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AUDIT COMMITTEE

DATE: FRIDAY 24 SEPTEMBER 2010
TIME: 10.00 AM
PLACE: COUNCIL HOUSE, PLYMOUTH (NEXT TO THE CIVIC CENTRE)

Members –

Councillor Berrow, Chair.
Councillor Evans, Vice-Chair.
Councillors 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. APOLOGIES

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

2. DECLARATIONS OF INTEREST

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

3. MINUTES (Pages 1 - 14)

To confirm the minutes of the meetings held on 28 June and 23 July, 2010.

4. CHAIR'S URGENT BUSINESS

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

5. EXTERNAL AUDIT - ANNUAL GOVERNANCE REPORT (Pages 15 - 46)
(ISA 260)

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

6. STATEMENT OF ACCOUNTS 2009/10 (Pages 47 - 60)

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

7. EXTERNAL AUDIT - PERFORMANCE MANAGEMENT (Pages 61 - 72)
ARRANGEMENTS

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

8. REGULATION OF INVESTIGATORY POWERS ACT (Pages 73 - 80)
(RIPA) - ANNUAL REPORT ON COVERT
SURVEILLANCE ACTIVITY

The Director for Corporate Support will submit a report regarding the Regulation of Investigatory Powers Act (RIPA).

9. OPERATIONAL RISK MANAGEMENT - DEVELOPMENT (Verbal)
AND REGENERATION

A representative from the Development and Regeneration Directorate will be in attendance to report on how the Directorate is managing risk.

10. STRATEGIC RISK REGISTER - MONITORING REPORT (Pages 81 - 96)

The Director for Corporate Support will submit a report summarising the latest formal monitoring exercise completed for the Strategic Risk Register for the period March 2010 to August 2010.

11. EXTERNAL AUDIT - REVIEW OF ARRANGEMENTS FOR COMPLYING WITH AGE RELATED EQUALITIES LEGISLATION (Pages 97 - 106)

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

12. EXTERNAL AUDIT - PROGRESS REPORT (Pages 107 - 108)

The City Council's external auditor, Grant Thornton, will submit a report outlining progress against its work programme.

13. EXTERNAL AUDIT - VALUE FOR MONEY CONCLUSION REPORT (Pages 109 - 132)

The City Council's External Auditor, Grant Thornton, will submit its Value For Money Conclusion report.

14. AUDIT COMMITTEE WORK PROGRAMME (Pages 133 - 138)

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

15. 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

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Audit Committee

Monday 28 June 2010

PRESENT:

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

Independent Members: Ms. Myles and Mr. Stewart.

Apologies for absence: Mr. Clarke, Independent Member.

Also in attendance: Councillor Bowyer, Cabinet Member for Finance, Property, People and Governance, Adam Broome, Director for Corporate Support, Ian Gallin, Assistant Chief Executive, Karen Port, Care First Project Manager, David Northey, Head of Finance, Mike Hocking, Head of Corporate Risk and Insurance, Sue Watts, Assistant Head of Devon Audit Partnership, Martin Gould, Head of Devon Audit Partnership, Sandra Wilson, Assistant Head of Finance (Corporate Accountancy), John Cremins, Project Manager, Barrie Morris and Leslie Whitworth, Grant Thornton.

The meeting started at 10.00 a.m. and finished at 1.15 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.

1. APPOINTMENT OF CHAIR AND VICE-CHAIR

Agreed to appoint Councillor Berrow as Chair and Councillor Evans as Vice-Chair for the municipal year 2010/2011.

2. DECLARATIONS OF INTEREST

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

Name	Minute No.	Reason	Interest
Councillor Murphy	8 – Statement of Accounts	Employee of South West Public Transport Information Ltd.	Personal
Councillor Stark	11 – Plymouth Citybus Review	Former Director of Citybus	Personal

3. MINUTES

Agreed the minutes of the meeting held on 26 March, 2010.

4. **CHAIR'S URGENT BUSINESS**

Order of Business

The Chair reported that, due to the substantial amount of business on the agenda, it would be appropriate to prioritise the items to be considered today and the remaining items would be deferred to a special meeting to take place at the end of July, 2010.

Agreed that the following items be prioritised for consideration –

- Internal Audit Annual Report 2009/10
- Annual Governance Statement 2009/10
- Treasury Management Annual Report 2009/10
- Statement of Accounts 2009/10
- External Audit Interim Audit Report 2009/10
- External Audit Progress Report
- External Audit Plymouth Citybus Review
- Audit Committee Work Programme

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

5. **INTERNAL AUDIT ANNUAL REPORT 2009/10**

The Assistant Head of Devon Audit Partnership presented the Internal Audit Annual Report 2009/10 which –

- summarised the work undertaken by Devon Audit Partnership during the year
- reviewed the performance and effectiveness of the Internal Audit service
- provided an audit opinion on the adequacy of internal controls
- was of particular relevance to preparation of the Authority's Annual Governance Statement

One of the significant issues highlighted within the report related to the findings of the Audit Service, following a review in October 2009, of 'fundamental weaknesses' within the CareFirst system. Members were advised that those findings had been accepted by the CareFirst Programme Board, chaired by the Assistant Chief Executive, and resources had since been allocated to address those weaknesses. A recent audit follow-up review had found significant improvements which had changed the overall audit opinion from 'fundamental weaknesses' to 'improvements required'. In attendance to support the report in respect of this particular matter, and respond to questions, were the Assistant Chief Executive and CareFirst Project Manager.

In response to questions raised, the Committee was advised that –

- (a) a decision on whether or not the Council would be keeping key performance indicators, following comments made by the new coalition government, had not yet been made. However, it would be difficult to assess how the Council was performing without them and it was likely they would be kept although not reported to central government;

- (b) the percentage of staff turnover was higher than target but this could be attributed to a number of reasons, namely –
- career promotions
 - retirement
 - life changes
- (c) there had been problems in getting the different computer systems from the different authorities within the Partnership to talk to each other. The first solution identified had not been achievable due to Government Connect barriers, however, work had been ongoing to address the situation and it was envisaged that the problem would soon be resolved;
- (d) a copy of the Benefits Realisation Report to the Devon Audit Partnership Committee would be circulated to Members for their information;
- (e) with regard to the CareFirst project, lessons learned would be shared across the Council;
- (f) each Authorities' Audit Plan within the Partnership was put together using an audit needs assessment model which, along with other factors, took account of individual Council's risk register entries. Potential audit reviews were attributed individual risk scores and were then ranked to produce draft risk-prioritised audit plans for each authority. These draft audit plans were discussed with senior management teams at the relevant Council and reviewed in line with available resources. The plan produced for the year would be reviewed on a regular basis and could be changed if necessary;
- (g) one of the benefits of the Partnership was the sharing of staff expertise and knowledge, an example of this was that staff in Plymouth were currently leading a review taking place in Torbay due to their experience of Local Area Agreements.

Agreed that –

- (1) the report be noted;
- (2) the adequacy and effectiveness of Plymouth's system of internal audit for the year ended 31 March, 2010, be endorsed.

6. **ANNUAL GOVERNANCE STATEMENT 2009/10**

The Head of Corporate Risk and Insurance presented the Annual Governance Statement for 2009/10.

Concern was expressed that, despite an already significant shortfall in the funding of the Council's pension fund, the Council had knowingly increased this pressure by adding the Citybus pension deficit to it.

Agreed that –

- (1) the processes for the production of the 2009/10 Annual Governance Statement be noted;
- (2) the adequacy and effectiveness of the system of internal audit be endorsed;
- (3) the Annual Governance Statement be approved, prior to signature by the Leader, Chief Executive and Director for Corporate Support.

7. **TREASURY MANAGEMENT ANNUAL REPORT 2009/10**

In accordance with the Code of Practice for Treasury Management, the Director for Corporate Support submitted a report which –

- presented details of capital financing, borrowing, debt rescheduling and investment transactions
- commented on the risk implications of treasury decisions and transactions
- gave details of the outturn position on treasury management transactions in 2009/10
- confirmed compliance with treasury limits and Prudential Indicators

In response to questions asked, committee members were further advised that –

- (a) the Council's revised debt portfolio had a significant proportion of market loans which were tied up in LOBO's and could not be repaid early;
- (b) the Department of Communities and Local Government had repaid the HRA proportion of the Council's Public Works Loan Board debt totalling £91.37m as part of the Housing stock transfer, together with the early redemption premium of £25.94m;
- (c) overall, there had been a reduction in borrowing of £137.761m since 1 April 2009, reflecting the Council's policy to reduce debt;
- (d) the Council had not undertaken any new long term borrowing during the year but had instead taken advantage of low rate short term loans and internal balances to replace maturing loans and meet capital financing and cash flow requirements.

Agreed that –

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

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

The Assistant Head of Finance (Corporate Accountancy) presented the Draft Statement of Accounts for 2009/10. A summary of the changes which had been made to the report as a result of the Quality Control Review was tabled and Members' attention was drawn to the report's key messages for 2009/10 relating to –

- Accounting for PFI and similar schemes
- Accounting for local taxes, i.e. Council Tax and NNDR
- Financial Liabilities
- Removal of Disclosure Notes
- Officer Remuneration
- Housing Stock Transfer
- Sale of Citybus
- Pensions Deficit
- Balance Sheet Position

In response to questions raised, it was further reported that –

- (a) the exact amount to be recovered from the Icelandic Bank losses was still unknown, however, the Council had been successful in applying for debt capitalisation funding of £5.7m from the Department of Communities and Local Government (DCLG). Although the Council was not required to write off any impairment in 2009/10, the Council had decided to use the Capitalisation Direction in full and based on the latest formal announcements from the Icelandic Banks receivers' of the likely level of recoveries had written off a total impairment of £5.9m in 2009/10 being £5.7m from the Capitalisation Direction and £0.2m from the Icelandic Bank reserve. However officers reiterated that 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 remained committed to maximising the recovery of our investments and an adjustment to the impairment can be made in future years;
- (b) the Capitalisation Direction would be funded from short term borrowing to be met in the first instance from the Icelandic Bank reserve;
- (c) there had been a change in accounting requirements relating to council tax arrangements and how this was recorded within Plymouth's Statement of Accounts. Councils were now required to only reflect the amount of money owed to them directly, with the preceptors now required to show their liability in their own accounts;
- (d) the shortfall anticipated in respect of concessionary fares had not been as big as expected.

A number of questions were raised relating specifically to the sale of Citybus but it was suggested it would be more appropriate for those questions to be considered under the external auditor's report on the 'Plymouth Citybus Review' (see minute 11).

Agreed the Statement of Accounts for 2009/10.

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

9. **EXTERNAL AUDIT - INTERIM AUDIT REPORT 2009/10**

The City Council's external auditor, Grant Thornton, submitted its Interim Audit report for 2009/10, whose scope included –

- Interim Accounts Audit
- Value for Money (VFM) Conclusion
- Review of VAT arrangements

The report also provided an update on progress made against 2008/09 recommendations.

Members were advised that, with regard to VFM, work on evaluating the Council's use of resources had ceased since May, in accordance with instructions from the Audit Commission. Whilst, the results of the work undertaken to date were not permitted to be shared with the Council, good progress had been made against all of the identified areas. It had been agreed with the Director for Corporate Support that a formal report highlighting the areas identified for improvement and highlighting successes achieved to date would be submitted to a meeting of City Council.

