing 2009/10

5.3 Under Section 3 of the Local Government Act 2003 and supporting regulations the Council must determine and keep under review how much it can afford to borrow. The Council is required to set two limits:

- The Authorised Limit
- The Operational Boundary

5.4 The borrowing limits for 2009/10, originally approved by Council in March 2009, as updated for the inclusion of the PFI scheme in March 2010, were as follows:

- Authorised limits £495m
- Operational Boundary £465m

5.5   The maximum borrowing outstanding in the year was £434.038m on 1 April 2009. (including £33.156m for the PFI scheme). This was within both the authorised limit and the operational boundary.

5.6   Table 2 shows the movement in the borrowing portfolio during the year.

Table 2

	Balance at 01/4/2009 £m	%	Maturing loans £m	Premature redemptions £m	New Borrowing £m	Balance at 31/3/2010 £m	%
Fixed rate loans - PWLB	152.500	5.38	(21.240)	(102.371)	0	28.889	5.81
Fixed rate loans – Market	130.000	3.97	0	0	0	130.000	4.42
Temporary Borrowing	87.800	0.76	(199.450)	0	185.300	73.650	0.37
Local bonds	0.083	3.45	0	0	0	0.083	3.56
Total Borrowing	**370.383**	**3.79**	**(220.690)**	**(102.371)**	**185.300**	**232.622**	**3.31**

5.7   <u>New borrowing in year</u>

5.7.1   The Council did not undertake any new long term borrowing during the year, but took advantage of low rate short term loans and internal balances to replace maturing loans and meet capital financing and cash flow requirements.

5.7.2   Borrowing at the 31 March 2010 included additional short-term loans taken during February and March deposited in call accounts to allow for available funds to cover the possible repayment of the pre LGR debt, administered by Devon County Council, during 2010/11.

5.8   <u>Debt Repayment</u>

5.8.1   At the start of the year a PWLB loan of £11m was repaid using a mixture of maturing deposits and short-term borrowing. The Council received £0.101m in terms of discounts from the early repayment of the loan and in accordance with capital financing regulations this will be spread over 10 years.

5.8.2 As part of the Housing stock transfer, the Department of Communities and Local Government (DCLG) repaid the HRA proportion of the Council's Public Works Loan Board debt totalling £91.37m, together with an early redemption premium of £25.94m. This has led to a significant reduction in the Council's debt, and whilst the reduction in debt is a positive step, the Council's revised debt portfolio has a significant proportion of market loans which will need to be addressed over time. Overall there has been a reduction in borrowing of £137.761m since the 1 April 2009 reflecting the Council's policy to reduce debt.

5.9 Debt rescheduling

5.9.1 The main objective of debt rescheduling is to reduce the Council's overall exposure to the risk of interest rate movements, to lower the long-term interest charges paid on its debt, to smooth the maturity profile without compromising the overall longer-term stability, or to alter its volatility profile (i.e. exposure to variable rate debt).

5.9.2 Debt rescheduling became more challenging after the introduction by the PWLB of a separate, lower set of repayment rates in November 2007. This increased the costs associated with the premium payable and diminished the discount receivable, thus reducing the cost savings achievable. However the volatility of PWLB rates still give opportunities to repay/reschedule debt. As stated above, £11m of PWLB debt was repaid in 2009/10 replacing the loan with short-term rolling debt and use of cash flow. This achieved in year savings of £0.380m with estimated full year savings in 2010/11 of £0.460m.

5.10 Overall Debt Performance for the year

The average interest rate on the debt has reduced over the course of the year from 3.7901% to 3.3095%. This rate reflects the position at the end of each financial year (i.e. at 31 March for 2009 and 2010). The reduction in rates is due to the repayment of PWLB loans replaced with considerably lower rate short-term temporary borrowing and any additional borrowing requirement in the year taken in short-term borrowing. Loan transactions were taken at various times throughout the year at various rates and, taking all transactions in the year, the overall weighted average borrowing rate for 2009/10 was 4.31% compared with a rate of 4.51% for 2008/09.
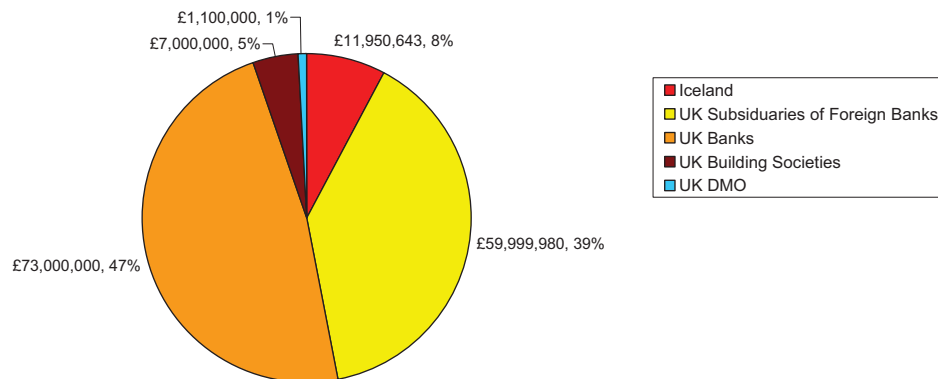
Investments 2009/10

5.11   The CLG's Guidance on Investments, revised during 2009/10, reiterated security and liquidity as the primary objectives of a prudent investment policy. Although the Guidance becomes operative on 1 April 2010, its principal recommendations run parallel to the credit risk management requirements in the revised Treasury Management Code. In the revised Guidance, Specified Investments are those made with a body or scheme of "high credit quality". Both the Guidance and the revised Treasury Management Code emphasise that counterparty credit criteria should not rely on credit ratings alone but should include a wider range of indicators. The revised Code nonetheless requires that ratings assigned by all three rating agencies – Fitch, Moody's and Standard & Poor's – be taken into account and the lowest rating be used.

5.12   Credit criteria, counterparty risk and selection: In determining suitable investment counterparties, the Council was, in any event, already taking into consideration economic and financial information as well as evaluating alternative assessments of credit strength (for example, potential sovereign support, sovereign strength as evidenced by the ratings and GDP, sovereign and counterparty credit default swaps).

5.13   Managing counterparty risk continued to be the Council's overwhelming investment priority. Financial markets remained in a fragile state particularly at the beginning of 2009/10. Against this backdrop, the Council continued to place investments with a small, select list of counterparties.

5.14   New investments in the year were restricted to the DMO, investments with banks and building societies which are Eligible Institutions under the UK Government's 2008 Credit Guarantee Scheme and with a long-term AA- (AA minus) rating. In the main the Council made use of reserve accounts, allowing instant access to funds. The Council accepted the diminution in investment return from investing with highly rated counterparties as an acceptable risk-reward trade-off. Table 3 below shows the criteria and institutions used during 2009/10.

Table 3

Financial Asset Category	Criteria	Maximum Investment	Maximum Investment Term
Government Debt Management Office (DMO)	UK Government	£50m	1 year
UK banks and building societies supported by Government capitalisation or have access to the credit guarantee scheme:	F1+ Short term AA -or higher long term: Barclays HSBC Lloyds Banking Group Royal bank of Scotland Santander UK (PLC) (Banco Santander Group) Nationwide	£30m	1 year
Local Authorities	Unitary Councils County Councils Metropolitan Councils London Borough Councils	£5m	1 year
Nationalised Banks	UK Government: Northern Rock	£30m	3 Months
UK banks and building societies supported by Government capitalisation or have access to the credit guarantee scheme	F1+ short term AA -or higher long term: Clydesdale	£30m	1 Month

5.15 At 31 March 2010 the Council's investments stood at £153.051m. The pie chart below analyses the investments by country/sector.

PCC DEPOSITS BY COUNTRY AT 31st MARCH 2010 - Total Deposits £153,050,623.26

£1,100,000, 1%
£7,000,000, 5%
£11,950,643, 8%
£73,000,000, 47%
£59,999,980, 39%

- Iceland
- UK Subsiduaries of Foreign Banks
- UK Banks
- UK Building Societies
- UK DMO

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5.16 Investments are made short term to cover cash flow and liquidity requirements and longer term to maximise and guarantee future income.

Overall Investment performance for the year

5.17 The UK Bank Rate was maintained at 0.5% from March 2009 onwards. Money market rates soon fell to and remained at historic lows. Whilst existing investments provided some insulation against falling rates, new investments could only be made at the prevailing lower rates of interest. This has had a significant impact on investment income.

5.18 During 2009/10 the Council invested for a range of periods from overnight to 364 days, dependent on the Council's cash flows, Officer's interest rate view and the interest rates on offer and the economic climate. The Council's treasury management officers work to a benchmark rate of return, the 7 day London Interbank Bid (LIBID) rate – which is the rate which can be achieved on the London interbank market for cash deposits of 7 days and is regarded as the standard benchmark. The 7 day rate is calculated on a daily basis and averaged for the year. Table 4 below compares the average return achieved by the in-house team with the benchmark. An average rate of 1.3% was achieved for new investments in the year against a budget of 1%.

Table 4

	Average Investment	Benchmark Rate %	Actual Return %
Internally Managed	£153.112m	0.45	3.4443

The table shows that the internal performance exceeded the benchmark for the year, despite the restricted investment counterparty list.

Icelandic Banks Update

5.19 The latest position on the recoveries of monies invested in the Icelandic banks is as follows:

5.19.1 Heritable Bank £3m

During the year the Council received 3 dividend payments from the administrators of heritable bank, totaling £1,049,400, plus interest of £53,503. This represents a recovery rate of 34.98%. Based on current projections from the administrators a total recovery of between 79% to 85% is expected with dividends continuing on a quarterly basis until September 2012.

5.19.2   Glitnir £6m

The Winding Up Board for Glitnir have not accepted local authority deposits as "priority status" claims. The Council has through the Director of Corporate Support and Assistant Director of Democracy and Governance instructed Bevan Brittan Solicitors (and through them Icelandic and English Counsel) to act for the authority in pursuing our claim through the Icelandic courts. Bevan Brittan, (through the auspices of the LGA) are also acting for other public bodies allowing us to avoid duplication and share costs. This process is expected to take some time with a final ruling on our priority status unlikely to be forthcoming until 2011. The anticipated recovery for priority status remains at 100% but falls to 29% for non-priority claims.

5.19.3   Landsbanki £4m

Unlike Glitnir, the Winding up Board for Landsbanki have agreed to the priority creditor status for local authorities but have received a number of objections to this decision from other creditors which will need to be resolved through the Icelandic courts. As with Glitnir, the Council has instructed Bevan Brittan Solicitors (and through them Icelandic and English Counsel) to act for the authority in pursuing our claim through the courts. The latest creditor reports indicate a recovery of 95% for priority claims and 38% for non-priority claims. No payments will be made until the litigation has been concluded, which is unlikely to be until 2011.

5.19.4   Capitalisation Directions

On 31 January the Council received confirmation that the Capitalisation Direction application for the potential Icelandic bank losses had been approved in the sum of £5.7m. Although the Council is not required to account for any losses in its accounts until 2010/11 it can use the Capitalisation Direction to bring the losses into its accounts during 2009/10, and this has been approved by Cabinet. By taking this action, the Council will minimise the impact of any final loss by spreading the loss over a 20 year period.

5.19.5   The situation with regard to the recovery of monies invested in Icelandic Banks continues to be subject to much uncertainty as outlined above. The impairment charge made to the accounts for 2009/10 was £5.903m, however the impairment charge required for accounting purposes should in no way be taken to assume this will be the final outcome. The Council, working with the LGA and Bevan Brittan remain committed to maximising the recovery of our investments.

6. Revenue Implications of Treasury Management

6.1 The expenditure arising from the Council's borrowing and lending accrues to the revenue accounts. This includes interest payable and receivable, the minimum revenue provision (for debt repayment), and premiums and discounts written out to revenue from previous debt rescheduling. A proportion of interest payable was recharged to the HRA up to the stock transfer date, whilst some of the interest receivable is passed on to specific accounts where this interest has accrued from the investment of surplus balances for these services. The balance (net cost) is met by the General Fund. Table 5 below shows the income and expenditure arising from these transactions in 2009/10.

6.2 Overall there was a net adverse variation on the capital financing budget of £0.683m for the year.

Summary of Capital Financing Costs 2009/10

Table 5

	2009/10 Budget £000	2009/10 Outturn £000	Variance £000
External Interest payments	11,909	11,507	(402)
Interest payable (PFI)	0	2,962	2,962
External Interest received	(5,031)	(5,353)	(322)
Recharged to HRA	(2,019)	(1,908)	111
Interest transferred to other accounts	400	187	(213)
Premiums / Discounts written out to Revenue	(183)	(189)	(6)
Debt Management Expenses	56	115	59
Treasury Management Cost	**5,132**	**7,321**	**2,189**
Minimum Revenue Provision	6,444	8,081	1,637
Minimum Revenue Provision (PFI)	0	566	566
Devon County Council Residual Debt Charges	3,354	3,229	(125)
Recharges for unsupported borrowing	(1,533)	(1.300)	233
Recovered from trading Accounts	(2,605)	(2,894)	(289)
PFI Grant	0	(3,528)	(3,528)
Net Cost to General Fund	**10,792**	**11,475**	**683**

7. Minimum Revenue Provision (MRP)

7.1 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) place a duty on local authorities to make a prudent provision for debt redemption. The Regulations outline MRP options as follows:

Option 1: Regulatory Method
Option 2: CFR Method
Option 3: Asset Life Method
Option 4: Depreciation Method

7.2 Options 1 and 2 can be used on all capital expenditure incurred before 1st April 2008 and on Supported Capital Expenditure on or after that date. Options 3 and 4 are considered prudent options for Unsupported Capital Expenditure on or after 1st April 2008 and can also be used for Supported Capital Expenditure whenever incurred.

7.3 The Council's MRP policy for 2009/10 was approved by full Council on 2 March 2009, and subsequently updated on 6 July 2009. Revised Capital Finance Regulations were subsequently issued in March 2010, effective for financial year 2009/10. These regulations introduced a further amendment to the MRP options for PFI schemes, aimed at mitigating the financial impact of bringing PFI schemes on balance sheet. The amendment effectively allows the annual MRP provision for PFI schemes to match the annual principal repayment for the associated deferred liability. Council is therefore asked to approve the final MRP policy for 2009/10 as follows:

Supported Borrowing
For borrowing supported by Revenue Support Grant the Council will continue to use the current method of 4% of the adjusted Non-HRA capital financing requirement.

Unsupported Borrowing
For new borrowing under the prudential system for which no Government support is being given and is therefore self-financed, MRP will be made in equal annual instalments over the life of the asset.

Capitalisation Directions
For capitalisation directions on expenditure incurred since 1 April 2008 MRP will be made in equal annual instalments over 20 years in line with DCLG guidance.

PFI/Leases
MRP in respect of PFI and leases brought on Balance Sheet under the 2009 SORP and IFRS will be based on a charge equal to the amount that has been taken to the Balance Sheet to reduce the liability.

7.4 In all cases MRP commences in the financial year following the one in which the expenditure is incurred.

8. **Prudential Indicators**

8.1   Under the arrangements set out in the Prudential Code for Capital Finance in Local Authorities, individual authorities are responsible for deciding the level of their affordable borrowing, having regard to the Code, and for establishing a range of prudential indicators covering borrowing limits and other treasury management measures. The prudential Indicators for 2009/10 were approved by Council on 2 March 2009 updated for the PFI scheme on 1 March 2010. The final position on the indicators for 2009/10 is outlined in Appendix 3.

8. **Balanced Budget**

8.1   The Council complied with the Balanced Budget requirement.

9. **External Service Providers**

9.1   Arlingclose is appointed as the Council's treasury management advisor. The Council is clear as to the services it expects and is provided under the contract. The service provision is comprehensively documented.   The Council paid a sum of £20,000 in 2009/10 for this service.

9.2   The Council is also clear that overall responsibility for treasury management remains with the Council.

10. **Training**

10.1 CIPFA's revised Code requires the Director of Corporate Support to ensure that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.

10.2 The CLG's revised Investment Guidance also recommends that a process is adopted for reviewing and addressing the needs of the authority's treasury management staff for training in investment management.

10.3 The Council commissioned a Treasury Management awareness and training session from external consultants Griffiths Morley and this was delivered on 22 January 2010. The training was attended by all existing members of the Audit Committee and several members from Cabinet and scrutiny panels.

11.   Recommendation

11.1   Audit Committee note the Treasury Management report for 2009/10.

11.2   The report be referred to full Council as required under the CIPFA Treasury Management Code of Practice (TMP note 6).

11.3   Council be requested to approve the final Minimum Revenue Provision (MRP) Policy for 2009/10 as outlined in paragraph 7.3.

Arlingclose Review of the Economy for 2009/10

Economic Outlook for 2009/10

At the time of determining the Treasury Strategy Statement for 2009/10 in January 2009, the outlook for the economy and interest rates was as follows:

The UK, Eurozone and US economies were contracting, globally economies faced a prolonged recession or period of weakness following the financial market meltdown in the autumn of 2008. Availability of credit was restricted as banks undertook to repair their balance sheets. This exacerbated the slowdown as finance for small businesses effectively came to a standstill.

Asset values were falling and were forecast to drop further, particularly those which related to commodities and housing. The increase in food and energy inflation which had exerted a powerful squeeze on real incomes in 2008 was, however, expected to fade in 2009. Wage inflation was forecast to remain low and the labour market to remain weak; the threat of unemployment was likely to influence consumers to scale back spending and save instead.

The UK Bank Rate had been cut to 0.5% and in March 2010 the Bank of England announced its initial £75bn of Quantitative Easing (QE). There remained a sizeable gap between short-dated LIBOR rates (i.e. the rates at which a banks are willing to borrow from other banks) and the Bank Rate; this gap was forecast to narrow. Gilts were expected to benefit from QE, resulting in lower yields.

The Economy and Events in 2009-10

After the particularly torrid economic recession and a severe downturn in growth that extended into early 2009, there were reports of nascent recovery. The Bank of England forecast UK growth to fall by 3.9% in 2009, whilst inflation was forecast to be heading lower and staying lower for longer. The depth of the recession was borne out by the 5.9% year-on-year fall in GDP recorded at the end of the second quarter of 2009. The service sector - the dominant element of UK economy - also stalled for much of early 2009 despite a number of optimistic surveys to the contrary. Green shoots of recovery were finally evident in the final quarter of 2009 with growth registering 0.4% for the quarter.

In order to stimulate growth, the Bank of England maintained the Bank Rate at 0.5% throughout the year. The Bank also took extreme measures on an extraordinary scale to revive the economy through its **Quantitative Easing** (QE) programme. Financed by the issuance of central bank reserves QE was initially announced at £75bn, and then extended in stages to £200bn.

The Bank appears to have successfully staved off the very real risk of deflation. The increased supply of money in the system due to QE did not however

translate into an increase in the movement of money in the system as banks are still unwilling to lend, and consumers are unwilling to borrow at pre-crisis levels.

The housing market showed some signs of stability but increases in house prices were modest. Nationwide House prices registered a year on year growth of 9% at the end of March 2010.

Consumer Price Inflation, having hit a high of 5.2% in September 2008, began the year at 3.2% (Feb 2009 data), fell to a low of 1.1% in September 2009 as the oil, commodity, utility and food prices (the main drivers of high inflation in 2008) fell out of the year-on-year statistical calculations. Thereafter, inflation pushed higher with rising oil and transport costs and VAT reverting to 17.5%. CPI at year end was 3.0% (Feb 2010 data).

Companies and households on the whole reduced rather than increased their levels of debt. Credit remained scarce and at a premium, and certainly as compared to that available two years earlier. Businesses retrenched rather than hired workers and unemployment rose rapidly to just under 2.5 million. Against this background, wage growth was muted.

The November 2009 Budget was primarily about public debt. The Chancellor's forecast for net public sector borrowing in 2009/10 was £175bn or 12.4% of GDP. Gross gilt issuance was expected to hit a quite staggering £220bn in 2009/10. Standard & Poor's responded to the debt that the UK government was building up and a lack of a credible plan to reduce the debt burden by changing the UK's rating outlook from stable to negative.

The outlook for 2010 was therefore for a period of slow and patchy growth in the economy accompanied by stubbornly high unemployment. The UK fiscal deficit remained acute. Cuts in public spending and tax increases were becoming inevitable and a credible plan to reduce the deficit was urgently required after the May General Election, the absence of which increased the potential of a sovereign downgrade. The likelihood of a hung parliament had grown and had the potential of being disruptive to financial markets.

Gilts and Money Market Rates

LIBOR and LIBID rates (i.e. the rates at which a banks are willing to borrow from and lend to other banks) which had been stubbornly high in early 2009, slowly moved lower towards the Bank Rate of 0.5%.

UK Government Gilts were the main beneficiary of the economic downturn (it is an asset class that responds positively to poor economic news); they also formed the significant bulk of the QE purchases and are thought to have pushed gilt yields, and consequently the cost of borrowing, lower by 0.5%.

Economic and Money Market Data, PWLB Rates

1. Bank Rate, Money Market Rates

	Bank Rate	O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID	2-yr SWAP Bid	3-yr SWAP Bid	5-yr SWAP Bid
Minimum	0.50	0.200	0.250	0.250	0.350	0.490	0.830	1.517	2.050	2.808
Average	**0.50**	**0.368**	**0.390**	**0.470**	**0.695**	**0.928**	**1.283**	**1.914**	**2.540**	**3.254**
Maximum	0.50	0.750	0.520	1.050	1.500	1.800	2.150	2.447	3.117	3.770
Spread		0.550	0.270	0.800	1.150	1.310	1.320	0.930	1.068	0.963

2. PWLB Borrowing Rates – Fixed Rate, Maturity Loans

	1 year	4½-5 yrs	10-10½ yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
Low	0.68	2.47	3.30	4.01	4.10	4.13	4.17
Average	**0.90**	**2.89**	**3.93**	**4.45**	**4.50**	**4.52**	**4.52**
High	1.23	3.29	4.42	4.84	4.80	4.83	4.84

3. PWLB Repayment Rates - Fixed Rate, Maturity Loans

	1 year	4½-5 yrs	10-10½ yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
Low	0.43	1.83	2.93	3.74	3.84	3.79	3.73
Average	**0.65**	**2.47**	**3.68**	**4.19**	**4.24**	**4.15**	**4.07**
High	0.98	2.88	4.17	4.59	4.55	4.47	4.40

4. PWLB Variable Rates

	1-M Rate	3-M Rate	6-M Rate
Minimum	0.5500	0.5500	0.5500
Average	**0.6303**	**0.6414**	**0.6697**
Maximum	0.8000	0.8500	0.9000

Economic Data

Inflation	CPI	RPI
Feb-09	3.2	0.0
Mar-09	2.9	-0.4
Apr-09	2.3	-1.2
May-09	2.2	-1.1
Jun-09	1.8	-1.6
Jul-09	1.8	-1.4
Aug-09	1.6	-1.3
Sep-09	1.1	-1.4
Oct-09	1.5	-0.8
Nov-09	1.9	0.3
Dec-09	2.9	2.4
Jan-10	3.5	3.7
Feb-10	3.0	3.7
Mar-10	Not yet available	
Growth	Q-o-Q	Y-o-Y
Q1 2009	-2.6	-5.4
Q2 2009	-0.6	-5.9
Q3 2009	-0.3	-5.3
Q4 2009	0.4	-3.1

Prudential Indicators 2009/10

There is a requirement under the Local Government Act 2003 for local authorities to have regard to Cipfa's Prudential Code for Capital Finance in Local Authorities (the "Cipfa Prudential Code") when setting and reviewing their Prudential Indicators. The Code requires a report to full Council on compliance with the prudential indicators set.

The Council's Prudential Indicators are outlined in Annex 1. The following comments explain in more detail the purpose of each indicator.

Estimates of Capital Expenditure:

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax.

The final spend on the capital programme for 2009/10 was £92.221m.

Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and its financing. It is an aggregation of the amounts shown for Fixed and Intangible assets, the Revaluation Reserve, the Capital Adjustment Account, Government Grants Applied and any other balances treated as capital expenditure.

The Prudential Code provides the following statement as a key indicator of prudence: "in order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years."

Authorised Limit and Operational Boundary for External Debt:

The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR. There are two borrowing limits specified within the Code.

The Authorised Limit
This is the absolute borrowing limit beyond which any borrowing is prohibited until revised by the authority. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities. This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.

The Authorised Limit is set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

The Operational Boundary
This limit is intended to cover the probable borrowing needs of the authority during the year. It is a focus for day to day Treasury Management and a means by which the authority manages its external debt within the self imposed Authorised limit. It is lower than the Authorised limit because cash flow variations may lead to the occasional breach of this indicator.

Upper Limits for Fixed and Variable Interest Rates

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. This Council calculates these limits as:

- Fixed rate interest rate exposure: net fixed rate debt (fixed rate debt less fixed rate investments) as a % of total net debt (total debt less total investments)
- Variable interest rate exposure: net variable rate debt (variable rate debt less variable rate investments) as a % of total net debt (total debt less total investments

The fixed rate indicator generally remains high reflecting historical policy to take long term fixed rate debt and short term investments (investments for less than 1 year are classified as variable rate).

Borrowing at fixed rates for long periods can give the opportunity to lock into low interest rates and provide stability but risks missing possible opportunities to borrow at low rates in the medium term, or to convert short term loans into long term if long term rates were to fall.

The upper limit for variable rate exposure was set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments. The updated upper limit of 310% on fixed interest rate exposure allowed for periods when short term deposits would exceed variable rate debt due to balances/cashflow.

The actual fixed interest rate exposure reached a high of 320% on 15 December 2009 due to the receipt from the sale of Citybus on 3 December and a large amount of grant receipts received on 15 December. These funds were deposited in short-term investments reducing net debt and thus increased the fixed rate proportion of this net debt. The breach lasted 2 days after which the exposure to fixed rate date fell to 275% and ended the year at 110%.

Upper Limit for sums invested over 364 days:

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

Ratio of Financing Costs as a % of Net Revenue Stream:

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs.

The ratio is based on the cost of interest on borrowing and the minimum revenue provision, less Interest and Investment income. In Plymouth's case, a proportion of the cost comes from debt arising from Local Government Reorganisation, which is managed by Devon County Council. The Council is liaising with Devon to take this debt back in house during 2010/11.

Incremental Effect of Additional Programme on Council Tax

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax.

During 2009/10 the strategy was to minimise new long term borrowing, with the borrowing requirement being met as far as possible from cash flow and balances. This has resulted in a negative impact on the Council tax in 2009/10.

Maturity Structure of Fixed Rate borrowing:

This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment. The repayment of the majority of PWLB loans over the last 12 months have resulted in an high proportion of Lobo (lenders Option, Borrowers Option) loans which may be subject to rate change or repayment at specified intervals. On specified dates the Lender has the option to vary the rate. If the option is taken the Council (Borrower) has the option to repay the loan. Therefore the loan may be subject to repayment on a number of occasions throughout the life of the loan. These repayment possibilities are included in the limits set for the maturity of fixed rate borrowing.

2009/10 TREASURY MANAGEMENT STRATEGY - PRUDENTIAL INDICATORS

PRUDENTIAL INDICATOR	2009/10 Approved	2009/10 Update	2009/10 Actual
	£M	£M	£M
AFFORDABLE BORROWING LIMITS			
Estimated Capital expenditure			
Non - HRA	84.691	84.030	83.660
HRA	7.222	7.991	8.561
Total	**91.913**	**92.021**	**92.221**
Capital Financing Requirement - As at 31st March	**209.036**	**239.113**	**248.388**
Authorised Limit for External Debt			
Borrowing	460	460	405.7
Other Long Term Liabilities (PFI)	0	35	33.2
Total	**460**	**495**	**438.9**
Operational Boundary			
Borrowing	430	430	405.7
Other Long Term Liabilities (PFI)	0	35	33.2
Total	**430**	**465**	**438.9**
Limit for Fixed Interest Rate Exposure			
Net Fixed Rate (Borrowing less investments)	200%	310%	320%
Limit for Variable Rate Exposure			
Net Variable Rate (borrowing less investments)	60%	60%	-3%
Upper Limit for sums Invested over 364 days	£60m	£60m	£47m
Capital Financing Cost as a % of Revenue Stream	%	%	%
General Fund			
- Plymouth Debt	6.12	6.41	6.34
- Devon Managed Debt	1.71	1.67	1.64
Total	**7.83**	**8.08**	**7.98**
Housing Revenue Account	28.69	n/a	n/a
Incremental Effect of Additional Programme on Council Tax (Band D p.a)	**£0.75**	**-£1.30**	**-£2.59**

Fixed Rate Borrowing Maturity Limits for 2009/10	2009/10		2009/10 Actuals	
	Upper Limit	Lower Limit	Upper Limit	Lower Limit
Under 12 months	60%	0%	53.49%	14.39%
12 months and within 24 months	60%	0%	49.64%	13.23%
24 months and within 5 years	30%	0%	13.92%	3.51%
5 years and within 10 years	25%	0%	4.54%	1.35%
10 years and within 20 years	60%	0%	42.30%	10.24%

Agenda Item 8

CITY OF PLYMOUTH

Subject:	Risk Management – Annual Report
Committee:	Audit Committee
Date:	28th June 2010
Cabinet Member:	Cllr Ian Bowyer
CMT Member:	Director of Corporate Support
Author:	Mike Hocking, Head of Corporate Risk & Insurance
Contact:	mike.hocking@plymouth.gov.uk Tel : 01752 - 304967
Ref:	CRM/MJH
Part:	I

Executive Summary:

This report summarises the work carried out during 2009/10 to develop the Council's approach to risk management and covers:

- Corporate and Operational Risk Management Groups
- Risk Registers
- Performance Management and Business Planning
- Benchmarking
- Statement on Internal Control/Annual Governance Statement
- Use of Resources Assessment
- Risk Management and the Competency Framework
- Partnerships Governance
- Intranet Risk Management Guidance

The report also provides information on the focus of proposed risk management activity for the next twelve months.

Corporate Plan 2010/13:

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. Section 17 Community Safety, Health and Safety, Risk Management etc.

The Risk Management Strategy specifically supports the Council's overall governance arrangements.

Recommendations & Reasons for recommended action:

The Audit Committee is recommended to note the Annual Report.

Alternative options considered and reasons for recommended action:

Not applicable.

Background papers:

Strategic and Operational Risk Registers
Previous Audit Committee reports

Sign off:

Head of Fin	S.W.	Head of Leg	D.S.	Head of HR		Head of AM		Head of IT		Head of Strat Proc	
Originating SMT Member: Asst Director for Democracy and Governance											

Report of Director for Corporate Support to Audit Committee
28th June 2010

Risk Management - Annual Report

1.   Introduction

1.1   This report summarises the work carried out during 2009/10 to further develop the Council's approach to risk management.

1.2   The review covers :

- **Corporate and Operational Risk Management Groups**
- **Risk Registers**
- **Performance Management and Business Planning**
- **Benchmarking**
- **Statement on Internal Control/Annual Governance Statement**
- **Use of Resources Assessment**
- **Risk Management and the Competency Framework**
- **Partnerships Governance**
- **Intranet Risk Management Guidance**

1.3   Information is also provided on the focus of proposed risk management activity for the next twelve months.

2.   Corporate and Operational Risk Management Groups

2.1   Members will be aware that the risk management strategy involves a two tier approach.

2.2   The Corporate Management Team (CMT) acts as the Corporate Risk Management Group (CRMG) with responsibility for the Strategic Risk Register and the overall risk management strategy.

2.3   CRMG has met four times in the past twelve months to receive and approve monitoring reports and to consider strategic risk issues prior to Cabinet Planning giving approval for reports to be presented to Audit Committee.

2.4   Directors have engaged fully in the risk management process in taking ownership of the Strategic Risk Register both formally at CRMG meetings and throughout the year in proposing amendments to the Register in line with changing circumstances and priorities for the Council.

2.5   As a result the Strategic Register has now been through 16 revisions since it was first drawn up seven years ago which is good evidence of the dynamic nature of the risk management process and its embeddedness at a strategic level.

2.6   Portfolio-holders at meetings of Cabinet Planning have also been engaged in considering and challenging risk management monitoring reports.

2.7   Matters of day to day operational risk management are the responsibility of the Operational Risk Management Group (ORMG) which is chaired by the Head of Corporate Risk & Insurance and comprises Risk Champions from each Directorate and/or Service.

2.8 The ORMG has met every 6 – 8 weeks to review and monitor Operational Risk Registers, to promote and develop a consistent approach to risk management and also to consider bids from departments for financial assistance from the Risk Management Fund towards risk reduction initiatives.

2.9 The Risk Management Fund is currently £50,000 per annum and is used as a pump-priming fund to enable departments to implement risk reduction initiatives in areas such as physical security improvements (fire/intruder alarms, CCTV etc), training, health and safety improvements etc.

2.10 A list of those projects supported by the Fund in 2009/10 is attached for information at Appendix A.

3. Risk Registers

3.1 Both Strategic and Operational Risk Registers are the subject of formal monitoring on a six-monthly basis with the results discussed and agreed firstly at CMT and secondly at Cabinet Planning prior to a monitoring report being presented to this Committee.

3.2 Monitoring reports are now routinely considered at each meeting of this Committee with Strategic and Operational risk updates provided to alternate meetings. Reports outline the direction of travel for all risks identified in risk registers and provide commentary on the effectiveness of the risk management processes in place.

4. Performance Management and Business Planning

4.1 Departmental risk champions have received training on the risk management module of the Council's performance management system, ePerform, and all risk registers and associated information are now being routinely recorded and updated on-line.

4.2 Development work is ongoing to ensure that links are made with the business planning and performance indicator modules so that, in time, it will be possible for managers to see at a glance those risks that threaten the delivery of key corporate or service objectives.

4.3 Most Services have made strong links with their Risk Registers in their current Business Plans to enable more direct monitoring of those risks that threaten the delivery of key service objectives.

4.4 To promote a more consistent approach, guidance was included in the 2009/10 Business Planning framework which will facilitate a common methodology.

4.5 This work is key to demonstrating further embeddedness of risk management considerations into the Council's corporate business processes.

5. Benchmarking

5.1 The Council has joined a new national risk management benchmarking club which is a collaboration between Alarm and CIPFA.

5.2 Almost 100 local authorities have signed up and completed a survey questionnaire based on Alarm's National Performance Model for Risk Management in Public Services and designed to enable participants to test their organisation's performance against the major

risk management standards, expectations of inspection bodies and criteria that inform the risk management element of the Annual Governance Statement.

5.3   The survey covers seven strands of effective risk management performance:
- Leadership and Management
- Policy and Strategy
- People
- Partnerships and Resources
- Processes
- Risk Handling and Assurance
- Outcomes and Delivery

5.4   The survey results are due to be published in July and a report will therefore be brought to the next meeting of this Committee.

6.   Statement on Internal Control/Annual Governance Statement

6.1   The system of internal control in the Council is based on an ongoing process to identify and prioritise the risks or threats to the achievement of policies, aims and objectives and to evaluate the likelihood of those risks being realised and the impact should they occur.

6.2   The Council has had a statutory duty since 2004 to publish a Statement on Internal Control (SIC) which outlines the processes it has in place to ensure that there is a sound system of internal control in operation.

6.3   With effect from 1st April 2007 the SIC was replaced by an Annual Governance Statement (AGS) – the AGS requires a wider review of the Council's internal control system than the SIC in that, in addition to existing assurance gathering processes, it also involves a broader self-assessment to be undertaken of the Council's overall governance arrangements.

6.4   To facilitate this self-assessment, a local Code of Corporate Governance was drawn up and approved by this Committee on 31st March 2008 – the Code, modelled on a Framework document produced by CIPFA (The Chartered Institute of Public Finance and Accountancy) and SOLACE (The Society of Local Authority Chief Executives), defines a set of principles that should underpin the governance of all public bodies.