Concern was expressed at the fact that a report had been produced reviewing the sale of Plymouth Citybus before the detailed working papers and disclosures had been reviewed by the external auditor. However, Committee was reminded that the purpose of the Citybus review had been to examine the process of the disposal in order to establish whether appropriate arrangements were in place and that they had been properly applied.

Any further questions in this regard would be reserved for the relevant agenda item (see minute 11).

10. **EXTERNAL AUDIT - PROGRESS REPORT**

The City Council's external auditor, Grant Thornton, submitted its Audit Plan Progress Report for projects undertaken in 2009/10. Members were advised that, with regard to progress on the Use of Resources report, guidance was awaited from the Audit Commission in light of the new coalition government's views on performance targets and monitoring.

The Committee noted the report.

11. **EXTERNAL AUDIT - PLYMOUTH CITYBUS REVIEW**

The City Council's external auditor, Grant Thornton, presented the findings of the Plymouth Citybus Review. Members were advised that –

- (a) in the lead up period to the sale, and throughout the duration of the project, the external auditor had been kept fully informed of progress by both the Director for Corporate Support and the project manager;

- (b) the external auditor was satisfied that adequate arrangements had been maintained throughout the process;
- (c) whilst the decision to sell Citybus may have been controversial, it was not the role of the external auditor to comment on whether the decision was right or wrong but simply to –
 - establish whether appropriate arrangements were in place and that they had been properly applied
 - identify how effective the overall project management had been
 - identify areas where lessons could be learnt for future projects
 - recognise any elements of best practice
- (d) an action plan had been prepared using the recommendations arising from the review.

Councillor Evans raised a number of questions and concerns and disagreed with the external auditor's view that the process had been adequate. He also expressed concern about the action plan and how it would be monitored. Other Members commented that they had appreciated that the project had been difficult to deal with, given the sensitivity around the competitive tendering process, and, whilst the Council may have erred on the side of caution and certain situations could have been handled differently, the right decision had ultimately been made. The Chair stated that he would be happy to meet separately with Councillor Evans to discuss the concerns he had raised.

Agreed that the report be noted.

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

12. **AUDIT COMMITTEE WORK PROGRAMME**

The Assistant Head of Devon Audit Partnership submitted the Committee's work plan for July 2010 to June 2011. Members were advised that –

- (a) an update report on the Regulation of Investigatory Powers Act (RIPA) would need to be added to the work plan;
- (b) the Democratic Support Officer would canvas members' availability for an additional meeting in July to consider the deferred items;
- (c) suggestions for issues to be included in the Committee's Annual Report should be raised through the Chair in the first instance.

Councillor Evans raised concerns regarding a specific organisation receiving business rate relief. It was suggested that he raise any concerns he had in this regard with the Assistant Head of Devon Audit Partnership outside of the meeting.

Agreed the revisions to the work plan as outlined at (a)-(c) above.

13. **REGISTRATION SERVICE - SERVICE DELIVERY REVIEW**

Deferred to special meeting to be held in July.

14. **RISK MANAGEMENT - ANNUAL REPORT**

Deferred to special meeting to be held in July.

15. **OPERATIONAL RISK MANAGEMENT UPDATE**

Deferred to special meeting to be held in July.

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

Deferred to special meeting to be held in July.

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

Deferred to special meeting to be held in July.

18. **REVIEW OF WHISTLEBLOWING POLICY**

Deferred to special meeting to be held in July.

19. **DEVON AUDIT PARTNERSHIP - PLYMOUTH'S INTERNAL AUDIT STRATEGY AND CHARTER**

Deferred to special meeting to be held in July.

20. **EXEMPT BUSINESS**

There were no items of exempt business.

Audit Committee

Friday 23 July 2010

PRESENT:

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

Independent Members: Mr. Clarke and Mr. Stewart.

Apologies for absence: Ms. Myles, Independent Member.

Also in attendance: Tim Howes, Assistant Director for Governance and Democracy, Karen Ward, Superintendent Registrar, Paula Powell, General Register Office, Mike Hocking, Head of Corporate Risk and Insurance, Julie Hoskin, Risk Management and Insurance, Sue Watts, Assistant Head of Devon Audit Partnership, Sandra Wilson, Assistant Head of Finance (Corporate Accountancy), and Leslie Whitworth, Audit Manager, Grant Thornton.

The meeting started at 10.00 a.m. and finished at 12.05 p.m.

Note: At a future meeting, the committee will consider the accuracy of these draft minutes, so they may be subject to change. Please check the minutes of that meeting to confirm whether these minutes have been amended.

21. **DECLARATIONS OF INTEREST**

The following declaration of interest was made in accordance with the members' code of conduct –

Name	Minute No.	Reason	Interest
Councillor Thompson	26 – Operational Risk Management Update	School Governor	Personal

22. **CHAIR'S URGENT BUSINESS**

There were no items of Chair's urgent business.

23. **INDEPENDENT MEMBERS**

Agreed to confirm Mr. Clarke, Ms. Myles and Mr. Stewart as Independent Members of the Audit Committee for the municipal year 2010/2011.

24. **REGISTRATION SERVICE - SERVICE DELIVERY REVIEW**

The Assistant Director for Governance and Democracy, the City's Superintendent Registrar and a representative from the General Register Office were in attendance to

present the results of the service delivery review undertaken in February 2010. In summary, the report -

- (a) advised that the overall assessment of the service was good, out of a potential rating of excellent, good, fair or weak;
- (b) highlighted the key strengths and innovations of the service;
- (c) commented on progress made against areas identified for improvement at the last review which was undertaken in July 2007;
- (d) set out the key recommendations arising from this review and advised that an action plan had been created to address those recommendations.

In response to questions raised, the Committee was advised that –

- (e) there was a telephone immediately outside of the Register Office for public use and customers could also use the office phone, if necessary;
- (f) although a draft action plan had been prepared, it had not yet been shared with the General Register Office. The Inspector would look at this as part of the review in six months' time;
- (g) the statutory duty to register deaths within 5 days was difficult to achieve nationally. Non-compliance in Plymouth was being monitored to try to establish what the particular problems were;
- (h) whilst there were arrangements in place with local funeral directors to contact a Registrar when the office was closed, it was hoped that the Register Office telephones would be linked in to the Council's out of hours service within the next 12 months. However, should this not come to fruition a back up plan was in place;
- (i) the Registration Service in Plymouth was a pilot for the Tell Us Once scheme, the commencement of which had been temporarily delayed following the recent change in government;
- (j) it was possible that the Good Practice Guide may be reviewed as a result of the change in government and it was not known how performance would be measured in future.

The Committee welcomed the report and asked that its congratulations and thanks be passed back to the Register Officer staff at achieving a 'good' inspection result.

Agreed that a copy of the draft action plan be circulated to Committee members for their information.

25. **RISK MANAGEMENT - ANNUAL REPORT**

The Director for Corporate Support submitted the Risk Management Annual Report. In attendance was the Head of Corporate Risk and Insurance who advised that the report –

- (a) summarised the work carried out during 2009/10 to develop the Council's approach to risk management and covered –
- 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
- (b) provided information on the focus of proposed risk management activity for the next 12 months.

In response to questions raised, the Committee was advised that –

- (c) the maximum level of funding available to projects from the Risk Management Fund was £7,500;
- (d) in order to be considered projects had to meet a set criteria and fall within the Risk Management Fund's terms of reference, they were then looked at in order of priority. Bids for projects arising as a result of a department's failure to use its maintenance and repair budget appropriately would be rejected and that department would be expected to track that risk through its service planning and risk registers;
- (e) the Risk Management Fund was currently £50,000 per annum, however, there had been a carry over of £13,000 from the previous year.

The Committee noted the report with thanks.

Agreed that –

- (1) the next annual report would include an overall expenditure total;
- (2) an explanation relating to the installation of a stairlift at Stirling House would be circulated, via the Democratic Support Officer, following the meeting.

26. **OPERATIONAL RISK MANAGEMENT UPDATE**

The Director for Corporate Support submitted an update in respect of Operational Risk Management. In attendance was the Head of Corporate Risk and Insurance who advised that the report –

- (a) outlined the continuing progress being made across services in delivering Operational Risk Registers;
- (b) highlighted that there were now a total of 115 operational risks, comprising one high (red) risk, 68 medium (amber) risks and 46 low (green) risks;
- (c) included a commentary on the high risk areas and provided details of any control actions/mitigation in place.

In response to questions raised, the Committee was advised that –

- (d) the risk to children from traffic whilst arriving at and leaving school should have been picked up by the department and included on the register;
- (e) a breakdown on the number of risks coming on to and off the register over the last six months would be circulated to members for their information and a more detailed and meaningful table of risk would be included within the next report.

Agreed that –

- (1) the current approach to risk management be endorsed;
- (2) a position statement on the risk to children from traffic whilst arriving at and leaving school be included in the next update to Committee.

Recommended that –

- (3) the Overview and Scrutiny Management Board refer the red risk item regarding the 'inability of Carefirst to meet business requirements in terms of changes to service provision' to the Children and Young People's Overview and Scrutiny Panel.

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

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

The Council's external auditor, Grant Thornton, submitted a report commenting on Plymouth City Council's performance management and reporting arrangements. A number of areas for improvement had been identified and an action plan created to monitor progress against each of the report's recommendations.

Members expressed a number of concerns relating to this report, namely –

- that the action plan failed to identify the responsible officer against all but two of the recommendations and failed to identify any of the proposed implementation dates
- that Grant Thornton had not readily been able to find 2009/10 bi-monthly performance reports

- the change in frequency of the joint finance and performance monitoring reports from bi-monthly to quarterly
- effectiveness of e-perform

Members were advised that formal reporting of the joint finance and performance monitoring report would now take place on a quarterly basis in order to release resources. Detailed scorecards would, however, be submitted to Corporate Management Team on a monthly basis and the next comprehensive joint report would be submitted to Cabinet in August.

Agreed that consideration of the report be deferred to the next meeting when the action plan would be more fully completed to include details of responsible officers, details of progress made and implementation dates.

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

The Council's External Auditor, Grant Thornton, submitted the results of a review which had been undertaken to establish –

- what local arrangements had been put in place to conform to the Age Related Equalities Legislation
- how the City Council had sought to minimise any associated risk
- that appropriate internal control arrangements were in place

Concern was expressed at whether the policy was being applied consistently across the authority.

Agreed that, in the absence of an appropriate representative being in attendance from HR, consideration of the report be deferred to the next meeting.

29. **REVIEW OF WHISTLEBLOWING POLICY**

The Assistant Head of Devon Audit Partnership submitted the Updated Whistleblowing Policy, advising that the document had undergone a slight refresh only and had not incurred any major or significant changes.

In response to questions raised, the Committee heard that –

- (a) details of the number of whistleblowing cases investigated during the year had been provided both in the six-month audit progress report and in the annual report;
- (b) there had been a substantial publicity campaign but the number of reported whistleblowing events remained low.

A number of questions were raised in regard to –

- how aware staff were of the whistleblowing policy
- whether staff felt confident to use the whistleblowing policy

- how satisfied staff were with the result having used the whistleblowing policy

In order to try and address those questions, the Assistant Head of Devon Audit Partnership reported that she would give consideration to how this information could be obtained and bring a proposal back to a future meeting of the Committee.

Agreed the revised Whistleblowing Policy.

30. **DEVON AUDIT PARTNERSHIP - PLYMOUTH'S INTERNAL AUDIT STRATEGY AND CHARTER**

The Assistant Head of Devon Audit Partnership submitted Plymouth's Internal Audit Strategy and Charter. Members were advised that the revised strategy and charter had recently been adopted by Devon and Torbay.

Agreed the revised Internal Audit Strategy and Internal Audit Charter.

31. **EXEMPT BUSINESS**

There were no items of exempt business.



Grant Thornton

Plymouth City Council

Audit of Accounts 2009-10
Annual Report to those Charged with Governance

13 September 2010

Final

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1 Executive Summary

ISAUK 260 requires communication of:

- relationships that have a bearing on the independence of the audit firm and the objectivity of the engagement team
- nature and scope of the audit work
- the form of reports expected.

Purpose of the report

- 1.1 This report has been prepared for the benefit of discussion between Grant Thornton UK LLP and the Audit Committee of Plymouth City Council (the Council). The purpose of this report is to highlight the key issues arising from the audit of the Council's financial statements for the year ending 31 March 2010.
- 1.2 This report meets the mandatory requirements of International Standard on Auditing 260 (ISA 260) to report the outcome of the audit to 'those charged with governance', designated as the Audit Committee. The requirements of ISA260, and how we have discharged them, are set out in more detail at Appendix A.
- 1.3 The Council is responsible for the preparation of financial statements which record its financial position as at 31 March 2010, and its income and expenditure for the year then ended. We are responsible for undertaking an audit and reporting whether, in our opinion, the Council's financial statements present a true and fair view of the financial position.
- 1.4 Under the Audit Commission's Code of Audit Practice we are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Audit conclusions

Financial Statements Opinion

- 1.5 The Council produced its draft 2009-10 accounts in advance of the 30 June 2010 deadline and presented them to the Audit Committee on 28th June 2010. As in previous years, the working papers were of a high standard, the finance staff dealt with our queries efficiently and lessons learnt from prior years audits were incorporated within closedown guidance that were provided to all services.
- 1.6 The Council has a pension deficit of £449.4m disclosed in their accounts and is expecting a significant increase in its contribution rates following the triennial review, which will be undertaken during 2010-11. We have identified a number of areas where the pension disclosures in the accounts could be enhanced and we have recommended areas where the Council could strengthen their arrangements to satisfy themselves that the amounts and disclosures are up to date, accurate and consistent with the requirements of the SORP.
- 1.7 We anticipate providing an unqualified opinion on the Council's financial statements, following approval of the accounts by the Audit Committee on 24 September 2010.
- 1.8 Further details of the outcome of our financial statements audit are given in Section Two and Appendix B and C (adjustments to the financial statements).

Value for Money Conclusion

- 1.9 In providing our opinion on the financial statements, we are required to reach a conclusion on the adequacy of the Council's arrangements for ensuring economy, efficiency and

effectiveness in its use of resources (the Value for Money conclusion). We are pleased to report that we propose to issue an unqualified Value for Money conclusion.

- 1.10 The key messages arising from our review of the Council's arrangements are provided in our separate, 'VFM Conclusion' report.
- 1.11 Further information on the outcome of our Value for Money audit is contained in Section Two.

The way forward

- 1.12 Matters arising from the financial statements and Value for Money audit have been discussed with the Director for Corporate Support. We have made a number of recommendations, which are set out in the action plan at Appendix D. This has been discussed and agreed with the Director for Corporate Support and his senior finance team.

Use of this report

- 1.13 This report has been prepared solely for use by the Council to discharge our responsibilities under ISA260, and should not be used for any other purpose. We assume no responsibility to any other person. This report should be read in conjunction with the Statement of Responsibilities and the Council's Letter of Representation.

Acknowledgements

- 1.14 We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP

13 September 2010

2 Detailed Findings

Introduction

- 2.1 This section provides a summary of findings arising from our audit of the financial statements and Value for Money (VFM) audit.

Financial Statements Audit

Status of the audit

- 2.2 We carried out our audit in accordance with the Financial Statements Audit Plan presented to the Audit Committee on 26 March 2010. Our audit is substantially complete, subject to the following finalisation procedures:
- review of the final Group accounts, to include reviewing the responses from the external auditors of the entities within the group structure;
 - review of the summary financial statements;
 - review of the final version of the financial statements;
 - obtaining and reviewing the Council's Letter of Representation and
 - updating our post balance sheet events review, to the date of signing the accounts.

Key risks

- 2.3 Our 2009-10 Financial Statements Audit Plan set out the key risks relating to the audit of the financial statements. As part of our interim audit, we completed work in a number of areas to consider the audit risks identified and reported our findings in our Interim Audit Report. Our work at that time enabled us to conclude on a number of key risk areas. As part of our final accounts audit, we reviewed the remaining audit risks and have set out in Exhibit One, the outcome of work completed. Our review of the risks facing the Council has not identified any additional risk areas.

Exhibit One: 2009-10 Key audit risks

Key audit risk	Conclusion
PFI arrangements	
<p>The Council currently has one PFI agreement to provide new school facilities at Whiteleigh and the amalgamation of primaries at Bull Point and Barne Barton. The 2009 SORP requires local authorities to adopt requirements for accounting for PFI schemes that are consistent with International Financial Reporting Standards and the adaptation of IFRIC 12 <i>Service Concessions Arrangements</i> contained in the Government's 2009-10 Financial Reporting Manual (FRM).</p>	<p>We reviewed the detailed working papers supporting the accounting treatment for this PFI scheme and we are satisfied that it is recognised and disclosed in the accounts in accordance with IFRIC 12 and the SORP.</p> <p>The Council have considered other schemes/contracts outside of PFI that may be affected by IFRIC 12. We have recommended that these arrangements are further strengthened and we have provided finance staff with a suggested work programme that they could follow. This is discussed further in paragraphs 2.25 - 2.27.</p>
Icelandic Banks	
<p>The Council had £13 m invested in the Icelandic institutions when the banks collapsed in October 2008. These continues to be uncertainty regarding the amount that will be recovered in respect of these deposits. In particular, preferential creditor status has not been given to local government depositors by one of the Icelandic institutions and the status is being challenged in the courts for one of the others. The fact that such large sums of public money remains at risk has highlighted the importance of maintaining effective arrangements for managing investments and treasury management.</p> <p>The Council have been granted a capitalisation direction. There is a risk that the Council will fail to recognise an appropriate level of impairment in the 2009-10 financial statements or that the capitalisation direction is either insufficient or not accounted for appropriately.</p>	<p>Arrangements for managing investments and treasury management have been strengthened following the Icelandic banking problems. arrangements.</p> <p>The Council has considered the LAAP bulletin guidance on the impairment of deposits with Icelandic Banks issued by CIPFA.</p> <p>The calculation of the impairment by the Council differs from the guidance issued by CIPFA under LAAP 82 (as updated May 2010). This is explained in detail in the Note 31.5 of the accounts.</p> <p>We have reviewed the Council's working papers to support their impairment estimate and we are satisfied that it is a reasonable estimate of future recoveries.</p>
SORP2009	
<p>The 2009 SORP has introduced a number of changes in the accounting for national non domestic rates and council tax in the Council's financial statements. It now requires local authorities to account for transactions on an agency basis i.e. the Council only discloses its own share of debtors and creditors of the Collection Fund and any associated impairment allowance for doubtful debt. This is a change in accounting policy in respect of Council Tax balances and as such the 2008-09 balances will need to be restated.</p> <p>There is a risk that the Council does not correctly account for these changes.</p>	<p>All presentation and disclosure adjustments outlined in the SORP have been correctly reflected in the statement of accounts.</p>

Large Stock Voluntary Transfer	
On 20 November 2009, the ownership and management of the Council's tenant's homes transferred to Plymouth Community Homes, a registered social landlord. This transfer will have a significant impact on the accounts and there is a risk that the Council does not correctly account for the transfer and other transfer related transactions.	We have reviewed the working papers and the accounting entries and are satisfied that the transfer is correctly disclosed in the accounts.
Sale of Plymouth Citybus.	
The Council sold its shareholding in Plymouth Citybus, which was a 100% subsidiary of the Authority, on 2 December 2009. Accounting for an undertaking that ceases to be a subsidiary can be complex. There is a risk that the Council does not correctly account for the disposal of this subsidiary in their accounts and in the group accounts.	We have reviewed the detailed working papers supporting the accounting entries and disclosures in the financial statements and are satisfied that the disposal has been accounted for correctly. We have identified a small number of areas where the disclosures could be enhanced to improve the clarity and transparency of the transaction. This is discussed further in paragraph 2.21 - 2.24.
Group accounts.	
The Council is required to prepare Group Accounts. In 2008-09 and in prior years, the subsidiaries' accounts and audit opinions were signed late and not in accordance with the agreed timetable. This resulted in considerable amount of negotiation being undertaken by senior Council officers with the staff at the subsidiaries to ensure that the Council's Group accounts were signed within the required deadline. To prevent re-occurrence, the Chair of the Audit Committee has recommended that the 'subsidiaries accounts' should be added as an agenda item for a future Audit Committee meeting.	The Council have liaised with their subsidiaries and currently no significant issues have been identified by these bodies. Further confirmation has been obtained through our liaison with the external auditors of the material entities which confirm that no significant issues have been identified.
Senior Officer Remuneration - pension disclosures.	
The Accounts and Audit (Amendment No. 2; England) Regulations 2009 brings authorities in line with level of disclosures for other government bodies and companies. There is now a requirement to provide details of salaries for senior employees. There is a risk that remuneration disclosures are not complete in the accounts.	No formal guidance has been issued by CIPFA to clarify the disclosure of pension costs. We have reviewed correspondence between CIPFA and the Devon wide accounting group and we are satisfied that the current pension disclosure in the financial statements is in accordance with the regulations.

Emerging risks identified in our interim report Foundation and Trust schools	
<p>The accounting treatment for types of schools where ownership of some or all of the fixed assets used by the schools does not lie with the local authority, must be carefully considered (e.g. foundation and trust schools).</p> <p>The Council has a number of foundation and trust schools which they are proposing to show off balance sheet. We will review the Council's assessment of these schools to ensure that the substance of its interest in these assets does not override the formal situation that it does not own them (FRS 5).</p>	<p>We have reviewed in detail the Council's arrangements for Foundation and Trust schools. We are satisfied that this is compliant with current guidance.</p>
CareFirst System	
<p>Internal Audit have identified fundamental weaknesses with the CareFirst application, the master record of all social care clients data. Improvements have been made since the original review and Internal Audit are intending to undertake a follow up review in the near future. Initial discussions with the Council indicates that data for the supporting people grants and direct payments to carers and clients originate from this system. We will continue to discuss with the Council what arrangements they have in place to mitigate against the risk of inaccurate or incomplete information being captured and reported in the accounts.</p>	<p>We discussed this with Internal Audit and the Finance team and we are satisfied that the weaknesses identified in the IA review related to management of information rather than inaccuracy of the accounting information within the system.</p> <p>All payments are processed through the creditors system and we are satisfied that the Council have appropriate controls in place over the creditors system.</p>

- 2.5 The Audit Committee should confirm that it is not aware of any additional material risk areas facing the Council, including significant fraud risks.

Matters arising from the financial statements audit

- 2.6 We were presented with the draft financial statements on 28th June 2010, in advance of the statutory deadline of 30 June 2010. The supporting working papers were also provided in accordance with the agreed timetable for audit. The overall quality of the Council's working papers were of a good standard and the team responded efficiently to our audit queries.
- 2.7 Regular liaison meetings were held between the audit team and key finance officers prior to the preparation of the draft accounts and throughout the audit fieldwork. This enabled early resolution of emerging issues and we would like to emphasise our appreciation to those officers involved in this process which facilitated a more efficient audit process.
- 2.8 Matters arising from the financial statements audit are set out below. Where appropriate, we have made recommendations for improvement, as set out in the agreed action plan, at Appendix D.