6.5   An officer group has been formed to oversee the self-assessment of the effectiveness of the Council's governance arrangements against the Code.

6.6   As part of the assurance gathering exercise to prepare the Annual Governance Statement this self-assessment has been updated and this indicates an improvement in compliance with the 58 key principles in the Code from 92% to 95%.

6.7   A full report will be presented to this Committee in September outlining any gaps in compliance together with an action plan to address them.

6.8   The monitoring processes now in place to manage risk through the Council's approach to risk management is proving to be an effective tool in contributing to the delivery of this statutory responsibility, with the Strategic Risk Register in particular largely informing the content of the AGS.

7. **Use of Resources Assessment**

7.1 The Use of Resources assessment, as part of the Comprehensive Area Assessment for 2009, included a review of Internal Control, including risk management arrangements.

7.2 The assessment recognised continuing improvements in how the Council is managing risk and this was reflected in the risk management score being maintained at 3 out of 4.

7.3 Although the new Coalition Government is now abandoning the CAA inspection framework, the performance drivers within the Use of Resources assessment remain a valid focus for the Council to continue on its improvement journey and, in particular, for the development of an effective risk management strategy.

7.4 We will therefore continue to work towards fully embedding risk management in the Council's core business processes in line with the existing UoR Action Plan.

8. **Risk Management and the Competency Framework**

8.1 In 2009 the Council adopted a new Competency Framework covering all employees as part of its commitment to ensure that there is a clear set of standards that underpins the performance, behaviours, work, knowledge and skills of its staff to help the Council deliver its vision and the key priorities in the Corporate Plan.

8.2 Risk Management performance is one of five core management competencies in the Framework so that in future senior managers will be assessed on their contribution towards the delivery of the Corporate Risk Management Strategy as part of their annual appraisals.

9. **Partnerships Governance**

9.1 The Council is increasingly engaging in partnership arrangements to deliver its corporate objectives and this brings both risks and opportunities – it is therefore important that effective governance arrangements are in place to monitor the effectiveness of delivery mechanisms.

9.2 External inspections have confirmed that the Council's significant partnerships have effective risk management arrangements in place with risk registers monitored routinely by Programme and Project Boards.

9.3 In addition, the Local Strategic Partnership is currently developing a more robust system of risk logs in order to help track the delivery of key outcomes from the four Theme Groups as part of its performance management framework.

9.4 However, there is a need for a more consistent approach to governance arrangements across all partnership working, more particularly in the light of the current economic climate and the threat of funding cuts to both the Council and potentially its key partners as well.

9.5 A Partnerships Code of Practice, which will include risk management guidance, is therefore being drawn up and due to be consulted on with key stakeholders – it is intended that this will provide a consistent governance framework for both existing and future partnerships.

10.   Intranet Risk Management Guidance

10.1   The Corporate Risk Management Team has been developing guidance material available to managers and staff and there is now a comprehensive risk management page on the Staff Room intranet site.

10.2   The guidance covers the following frequently asked questions:
- What is a risk?
- What is risk management?
- Why is risk management important?
- How do I report a risk?
- What is the process for monitoring risks?
- Who is my risk champion?
- How do I apply for risk management funding?
- How does risk management fit with the Competency Framework?
- How do I arrange risk management training?

10.3   Information is also provided on risk management in business planning, ePerform and the Council's Code of Corporate Governance.

10.4   The latest version of the Strategic Risk Register, once approved by this Committee, is also published on the site.

11.   Focus for 2010/2011

11.1   Whilst the Council can demonstrate that management of risk is now a key consideration in its overall corporate governance arrangements, further work will be ongoing to ensure that risk management considerations continue to be embedded into core business processes.

11.2   The focus for 2010/11 will therefore be to ensure that management of risk is further developed as a more explicit feature in the areas of:

- Strategic planning
- Financial planning
- Policy making and review
- Performance Management
- Partnerships

12.   Conclusion

12.1   There is good evidence of the development of a risk management culture within the Council with proactive engagement of Members, Directors and Heads of Service, and senior operational managers – this culture is now supported by a mandatory assessment of risk management performance as part of the Competency Framework annual appraisal process.

12.2   The Council now has well-developed and proven risk management processes in place which have been integrated into business planning, budget, project and performance management,

12.3   This Annual Report should therefore give Audit Committee members assurance as to the adequacy and effectiveness of the internal control arrangements and, in particular, the contribution of risk management to the overall governance framework.

12.4 Further work is planned in 2010/11 to ensure that these arrangements continue to be developed and enhanced.

13.   Recommendation

13.1 The Audit Committee is recommended to note the Annual Report.

RISK MANAGEMENT BIDS APPROVED 2009/10

1. Chief Executive's Department – Temporary mortuary facilities in the event of a major incident (09/02)   **£1,125**

Contract for additional mortuary provision in the event of a localized major incident.

2. Culture, Sport & Leisure – Anti slip paint to access walkway and ramp at Eggbuckland Community College (09/03)   **£410**

Replacement of anti-slip strips on walkway.

3. Culture, Sport & Leisure – Safety improvements to driveway at St Budeaux Library (09/12)   **£2,182**

Repair damaged security barrier.

4. Corporate Property – Structural survey of Charles Church (09/06)

£7,500

Health & Safety Risk Assessment highlighted potential hazard of falling masonry.

5. Community Services – External dome cameras at Central Library (09/07)

£1,816

Security improvements following vandalism.

6. Community Services – Wooden decking to fire escape route at Chelson Meadow Landfill Site (09/09)   **£1,435**

Replacement of rotten planks.

7. Community Services – Health & Safety improvements to reception desk at Central Park Pool (09/08)   **£6,029**

Replacement of reception desk which was not DSE/DDA compliant.

8. Community Services – Radio system for fire evacuation purposes at Chelson Meadow Landfill Site (09/10)   **£2,053**

Improve site communication in the event of an emergency.

9. Children's Services – Security improvements for Parent Partnership at the Old Treasury Building (09/01)   **£4,345**

Installation of vandal resistant door entry stations.

10. Community Services – Emergency electrical works identified at Chelson Meadow (09/11) £6,450

Remedial repair of circuit board and wiring at site which was deemed dangerous following a risk assessment.

11. Culture, Sport & Leisure – Safety improvements to driveway at St. Budeaux Library (09/04) £2,182

Mark a pedestrian area on the side of the driveway and install sleeping policeman to slow down traffic.

12. Community Services – Connection of fire alarm at The Greenhouse, Chelson Meadow (09/14) £1,144

Reconnect fire alarm system to Chubb Service Centre following disconnection by previous owner.

13. Corporate Property – Erection of canopy over staff entrance of Civic Centre (09/15)
£7,500

To protect staff and members of the public from falling masonry.

14. Corporate Property – Replacement flagstones outside front of Civic Centre (09/16)
£7,500

New paving and sub-base required to stop flagstones from cracking when vehicles require access to the Civic Centre.

15. Community Services – Installation of stair lift at Stirling House (09/18)
£1,766

Installation of a stair lift to increase ability for all clients, visitors to access all levels of the building and therefore reduce the risk of social isolation and limiting admissions and discharges.

16. Corporate Support – Hearing loop within Council House (09/19)
£2,625

Improve range of the hearing loop in the Council House.

17. Corporate Property – Energy management software to collect data from Automatic Meter Reading System (09/20) £7,500

Energy monitoring and targeting software to collect data from meters to comply with Carbon Reduction Commitment Energy Efficiency Scheme and improve energy management.

Agenda Item 9

CITY OF PLYMOUTH

Subject:	Operational Risk Management Update Report
Committee:	Audit Committee
Date:	28th June 2010
Cabinet Member:	Cllr Bowyer
CMT Member:	Director of Corporate Support
Author:	Mike Hocking, Head of Corporate Risk & Insurance
Contact:	mike.hocking@plymouth.gov.uk Tel : 01752 - 304967
Ref:	CRM/MJH
Part:	I

Executive Summary:

At the meeting of the Audit Committee on 11th December 2009, I reported that Services were engaged in a revision to their Operational Risk Registers in order to identify and align risks with their Business Plans in accordance with guidelines on operational risk management introduced as part of the 2008/9 Business Planning guidance document "Striving for Excellence".

This revised approach, together with a supporting guide for managers, "Risk Management and Business Planning", was endorsed and approved by this Committee on 25th January 2008.

This report now outlines the continuing progress being made across Services in delivering Operational Risk Registers based on this approach.

The total number of operational risks now reported is 115, comprising 1 high (red) risk, 68 medium (amber) risks and 46 low (green) risks.

Commentary on the high risk areas is included in the report together with details of control actions/mitigation in place.

Corporate Plan 2010/13:

Operational Risk Registers are now being aligned to Business Plan objectives which are in turn linked to the Corporate Plan and Corporate Improvement Priorities. This ensures that appropriate links are identified with individual risks where control action contributes to the delivery of a key corporate objective.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land:
None arising specifically from this report but control measures identified in risk registers could have financial or resource implications.

Other Implications: e.g. Section 17 Community Safety, Health and Safety, Risk Management, Equality Impact Assessment etc.
None arising specifically from this report but community safety and health and safety risks are taken into account in the preparation of risk registers.

Recommendations & Reasons for recommended action:
The Audit Committee is recommended to:

- Note and endorse the current position with regard to operational risk management.

Alternative options considered and reasons for recommended action:
Effective risk management processes are an essential element of internal control and as such are an important element of good corporate governance. For this reason alternative options are not applicable.

Background papers:
Plymouth City Council Risk Management Strategy and Policy Statement
Operational Risk Registers and associated working papers
"Risk Management and Business Planning" Guidance Note, January 2008
Previous reports on risk management to Audit Committee

Sign off:

Head of Fin	SW	Head of Leg	DS	Head of HR		Head of AM		Head of IT		Head of Strat Proc	
Originating SMT Member : Assistant Director, Democracy and Governance											

**Report of Director of Corporate Support to Audit Committee
28th June 2010**

Operational Risk Management Update Report

1.   Introduction

1.1   At the meeting of the Audit Committee on 11 December 2009, I reported that
Services were engaged in a revision to their Operational Risk Registers in
order to identify and align risks with their Business Plans in accordance with
guidelines on operational risk management introduced as part of the
2008/9 Business Planning guidance document "Striving for Excellence".

1.2   This revised approach, together with a supporting guide for managers, "Risk
Management and Business Planning", was endorsed and approved by this
Committee on 25th January 2008.

1.3   This report now outlines the continuing progress being made across Services
in delivering Operational Risk Registers.

1.4   Three departments have been unable to report their risks in time for this
monitoring deadline. Finance and Asset Management are currently reviewing
their risk register following the amalgamation of the departments to Finance,
Assets and Efficiencies and Development are also undergoing a complete
risk review in line with new business plans which are in the process of being
written.

1.5   Therefore the total number of operational risks now being reported has
reduced from 127 to 115, comprising 1 high (red) risk 68 medium (amber)
risks and 46 low (green) risks.

1.6   The report includes commentary on the high risk areas identified together with
details of control actions/mitigation.

2.   Background

2.1   The Council's approach to risk management has been judged annually
through the Use of Resources assessment as part of its Comprehensive Area
Assessment (CAA).

2.2   Key Line of Enquiry 4.1 of the Use of Resources assessment ("The Council
manages its significant business risks") includes at Level 4:

*"The Council can demonstrate that it has embedded risk management in its
business processes, including strategic planning and policy making and
review…"*

2.3 Although the new Coalition Government is now abandoning the CAA inspection framework, the performance drivers within the Use of Resources assessment remain a valid focus for the Council to continue on its improvement journey and, in particular, for the development of an effective risk management strategy.

2.4 We will therefore continue to work towards fully embedding risk management in the Council's core business processes in line with the existing UoR Action Plan.

2.5 The good progress made towards achievement of this outlined in this report should provide Members with assurance that operational risks are now being identified effectively, mitigation actions put in place and Operational Risk Registers monitored routinely alongside the delivery of Business Plan objectives.

3. **Operational Risk Registers and Analysis of Risks Identified**

3.1 Departmental Risk Champions continue to make good progress embedding the risk management process to enable service level Operational Risk Registers to be brought in line with the "Risk Management and Business Planning" guidance.

3.2 In drawing up their Business Plans, Heads of Service are now asked to identify risks that may prevent them from delivering on their key service objectives and, by monitoring these risks on a regular basis at management team meetings, will be tracking the effectiveness of mitigation controls.

3.3 As the risk identification process includes quantification through a probability/impact assessment, Services should also be able to identify key risks and prioritise resources more effectively.

3.4 Risks are also being linked where appropriate with the 14 Corporate Improvement Priorities and in this way monitoring of operational business risks will be directly contributing to the delivery of corporate objectives.

3.5 Risks will need to be reviewed in those areas that are affected by departmental re-structures.

3.6 All Services have therefore now either completed Operational Risk Registers or, where affected by Management /Department re-structures, are reporting work in progress in line with development of their Business Plans.

3.7 An update across directorates is provided below:

- **Children's Services**
  The Business Plan for Children's Services is the "Children's and Young People's Trust Plan" (CYP Trust). An Operational Risk Register has

been drawn up which identifies significant risks to the delivery of the 10 priorities under the "Every Child Matters" outcomes identified in the Plan. The Register is divided into four main categories of risk – Lifelong Learning / Commissioning, Policy and Performance, Learner and Family Support and Children's Social Care.

There is a high level of senior management commitment to the monitoring and management of operational risks within the Department. DMT receives detailed updates on a quarterly basis.

There has been a reduction in the number of amber risks from 13 to 8 demonstrating the positive developments within the service since last December's monitoring.

- **Development**
  Development Management Team has taken the decision to review the existing register to ensure that it is fully integrated with new business plans which are in the process of being written.

- **Community Services**
  The service was re-aligned last year and Environmental Services came under the umbrella of Community Services whilst 17 risks transferred to Plymouth Community Homes. The Risk Champion continues to attend regular SMT meetings to ensure the process is embedded into the directorate's Business Plan Monitoring Framework and risks linked where appropriate to the Corporate Improvement Priorities.

- **Assistant Chief Executive**
  Whilst Business Plans have been drawn up for individual Services, existing operational risks have still not been fully aligned with key service objectives. Further work therefore needs to be undertaken to embed the Risk Management process in the Department following changes to functional responsibilities resulting from the senior management restructure.

- **Corporate Support**
  The Operational Risk Register for Legal Services has been reviewed and refreshed in line with Corporate Improvement Priorities. Finance and Asset Management have now integrated to become Finance, Assets and Efficiencies and a re-structure is taking place after which the overarching business plan will be written and risks reviewed.
  ICT maintain and monitor a risk register but will also be reviewing its risks following an imminent re-structure.
  The objective of Revenue's 2010/11 business plan is to improve customer satisfaction by delivering a customer focussed service and improving customer experience and their risks are linked to this. Monitoring of both business plan actions and risks is carried out carried out at monthly management meetings

3.8 The table below shows the total number of risks now identified in operational risk registers across the Council and shows the comparison with the last monitoring period:

Risk Category	No. of Risks – Dec 2009	No. of Risks – Jun 2010
Red (High)	2	1
Amber (Medium)	75	68
Green (Low)	50	46
Total	**127**	**115**

4. Red Risks

4.1 One "red" risk identified in Dec 09 has now been deleted and information on this and the existing red risk is given below:

Department	Potential Risk	Mitigation
DELETED RISK (FORMERLY RED) Community Services – Safer Communities	Reduction/withdrawal of grant funding for Community Safety commissioning.	Funding in place – no longer a risk.

Department	Potential Risk	Mitigation
RED RISK Children and Young People	Inability of Carefirst to meet business requirements in terms of changes to service provision.	This risk is also included on the Strategic Register. The Council has begun a 3 year programme of improvement to address both the system and supporting business processes. A CareFirst Project Board has been established chaired by the Asst Chief Executive. As the risk has significant financial implications it remains red.

5. Risk Register Information

5.1 Risk Registers include mitigation actions/controls for all risks identified together with a named risk owner in each case in order to aid monitoring which is being built into the business plan monitoring framework in each service.

5.2 Risks scored 5 and under are considered to be managed to an acceptable level and have been removed from registers in line with the revised Risk Management Strategy.

5.3 Risk information is being recorded on the corporate performance management system, ePerform, using the risk management reporting module.

5.4 More detailed information on individual Services' risk registers can be obtained from departmental risk champions, Heads of Service or the Head of Corporate Risk & Insurance.

6. Update of Risk Management Strategy

6.1 The revised strategy was endorsed by this Committee on 26th March 2010 and will now be circulated to all Members and senior officers and will also be published on the intranet.

7. Directorate Presentations on Management of Operational Risk

7.1 Following a proposal which was discussed and agreed at Audit Committee on 25th September 2009, directorate representatives will be invited to attend this Committee on a rotational basis to give a presentation on how risk management is being delivered within their Department.

7.2 The Department for Development will be presenting their approach at the next meeting of this Committee.

8. Risks and the Budget & Performance Report

8.1 Department Risk Champions now provide a completed register template on emerging red risks within their department to the Head of Corporate Risk and Insurance as soon as information is available so that the detail can be included in the quarterly Budget & Performance report, rather than wait until the 6 monthly formal monitoring.

8.2 This is to ensure that any budgetary implications can be identified at an early stage.

9. Risks and Corporate Business Processes

9.1 One of the aims of the risk management strategy is to embed risk management considerations into core business processes such as strategic and financial planning, policy making, performance management, project/partnerships management and business planning.

9.2 Good progress has been made in all these areas as follows:

10.5 The Operational Risk Management Group is continuing to work with departmental Risk Champions to maintain the good progress to date and to further develop consistent application of risk management considerations in these processes.

10.6 The next progress report will be brought to Audit Committee in January 2011.

11. Recommendation

11.1 Members of the Audit Committee are invited to note and endorse the current position with regard to operational risk management.

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Agenda Item 10

CITY OF PLYMOUTH

Subject:	Internal Audit – Annual Report 2009/10
Committee:	Audit Committee
Date:	28 June 2010
Cabinet Member:	Cllr Bowyer
CMT Member:	Director for Corporate Support
Author:	Sue Watts, Asst Head, Devon Audit Partnership
Contact:	Tel: (01752 (30) 6710 e-mail: sue.watts@devonaudit.gov.uk
Ref:	AUD/SW
Part:	I

Executive Summary:

This report summarises the work undertaken by Devon Audit Partnership during 2009/10, reviews the performance and effectiveness of the Internal Audit service, and provides an audit opinion on the adequacy of internal controls. The report is particularly relevant, therefore, to the preparation of the Authority's Annual Governance Statement which is required under the Accounts and Audit Regulations 2003, as amended by the 2006 Regulations.

Corporate Plan 2010-2013:

The work of the Section assists the Authority in maintaining high standards of public accountability and probity in the use of public funds.   The Section has a role in promoting high standards of service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations.

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

None

Other Implications: e.g. Section 17 Community Safety, Health and Safety, Risk Management, etc.

The work of the Audit Service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.

Recommendations and Reasons for recommended action:

It is recommended that:-
1)   the report be noted
2)   the Audit Committee endorse the adequacy and effectiveness of Plymouth's system of internal audit for the year ended 31 March 2010.

Alternative options considered and reasons for recommended action:

None, as failure to maintain an adequate and effective system of internal audit would contravene Accounts and Audit Regulations 2003 and 2006.

Background papers:

Internal Audit Annual Plan 2009/10

Sign off:

Head of Fin	MC 2/6/10	Head of Leg		Head of HR		Head of AM		Head of IT		Head of Strat Proc	
Originating SMT Member: Sue Watts, Asst Head, Devon Audit Partnership											

1 INTRODUCTION

1.1 The Audit Committee, under its Terms of Reference contained in Plymouth City Council's Constitution, is required to consider the Chief Internal Auditor's annual report, to review and approve the Internal Audit programme, and to monitor the progress and performance of Internal Audit.

1.2 The Internal Audit plan for 2010/11 has already been presented and approved by Audit Committee on 26 March 2010. The following report and appendices, therefore, set out the background to audit service provision, reviews work undertaken in 2009/10, and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

1.3 The Accounts and Audit (Amendment) (England) Regulations 2006 introduced the requirement that all Authorities need to carry out an annual review of the effectiveness of their internal audit system, and need to incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

2 BACKGROUND

2.1 Service Provision

2.1.1 The Internal Audit (IA) Service for Plymouth City Council is delivered by the Devon Audit Partnership. This is a shared service arrangement between Devon County Council, Torbay Council and Plymouth City Council constituted under section 20 of the Local Government Act 2000; the Partnership was formed on 1st April 2009. The Partnership undertakes an objective programme of audits to ensure that there are sound and adequate internal controls in place across the whole of the Council. It also ensures that the Council's assets and interests are accounted for and safeguarded from error, fraud, waste, poor value for money or other losses.

2.1.2 Independent advice, continuous appraisal of systems and other processes are provided to all levels of management on, for example, internal controls, anti-fraud and other corporate policies and regulations, including the interpretation of Financial Regulations.

2.1.3 In recent years the scope of Internal Audit has widened to include new developments and government initiatives such as partnership working, risk management and other corporate governance issues.

2.1.4 Internal Audit forms an intrinsic part of the risk management, scrutiny and performance framework which ensures that there are robust arrangements for monitoring and review, and that adequate processes are in place for managing the Council's internal affairs and its relationship with key stakeholders, which are required to demonstrate effective corporate governance.

2.1.5 In carrying out its responsibilities Internal Audit liaises with all Directorates of the Authority. The Service consults with Departments in compiling its audit plans and meets regularly with Council Officers to review and monitor progress on recommendations arising out of audits and investigations. There is also close liaison with external agencies eg the external Auditors and the Police.

2.2 Regulatory Role

2.2.1 There are two principal pieces of legislation that impact upon internal audit in local authorities:

> ➢ **Section 6 of the Accounts and Audit Regulations 2003 (England and Wales) (as amended)** which states that "…….a relevant body shall maintain an adequate and effective

system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control ……"

> ➤ ***Section 151 of the Local Government Act 1972***, which requires every local authority to make arrangements for the proper administration of its financial affairs.

2.2.2   There are also professional guidelines which govern the scope, standards and conduct of Internal Audit, including CIPFA's Code of Practice for Internal Audit in Local Government and the Institute of Internal Auditors' Standards and Guidelines.

2.2.3   In addition, Internal Audit is governed by policies, procedures, rules and regulations established by the Authority. These include standing orders, schemes of delegation, financial regulations, conditions of service, anti-fraud and corruption strategies, fraud prevention procedures and codes of conduct, amongst others.

2.2.4   The Internal Audit Strategy sets out how the service will be provided and the Internal Audit Charter describes the purpose, authority and principal responsibilities of the Section.

3   OBJECTIVES AND SCOPE

3.1   The original and updated Internal Audit Plans for 2009/10 were submitted to, and agreed by, the Audit Committee on 25 March 09 and 11 December 09 respectively.

3.2   This report now compares the work carried out with the work that was planned; presents a summary of the audit work undertaken; includes an opinion on the adequacy and effectiveness of the Authority's internal control environment; and summarises the performance of the Internal Audit function against its performance measures and other criteria. The report will outline the level of assurance that we are able to provide, based on the internal audit work completed during the year. It will give:

- a summary of evidence of the quality of internal audit work delivered;

- a comparison of internal audit activity during the year with that planned, placed in the context of internal audit need;

- a summary of anti-fraud arrangements and the results of investigations during the year;

- a statement on the effectiveness of the system of internal control in meeting the County Council's objectives;

- an analysis of common or significant issues arising during the year.

SCOPE

3.3.   The Chief Internal Auditor is required to provide the Council with an assurance on the system of internal control of the Council. The opinions provided for each Directorate and units within those Directorates have contributed to this overall assurance. It should be noted, however, that this assurance can never be absolute. The most that the internal audit service can do is to provide reasonable assurance, based on risk-based reviews and sample testing, that there are no major weaknesses in the system of control. In assessing the level of assurance to be given the following have been taken into account:

- all audits completed during 2009/10, including those audits carried forward from 2008/9;

- any follow up action taken in respect of audits from previous periods;

- any significant recommendations not accepted by management and the consequent risks;

- the quality of internal audit's performance;

- the proportion of the Council's audit need that has been covered to date;

- the extent to which resource constraints may limit this ability to meet the full audit needs of the Council;

- any limitations that may have been placed on the scope of internal audit.

4. REVIEW OF INTERNAL AUDIT SERVICE 2009/10

4.1. Staffing

4.1.1 The Devon Audit Partnership structure operating throughout 2009-10 was based around the three pre-existing audit teams with an approved total establishment of 41.6 FTE. These resources were distributed throughout all clients of the partnership and staff were utilised at more than one client. However, due to staff turnover, existing vacancies and a pending restructure, the partnership has not operated at full establishment for a significant proportion of the financial year. A new structure is now in place for 2010 /11 and actions to recruit to the outstanding vacancies has commenced.

4.2 Audit Service Quality

4.2.1. The service we provide is designed to ensure compliance with the standards for internal audit published by CIPFA in its Code of Practice for Internal Audit in Local Government in the UK. The latest Code of Practice was published in December 2006, and Devon Audit Partnerships' processes continue to comply with the professional standards required.

4.2.2. Within the Devon Audit Partnership we have comprehensive procedures to ensure that all audits are conducted to the required standard. In particular, the scope of audit and audit brief are approved, before site work commences, by the appropriate Audit Manager, who also reviews each draft and final report before it is issued to ensure that all key controls have been properly evaluated and that adequate audit evidence has been obtained to support the findings. In addition, our work is subject to annual review by the Council's external auditors, Grant Thornton, who continue to rely on our work to support their audit opinion.

4.2.3. The Partnership continues to participate in the Audit Benchmarking Club administered by the Chartered Institute of Public Finance and Accountancy (CIPFA). This has facilitated a comparison of our practices, coverage and costs with all of the other council internal audit services. The most recent comparisons continue to show that we deliver a cost-effective service with a very high level of compliance with "good practice". A more detailed report will be brought to the Audit Committee when the results of the 2010 benchmarking comparisons are available.

4.2.4. During the year we have continued to include a "client satisfaction survey" form with audit reports, for a confidential response to the Head of the Devon Audit Partnership. The vast majority of those returned have continued to be very positive about the audit service received, the audit report, and the conduct of the audit by our team members, and this is a tribute to their professional conduct of the audits.

4.2.5. Based on the responses received, 98% of the responses covering all areas of the audit were "satisfactory" or "very satisfactory", and for a number of audits (39%) every single response was "very satisfactory". The analysis of responses for this year shows that the team has maintained high standards achieved in previous years. This is a very commendable achievement by the team.

5. SUMMARY OF PROGRESS IN 2009/10

5.1. The major achievements of the Partnership for 2009/10 are as follows: -

- At the start of the year detailed audit plans and objectives were drawn up and agreed with all clients. These risk-based plans were drawn substantially from the Corporate and Directorate risk registers, following discussions with senior managers in all directorates. This complemented the established review of those fundamental systems on which the Council depends for its financial management and control.

- The total number of audit days delivered during the year represented 95% of the total days planned, and from this resource 92% of the planned audits were completed.

- Audit Management System purchased and software installed. The MKI package will help improve the efficiency and productivity of the service, provide robust management information, improved performance management and enable the development towards a paperless office. Staff have all received training in the use of the software and several pilot projects undertaken successfully using the new software. The software will be fully utilised in delivering the 2010/11 audit plans.

- High levels of customer satisfaction achieved

- New staffing structure agreed which will allow us to build on our existing strengths and develop specialist knowledge and share good practice across all our clients thereby improving the service provided.

- Meetings of Partnership Board and Partnership Committee

- Costs remained within budget and possible refund of some of the set up costs to founding Partners

- Discussions with District colleagues re potential benefits of combining audit resources.

- Delivery of training sessions on Internal Audit, Risk Management and role of Audit Committee to Audit Committees at each client authority

- Joint meeting with Health Auditors

- Joint Meeting with External Auditors

- Sharing of Audit resources and staff working from different sites to assist delivery of audit work across different clients

- Development of Audit Programmes e.g. Contact Point which have been shared widely with national colleagues

- Relocation of the Exeter office with a further move towards flexible and mobile working

- All alleged irregularities reviewed and detailed investigation undertaken where necessary

6.   INTERNAL AUDIT PERFORMANCE

6.1.   There are no national Performance Indicators in existence for Internal Audit, but the Partnership does monitor the following Local Performance Indicators LPI's:

Local Performance Indicator (KPI)	2009/10	
	Target	Actual
Percentage of Audit plan Completed	90%	92%
Actual Audit Days as percentage of planned	90%	95%
Percentage of fundamental / material systems reviewed annually	100%	100%
Average Cost per Audit day	£298	£260
Percentage of chargeable time	65%	68%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	98%
Draft Reports produced within target number of days (currently 15 days)	90%	84%
Final reports produced within target number of days (currently 10 days)	90%	97%
Average level of sickness absence	2%	1%
Percentage of staff turnover	5%	15%
Out-turn within budget	Yes	Yes

6.2   Overall, performance against the indicators has been very good with almost all targets having been surpassed. Despite a more than anticipated turnover of staff, output has been maintained at acceptable levels and customer satisfaction has been extremely high.

6.3   The customer satisfaction results derive from questionnaires completed after each audit, and the results continue to demonstrate the very high regard placed on the service by all sectors of the Authority.

6.4   The average cost per audit day for the Devon Audit Partnership for 2009/10 was £260, against a target average cost of £298. This was achieved by a combination of factors across the partnership eg achieving a higher percentage of chargeable time than expected, staff vacancies, economies of scale, etc.

7.   REVIEW OF INTERNAL AUDIT BY EXTERNAL AUDIT

7.1   Internal Audit is obliged under the Accounts and Audit Regulations to meet the standards specified in CIPFA's Code of Practice for Internal Audit in Local Government. These standards set out specific essential requirements of an Internal Audit department which include eg independence, staffing and training, planning, recording, performance and effectiveness etc.

7.2   External Auditors use CIPFA standards as a model against which to regularly assess and report on the competency and effectiveness of Internal Audit, to enable them to place reliance on Internal Audit's work as part of the 'managed audit' arrangements.

7.3   The External Auditors have carried out a review of the partnership during 2009/10 and concluded, overall, that "Internal Audit arrangements are sufficient for us to gain assurance over the work that they have completed on the internal control environment at the Council."

8   INTERNAL AUDIT COVERAGE 2009/10

8.1   Delivery Against Plan

8.1.1   Appendix 2 attached shows total actual number of direct audit days in the year ended 31 March 10, compared with the total number of days originally planned.   It will be noticed that there was only a small shortfall in the total number of audit days provided during the year which was caused by unfilled vacancies during the early part of the year.

- Systems/Procurement
- ICT
- Establishments
- Anti-fraud
- Consultancy / Advice
- Corporate / Strategic
- IA Development
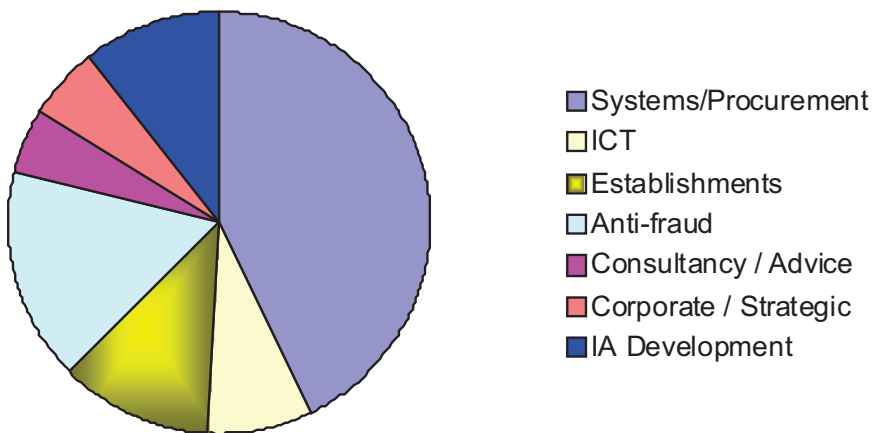
8.2   Systems / Procurement Reviews

8.2.1   Systems audits accounted for the largest element of the audit plan for the year and a full summary of reviews undertaken is included in Appendix 2a. The following paragraphs provide further information on specific areas of coverage.

8.2.2   A significant element of systems work is undertaking reviews of material systems. The International Standards for Auditing require that an annual review is carried out of the effectiveness of controls for each of the Council's systems from which the balances and disclosures in the Authority's accounts are derived (eg payroll, council tax etc). Under the Managed Audit arrangements, the External Auditor looks to place reliance on the work undertaken by Internal Audit to assist them in determining their opinion as to whether or not the annual accounts provide a true and fair view of the Council's position.

8.2.3   Capital Projects

The funding of many projects relies on securing money from central government, various agencies and bodies as well as through the Council's capital programme and the realisation of capital receipts from selling off surplus land and assets. The economic downturn continues to have an adverse effect on the affordability of projects and the certainty of funding and budgets.

The risks associated with capital projects need to be identified, measured and carefully managed.

During 2009/10, Internal Audit continued to attend and support various Project Boards and Project Teams e.g South West Devon Waste Partnership Waste PFI, Building Schools for the Future (BSF), various new school construction projects, Life Centre and Leisure Management.

During the year, Internal Audit reviewed the evaluation process followed by the South West Devon Waste Partnership during both the Invitation to Submit Outline Solutions (ISOS) and the Invitation to Submit Detailed Solutions (ISDS) stages of this complex procurement. Audit was able to report

to the Project Executive Board that bids submitted at both stages were received and opened in accordance with recognised procedures.

Internal Audit have also completed reviews of two major projects that are now "operational", firstly the Schools PFI contract with Pyramid Schools Consortium (Pyramid Schools (Plymouth) Ltd.) who are now responsible for the day to day management of the facilities at Riverside Community Primary School and Wood View Learning Community. The second review examined the interim waste management contract with Viridor Waste Management Ltd which provides the Authority with waste haulage and landfill services, including the operation of a Refuse Transfer Station at Chelson Meadow.

In addition, reviews are currently being concluded that have examined the monitoring arrangements for the Amey Highways Contract and the corporate Security Services contract. The findings of these reviews are due to be issued to management in the very near future.

8.3   ICT (Computer Audit)

8.3.1   The creation of the Devon Audit Partnership has proved to be of real benefit. IT Auditors based at Plymouth City Council, Devon County Council and Torbay Borough Council, have co-operated to produce a number of common audit programs and carry out the audits at each client authority. Working in this way has enabled the knowledge and experience gained at each of the three locations to be shared, thereby ensuring that maximum benefit is gained from each exercise. Regular contact between IT Auditors within the partnership is continuing to provide benefits in terms of information exchange and technical support.

8.3.2   The 2009/10 ICT audit plan was designed to build upon work that had already been carried out in previous years and it covered corporate issues such as network security and backup arrangements, as well as some individual application reviews such as OLM Carefirst and the D.Cal Payment Card system. This risk-based approach to ICT audit planning has been in use for a number of years now and has ensured that all of the Council's business-critical systems are reviewed in a systematic and structured manner.

8.3.4   Progress has continued to be made in many areas of ICT, particularly with regard to the professional practices which are continuing to be embedded throughout the Council's ICT department. The computer audit team has continued to enhance its already excellent working relationships with ICT staff and with business systems owners. The team are now working more closely with clients to ensure the completion of action plans drawn up as the result of IT audit reviews and the implementation of outstanding audit recommendations.

8.4   Establishment Audits

8.4.1   *School Audits and Financial Management Standard in Schools (FMSiS)*

Appendix 3b details the year's progress against the audit plan in respect of schools' audits, with 36 separate schools visited during 2009/10. This is in addition to finalising reviews carried out towards the end of 2008/09.

In the summer term of 2009, reviews continued to be undertaken separately from the FMSiS external assessment, providing schools with evidence that they had met certain elements of FMSiS. From the autumn term this changed to a single combined audit review and FMSiS external assessment which meant that the school received just one visit. This approach has now been adopted for the majority of schools that feature in the 2010/11 audit plan.