Pensions - unfunded liabilities.

- 2.9 Employees of the Council are members of one of two separate pension schemes; both of which provide defined benefits to members:

- The Teachers Pension Scheme (TPS), administered by the Department for Children, Families and Schools (DCFS); and
 - The Local Government Pensions Scheme (LGPS), administered by Devon County Council.
- 2.10 No liabilities for future payments of benefits under the teachers pension scheme are recognised in the Council's Balance Sheet, However the Council may make discretionary awards of retirement benefit for staff that have taken early retirement. These payments are not funded from the teachers pension scheme but are charged direct to revenue on an annual basis (unfunded payments). As these remain a direct cost to the City Council, future liability for these payments are included within the Council's overall pensions liability.
- 2.11 Financial Reporting Standard (FRS) 17 Retirement Benefits requires full actuarial valuations by a professionally qualified actuary to be obtained of all liabilities at intervals not exceeding three years. However the teachers unfunded liability was found to have been last revalued at 31 March 2004.
- 2.12 In response to our request, the Council has obtained a full actuarial valuation for the unfunded teachers' pension scheme as at 31 March 2010. This has returned a valuation of £18.6m, a reduction of £1.661m from the previous valuation. The Council has chosen not process this amendment to the accounts on the grounds of materiality.
- 2.13 In addition, Note 36 - Retirement benefits, in the Council's unaudited financial statements does not provide an analysis of the scheme liabilities between the amounts arising from schemes that are wholly unfunded (teachers' pensions) and schemes that are wholly or partly funded (LGPS). Consequently, the Council's disclosures are not in accordance with the FRS17 (revised), as adopted by the SORP2009.
- 2.14 We recommended that the Council reviewed their FRS17 disclosure note so that there was a clear and transparent analysis of their pension schemes and to be consistent with the requirements of the SORP.
- 2.15 We also recommend for the forthcoming triennial review that the Council should strengthen their arrangements to satisfy themselves that the amounts and disclosures to be included in the Council's accounts are fully up to date, accurate and consistent with the requirements of the SORP.

Pension increases: change to CPI from RPI

- 2.16 The assumptions which underpin the annual pension increases are based on a measure of price inflation. The Government has announced a move to using the Consumer Price Index (CPI) as the measure of price inflation for public sector schemes from April 2011 as opposed to the Retail Price Index (RPI), which is currently used. This change will affect the valuation of pension fund liabilities.
- 2.17 In response to our request, the Council have sought an estimate of the financial effect on the valuation of the pension fund liabilities as a result of this change. The actuaries have estimated that future pension increases are likely to be 0.5% less than previously projected. Consequently, this produces a revised Net Pension liability of £410.5m, a decrease of 8.6%.
- 2.18 The Council have agreed to disclose this as a non adjusting post balance sheet event note in the final accounts.

Disposal of Plymouth City Bus.

- 2.19 The Council sold its shareholding in Plymouth Citybus, which was a 100% subsidiary of the Authority, on 2 December 2009. The consideration received for the sale plus other adjustments was £20.17m as stated in the paper to Full Council on the 30 November 2009. After adjusting for outstanding transactions the net consideration was £18.76m. This is disclosed in Note 4.2 of the accounts.

Accounting treatment in the Council's I&E account.

- 2.20 The Council's income and expenditure account for the year ending 31 March 2010 correctly shows the gain on the sale of CityBus as £17.5m, representing the net consideration of £18.76m less the cost of the original shareholding of £1.2m. This is currently included within other income. We recommend that this should be disclosed separately showing the "gain on the sale of a subsidiary " on the face of the I&E account.

Accounting treatment in the Council's Group I&E account.

- 2.21 The Group's I&E account for the year ending 31 March 2010 correctly shows the results of the subsidiary up to the date it was sold and the group gain arising on the disposal. We have reviewed in detail the consolidation adjustments required in preparing the group accounts and we are satisfied that the figures in Plymouth Citybus's accounts can be reconciled to those shown in the group accounts.
- 2.22 The group gain on the sale of the subsidiary is currently included within other income. We have recommended that this should be separately disclosed on the face of the group I&E account.

Service concession arrangements

- 2.23 The SORP 2009 includes a new requirement to account for PFI and other similar contracts in accordance with IFRIC 12 Service concession arrangements.
- 2.24 As expected, the Council's PFI school scheme falls within the scope of IFRIC 12, and these assets have been accounted for on the Council's balance sheet. However, other similar arrangements may also be in the scope of IFRIC 12 including:
- design finance build and operate contracts for schools or administrative buildings;
 - provision of residential care, housing services or leisure services; or
 - waste disposal contracts.

To address this, the finance team asked services to identify potential arrangements that may fall within these requirements to enable a more detailed review to be undertaken during 2010 -11. All services responded that there were no such arrangements in place.

- 2.25 Whilst we consider these arrangements meet minimum requirements, we recommend that they should be strengthened further by providing additional training to non finance staff, for example, procurement and legal staff, for assessing individual contracts against a detailed list of criteria. We have provided the finance staff with an example of a work programme to facilitate this process.

Embedded derivatives

- 2.26 A derivative is a financial instrument or other contract within the scope of IAS 39 / FRS 26 with all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying');
 - it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
 - it is settled at a future date.
- 2.27 The Council's arrangements for reviewing existing and new contracts for embedded derivatives should be strengthened further by providing additional training to finance and non-finance staff to assess individual contracts against these characteristics.

Council Tax debtors

- 2.28 Debtor balances on the Council Tax system are subject to a write-off policy once the debtor is no longer considered to be collectable. However, a significant debtor balance of £4.7 m is held on the Council Tax system for the period 1993-94 to 1999-2000 which is provided for in full. If this is not considered collectable it should be written off in line with the Council's policy on writing off debts.

Related Parties

- 2.29 The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.
- 2.30 Members of the Council have direct control over the Council's financial and operating policies and therefore it is important that they undertake an annual declaration of related party transactions. Five members did not respond to the annual declaration.
- 2.31 The Council should strengthen arrangements to ensure that all members and relevant officers make the required annual declarations and they should determine the reason for those that did not respond to verify if additional training is required or related party transactions exist.

Other accounts issues arising

- 2.32 In addition to the matters raised above, there were a number of other minor presentational changes that arose during the course of our audit and these have been discussed with the finance team and the accounts have been amended to reflect these changes or will be introduced in future years.

Adjusted misstatements

- 2.33 Our audit identified additional disclosure requirements in relation to the change to CPI from RPI to measure future pension increases and the removal of the, 'appropriation to group income and expenditure reserve' line in the group income and expenditure account. This has been processed by management.

- 2.34 The adjusted misstatement is included at Appendix B and relates to an non-adjusting post balance sheet event disclosure note being added to the accounts and the disclosure of the group deficit for the year on the face of the group income and expenditure account. The adjustment has no impact on the Council's general fund reserve.

Unadjusted misstatements

- 2.35 Our audit work identified a proposed amendment to the accounts of £1.661m which has not been processed by management on the grounds of materiality. The adjustment relates to the revised full actuarial valuation of the unfunded liabilities on the Teachers' pension scheme. The adjustment has no impact on the Council's reported deficit. The unadjusted misstatement is included at Appendix C.
- 2.36 The Audit Committee needs to satisfy itself of the appropriateness of the approach taken by management not to adjust this item and to minute its decision.

Financial Statements Opinion

- 2.37 We anticipate providing an unqualified opinion on the Council's financial statements, following approval of the accounts by the Audit Committee on 24 September 2010.

Financial performance

- 2.38 The financial position shows a revenue overspend of £1.2 m against a net revenue budget of £196.5 m. The key reasons for this overspend relate to demand led Adult Social Care (rising number and complexity of cases) and Children's Services (additional referrals following high profile cases in 2009-10).
- 2.39 The Council funded this overspend through utilising:
- one off VAT "Fleming" repayments from HMRC of £2.1 m;
 - additional unbudgeted Housing Planning Delivery Grant of £0.37 m; and
 - additional unbudgeted LABGI funding of £0.23m.

This resulted in the Council achieving a surplus of £1.5 m and with an overall reserve balance of £11.517m (5.7% of the net revenue budget for 2010-11), for the year ending 31 March 2010.

- 2.40 The current economic climate has placed significant pressure on the public sector and local government in particular, to generate efficiencies and operate within reduced resources. In response to this the Corporate Management Team is working with the Council's Cabinet members to develop a transformational change programme. This change programme will include proposals for 'invest to save' initiatives and will be finalised in 2010-11.

Evaluation of key controls

- 2.41 We have undertaken sufficient work on key financial controls for the purpose of designing our programme of work for the financial statements audit. Our evaluation of the Council's key financial control systems did not identify any control issues that present a material risk to the accuracy of the financial statements.
- 2.42 However, we have identified scope to improve current working practices for inputting journals, as described below.

Journals

- 2.43 The Council have documented procedures in place for inputting journals which state that users must meet the minimum criteria set out in the "journal working practice". Officers are also encouraged to attach, electronically, any evidence (emails, working papers etc.) to support the journals they input.
- 2.44 International Standards for Auditing require auditor's to consider fraud in the audit of financial statements (ISA 240). Material misstatements due to fraud often involve the manipulation of the financial reporting process by recording inappropriate or unauthorised journal entries throughout the year and at the period end. To satisfy this requirement, we identified and selected a sample of 15 journal entries to test.
- 2.45 Our testing identified that documentation supporting the journals was not always attached to the journal, which resulted in a significant delay in obtaining the supporting documentation.
- 2.46 We also noted that some services use a paper based system to authorise journals. With details of originator, inputter and authoriser. Supporting paperwork is often attached to these paper journals.
- 2.47 We recommend that a standard process for inputting journals is adopted by all services across the Council and that users are reminded of the requirement to attach supporting documentation to the journal.

IT control environment

- 2.48 We performed a high level review of the general IT control environment as part of the overall review of the internal control system and concluded that there were no material weaknesses within the IT arrangements that could adversely impact on our audit of the accounts, but some minor recommendations were identified and these were included in our interim report.

The Internal Audit function

- 2.49 We have reviewed the work of internal audit and concluded that the scope and conduct of internal audit work was appropriate to provide adequate assurance on the effective operation of controls. Therefore, we are able to take assurance from the work of internal audit in our evaluation of controls.
- 2.50 Following the formation of the Devon Audit Partnership (DAP) from the previous internal audit functions of Plymouth, Torbay and Devon County Councils, the Audit Commission has undertaken a detailed review of the new organisation. The intention was that the results from this review could be applied across authorities utilising the DAP and would not require the external auditors of each of the other bodies to undertake the review. However, the evidence obtained by the Audit Commission related only to those DAP staff who are based at, and undertook work for, Devon County Council. Consequently, this necessitated us to undertake our own detailed review of the DAP arrangements for the Plymouth City Council contract.
- 2.51 We undertook an assessment of the internal audit service provided to Plymouth City Council against the CIPFA Code of Practice for Internal Audit in Local Government. There are eleven Standards listed, which we consider the service against:

1. Scope of Internal Audit
2. Independence
3. Ethics for Internal Auditors
4. Audit Committees
5. Relationships with management, other auditors and other review bodies
6. Staffing, training and development
7. Audit Strategy and Planning
8. Undertaking audit work
9. Due professional care
10. Reporting
11. Performance, Quality and Effectiveness.

2.52 From our review, we can conclude that the Internal Audit service has substantially complied with the Code and have implemented a number of improvements during the year, in particular;

- An Internal Audit Strategy and Charter for DAP had been approved by the Audit Committee.
- Good working papers that fully support the findings in reports and evidence that work is reviewed robustly.
- Enhanced reports provided to Audit Committee Members by including areas of added value.
- Reports are now presented in Part 1 of the meeting, improving openness and transparency.
- Working with the Audit Committee, assisting with their self assessment and increased engagement with the Chair of the Audit Committee.
- Introduction of key performance indicators.
- Customer satisfaction process has been enhanced to improve feedback.
- Continued use of benchmarking of resources against CIPFA benchmark club, which has demonstrated continued improvement.

2.53 There are a number of areas where we believe that the arrangements could be improved further to ensure that the Internal Audit service fully complies with the Code. In particular:

- Increasing the number of one to one meetings with the Chair of the Audit Committee and other Members, where appropriate.
- Currently, only those reports with a "significant weaknesses" assessment are presented and discussed at the Audit Committee with a summary of all the other reports provided to Members on a six monthly basis. We recommend that further information is provided to the Audit Committee, on a more regular basis which identifies areas where common themes are emerging. For example staff sickness, lack of formal documentation, policies or procedure notes, insufficient training or minimal review of work. This should be highlighted in a regular up date to each Audit Committee.
- The reports to the Audit Committee should include details of any supplementary work carried out as a result of the National Fraud Initiative matching exercise, in addition to the information already provided in the Internal Audit's Annual report.
- Improve the level of information reported to each Audit Committee to enable Members to monitor the delivery of the agreed Internal Audit Plan and enhance accountability where there are departures from the Plan. Specifically:
 - include planned costs against actual costs of the Internal audit service to Plymouth City Council;

- explain the impact of key amendments to the Plan and phased delivery of audits throughout the year; and
- provide a breakdown of the specific audits planned for each quarter and report on progress together with an explanation of any slippage and what mitigating actions are being taken, where necessary.
- Introduce an annual ethics declaration form for all Internal Audit staff. The declaration should include positive assurance over integrity, objectivity and confidentiality.
- Introduce peer reviews across audits to identify any areas where the audits could be improved or where there may be scope for more efficient delivery.
- Introduce a formal policy for the time period that staff are not allowed to undertake and audit of an area where they have had a previous operational role.

Annual Governance Statement

- 2.54 We have examined the Council's arrangements and processes for compiling the Annual Governance Statement (AGS). In addition, we read the AGS to consider whether the statement is in accordance with our knowledge of the Council.
- 2.55 We have concluded that the Council has good arrangements in place to compile the AGS and provide a strong audit trail for the Chief Executive and Leader to sign the statement.

Other

- 2.56 We have recently completed a IFRS survey for the Council and gave an amber assessment with regard to the Audit Commission's assessment for readiness. We recognise that the Council has undertaken a significant amount of work with regard to preparation but they have yet to restate their 2009-10 opening balances.
- 2.57 We recommend that the 2009-10 comparatives are restated under IFRS at the earliest opportunity and that we, as external auditors, undertake early assurance work on these balances so that any contentious issues or errors may be resolved early. This should ensure that the Council remains on track to prepare the 2010-11 accounts and comparatives within the statutory deadline.

Value for Money

- 2.58 The Audit Commission's Code of Audit Practice requires us to assess whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In discharging this responsibility, we are required to review and, where appropriate, examine evidence that is relevant to the Council's corporate performance management and financial management arrangements.
- 2.59 Our 2010 Value for Money conclusion has been informed by work carried out on Use of Resources up until the abolition of Comprehensive Area Assessment, and other local risk based work carried out in accordance with our 2009-10 Audit Plan.
- 2.60 On the basis of the work completed, we propose to issue an unqualified Value for Money conclusion.

Next steps

- 2.61 The Audit Committee is required to approve the financial statements for the year ended 2009-10. In forming its conclusions the Committee's attention is drawn to the adjustments to the accounts and the required Letter of Representation.

A Reporting requirements of ISA 260

The principal purpose of the ISA 260 report is:

To reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and those charged with governance.
To share information to assist both the auditor and those charged with governance fulfil their respective responsibilities.
To provide to those charged with governance constructive observations arising from the audit process.

ISA260 reporting requirement	Key messages
<p>Independence</p>	<p>We are able to confirm our independence and objectivity as auditors and draw attention to the following points:</p> <ul style="list-style-type: none"> • We are independently appointed by the Audit Commission. • The firm has been assessed by the Audit Commission as complying with its required quality standards. • The appointed auditor and client service manager are subject to rotation in line with the Audit Commission's requirements. • We comply with the Auditing Practices Board's Ethical Standards. • We have not provided any non audit services in 2009-10. Our fee charged for the 2009-10 audit of £319,441 is in line with our financial statement audit plan. In addition, we have charged £19,388 in respect of additional audit work arising from specific reviews. These have been discussed and agreed with management and reported to the Audit Committee.

ISA260 reporting requirement	Key messages
<p>Audit Approach</p>	<p>Our approach to the audit was set out in our 2009-10 audit plan. We have planned our audit in accordance with auditing standards and the Audit Commission's Code of Audit Practice. Other key factors to highlight include:</p> <ul style="list-style-type: none"> • We consider the materiality of items in the financial statements in determining the audit approach and in determining the impact of any errors. • We have been able to place appropriate reliance on the key accounting systems operating at the Council for financial statement audit purposes. • In 2009-10 we have been able to take assurance from the work of internal audit in respect of the key accounting systems. <p>The Council has adopted appropriate accounting policies in the areas covered by our testing. Accounting policies are in accordance with the SoRP 2009. The exceptions to this are in respect of treatment of unfunded liabilities for the Teachers Pension Scheme.</p>
<p>Accounting Policies</p>	<p>The Audit Committee should confirm that it is satisfied that the accounting policies adopted are the most appropriate, as required by IAS 8.</p> <p>We have considered the Council's financial plans and consider it appropriate for the Council to continue to account on a going concern basis.</p>
<p>Material Risks</p>	<p>The Audit Committee should confirm that it is not aware of any additional material risk areas facing the Council, including significant fraud risks.</p> <p>We have requested from the Council a Letter of Representation, to state that there are no additional material risks and exposures as at 24 September 2010, which should be reflected in the financial statements.</p> <p>We will also perform our own audit procedures to ensure that all significant risks and exposures to the Council have been recognised in the accounts as at 24 September 2010. We will focus on accounting provisions and cash flow forecasting over the next 12 months.</p>

ISA260 reporting requirement	Key messages
Audit Adjustments	<p>We have discussed with management the adjustment to the accounts, primarily to improve the fair presentation of the financial statements, as well as the clarity and presentation of disclosure notes.</p> <p>This adjustment is summarised at Appendix B.</p>
Unadjusted Errors	<p>We have identified one unadjusted error to the accounts of £1.661m which requires reporting to those charged with governance. The unadjusted error relates to the revised full actuarial valuation of the unfunded liabilities on the Teachers' pension scheme. The Audit Committee needs to satisfy itself of the appropriateness of the approach taken by management not to adjust and to minute its decision.</p> <p>This adjustment is summarised at Appendix C.</p>
Other Matters	<p>We have made recommendations in respect of some areas for improvement in internal control. Recommendations and agreed action are listed in the Action Plan at Appendix D.</p>

B Adjustments to the financial statements

The table below lists all significant audit adjustments which have been processed and agreed with the Director for Corporate Support.

Adjustment Type

Misstatement - A change to the value of a balance presented in the financial statements.

Classification - The movement of a balance from one location in the accounts to another.

Disclosure - A change to the way in which a balance is disclosed or presented in an explanatory note.

Adjustment type	£000	Accounts balance	Impact on financial statements
Disclosure only	38	Pension liability	Non-adjusted post balance sheet event disclosure note added.
Disclosure only	-	Note 36 - retirement benefits.	Further analysis of the scheme liabilities between the amounts arising from the schemes that are unfunded and schemes that are funded.
Disclosure only	9825	Removal of the appropriation to group income and expenditure reserve line on the Group Income and Expenditure account.	Deficit on the group income and expenditure account.

Nil overall effect of the above misclassification as relates to disclosure only.

C Summary of unadjusted differences

Adjustment type	£000	Accounts balance	Impact on financial statements
misstatement	1661	Unfunded pension liability	Decrease pension liability by £1,661k - balance sheet Actuarial (gains)/losses on pension fund assets and liabilities by £1,661k - STRGL

Nil overall effect on the Council's reported deficit.

Rec. No.	Para Ref	Recommendation	Priority H/M/L	Council response	Implementation date and responsibility
1	2.14	We recommended that the Council reviewed their FRS17 disclosure note so that there was a clear and transparent analysis of their pension schemes and to be consistent with the requirements of the SORP.	High	Agreed. Table added to Note 36.3 to the Core Financial Statements to show the analysis of the pension fund liability split between funded and unfunded elements.	Responsible Officer: Corporate Accountancy and Finance Manager Target date: Complete
2	2.15	We recommend that for the forthcoming triennial review, the Council should strengthen their arrangements to satisfy themselves that the amounts and disclosures to be included in the Council's accounts are up to date, accurate and consistent with the requirements of the SORP.	High	Devon County Council administer the LGPS Pension Fund for all member bodies in the area and part of their remit is to commission triennial reviews, annual FRS17 reports, etc. from the appointed actuary. The City Council has drafted a pensions strategy, and is actively pursuing the set up of a Devon-wide pensions working group which will amongst other things seek to ensure all contributory authorities are aware of the factors affecting the pensions disclosures and thus enable authorities to be satisfied that the information disclosed is reliable.	Responsible Officer: Corporate Accountancy and Finance Manager Target date: Workgroup to be established October 2010

3	2.25	<p>We recommend that the Council's arrangements for identifying contracts that may fall within the scope of IFRIC 12 should be strengthened by providing additional training to non finance staff, for example, procurement and legal staff and for assessing individual contracts against a detailed list of criteria.</p>	Medium	<p>Agreed. The Council will be undertaking further work to identify potential service concession arrangements within the authority as part the transition to account under International Financial Reporting Standards (IFRS) in 2010/11.</p> <p>Work to raise awareness and provide training has already been progressed via a one day workshop in August, facilitated by PwC which covered service concessions as well as leases and group accounts. Attendees included officers from Procurement and Corporate Property as well as Finance Staff. This session identified potential areas for further analysis.</p> <p>The next step is to work with Departmental Management teams to review all contracts. Any arrangements identified as meeting the criteria within IFRIC12 will be appropriately accounted for within the 2010/11 Statement of Accounts.</p>	<p>Responsible Officer: Corporate Accountancy and Finance Manager</p> <p>Target date: March 2011.</p>
4	2.27	<p>We recommend that the Council's arrangements for reviewing existing and new contracts for embedded derivatives should be strengthened further by providing additional training to finance and non-finance staff to assess individual contracts against the requisite characteristics.</p>	Medium	<p>Agreed. Again further work will be undertaken on this issue during 2010/11 as part the transition to account under IFRS. Any changes in accounting treatment necessary after this work will be incorporated within the 2010/11 Statement of Accounts.</p>	<p>Responsible Officer: Corporate Accountancy and Finance Manager</p> <p>Target date: March 2011.</p>

5	2.28	A significant debtor balance of £4.7 m is held on the Council Tax system for the period 1993-94 to 1999-2000 which is provided for in full. If this is not considered collectable it should be written off in line with the Council's policy on writing off debts.	Medium	This balance will be reviewed and if appropriate written off during 2010/11.	Responsible Officer: Head of Finance, Assets and Efficiencies Target date: March 2011.
6	2.31	The Council should strengthen arrangements to ensure that all members and relevant officers made the required annual declarations and they should determine the reason for those that did not respond to verify if additional training is required or related party transactions exist.	Medium	Agreed. It is proposed that for 2010/11 it will be a mandatory requirement for Members and relevant Officers to submit their Related Party Return. In order to support this requirement, arrangements in this area will be strengthened by providing training and guidance, especially to those who did not respond in 2009/10 and ensuring that there is more vigorous follow-up action for those who do not submit returns by the deadline.	Responsible Officer: Corporate Accountancy and Finance Manager Target date: March 2011.