Schools' audit reviews and programmes of testing are designed to provide assurance that there are effective internal controls in place and compliance with the Authority's funding scheme for schools, Financial Regulations and the School's Finance Policy. In addition, Internal Audit is

responsible for completing the formal, external assessment of schools arrangements against the DCSF's Financial Management Standards.

In 2009/10, the last of three tranches of primary and special schools were required to complete a FMSiS self assessment form and compile an evidence file. In addition, 2009/10 saw the first re-assessment of secondary schools that had been originally assessed three years ago. This resulted in a challenging additional workload for schools, auditors and finance support staff. Internal Audit, in partnership with colleagues in Schools Accountancy and Governor Development Teams, have and continue to play an important role in helping schools, by providing training and support throughout the process.

As at 31st March 2010, 24 of the 34 primary, special and secondary schools expected to have met the standard had been successfully assessed. This includes two schools that had previously failed to achieve the standard. Three schools failed the assessment during 2009/10. Re-assessments of these are due to take place during the summer term of 2010 as are the assessments at the remaining schools.

8.5   Special Investigations and Anti-fraud Work

8.5.1   During 2009/10 Internal audit received 31 matters requiring investigation which were received from officers and members of the public. Investigations into 25 of those concerns have been completed and investigations are ongoing in respect of the remaining cases.

Examples of the type of irregularity investigated include:-

- Breaches of Confidentiality / Data Protection;
- IT Misuse;
- Confidential Information of an employee obtained by deception;
- Misuse of Council Resources;
- Breaches of the Council's Code of Conduct.

These investigations resulted in:

- Seven members of staff being dismissed;
- Five members of staff receiving a final written warning;
- One member of staff receiving a verbal warning;
- The evidence being inconclusive in three instances.

8.5.3   A particularly complex investigation has been completed and reported on but it is not possible to provide more details to the Audit Committee until all legal matters arising from this case have been settled. This investigation has taken considerable audit resource which is why the total number of days used on anti-fraud work is significantly higher than planned.

8.5.4   The co-ordination of the work associated with the National Fraud Initiative (NFI) has continued. Following data extraction exercises in October 2008 and April 2009, Auditors have liaised with officers across various Council departments including Council Tax, Parking (Blue Badges) and Adult Social Care (Residential Care Payments) to ensure that investigation of the data matches has progressed. Staff across the departments have processed 5586 matches to date, of which 41 have been identified as being fraudulent and a further 6 investigations are continuing. Recoverable savings totalling £81,572.38 have been identified as a result of this exercise.

8.6 Consultancy / Advice

8.6.1   Internal Audit was consulted by all departments throughout the Authority on many and varied topics including, for example, interpretation of financial regulations/standing orders, VAT, reclamation of funding, commercial catering controls, transfer of land to schools educational trusts, document retention, tenders etc.

8.6.2   The pro-active involvement of Internal Audit in control issues relating to new systems and changes, assists in protecting the Authority from loss, fraud and abuse. This early involvement is also intended to prevent unnecessary criticism when a formal audit review is undertaken and Departments are actively encouraged to seek advice at the outset of any changes.

8.7 Corporate / Strategic

8.7.1   Internal Audit's involvement in corporate and strategic issues covers many areas, some of which are outlined below.

8.7.2   Whistleblowing

The Whistleblowing Policy, which was approved by the Audit Committee in September 2007, aims to encourage staff to raise any legitimate concerns they may have in relation to the Council's activities. This policy, which supports the Council's Anti Fraud and Corruption Policy, makes it clear that concerns can be raised without fear of reprisals. The Whistleblowing Policy has been reviewed and refreshed and the revised version is presented to Audit Committee today for approval.

A total of five Whistleblowers have come forward during the year 2009/10 of which:

- Liaison between Internal Audit and the relevant department led to reminders being issued to staff regarding their responsibilities and conduct.

- A departmental investigation has identified the need to review some elements of the way tendering procedures are operating within that dept.

- Actions have been agreed between Internal Audit and the relevant department as to how the conduct of a member of staff should be more effectively managed.

- Internal Audit has adopted a facilitation role in a bid to improve the working relationship between key officers in two departments with associated areas of work.

- A joint departmental / audit investigation remains ongoing into a number of concerns in relation to recruitment and use of departmental budget / resources.

8.7.3   Business Continuity Planning

Internal Audit is continuing to maintain a watching brief on the implementation and embedding of business continuity planning throughout the organisation, and the Business Continuity Strategy Group are dealing with any corporate business continuity issues that are referred to them from time to time by Internal Audit. During the past year, further progress has been made towards finalising the individual departmental recovery plans and the Strategy Group has now agreed a forward schedule of work designed to ensure that each of these plans are completed and formally approved. Once this work has been completed, the Assistant Director of ICT (ADoICT) will be able to assess the combined requirements for the council as a whole and develop a corporate ICT business continuity plan.

Previous internal audit reports have highlighted a number of concerns regarding the Council's ability to recover its business critical ICT systems in the event of a major disaster. i.e. in a situation

where the likelihood of an event occurring may be low but the impact could be extremely high. A solution to many of these concerns would be the creation of a second data processing centre at a location well removed from the existing computer room. This would not only provide a far greater level of network resilience and hence system availability, but it would also enable the secure off-site storage of backup data for use in the event of a disaster in the existing computer room. Both of these benefits would represent significant improvements to the Council's business continuity arrangements but the cost could only be justified if the combined corporate requirements warrant it.

8.8   Added Value

8.8.1   Internal Audit is committed to providing value for money to the Council and its stakeholders and, where possible, to identify examples of specific, tangible benefits achieved. The following are examples of recent benefits delivered:-

8.8.2   LAA Stretch Targets

In March 2007 the Local Strategic Partnership (LSP), Plymouth City Council (PCC) and the Government Ministers agreed the 2007-2010 Local Area Agreement (LAA). Within the agreed LAA are 12 stretch targets which focus on improvement in performance across key national and local priority areas by stretching current published targets.

Rather than wait until the end of the 3 year period to audit the outturn of performance, Internal Audit have added value by reviewing the accuracy of the performance data reported and the adequacy of the corporate performance system, including data quality in year two. The recommendations made should enable the Authority and partner agencies to improve data quality and maximise eligibility to reward grant at the end of year three. Potential award grant totalling £7.42m is available.

8.8.3   Use of Resources (UoR)

The Authority was keen to demonstrate to our External Auditors, Grant Thornton, that real 'outcomes' had been delivered for the community against the Key Lines of Enquries (KLOE's) in the 2008/09 UoR assessment.

Internal Audit has a good overview of what is happening across the organisation and were able to provide independent support in this process by helping officers to identify areas of good practice and to facilitate meetings between projects across the City and the External Auditors so that they could witness for themselves some of the key deliverables. The Assistant Director Finance, Assets and Efficiencies stated "I personally regard this 'value added' work as important to the 'client' as the core audit".

8.8.4   Feedback from Managers

Below are some examples of positive feedback the Audit Service has received from managers:

- "I just want to extend my thanks for the work you have done for us around the staff code of conduct. This is a really important and valuable piece of work for us and will ensure that service provision is upheld in a professional manner right across the department. Your support in ensuring that we get this right is invaluable."

- "Once again I would like to thank you for your support as many positive actions have resulted from the audit."

- "I want to pass on thanks for all the help given during a recent disciplinary investigation. The help and advice was much appreciated during what can be a very difficult time for all."

- "The factual evidence relevant to this case that was identified as a result of your intervention just wouldn't have been possible without your support, professionalism, initiative and experience. I am very grateful for all your guidance and the experience you shared with me – you have been very generous."

8.8.5 Other

- £4k of unclaimed VAT identified and recovered by the Authority.

- Significant spend identified in an area which should have been subject to contract. Internal Audit liaised with Procurement who are now working with the department to go to tender on a number of contracts. Not only will this save the Council money, it will also enable the department to streamline procedures, reducing their workload whilst at the same time ensuring that their clients receive improved service.

9   INTERNAL AUDIT OPINION

9.1   A summary of Internal Audit's opinion on the individual reviews that have been carried out during the year is included in Appendix 3, with more details provided in Appendix 4.

9.2   In carrying out systems and other reviews, Internal Audit assesses whether key, and other, controls are operating satisfactorily within the area under review, and an opinion on the adequacy of controls is provided to management as part of the audit report.

9.3   All final audit reports also include an action plan which identifies responsible officers, and target dates, to address control issues identified during a review. Implementation of action plans are reviewed during subsequent audits or as part of a specific follow-up process.

9.4   Directors have been provided with details of Internal Audit's opinion on each audit review carried out in 2009/10 to assist them with compilation of their individual annual governance assurance statements. If significant weaknesses have been identified in specific areas, these have been considered by the Authority in preparing its Annual Governance Statement which will be included with its published Statement of Accounts for 2009/10.

9.5   Overall, and based on work performed during 2009/10, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control environment.

9.6   **Significant Issues**

9.6.1   In October 2009, the Audit Service issued a draft report which concluded that "fundamental weaknesses" existed within the Carefirst system. The findings of the report were accepted by the CareFirst Programme Board, now chaired by the Assistant Chief Executive on behalf of the Corporate Management Team. This has ensured that appropriate resources have been allocated to address the weaknesses identified in all four control areas reviewed, namely, Compliance and Governance, Information and Data Security, Change Management and Operational Procedures.

The Audit Service has maintained a watching brief and has recently completed a high level follow-up exercise to establish the full extent of the progress made. The follow-up review found significant improvements in the governance arrangements in CareFirst's administration which has a positive influence upon all areas of internal control. As a result of this, better resourcing, and improvements made in the three other control areas covered, the overall audit opinion has improved from

"Fundamental Weaknesses" to "Improvements Required". A summary of the weaknesses identified in the initial review and results of the recent follow-up is attached at Appendix 5.

10   RECOMMENDATIONS

It is recommended that:
1)   the report be noted
2)   the Audit Committee endorse the adequacy and effectiveness of Plymouth City Council's system of internal audit for the year ended 31 March 2010.

INTERNAL AUDIT PLAN 2009/10

PROGRESS AGAINST PLAN - 53 WEEKS ENDED 31 MAR 10

	2009/10		53 wks to 31 Mar 10	
	Total Planned Days	%	Actual Days	%
Systems, Procurement, Cross Cutting	1010	46	907	43
ICT	200	9	168	8
Schools	260	12	246	12
Anti-Fraud	275	12	346	16
Consultancy / Advice	100	5	107	5
Corporate / Government	113	5	116	5
Contingency *	100	5	0	-
Internal Audit Development	160	7	225	11
TOTAL AUDIT DAYS	**2218**	**100**	**2115**	**100**

* Actual days used have been allocated to specific audit categories

SYSTEM REVIEWS - PROGRESS AGAINST INTERNAL AUDIT PLAN 2009/10

System Review	Report issued Draft(D) Final(F)	Date	In progress 31/03/2010	Deferred to 2010/11	Notes
Material Systems					
HR / Payroll System 08/09	F	14-Jun-09			
Housing Rents 08/09	F	14-Jul-09			
Supporting People 08/09	F	7-Apr-09			
Cash Collection 08/09	F	17-Jun-09			
Council Tax System 08/09	F	24-Apr-09			
Housing Benefits System 08/09	F	22-Jun-09			
Main Accounting System, including budgetary control 08/09	F	19-May-09			End of Year "Refresh" work
CareFirst - NSIBS 08/09	F	1-Jul-09			
Commercial Rents 08/09	F	28-Apr-09			
Creditors System 08/09	F	18-May-09			
Debtors System 08/09	F	19-May-09			
Loans and Investments 08/09	F	24-Apr-09			
NNDR System 08/09	F	5-May-09			
Capital Accounting Arrangements 08/09	F	23-Mar-10			
CareFirst - Domicillary Care 09/10	F	14-Dec-09			
Creditors System 09/10	F	23-Dec-09			
Main Accounting System, including budgetary control 09/10	D	31-Mar-10	✓		Draft Report Issued 15 April 2010
CareFirst - Child Independent Placements					Final Report Issued 24 May 2020
HR / Payroll System 09/10	D	31-Mar-10			
Housing Rents 09/10	D	1-Dec-09			
Supporting People 09/10	D	24-Mar-10	✓		Final Report Issued 20th April 2010
Capital Accounting Arrangements 09/10					
Cash Collection 09/10	D	31-Mar-10			Final Report Issued 26th April 2010
Council Tax System 09/10	F	29-Mar-10			
Debtors System 09/10	D	24-Feb-10			Final Report Issued 9th June 2010
Housing Benefits System 09/10	F	17-Mar-10			
Loans and Investments 09/10	D	31-Mar-10			
NNDR System 09/10	F	29-Mar-10			
Grants					
Building Communities Initiative Grant 08/09	F	17-Jul-09			
National Stroke Strategy Grant 08/09	F	3-Jun-09			
Supporting People Grant 08/09	F	21-May-09			
New Growth Points Grant 08/09					No longer required
UBC - Tamar Communities					Additional requirement to original plan. Subsequently not required.
Other Systems - Development & Regeneration Directorate					
Cash Collection - Bretonside	F	15-May-09			
Concessionary Fares	D	31-Mar-10			
Housing Retained Services - Choice Based Lettings			✓		
Commercial Rents Follow-Up (08/09)	D	31-Mar-10			

SYSTEM REVIEWS - PROGRESS AGAINST INTERNAL AUDIT PLAN 2009/10 Appendix 2a

System Review	Report issued Draft(D) Final(F)	Date	In progress 31/03/2010	Deferred to 2010/11	Notes
Other Systems - Corporate Resources					
Governance/Monitoring of Capital Programme					Replaced by UoR work (see Corporate/Strategic Initiatives)
Other Systems – Cross Cutting Reviews					
Sustainability	F	25-Jun-09			
Business Continuity Planning			✓		Watching brief on implementation of departmental continuity plans
CRB	D	18-Dec-09			
Dcal (business users)	F	23-Nov-09			
LAA - Data Quality - National Indicator Set	D	26-Mar-10	✓		Watching brief on project implementation
Managers Self-Service					Overall review no longer required
Health and Safety					
Implications of Significant Partnerships. Governance arrangements				✓	Deferment - insufficient resources
Information Governance					
LAA - Allocation and tracking of funding				✓	Deferment - insufficient resources
LAA - Stretch Targets 2008/09	F	19-May-09			
LAA - Stretch Targets (Stretch Target 8) 2009/10				✓	Not ready for review until June 2010
Life Cycle of Employment				✓	Consultancy & advice provided as required by HR
Officer Expenses					Additional to original plan, but Director for Corporate Support no longer requires review to be unde
Other Systems - Community Services Directorate					
Mt Edgcumbe - End of Year Accounts 08/09	F	26-Jun-09			
Parks Services - equipment store	F	13-Aug-09			
Devonport Regeneration Community Partnership 08/09	F	27-Apr-09			
Residential Care Payments Follow-Up(08-09)	F	9-Jun-09			
Individual Budgets (CIP3)			✓		On-going monitoring and advice on progress of project and development of system controls
Performance and Management Information Systems, eg. Electronic Social Care Record, eSAP			✓		On-going monitoring and advice on progress of project and risk management process
Stock Transfer Project / Corporate Impact Project			✓		Advice on controls and risks on transfer issues
Devonport Regeneration Community Partnership 09/10	D	23-Mar-2010			
CareFirst Programme Board/Project Teams			✓		On-going monitoring and advice on progress of project and risk management process. Additional
Direct Payment Misuse			✓		Advisory brief. Additional to original plan
Commissioning - Review of Grant Funded Services Return 08/09	F	22-Oct-09			
Trade Waste	F	16-Dec-09			
Direct Payment Financial Monitoring - follow-up			✓		Final Report Issued 12th May 2010
Public Burials - follow-up			✓		Final Report Issued 24 May 2010
Fleet Management	D	11-Mar-10			
Performance and Management Information Systems - Data Quality			✓		Validation of various 09/10 Government Returns due 1st Qtr 2010 and review of the compilation pr
Learning Disabilities (LD) and Mental Health (MH) Partnership					Audit time to be used on CareFirst Project

SYSTEM REVIEWS - PROGRESS AGAINST INTERNAL AUDIT PLAN 2009/10   **Appendix 2a**

System Review	Report issued Draft(D) Final(F)	Date	In progress 31/03/2010	Deferred to 2010/11	Notes
Other Systems - Children's Services Directorate					
Implementation of Childrens Trust 08/09	F	18-May-09			
Youth Service 08/09	F	20-Apr-09			
LAC Placement Payments Follow-Up (08/09)	F	20-May-09			
Governor Training			✓		various training on FMSIS and Auditing given during 2009/10
FMSIS			✓		on-going development of external assessment process and advice to schools
Review of Local Safeguarding Children Board (LSCB)	F	22-Mar-10			
Governance Arrangements / Restructure of Youth Service - follow-up	F	17-Dec-09			
Implementation of Childrens Trust - follow-up	F	31-Mar-10			
Children Case Management				✓	Deferment. OFSTED Inspection and external review taking place.
Extended Schools				✓	Deferment - insufficient resource
Integrated Children's System Phase 2 / Contact Point				✓	Deferment - insufficient resource
Procurement / Contract Audit					
School Construction Projects			✓		On-going monitoring and advice on progress of project and risk management process
Leisure Management Contract			✓		On-going monitoring and advice on progress of project and risk management process
Life Centre Project			✓		Review of procurement process, on-going monitoring and advice on project and risk management
Waste Management - SWDWP			✓		Review of procurement process, on-going monitoring and advice on project and risk management
Schools PFI Contract Monitoring	F	17-Dec-09			
Waste Management - Interim Solution	F	29-Oct-09			
Security Contract			✓		
Highways Amey Contract			✓		
ICT Audit					
Material Systems Review (08/09)	F	17-Jun-09			
MS Exchange 08/09	F	16-Jun-09			
SIMS Interface 08/09	F	21-May-09			
Network Security Issues (Firewall Security)	F	18-Sep-09			
Change Control Testing follow-up	F	29-Jan-10			
Follow up of previous work			✓		work carried out throughout 2009/10
Internal Audit Consultancy on IT Issues / Projects / Policy			✓		work carried out throughout 2009/10
E-procurement - Dcal System Review	F	1-Oct-09			
OLM Phase 3 (oracle Security and System Admin Functions)	D	30-Oct-09	✓		
Material Systems IT Issues 09/10	D	31-Mar-10			Final Report Issued 22 April 2010
Applications - Civica - Main Accounting System (including interfaces)	D	31-Mar-10			Final Report Issued 5 May 2010
Applications - Financial Director				✓	Deferment - insufficient resources
Backups (Corporate ISD Processes)	F	18-Feb-10			
Capacity Management - Data Storage				✓	Deferment - insufficient resources
Information Governance (Gov Connect)	D	31-Mar-10			Final report Issued 12 May 2010
Application Interfaces 08/09					Incorporated within Change Control Follow-Up
SAP Backup Failures	F	26-Mar-10			Additional to original plan - Situation Report issued to Asst Dir of HR
SAP 07/08 Review Follow-Up	F	26-Mar-10			Additional to original plan - Situation Report issued to Asst Dir of HR

SYSTEM REVIEWS - PROGRESS AGAINST INTERNAL AUDIT PLAN 2009/10

System Review	Report issued		In progress 31/03/2010	Deferred to 2010/11	Notes
	Draft(D) Final(F)	Date			
Corporate/Strategic Initiatives					
UoR - How IA Can Add Value			✓		Additional to original plan
UoR 08/09			✓		Additional to original plan
Annual Governance Statement			✓		
Audit Committee			✓		
Benchmarking			✓		
CAA			✓		
External Audit			✓		
Policy Development and Advice			✓		
Whistleblowing			✓		

APPENDIX 2b

SCHOOLS ESTABLISHMENT AUDITS - PROGRESS AGAINST INTERNAL AUDIT PLAN 2009/1(

ESTABLISHMENT	Reports Issued Draft (D) Final (F)	Date	In progress 31/03/2010	Deferred to 2010/11	Notes
Primary Schools					
Routine Audits Only					
Plaistow Hill Infant	F	Jul-2009			
Salisbury Road Primary	F	Jul-2009			
Victoria Road	F	Jul-2009			
Compton C of E Primary	F	Oct-2009			
Plympton St Mary's Infant	F	Oct-2009			
Thornbury	F	Oct-2009			
Yealmpstone Farm Primary	F	Oct-2009			
St Peters CE Primary	F	Dec-2009			
Austin Farm	F	Mar-2010			
FMSiS Assessment Only					
Prince Rock Primary FMSiS	F	Apr-2009			
Stuart Road Primary FMSiS	F	Apr-2009			
St Paul's RC Primary FMSiS	F	May-2009			
Estover Comm Primary FMSiS	F	May-2009			
Hospital FMSiS	F	Jun-2009			
Victoria Road Primary FMSiS	F	Jul-2009			
Riverside Primary FMSiS	F	Sep-2009			
Yealmpstone Farm Primary FMSiS	F	Nov-2009			
Elburton FMSiS	F	Dec-2009			
Plaistow Hill Infant FMSiS	F	Dec-2009			
Salisbury Road Primary FMSiS	F	Jan-2010			
Plympton St Mary's Infant FMSiS				✓	Deferred to Summer 2010
Thornbury FMSiS				✓	Deferred to Summer 2010
St Peters CE Primary FMSiS Re-Assess	F	Jun-2009			
Glen Park FMSiS Re-Assess	F	Jul-2009			
Combined Routine Audit and FMSiS Assessment					
Beechwood	F	Dec-2009			
Eggbuckland Vale Primary	F	Dec-2009			
Oakwood	F	Dec-2009			
St Edward's C of E Primary	F	Dec-2009			
St Peters RC Primary	F	Dec-2009			
Whitleigh Community Primary	F	Dec-2009			
Manadon Vale Primary				✓	Deferred to Summer 2010

APPENDIX 2b

Special Schools and Other			
Routine Audits Only			
Ham Drive Nursery	F	Jun-2009	Finalising 2008/09 audit
Plymbridge Nursery	F	Jun-2009	Finalising 2008/09 audit
Mount Tamar Special	F	Sep-2009	
FMSiS Assessment Only			
Downham Special FMSiS	F	May-2009	
Mount Tamar Special FMSiS	F	Oct-2009	
Combined Routine Audit and FMSiS Assessment			
Woodlands	F	Nov-2009	
Longcause Community Special		✓	Deferred to Summer 2010
Secondary Schools			
Routine Audits Only			
Plymstock	F	Apr-2009	Finalising 2008/09 audit
Notre Dame	F	Jun-2009	Finalising 2008/09 audit
Plymouth High School for Girls	F	Nov-2009	Finalising 2008/09 audit
FMSiS Assessment Only			
Plymstock FMSiS	F	Jan-2010	
Notre Dame FMSiS	F	Feb-2010	
Combined Routine Audit and FMSiS Assessment			
Sir John Hunt CC	F	Dec-2009	
Hele's	F	Jan-2010	
Eggbuckland CC	F	Jan-2010	
St Boniface	D	Feb-2010	Final Report issued 25th May 2010
Estover CC	F	Mar-2010	
Coombe Dean	D	Mar-2010	Final Report issued 20th April 2010

INTERNAL AUDIT - END OF YEAR PROGRESS REPORT 2009 - 2010
SUMMARY OF REVIEWS AND AUDIT OPINIONS

Appendix 3

System Review	Report Issued Draft - D Final - F	Date	Opinion	Action Plan in Place
Building Communities Initiative Grant 08/09	F	17-Jul-09	Assurance Given	N/A
Capital Accounting Arrangements 08/09	F	19-Mar-10	Good Standard	✓
Cash Collection - Bretonside	F	15-May-09	Improvements Required	✓
Cash Collection 08/09	F	17-Jun-09	Good Standard	✓
Cash Collection 09/10	F	26-Apr-10	Good Standard	✓
Child Independent Placements (CareFirst) 09/10	D	15-Apr-10	Good Standard	
Commercial Rents 08/09	F	28-Apr-09	Improvements Required	✓
Commercial Rents Follow-Up (08/09)	D	31-Mar-10	N/A	N/A
Community Services - Grant Funded Services Return for 2008/09	F	22-Oct-09	Good Standard	✓
Concessionary Fares	D	31-Mar-10	Improvements Required	
Corporate Backup Processes 09/10	F	18-Feb-10	Good Standard	✓
Council Tax System 08/09	F	24-Apr-09	Good Standard	✓
Council Tax System 09/10	F	29-Mar-10	Good Standard	✓
CRB Disclosure Checks 09/10	D	18-Dec-09	Good Standard	
Creditors System 08/09	F	18-May-09	Good Standard	✓
Creditors System 09/10	F	18-May-09	Good Standard	✓
Debtors System 08/09	F	23-Dec-09	Improvements Required	✓
Debtors System 09/10	F	9-Jun-10	Improvements Required	✓
Devonport Regeneration Community Partnership 08/09	F	27-Apr-09	Good Standard	✓
Devonport Regeneration Community Partnership 09/10	D	23-Mar-10	Good Standard	
Domiciliary Care (CareFirst) 09/10	F	14-Dec-09	Good Standard	✓
E-procurement - Dcal System I.T. Review	F	1-Oct-09	Good Standard	✓
E-procurement - Dcal System Business Users	F	23-Nov-09	Improvements Required	✓
Fleet Management	F	24-May-10	Improvements Required	✓

INTERNAL AUDIT - END OF YEAR PROGRESS REPORT 2009 - 2010
SUMMARY OF REVIEWS AND AUDIT OPINIONS

Appendix 3

System Review	Report Issued Draft - D / Final - F	Date	Opinion	Action Plan in Place
Housing Benefits 08/09	F	22-Jun-09	Improvements Required	✓
Housing Benefits 09/10	F	17-Mar-10	Improvements Required	✓
Housing Rents 08/09	F	14-Jul-09	Improvements Required	✓
Housing Rents 09/10	D	1-Dec-09	Good Standard	
HR / Payroll System 08/09	F	14-Jun-09	Good Standard	✓
HR / Payroll System 09/10	F	24-May-10	Good Standard	✓
ICT Change Control	F	29-Jan-10	Improvements Required	✓
Implementation of Childrens Trust 08/09	F	18-May-09	Improvements Required	✓
Implementation of Childrens Trust Follow-Up (08/09)	F	31-Mar-10	N/A	N/A
Information Governance (Government Connect) 09/10	F	12-May-10	Improvements Required	✓
LAA - Data Quality - National Indicator Set	D	26-Mar-10	Improvements Required	
LAA Stretch Targets 08/09	F	19-May-09	N/A	✓
LAC Placement Payments Follow-Up (08/09)	F	20-May-09	N/A	N/A
Loans and Investments 08/09	F	24-Apr-09	Good Standard	✓
Loans and Investments 09/10	D	31-Mar-10	Good Standard	
Local Safeguarding Children Board 09/10	F	22-Mar-10	Improvements Required	✓
Main Accounting System 09/10	D	31-Mar-10	Good Standard	
Main Accounting System IT Review 09/10	D	31-Mar-10	Good Standard	
Material Systems I.T. Review 08/09	F	17-Jun-09	Improvements Required	✓
Material Systems I.T. Review 09/10	F	5-May-10	Improvements Required	✓
Microsoft Exchange 08/09	F	16-Jun-09	Good Standard	✓
Mt Edgcumbe - End of Year Accounts 08/09	F	26-Jun-09	Assurance Given	N/A
National Stroke Strategy Grant 08/09	F	3-Jun-09	Assurance Given	N/A
Network Security Issues (Firewall Security)	F	18-Sep-09	Good Standard	✓

Appendix 3

INTERNAL AUDIT - END OF YEAR PROGRESS REPORT 2009 - 2010
SUMMARY OF REVIEWS AND AUDIT OPINIONS

System Review	Report Issued Draft - D Final - F	Date	Opinion	Action Plan in Place
NNDR System 08/09	F	5-May-09	Good Standard	✓
NNDR System 09/10	F	29-Mar-10	Good Standard	✓
Non-Residential Services Income Billing System (NSIBS) 2008/09	F	1-Jul-09	Improvements Required	✓
OLM CareFirst System 09/10	F	22-Apr-10	Fundamental Weaknesses	✓
Parks Services - Equipment Store	F	13-Aug-09	Improvements Required	✓
Residential Care Payments Follow-Up(08-09)	F	9-Jun-09	N/A	N/A
SAP Backup Failures	F	26-Mar-10	N/A	N/A
SAP Review Follow-Up (07/08)	F	26-Mar-10	N/A	N/A
Schools PFI Contract Monitoring 09/10	F	17-Dec-09	Improvements Required	✓
Schools SIMS Interface 08/09	F	21-May-09	Good Standard	✓
Supporting People 08/09	F	7-Apr-09	Good Standard	✓
Supporting People 09/10	F	20-Apr-10	High Standard	✓
Supporting People Grant 08/09	F	21-May-09	Assurance Given	N/A
Sustainability	F	25-Jun-09	N/A	N/A
Trade Waste	F	16-Dec-09	Improvements Required	✓
Waste Management - Interim Solution	F	29-Oct-09	High Standard	✓
Youth Service 08/09	F	20-Apr-09	Good Standard	✓
Youth Service Follow-Up (08/09)	F	17-Dec-09	N/A	N/A

*There are 4 levels of audit opinion. Further explanation is provided in Appendix 3a

INTERNAL AUDIT - END OF YEAR PROGRESS REPORT 2009 - 2010

Appendix 3a

Audit Assurance Opinion Definitions

There are four standards of assurance used to form an opinion on a system.

These are detailed in the table below:

Assurance	Definition
High Standard.	The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place. We have made only minor recommendations aimed at further enhancing already sound procedures.
Good Standard.	The systems and controls generally mitigate the risk identified but a few weaknesses have been identified and / or mitigating controls may not be fully applied. There are no significant matters arising from the audit and the recommendations made serve to strengthen what are mainly reliable procedures.
Improvements required.	There are a number of instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved in order to ensure that they are fully reliable. Recommendations have been made to ensure that organisational objectives are not put at risk.
Fundamental Weaknesses Identified.	The risks identified are not being controlled and there is an increased likelihood that risks could occur. The matters arising from the audit are sufficiently significant to place doubt on the reliability of the procedures reviewed, to an extent that the objectives and / or resources of the Council may be at risk, and the ability to deliver the service may be adversely affected. Implementation of the recommendations made is a priority.

INTERNAL AUDIT – END OF YEAR PROGRESS REPORT 2009 / 2010
AUDIT OPINION ON SYSTEM REVIEWS COMPLETED

General Notes

The following Audit Opinions are based on control weaknesses identified at the time of the reviews. In most cases action plans have been agreed for responsible managers to implement audit recommendations or suitable alternative controls; implementation of action plans will be reviewed as part of Internal Audit's routine follow-up procedures.

Capital Accounting Arrangements 2008/09

The system in place for accounting for the Council's capital assets was found to be operating to a 'Good Standard'. There are clear policies and procedures which ensure that new assets are recognised, valued and correctly classified for entry onto the asset register. Regular valuations are carried out by RICS qualified valuers with an impairment review being carried out annually on all of the Authority's assets and changes in value to ensure that they are accurately recorded in the Statement of Accounts and asset register.

Cash Collection – Bretonside 2008/09

The overall opinion formed was 'Improvements Required'. The relatively low value of income collected means associated risks are similarly low, however the existing processes and their implementation need to be improved to ensure income is safeguarded and the system is effective and efficient.

Cash Collection 2008/09

The audit review found that this continues to be a well managed system which operates effectively and has a "Good Standard" of control.

Cash Collection 2009/10

The Cash Office is a key front line service whose objective is to provide an effective and efficient service to the Council's paying customers. It also plays a pivotal role in ensuring income is collected and recorded accurately and correctly; and banked promptly. Our observations, enquiries and tests have shown that these objectives are being achieved and maintained to a "Good Standard".

Child Independent Placements 2009/10 (Draft)

The review found that, in the main, internal controls within CIPS was operating to a "Good Standard". This was evidenced by accurate recording of panel decisions, as well as good administration of the Needs and Outcomes Statements, Options Appraisals and individual contracts that is carried out in the Commissioning for Children's Services Team. Good processes were found to be in place for the payment, monitoring and reconciliation of the fortnightly payments which is, at present, carried out by the Admin Support Manager (ASM) Fostering and the Assistant Accountant within the Finance Team.

Commercial Rents 2008/09

It is noted that this was a difficult year for some areas due to key positions being vacant and the opinion formed as a result of this review was "Improvements Required".

Based on the evidence obtained, the design of the system of control, if complied with provides reasonable assurance that the activities and procedures in place will achieve the objectives for the system. Management have taken positive action in response to the recommendations for improvement.

Community Services – Grant Funded Services Return For 2008/09

The opinion formed by the audit review was that a "Good Standard" had been achieved. Contracts or service level agreements were identified for the contracts that have been managed by the Supporting People Team, the Adult Social Care Contracts Team and Housing. In some cases, the contracts had been extended in accordance with corporate procedures. The issues being raised do not materially affect the data contained in the 2008 Return but should be seen as possible improvements for identifying data for future returns and providing better descriptions of contracts on the published contracts register.

There has been regular monitoring of the services reviewed that are supported by a contract or service level agreement. Where issues have been identified as part of the monitoring process, appropriate action is being taken by the contract manager to resolve the situation.

The recommendations made in this review will be considered and actioned as part of the preparation of the 2009/10 Grant Funded Services Return.

Concessionary Fares 2009/10 (Draft)

Since April 2008, it became mandatory for the Council to provide free off peak travel on local bus services to eligible residents of the Council. Approximately 59,000 residents, including about 6,700 disabled people, have been issued with free bus passes under the Scheme.

The scheme has been promoted well in Plymouth and has been successful in achieving its aim of giving eligible residents the opportunity for greater freedom and independence to travel around Plymouth. However, there are some concerns surrounding the administration of the scheme which include the accuracy and reliability of records maintained by the bus operators and the potential for fraudulent or incorrect use of passes and the opinion formed was "Improvements Required".

Corporate Backup Procedures 2009/10

The corporate backup procedures were found to be well managed and administered to a "Good Standard". They are being carried out by well trained and knowledgeable members of the ICT department and the backup schedules ensure that copies of the Council's computerised applications are being taken at appropriate intervals.

Experience has shown that the ICT backup and restore procedures do work in practice and on the basis of the audit tests, undertaken during the course of this review, the Council's important business systems are all included in the backup process. However, although the ICT backup procedures can be shown to be effective in normal circumstances, there are a number of long standing and serious concerns regarding the ability to reinstate any, or all, of the Council's computer systems in the event of a major disaster.

Council Tax 2008/09

The Council Tax system was found to be operating effectively with an overall opinion that a "Good Standard" had been achieved. Collection rates had improved on the previous year, whilst outstanding work processes have been significantly reduced.

Council Tax 2009/10

The Revenues Service continues to focus on Corporate Improvement Priorities 1, Improving customer service and 14, Providing value for money, through the roll out of "lean systems" working. Consistent application of internal controls and effective debt recovery practices have ensured Council Tax collection performance has not been severely affected even at a time of economic downturn. The opinion formed was that the Council Tax system continues to operate to a "Good Standard".

CRB Disclosure Checks 2009/10 (Draft)

Overall the Council was found to have policies and procedures in place, which in the main, appeared to be in line with the guidance published by the Criminal Records Bureau. However, conflicting guidance has been issued by the Department of Health and Ofsted in relation to the roles which may be subject to a CRB disclosure check.

Clarification is required to ensure that managers/officers understand the roles and criteria which indicate the need for a CRB disclosure check. Other areas requiring action include clarification of the Council's position on CRB portability and improving access to policies for School's including communication of their publication. Overall the opinion formed was "Good Standard".

Creditors System 2008/09

Considerable effort has been made to address the issues raised in the previous audit report to improve the effectiveness of the service and the opinion formed as a result of this review was "Good Standard".