7	2.47	<p>We recommend that a standard process for inputting journals is adopted by all services across the Council and that users are reminded of the requirement to attach supporting documentation to the journal.</p>	Medium	<p>There is a journal working practice in place for inputting journals which sets out the minimum criteria required and Officers are encouraged to attach supporting evidence electronically wherever possible in order to provide a transparent audit trail.</p> <p>The working practice is reviewed periodically to ensure it is up to date and relevant and Officers are reminded of the importance of evidencing their work in this area.</p> <p>Following the review of journal evidence undertaken by the external auditor as part of this year's audit, Officers will raise the profile of this area by providing further guidance and training where necessary via Ledger training, staff briefings, etc.</p>	<p>Responsible Officer: Corporate Accountancy and Finance Manager</p> <p>Target date: November 2010.</p>
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8	2.53	<p>Internal audit review</p> <ol style="list-style-type: none"> 1. Increase the number of one to one meetings with the Chair of the Audit Committee and other Members, where appropriate. 2. We recommend that further information be provided to the Audit Committee, on a more regular basis, which identifies areas where common themes are emerging. 3. The reports to the Audit Committee should include details of any supplementary work carried out as a result of the National Fraud Initiative matching exercise. 	Medium	<ol style="list-style-type: none"> 1. Agreed. 2. Agreed, where appropriate. In the past common themes of weakness have been highlighted to Audit Committee e.g. lack of business continuity contingency arrangements, data quality etc. Recently, however, there have been many improvements across PCC and it has not been necessary to comment specifically on any areas. The current economic climate may, however, reverse this trend and, if so, additional information will be provided to Audit Committee. 3. Agreed. This will be arranged. 	<p>Responsible Officer: Assistant Head of Partnership, DAP Target date: Complete</p> <p>Responsible Officer: Assistant Head of Partnership, DAP Target date: Ongoing</p> <p>Responsible Officer: Assistant Head of Partnership, DAP Target date: 31/3/2011</p>
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8	2.53	<p>4. The level of information reported to each Audit Committee should be improved, to enable Members to monitor the delivery of the agreed Internal Audit Plan and to enhance accountability where they are departures from the plan. Specifically:</p> <ul style="list-style-type: none"> - include planned costs against actual costs of the Internal Audit Service to Plymouth City Council; - explain the impact of key amendments to the Plan and phased delivery of audits throughout the year; and - provide a breakdown of the specific audits planned for each quarter and report on progress together with an explanation of any slippage and what mitigating actions are being taken. 	<p>4. The contract between PCC and the other DAP Partner Authorities stipulates the agreed funding arrangements. PCC's contribution can be quoted in IA's reports to Audit Committee if Plymouth wish.</p> <p>Key amendments to the plan are already identified within the appendices to IA reports. However a paragraph will be incorporated into the main report to highlight any potential negative impact that changes to the plan could have on DAP's assurance to the Council.</p> <p>Agreed that Audit Committee should be appraised of any significant slippages and actions being taken to correct the situation – and this is already being provided. As part of DAP's future planning process we will look towards quarterly scheduling of audit reviews to further enhance information provided to Audit Committee.</p>	<p>Responsible Officers: Director for Corporate Support & Assistant Head of Partnership, DAP Target date: November 2010</p> <p>Responsible Officer: Assistant Head of Partnership, DAP Target date: November 2010</p> <p>Responsible Officer: Assistant Head of Partnership, DAP Target date: March 2011</p>
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8	2.53	<p>5. Introduce an annual ethics declaration form for all Internal Audit staff. The declaration should include positive assurance over integrity, objectivity and confidentiality.</p> <p>6. Introduce peer reviews across audits to identify any areas where the audits could be improved or where there may be scope for more efficient delivery.</p> <p>7. Introduce a formal policy for the time period that staff are not allowed to undertake an audit of an area where they have had a previous operational role.</p>	<p>5. All DAP auditors currently sign an annual declaration of interests statement, as well as for every audit undertaken, which covers objectivity. DAP management will consider replacing this arrangement with a more comprehensive ethics declaration which would apply to all auditors across the Partnership. DAP would appreciate External Audit sharing a recommended declaration format with DAP if possible.</p> <p>6. All audit assignments are reviewed by a senior member of staff. However, consideration will be given to enhancing the review process still further whereby audit managers would carry out peer reviews on a periodic basis.</p> <p>7. This already applies in practice but will be considered by DAP management for formal introduction across the Partnership.</p>	<p>Responsible Officers: DAP Management Team Target date: Jan 2011</p> <p>Responsible Officers: DAP Management Team Target date: Jan 2011</p> <p>Responsible Officers: DAP Management Team Target date: Jan 2011</p>
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9	2.57	<p>We recommend that the 2009-10 comparatives are restated under IFRS at the earliest opportunity and that we, as external auditors, undertake early assurance work on these balances so that any contentious issues or errors may be resolved early. This should ensure that the Council remains on track to prepare the 2010-11 accounts and comparatives within the statutory deadline.</p>	High	<p>Agreed. The IFRS project plan has key milestones built in in order to reach the overall objective of compliant IFRS accounts by 30 June 2011. Work is currently being undertaken to restate both the opening and closing balances for 2009/10 so that comparative data is prepared with a milestone date of 31 December 2010. The Council will ensure that the external auditor is closely involved in preparation of these accounts and undertakes assurance work on these balances once finalised in order to avoid difficulties further on in the process.</p>	<p>Responsible Officer: Corporate Accountancy and Finance Manager</p> <p>Target date: December 2010.</p>
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CITY OF PLYMOUTH

Subject: Statement of Accounts 2009/10

Committee: Audit Committee

Date: 24 September 2010

Cabinet Member: Councillor Bowyer

Author: Sandra Wilson

Contact: Tel: 01752 (30)4942
e-mail: Sandra.Wilson@plymouth.gov.uk

Ref: ACCT/SW

Part: 1

Executive Summary:

The draft Statement of Accounts was approved by Audit Committee at its meeting on 28 June 2010. The accounts have now been audited and the Audit Governance Report outlining the auditor's findings is being presented to this meeting.

Following the audit, there have been a few minor amendments to the statements and disclosure notes and there is now a requirement for Audit Committee to re-approve the accounts prior to the statutory deadline of 30 September 2010. The changes act to strengthen the disclosure of information only, and do not change the reported position.

Corporate Plan 2010-2013

The Council's expenditure forms the basis on which the Corporate Plan can be delivered.

**Implications for Medium Term Financial Plan and Resource Implications:
Including Finance, Human IT and Land:**

The 2009/10 final accounts will have implications on the Medium Term Financial Plan. The level of Working Balance and reserves will affect the level of funding available in future years and variations in Service Expenditure will also need to be reviewed to assess the effects on future years.

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

N/A

Recommendations & Reasons for recommended action:

1. Audit Committee note the amendments made to the Statement of Accounts for 2009/10 as outlined in this report.
2. Audit Committee approve the action by Officers to not adjust the accounts for the reduction in the teachers unfunded pension liability of £1.661m as outlined in the report.
3. The Statement of Accounts for 2009/10 as now presented be formally re-approved.
4. The letter of representation attached at Appendix C is authorised and submitted to the auditor.

Alternative options considered and reasons for recommended action:

None – Statutory requirement to produce and approve the Statement of Accounts

Background papers:

Final Accounts Working Papers 2009/10
 Budget Papers 2009/10
 Statement of Recommended Practice 2009 (SORP)
 Best Value Accounting Code of Practice 2009 (BVACoP)
 Outturn Report to Cabinet 8 June 2010
 Report to Audit Committee 28 June 2010 re draft Statement of Accounts

Sign off:

Fin	MC1011.005	Leg	DS9668	HR	N/A	AM	N/A	IT	N/A	Strat Proc	N/A
Originating SMT Member: Malcolm Coe, AD Finance, Assets and Efficiencies											

1. INTRODUCTION

- 1.1 The draft Statement of Accounts was approved by Audit Committee at its meeting of 28 June 2010. The formal audit commenced on 6 July 2010 and has been ongoing until now. The External Auditor's Governance Report, including the findings on the annual accounts audit, is being presented to this meeting.
- 1.2 Some minor changes have been made to the Statements following discussions with the auditor and therefore the Accounts need to be re-approved by Audit Committee. The changes act to strengthen the disclosure of information only, and do not change the reported position.
- 1.3 The Council is also required to identify and report on any post balance sheet events that have occurred since the date of the original approval. The Statement of Accounts therefore includes all post balance sheet events up to and including the 15 September 2010.
- 1.4 As part of the final audit requirement, and prior to the issue of the audit certificate, the Council is required to complete and sign a formal letter of representation and submit this to the auditor. In line with last year this letter may be signed by the Director of Corporate Support and the Chair of Audit Committee and is attached at Appendix C.
- 1.5 Council Officers would like to express their thanks to the Audit staff for their help and assistance in producing and finalising the Council's Statement of Accounts.

2. AMENDMENTS MADE TO THE ACCOUNTS

2.1 Amendment to Statements

- 2.1.1 Following discussions with the Auditor, Council Officers have agreed to amend both the Single Entity and Group Accounts Income and Expenditure Statements to separate the 'gain on sale of subsidiary' (Citybus) from 'other' income.
- 2.1.2 In addition, Officers have adjusted the Group Income and Expenditure Account to remove the line 'Appropriation to group income and expenditure reserve' and thus show the group deficit on the face of the group Income and Expenditure Account.

2.2 Disclosure Notes

2.2.1 Note 36 – Pensions Disclosures

In line with the recommendation of the auditor, Officers have strengthened the pensions disclosure note 36, by including a table at 36.3 to show the analysis of the pensions liability between:

- LGPS – Funded liabilities
- LGPS – Unfunded liabilities
- Teachers Pensions – Unfunded Liabilities.

2.3 The revised statements are included at Appendix A with the amended disclosure note attached at Appendix B.

3. AUDIT FINDINGS NOT ADJUSTED IN ACCOUNTS

3.1 Unfunded Pensions Liabilities – Teachers

The Council has declared a pensions liability of £449.381m on its Balance Sheet as at 31 March 2010. This figure includes a sum of £38.799m in relation to unfunded liabilities of which £20.241m relates to unfunded teachers pension (TPS) liabilities (see amended note 36.3 as outlined Appendix B). Whilst the LGPS unfunded liabilities had been revalued as at 31 March 2010, the TPS unfunded liabilities had not been formally revalued since 31 March 2004. This is not in accordance with Financial Reporting Standard (FRS) 17 Retirement Benefits which requires full actuarial valuations by a professionally qualified actuary to be obtained for all liabilities at intervals not exceeding three years.

Following discussions with the auditor, Council Officers have now obtained an updated valuation of the Teachers unfunded liabilities from the actuary. As a result, the total value of teachers unfunded liabilities has reduced by £1.661m to £18.580m, reducing the overall PCC pensions liability as at 31 March 2010 to £447.720m. Given the value of the adjustment compared to the overall liability, Council Officers have, with the agreement of the Auditor, decided not to adjust the accounts for this variance.

4. POST BALANCE SHEET EVENTS

4.1 Events happening after the 31 March 2010 and up until the date on which the accounts are authorised must be reflected in the accounts if they would have a material effect on the financial position. There is a requirement that this date should be published in the accounts. The relevant date is the date the accounts were re-authorised by the Director of Corporate Support following audit and for 2009/10 reporting purposes this is 15 September 2010. The Council has the following post balance sheet event to report:

As part of the emergency budget announcements in June 2010, the new coalition Government announced that in future the pension increase order applied to public service pension schemes will be linked to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI) from April 2011. It is expected that this will generate savings as the CPI will be lower than RPI in future. The Audit Commission has decided that this change represents a non-adjusting post balance sheet event.

Disclosure note 3 has been updated to include this change, as outlined in Appendix B.

- 4.2 The move to CPI will change the valuation of Pension Fund liabilities shown within the authority's accounts. If the CPI had been used for 2009/10 accounts, the Council's pension fund liability as at 31 March 2010 would have been £407.636m, a reduction of £40.084m.

5. RECOMMENDATIONS

- 5.1 Audit Committee note the amendments made to the Statement of Accounts for 2009/10 as outlined in this report.
- 5.2 Audit Committee approve the action by Officers to not adjust the accounts for the reduction in the teachers unfunded pensions liability of £1.661m as outlined in the report.
- 5.3 The Statement of Accounts for 2009/10 as now presented be formally re-approved.
- 5.4 The letter of representation attached at Appendix C is authorised and submitted to the auditor.

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Restated 2008/09		Note	2009/10 Gross Exp. £000	2009/10 Gross Inc. £000	2009/10 Net Exp. £000
£000					
	<u>Expenditure on General Fund Services:</u>				
5,219	Central Services to the Public	1	26,877	(22,673)	4,204
57,437	Cultural, Environmental, Regulatory & Planning Services		85,523	(29,638)	55,885
67,918	Adult Social Care		91,646	(19,137)	72,509
75,488	Education and Children's Services		328,084	(219,500)	108,584
18,161	Highways & Transport Services		29,255	(12,122)	17,133
107,609	Housing-(Housing Revenue Account)		31,980	(30,448)	1,532
5,843	Other Housing Services		103,301	(100,582)	2,719
5,691	Corporate & Democratic Core		5,334	(106)	5,228
8,475	Non Distributable Costs		4,987	0	4,987
351,841	Net Cost of Services		706,987	(434,206)	272,781
	<u>Other Operating Income & Expenditure:</u>				
23,091	Loss/(gain) on Disposal of Fixed Assets	4 & 23.2			461,228
(1,214)	Other Income	6			(1,445)
0	Other Income- Gain on sale of Subsidiary	6			(17,465)
190	Precepts & Levies				193
209	(Surplus)/deficit on trading activities not included in Net Cost of Services	5.2			(108)
21,983	Interest Payable and Similar Charges	9			21,855
1,473	Contribution to Devon County Council Pre-Reorganisation Debt	30			1,414
962	Contribution of Housing Capital Receipts to Government Pool	7			564
(15,932)	Interest & Investment Receivable				(7,542)
13,410	Pensions interest cost and expected return on pension assets	36			25,656
396,013	Net Operating Expenditure				757,131
(88,640)	Demand on the Collection Fund	17			(92,837)
(30,086)	General Government Grants	21.2			(38,269)
(88,393)	Non Domestic Rates Distribution				(84,076)
188,894	TOTAL DEFICIT FOR THE YEAR				541,949

GROUP INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

Restated 2008/09 Net Exp. £000		Notes	2009/10 Gross Exp. £000	2009/10 Gross Inc. £000	2009/10 Net Exp. £000
	<u>Expenditure on General Fund Services:</u>				
5,219	Central Services to the Public		26,877	(22,673)	4,204
58,181	Cultural, Environmental, Regulatory & Planning Services	3	99,792	(44,050)	55,742
67,918	Adult Social Care		91,646	(19,137)	72,509
75,488	Children's and Education Services		328,084	(219,500)	108,584
14,575	Highways & Transport Services		25,464	(12,105)	13,359
107,609	Housing - (Housing Revenue Account)		31,980	(30,448)	1,532
5,843	Housing Services - Other		103,301	(100,582)	2,719
5,691	Corporate & Democratic Core		5,334	(106)	5,228
8,475	Non Distributable Costs		4,987	0	4,987
348,999	Subtotal – Continuing operations		717,465	(448,601)	268,864
2,486	Discontinued Operations	2	10,100	(6,578)	3,522
351,485	Subtotal		727,565	(455,179)	272,386
(76)	Share of Operating Result of Associates		5,412	(5,369)	43
2,309	Share of Operating Result of joint ventures		5,978	(3,717)	2,261
353,718	Net Cost of Services of Group c/f		738,955	(464,265)	274,690

GROUP INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010 (CONT)

Restated 2008/09 Exp. £000		2009/10 Exp. £000	2009/10 Inc. £000	2009/10 Exp. £000
353,718	Net Cost of Services of Group b/f	738,955	(464,265)	274,690
	<u>Other Operating Income & Expenditure:</u>			
23,086	Loss/(gain) on Disposal of Fixed Assets			461,224
(1,214)	Other Income			(1,446)
0	Other Income – Gain on sale of Subsidiary			(10,658)
190	Precepts & Levies			193
209	Surplus)/deficit on trading activities not included in Net Cost of Services			(107)
22,107	Interest Payable and Similar Charges			21,937
0	Share of interest payable of associates			6
866	Share of interest payable of joint ventures			850
1,473	Contribution to Devon County Council Pre-Reorganisation Debt			1,414
962	Contribution of Housing Capital Receipts to Government Pool			564
(15,614)	Interest & Investment Receivable			(7,543)
(7)	Share of interest & investment income of associates			(1)
(92)	Share of interest & investment income of joint ventures			(7)
13,410	Pensions interest cost and expected return on pension assets			25,656
(35)	Share of pensions interest cost and expected return on pensions assets of associates			127
6	Share of pensions interest cost and expected return on pensions assets of joint ventures			96
332	Taxation of group entities			0
23	Share of taxation of associates & joint ventures			(39)
399,420	Net Operating Expenditure			766,956
(88,640)	Demand on the Collection Fund			(92,837)
(30,086)	General Government Grants			(38,269)
(88,393)	Non Domestic Rates Distribution			(84,076)
192,301	TOTAL DEFICIT FOR THE YEAR			551,774

RECONCILIATION OF THE SINGLE ENTITY SURPLUS OR DEFICIT FOR THE YEAR TO THE GROUP SURPLUS OR DEFICIT

Restated 2008/09 £000		2009/10 £000
188,894	(Surplus) or deficit on single entity's I & E for the year	541,949
366	Less: subsidiary & associate dividend income & any other distributions from group entities included in the single entity surplus or deficit on the I & E account – discontinued operations	0
	Add: (surplus) or deficit arising from other entities included in the group accounts analysed into the amounts attributable to:	
52	Subsidiaries	6,493
(100)	Associates	132
3,089	Joint ventures	<u>3,200</u>
<u>192,301</u>	Group Account (surplus)/deficit for the year	<u>551,774</u>

Amendment to Disclosure Notes

Note 3 - Events After the Balance Sheet

Although the Statement of Accounts shows the financial outturn position for 2009/10 and Balance Sheet position as at 31 March 2010, the Council is required to take into account items occurring after 31 March 2010 if they would have a material effect on the figures. The Council has one event to report as at 24 September 2010. As part of the emergency budget announcements in June 2010, the new coalition Government announced that in future the pension increase order applied to public service pension schemes will be linked to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI) from April 2011. It is expected that this will generate savings as the CPI will be lower than RPI in future. The Audit Commission has decided that this change represents a non-adjusting post balance sheet event.

The move to CPI will therefore change the valuation of Pension Fund liabilities shown within the authority's accounts. If the CPI had been used for 2009/10 accounts, the Council's pension fund liability as at 31 March 2010 would have been £407.636m, a reduction of £40.084m from that shown in the Balance Sheet.

Note 36- Pensions Disclosures

36.3 Assets and Liabilities in Relation to Retirement Benefits

Analysis of net pension liability in the balance sheet:

	31 Mar 09 £000	31 Mar 10 £000
Net Pension Asset as at		
Present value of funded obligation	(614,710)	(795,452)
Fair value of Schemes assets (bid value)	320,870	384,870
Net Liability	(293,840)	(410,582)
Present value of unfunded obligation – LGPS	(19,080)	(18,558)
Present value of unfunded obligation – Teachers' Pensions	(17,610)	(20,241)
Net Liability in Balance Sheet	(330,530)	(449,381)

Reconciliation of opening and closing balances for scheme assets and liabilities:

Changes to the present value of liabilities during the accounting period	2008/09	2009/10
	£000	£000
Opening present value of liabilities	(592,560)	(651,400)
Current Service Cost	(15,930)	(15,999)
Interest Cost	(40,470)	(43,037)
Actuarial gains / (losses) on liabilities	(16,100)	(188,649)
Gains (losses) on curtailments	0	(1,713)
Liabilities extinguished on settlements	8,570	51,908
Estimated benefits paid	14,840	19,935
Past Service Cost	(4,140)	0
Contributions by scheme participants	(7,430)	(7,291)
Unfunded pension payments	1,820	1,995
Closing present value of liabilities	(651,400)	(834,251)
Changes to the present value of assets during the accounting period	2008/09	2009/10
	£000	£000
Opening present value of assets	395,210	320,870
Expected rate of return	27,160	17,381
Actuarial gains & (losses)	(108,080)	87,445
Employer contributions	23,180	22,885
Contributions by scheme participants	7,430	7,291
Benefits paid	(14,840)	(19,935)
Settlements	(9,190)	(51,067)
Closing present value of assets	320,870	384,870

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £87.45m (2008/09: (£108.08m)).

**FINANCE SERVICES**

Corporate Resources Department

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Plymouth
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Date: 24 September 2010

Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street
Bristol BS1 6FT

When calling or telephoning please ask for: **Adam Broome**

My Ref:

Your Ref:

Dear Sirs

Financial Statements for the Year Ended 31 March 2010

We confirm to the best of our knowledge and belief that the following representations are made on the basis of appropriate enquiries of other officers, management and staff, with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the following representations to you in respect of your audit of the above financial statements.