Creditors System 2009/10

The Creditors Team has an important role in ensuring that payments are properly authorised prior to payment, with checks being undertaken to confirm that the correct amounts are being paid. Controls surrounding these areas were found to be robust and operating to a "Good Standard".

Debtors System 2008/09

The review has identified some control weaknesses and the opinion formed is "Improvements Required". However, it is recognised that considerable effort has been made to address the issues raised in the previous audit report, including the launch of an Income and Credit Management Policy and Bad Debt Write Off Policy. These policies will require some departments to review their working practices to ensure that they are compliant and as new practices become embedded will further improve the overall effectiveness of the system.

Debtors System 2009/10

Whilst the overall opinion formed was "Improvements Required" a considerable amount of effort has been made by the Incomes Team to introduce a number of initiatives to achieve its objectives of providing an efficient debt collection system, maximising income collection, reducing costs and minimising bad debts. Payment by direct debit has been promoted in an effort to reduce costs and improve efficiency. Service areas are encouraged to collect payments in advance wherever possible and the Debtors Team take pro-active measures to collect income prior to the due date. A number of reports have been developed to enhance performance monitoring and to provide management with an overview. However, these are new initiatives and once embedded will improve the overall effectiveness of the system.

Devonport Regeneration Community Partnership (DRCP) 2008/09

DRCP have established good procedures in respect of both project and programme management and based of the evidence from this review, the opinion formed was "Good Standard". The effectiveness of systems is dependant upon the entire partnership working to achieve programme aims and the relationship with Plymouth City Council (PCC) as Accountable Body and as a project partner is integral to the successful delivery of the New Deal for Communities (NDC) programme in Devonport.

Devonport Regeneration Community Partnership (DRCP) 2009/10 (Draft)

The audit review focussed on the DRCP Succession Strategy which has been developed by DRCP in consultation with its key partners, to sustain the improvements delivered through the New Deal grant programme beyond the ten year lifetime. The strategy was found to be of a "Good Standard".

Domiciliary Care (CareFirst) 2009/10

In the main, the areas examined reached a "Good Standard". The audit did raise concerns relating to the current NSIBS system and these areas were highlighted as "improvements required". However, it is recognised that a decision has already been made to carry out no further development to NSIBS in light of its proposed replacement. The areas highlighted which relate to NSIBS should form part of the specification for the replacement system.

E-Procurement - DCal I.T. Review 2009/10

This audit review has confirmed that the D.Cal system is a secure and robust application which provides an effective electronic method of processing payment card transactions into the Council's general ledger and that it is being well managed and controlled by its System Administration Team.

There are no significant matters arising from this review but a small number of other issues were identified. Some of these have already been actioned, since the audit work was completed, but others still need to be addressed in order to ensure that the organisational objectives of implementing the D.Cal system are not put at risk.

E-Procurement - DCaI Business Users 2009/10

This review focussed on two areas of high spend, Catering lodge cards with expenditure totalling £359k for the first half of 2009/10 and the purchasing cards used by the team responsible for Fleet and Garage Store which have a combined spend up to 30 September 2009 of £444k. Whilst the overarching system for the administration of purchasing cards was found to be operating to a good standard, some control weakness were identified in these two operational areas and recommendations for improvement have been made to the Catering Service and Fleet and Garage Store.

Fleet Management 2009/10

The systems and procedures operated by Fleet Management are currently not as robust as they could be and the audit has identified some key issues which if addressed, would assist the service in becoming more competitive. Although the opinion formed was "Improvements Required" the staff reaction to the audit was positive, advice and suggestions that were made were taken on board and in some cases implemented immediately.

Housing Benefits 2008/09

The economic downturn saw the Authority process an additional 1200 claims from September 2008 to February 2009, a trend which is likely to continue for the foreseeable future. This increased the overall caseload and placed additional pressures on benefits staff to deliver an effective service.

The opinion formed from this review was 'Improvements Required' but it should be noted that Revenues are actively reviewing their procedures to improve service delivery primarily through the introduction of LEAN systems. LEAN focuses provision on customer service and on a "right first time" approach to assessment.

Housing Benefits 2009/10

The effects of the economic downturn has continued to impact upon the capacity of the service during 2009/10, with the housing and council tax benefit caseload increasing by 10.5% from 24,994 in September 2008 to 27,637 by September 2009.

Internal control arrangements operating within the housing benefit system were found to be of a good standard, but a lack of accuracy checks and in-claim management arrangements fails to ensure the quality of benefit data reducing the overall opinion to "Improvements Required". It is acknowledged, however, that a detailed action plan has been drawn up and the lack of accuracy checking is now being addressed.

Housing Rents 2008/09

Despite efforts being made to address some of the issues raised in the previous Housing Rents audit report (2007/08), it was disappointing to note that a number remained outstanding at the time of the 2008/09 review. In view of this, five recommendations have now been ranked as a high priority.

Based on the evidence obtained, the design of the system of control, if complied with, continues to provide only limited assurance that the activities and procedures in place will achieve the objectives for the system. Based on the evidence obtained from testing, the application of established controls is adequate.

Housing Rents 2009/10 (Draft)

The review of the Housing Rents System covered the period 1 April 2009 to 16 November 2009, after which it ceased to be the responsibility of Plymouth City Council, following transfer of the housing stock to the newly formed Plymouth Community Homes (PCH).

In the main, key controls were operating to a "Good Standard". Reconciliations between the Housing Rents System and other systems which it interfaced, were undertaken regularly and there was separation of duties throughout the process to minimise the risk of fraud, collusion and errors.

HR/Payroll System 2008/09

The HR/Payoll service has faced some key challenges this past year which has included merging the Payroll and HR Admin teams into one holistic service and the reconfiguration of the HR Payroll system to accommodate the new pay and grade structure within a four month period.

Despite these significant challenges, the audit review identified that the service has made considerable efforts to address the issues raised in the previous audit report and the system was found to be operating to a "Good Standard".

HR/Payroll System 2009/10

Consistent application of internal controls have ensured that PCC employees have been paid accurately, on time and in accordance with their contract of employment. The system continues to operate to a "Good Standard" and further efficiencies may be achieved through improved utilisation of the e-HR SAP system and review of payroll processes, together with the roll-out of Managers Online (MOL) which was due to be piloted from April 2010.

ICT Change Control 2009/10

Considerable progress has been made since the Internal Audit report on Change Management was issued on 7th May 2008 and work continues to embed the principles of ITIL into both ICT working practices and culture. The ICT Service is progressing well in terms of improving ICT change management procedures and should be commended for its efforts.

A basic framework now exists to evolve ITIL based service delivery processes and workflows and the opportunity to successfully deliver service improvements, with tangible benefits to the Authority as a whole, should not be lost.

Implementation of Childrens Trust 2008/09

The opinion formed as a result of this review was 'Improvements Required'. Based on the evidence obtained, the Trust has been set up in accordance with the guidance issued by the Government but now needs to review the recently issued Audit Commission and Department for Children, Schools and Families guidance to ensure that the Trust is complying and developing in accordance with this.

The Trust partners need to ensure that the legal requirements are all in place to move forward to a closer working arrangement that may see certain areas of work where pooled budgets may be a more effective way of operating. The Trust needs to be seen to be

delivering services within the Every Child Matters agenda rather than being a method of communicating with relevant partners.

A follow-up of the review was completed in March 10 which found that positive action had been taken to improve the governance arrangements of the Children's Trust, and the majority of the points raised in the original report had been acted upon.

Information Governance (Government Connect) 2009/10 (Draft)

The Government Connect system (Gov Connect) provides a robust and secure means of sending and receiving communications between approved local and central government bodies. Whilst the arrangements in place within the ICT department for managing the Council's use of the Government Connect system and for ensuring compliance with the Code of Connection (CoCo) were found to be of a good standard, a number of issues were identified that could threaten the continued availability of the system as a result the overall opinion formed was "Improvements Required".

LAA - Data Quality – National Indicator Set 2009/10 (Draft)

Data quality arrangements are considered as part of the Use of Resources (UoR) assessment under Key Line of Enquiry (KLOE) 2.2, "does the organisation produce relevant and reliable data and information to support decision making and manage performance" and a sample of 10 national indicators were reviewed. It was found that overall, Plymouth City Councils data quality arrangements are of a good standard and provide the structure by which performance management processes can be carried out in a robust and comprehensive manner. However further action is required to strengthen and fully embed arrangements throughout the organisation and the opinion formed was "Improvements Required".

LAA Stretch Targets 2008/09

Overall, it was found that the systems in place for recording, reporting and publishing the LAA stretch target performance indicators were adequate. However, weaknesses were identified in two of the targets reviewed, they are:

- Stretch Target 8 to 'Decrease the Harm Caused by Alcohol Especially in Young People'
- Stretch Target 12: Indicator 2 – Number of people claiming incapacity benefit living in the Plymouth LAA area who have a care plan with Plymouth Mental Health Team who are supported by the Plymouth Works Partnership into sustained employment as measured by individual tracking of participants and outcomes through the partnership.

An action plan has been agreed to address the issues identified as failure to achieve the targets will result in the claim for performance reward grant being reduced or refused by the DCLG.

Loans and Investments 2008/09

The Council's existing systems and processes, together with measures that were introduced in response to the global economic downturn, were found to have been of a "Good Standard". The newly convened Treasury Board has met regularly since October 2008 and the Council has a new independent Treasury Management Advisor, Arlingclose.

Loans and Investments 2009/10 (Draft)

The Treasury Management (TM) Team continue to provide an effective service with cash flow maintained at an appropriate level and demonstrating compliance with CIPFA's Code of Practice. Internal controls continue to operate to a "Good Standard" with the TM Board continuing to meet on a regular basis to discuss, review and approve investment and borrowing decisions.

Local Safeguarding Children Board 2009/10

The Plymouth Safeguarding Board is well managed, monitored and controlled. The Board and sub-groups meet regularly and a business plan is in place and regularly reviewed. There are a number of new initiatives in the pipeline designed to improve both the Board and safeguarding of children in the city.

The audit opinion of "Improvements Required" was based on the lack of key documentation, namely the Partnership Agreement and Information Sharing Protocol. Although at present the agencies involved in the Board work together well, and Board is aware of the need for a formal agreement between the agencies, one has not yet been put in place due to a lack of resources.

Main Accounting System 2009/10 (Draft)

The consistent application of internal controls ensures that the Main Accounting System (including budgetary control) continues to operate to a "Good Standard". It was noted that budget forecasting during the current year has continued to improve, demonstrated by a lack of the significant swings in forecasts as experienced in previous years with reasons for budget variations being clearly laid out in the bi-monthly joint finance and performance reports to Cabinet.

Main Accounting System IT Review 2009/10 (Draft)

The Civica General Ledger (MAS) application is well managed, with clear governance and communication arrangements in place to ensure that it operates as required by the Finance Service. However, some concerns exist with regard to the number of users with "Full Access" to the computer system and with some of the privileges that Civica application support have been allocated on the corporate computer network.

Material Systems IT Review 2008/09
This review has confirmed that the majority of the common processes undertaken within ISD, in respect of the Council's material systems, are carried out in a secure, well-managed and professional manner. However, the exercise has also highlighted a number of areas in which improvements are required in order to raise those standards still further.

Material Systems IT Review 2009/10

This review has confirmed that, as in previous years, the majority of the common processes and procedures, undertaken within the ICT department in respect of the Council's material systems, are carried out in a secure, well-managed and professional manner and are now of a good standard. During the past year, significant progress has been made in a number of key areas but the exercise has also highlighted other areas in which improvements are still required in order to raise the standards still further.

The overall audit opinion of "Improvements Required" is based on an assessment of the individual risks in 'normal circumstances'. However, when considered together, the combined potential impact of some of the risks identified, does raise concerns regarding the Council's ability to ensure the continued availability of its material systems, in the event of a major disaster. (i.e. where the probability of the event occurring is unlikely but its impact on the business of the Council would be significant.)

Microsoft Exchange 2003, 2008/09

The opinion formed as a result of this review is that a "Good Standard" applies. This opinion relates to the procedures and controls associated with the MS Exchange system itself but does not apply to any corporate control weaknesses which represent risks to the MS Exchange system but which are beyond the control of the MS Exchange Manager.

The routine MS Exchange system administration functions are being managed in a reasonably sound and well organised manner. The Server Team Leader is satisfied that there is an adequate level of in-house and external support to maintain the system and the configuration of the hardware incorporates a reasonable level of resilience, apart from two 'single points of failure' (See Key Risks below) However, the MS Exchange environment is at risk, as the result of some corporate issues that are beyond the control of the system administrators.

Mt. Edgcumbe Accounts 2008/09

In accordance with the 'Accounts & Audit Regulations 2003 as amended', Internal Audit are required to provide an opinion on the adequacy of the system of internal control maintained by the Mount Edgcumbe Joint Committee.

The opinion formed was that in all significant respects the control objectives were being achieved throughout 2008/09.

Network Security Issues (Firewall Security) 2009/10

Plymouth City Council's firewall is currently administered to a "Good Standard" and provides a satisfactory and well managed solution to controlling digital traffic and mitigating external threats to the internal network. The review did highlight the lack of contractual documentation formalising the Council's business relationship with the third party consultants Blue Screen IT, the need to improve ICT's change control procedures and the need for more technical support to supplement ICT officer knowledge of new firewall components and their functionality. Since the review, training is starting to resolve this issue.

NNDR 2008/09

Revenues officers responsible for the billing and collection of the Non Domestic Rates continue to work hard to maintain a good standard of internal control and to review and improve current working practices and procedures. The opinion formed as a result of this review is that the NNDR system is operating to a 'Good Standard' and reliance can be placed on the internal controls and procedures operated.

NNDR 2009/10

The Revenues Service continues to focus on Corporate Improvement Priorities 1, Improving customer service and 14, Providing value for money, through the roll out of "lean systems" working. Consistent application of internal controls and effective debt recovery practices have ensured NNDR collection performance has not been severely affected even at a time of economic downturn. The opinion formed was that the NNDR system continues to operate to a "Good Standard".

Non-Residential Services Income Billing System (NSIBS) 2008/09

Based on the evidence obtained, the design of the system of control, if complied with, only provides limited assurance that the activities and procedures in place will achieve the objectives for the system. The opinion formed was "Improvements Required" but it is recognised that there is little value in implementing time-consuming and costly amendments to the current NSIBS if it is due to be replaced in the near future.

However, any replacement system purchased should ensure there are adequate controls, particularly around producing audit trails/reports and restricting access to sensitive/financial areas of the system.

Based on the evidence obtained from testing, the application of established controls is adequate.

OLM CareFirst System 2009/10

In October 2009, the Audit Service issued a draft report which concluded that "fundamental weaknesses" existed within the Carefirst system. The findings of the report were accepted by the CareFirst Programme Board, now chaired by the Assistant Chief Executive on behalf of the Corporate Management Team. This has ensured that appropriate resources have been allocated to address the weaknesses identified in all four control areas reviewed, namely, Compliance and Governance, Information and Data Security, Change Management and Operational Procedures.

The Audit Service has maintained a watching brief and has recently completed a high level follow-up exercise to establish the full extent of the progress made. The follow-up review found significant improvements in the governance arrangements in CareFirst's administration which has a positive influence upon all areas of internal control. As a result of this, better resourcing, and improvements made in the three other control areas covered, the overall audit opinion has improved from "Fundamental Weaknesses" to "Improvements Required".

Parks Services – Equipment Store 2009/10

The main depot used by Parks Services is located on Outland Road and contains a number of plant and equipment stores where equipment and consumable materials are held and issued. A small aspect of the work carried out by Park Services includes the safeguarding and control of these plant and equipment stores and Internal Audit were asked by Parks Management to review the risk and controls within the stores. Areas for improvement were identified by the audit and management have an action plan in place to strengthen controls.

Schools PFI Contract Monitoring 2009/10

The first year of the facilities management provision by Interserve Education has been a difficult period for all partners involved in the process. For the education establishments involved, there has had to be a significant change in their understanding of how facilities management works under a PFI contract as compared to a traditionally managed school. The responsibility for facilities management has been fully transferred to Interserve Education. The facilities management at Wood View Learning Community has been made more complicated as numerous issues reported to the Help Desk related to building defect issues rather than facilities management due to the staggered hand over of the accommodation from the building contractor to the facilities manager during this period.

The Council's PFI officers have been working with the educational establishments and Interserve Education through regular liaison meetings to address the shortfalls that have been identified. These include the operation, reporting and monitoring of the Help Desk, the instituting of Delivery and Development Plans (as detailed in the contract) and the monitoring of the contract at corporate and establishment levels. The opinion formed was "Improvements Required" and the work to date should be viewed as on-going work in progress during the first year with positive steps having been taken by all parties to address the issues identified.

Schools SIMS Interface 2008/09

The Authority's Schools Interfaces are administered to a "Good Standard". However, this standard would not have been achieved without schools performing a reconciliation between FMS6 records and the General Ledger which would identify mismatches between the systems. The identification and implementation of an improved technical solution for the processing of school supply teacher batch files would ensure a greater level of assurance as to the integrity of the overall process and the correctness of the payments generated.

Supporting People 2008/09

The Supporting People Services' operational procedures are administered to a "Good Standard". However, it should be recognised by senior management that there is a lack of key user and data management controls provided by the Care Support application.

Supporting People 2009/10

The Supporting People Services' operational procedures continue were found to be administered to a "High Standard". Recent password quality and data security improvements made to the CareFirst computer application have assisted in improving the level of assurance in the area of data security.

Sustainability 2009/10

Developing and embedding Sustainability as a cross cutting theme is a growing priority for local authorities in part motivated by carbon taxation levies and the Use of Resources assessment of the use of natural resources (KLOE 3.1). It has also been identified as a priority under Corporate Improvement Priority 14 (value for money. Internal Audit carried out a light touch high level review of where the Council is and made some recommendations should help to drive the work forward.

Trade Waste 2009/10

The opinion formed following this review is 'Improvements Required'. Trade Waste has seen a number of strategic changes introduced over the last 12 to 18 months, including the re-zoning of waste collection and the introduction of charging commercial organisations by weight instead of volume and staff have worked hard to implement these key changes. However it was found that there is a lack of comprehensive working practices for staff and the system for the collection of management information was inadequate.

Waste Management – Interim Solution 2009/10

Overall, the review found the contract monitoring arrangements to be operating to a "High Standard". The first year of the contract has seen a good working relationship between Plymouth City Council and Viridor Waste Management Ltd for the operation of the Refuse Transfer Station and subsequent transfer of municipal waste to landfill. In November 2008, the City Council introduced a four day working week for the collection of domestic refuse but this change was successfully managed by Viridor Waste Management Ltd and Council staff based at Chelson Meadow.

The key component of the monthly billing system is the 'Monthly Service Payment Fee Calculator' which was initially prepared by the City Council and agreed by Viridor Waste Management Ltd. The calculator only requires the input of the monthly tonnages for City Council and third party waste and the number of journeys to the landfill site. This has assisted both parties in preparing and subsequent paying of the monthly invoice. Appropriate adjustments have been made to the Fee Calculator in line with contract's indexation mechanism for 2008/09 and 2009/10 financial years.

Youth Service 2008/09

The Senior Management Team together with the Business Support Team has developed and introduced effective systems for the day to day operation of the financial and administrative processes which incorporate an appropriate level of internal control following the restructure of the service and the opinion formed was "Good Standard". Where potential weaknesses have been identified, as part of an on-going review, changes have been made to those systems. This is turn has seen the Service going a long way to achieving its priorities as detailed in the Youth Service Action Plan.

Appendix 5

Internal Audit Follow-Up to CareFirst Application Report 2009/10 – Conducted May 2010

Overall Summary of Current Situation and Audit Opinion

Following the issue of the Draft Report in October 2009, considerable financial and human resource has been committed to the OLM CareFirst application in order to take appropriate remedial action to mitigate the risks highlighted by Internal Audit. It is considered that Senior Management has demonstrated strong leadership by taking on board the findings of the 2009/10 audit review and taking swift and proactive action to address the issues raised. As a result, the overall audit opinion, based on the high level follow up review undertaken by Internal Audit in May 2010, has improved from "Fundamental Weaknesses" to "Improvements Required".

The follow-up review found significant improvements in governance arrangements in CareFirst's administration which has a positive influence upon all areas covered by the original Internal Audit review. There are still concerns over data security and operational procedures. This is due, in the main, to human and cultural factors that impact on these areas of control. Considerable work is still required to ensure that all users of the CareFirst system understand that they need to embrace its use, so that the data it holds is accurate and complete and that this data is protected by secure working practices and an embedded culture of good data security.

Improved data quality and the continued development of business processes and reporting tools will add significant value to both management and operational decision making and operational performance. Crucially, the holding of information that is accurate, complete and readily available will provide the best opportunity for informed judgements to be made by practitioners and front end staff, and appropriate support and protection provided to clients.

Summary of Situation Within Specific Areas of Control and Assurance Opinion

1. Expected Key Control / Risk / Audit area: *Compliance and Application Governance*	Level of Assurance As at October 2009
Statutory requirements, policies and operational procedures, including roles and responsibilities, are effectively communicated and understood.	**Fundamental Weaknesses**
Opinion Statement as at October 2009	
Statutory Compliance: Senior management within Childrens and Adults Services demonstrated an excellent understanding of the statutory requirements, central government initiatives and agendas, and recent case law. All necessary changes to the application and associated work streams are identified within CareFirst work plans.	
CareFirst Application Governance: Difficulty was experienced in identifying key operational roles and responsibilities. Crucially, there is no central control team within the Authority to provide day to day application management and develop a core of expertise in all aspects of the CareFirst application and its associated work flows and working practices.	
CareFirst User Compliance: From the outset, difficulty was experienced in making CareFirst work for PCC. System functionality was either poor or remained underdeveloped. This has led to user dependence upon both authorised and unauthorised 'work around' solutions.	
Application and Workflow User Training: The CareFirst "Me-Learning" Tool has yet to be fully developed to ensure that users follow the application processes as designed. Furthermore, training courses, provided by ICT, are often poorly attended.	
Quality Assurance: Formal monitoring of application use and data quality is not fully evolved, undermining the level of assurance in the quality of information that is being used for strategic and operational decision making.	
SLA's: No contractual SLA's exist between PCC and OLM, potentially undermining the Authority's ability to ensure that CareFirst is configured and maintained to ensure business processes are efficient and effective.	
Situation as at May 2010	Level of Assurance as at May 2010
The structure for a dedicated CareFirst Team has been approved, with recruitment to new positions being conducted through early summer 2010. A budget has also been identified and approved and this is now being monitored, providing transparency regarding the true costs associated with administering CareFirst. Changes have been made to	**Improvements Required**

the Programme Board and operational governance arrangements have already been improved with the CareFirst Programme Manager establishing the tasks to be performed by the CareFirst Team and overseeing system development and change. Relationships with OLM have greatly improved and can now be considered open and mutually beneficial and planned changes to OLM contractual agreements are likely to be advantageous to PCC.

Training and communications strategies are being developed by senior management in order to improve user compliance and information security. The CareFirst Programme Manager has distributed guidance on password quality and security and is attending workshops and forums within Children's and Adults Services in order to promote the work being undertaken and create user buy-in from senior management down. The opportunity for unauthorised system development, including workaround solutions, has been restricted, further safeguarding system integrity and information. The continued development of effective reporting tools provides managers with the ability to monitor operational effectiveness and data quality and address any procedural failings or staff issues.

Improvements to the governance arrangements have already assisted in limiting the risks to the Authority and those in the community that it serves. However, there is still a considerable amount of work to be done, particularly in respect of user education and development. It is envisaged that once the recruitment process to fill vacant positions within the CareFirst Team is complete and staff are successfully integrated, the CareFirst Programme Manager will be able to delegate more work to this team. This is turn will help ensure continued improvements to application governance, ensuring better system use through re-engineering and user compliance, greater assurance in data quality and improved information security.

2. Expected Key Control / Risk / Audit area: *Information & Data Security*

System components and data are appropriately secured against unauthorised or inappropriate activity.

	Level of Assurance As at October 2009
	Fundamental Weaknesses

Opinion Statement as at October 2009

Fundamental weaknesses exist in the way the CareFirst application is administered which undermines data security. The lack of proper application and data governance, the lack of clear data ownership, insufficient resources and poor change management procedures all raise serious concerns that system data is not secure. The reliance upon workaround solutions, such as the corporate network based A-Z and NSIBS creates further concerns about the security of social care data.

Existing user management processes are not appropriate given the sensitivity of the data being processed, nor the

Appendix 5

complexity and range of social care areas for which CareFirst is used. Furthermore, the 'silo approach' to data ownership and system configuration exaggerates the disparity in user perceptions of what constitutes sound information security. The ease with which the auditors gained "unauthorised" access to the CareFirst application and database serves as a warning to management.

Situation as at May 2010	**Level of Assurance as at May 2010**
Vital changes have been made to computer application password quality for both CareFirst V5 and V6 and password policies now reflect the requirements of PCC's Information Security Policy. All redundant user accounts have now been rendered inoperable and a manual register has been created to perform regular checks against system user account details. All new users are required to be authorised at Assistant Director level and a current CRB check must be provided prior to the creation of an individual's user account.	**Improvements Required**
Some high level work has been undertaken by the CareFirst Programme Manager to further understand existing user security profiles, highlighting issues like the existence of access groups that contains a single individual user and further demonstrating the need to create an appropriate and manageable security structure. However, as yet, no detailed work has been performed to review and refine the levels of access allocated to individual users. It is intended that a review of security will be performed following the mapping of business processes, so that security groups can be role based and directly related to operational needs.	
Whilst the CareFirst Programme Manager has provided appropriate user guidance to staff, there is still considerable work to be done to ensure a culture of good information management and security exists, so that all CareFirst users instinctively observe good practices. Even with considerable effort this is almost certain to take several years to achieve and will require the development of effective training and communications strategies.	
If the same level of governance can be demonstrated over the next twelve months then these new arrangements would be considered to be of a "Good Standard".	

3. Expected Key Control / Risk / Audit area: *Change Management*

Changes to the Application, Database and associated network infrastructure are subject to formal change management procedures.

Level of Assurance	**Fundamental Weaknesses**			Level of Assurance as at May 2010	**Improvements Required**

Opinion Statement as at October 2009

Despite the existence of a CareFirst Programme Board and increasingly formalised review procedures and project control mechanisms being put into place, there have been recent examples of inappropriate and unauthorised development. This is a direct result of other contributory factors including weak governance structures at an operational level, the lack of ownership and the absence of a core of expertise through which change and release can be managed.

Work is being authorised by business managers who have little or no understanding of the wider consequences of changes being undertaken. Not only does this fail to develop the application and associated business systems in a strategic manner, but vastly increases the risk of service disruption.

Situation as at May 2010

The improvements to governance arrangements for the CareFirst application have positive implications for the way in which changes to the CareFirst application are managed, with ownership lying with the CareFirst Programme Manager. All staff currently working on the CareFirst Team are aware of ICT's change management procedures, as are the ICT Client Liaison Managers responsible for Childrens and Adults Services. Whilst not yet fully operational, the creation of the CareFirst Team reduces the scope for unauthorised "silo" development and allows for a strategic and structured approach to developing CareFirst and the operational procedures that it administers.

4. Expected Key Control / Risk / Audit area: *Operational*

The application should fulfil business needs.

	Level of Assurance
	Fundamental Weaknesses

Opinion Statement as at October 2009

There are fundamental weaknesses in the way that the CareFirst application is used within PCC. The application is not always utilised as designed and, therefore, there can be little confidence that system data is complete, accurate, timely, processed only once and secure. Underdeveloped data validation within the application and the lack of evolved 'data' quality assurance and compliance monitoring, using application based reporting tools, further erodes assurance in this area.

The reliance upon workaround solutions, such as the A-Z and NSIBS is both inefficient and ineffective and clearly demonstrates that the application is not currently effective in fulfilling the Authority's business requirements.

	Level of Assurance as at May 2010
	Improvements Required

Situation as at May 2010

Once again, the improvements made in respect of governance arrangements, change management and the increased use of reporting tools have assisted in reducing the risks in this area. Business processes are being reviewed with appropriate assistance from OLM and the work being undertaken to integrate the use of management reports into operational processes. The increasing use of reporting tools has already provided significant benefits in specific business areas and these are beginning to be recognised by senior management in both Childrens and Adults Services.

System stability has improved, reducing periods when CareFirst is unavailable to users and backup arrangements no longer require the use of a secondary database overnight for overnight cover. The project to link CareFirst to documents held within the A-Z is progressing which it is hoped will ensure that all information relating to individual cases can be identified and accessed through CareFirst. Further work streams exist to introduce and evolve Care Planning functionality that has been recently developed by OLM and would address some of the issues raised in the recent Ofsted Safeguarding Inspection. Other modules of CareFirst are being reviewed as replacements for the local PCC developed NSIBS database currently used to manage, bill and pay Domiciliary Care transactions.

It remains critically important that level of user compliance continues to improve and that all CareFirst users are appropriately informed and educated to understand how to use CareFirst effectively and why this is so important.

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CITY OF PLYMOUTH

Subject:	Annual Governance Statement 2009/10
Committee:	Audit Committee
Date:	28 June 2010
Cabinet Member:	Councillor Bowyer
CMT Member:	Director for Corporate Support
Author:	Mike Hocking, Head of Corporate Risk and Insurance
Contact:	mike.hocking@plymouth.gov.uk Tel : (01752) 304967
Ref:	CRM/MJH
Part:	I

Executive Summary:

Regulation 4 of the Accounts and Audit Regulations 2003 required a Statement on Internal Control (SIC) to be published with the annual Statement of Accounts.

The purpose of the SIC 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 produce a management action plan 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.

In 2007 CIPFA/SOLACE issued an updated version of the 2001 document *Corporate Governance; A Keystone for Community Governance (Framework and Guidance Note)*

The revised CIPFA/SOLACE framework document *Developing Good Governance in Local Government* now includes a requirement for Authorities to produce an Annual Governance Statement (AGS) which replaces the Statement on Internal Control with effect from the 2007/08 reporting year (i.e. from 1st April 2007).

This report outlines the process followed in order to produce the AGS for 2009/10 and recommends approval of the Statement prior to signature by the Leader, the Chief Executive and the Director for Corporate Support.

The proposed Statement for 2009/10 is attached to the report.

Corporate Plan 2010/13:

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 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. Section 17 Community Safety, Health and Safety, Risk Management etc.

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

Recommendations & Reasons for recommended action:

The Audit Committee is recommended to :

a) Note the processes adopted for the production of the 2009/10 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 Director for Corporate Support.

Alternative options considered and reasons for recommended action:

Not applicable.

Background papers:

Accounts and Audit Regulations 2003
Accounts and Audit (Amendment)(England) Regulations 2006
CIPFA/SOLACE document *Developing Good Governance in Local Government*

Sign off:

Fin	SW	Leg	D.S.	HR		Corp Prop		IT		Strat Proc	
Originating SMT Member: Assistant Director for Democracy and Governance											

**Report of Director for Corporate Support to Audit Committee
– 28th June 2010**

Annual Governance Statement 2009/10

1. Introduction

1.1 This report outlines the background to the statutory requirement to produce an Annual Governance Statement (AGS) as a replacement for a Statement on Internal Control and describes the process followed in producing the AGS for 2009/10 for publication with the Annual Statement of Accounts.

2. The Council's Statutory Responsibility

2.1 Regulation 4 of the Accounts and Audit Regulations 2003 (amended 2006) required a Statement on Internal Control (SIC) to be published at the same time as the annual Statement of Accounts.

2.2 There is also a requirement under the Accounts and Audit (Amendment) (England) Regulations 2006 for the SIC to include a review of the effectiveness of the internal audit system.

2.3 CIPFA describes the purpose of the process of compiling a Statement on Internal Control as follows;

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

2.4 The SIC 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.

2.5 In 2007 CIPFA/SOLACE issued an updated version of the 2001 document *Corporate Governance; A Keystone for Community Governance (Framework and Guidance Note).*

2.6 The revised CIPFA/SOLACE framework document *Developing Good Governance in Local Government* now includes a requirement for Authorities to produce an Annual Governance Statement which replaces the Statement on Internal Control (SIC) with effect from the 2007/08 reporting year (i.e. from 1st April 2007).

2.7 The proposed Annual Governance Statement for 2009/10 is attached to this report.

3. Effective Review and the Control of Risk

3.1 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, therefore, the AGS provides an opportunity to demonstrate progress in those key areas.

3.3 The process should also include an annual review of the Council's performance against its local Code of Corporate Governance.

4. 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. In moving forward, the AGS provides a framework by which to continuously monitor and review those processes.

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

- Head of Corporate Risk and Insurance

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- Asst Head of Devon Audit Partnership
- Assistant Director for Corporate Support (Finance)
- Head of Policy, Performance and Partnerships
- Head of Legal Services

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 As part of their Use of Resources assessments, 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. 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 required to be signed by the most senior officer and the most senior member (ie the Chief Executive and the Council Leader). It is also signed by the Director for Corporate Support 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, and the AGS is included with the Statement of Accounts, 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 (eg 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, Heads of Service and other senior managers covering key questions around the internal control and governance framework.

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

- Risks identified in Strategic and Operational Risk Registers

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- Issues arising from Internal Audit Reviews completed in 2009/10
- Issues arising from external inspections
- Audit Commission Annual Audit and Inspection Letter
- CAA Corporate Assessment Report

6.   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 31st March 2008.

6.2   The framework recommends that the Council carries out 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   A corporate Officer Group completed work on this and a full report outlining the results of the self-assessment together with an action plan to address any gaps in compliance was presented to Audit Committee on 24th September 2008.

6.4   The self-assessment indicated that the Council was able to demonstrate compliance in 50 out of 58 specific requirements in the Code of Practice, representing a "score" of 86%..

6.5   In accordance with the Code of Practice the first annual review of the self-assessment was carried out in May 2009 and indicated an improvement in the compliance score to 91%.

6.6   A further review was carried out in May 2010 and this revealed a further improvement in compliance to 95%.

6.7   A full report outlining the result of this annual review will be presented to Audit Committee on 24th September 2010.

7.   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 (paragraph 2.2) 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 31st March 2010.

7.3 It is recommended that this endorsement forms part of the Annual Governance Statement for 2009/10.

8. Partnerships Governance

8.1 The Council has drawn up a register of partnerships which are assessed for significance.

8.2 The most significant partnerships have their own risk registers and manage risk as a routine part of performance management.

8.3 A draft Code of Good Practice for partnership management has been produced and is due to be consulted upon and will be used to improve consistency and provide a standard approach to managing partnerships and, in particular, managing risk and sharing good practice.

9. Identifying control weakness significant for the purpose of the AGS

9.1 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 Internal Audit 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

10. Conclusion

10.1 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 identifies significant governance issues together with details of actions being taken to address them.

11. Recommendations

11.1 Members of the Audit Committee are recommended to:

a) Note the processes adopted for the production of the 2009/10 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 Director for Corporate Support.

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PLYMOUTH CITY COUNCIL

ANNUAL GOVERNANCE STATEMENT 2009/2010

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.

Plymouth City 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".

This Annual Governance Statement explains how the Council has complied with the Code and also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment)(England) Regulations 2006 in relation to the publication of a statement on internal control.

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, cost-effective services.

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 ongoing 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 31st March 2010 and up to the date of the approval of the Annual Report and Statement of Accounts.

The Governance Framework

The internal control environment comprises all the processes and procedures in place for the sound running and well being of the Council. It is designed with the intention of:

- establishing and monitoring the achievement of the Council's objectives
- facilitating policy and decision making
- ensuring compliance with established policies, procedures, laws and regulations
- identifying, assessing and managing the risk to the authority's objectives
- ensuring the economical, effective and efficient use of resources and securing continuous improvement in the way in which the authority's functions are exercised
- managing performance to reduce impact on the environment and managing environmental risks
- managing and reporting of financial information for the authority
- managing performance of the authority and subsequent reporting

The following is an overview of the key elements of Plymouth City Council's control environment. It is not meant to be exhaustive but indicative of the controls adopted by the Council in meeting its aims and objectives. The Council has a number of measures in place to establish and monitor its key aims and objectives and to ensure that the resources used in delivering those objectives are utilised in an economical, effective and efficient way.

As the local authority for the city, the Council takes the lead in producing a **Sustainable Community Strategy.** The Strategy acts as a framework to enable services and investments to be delivered in a more responsive, better co-ordinated and sustainable way. The Strategy is driven by "Plymouth 2020" – the local strategic partnership of public, private and third sectors tasked with setting the "vision" for the City and suggesting ways that the quality of life in the city can be improved in a number of key areas.

Plymouth's Sustainable Community Strategy 2007-20, called 'Securing the future for generations ahead' was adopted by the Council and the Board of Plymouth 2020 in April 2007 and is about to undergo a refresh.

The refreshed 2010 Local Area Agreement (LAA) 2008-2011 was approved by Cabinet in March 2010 and sets out those priorities and targets, agreed by Plymouth 2020 for the three years 2008-2011, which will deliver on the long term priorities in the Sustainable Community Strategy 2007-2020.

The Council produces a **Corporate Plan** which sets out where the council is now and its challenges and ambitions for the next three years in relation to improving the organisation, improving our customers experience and our contribution to the city priorities in the Sustainable Community Strategy.

The Corporate Plan 2010–2013 was approved by Council in March 2010. The focus remains on a list of fourteen corporate improvement priorities that require significant attention in order to achieve those ambitions. They are areas in which:

- There has been serious under-performance,
- performance varies across the council and we want to perform better as one council
- major changes are needed to meet government requirements, demographic or other challenges or

- extensive additional corporate support is needed for a time in terms of, for instance, finance, human resources, IT, legal advice, partner and other services' readjustments, change management and executive attention.

These priorities are now the focus of scrutiny by Overview and Scrutiny, Cabinet and the Corporate Management Team, allowing for more detailed examination and debate of fewer, more significant issues than has previously been possible. As this is the third year of the corporate improvement priorities programme it will be fully reviewed during 2010.

The Corporate Plan also provides the framework used by departments in developing their **Business Plans** which establish and monitor the achievement of objectives at service and team level. The Annual Audit and Inspection letter (November 2009) found that the Council had sound arrangements in place across all areas of use of resources, with particularly strong performance in managing finances. The Council's organisational assessment concluded that it performed well, that performance management arrangements are much improved and that it has the leadership, capacity and capability it needs to deliver future improvements; while the city received a green flag under Comprehensive Area Assessment for the way it works in partnership to address civil emergencies.

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. Ensuring the Council complies with **Law and Regulations** is ultimately the responsibility of the Assistant Director for Corporate Support (Democracy and Governance), who is the Council's statutory Monitoring Officer, and a series of controls are in place to address compliance issues.

In March 2008 the Council adopted a **Code of Corporate Governance** based on best practice as recommended by CIPFA (The Chartered Institute of Public Finance and Accountancy) and SOLACE (The Society of Local Authority Chief Executives). A self-assessment of how the Council was performing against this model framework was undertaken in 2008-09 and indicated that the Council was able to demonstrate 86% compliance with the 58 specific requirements contained in the model framework Code. The self-assessment was reviewed again in May 2009 and showed an improvement in compliance to 91%. The annual review conducted in May 2010 for the purposes of this Statement showed a further improvement in compliance to 95%.

The **Financial Management** of the Council is based upon a semi-devolved structure – the Statutory Finance Officer role rests with the Director for Corporate Support with a Head of Finance reporting to the Assistant Director for Finance, Assets and Efficiencies. A Finance Manager is based in each department.

There is a Cabinet Member with responsibility for Finance, Property, People and Governance who meets regularly with the Director for Corporate Support. Regular one to one meetings are also held with each Director and the Director for Corporate Support.

Regular, timetabled meetings are held between the Director for Corporate Support and the Assistant Director for Finance and senior finance managers who sit on the management teams of departments and provide financial management advice and guidance.

A key element of **budgetary control** is the **budget monitoring process**. For 2009/10, at the start of each month, Finance provided departmental finance reports to all budget managers. These are reviewed at the next Department Management Team meeting and
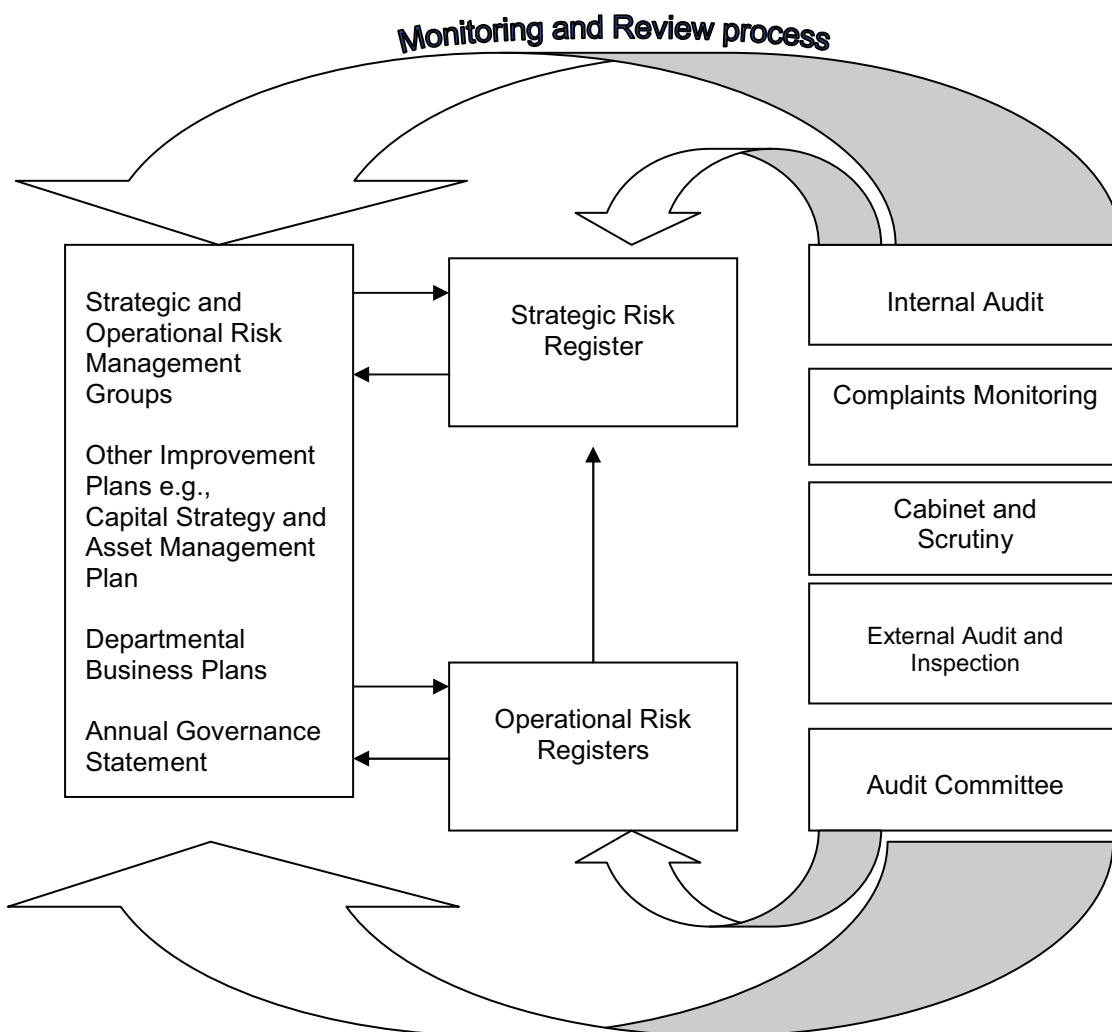
variances discussed and action taken as appropriate. Then monthly monitoring reports are made to the Corporate Management Team and to Cabinet Members with bi-monthly joint budget and performance reports to the Corporate Management Team, Cabinet meetings and to the Support Services Overview & Scrutiny Panel. For 2010/11 the bi-monthly reports will be replaced by a revised quarterly joint report.

The Finance Management Team (FMT) comprising the Finance Managers and Head of Finance meet fortnightly to manage this process and to review all financial matters.

The Council has adopted a new **Competency Framework** covering all employees as part of its commitment to ensure that there is a clear set of standards that underpins the performance, behaviours, work, knowledge and skills of its staff to help the Council deliver its vision and the key priorities in the Corporate Plan.

The Management of Risk

The overall framework for managing risk is illustrated by the following diagram:-

Monitoring and Review process

| Strategic and Operational Risk Management Groups

Other Improvement Plans e.g., Capital Strategy and Asset Management Plan

Departmental Business Plans

Annual Governance Statement | Strategic Risk Register

Operational Risk Registers | Internal Audit
Complaints Monitoring
Cabinet and Scrutiny
External Audit and Inspection
Audit Committee |

How the Council Monitors Risk

The Council maintains Strategic and Operational Risk Registers to record and monitor progress against the key risks which threaten the Council's corporate and service objectives. Registers record, against each of these risks, controls which are already in

place and also identify additional controls to enhance the control environment, acting as an action plan to address and improve risks at all levels.

At a strategic level, the Council's 14 Corporate Improvement Priorities (CIPS) each have their own Risk Logs which are routinely monitored by the Corporate Management Team to ensure that threats to the delivery of key outcomes are addressed.

Objectives identified in operational level Business Plans include links where appropriate to the CIPS to ensure that each Service can identify where it contributes to the delivery of the Council's key strategic aims.

The Council invests significant resources into the management of risk through Strategic and Operational Risk Management Groups. A Risk Management Strategy and Policy Statement has been developed and risk registers are monitored using the corporate performance management system, "ePerform", which is being developed to align risks with the Corporate Plan 2010-2013 as well as creating links to Business Plans and key performance indicators.

Registers and controls are continuously monitored and are updated regularly at a departmental level and through meetings of the Strategic and Operational Risk Management Groups with Member input at Cabinet Planning and subsequent ratification at Audit Committee.

Operational Risk Registers allow departments to monitor potential risks that may threaten the delivery of their service objectives and to escalate a risk to the strategic level for inclusion in the Strategic Risk Register if it is considered to threaten the strategic objectives of the Council.

Operational Risk Registers are now being fully integrated with Service objectives in line with revised corporate Business Planning arrangements.

The authority acknowledges its responsibilites with regard to environmental risks and is taking action to identify and mitigate future impact.

The work of the Council's Civil Protection Unit, in partnership with the Local Resilience Forum, Devon and Cornwall Police and other key partners work to identify and manage potential environmental risk.

Partnerships Governance

The Council increasingly delivers services via partnership delivery mechanisms and recognises that this creates risks as well as opportunities.

Accordingly, the Council has produced a Partnerships Register which assesses each partnership for significance.

Significant partnerships have their own risk registers and risk is managed as a routine part of performance management.

In order to improve consistency and produce a standard approach to partnerships, particularly with regard to the management of risks and opportunities, the Council has produced a draft Partnerships Code of Practice which will be consulted upon with key stakeholders.

Group Accounts

Senior Officers and/or Members sit on the board of most of Plymouth City Council's main partnerships and group organisations and therefore take an active part in discussions/decisions.

Plymouth City Council has also developed formal protocols on the sharing of information and knowledge between group organisations.

These include regular meetings and working groups to prepare for and review key activities including Plymouth City Council's Group Statement of Accounts and the imminent implementation of International Financial Reporting Standards.

Group organisations have recently been asked to produce assurance questionnaires or their own governance statements to ensure robust governance arrangements are in place. These questionnaires will be reviewed by Plymouth City Council officers who will work together with the Group organisation to resolve any control weaknesses or risks.

Complaints Monitoring

The Council also addresses the management of risk through its internal complaint procedures.

The Standards Committee monitors issues raised through the Local Government Ombudsman to ensure learning and improvement to prevent repetition.

A complaints database has been developed and improvements in the reporting facilities database have helped the Council to monitor and respond quickly to its customers needs.

The Role of Audit

Internal Audit

Internal Audit undertakes an objective programme of audits to ensure that there is sound and adequate risk management and internal control in place across the whole of the City Council. It also supports the authority in accounting for and safeguarding the Council's assets and interests from error, fraud, waste, poor value for money or other losses.

Independent advice, continuous appraisal of systems and other processes are provided to all levels of management on, for example, risk identification, internal controls, anti-fraud and other corporate policies and regulations.

The scope of Internal Audit also includes new developments and government initiatives such as partnership working and other corporate governance issues.

Internal Audit forms an intrinsic part of the risk management and scrutiny function, which ensures that there are robust arrangements for monitoring and review, and that adequate processes are in place for managing the Council's internal affairs and its relationship with key stakeholders, which are required to demonstrate effective corporate governance.

Continuous review of the adequacy and effectiveness of the internal audit system is included in the terms of reference of the Audit Committee and a formal annual review is conducted by that Committee based on the Chief Auditor's annual report.

Since 1st April 2009, Internal Audit services have been provided by Devon Audit Partnership, a partnership formed by Plymouth City Council, Devon County Council and Torbay Council Internal Audit departments.

The benefits of the consortium are:-

- staff resources can be deployed more flexibly and are better able to cope with vacancies and / or ad hoc work;
- sharing of best practice and access to a larger pool of specialist knowledge;
- economies of scale e.g. training, resourcing specialist skills such as IT and
- contract audit;
- providing for flexible deployment if and when necessary whilst allowing staff to build up specialist knowledge of the council(s) they are working within;
- providing better opportunities for staff to further careers within the internal audit function;
- applying common technology and methodology across all teams to improve efficiency, value for money and skills.

External Audit

Grant Thornton LLP continued to provide external audit services during 2009/10. They provide improvement, assessment and assurance services. In carrying out audit work they comply with the following statutory requirements:

- The Audit Commission Act 1998
- The Code of Audit Practice
- The Local Government Act 1999
- Accountancy and Audit Regulations 2003

They work with the council on the improvement planning process to ensure that the work they perform is co-ordinated and targeted on the Council's key areas for improvement.

The Audit Commission's Relationship Manager also co-ordinates the work of other inspectors as part of this process.

Audit Committee

The Council's Audit Committee comprises five Councillors and three Independent Members supported by Devon Audit Partnership's Assistant Head of Partnership. The Committee has responsibilities with respect to both Internal and External Audit, and monitors the nature and scope of audit work performed. It reviews reports and annual audit letters with departmental management and makes recommendations to Cabinet. The Audit Committee oversees the interaction of the Council with its external auditor.

The Audit Committee has responsibility to:

- Approve, support and monitor the implementation and ongoing processes for identifying and managing key risks of the Council
- Monitor the Council's compliance with its own published standards and controls and recommend any necessary changes to Financial Regulations and Standing Orders

- Monitor the progress and performance of Internal Audit
- Consider Internal Audit's annual report and comment annually on the adequacy and effectiveness of internal control systems
- Monitor the performance of the Treasury Management function
- Review and advise the Cabinet and Council on the content of the Annual Governance Statement and Statement of Accounts
- Keep under review corporate policies e.g., the Anti-fraud Strategy

Internal and External Audit work closely together to maximise opportunities for synergy between the two services.

Overview and Scrutiny

The Council has reviewed and updated its scrutiny arrangements and has established an Overview and Scrutiny Management Board to co-ordinate the scrutiny function.

The Board challenges and supports the Cabinet and provides checks and balances by examining major policies, plans, services and financial issues. It is responsible for monitoring, reviewing, selecting and scrutinising decisions made by and on behalf of the Council. The Board is also responsible for scrutiny of the Local Strategic Partnership.

The Board is made up of nine non-executive members (appointed based on proportionality) and a co-opted representative which makes scrutiny independent of the Cabinet. The Chairs of the five Overview and Scrutiny Panels and four other Councillors carry out the work of the Board.

There are five Overview and Scrutiny Panels each of which has a responsibility for scrutiny of a particular area of Council operation. The panels also discharge the Council's statutory function with respect to scrutiny of health and police partners. When carrying out their investigations, the Panels have the authority to ask Cabinet Members and Officers of the Council to attend meetings to answer questions the Panel might have about their work, the reason for decisions and why any problems have occurred within the Council's performance.

Review of Effectiveness

Plymouth City Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control, including a review of the effectiveness of the system of internal audit. Assurance is sought from a number of sources including a review of Internal and External Audit and Inspection reports, review of current action and improvement plans, review of internal audit arrangements by the Audit Committee and through dialogue with key officers.

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 Management Policy.

In reviewing the current control environment, reports issued by external bodies (Audit and Inspection) and reports produced by Internal Audit 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.

Significant Governance Issues

As part of the review of the effectiveness of the system of internal control the governance issues summarised below were assessed as being significant for the purposes of this Statement:

<u>**Medium Term Financial Strategy**</u>

The council revised and enhanced its MTFS in May 2010. Resource predictions and known spending commitments have been updated to reflect the likely outcome from the new Comprehensive Spending Review. We know that Council Tax levels will remain frozen for 2011/12 and that the core revenue funding of formula grant will reduce. However, the scale of this reduction will not be known until later in 2010.

The government has recently announced major reductions on grant funding for 2010/11 (approx £6.2bn nationally). This will impact significantly on both the revenue and capital funding for the council. Core investment programmes such as Building Schools for the Future remain uncertain until further clarity is provided on specific grants.

Against reduced funding, there remain a number of significant financial pressures that the council will face in the medium to long term including:

- the increased cost of waste collection and disposal;
- growing elderly population and care demand;
- increasing number of child care referrals;
- the corporate impact cost of housing stock transfer;
- increasing expectation of effective partnership working alongside a reduction in funding for our key partners;
- significant shortfall in the funding of the council's pension fund;
- un-costed contingent liabilities such as potential costs associated with contaminated land

Our ability to generate income also remains under pressure. Investment returns from cashflow remain low and key income streams such as commercial rents and council tax collection are impacted by the economic climate as is our ability to generate capital receipts from the sale of surplus assets.

Alongside existing financial pressures there is a need for significant future investment in our ICT systems. The council needs to fundamentally change the way in which it works to meet the challenging diminishing resources that we face. Better joined up systems, integrated around the customer, will be crucial.

Security of future capital funding is also a significant risk. The Council has an ambitious growth agenda. However, it is anticipated that Central Govt. Capital Grant funding will reduce whilst RDA and other grants are also reducing. There is also considerable uncertainty around potential capital receipts. Funding of the capital investment programme therefore continues to be risk assessed and closely monitored with schemes carefully prioritised against resources available.

Adult Social Care

There are significant pressures facing adult social care including a growing elderly population, an increased demand on care, a requirement to implement a personalisation agenda which ensures service users have personal budgets, and continuing work on integration across health and social care.

This is set in a context of budget pressures which require Adult Social Care to deliver a number of delivery plans and work closely with health in order to achieve challenging efficiency targets.

A Transformation Programme Board has been established for Adult Social Care and governance arrangements between health and social care are in place to monitor the issues and risks.

Civic Centre Listing

The listing of the Civic Centre as a Grade II building by English Heritage continues to have a potentially significant financial impact on the Council.

In order to properly address the impact of the Grade II Listing, the Council has been working with English Heritage and Avanti Architects, to identify the scope of a variety of potential refurbishment options for the building.

The joint EH/PCC Feasibility Study has been completed and the Council is now progressing with analysis of the Options arising from the Study. As on-going work the Council continues to inspect, repair and maintain the premises taking appropriate action, given the restrictions of the listing, to mitigate any health and safety risks.

Employee Relations

The Council faces a potentially significant risk of litigation and awards relating to employment practises. It therefore maintains an in-house resource to advise on legal matters and risks in relation to employment issues and risks. The in-house resource primarily acts on behalf of the Council for equal pay disputes, grievances and Employment Tribunal claims and case management discussions at Tribunal. No provision for successful claims has been made within the Authority's accounts although a capitalisation direction has previously been offered on the conclusion of claims through compromise agreements.

Health Inequalities

In December 2009, the Comprehensive Area Assessment identified that the Council was underperforming in reducing health inequalities, and although it did not receive a red flag this time there is a need to reduce the 13 year life expectancy gap between the healthiest and least healthy neighbourhoods.

The Council is working with the Local Strategic Partnership Health theme group on identifying and delivering actions to expand, enhance and accelerate this work in a number of key areas as a foundation to develop further actions from April 2011. This covers 5 key themes -

1. Building successful inclusive neighbourhoods that allow individuals and communities to improve their health and wellbeing
2. Improving access to high quality health and social care services
3. Reducing income inequality and the negative consequences of relative poverty
4. Increasing the opportunities for people to access the potential benefits of work and other forms of meaningful activity.
5. Making Plymouth a healthy place to live

Carefirst

In October 2009, the Audit Service issued a draft report which concluded that "fundamental weaknesses" existed within the Carefirst system. The findings of the report were accepted by the CareFirst Programme Board, now chaired by the Assistant Chief Executive on behalf of the Corporate Management Team. This has ensured that appropriate resources have been allocated to address the weaknesses identified in the control areas reviewed.

A programme of improvements is now being put in place to deliver the transformational change and efficiency gains identified in the review.

The Audit Service has completed a follow-up exercise to establish the full extent of the progress made and the review found that there were significant improvements in the governance arrangements which have had a positive influence upon all areas of internal control.

Waste PFI/Future Landfill Allowance Trading Scheme Liabilities

The Waste Public Finance Initiative (PFI) procurement is continuing well although estimated contract close is now May 2011 due to additional ISDS (Invitation to Submit Detailed Solutions) stage and Defra approval requirements. Operational commencement in 2014 is still possible although dependent on which bidder is the successful contractor and the time taken to obtain planning approval. Recent national planning failures and delays in determination have increased the risk of planning delay and of the contract not being operational by 2014. Operational delay consequences are being mitigated through the PFI contract and service continuation through landfill disposal and purchase of LATS (Landfill Allowance trading Scheme) credits although this will have a potential additional cost.

Recycling rates remained static in 2009/10, although biodegradable waste to landfill reduced in 2009/10 through waste minimisation which has ensured that PCC has remained within LAT allowances for 2009/10. However it is still forecast that even with additional recycling improvements, the Council will exceed its current LATS allowances from 2011/12 onwards and will need to purchase additional LATS credits until the new PFI solution is in place - the additional credits requirement and estimated costs of are currently being reassessed for budgeting purposes.

Partnerships

The Council increasingly delivers services via partnership delivery mechanisms and recognises that this creates risks as well as opportunities. In many instances these relationships bring additional grant funding to the Council and provide increased opportunities to improve the quality of life for the people of Plymouth.

Recognising that each partnership will require differing levels of governance depending on the complexity of the agreement, the Council has produced a Partnerships Register which assesses each partnership for significance.

Significant partnerships have their own risk registers and risk is managed through Partnership and Programme Boards as a routine part of performance management.

However, in order to improve consistency and produce a standard governance framework for the setting up and management of partnership arrangements, particularly with regard to financial implications and the management of risks and opportunities, the Council has produced a draft Partnerships Code of Practice which is due to be consulted upon with key stakeholders.
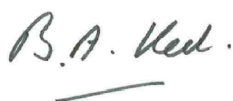
Concessionary fares

The Council adopted a new scheme based on the Department for Transport's Reimbursement Assessment Tool (RAT) as the means to reimburse bus operators who provide concessionary travel and this has reduced the risk of a successful appeal by operators. The main residual risk to the Council now is related to rising fuel costs and the economic climate potentially increasing the take up of concessionary travel.

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 further improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

To the best of our knowledge, the internal control environment as defined above has operated effectively during the year.

Barry Keel	Cllr Vivien Pengelly	Adam Broome
Chief Executive	**Leader of the Council**	**Director for Corporate Support**
Dated	**Dated**	**Dated**

Grant Thornton

Performance Management Arrangements

Plymouth City Council

23 March 2010

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Appendices

1 Introduction and background

1.1 Sound performance management and reporting arrangements are integral to the proper management of a business and are an essential contribution to ensuring proper use of resources and the achievement of objectives. Performance management information is fundamental to ensure that this informs decision making, business planning, budget setting, and strategic development within an organisation.

1.2 Performance management may have a number of components, including monitoring progress against corporate objectives, budgetary control and the arrangements in place for managing the workforce. While the Council recognises that it is everyone's job to engage in performance management, it is for the Council's leadership to lead the way in driving improvements in the performance culture, and to ensure that the performance framework is applied at all levels.

1.3 The Council has been engaged in a continuous development of its performance management arrangements over the last three to four years and previous reviews of local arrangements, including work undertaken by the Audit Commission, have identified that corporate arrangements for managing and reporting on key targets and priorities have been developing well and that performance management has now become much more a part of the corporate culture.

1.4 We recognise the significant input made across the Council into developing its performance management arrangements. Our review has focused on the development of the corporate performance and finance reporting arrangements and some of the processes that support that. In completing our review, we have undertaken interviews with key senior staff , reviewed background documentation provided to us and also reviewed some of the data on the corporate management information system, ePerform.

2 Key findings

Introduction

2.1   The Council's Corporate Plan 2009-12 is the focal point for its strategic direction and focuses on, amongst other issues, an assessment of its current performance and its three-year corporate priorities. The Plan also highlights the processes by which the Council will monitor its progress, including project and programme management.

2.2   The Council continues to develop its performance management arrangements, with a particular focus on the 14 corporate improvement priorities (CIPs) and the detailed indicators that underpin them, whilst recognising other key influences on performance, for example, the effect of the economic situation and the demands of the local health inequalities agenda.

2.3   The CIPs are broad statements of intention (for example, CIP 4 is entitled "reducing inequalities between communities") and underpinning each CIP is one or more key improvement areas and, for each improvement area, one or more key performance measures (which may be either national or local indicators) as well as key actions and "milestones" (key delivery points within each project, and on which the success of each project is dependent) . The Plan also includes the Local Area Agreement (LAA) indicators.

2.4   The CIPs are allocated across the service departments and each CIP is led by a head of service who has principal responsibility for its delivery. Currently, Children and Young People's Services has responsibility for three CIPs, Community Services has four, Development and Regeneration has three, Corporate Support has three and the Chief Executive's office has one.

Corporate performance management arrangements

2.5   The Council's performance management framework defines the principle elements of local performance management, set against a number of key requirements including the need for clear accountabilities, regular and robust performance information, regular performance monitoring and active management of performance.

2.6   The framework sets out the leadership role that falls to the Assistant Chief Executive and Portfolio Holder, and supported by the Corporate Management Team (CMT), Cabinet and the Scrutiny arrangements. It also recognises the important role played by departmental directors and assistant directors and sets out the accountability framework in which assistant directors manage performance at directorate level (including developing and delivering business plans, approving targets and outturn data and leading the accountability process). Ensuring that there is good data quality is also identified as a key component.

2.7   The Council's Policy and Performance Department (PPD) is part of the Chief
        Executive's office and is a key driver in ensuring that the corporate reporting
        timetable is adhered to, particularly the bi-monthly joint performance and finance
        report. Our interviews suggest that relationships between key senior departmental
        staff and the PPD are strong, despite a demanding data collection and reporting
        schedule which is in place for the bi-monthly reporting process.

2.8   The PPD has a key role in ensuring that standards and requirements are clearly
        understood and acted upon by the departments so that local achievement of data
        quality becomes the norm. Our review has found that, while there is a constructive
        approach which recognises the important contribution of departments in gathering
        data and acting on findings, there is also some tension between departments and the
        PPD because of a perceived lack of clarity about where responsibility for data
        quality lies, leading to potential duplication of roles..

2.9   Locally, departments also have their own performance management arrangements,
        and performance management data is systematically fed into the corporate
        arrangements, with monthly data for the CMT, bi-monthly data to the corporate
        performance management team and quarterly updates for the LSP. However, our
        interviews indicate that officers are still debating the issue of roles and
        responsibilities for performance management and there is recognition of the need to
        have a balance of expertise, whilst avoiding duplication, between service
        departments and the PPD.

2.10   We recognise the significant effort that has been expended on developing
        arrangements to date. In order to develop these further, we **recommend** that it is
        now time for the Council to undertake a review of the complementary, but
        different, roles, relationships and processes between the Policy and Performance
        Department and service departments to ensure they remain focused and effective in
        reporting and managing performance information and that any duplication is
        avoided.

        Corporate performance reporting

2.11   Corporate financial and activity performance is reported within the bi-monthly Joint
        Performance and Finance Report, which is considered by the Overview and
        Scrutiny Management Board , who provide management of strategic scrutiny of all
        the CIPs and which is the lead scrutiny body for the Corporate Plan.

2.12   The bi-monthly report outlines the performance monitoring and financial position
        of the Council, and seeks to report on how the Council is delivering against its CIPs
        and key performance measures, using a "traffic light" scoring approach which is
        supplemented with narrative. As we highlighted earlier, each CIP is assigned to a
        specific service department. The report has a strategic focus, and includes a one-
        page scorecard, including a summary of progress for each department against the
        relevant CIPs. There is also an update of progress against the LAA stretch targets
        as well as a separate section for each department's finance issues.

2.13   We note that performance targets/indicators and finance (revenue and capital) are
        reported separately within the bi-monthly performance monitoring reports, because
        the local approach to generating performance management reports appears to deal
        with them as separate issues.

2.14   In our view, this arrangement should be reviewed, as there should be a much closer association between the two elements. Any changes to the financial investment may well have an effect on indicators (and vice versa) and the Council should, for example, be able to assess what effect an investment, or disinvestment, of money is having on local performance, as a basis for future monitoring. We note, for example, that in the January 2010 report, the section on performance indicates that Adult Social Services has performed well, though the finance section identifies a £2m overspend.

2.15   Our review identified that the Council seeks to put additional funding where performance is demonstrated to be weaker. However, since currently there is no clear link in the report between funding and performance, it is not clear how, at a corporate level, the value for money of any additional investment can be assessed and monitored. There is also an issue about rewarding better performers with a financial incentive which might also be more easily demonstrated through closer links between finance and performance.

2.16   Our review has highlighted that the bi-monthly reporting process is proving very demanding on staff and, while we understand that the bi-monthly report is to be more strategic in its view, the question has been raised as to whether the bi-monthly timetable is now becoming too process-driven. In particular, that producing the bi-monthly reports is the main driver rather than a thorough evaluation of what the performance data is saying. This raises the issue of whether the Council has sufficient time, or the key performance/financial data, that it really needs to drive the business. We note that this issue has previously been raised in a CMT meeting (September 2009), where there was a recognition that performance management appeared to be driven by the system.

2.17   We consider that it is fundamental that, once there is sufficient confidence in the quality and the timeliness of the performance information, the Council should be able to spend more time on managing and addressing the issues indicated from the various sources of information, rather than the process of reporting.

2.18   Consequently, we **recommend** that the Council now reviews, and reaffirms or otherwise, the appropriateness of its bi-monthly reports, and the processes that underpin it, to ensure that there is sufficient time and relevant information in order to run the business.

2.19   We also **recommend** that the Council reviews the relationship between performance and finance information to ensure that there is a clearer understanding of the costs incurred for the performance achieved and whether investment decisions are having the desired effect on performance.

2.20   In reviewing the corporate joint finance and performance reports we note that, while the same general structure is maintained in 2008-09 and in 2009-10, (that is, executive summary, departmental business reports, revenue and capital spend details), the content of the section on departmental business reports has changed.

2.21   In 2008-09, these departmental sections were quite informative in identifying, for each CIP, the individual indicators (national and local, and including those applicable to the LAA), and, for each indicator, current year performance data (with a traffic light assessment), comparative data for the two previous years and some supporting narrative. This was underpinned by departmental revenue and capital

spending information. Overall, we consider that this approach enabled members and officers to get a balanced and informative view of departmental performance.

2.22   However, in 2009-10, we note that, while the joint finance and performance reports have maintained broadly the same structure, there are now some important differences in the way that performance information is laid out. In particular, rather than displaying individual indicators, departmental business reports now summarise performance under the relevant CIPs for that department, with a traffic light assessment for "measures" and " milestones". A red traffic light occurs if the average of all the measures, or all the milestones, is more than 15% off target.

2.23   In this context, measures are being used in the report to describe indicators, and this is made clear in the opening section of the Executive Summary. However, we are unclear as to why the term "indicators" is not used consistently within the report, given that the term is referred to at the outset.

2.24   With regard to the term "milestones", this term is used amongst project management specialists to describe points at which large scheduled events or series of events have been completed, and a new phase, or phases, are set to begin.

2.25   In addition, we note that the LAA targets are now contained within a separate section of the report rather than contained within the departmental sections.

2.26   We have reviewed, in more detail, the content of the Joint Finance and Performance Report for January 2010 in which, in Corporate Support, for example, there are three specific CIPs, covering a number of indicators, including CIP 1 (Improving Customer Service) and CIP 14 (Improving Value for Money). The narrative for both CIPs appears quite positive, apart from a delay in replacing the complaints system (CIP 1) and progress against NI 179 (CIP 14). However, the overall assessment for both CIPs is a red "traffic light" for both "measures" and "milestones".

2.27   The question arises as to whether the present "traffic light" assessment represents a balanced and informative reflection of progress, taking account of what is critical to running the business. We consider that the Council needs to ensure that this approach to performance reporting remains the most appropriate way of reflecting performance (particularly given that the report is available to the public), and that merging performance into an overall indicator doesn't mask key messages (positive and negative) or risks, or overall trends.

2.28   We therefore **recommend** that the Council ensures that, within the joint performance and finance reports, the "traffic light" assessment associated with each CIP properly reflects the supporting text.

2.29   In addition, we **recommend** that the Council reassesses what information is critical to managing the business and ensures that this is available as part of its reporting on performance and finance.

Performance management system

2.30   Access to the detailed underlying performance information is through the Council's performance management system, ePerform, which is the central repository for recording and monitoring performance data.

2.31　　The Council uses ePerform to hold all its performance indicators and data is widely accessible across the organisation and with an audit trail from the corporate report back to any indicator.

2.32　　We have reviewed ePerform and identified that there are separate sections for:

- the CIPs;

- the Corporate Plan 2009-12;

- the LAA;

- the Corporate Performance Plan (though not a current version);

- the Children's Trust Plan (though at the time of our review there didn't appear to be anything on the system);

- individual service business plans (though some elements appear to be incomplete); and

- the corporate Data Quality Policy (which is dated 2007).

2.33　　We noted that the 2008-09 bi-monthly performance reports are also included, though we couldn't readily find 2009-10 performance reports.

2.34　　For the purposes of the CIPs: CIP 1 (Improving Customer Service) and CIP 7 (Keeping Children Safe). Our objective was to assess the completeness and relevance of the supporting data, in the context that ePerform is a central repository with widespread access arrangements and therefore should be as up-to-date and complete as possible, if it is to be used effectively as a management tool.

2.35　　The key issues arising from our review are that:

- for each CIP there is a section that identifies any sub-elements of that CIP: for example, for CIP 1 (Improving Customer Service) there are six sub-elements, each underpinned by a performance "speedometer" (to indicate current performance) and a comment on the status of the CIP;
- there is also a comment on whether performance is improving or otherwise;
- although there appear to be a range of actions which underpin the targets and milestones, not all data is complete within ePerform - some of the progress "traffic light/speedometer" indicators remain empty;
- for CIP 1, though the supporting comments indicate that action plans are rolling out effectively, it is not clear how this is demonstrated by the supporting graphs;
- For CIP 7, the direct relationship between the indicator ("strengthening preventative services to reduce the number of children looked after") and the action ("increasing gross expenditure on children in need but not looked after") is not obvious - whilst recognising that additional spend may have a benefit, we would have expected more detail on exactly how preventative services might be strengthened by increasing expenditure.

2.36   It is not clear to us whether the absence of any key data is because of a compliance issue or some other reason. However, we **recommend** that the Council ensures that its performance management system (ePerform) is fully populated so as to maximise the benefit of the system.

2.37   A further issue that has arisen from our interviews is that, since ePerform is the adopted software product used across the organisation for performance data collection and reporting, there may be some benefit in upgrading it to a later version, which, we understand, would make it easier for users to share, and also to print, information.

2.38   Whilst not having reviewed the detailed merits or otherwise of this argument, it seems to us that such enhancements, if they exist, would benefit users and the overall performance management process.

2.39   We therefore **recommend** that the Council considers the benefits and challenges of upgrading ePerform to a more current version to ensure that the functionality available to users is the most appropriate to their needs.

Overall conclusion

2.40   We recognise that the Council has invested significant effort in implementing its performance management arrangements and that these continue to develop. We have identified a number of positive aspects to local arrangements for monitoring and reporting against corporate priorities, but also some areas where improvements will add further value to the corporate arrangements.

A Action Plan

Recommendation	Priority	Management comment	Officer responsible	Implemented by:
The Council reviews the roles, relationships and processes between the Policy and Performance Department and service departments to ensure they remain focused and effective in reporting and managing performance information and that any duplication is avoided.	High	Agree Review of Policy, Performance and Partnerships support across the Council will deliver improved co-ordination	Giles Perritt	
The Council now reviews, and reaffirms or otherwise, the appropriateness of its bi-monthly reports, and the processes that underpin it, to ensure that there is sufficient time and relevant information in order to run the business.	High	Agree The decision has now been taken, following a review that bi-monthly reporting will be replace by Quarterly formal reporting with an increased focus on key performance and budgetary areas through monitoring of monthly scorecards	Giles Perritt	
The Council reviews the relationship between performance and finance information to ensure that there is a clearer understanding of the costs incurred for the performance achieved and whether investment decisions are having the desired effect on performance.	High	Agreed See above comment In addition the introduction of service and resource planning as part of the production for 11/12		

		budget will ensure a clearer relationship between performance and resources.
The Council ensures that, within the joint performance and finance report, the "traffic light" assessment associated with each CIP properly reflects the supporting text.	Medium	Agree
The Council reassesses what information is truly critical to managing the business and ensures that this is available as part of its reporting on performance and finance.	Medium	Agree See comment re: replacement of bi-monthly reporting with a move to quarterly reporting and monthly monitoring through scorecards
The Council ensures that its performance management system (ePerform) is fully populated so as to maximise the benefit of the system.	Medium	Agree
The Council considers the benefits and challenges of upgrading ePerform to a more current version to ensure users have a version most appropriate to their needs.	Medium	Will review currently system against needs and give consideration to any upgrade as appropriate

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Plymouth City Council

Review of Arrangements for Complying with Age-related Equalities
Legislation

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1 Introduction and background

1.1 From 1st October 2006 the Employment Equality (Age) Regulations made it unlawful to discriminate against workers, employees, job seekers and trainees because of their age. This legislation complemented existing legislation against discrimination on the grounds of sex, race, disability, gender reassignment, sexual orientation and religion or belief.

1.2 However, the Government restricted the protection available to people over the age of 65 by creating a new "default retirement age" of 65 for both men and women. This permits employers to set a "mandatory retirement age" at or above the age of 65.

1.3 In practice this means that an employer can compel its employees to retire at or after 65 and can refuse to recruit anyone over the age of 65. It is lawful for employers to force employees age 65 and over to retire as long as they follow the correct procedure. However, employees have the right to request to continue working beyond the date when the employer wants them to retire but the employer can legitimately refuse the request and the law does not require them to give a reason for that decision.

1.4 Thus, employers need to be aware of their responsibilities and duties in respect of the recruitment and retention of staff and need to ensure that their policies and procedures are up to date, appropriate and applied properly.

1.5 Our review has sought to establish what local arrangements have been made by Plymouth City Council and how it has sought to minimise the risks, as well as how it ensures that appropriate internal control arrangements are in place.

2   Key findings

Policies and procedures

2.1   The Employment Equality Age Regulations 2006 ("the regulations") first came into prominence nationally in 2007 and made it unlawful to discriminate against workers, employees, job seekers and trainees because of their age.

2.2   The Council introduced a "Working Beyond Retirement Age" policy in 2005, underpinned by a corporate People Strategy, which sought to demonstrate the Council's commitment to being a good employer. The Policy defined its scope and its compliance with the regulations, as well as the Council's commitment to equality and diversity, including having a diverse workforce and the elimination of assumptions about, and discrimination amongst, its employees.

2.3   The Council started to consider the impact of the new regulations in 2006, and engaged service managers and trade unions, as well as undertaking some research into what other council's were doing. As a result, a revised corporate policy was developed which was deemed to comply with these new age-related regulations. This policy remains in place.

2.4   The Policy is aimed at employees who wished to work beyond the default retirement age and states that the Council's retirement age is in line with the statutory retirement age, though employees who wish to continue working beyond 65 may request to do so and should then follow the statutory "duty to consider" procedure. The Policy clearly lays out that procedure, including the right of appeal and also includes a schematic of the process to be followed.

2.5   We understand that implementation of the Policy has been supported by training for managers and HR operational advisors, as well as targeted communications with staff. The Council has also introduced a corporate employee handbook which includes a brief section on working beyond retirement age, and which refers to the Working Beyond Retirement Age Policy.

2.6   The Policy was implemented in October 2006, with a plan to review the policy in October 2008. However, a decision was made not to review the Policy until the "Heyday" decision was made. The outcome of the Heyday case is now known, and we understand that the Council is awaiting the publication of a consultation paper by the Government before commencing its review of the Policy.

The Equality Scheme

2.7   The Working Beyond Retirement Age Policy is set against a stated corporate commitment to equality and diversity, expressed in a range of documents, and encapsulated initially in the Corporate Equalities Policy (CEP). The CEP is now superseded by a corporate Equality scheme which is the focus for all corporate equality work. The Equality scheme is underpinned by the Corporate Equalities Group Work-plan 2009-12.

2.8   The Equality Scheme is wide-ranging in its commitments and principles, including a commitment to "valuing, promoting and celebrating equality, diversity and community cohesion", including fair and equal access to employment and equal pay practices. Within this stated commitment there is also a recognition that compliance with age-related legislation may have implications for the workforce and for business planning.

2.9   The Corporate Equalities Group (CEG) is responsible for the governance of the corporate equality schemes and generally meets on a quarterly basis (though it has met bi-monthly where necessary). The Group comprises representatives from each department, the trade unions, a councillor and a dedicated HR representative. The Group is led by the corporate Social Inclusion Unit. Each officer on the Group is responsible for cascading key messages throughout his or her department, as well as specific aspects of the work-plan. The Action Plan within the Equality Scheme is the subject of an annual review.

2.10   The corporate equality and diversity agenda is supported by the Council's Social Inclusion Unit, which has a broad-ranging involvement and impact in raising the profile of equality and diversity issues throughout the Council. This has been recognised by the Improvement and Development Agency (IDeA) in its Diversity Peer Challenge report (Nov 2008), in which it identified continued good progress at the Council. The Council had previously achieved level 3 of the Equality Standard for Local Government and, under the revised Equality Framework this now translates to "achieving".

2.11   The Equality Scheme states the scope and responsibilities of employees, managers and the Corporate Management Team, as well the role of elected members, in setting the equality policy and reviewing the policy for continuous relevance. The Council has nominated a councillor as portfolio holder with responsibility to champion equality and with an expectation of having a visible connection with diverse communities across the locality. The Council has also nominated a councillor as portfolio holder for HR issues.

Equality Impact Assessment

2.12   As part of its arrangements for ensuring equality and diversity, the Council has in place a process for undertaking equality impact assessments (EIA's), which are the means by which the Council can review what it is doing, to ensure that policies and actions take account of equality and diversity issues. This ensures that it is delivering outcomes for individuals and communities as well as meet the equality duties and regulations that are in place.

2.13   The Council is committed to a programme of EIAs, supported by its EIA Governance Group (which has representatives from each department) and which is overseen by the CEG. An EIA has been undertaken in respect of age-related employment.

2.14   The CEG has established equalities work-plans over the last few years, with key corporate actions and timings, as well as outputs/targets, for delivering the corporate equalities agenda. The CEG work-plan, covering the period 2009-12, includes a number of key targets, actions and outcomes based on the five key themes within the Equality Framework for Local Government, which are:

- Knowing your communities and equality mapping;
- Place shaping, leadership, partnership and organisational commitment;
- Community engagement and satisfaction;
- Responsive services and customer care; and
- A modern and diverse workforce.

2.15   The Council has also developed an Employee Handbook (dated 2007) which aims to provide employees with information about conditions of service and corporate policies, including reference to working beyond retirement age, where the Council states that it has adopted the statutory retirement age of 65 for all employees, though "employees have the right to request to work beyond that age and any request will be seriously considered". The Council plans to make amendments to the Employee Handbook during 2010, linked to proposed changes to the terms and conditions of employment.

2.16   Whilst recognising that the Council has undertaken an equalities impact assessment in respect of age-related employment, we **recommend** that the Council undertakes further equality impact assessments as the implications of impending organisational and legislative changes become clear.

Programme monitoring

2.17   The Council has developed new corporate equality and diversity targets, covering all aspects of equality and diversity, and include targets such as the percentage of women as top earners and reducing the proportion of employees over 50 retiring early. We understand that a number of these targets are to be reviewed during 2010, and will take account of organisational changes.

2.18   Our interviews have identified that the Council already accepts most requests to work past retirement age and that, at the date of this report, the Council has, since the age regulations were introduced, written to 196 employees under the statutory " duty to consider" process and that 132 staff are currently employed who are aged 65 or over. This represents 1.8% of the total workforce. The Council also currently employs 670 employees between the age of 60 and 65, which represents 6.52% of the workforce, and who will be written to under the statutory " duty to consider" process.

Risk management

2.19   As part of our review, we have also sought to establish the extent to which the Council has considered any risks associated with the age-related equalities issues and how such risks are to be managed.

2.20   Risk management in the public sector is generally focused in two key areas - strategic risks and operational risks. Strategic risks are those that may affect the Council across the broad range of its corporate responsibilities, and is likely to include, for example, the risks associated with key partners or risks associated with limited finance. Operational risks, however, are normally associated with the risks within individual departments or services, such as staffing or day-to-day issues.

2.21   As part of our 2009 Use of Resources review work, the Council provided a strategic risk register as part of its evidence base and we have used this to inform our review. We have identified that, in particular, risk number 23 (pay and reward strategy) includes the broad heading of "failure to comply with legislation", though without being specific about which particular legislation is referred to. In mitigation of the broad risk, a number of controls are noted, though, so far as we can establish, none is specifically concerned with age-related employment.

2.22   Our review has identified that the strategic risk of age-related employment issues currently falls specifically within the Corporate Improvement Priority (CIP) 13 (Supporting Council staff to perform better). As part of its workforce development the Council has a workforce plan, which is embedded across the organisation. The Council intends to review further the profile of its workforce (including staff numbers and age groups), and then to use this information to decide on any remaining risks as well as how any gaps will be addressed. Local workforce development will be heavily influenced by changing local economic conditions, a changing organisational structure and the developing shared service agenda.

2.23   We understand that data on local diversity has already identified that there is an ageing population, with 5% more people over the age of 50 than the national average, as well as the highest percentage of people of working age in the Southwest. We are also aware that officers are mindful of the number of current employees in the 60 to 65 age group, and there is a recognition of the impact that this might have on the future employment profile of the Council, and on business planning.

2.24   We therefore **recommend** that the Council undertakes specific risk assessments in respect of age-related employment issues relevant to impending organisational and legislative changes.

Overall conclusion

2.25   Our overall conclusion is that the Council appears committed to equality and diversity across the whole range of its services and in its dealings with the public and it has a number of policies and processes in place which promote that equality and diversity as well as an infrastructure that enables consideration of equality and diversity issues.

2.26   Our review has confirmed that, generally, there are sound arrangements in place and, though we have no significant recommendations to make on the issue of the Council's compliance with age-related equalities legislation, we consider that a review of the impact and risks relating to impending age-related employment changes would be beneficial.

A Action Plan

Recommendation	Priority	Management comment	Officer responsible	Implemented by:
The Council should undertake further equality impact assessments as the implications of impending organisational and legislative changes become clear.	High	HR to consider how this can be achieved as part of other EIAs being undertaken in future Director of Corporate Support, HR Organisational Development and DMT to consider the issues raised	To be considered by Director for Corporate Support.	Complete by Sept 2011 at the latest, to fit with corporate plans for the EFLG assessment
The Council should undertake specific risk assessments in respect of age-related employment issues relevant to impending organisational and legislative changes.	High	HR to consider how this can be achieved as part of other EIAs being undertaken in future Director of Corporate Support, HR Organisational Development and DMT to consider the issues raised	Eve Skuse (HR) with support of Mike Hocking (Risk Management)	To be undertaken as the implications of the new equalities bill become clear.

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Plymouth Citybus Review

Plymouth City Council

28 February 2010

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Appendices

1 Executive Summary

1.1 Introduction and scope of review

The Council, has over the last four years, been collating and reviewing detailed information about all of the assets and investments that it owns in order to establish whether it is obtaining maximum value from them to support the delivery of its local priorities.

One of their investments was the Council's shareholding in Plymouth City Bus Ltd ('Plymouth CityBus'). On 30 November 2009, the Council approved the sale of its 100% share ownership, along with the minority holding held in Trust by the Chief Executive, of Plymouth CityBus to Go Ahead Holding Ltd.

During the lead up to this sale, the Council kept us fully informed and we were satisfied that adequate arrangements were being maintained throughout the process. We agreed with the Council that, upon completion of the project, we would undertake a more detailed review to identify how effective the overall project management was, including governance, risk management, financial control and communication. The aim of this review was to identify those areas where lessons could be learnt for future projects, and where improvements could be made, as well as recognising those elements of best practice.

Our review included discussions with key officers and examination of evidence and key documents produced to support the project as well as the reports provided to Members.

1.2 Findings and recommendations

This was a commercially sensitive project where confidentiality and speed were two critical factors to the successful outcome of this project. Any delays or release of sensitive or confidential information to competitors could have had a significant detrimental impact on the final consideration received. The strong project management skills by the project manager and good use of external advisors resulted in the project being completed within the six month timescale. In addition, the project team were successful in avoiding the unauthorised release of confidential information whilst providing decision makers with sufficient information to make an informed decision.

The Council had sound arrangements in place to ensure that Value for Money (VFM) could be demonstrated for both the initial sale and having regard for future developments.

The impact of the sale of the shares in Plymouth CityBus to users of the service was considered and incorporated into the risk register, where appropriate to do so. This information was used when negotiating the final offer and resulted in a final agreement where risks to post sale services were minimised.

A detailed project risk register was developed and updated throughout the project. Significant risks were identified and the risk register was used as a key driver for the project. Actions were taken throughout the project in response to risk which ultimately resulted in the project being delivered effectively.

A budget was established at the start of the project and there was monitoring throughout, with the final outcome being delivered under budget.

Governance arrangements for the project were appropriate and there was regular scrutiny throughout the process. There was considerable oversight by the Chief Executive and we, as the external auditors, were kept informed of progress and any potential issues.

The Council received a large number of correspondence relating to this project, including letters from the public and MPs, emails from the opposition party, a petition and questions from the public at Council and Cabinet meetings. The handling of this correspondence was timely and responded to correspondent's concern.

Whilst we are satisfied that the project was managed well and delivered a successful outcome in the terms presented by the Council, we did identify a number of areas where further improvements could be made. We would recognise that, to an extent some of these arise as a result of the nature of the project and the inherent approach adopted by the Council. These improvements can be summarised under the following key themes:

- improve transparency of the decision making arrangements;
- ensure that robust arrangements are in place for monitoring progress against project plans and for delivery of actual spend against budget;
- projects that impact in the Corporate Improvement Priorities should be considered by the Corporate risk management group for inclusion on the strategic risk register; and
- enhance the documentation around the risk management arrangements.

Further details are included within sections 4 - 12 of the report and there is an action plan in Appendix A.

We would like to take this opportunity to thank the project manager and the Capital project accountant for their assistance with this project.

2 Introduction and background

2.1 Introduction

On 30 November 2009, the Council approved the sale of its 100% share ownership, along with the minority holding held in Trust by the Chief Executive, of Plymouth CityBus to Go Ahead Holding Ltd. This decision concluded a complicated and controversial project in determining the future ownership of the bus company.

As the Council's external auditors, we were advised by officers, at the start of the project, of the scope and key milestones. We have met with key officers during the project to ensure that appropriate arrangements have been in place and to ensure that any areas of concern or issues raised with us could be addressed, with sufficient explanation and evidence.

Due to the significant nature of the project, and its wider implications, we agreed that we would complete a detailed post project review to assess the effectiveness of the arrangements followed throughout the process and to identify where, if any, there was scope to improve on these.

This report sets out our findings from this review which we have discussed with management, with recommendations arising set out within the Action Plan in Appendix A.

The outcomes of this review will also be used to inform our value for money conclusion for the Council in 2009-10 as evidence to support the project management and associated arrangements, such as risk management and financial control for a significant project.

2.2 Background

The Council has, over the last four years, been collating and reviewing detailed information about all of the assets and investments that it owns in order to establish whether it is obtaining maximum value from them to support the delivery of its local priorities. This exercise has considered the future options available to the Council which includes future investment in these assets, opportunities for better joint working and sharing with partners and divestment.

In early June 2009, the Council, following Cabinet approval, established a project to consider the future operation of Plymouth CityBus. The Council wanted to reduce its level of risk within the current economic environment and to consider alternative proposals to its investment. The Council obtained an estimated valuation for the company to determine whether it would be appropriate to explore market interest in either acquiring all, or part, of the Council's shareholding.

In the period June to November 2009, Council officers followed a competitive process to establish interest in the operation of the bus company. Ten companies expressed interest and these were short-listed down to five companies to whom bid documents were issued. All five submitted a bid and three of these were invited to the second stage before a preferred bidder, Go Ahead, entered into final negotiations with the Council.

Throughout the Project, the Council engaged specialist external advice as well as utilising internal resources to evaluate bids and consider the alternative options. Elected Members have also been kept informed through regular updates. On the 20 November 2009 a report was presented to the Cabinet meeting to approve a recommendation to present to full Council, on 30 November 2009, to sell 100% of the Council's shareholding in Plymouth CityBus to Go Ahead Holding Ltd.

3

3   Scope of the review

- arrangements for obtaining, evaluating and taking account of consultation with relevant parties; and
- communication and reporting to support decision making.

Our review included discussions with key officers and examination of evidence and key documents produced to support the project as well as the reports provided to Members.

3.1   What was covered in the review.

As set out previously, we have maintained an ongoing assessment, through discussion and review of reports and other key documents, of the progress of the project to ensure that appropriate arrangements were in place. In addition, we have considered issues and a number of areas of concern that were raised with ourselves by interested parties.

Upon completion of the Project, we undertook a more detailed review to identify how effective the overall project management was, including governance, risk management, financial control and communication. The aim of this review was to identify those areas where lessons could be learnt for future projects, and where improvements could be made, as well as recognising those elements of best practice.

We have structured our review to consider the following areas;

- project initiation and documentation;
- project management;
- financial monitoring, including budgetary control;
- review of risk management, including identification, review, mitigation and monitoring of risks;
- use of external and internal advisors and specialist expertise;
- governance arrangements including scrutiny;
- arrangements for assessing value for money;
- evaluation of the impact on the local community and other stakeholders;

3.2   Limitation of Scope

This review did not consider the appropriateness of the decision made by the Council in disposing of its shareholding in Plymouth CityBus. This was a policy decision that is beyond the scope of our responsibilities, as external auditor, to challenge. Our review focussed on the arrangements put in place to support that decision and identifying any areas where improvements could be made to support future decisions.

This review is part of a continuing dialogue between the Council and ourselves and is not, therefore, intended to cover every matter which come to our attention. Our procedures are designed to support the specific objectives of the review and they cannot be expected to identify all weaknesses or inefficiencies in the Council's systems and work practices. The review is not intended for use by third parties and we do not accept responsibility for any reliance that third parties may place on it.

3.3   Audit Fees

This review falls outside the scope of our planned programme of work and, as such, the agreed audit fee for the year does not include this review. We have used appropriately qualified staff to undertake the work and their time charged to the Council at the scale rates set out in the Audit Commission's 'Work programme and scale of fees 2009-10' published in December 2008. The fee for this review has been £19,388 which is within the range (£15,00 to £20,000) we agreed with the Council in December 2009.

4 Project Initiation and documentation

- secure private sector investment;
- introduce new expertise, and
- maintain a Council's shareholding ensuring greater integration between the plans of CityBus and the Council.

Both senior management from the Council and CityBus supported this recommendation.

Subsequently, the Council commissioned an independent valuation of the ordinary share capital of Plymouth CityBus in May 2008.

Officers at Plymouth City Council were concerned about the increasingly competitive environment in which Plymouth CityBus was operating and the need for further investment in assets by the bus company, both of which would impact on the value of future dividends and, potentially the diminution in value of the shares in the company.

Because of these concerns and the estimated value of Plymouth CityBus, senior officers at the Council commissioned the project manager to develop a business case for a project to provide information about the potential viability of a sale of all or part of the Council's shareholding in Plymouth CityBus.

The business case was presented and approved by Cabinet on the 2 June 2009. This paper explained:

- the reasons for the project, showing alignment to the Council's corporate improvement priorities;
- options available to the Council regarding its shareholding;
- the expected benefits arising from the preferred option;
- the anticipated risks of keeping the status-quo;
- costs and timescales, including a list of key deliverables; and
- provided an investment appraisal, that considered the cost of not undertaking the disposal compared to doing it.

4.1 Summary of findings

We obtained sufficient evidence that a robust business case was developed to support this project . We consider that the level of consultation with Members was appropriate and that the Cabinet was the appropriate body to approve the project. Adherence to the scope of the project was appropriately monitored by Members and senior officers.

We understand that, due to the commerciality of the project, officers, carefully considered what information, should be available to decision makers. Information that was considered commercially sensitive was excluded from the paper presented to Cabinet on the 2 June 2009. In our view, the Council should consider whether it was too cautious over some of the information excluded and if there was scope to have been more transparent, for example with regard to risk assessments and providing greater detail on the different options available to the Council.

4.2 The business case

In March 2008, the Council and Plymouth CityBus jointly commissioned a report that outlined the options available to meet the key requirements for the people of Plymouth.

The partial sale of the Council's shares in Plymouth CityBus was considered to be the preferred option. The reasons for this was that this option would;

Whilst we recognise that officers carefully considered the extent of information that went into the public domain, it is our view that, having undertaken a post project review, there was scope for more transparency in the following areas;:

- greater detail on all options available to the Council, including the benefits and risks for each option;
- an operational risk assessment on the preferred option;
- a project risk assessment, detailing the risks associated with going ahead with the project (strategic risks);
- a communication plan, which identifies key project stakeholders, the expected communication methods and the frequency; and
- a more robust investment appraisal.

To expand on this last point further, the business case sets out the economic case for the disposal of shares by comparison of estimated future dividends for the Council from Plymouth CityBus with a range of estimated capital receipts, arising from a partial or full sale of the Council's shares. The difficulty was estimating the future dividends and this was done using three different methods, which were simply:
- o the average of the last four years;
- o the average of the three out of the last four years, and
- o the average of the dividend that would be paid under the existing policy using the modest turnover growth figure contained in the latest business plan.

The narrative in the business case stated that increasing competition issues and the need for future capital investment would have a detrimental effect on Plymouth CityBus's profits and hence on the dividend, but did not provide the underlying evidence to support this. Consequently, in our view the investment appraisal could have been strengthened by undertaking further financial modelling and to quantify the cost of 'status-quo'.

4.3 Approval of the business case

The Council's Constitution defines the role of Full Council ('non-executive functions) and Cabinet (executive functions). The Council is responsible for:

- electing and removing the Leader and Cabinet;
- approving the Budget and setting council tax;
- approving the Strategic Plan Framework;
- elections;
- planning;
- licensing;
- staff;
- scrutiny of decisions taken by Cabinet; and
- standards of conduct of councillors.

The Leader and Cabinet are responsible for all other functions, but must operate within the Budget and Strategic Plan Framework approved by Council.

Legal advice was sought from expertise outside of the Council and it was their view that the initial decisions i.e.

- to enter into a project to dispose of part or all of the shares in Plymouth CityBus;
- to appoint advisors for that project;
- to allocate budget for that project (intending to use some of the Transformation Change Programme reserve); and
- to set out the Governance arrangements for that project.

was not outside the budget and policy framework for the Council and therefore was an executive function and the responsibility of Cabinet.

The Chief Executive also maintained an active interest in the progress of the project and provided overall challenge and oversight on a regular basis.

Furthermore, a joint task and finish group was established to review the monitoring of the project. Membership was drawn from the Growth and Prosperity Overview and Scrutiny Panel and Support Services Overview and Scrutiny Panel.

The joint task and finish group met on the 1 October 2009 to consider the process to the end of Stage 1 and on the 29 October 2009 to consider the process to the end of Stage 2. This group submitted their findings for consideration by the Overview and Scrutiny Management Board, who reported to full Council on the 30 November 2009.

4.4 Member involvement in the decision

As stated above, the decision to enter into a project to dispose of part or all of the shares was made by Cabinet. Prior to development of the final business case that went to Cabinet on the 2 June 2009, discussions were held between the Officers steering group and Cabinet Members. In addition, both the Conservative Group and the Labour Group were briefed prior to the Cabinet decision being made.

4.5 Initial scope of the project

The paper presented to Cabinet on the 2 June 2009 was considered to be the final business case. The initial scope of the project, as described in this paper, was to explore the market interest in acquiring all or part of the City Council's shareholding in Plymouth CityBus in order that the Council could make informed decisions as to whether to retain or sell all or part of its shareholding. In particular to;

- seek and negotiate proposed terms with potential purchasers of shares in Plymouth CityBus subject to full Council approval of any final recommendation for sale;
- appoint professional advisors to assist with the project; and
- consider opportunities in relation to any property or assets currently owned by Plymouth CityBus.

Adherence to the initial scope of the project was monitored by a project board who met four times during the six month period. The members of the project board were the Leader and Deputy Leader of the Council, Director for Corporate Support, Assistant Director of Transport and Highways and Project Manager. In addition, the Director for Corporate Support, as project Sponsor, undertook a review during two points in the project;

- end of Stage 1 ('Advertise for interest in acquiring shares and invite bids') and
- end of Stage 2 (assess bids, negotiate and invite final bids).

5 Project Management

5.1 Summary of findings

As stated in the business case, the delivery of the project was complex. The project manager demonstrated effective project management skills as demonstrated by the fact that the project was completed within a demanding six month timescale set out within the business case.

There was evidence of monitoring progress against the plan by the project board and by Members. Efficient monitoring was evident for Stage 1 of the plan however this was less so for stages 2 and 3 of the process. In our view, monitoring of stages 2 and 3 by the project board could have been improved by completion of a formal project plan for both stages and formally presenting this to the project board at the end of Stage 1 and Stage 2 respectively.

We recommend that for future projects that have different phases, a detailed formal project plan is produced for each phase and is clearly approved and monitored by the project board.

5.2 Project plan

The overall project was divided into three distinct phases with key milestones. A summary of these phases was included in the paper that was presented to Cabinet on the 2 June 2009, and are shown in Table 1.

Table 1

Phase no.	planned date	Description of process
-	02/06/09	Cabinet authority to proceed.
1	30/06/09	Advertise for interest in acquiring shares and invite bids.
2	01/09/09	Assess bids, negotiate and invite final bids.
3	27/10/09	Receive final bids, negotiate and make recommendations.
end	30/11/09	Presentation of report and recommendations to full Council

It was anticipated that there would be a formal stage plan written for Stages 1 and 2, which would be reported to and monitored by the Project Board. There was no intention to produce a formal stage plan for stage 3.

Stage 1 (going to Market) stage plan was reviewed and approved by the Project Board on the 3 July 2009. The primary outcome of stage 1 was to receive a number of bids of a sufficient quality that the process can continue into a second round of bids.

A formal stage plan for Stage 2 was partially drafted but was not completed.

Detailed project schedules were produced to support these plans using project software and these were regularly reviewed and updated by the project manager.

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5.3 Monitoring and reporting progress against the plan

Stage 1 (going to Market) included a section on 'Monitoring and Control and 'Reporting', that stated that, 'the stage will be monitored by the Project Manager to ensure that tasks are performed on time and where issues arise these will be reported direct to the Project Manager who will determine if they are of sufficient importance to record in the risk log and escalate to the Project Board.'

Our review of the Project Board minutes and supporting papers provided evidence of monitoring of progress against the plan for Stage 1. However, owing to absence of a detailed stageplan for Stages 2 & 3, and the timings of the Project Board, there was no formal detailed monitoring of the progress for these stages by the Project Board, but we acknowledge that progress against the overall timetable was monitored.

Progress of the project was scrutinised by Growth & Prosperity Overview and Scrutiny Panel with Support Services Overview and Scrutiny Panel. This joint committee were presented with a progress update on the 1 October 2009 , which was at the end of Stage 1 of the project and on the 29 October 2009, the end of Stage 2. A high level project timetable was provided within a project report at both of these meetings supported by a detailed narrative on the process.

6 Financial Monitoring including Budgetary control.

6.1 Summary of findings

The actual cost for delivering the project was significantly under the original budget and the project manager was successful in transferring some of the costs originally planned for stage 1 to stage 2, thereby reducing the financial risk to the Council if they chose not to proceed.

The financial monitoring and budgetary control was undertaken by the project manager and monitored by the project board via the Director for Corporate Support's review of Stage 1 and Stage 2.

We identified that the first budget report received by the Project Board was three months into the project by which time significant costs had been incurred or committed, and consider that this could have been more timely.

We recommend that a budget report is a standing item on the project board's agenda which reports on all costs that have been incurred and committed to as at the date of the meeting.

6.2 Budget setting

Project costs, totalling £946,000 were split between external advisors (£768,000) and internal project costs (£178,000) for the three phases of the project. The costs (including contingency) incurred per stage were estimated to be:

• Stage 1: £499,000

• Stage 2 £144,000
• Stage 3 £303,000

This budget was considered comparable to the budget used for the disposal of Bournemouth shareholding in Yellow Bus, where they spent £882,000.

External and internal costs were split into the following elements:

• External costs - key elements were:
  o financial advice;
  o legal advice;
  o pensions;
  o corporation tax;
  o financial due diligence;
  o data room; and
  o extra's at 5%

• Internal costs
  o project management;
  o internal legal costs;
  o internal technical costs;
  o internal expenses; and
  o environmental survey

External costs were estimated through discussions and receipt of quotes from external advisors. Internal costs were estimated by considering what resources would be required and the associated salaries. Further breakdown of these costs were provided in the Stage 1 project plan and included:

• project manager - 1 x FTE
• project co-ordinator - 1 x FTE
• transport resource - 0.4 x FTE
• legal resource - 0.4 x FTE

Finance resource (0.1 X FTE) and communication costs were not provided for in the budget.

6.3 Approval of budget

The 'officer steering group' gave approval to take the budget to Cabinet. Cabinet approved the use of up to £946,000 for the project from the Transformational Change Programme (TCP) reserve budget, provided that expenditure was incurred in accordance with the financial regulations and contract standing orders.

On the request by Cabinet to scrutinise the process, the budget was considered by the Resources & Performance Overview and Scrutiny Panel on the 10 June 2009. The purpose of this was to scrutinise the allocation of funds from the TCP reserve to the project.

The Panel endorsed the allocation of funds from the TCP reserve budget.

6.4 Monitoring actual delivery against budget

Actual costs were monitored against the external and internal cost headings used in the initial budget setting process.

All project costs were charged to a specific cost centre on the ledger and there were detailed ledger codes within the cost centre for the key costs of the project, as set out in the initial budget. This allowed efficient monitoring of actual costs against budget.

It was the responsibility of the Project Manager to monitor delivery against actual plan.

It was agreed by the project board, that tolerances of +5% should be set for the budget. If exceeded, this should be reported to the Project Board.

The Project Board met four times during the project. A progress report against budget was submitted for the end of Stage 1 review on the 17 September 2009, which identified that the expected spend to the end of Stage 1 was £406,000, producing an underspend of £93,000. This was at their third meeting. Prior to this, no written report was provided at these meetings, although a verbal report was provided at the first meeting, which stated that the budget for this phase (phase one) was £500,000, and that the project was within budget at that time.

We could not identify any evidence of discussion of budget at the second project board meeting nor was it included in the project manager's report. The second project board meeting was held on the 31 July 2009, and was, early in the process. However, by reference to the Stage 1 plan, we would have expected a significant amount of costs to have been incurred, or committed, at this stage. For example, the majority of external advisors had been appointed at this stage.

The stage 2 review by the Director for Corporate Support also included a review of the budget to the end of stage 2. This review was submitted to the Project Board for consultation on the 27 October 2009. The budget review concluded that there was currently an overspend of £3,000 for stage 2, however, it was stated that the costs for this stage were estimated since, at the time of writing, the end stage date had not been reached and the costs would be confirmed at the subsequent project board when all invoices have been processed. A subsequent project board meeting was not held.

The Overview and Scrutiny taskforce received a high level summary of actual delivery against budget at the end of stage 1 and stage 2.

6.5 What was the final actual versus budget position?

The report to Full Council on the 30 November 2009 stated that the project costs would be within the initial budget at completion.

We received an actual outturn versus budget reports from the Project Manager, as a part of our review and this showed an underspend of £294,445.

For Stage one there was a total underpend of £108,753. This was mainly due to an underspend on:

- external costs relating to technical support, £25,015, on corporation tax advice, £12,500 and on financial due diligence, £19,726; and

- on internal costs relating to internal technical costs, £11,661, internal expenses, £11,966 and environmental survey, £19,010.

For stage two, there was a total underspend of £6,253 on a budget of £140,851.

For stage three, there was a total underspend of £172,148. Actual costs were £134,120 against a budget of £306,268. This underspend was mainly due to the following factors;

- budgeted internal costs of £50,812 did not materialise; and

- budgeted external costs relating to financial advice (£91,786), tax advice (£12,500), pension advice (£12,500) and technical support (£32,440) did not materialise. There was an overspend on external legal advice of £26,076.

7 Review of risk management, including identification, review, mitigation and monitoring of risks.

7.1 Summary of Findings

A detailed robust project risk register was developed and updated throughout the project. The risk register identified significant risks and was used as a key driver for the project. No new risks materialised during the project that had not previously been considered although, for completeness, the issue of the pension liability on Plymouth CityBus's accounts should have been included.

This project impacted on two Corporate Improvement priorities and should have been includedon the strategic risk register.

We recommend that a process is put in place so that all projects that impact on the Corporate Improvement priorities be considered by the Corporate risk management group and that appropriate risks are included on the Strategic risk register.

The general risk management approach at the Council is strong, and evidence shows that the project was lead by a project manager with good experience on risk management, however, there is scope to enhance this for individual projects specifically;

- a systematic approach should be developed for the identification of risks that incorporates operational, financial, timeliness, quality and VFM considerations;

- the Council should consider if a description of context, event and consequence be included in their risk management strategy for each risk identified and cover this as part of risk management training;

- there should be an assessment made of how risks should be managed i.e. whether to take, terminate, treat, transfer or tolerate and this should be documented on the operational risk register for that project; and

- both the likelihood and impact should be evaluated and separately managed, where appropriate.

7.2 Identification of operational risks

Prior to the Cabinet meeting in June 2009, key officers met for half a day to discuss the project and produce a risk log. Members of this group were officers of the project board, and financial, legal and transport advisors. This was completed as a '"brainstorming"' session drawing upon the different experience and expertise of the attendees.

The risk log from this session was included in the project viability report which was the precursor to the business case. It was not, however, included in the business case on the basis that it contained confidential information that might prejudice the final outcome.

The risk register categorises the risks into the following areas:

- process;
- staff/management;
- post deal service issues;
- confidentiality;
- political issues; and

- Council transport issues.

These risks were not distinguished between internal and external nor a reflection that the response to these may be different as a result.

A good method in identifying significant risks is to methodically consider the areas of operational, financial, timeliness, quality and VFM considerations. Whilst we appreciate that members of the workshop had good experience of risk management and evidence indicates that significant risks were identified, we do consider that a standard systematic approach should be established to risk identification as stated in the Council's current risk management strategy (RMS).

The risk register provided a brief description of the risk with no further explanation provided with regard to;

- context – without which it is unclear why the risk is relevant;
- event – if it is not clear what it is that might happen it is difficult to judge the relevance; and
- consequence - if what might happen is not known, even the impact on the objectives of the organisation cannot be established.

As the register was developed and monitored by the project board, who had a detailed knowledge of these risks, this information may not have been considered necessary. Furthermore, the red and amber risks were discussed in detail at the first project board meeting;

However, the Council should consider how it could improve its formal documentation of risk, particularly the description of context, event and consequence.

7.3 Assessment of risks

The Council's Risk Management Strategy states that effective risk management ensures that there is an understanding of 'risk' and the authority adopts a uniform approach to identifying, prioritising and reporting risk that should lead to conscious choices over the most appropriate method for dealing with each risk, whether that is by elimination, reduction, transfer or acceptance.

However, adoption of this approach is not clear from our review of the project risk register. Our discussions with the project manager indicated that mitigating actions were put in place for all risks identified and the resources required to put these actions in place was proportionate to the prioritisation of these risks.

However, it is our view that risk management processes could be improved further to ensure there is clear documentation of the assessment of how risk should be managed and this should be documented on the operational risk register for that project.

7.4 Monitoring and reporting of risks.

This project impacts on two corporate improvement priorities within the corporate plan;

- improving access across the city; and
- providing better value for money.

Therefore, we would expect to see consideration of risks associated with this project on the strategic risk register. However, there is no evidence that this was considered by the Corporate Risk Management Group who are responsible for and monitor the Strategic risk register.

The business case did not explain the process of risk management for this project. For example, there was no description of the responsibility for managing and monitoring the strategic and operational risks. That said, the operational risk register was effectively being monitored by the project board and was maintained at project level. Due to the commerciality of the project, it was decided that

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specific risks would not be reported to Members apart from those on the Project Board.

We obtained seven versions of the operational risk register that considered risks up to the 26 October 2009. There was clear evidence that the risk register was being updated, with additional new risks being added and current risks being either upgraded or downgraded as the project progressed. Mitigating actions put in place at the beginning of the project were considered effective and no amendments were made.

Overall, the effectiveness of the risk management process could be demonstrated by the fact that the project proceeded with minimal issues and was delivered on time and under budget and achieved the desired outcome.

7.5   Did risks materialise?

The main risk that materialised was that route flooding, which occurred during Stage 2 of the process. This was cited as one of the reasons for the reduction in the value of the final bid submitted by one of the three final bidders No subsequent action was required as the preferred bidder did not reduce their bid. Other risks that materialised included staff opposition, opposition from Members and opposition from MPs. However, the impact of this risk was considered low and was managed in accordance with the plan with no subsequent actions being implemented.

Some risks did not materialise due to effective risk management. For example, one of these risks was that there could be significant environmental pollution on the site that could have a detrimental impact on the final sale price. This was successfully managed by the Council commissioning an environment assessment report, which was provided to all short listed bidders, that provided appropriate information to enable well informed bids in relation to this area to be submitted.

We note that the risk of the pension liability on the Plymouth Citybus accounts was not considered as a risk on the project risk register. However a detailed paper on pensions was presented to the Project Board on the 31 July 2009, highlighting the potential issues involved regarding pensions. We would have expected the pension liability issue to be added to the risk register at this point.

7.6   Evaluation of risks

In accordance with the Council's Risk Management Strategy, risks are scored under both likelihood and impact – impact is split into three categories - cost, time and reputation.

Members of the project team decided to introduce mitigating actions to reduce the likelihood score for each risk as they considered it not possible to identify any controls to reduce the impact.

We would encourage the Council to consider whether its arrangements, and guidance to support staff, could be enhanced, to ensure that consideration is given to implementing mitigating actions to both impact and likelihood of a risk materialising.

8 Review of arrangements for assessing Value for Money.

8.1 Summary of findings

The Council's introduced appropriate arrangements to assess whether VFM was going to be achieved. In addition, it was successful in negotiating safeguards to ensure future VFM with the preferred bidder.

We have identified two areas for further consideration by the Council:

- the VFM comparator could have been calculated on a more robust basis, taking into account the Council's reservations about the future of the bus company under the Council's ownership; and

- the Council should consider whether some of the further analysis on the retail value of the land should have been communicated to the decision makers.

8.2 What criteria was used to determine the value for money?

VFM comparator

Three methods were discussed by the project board. They were:

- balance sheet position;
- dividends received; and
- dividends received plus realised costs.

The Project Board agreed that dividends plus realised costs was the preferred VFM comparator. This was agreed by the Project Board in September 2009. This criteria was approved by the project sponsor and was considered the most suitable basis for establishing whether the sale of shares in Plymouth CityBus offered value for money.

The balance sheet method was rejected as it is a very crude method of assessing value for money as it takes no account of potential future financial benefits (dividends) that may be received by the Council.

It was agreed that the actual dividend data should be used rather than projected dividend income. This method was different from the methodology as set out in the initial report to Cabinet seeking approval for the project (2 June 2009 report).

Dividends was calculated by totalling the net present value of historic dividends received over the life of the company (23 years) and the two years forecast dividends. The dividend streams were adjusted to their present value using a discount rate of 3.5%. This gave a net present value of £9.3 m i.e. total financial benefit of owning all of the company.

The following realised costs were estimated;

- net debt of PCB (£1.15m) as of March 2009. The company would be sold on a debt free/cash free basis.

- project fees (stage 2 & 3 (£0.48m) as stage 1 fees had already been incurred; and

- pension transfer liability of £0.7m.. This relates to additional pension liability costs estimated due to sale transfer.

These costs would need to be deducted from the sale consideration. Therefore, the Council determined that VFM would be achieved if the consideration was over £11.6m.

We understand from discussion with officers that this methodology for calculating the VFM comparator was considered appropriate by the Council's financial advisors, however, this advice was not put in writing.

Valuation of company

The Council had received a valuation of Plymouth CityBus in May 2008. This gave a valuation of between £15 m - £17.5m. The valuation methodology used was a multiple of turnover. The authors of this report compared this valuation to a valuation using three other methods and concluded that multiple of turnover was the most appropriate.

The valuation of Plymouth CityBus was considered under four scenarios;

- a full sale of the business with no premium for the development potential in the depot, which gave an estimated overall valuation of £15 - £17.5 m;

- a sale taking account of the future potential enhanced proceeds from the development of the existing depot, which gave an estimated value of £21.4 - £26.9 m;

- the sale of just a 40% or 49% stake in Plymouth CityBus, which gave an estimated value of £4 - £5.5 m; and

- minority disposal of shares (40 - 49%) but keep land for further development - £6,6m - £12.9m.

The external advisor commissioned to undertake the valuation compared the primary valuation methodology to other methods which were:

- multiple of earnings (EBIT);
- discounted cash flows; and
- dividend yield.

All three methods gave a lower value for the company than the preferred option which was the turnover multiple basis.

The valuation of land in the second scenario, which produced an estimated value of £21.4 - £26.9 m, was based on a valuation report dated August 2007. This report quoted that the market value of the freehold interest in the above property, with vacant possession, as at August 2007 is in the sum of £5.4m, with the preferred planning option as mixed use development opportunity. However, the report did state that if the planning use could be changed to all retail then the value of the land could be between £15 m - £20m for that land.

The potential for retail development of the land was investigated further by officers and it was determined that the underlying principles and assumptions regarding the potential value were qualified e.g. planning restrictions meant that the full retail value of the site could not be achieved. In addition, there were likely to be significant costs required to clean up the contaminated land for this use. This would significantly impair the value of the land. As a result, officers considered it misleading to include this potential retail value of the land in the report to Members in the 2 June 2009.

We have considered officers approach to this and conclude that this treatment was appropriate. However, the Council should consider whether some of the further analysis should have been communicated to the decision makers.

The project board did state in Information Memorandum that was provided to the shortlisted bidders that bids could be received with or without the land. Only one bid was returned which included offers for the two scenarios. From this it could be inferred that there was little market interest in acquiring the shares without the land.

At the end of October 2009, a planning appraisal of Plymouth Citybus was commissioned by the Council. The focus of this planning

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appraisal was on the potential redevelopment options of the Milehouse Bus Depot for retail uses and in particular food retail uses. This report concluded that retail use is unlikely to be acceptable on a scale that would be accommodated on the full site, which supported the officers decision not to include the retail value of the land as a possible option in the 2 June 2009 report to Cabinet.

A further valuation of the Plymouth Citybus site was undertaken in November 2009 which valued the land at £3.0m. The valuation states that "at the present time we consider that the value of the site in its existing use is in excess of that as a redevelopment opportunity" and this was reported to the Council on the 30 November 2009.

The valuation of Plymouth CityBus was undertaken in May 2008, more than a year before the sale. Therefore, two separate firms of financial advisors were consulted on the likely impact of the recession and availability of credit on the disposal valuation of PCB. Both believed that for the main prospective purchasers of shares, the acquisition of PCB was a relatively small acquisition and they could finance it without difficulties.

Bid process
The Council went through a thorough and robust process to ensure that interest was likely to be expressed by the majority of bus operators and other known interested parties. In the financial viability report, the Council had identified seven likely bidders for Plymouth Citybus. The Council ultimately received 11 expressions of interest, five initial bids and three final bids.

The Chief Executive of the Council received a letter from the financial advisors, KPMG that stated, 'in my opinion the process that has been run can reasonably be considered to have fairly tested the current market appetite for PCC's shareholding in PCB, including both the value at which the sale could take place and the associated undertakings and contract terms.'

Recent disposals of Bus companies
The Council had information regarding the sale price for a number of municipal bus companies that had been sold in the last 15 years. Details of these sales were reported in the paper to the Full Council on the 30 November 2009 and allowed readers of the report to compare these disposals with the offer for Plymouth CityBus. However, no information was provided on the relative size of the companies to put these valuations into context. Whilst there would have been a number of factors that would impact the individual valuations for each of these bus companies, more contextual information would have been beneficial to help inform the Council's decision-makers. For example, it was reported that Bournemouth Borough Council sold their shares in Yellow Buses for £13.8 m in October 2005. This was for a fleet size of over 100, although the actual size is unknown. Both, Preston - fleet size of 81 and Eastbourne - fleet size of 60 resulted in a relatively low receipt of appropriately £6.4 m and £3.7 m respectively. Plymouth CityBus has a fleet size of 190.

8.3 What sensitivity analysis was used?
Discussions with the project manager and the financial accountant who produced the calculation supporting the VFM basis identified that no sensitivity analysis was performed on the final VFM criteria used to determine whether the sale represented value for money. Officers had concluded that there was a stronger probability that dividend income would decrease in the near future, therefore indicating that the future dividend income was the best case scenario. The reasons for this were that the company had the following financial pressures:

- increasing competitive bus market in Plymouth, and
- the need to invest in new vehicles.

Historically, the dividend for the Council had been one third of the profit before tax. Therefore, financial modelling could have been performed using the Plymouth Citybus business plan up to 2012-13 as

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a basis. Dividends could have been predicted under zero growth, conservative growth and optimistic growth.

We recognise that this may seem unnecessary given that the preferred bid was substantially over the estimated benefit of maintaining Plymouth CityBus. However, this may not have been the case and a lower offer could have been rejected due to the VFM comparator not being sufficiently robust. We acknowledge that the Council did have an estimated value of the company as a gauge of what value to expect but this valuation was over 12 months old and prior to the route flooding by competitors.

8.4 Was all appropriate risks reported to relevant decision makers including project board, Cabinet and Members in order for them to make a well informed decision?

The project risk register identified the following risks which could have impacted on whether the Council achieved VFM. These include the following;

- purchaser subsequently benefits from significant uplift in land value;
- route/service rationalisation;
- financial stability of winning bidder - key concern here was to ensure that the necessary ongoing investment would be made in the bus fleet;
- poor service provision - possible asset stripping, reduced frequency of service, reduction in staff;
- new owner announces closure of unprofitable activities;
- tension between council's transport policies including social objectives and commercial issues - biggest risk around concessionary fares; and
- new operator increases fares substantially.

It should be noted that these factors were not reported to Cabinet when they were required to make their initial decision on whether to approve the project. In our opinion, these risks should be been reported and this has already been discussed under Section 4.2.

These factors were considered as part of the final negotiations with the preferred bidder and the outcome of these negotiations were reported to Full Council on the 30 November 2009 to inform their final decision. Therefore, all members were aware of the risks before the final decision. The outcome of these negotiations were that the risk to VFM was reduced significantly.

8.5 What safeguards have been used to ensure future VFM - e.g. contract clauses over future disposal?

The Council achieved a number of safeguards to ensure VFM. These were:

- a tapering clause for the future disposal of the land. The Council would receive 50% of the receipt for the first 10 years, 25% for the next 10 years and 10% for the final 10 years;
- the purchaser had agreed to maintain the route network that had historically been run by Plymouth CityBus for a minimum period of six months with no changes. They also agreed that the Council will be provided with 90 days notice of any proposed changes to these routes;
- the purchaser had agreed to maintain the scholars' routes for a minimum period of three years as operated by Plymouth CityBus; and
- the purchaser is committed to a fleet replacement programme that will see the elimination of step entrance vehicles on front line services. Low floor access is particularly important to those with a disability and passengers with pushchairs.

formed a view that the change in ownership is unlikely to have a significant impact on the Council's concessionary fare budget.

8.6 Have there been appropriate modelling of future considerations such as additional subsidies required to keep uneconomic routes operating?

The Council's transport advisors did recognise that there could be risk of additional subsidies but this had not materialised in recent private bus deals.

In addition, the Council have introduced, and are intending to extend, the use of taxibus services for routes that are either uneconomic, geographically inappropriate to service with larger vehicles, or where it is seeking improved penetration and profile.

The project manager's view is that this transaction, as a sale of shares resulting in a change in ownership, does not necessarily result in a risk of additional subsidies. For example, Plymouth CityBus's competitors won the majority of subsidised routes during the last tender exercise.

Another area that needed considering was concessionary fares. There is a perception that an change in owner could result in an increase in fares resulting in an increase in the Council's concessionary fares budget. The report to full Council on the 30 November 2009 stated, "it is not expected that the change in ownership will impact on the reimbursements already made by the Council". We have reviewed the Stage 1 report from the Council's transport advisors. This report states that the Council's transport department has undertaken some modelling. It shows that a 20% increase in fares generates an 8% increase in concessionary payments under the departments reimbursement analysis tool. The amount of concessionary fare income is dependent on the number of concessionary passenger, operator's average fare and the mix of passengers. If fares increase, the fare paying passengers will decrease resulting in a lower reimbursement. We are satisfied that the Council has assessed the impact of this issue, using appropriate modelling, and that is has

9 Use of external and internal advisors and specialist advice

9.1 Summary of findings

The external advisors used for this project supplemented the Council's own expertise and contributed to the successful delivery of this project. The selection process of these advisors was in accordance with the Council's contract standing orders.

9.2 On which elements of the project were advisors used?

The disposal of a public shareholding in a company is a rare transaction for a public authority. Therefore, the officers steering group determined that a number of different advisors were required to support the process. These were:

- Financial advisors - to prepare the commercial bid documents, ensure FSMA compliance, develop market interest, support negotiations with bidders and close the sale.

- Legal advisors - to prepare all necessary documents, legal sale documents, complete legal due diligence and advise on specialist law issues.

- Vendor due diligence advisors to conduct an exercise to provide independent reports on Plymouth CityBus for prospective purchasers to enable more accurate bidding by companies.

- Transport advisors - to ensure the Council accurately reflect current and future transport opportunities in the sale process.

9.3 How were they selected and were contract standing orders complied with?

The estimated costs for the advisors were:

- £226k for financial advisors;
- £131k for financial advisors for due diligence;
- £263k for legal advisors; and
- £95k for technical (transport) advisors.

The legal and the financial advisors were procured under the Catalist Framework agreement, a contractual vehicle that allows public sector entities buy services, quickly and easily. The Council was unable to do this for the due diligence work and therefore underwent a tender process.

Tenders were invited for the Vendor Due Diligence work on the Council's procurement portal. There were five bidders and three were invited for interview. An evaluation team was set up, which included the project manager, the chief executive of PCB and a legal representative. The bids were evaluated under a weighted evaluation criteria which was notified to all tenderers in the Invitation to Tender document. This evaluation criteria included consideration of quality (technical ability), experience and cost. The tender was awarded to the bidder with the highest score.

The final total spend for transport was £8,336 and was well under the £75,000 threshold for undertaking the tender process.

All appointments were signed by the Project Manager (Head of Strategic Procurement) in accordance with the Council's financial regulations.

10 Governance arrangements (including Scrutiny).

10.1 Summary of findings

The Governance arrangements surrounding this project were appropriate and the project process was scrutinised regularly. Conflicts on interest were identified and successfully handled.

There was also considerable oversight by the Chief Executive and as external auditor, we were kept fully informed of progress and potential issues throughout the project.

The Members on the Scrutiny panel did consider that their effectiveness was somewhat diminished due to the fact the some information was not made available due to the commercial sensitivity of the project.

10.2 What were the overall governance arrangements for the project?

The governance arrangements were set out in recommendations four and five in Part I of the 2 June 2009 paper to Cabinet. These arrangements included:

- Establishing a Project Board to oversee the delivery of this project. The Project Board comprised the Leader, Deputy Leader, Cabinet Member for Finance, Property, People and Governance (stood down before the first project board meeting), Director for Corporate Support (Project Sponsor), Assistant Director Transport and Highways and the Project Manager.

- Delegated to the Director for Corporate Support, in consultation with the Project Board members, to make a recommendation to Cabinet in due course as to what recommendation Cabinet should made to the Council on the disposal of any or all or the Council's shareholding in Plymouth Citybus, and the terms of any such disposal.

- Authority was given by Cabinet Members to seek and negotiate proposed terms with potential purchasers of shares in PCB subject to full Council approval of any final recommendation for sale.

- The matter was referred to the Overview and Scrutiny Commission.

External legal advice was obtained to advise the Council on the appropriate decision making process for the disposal of some or all of its shares in Plymouth CityBus. This advice considered the initial decision process and the final decision process. The legal advice confirmed that the full Council could make the final decision on the basis that the decision to sell some or all of the shares is outside the budget/policy framework of the council and that the initial decisions are in accordance with the budget and the policy framework and therefore should go to Cabinet. This advice was followed by the Council.

10.3 How were conflicts of interest identified and dealt with?

Prior to Full Council making the decision to sell the shares, the Head of Legal services provided clear advice to all Members on when there would be a perceived conflict of interest. He considered that the conflicts of interest could arise for the following reasons:

- Member of the Plymouth CityBus board;
- Director or employees of Plymouth CityBus;
- Member had a relative employed by CityBus; and/or
- Members had a shareholding in a company which may be a potential rival bidder.

At the meeting there were five declarations of interest from the Members who were directors of PCB, three declarations from Members whose relatives were employed by PCB and one declaration from a Member who was an employee of PCB.

10.4 How was the project scrutinised?

The Overview and Scrutiny Commission considered the item on the 11 June 2009 and recommended that, 'the process of the project by monitored by the Growth and Prosperity Overview and Scrutiny Panel who could consider inviting the Chair and Vice Chair of the Support Services Overview and Scrutiny Panel.'

The project was then called-in under the Council's procedures and was considered at the OSC on the 24 June 2009. The following reasons were given for the call in:

- the process by which the decision was made was deficient;
- the decision maker failed to consider alternative courses of action;
- the decision maker failed to take account of relevant factors.

The OSC voted against referring for further consideration, and the project continued as agreed at Cabinet on the 2 June 2009.

The Joint Growth & Prosperity and Support Services Task and Finish Group met on the 1 October 2009 to consider the process to the end of Stage 1 and again on the 29 October 2009 to consider the process to the end of Stage 2. For the meetings, Members were presented with an updated progress report from the project manager. We have reviewed these reports and consider them to be a true reflection of the position at the date of the meeting.

The task and finish group's conclusion was that, in order to ensure demonstrable oversight of the process, the following recommendations should be approved:

- to note the report and the progress made to date, with special attention to be focused upon assurances from the project board regarding financial, legal and commercial probity; and
- for the whole CityBus shareholding process to be scrutinised following its completion in order for lessons to be learned.

This group submitted their report to the Overview and Scrutiny Management Board, where it was robustly debated and did not consider the second recommendation to be necessary. The amended report was approved and submitted to full Council for the 30 November 2009, for their information.

The subject was also debated at the Extraordinary General Meeting of full Council on the 26 October 2009.

The Chief Executive was involved throughout the project, providing appropriate challenge and oversight that it remained on track and Members were kept appropriately informed. Officers also kept ourselves, as external auditors, informed of the project, key issues as they arose and the milestones. We received documentation on an ongoing basis, supplemented with discussions with key officers, and were satisfied that appropriate arrangements were being maintained.

11 Evaluation of the impact on the local community and other stakeholders

11.1 Summary of findings

The Council had robust arrangements in place to ensure that the sale of the shares in Plymouth CityBus would not have an adverse impact on the users of the services or other stakeholders.

The Council sought agreement with the purchaser on a number of criteria identified at the final bid stage to ensure service continuity and quality.

11.2 What impact assessments had been undertaken on the users of the services?

The development of the second Local Transport Plan (LTP2) involved an extensive consultation programme to establish the desires of stakeholders and the public to determine what they considered to be most important for the transport network over the next five years.

External transport advisors identified key strategic drivers involving the actions included in the LTP2. For example, one of the drivers was the requirement to help meet the MacKay growth vision through the LTP2, and another was the need to deliver social value i.e. the public transport services in Plymouth must be delivered in a manner that maximises socio-economic value. Using these drivers, the advisors were able to identify the impact on the users of the

services for each of the options and this was included in the options appraisal report.

Where the impact was considered to be a risk to the service, then it was included in the project risk register and mitigating actions were put in place to manage the risk.

In addition, the Assistant Director of Transport & Highways was a member of the project board and was able to directly influence the final negotiations with the preferred bidder to ensure that there would be no detrimental impact on the users of the services.

11.3 Consultations with relevant parties

The Council sought external legal advice on consultation arrangements and the advice was that, 'consultation was not required nor should be considered as it is not a change in service or closure of a service but simply a sale of shares. Consultation could raise peoples expectations in something that they have no say in. Consultation is different from obtaining information from stakeholders and considering this when reporting to Cabinet so as to prevent major objections and to manage sensitivities.'

The project manager and the Chief Executive met with staff and union representatives at Plymouth CityBus and the Conservative and Labour group were brief of the project prior to the decision being made by Cabinet to proceed with the project.

Furthermore, Officers at the Council and Members received correspondence and questions from the public which they used as a source of information that was considered by the project board.

There was a signed petition from members of the public and some MP opposition. This was handled by the project team and the issues raised taken into account by the project team, although it did not

change the fundamental outcome of the project - being the sale of the shares.

11.4 Outcome of the impact assessments

Specific criteria were set against which proposals were judged. This was discussed in the project sponsor's review at the end of stage 2. Significant requirements were:

- scholar routes to be maintained;
- existing network to be maintained with limited changes in first 6 - 12 months;
- pension rights to be maintained; and
- property clause.

Other requirements were;

- reduce average age of fleet to 8 years by 2010;
- maintain/improve low floor accessibility;
- invest in smart ticketing;
- participate in punctuality improvement partnership;
- keep 'CityBus' name;
- continue to administer and participate in Green Travel pass scheme;
- operate point of sale in City Centre;
- continue to perform cash counting services and provide minibus parking for PCC;
- continue to participate in PLUSBUS in Plymouth;
- continue to adhere to bus stop infrastructure protocol;
- commitment to keep a depot in the City Centre;
- no compulsory redundancies;
- continue to operate apprenticeship system;
- provide real time passenger information
- produce south west public transport information

- continue to attend network management meetings and operating company liaison meetings;
- continue to operate contracted coach and bus services; and
- develop off bus ticketing.

With regard to the significant requirements the Council was able to successfully negotiate the following provisions with the purchaser:

- to maintain the route network that had historically been run by Plymouth CityBus for a minimum period of six months with no changes;
- to maintain the scholars' routes for a minimum period of three years as operated by Plymouth CityBus;
- commitment to a fleet replacement programme which will see the elimination of step entrance vehicles on front line services.

The Council was also able to get agreement from the purchaser for the majority of the other requirements.

12 Communication and reporting to support decision making?

12.1 Summary of findings

There was a significant number of meetings with different Committees throughout the six month duration of the project and relevant, timely and accurate information was provided to these Committees. Owing to the commercial nature of this project a significant amount of information was excluded on the basis of confidentiality. This resulted in minimal unauthorised release of information to the public and a successful completion to the project.

However, in our view some processes or information could have been included to improve transparency. These improvements are as follows:

- improve the information included in business case as discussed under Section 4 of the report;
- provide verbal update or included in Part II paper to Cabinet noting the key risks to this project;
- improve the level of information to support decision makers. For example, provide all relevant information so that they are able to compare like with like; ensure that they have a full understanding of what options are available to them and why this is the best solution;
- be open and transparent about the risks to the service post disposal and how these have been successfully mitigated against.

The Council received a large number of correspondence relating to this project, including letters from the public and MPs, emails from

the opposition party, a petition and questions from the public at Council and Cabinet meetings. It is our view that the project team responded to correspondence in a timely way and addressed the issues concerned.

12.2 What reports and other communications were produced?

During the project process, there were a significant number of Member Committee meetings where the subject of the Plymouth CityBus project was raised. Project reports were produced for consideration by the executive, non-executive and scrutiny function of the Council. In addition, four Project Board meetings were held. Appendix B provide the details for each individual meeting.

12.3 Did it contain all relevant information in a timely way?

We reviewed the reports provided to Members and the Project Board and agreed to supporting documentation where appropriate to do so. Our review did not find any inaccuracies or omissions, in reports that were produced.

With regard to the paper that was submitted to Cabinet on the 2 June 2009, which is considered to be the business case, our view is that some information was not included. We have addressed this in Section 4 of the report.

In addition, we are aware of the reservations raised by some of the Scrutiny Members that their ability to scrutinise the process was limited due to the unavailability of information which resulted in them relying on assurances from members of the project board. This was reflected in their report to Council on the 30 November 2009.

The reason given for the unavailability of this information was the highly confidential nature of the commercial information contained

within the reports, and we have commented on this in Section 10 of this report.

Project information leaks and maintaining commercial confidentiality of existing information were red and amber risks respectively in the risk register. The unauthorised release of commercial information from the bidders could have had a severe impact on the final offer. The Council was successful in keeping this information confidential.

It was also decided that the project risk register was confidential and therefore was not discussed with Members apart from Members of the Project Board. However, because of this, other Members were unaware of the risks associated with this project. In our view, we feel that at the initial meeting with Cabinet there should have been a verbal update or included in Part II paper summarising the main risks to the project and how they were going to be managed. This is also set out in Section 7 of this report.

12.4 Were communications produced in a timely way?

Members received the reports within the required timescale.

In addition, the Council received over 200 letters objecting to the sale of the company. They also had discussions with MPs and received two freedom of information requests.

We reviewed a number of the letters and the responses and conclude that the letters were responded to in a timely manner and that they addressed the main concerns of the correspondent.

We noted that the majority of the letters from the public were standard letters and therefore a standard reply from the Council was deemed appropriate.

12.5 Were all factors included to support decision making?

Overall, we have concluded that the final report to Members on the 30 November 2009 was sufficient to enable them to make an informed decision. However, we would make the following observations on the key areas of the report.

- Financial terms of the offer, comparing it to other recent disposals. In our opinion, relative fleet sizes of the companies or other contextual information could have been included to aid direct comparison.

- Transport strategy delivery and customer focused services. This demonstrated how the Council negotiated with the preferred bidder so that the service would continue to meet the needs of the citizens of Plymouth.

- Current trading position and fleet position of Plymouth Citybus - this reflected the financial risk of remaining owners of the company.

- Discussion on the valuation of the depot. This could have been expanded to identify that bidders were not interested in acquiring the business without the land and there was no market interest for this option.

- Dividend comparison - this section could have been strengthened by including some sensitivity analysis showing the impact on estimated future dividends if the risks under the current trading position and competition materialised.

- Concessionary fares. The report states that a change in ownership is not expected to impact in the reimbursements made by the Council. This section could have been strengthened further to include a summary of financial modelling undertaken by the Transport department at the Council and the fact that increased concessionary fares has not yet materialised for any other private owned companies.

Plymouth City Council - January 2010

- The report did not recap on the five options initially available to the Council. This should have been included, with explanations for why the 100% sale in shares is the best option.

- The report provides a summary of the Go Ahead company and of other recent disposals within the last five years. It does not include information on the disposal of the Wiltshire and Dorest bus company. This was purchased by Go Ahead and there has been some bad publicity regarding the new bus service. This disposal occurred in 2003 and was not included by the project team as it occurred outside five year period. Given the negative publicity and relevance to the disposal then there may have been merit in reporting it and providing some further information.

A Action Plan

Ref.	Recommendation	Management Response
		Overview Grant Thornton's post project review is welcomed and officers have considered the recommendations carefully. The report will be shared amongst current project managers with the Council to ensure any relevant lessons are learned.
4.1 & 12.1	The Council should consider whether it was too cautious over some of the information excluded and if there was scope to have been more transparent, for example with regard to risk assessments and providing greater detail on the different options available to the Council.	Officers have considered Grant Thornton's findings and considered that in the context of this particular project the risks around commercial sensitivity were handled appropriately during the project. Officers will keep the issue under review for any future project.
5.1	We recommend that for future projects that have different phases, a detailed formal project plan is produced for each phase and is approved and monitored by the project board.	Agreed
6.1	We recommend that a budget report is a standing item on the project board's agenda which reports on all costs that have been incurred and committed to as at the date of the meeting.	Agreed
7.1	We recommend that a process is put in place so that all projects that impact on the Corporate Improvement priorities be considered by the Corporate risk management group for inclusion on the Strategic risk register.	Projects that impact on the CIPS are considered by the Corporate Risk Management Group (CMT) in its capacity as the CIPS Programme Board via individual risk logs for each CIP. Significant projects such as Waste and the BSF Programme are escalated to the Strategic Risk Register, however it is accepted that there is no formal process for this escalation. This will therefore be discussed with CIPS Programme Manager and guidance will be provided for the individual CIPS lead officers.

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Ref.	Recommendation	Management Response
7.1	The Council should ensure that all key risks are included in the risk register. The issue of the pension liability on the Plymouth CityBus's accounts was not included.	Agreed
7.1	The Council should consider the following areas to enhance their risk management processes. • A systematic approach should be developed for the identification of risks that incorporates the operational, financial, timeliness, quality and VFM considerations; • the Council should consider if a description of context, event and consequence be included in their risk management strategy for each risk identified and cover this as part of their risk management training; • there should be an assessment made of how risks should be managed i.e. whether to take, terminate, treat, transfer and tolerate and this should be documented on the operational risk register for that project; and • both likelihood and impact should be evaluated and separately managed, where appropriate.	These recommendations will be consulted on, with the Corporate and Operational Risk Management Groups and other stakeholders and any changes to the current strategy will be reflected in guidance and training material and incorporated into the next annual review of the Corporate Risk Management Strategy.
8.1	The VFM comparator could have been calculated on a more robust basis, taking into account the Council's reservations about the future of the bus company under their ownership. There should have been greater use of sensitivity analysis and other comparators to demonstrate how VFM has been established.	The officers have considered Grant Thornton's findings and are comfortable that VFM comparator would have been reduced if Grant Thornton's recommendations had been in place. Officers will however keep the issue under review for any future project.

| 8.1 | The Council should consider whether some of the further analysis on the retail value of the land should have been communicated to the decision makers. | Officers have considered Grant Thornton's findings and in the context of the particular project, that appropriate information was shared at a appropriate time with members. Officers will keep the issue under review for any future project. |

B Schedule of meetings and supporting documents

Date	Committee	Purpose of meeting	Reports produced
2 Jun 2009	Cabinet	Seeking authority to seek and negotiate proposed terms with, potential purchasers of shares in PCB.	PCB Ltd Shareholding - Part I and Part II - *"business case for the project"*.
10 Jun 2009	Resources & Performance Scrutiny.	Endorsement for the allocation of funds from the TCP reserve budget.	Briefing note providing an update of the project.
11 Jun 2009	Overview & Scrutiny Commission	Resolved that: a) the progress of the project be monitored by the Growth and Prosperity Overview and Scrutiny Panel who could consider inviting the Chair and Vice Chair of the Support Services Overview and Scrutiny Panel; b) a written response be provided by the Director for Corporate Support in respect of the Coypool Action Plan.	Part I report that went to Cabinet on 2 June 2009.
24 Jun 2009	Overview & Scrutiny Commission	Decision called in.	Part I Cabinet report. Cabinet Minute from 2 June 2009.
3 Jul 2009	Project Board Meeting	Oversee delivery of project	High level project timetable Project Manager's report.
31 Jul	Project Board Meeting	Oversee delivery of project	High level project timetable. Penions papers Property Treatment paper Project Manager's report.

Plymouth City Council - January 2010

Date	Committee	Purpose of meeting	Reports produced
3 Aug	Council	Motions requesting: 1) that a positive vote of full Council will be required before each of stages 2 & 3 can proceed and 2) all decisions concerning and leading to any potential sale of Plymouth City Council's shareholding in PCB will appear in the forward plan as appropriate. Motion declared lost.	none
2 Sept	Overview & Scrutiny Management Board	Arrange work programme for scrutiny function.	PID for the monitoring of the project.
17 Sept	Project Board meeting	Oversee delivery of project	Stage 1 report from Project Manager.
1 Oct	The Joint Growth & Prosperity and Support Services Task & Finish Group	To ensure that the process set out in the original decision is adhered to.	PID Part I of the 2 June Cabinet Paper Progress update report from PM
12 Oct	Council	Consideration of the Forward Plan. "The recommendation from Cabinet to full Council in relation to the sale of any or all of the Council's shareholding in PCB Ltd" This item was a voluntary addition to the Forward Plan. The decision is not considered a key decision.	none
26 Oct	Extraordinary Council Meeting	Motion for: Request that officers to issue immediately a full report giving the up to date status of the valuation and bidding process, including decisions on all bids received, the reasoning behind the decisions, as well as full details of the Cabinet's plans for any profit realised. Motion declared lost.	none
27 Oct	Project Board Meeting	Oversee delivery of project	Stage II report. Project's Sponsor's review.

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Plymouth City Council - January 2010

Date	Committee	Purpose of meeting	Reports produced
29 Oct	The Joint Growth & Prosperity and Support Services Task & Finish Group.	To ensure that the process set out in the original decision is adhered to.	Project progress report from Project Manager.
20 Nov	Cabinet	Recommended that Council approves the sale of 100% of the shares in Plymouth CityBus Limited.	Part I and Part II papers. Part II sets out the commercial aspects including price.
25 Nov	Overview and Scrutiny Management Board	To provide the Council with their recommendations on the process of the project.	Draft report from the Joint Growth & Prosperity and support service task & finish group.
30 Nov	Council	To approve the sale of 100% shareholding in PCB.	Detailed report from Project Manager (Part I and part II reports presented to Cabinet combined). Overview and Scrutiny Management Board recommendations from their meeting on the 25 Nov. Cabinet report.

C Documents reviewed as part of this audit

1 Minutes and Part I and Part II papers to Cabinet - 2 June 2009
2 Minutes and briefing note to Resources and Performance and Overview and Scrutiny panel - 10 June 2009.
3 Minutes from the Overview and Scrutiny Commission, 11 June 09
4 Minutes from the Overview and Scrutiny Commission - 24 June 2009.
5 Minutes and supporting papers from the Project Board meeting - 3 July 2009.
6 Minutes and supporting papers from the Project Board meeting - 31 July 2009.
7 Minutes from Council meeting - 3 August 2009.
8 Minutes and PID from the Overview and Scrutiny Management Board - 2 Sept 2009.
9 Minutes and supporting papers from the Project Board meeting - 17 Sept 2009.
10 Report from the joint Growth & Prosperity and Support Services Task and Finish group and the project progress reports presented at the 1 and 29 October 2009 meetings.
11 Council meeting - 12 Oct 2009.
12 Extraordinary Council meeting - 26 Oct 2009.
13 minutes and supporting papers from the project board meeting 27 Oct 2009.
14 Minutes and Part I and II papers from Cabinet meeting - 20 November 2009.
15 Minutes from the Overview and Scrutiny Management Board - 25 November 2009.
16 Council meeting and supporting papers - date 30 November 2009.
17 Stage 1 report on Plymouth CityBus - March 2008.
18 Options Appraisal report - March 2008.
19 Stakeholder analysis - October 2008.

20 Valuation report (depot)- August 2007.
21 Valuation report (depot) - November 2009
22 Valuation of PCB ltd - May 2008.
23 Project viability report - February 2009.
24 Confidential Project Armada Business Plan - May 2009.
25 Stage 1 project plan - June 2009.
26 Tender analysis for due diligence work
27 Environmental desktop study report - July 2009.
28 Communications Strategy for Plymouth CityBus project - draft
29 Operational risk registers - seven revised versions.
30 DCC Potential admission of new employer following a sale of Plymouth CityBus contract - August 2009
31 Press release - May 2009
32 Letter from Financial advisors to the Chief Executive - November 2009.
33 Planning appraisal CityBus depot, October 2009.
34 Master budget doc WIP - 05/01/10.
35 Transaction report from the general ledger.
36 Reviewed 82 letters from the general public.
37 Legal advice received from External advisors on the role of Cabinet and Council and regarding consultations.
38 Detailed VFM comparator spreadsheets.
39 Five initial bid documents.
40 Three final bid documents.
41 Unsigned Sale and Purchase Agreement.
42 Email correspondence between Director for Corporate Support and External auditor.
43 Email correspondence between project manager and external auditor.

44 Email correspondence between Head of legal services and external auditor.

45 Correspondence between Members, general public and MP and the external auditor.

46 Internet Blogs on the subject of Plymouth CityBus.

Grant Thornton

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Grant Thornton

2009-10 Audit Plan progress report					
Work Area	**Reason chosen**	**Work objective**	**Draft to lead officer**	**PCC Lead Officer**	**Progress to date**
Accounts					
Systems of internal financial control.	Code of Audit Practice.	To gain assurance from systems of financial control for opinion.	June 2010.	Adam Broome.	Final report at this Audit Committee.
Annual Governance Report (ISA260 report).	Statutory requirement.	To comment on all code work undertaken to date and include the items needed to be discussed with those charged with governance.	Mid September 2010.	Adam Broome.	Fieldwork to start in July 2010.
Accounts Opinion.	Code of Audit Practice.	To provide an opinion on the accounts.	September 2010.	Adam Broome.	Fieldwork to start in July 2010.
Assessments					
Use of Resources	Code of Audit Practice.	To provide auditor judgment for Use of Resources.	August 2010.	Adam Broome.	Fieldwork completed. A report detailing our findings will be produced but awaiting further guidance from the Audit Commission.
Value for Money conclusion.	Code of Audit Practice.	To provide auditor judgment for VFM.	September 2010.	Adam Broome.	Ongoing
Risk based projects					
Follow up on customer access arrangements	Code of Audit Practice	Local risk based work to support VFM conclusion	July 2010.	Adam Broome.	Fieldwork started.
Follow up on Partnership working arrangements	Code of Audit Practice	Local risk based work to support VFM conclusion	TBC	Adam Broome.	Co-ordinating review with internal audit.
Corporate Restructuring arrangements.	Code of Audit Practice	Local risk based work to support VFM conclusion	July 2010.	Adam Broome.	Fieldwork started
Joint Strategic Needs Assessment.	Code of Audit Practice	Local risk based work to support VFM conclusion	May 2010.	Adam Broome.	First draft to Officer.
Other reports					
Annual Audit Letter.	Code of Audit Practice.	To summarise issues arising from audit and assessment work.	September 2010.	Barry Keel.	N/A
Grant Certification and report	Acting as agents for the Audit Commission	To review and provide a certificate on a number of prescribed grant claims and returns.	December 2010.	Adam Broome	To start June 2010.

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CITY OF PLYMOUTH

Subject:	Updated Whistleblowing Policy
Committee:	Audit Committee
Date:	28 June 2010
Cabinet Member:	Councillor Bowyer
CMT Member:	Director for Corporate Support
Author:	Sue Watts, Asst Head, Devon Audit Partnership
Contact:	Tel: (01752 (30) 6710 e-mail: sue.watts@devonaudit.gov.uk
Ref:	AUD/SW
Part:	I

Executive Summary:

The Whistleblowing Policy was approved by Audit Committee on 21 September 2007 and that policy has been now reviewed and refreshed. Whilst it has not been necessary to make any notable changes to the current policy, the opportunity has been taken to update contact details in para 4.2. In addition, there had previously been some duplication in "Section 5 How the Council will respond," and "Section 7 Responding to concerns raised" and these have now been combined to form a composite Section 5 in the updated Policy.

The Whistleblowing Policy applies to all employees and contractors working for the Council, including temporary, casual or seasonal workers, and trainees. It also covers agency workers and suppliers and those providing services under a contract with the Council in their own premises.

Whilst there is no legal requirement to set up or promote a Whistleblowing policy, it demonstrates good governance and a more open culture within the organisation.

Corporate Plan 2010-2013:

The work of the Audit Service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework. The Whistleblowing Policy promotes good governance and can play an important role in deterring and detecting malpractice and in building public trust.

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

None

Other Implications: e.g. Section 17 Community Safety, Health and Safety, Risk Management, Equalities Impact Assessment, etc.

None

Recommendations & Reasons for recommended action:

It is recommended that:-

1. The revised Whistleblowing Policy be approved.

Alternative options considered and reasons for recommended action:

None. The Authority needs to maintain and promote the Whistleblowing Policy to comply with best practice and to ensure a high level of awareness of, and confidence in, the Council's whistleblowing arrangements.

Background papers:

Public Interest Disclosure Act 1998
PCC Whistleblowing Policy v1

Sign off:

Fin	AB 9/6/10	Leg		HR	MG 10/6/10	Corp Prop		IT		Strat Proc	
Originating SMT Member: Sue Watts, Asst Head, Devon Audit Partnership											

WHISTLEBLOWING POLICY (UPDATED JUNE 2010)

CONTENTS

WHISTLEBLOWING POLICY

1. POLICY STATEMENT

This policy has been devised in accordance with the provisions of the Public Interest Disclosure Act 1998 and supports the Council's Anti Fraud and Corruption Policy.

Plymouth City Council is committed to the highest possible standards of openness, probity and accountability in all of its activities. It also expects a high standard of conduct and integrity from employees.

Any employee who has a serious concern about any aspect of the Council's work or the actions of its employees should voice their concerns through established internal channels, without fear of harassment or victimisation.

The Council aims to encourage all its employees to feel confident in raising serious concerns and provide appropriate avenues for dealing with them. It aims to ensure that employees are protected from possible reprisals or disadvantage where they have raised a concern or disclosed information in good faith.

2. AIMS AND SCOPE OF THE POLICY

2.1 This Policy aims to:

- encourage employees to feel confident in raising concerns and to question and act upon their concerns;

- provide avenues for employees to raise these concerns and receive feedback on any action taken;

- allow employees to take the matter further if they are dissatisfied with the Council's response; and

- reassure them that they will be protected from reprisals or victimisation for whistleblowing in good faith in accordance with this procedure.

2.2 This policy applies to all employees and those contractors working for the Council. Employees include staff working for the Council on a temporary basis, casual or seasonal workers and trainees. It also covers agency workers and suppliers and those providing services under a contract with the Council in their own premises.

2.3 There are existing procedures in place to allow staff to lodge a grievance relating to their own employment within the Council's Grievance Policy and Procedure.

2.4 This policy is intended to cover reasonably serious concerns that fall outside the scope of other procedures. That concern may be about the following:

- A criminal offence that has been, is being, or is likely to be committed;
- Fraud and Corruption;
- Unauthorised use of Public Funds;
- A failure to comply with a legal obligation;

- A health and safety risk relating to any individual;
- A miscarriage of justice;
- A damage to the environment;
- Actions that are contrary to the Council's Standing Orders, Financial Regulations or any other approved policies;
- Actions or behaviour that falls below established standards of practice;
- Abuse and welfare of clients and/or staff;
- Harassment or victimisation of either staff or clients;
- Any actions or concerns regarding practice that could result in a financial loss to the Authority;
- The deliberate concealment of information relating to any of the above matters;
- Other unethical conduct.

(This list is not exhaustive)

3. SAFEGUARDS

3.1   Harassment or Victimisation

The Council recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for, or suspected of, the malpractice. The Council will not tolerate harassment or victimisation and will take action to protect staff when they raise a concern in good faith. This does not mean that if a member of staff is already the subject of disciplinary or redundancy procedures, those procedures will be halted as a result of their 'Whistleblowing'.

3.2   Confidentiality

The Council will do its utmost to protect an individual's identity when they raise a concern and do not want their name to be disclosed. It must be realised and appreciated, however, that the investigation process itself may well reveal the source of the information, and, depending on the outcome, a formal statement by the individual may be required as part of the evidence.

3.3   Anonymous Allegations

This policy is designed to encourage staff to put their names to allegations. Concerns expressed anonymously are much less powerful, but they will be considered at the discretion of the Council. In exercising this discretion, the factors to be taken into account would include:

- The seriousness of the issue raised;
- The credibility of the concern; and
- The likelihood of confirming the allegation from attributable sources.

3.4   Untrue Allegations

If an employee makes an allegation in good faith, but it is not confirmed by the investigation, no action will be taken against them. If, however, individuals make malicious or vexatious allegations, disciplinary action may be considered and implemented.

4. RAISING A CONCERN

4.1 Employees are encouraged to report any concerns to one of the following persons. They are listed in order of preference. However, if the employee believes that any of these persons are implicated in the concern they are raising they should feel free to report to the next most preferred person:

1. Line Manager;
2. Head of Service;
3. Director;
4. Chief Executive.

4.2 Employees who are unsure about reporting or do not feel at ease raising the concern through the above route are encouraged to seek advice from one of the following:.

- The Chief Auditor on 306712 or 306711;
- The Assistant Director for Democracy & Governance on 306116 or 306119;
- The Assistant Director for HR & Organisational Development on 304890.

4.3 Employees may also invite their Trade Union or professional association to raise the concern on their behalf.

4.4 Concerns are better raised in writing. The background and history of the concern, giving names, dates and places where possible, should be set out and the reason why the individual is concerned about the situation. Those who do not feel able to put their concerns in writing may raise the matter verbally with the appropriate officer.

4.5 Although staff are not expected to prove the truth of their concern, they will need to demonstrate to the person contacted that there are sufficient grounds for concern.

5. HOW THE COUNCIL WILL RESPOND

5.1 Within ten working days of a concern being received, the Council will contact the employee

- Acknowledging that the concern has been received;
- Indicating how it proposes to deal with the matter;
- Telling the employee whether any initial enquiries have been made;
- Telling the employee whether further investigations will take place, and if not, why not.

5.2 The action taken by the Council will depend on the nature of the concern.

The matters raised may

- Be investigated internally;
- Be referred to the Police;
- Be referred to the External Auditors;
- Form the subject of an independent inquiry by the Ombudsman.

5.3 In order to protect individuals and the Council, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. Concerns or allegations which fall within the scope of other, existing, procedures (e.g. child protection or discrimination issues) will normally be referred for consideration under those procedures.

5.4 Some concerns may be resolved without the need for investigation. Where a formal investigation is required, it is likely to take the form of an investigation by a manager or Internal Audit. In certain cases, the matters raised may be referred to the Police or the Council's external auditors for investigation or an independent inquiry could be set up

5.5 The amount of contact between the managers considering the issues raised and the complainant will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided.

5.6 When any meeting is arranged, staff have the right, if they so wish, to be accompanied by a Union or professional association representative or a friend who is not involved in the area of work to which the concern relates.

5.7 The Council will take steps to minimise any difficulties which staff may experience as a result of raising a concern. For instance, if staff are required to give evidence in criminal or disciplinary proceedings, the Council will advise them about the procedure.

5.8 The Council accepts that staff need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, members of staff will receive information about the outcomes of any investigations.

5.9 If an employee is not assured that the matter has been properly addressed, they should contact the Chief Auditor, or consider an alternative method of taking forward a complaint as per paragraph 7.1.

6. FOLLOWING UP CONCERNS RAISED

6.1 Whatever method of raising a concern has been chosen, effective and efficient communication and support systems are fundamental to the success of the policy and in giving employees confidence that issues which they raise will be thoroughly and conscientiously investigated.

6.2 Managers, Councillors or Trade Union Representatives who have concerns raised with them must notify Internal Audit immediately, if the concern / allegation involves either potential fraudulent practice or activity that could result in a financial loss to the Authority.

6.3 Similarly, if a concern raises issues relating to employee or client welfare, Human Resources should be notified or on issues of legality, Legal Services should be notified at the earliest possible opportunity.

7. ALTERNATIVE METHODS OF TAKING FORWARD A COMPLAINT

7.1 This policy is intended to provide staff with an avenue to raise concerns within the Council. If an individual feels it is right to take the matter outside this process, the following are possible contact points:

- The local Council member (if you live in the area of the Council);
- The External Auditor;

- Relevant professional bodies or regulatory organisations;
- Individuals' solicitors;
- A relevant charity or voluntary organisation; such as Public Concern at Work, who can be contacted on 0207 404 8009 or helpline@pcaw.co.uk
- The Police.

7.2 If an employee does take the matter outside the Council, they need to ensure that they do not disclose confidential information or that disclosure would be privileged. This should be checked with one of the designated contact points, Internal Audit, Legal Services , Human Resources or if preferred, an outside organisation such as the Ombudsman.

8. THE RESPONSIBLE OFFICER

8.1 The Chief Auditor has overall responsibility for the maintenance and operation of this policy.

8.2 The Chief Auditor will maintain a record of concerns raised and the outcomes (in an anonymous format) and will report as necessary to the Audit Committee.

9. REVIEW AND MONITORING

This policy is to be reviewed and monitored every 2 years. The next review date is June 2012.The Chief Auditor will monitor this policy.

10. APPROVAL FOR THIS POLICY

This policy was approved by the Audit Committee on 24 September 2007.

11. RELATED POLICIES AND DOCUMENTS

- Anti Fraud and Corruption Policy
- Bullying and Harassment Policy and Procedure Guide
- Code of Conduct for Employees
- Complaints Policy
- Corporate Equalities Policy
- Employee Handbook
- Public Interest Disclosure Act 1998
- Whistleblowing Guide

CITY OF PLYMOUTH

Subject:	Internal Audit Strategy and Charter
Committee:	Audit Committee
Date:	28th June 2010
Cabinet Member:	Cllr Bowyer
CMT Member:	Director for Corporate Support
Author:	Sue Watts, Asst Head of Devon Audit Partnership
Contact:	Tel 01752 (30)6710 email : sue.watts@devonaudit.gov.uk
Ref:	AUD/SW
Part:	I

Executive Summary:

1.1 The Code of Practice for Internal Audit in Local Government (the Code) issued by the Chartered Institute of Public Finance & Accountancy (CIPFA) lays down the professional standards to which Plymouth City Council's Audit Service should work in providing an internal audit service to the Authority.

1.2 There are two key documents referred to in the Code which specifically require approval by the Authority. These are the Internal Audit Strategy, and the Internal Audit Charter (Terms of Reference). The Code defines the Audit Strategy as "the high-level statement of how the internal audit service will be delivered and developed in accordance with the terms of reference". The Code also requires that "the purpose, authority and responsibility of Internal Audit must be formally defined" in Terms of Reference consistent with the Code.

1.3 The Audit Committee last approved Plymouth's Internal Audit Strategy and Charter (Terms of Reference) in September 2007. However, now that Internal Audit is being provided by Devon Audit Partnership, the opportunity has been taken to revise and update the Strategy and Charter which takes into account the new arrangements.

1.4 Revised versions of the Internal Audit Strategy, and Internal Audit Charter / Terms of Reference are included in Appendices 1 and 2.

Corporate Plan 2010-2013:
The work of Internal Audit assists the Authority in maintaining high standards of public accountability and probity in the use of public funds. The Section has a role in promoting high standards of service planning, performance monitoring and review throughout the organisation.

Implications for Medium Term Financial Plan and Resource Implications:
Including finance, human, IT and land
None

Other Implications: e.g. Section 17 Community Safety, Health and Safety, Risk Management, Equalities Impact Assessment, etc.
None

Recommendations & Reasons for recommended action:
Audit Committee are recommended to approve the proposed revised Internal Audit Strategy and Internal Audit Charter (Terms of Reference) attached to this report.

Alternative options considered and reasons for recommended action:
None. The Authority needs to adopt an Audit Strategy, and Terms of Reference which comply with the CIPFA Code of Practice for Internal Audit in Local Government. Failure to do so would be contrary to the requirements of the Accounts & Audit Regulations 2006 (as amended).

Background papers:
CIPFA Code of Practice for Internal Audit in Local Government 2006
Plymouth City Council Constitution
Accounts & Audit Regulations 2006 (as amended)
Report Audit Committee 24th September 2007

Sign off:

Head of Fin	AB 11/6/10	Head of Leg		Head of HR		Head of AM		Head of IT		Head of Strat Proc	
Originating SMT Member S W											

1.0 BACKGROUND

1.1 The Code of Practice for Internal Audit in Local Government (the Code) issued by the Chartered Institute of Public Finance & Accountancy (CIPFA) lays down the professional standards to which Plymouth City Council's Audit Service should work in providing an internal audit service to the Authority.

1.2 There are two key documents referred to in the Code which specifically require approval by the Authority. These are the Internal Audit Strategy, and the Internal Audit Charter (Terms of Reference). The Code defines the Audit Strategy as "the high-level statement of how the internal audit service will be delivered and developed in accordance with the terms of reference". The Code also requires that "the purpose, authority and responsibility of Internal Audit must be formally defined" in Terms of Reference consistent with the Code.

2.0 REQUIREMENTS OF THE CODE OF PRACTICE

2.1 The Code defines the Audit Strategy as "the high-level statement of how the internal audit service will be delivered and developed in accordance with the terms of reference." The Code also indicates that the Audit Strategy should include:-

- Internal Audit objectives and outcomes
- how the Head of Internal Audit will form and evidence his or her opinion on the control environment to support the annual Statement of Internal Control
- how Internal Audit's work will identify and address significant local and national issues and risks
- how the service will be provided, ie internally, externally, or a mix of the two
- the resources and skills required to deliver the strategy.

2.2 The Code also requires that "the purpose, authority and responsibility of Internal Audit must be formally defined" in Terms of Reference consistent with the Code which should:-

- establish the responsibilities and objectives of Internal Audit
- establish the organisational independence of Internal Audit
- establish the accountability, reporting lines and relationships between the Head of Internal Audit and:
        (i)   those charged with governance
        (ii)   those to whom the Head of Internal Audit may report
- recognise that Internal Audit's remit extends to the entire control environment of the organisation
- identify Internal Audit's contribution to the review of the effectiveness of the control environment
- require and enable the Head of Internal Audit to deliver an annual audit opinion
- define the role of Internal Audit in any fraud-related or consultancy work
- explain how Internal Audit's resource requirements will be assessed
- establish Internal Audit's right of access to all records, assets, personnel and premises, including those of partner organisations, and its authority to obtain such information and explanation as it considers necessary to fulfil its responsibilities.

2.3   The Audit Committee last approved the current Internal Audit Strategy, and Charter (Terms of Reference) in September 2007. Existing procedures and practices within Internal Audit continue to comply with the Code, but the documents have been updated to reflect the changes made in the arrangements at Plymouth whereby internal audit provision is now being provided by Devon Audit Partnership.

2.4   Revised versions of the Internal Audit Strategy and Charter are included in Appendices 1 and 2.

3.0   RECOMMENDATIONS

3.1   Audit Committee are recommended to approve the revised Internal Audit Strategy and Charter (Terms of Reference) attached to this report.

PLYMOUTH CITY COUNCIL

INTERNAL AUDIT STRATEGY

INTRODUCTION

1.   This strategy document is a statement of how the Internal Audit Service will be delivered as per its terms of reference. Those "terms of reference" are contained within the Internal Audit Charter that has been approved by the Council's Audit Committee. The key objective of the Devon Audit Partnership's Internal Audit Service is to provide a high quality and cost-effective internal audit service that meets the professional standards laid down in the CIPFA Code of Practice for Internal Audit in Local Government. This strategy will be reviewed and updated as appropriate to meet any changing requirements or priorities.

SERVICE DELIVERY

2.   The Internal Audit Service will continue to be delivered substantially by the Partnership's own staff, (although schools have the option to use a different provider in accordance with the relevant Services for Schools brochure) There will be a continuing commitment to demonstrating that the Partnership provision represents a cost-effective means of delivering a high quality and professional service, as well as providing added value to the Partner Authorities. Evidence to support this will continue to be provided from a variety of sources, which will include sharing best practice and auditor specialisms across the Partner authorities, benchmarking comparisons with other authorities, quality reviews and satisfaction surveys from both clients and the external auditors, and accreditation under the Investors in People scheme. Other key evidence will be available from initiatives such as the external auditor's annual review of Internal Audit. The Head of the Devon Audit Partnership will report on the results of the performance management and quality assurance programme in the annual Audit Report to Audit Committee.

3.   With the growing emphasis on partnership arrangements, internal audit partnership working will be encouraged with other audit providers in order to develop more effective working practices, promote the Partnership further in the region, avoid duplication, ensure consistency of approach and maximise cost-effectiveness. In such arrangements it is expected that internal audit will be provided by the lead partner; with the aim that all partners should be able to place reliance on the work of whichever internal audit service carried out the work. There will also be continued liaison with the respective external auditors, to ensure that they can place reliance on the work of Internal Audit, with joint working where appropriate, so that the overall audit service for client authorities is delivered as efficiently, effectively and economically as possible.

4.   Where internally provided audit resources are inadequate to deliver the annual audit plan, or there are not the required skills available, then external contractors may be employed to cover shortfalls in specific areas.

5.   The key priority, and "core business" of Devon Audit Partnership, will continue to be the provision of a high quality and valued service to its client authorities, their Members, directorates and units. The provision of a service to external clients will continue where this is clearly of benefit to Devon Audit Partnership and the founding councils. Such arrangements, and any opportunities for new ones that might arise, will be subject to regular review.

ASSURANCE WORK

6.   Annual audit plans will be drawn up and agreed with Service Directors and their senior managers. Audit plans will be risk-based and in line with the risks identified in corporate and directorate risk registers. Risk Registers will be used, where appropriate, to identify areas of potential audit coverage which link to the Authority's objectives and priorities The overall annual audit plan will be submitted to the Audit Committee for review and agreement. Audit plans will be fixed for a period of no longer than one year and will be flexible to reflect the changing priorities of the Authority.

7.   This planned audit work will lead to individual assignment reports to relevant managers, and periodic summary reports to Service Directors. The Head of Devon Audit Partnership Audit will submit periodic reports and a formal annual report to the Audit Committee, which will include an audit opinion on the overall adequacy, and effectiveness of the Council's internal control, risk management and corporate governance environment, and will draw attention to any issues which are considered relevant to the preparation of the Council's Annual Governance Statement, which will consider key internal control systems, corporate governance, performance management and risk management arrangements.

FRAUD-RELATED WORK

8.   By its nature, fraud-related work is unpredictable in terms of its timing and extent. All reported irregularities will be investigated in line with the established strategies and protocols. Audit resources will be allocated within the audit plan for this demand-led and variable activity based on best estimates available from previous years' work. Wherever possible, specific proactive fraud testing will be carried out, as opposed to reactive investigation of allegations or instances of irregularities. In alternate years, when the Audit Commission's National Fraud Initiative (NFI) takes place, an appropriate level of additional resource will be allocated for this fraud-related work. Where there are conflicting demands on audit resources from planned assurance work and investigations, resources will be allocated on the basis of risk, sensitivity and other priorities.

RESOURCES AND SKILLS

9.   The staffing structure of the Devon Audit Partnership will comprise a mix of qualified, technician and trainee posts with a mix of professional specialisms to reflect the varied functions of the service. In order to deliver the agreed annual audit plans, the appropriate level of resources will be made available to the audit team, which will include the required mix of skills and specialisms. This will include general audit skills in respect of reviews of internal control, risk and governance arrangements, and appropriate coverage in specialist areas such as computer and contract audit and the investigation of frauds and irregularities.

10.   Where audits require access to specialist expertise and knowledge that is not available within the audit team (e.g. legal, health and safety matters) advice and input will be sought from the wide range of specialists and experts employed within the Council or from suitably experienced external contractors.

11.   A programme of training will be provided to team members as appropriate, to meet training needs identified through the Partnership's Corporate Appraisal Scheme and to ensure that team members are able to deliver a professional service in line with current best practice. The training will be delivered through the most appropriate mix of learning and development courses available through the Partnership Councils, internal training within Devon Audit Partnership, joint training with other organisations such as other local authorities, Health Internal Audit teams, and some external courses and seminars.

ALLOCATION OF AUDIT RESOURCES

12.   Allocation of audit resources will be facilitated through an audit needs assessment across the whole Authority, which will be based on auditor knowledge and experience, corporate and operational risk registers and liaison with Directors and other managers. Risk assessments will be undertaken to prioritise internal audit coverage taking into account the relative risks of the Council's various activities and systems. The Head of Devon Audit Partnership will also liaise with the Council's External Auditor, in order to co-ordinate their individual plans and ensure the effective allocation of overall audit resources and avoid duplication of effort.

13.   Whilst some audit reviews will be carried out on a regular cyclical basis (e.g. schools' audits), audit resources will, increasingly, be allocated on the principle of continuous planning which takes into account key risks as they emerge.

14.   Audit resources will be allocated to other consultancy work in the annual audit plan based on best estimates available from previous years' work. Where there are conflicting demands on audit resources from planned assurance work, investigations and other consultancy projects, resources will be allocated on the basis of risk, sensitivity and other priorities.

PLYMOUTH CITY COUNCIL

INTERNAL AUDIT CHARTER / TERMS OF REFERENCE

This Charter describes the purpose, authority, and principal responsibilities of the Council's Internal Audit Service, which is provided by Devon Audit Partnership.

OBJECTIVES

Internal Audit is an assurance function that primarily provides an independent and objective opinion to the Council on the internal control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the Council's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

STATUTORY ROLE

Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2003 (as amended 2006), which state in respect of Internal Audit that:

> *"A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with the proper internal audit practices"*

AIMS

Devon Audit Partnership aims to provide a high quality, professional and valued Internal Audit Service to the Members, directorates and units of Devon County Council, Torbay Council, Plymouth City Council and external clients, bringing added value to its clients and stakeholders.

FUNCTION

Internal Audit is an independent review function provided by the Devon Audit Partnership as a service to Members and all levels of management at its client authorities. It supports the "responsible officer" (Section 151 officer under the Local Government Act 1972), in meeting their statutory responsibilities for the proper administration of financial affairs. The Head of the Devon Audit Partnership is responsible for the effective review of all aspects of risk management and control throughout the organisations' activities, and those of its external clients.

The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well ordered manner.

INDEPENDENCE

Devon Audit Partnership is a shared service established and managed via a Partnership Committee and Board with representation from each of the founding partners. The Partnership operates as a separate entity from the client authorities and Internal Audit is therefore independent of the activities which it audits to ensure the unbiased judgements essential to its proper conduct and impartial advice to management. To ensure this, Internal Audit operates within a framework that allows the following:

- unrestricted access to senior management and members

- reporting in its own name

- segregation from line operations

Every effort will be made to preserve objectivity by ensuring that all audit members of staff are free from any conflicts of interest and do not, ordinarily, undertake any non-audit duties.

Section 151 of the 1972 Act requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. In Plymouth City Council the Director for Corporate Support is the "Section 151 officer" and one of the ways this duty is discharged is by maintaining an adequate and effective internal audit service. All Internal Audit activity is carried out in accordance with the client authority's Financial Regulations.

REPORTING LINES AND RELATIONSHIPS

The Head of the Devon Audit Partnership fulfils the role of Chief Auditor for each of the client authorities and has line management responsibilities via the Director of Finance for Devon County Council to the Partnership Management Board which comprises the 3 Section 151 Officers from the founding authorities.

The Council has an Audit Committee whose terms of reference include responsibility for monitoring the performance of Internal Audit and approving its annual audit programme. The Head of Devon Audit Partnership reports to it on a six monthly basis and the reports include an 'opinion' on the standard of internal control within the authority. The Audit Committee is responsible for endorsing the Audit Plan, and the six-monthly reports from the Head of Devon Audit Partnership show progress against the Plan through a summary of audit work carried out over the period.

ROLE AND SCOPE

The role of Internal Audit is to understand the key risks of the Council and to examine and evaluate the adequacy and effectiveness of the system of risk management and the entire control environment as operated throughout the organisation. As an independent appraisal function within the authority, the primary objective of Internal Audit is to review, appraise and report upon the adequacy of the risk management framework and internal controls as a contribution to the proper, economic, efficient and effective use of resources. In addition, the other objectives of the function are to:

- support the Section 151 Officer to discharge their statutory duties

- contribute to and support the Finance function in ensuring the provision of, and promoting the need for, sound financial systems

- support the corporate efficiency and resource management processes by conducting VFM and efficiency studies and supporting the work of corporate working groups as appropriate

- provide a quality fraud investigation service which safeguards public monies.

ACCESS

Internal Audit shall have unrestricted access to all records (whether manual or computerised systems), assets, personnel, premises, property or land, including those of partner organisations, and has authority to obtain such information and explanations as it considers necessary. Such access shall be granted on demand and not subject to prior notice.

In addition, Internal Audit, through the Head of Devon Audit Partnership, where deemed necessary, will have unrestricted access to:

- the Chief Executive

- Members

- individual Chief Officers and other senior officers

- Director of Finance / Section 151 Officer

- Monitoring Officer

- all authority employees

- all authority premises.

RESPONSIBILITIES

The Chief Executive, Chief Officers and other senior officers are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their Services.

Internal Audit responsibilities include but are not limited to:

- Examining and evaluating the soundness, adequacy and application of the Council's systems of internal control, risk management and corporate governance arrangements;
- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- Reviewing the systems established to ensure compliance with those policies, plans, procedures and regulations which could have a significant impact on operations;
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Investigating alleged fraud and other irregularities referred to the service by management, or concerns of fraud or other irregularities arising from audits,

> where it is considered that an independent investigation cannot be carried out by management.

- Appraising the economy, efficiency and effectiveness with which resources are employed and the quality of performance in carrying out assigned duties including Value for Money Studies;
- Working in partnership with other bodies to secure robust internal controls that protect the Council's interests.
- Advising on internal control implications of new systems

In order to discharge these responsibilities the Head of the Devon Audit Partnership will:

- develop, in consultation with Service Directors, an annual audit plan based on an understanding of the significant risks to which the organisation is exposed;
- submit the plan to the Audit Committee for review and agreement;
- implement the agreed audit plan;
- maintain a professional audit staff with sufficient knowledge, skills and experience to carry out the plan;
- maintain a programme of quality assurance and a culture of continuous improvement;
- submit an Annual Internal Audit Report to the Audit Committee, incorporating an opinion on the Council's control environment, which will also inform the Annual Governance Statement.

Internal Audit activities will be conducted in accordance with Council strategic objectives and established policies and procedures. In addition, Internal Auditors shall comply with the Council's Code of Conduct and the Code of Practice for Internal Audit in Local Government promulgated by the Chartered Institute of Public Finance and Accountancy and other such professional bodies of which internal auditors are members.

Monitoring of Internal Audit's processes is carried out on a continuous basis by Internal Audit management, and the Council's members and management may rely on the professional expertise of the Head of the Devon Audit Partnership to provide assurance. From time to time, independent review is carried out: for example, through peer reviews or by the Audit Commission who place reliance on the work performed by Internal Audit. Testing compliance with the standards laid down in the CIPFA Code of Practice for Internal Audit in Local Government is an essential approach to such a review.

REPORTING

A written report will be prepared for every internal audit project and issued to the appropriate manager accountable for the activities under review. Reports will include an 'opinion' on the risk and adequacy of controls in the area that has been audited, which, together, will form the basis of the annual audit opinion on the control environment.

The Manager will be asked to respond to the report in writing, within 30 days, although this period can be extended by agreement. The written response must show what actions have been taken or are planned in relation to each recommendation. If a recommendation is not accepted by the manager, this must also be stated. The Chief Auditor is responsible for assessing whether the manager's response is adequate.

Appendix 2

Where deemed necessary, the Internal Audit report will be subject to a follow-up, normally within six months of its issue, in order to ascertain whether the action stated by management in their response to the report has been implemented.

The Head of the Devon Audit Partnership in his role as Chief Auditor will submit periodic reports to the Audit Committee summarising key findings of reviews and the results of follow-ups undertaken.

Agenda Item 20

PLYMOUTH CITY COUNCIL

AUDIT COMMITTEE

WORK PROGRAMME
July 2010 - June 2011

Work Plan 2010/11

Item	Cabinet Member / Lead Officer	2010						2011					
		J	A	S	O	N	D	J	F	M	A*	M	J*
Additional Provisional Meetings											8		
Annual Governance Report (ISA 260)	External Auditors			24									28
2009/10 Annual Audit and Inspection (Management) Letter	External Auditors							21					
External Audit - Progress Report	External Auditors			24				21		25			28
Internal Audit - Annual Plan	Cllr Bowyer / DfCS									25			
Internal Audit - 6 Monthly Progress Report	Cllr Bowyer / DfCS							21					
Internal Audit Annual Report	Cllr Bowyer / DfCS									25			28
Audit Committee Forward Work Plan	Chief Auditor			24				21		25			28

Work Plan 2010

	Cabinet Member / Lead Officer	2010							2011				
		J	A	S	O	N	D	J	F	M	A*	M	J*
Annual Review of Financial Regulations	Cllr Bowyer / DfCS									25			
Operational Risk Register - Update Report	Cllr Bowyer / DfCS							21					28
Strategic Risk Register- Monitoring Report	Cllr Bowyer / DfCS			24						25			
Risk Management - Annual Report	Cllr Bowyer / DfCS												28
2010/11 Accounts Audit - Interim Report	External Auditors									25			
Statement of Accounts 2009-10 / 2010-11	Cllr Bowyer / DfCS			24									28
Annual Governance Statement	Cllr Bowyer / DfCS												28
Draft Audit Plan & Fees Letter 2011/12	External Auditors									25			

Work Plan 2010

	Cabinet Member / Lead Officer	2010						2011					
		J	A	S	O	N	D	J	F	M	A*	M	J*
External/Internal Audit Protocol	External Auditors									25			
Treasury Management Mid-Yr Report	Cllr Bowyer / DfCS							21					
Treasury Management Strategy	Cllr Bowyer / DfCS							21					
International Financial Reporting Standards (IFRS) Transition Project - Progress Report	Cllr Bowyer / DfCS			24				21		25			28

*** Audit Committee dates to be confirmed**