- i We acknowledge our responsibilities for preparing financial statements which present fairly the financial position of this council and for making accurate representations to you.
- ii As far as we are aware:
 - there is no relevant audit information of which you are unaware; and
 - we have taken all steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that you are aware of that information.
- iii All the accounting records of the council have been made available to you for the purpose of your audit and all the transactions undertaken by the council have been properly recorded in the accounting records and reflected in the financial statements.
- iv All other records and related information, including minutes of all council and committee meetings, have been made available to you.
- v The financial statements are free of material misstatements, including omissions.
- vi We acknowledge our responsibility for the design and implementation of internal control to prevent and detect error and fraud.
- vii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- viii We have disclosed to you our knowledge of fraud or suspected fraud affecting the entity involving:

- management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements;
- ix We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the council's financial statements communicated by employees, former employees, analysts, regulators or others.
- x Except as stated in the accounts:
- there are no unrecorded liabilities, actual or contingent
 - none of the assets of the council has been assigned, pledged or mortgaged
 - there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- xi All related parties have been identified to you and the transactions with related parties and details of controlling interests are disclosed in the financial statements as appropriate.
- xii There are no claims, legal proceedings or other matters which may lead to a loss falling on the council or which could result in the creation of an unrecorded asset, apart from those disclosed in the contingent liabilities section of the financial statements.
- xiii The council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- xiv We are not aware of any instances of actual or possible non-compliance with laws and regulations which might affect the view given by the financial statements.
- xv We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xvi There has been one significant event since the Balance Sheet date and this has been disclosed in a note to the Accounts. This event does not have an effect on the financial position of the council and does not necessitate revision of the figures included in the financial statements.

The financial statements have been fully explained to and discussed with us.

Approval

The approval of this letter of representation was minuted by the Council at its Audit Committee meeting on 24 September 2010.

Signed on behalf of Plymouth City Council

Adam Broome

Director of Corporate Support

Date 24 September 2010

Cllr P Berrow

Chair of Audit Committee

Date 24 September 2010

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Performance Management Arrangements

Plymouth City Council

23 March 2010

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Appendices

A Action Plan

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. Arrangements within Community Services already in place	Giles Perritt	March 2011
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 replaced by Quarterly formal reporting with an increased focus on key performance and budgetary areas through monitoring of monthly scorecards	Giles Perritt	In place
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	Malcolm Coe and Giles Perritt	As budget and performance timetable

		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 – review of priorities under way.	Malcolm Coe and Giles Perritt	11 October 2010
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.	SMT	As above
The Council ensures that its performance management system (ePerform) is fully populated so as to maximise the benefit of the system.	Medium	Revised performance management arrangements being developed.	Giles Perritt	March 2011
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	As above.	Giles Perritt	March 2011



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CITY OF PLYMOUTH

Subject: Regulation of Investigatory Powers Act (RIPA)
Annual Report on covert surveillance activity

Committee: Audit Committee

Date: 24 September 2010

Cabinet Member: Councillor Bowyer

CMT Member: Director for Corporate Support – Adam Broome –
Senior Responsible officer for RIPA

Author: Richard Woodfield - Corporate Information Manager
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Ref: RIPA Annual Report to Council 2010

Part: I

Executive Summary:

There is a new requirement to prepare an annual report on the use of RIPA within the Council and to provide a quarterly report.

This report provides an explanation of RIPA and the surveillance that has been undertaken within the Council and shows that the approach of the Council has been rated as 'good' at the last Inspection and that this Council compares favourably with other Local Authorities. The use of RIPA by the Council has decreased significantly but a fully compliant system needs to be maintained in order to assist staff to support community safety and to have a useful tool available to undertake criminal investigations which are the responsibility of the Council.

Corporate Plan 2010-2013:

Covert surveillance is currently available to support the Public Protection Service, the Housing Benefit and Council Tax Fraud Investigation Team and the Anti Social Behaviour Unit. These teams work jointly with other agencies to assist with developing a Safe and Strong City.

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

Resource implications are:

- specific training of senior managers and investigating officers
- maintenance of surveillance equipment
- developing the web site information
- ongoing administration, the authorisation process
- reporting and biannual inspections

There is no specific budget cost code and all costs are subsumed within service team budgets.

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

The use of covert surveillance is a tool to assist with community safety and the enforcement of legislation.

The risk to the Council of loss of reputation, through not undertaking surveillance in accordance with the requirements of legislation and good practice, is currently enhanced due to the exposure of the inappropriate use of covert surveillance by other Local Authorities. Inappropriate or non compliant use of RIPA makes it more likely that evidence for a prosecution will not be accepted in Court.

Recommendations & Reasons for recommended action:

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

This option is recommended as this report demonstrates that Authorising Officers have previously behaved responsibly when choosing to use covert surveillance.

Alternative options considered and reasons for recommended action:

The alternative option for the Council is to decide that Officers will not undertake covert investigations on behalf of the Council.

This option is rejected as usage is kept to a minimum via Authorising Officers and in only certain situations to assist in protecting the community.

Background papers:

There are two oversight agencies that publish annual reports and have web sites. There is also information on the Plymouth City Council web site, including the last inspection by the Office of Surveillance Commissioners.

Web site links:

<http://www.plymouth.gov.uk/homepage/councilanddemocracy/information/investigatorypowersact2000.htm>

<http://www.lacors.gov.uk/lacors/ContentDetails.aspx?id=24169>

Sign off:

Fin		Leg		HR		Corp Prop		IT		Strat Proc	
Originating SMT Member: Assistant Director for ICT – Neville Cannon											

1.0 Introduction

1.1 The Regulation of Investigatory Powers Act 2000 (RIPA) was enacted to provide a framework to assist public authorities to implement Article 8 of the Human Rights Act 2000 – “there shall be no interference with the right to respect for private and family life except as is necessary ...” .

RIPA provides a method for Government agencies and Local Authorities to assess and undertake activities which do interfere with Article 8.

This legislation is not ‘anti terror legislation’ but a statutory method of working with situations where a suspected wrongdoer is not informed that they are under surveillance.

1.2 The Council is restricted by the legislation, to applying RIPA to the prevention and detection of crime, so it is only those Council activities which have a prosecution element that use RIPA.

The staff applying this legislation work in:

- Public Protection Service which includes Trading Standards - within Environmental Services.
- Housing Benefit and Council Tax Fraud Investigation Team of the Revenues and Benefits Service - within Finance Assets and Efficiencies.
- Anti Social Behaviour Unit - within Strategic Housing.

Other Council services may work with the Police or other law enforcement agencies, but the primary aim of their service is not to investigate crime, unlike these three teams.

These teams also work with partner agencies and those statutory agencies such as the Police or the Department of Work and Pensions may initiate the surveillance rather than the Council.

1.3 RIPA provides the Council with the ability to gain evidence through authorising:

- Directed covert surveillance; which is an authorisation to observe a specific person without their knowledge or permission during their daily activities, but not to gain information from specific ‘confidential’ activities unless particularly authorised by the Chief Executive.
This surveillance enables Anti Social Behaviour, Benefit fraud investigators and Public Protection officers to establish the identity and whereabouts of suspects.
- The obtaining of data relating to communications, but not to intercept communications i.e. to find out when and who was involved in passing a communication, but not to know the content.
All these applications are checked by a specific Single Point of Contact officer who contacts the communications providers.
This facility has only been used by Trading Standards officers to track down illegal sales.
- A Covert Human Intelligence Source (CHIS), which is a person who agrees to establish a relationship with a suspect in order to report back their activities or contacts.
This role has only been used by Trading Standards when undertaking “test purchases” from a trader.

1.4 If the provisions of RIPA are followed, they enable the Council to show to a Court that the Council has seriously considered how to mitigate any interference to the 'right to privacy' during its investigations and the product of the investigation is much more likely to be accepted as admissible evidence.

1.5 Compliance with RIPA is enforced through an annual return to the two statutory oversight agencies; Office of the Surveillance Commissioner (OSC) & Interception of Communications Commissioner's Office (IOCCO) and a biannual inspection by the OSC.

In addition, since April 2010 a Senior Responsible Officer has been required and Councillors have been given a formal scrutiny role in relation to RIPA, reviewing the authority's use of RIPA and considering internal reports on the use of RIPA. But Councillors are not to be involved in making decisions on specific surveillance activities.

2.0 **The RIPA process**

2.1 There are statutory Codes of Practice that the Council must follow and the internal staff guidance, list of Authorised Officers and approved forms are available in the Document Library, by using the search term 'RIPA' in the keyword search box.

2.2 An investigating officer may consider that covert surveillance is required to establish the facts of a case. An application is made to a specific senior officer who has received training. This Authorising Officer then considers the necessity of the application and whether the interference with privacy is proportional to the expected product of covert surveillance. The Authorising Officer is responsible for specifying the surveillance that can be undertaken and for reviewing whether the authorised actions should continue.

2.3 Any interference in the rights of citizens must be 'necessary' and 'proportionate'. The RIPA process is designed to identify what activity will take place that will be an interference with the 'right to privacy'; to then determine whether that activity is preventing or detecting crime, or preventing disorder and then to determine whether the proposed activity is proportionate in relation to the product that will be gained from covert surveillance.

2.4 A central record is kept within Legal Services of all authorised investigations and a check is made that reviews of ongoing authorisations are undertaken.

2.5 The Corporate Information Manager, who is also the Data Protection Officer, provides support and advice to the Authorising Officers and to the operation of the system. The following chart shows those involved:

Lead Member	Councillor Ian Bowyer		
Lead Director	Adam Broome	Director for Corporate Support and Senior Responsible Officer	
Lead Officer	Richard Woodfield	Corporate Information Manager	
Authorising Officers	Role	Approval to Authorise	
		Directed Surveillance	Confidential Material
Mr Barry Keel	Chief Executive	Yes	Yes
Mr Dave Shepperd	Head of Legal Services	Yes	No
Mr Stuart Palmer	AD for Strategic Housing	Yes	No
Mr John Drury	Anti-Social Behaviour Manager	Yes	No
Mr Malcolm Coe	AD for Finance Assets and Efficiencies	Yes	No
Ms Viv Carder	Customer Services Team Leader	Yes	No
Ms Jayne Donovan	AD for Environmental Services	Yes	No
Mr Robin Carton	Assistant Head of Environmental Regulation Services	Yes	No
Single Point Of Contact for communications data		Fair Trading Officer	Trading Standards Service

3.0 **Extent of Authorisations**

Appendix 1 and 2 shows the number of RIPA authorisations by Plymouth City Council and other authorities from April 2008 to March 2010.

3.2 The use of RIPA by this Council is a tool that has been deployed less frequently than comparison authorities. None of the Surveillance Commissioner inspections have identified inappropriate authorisations.

A national survey was undertaken of the use of RIPA by local authorities for the period 2008 to the first quarter of this year and this authorities position in relation to other comparable Council's are shown in Appendix 2.

4.0 **Role of the Lead Member and Senior Responsible Officer:**

4.1 Lead Member:

Councillors in a local authority are required since April 2010 to review the authority's use of RIPA and set the policy at least once a year. They should also consider internal reports on the use of RIPA at least on a quarterly basis to ensure that it is being used consistently with the council's policy and that the policy remains fit for purpose. They should not, however, be involved in making decisions on specific authorisations.

In order to implement this requirement, the portfolio member for Finance, Property, People and Governance, received reports from the Senior Responsible Officer on 14 June 2010 and 03 August 2010.

The Audit Committee are being asked to consider this annual report to the Council.

- 4.2 Senior Responsible Officer (SRO) - it is considered good practice for the SRO to be responsible for:
- The integrity of the process in place within the public authority for the management of CHIS and Directed Surveillance;
 - Compliance with Part 2 of the Act and with the Codes;
 - Oversight of the reporting of errors to the relevant oversight Commissioner and the identification of both the cause(s) of errors and the implementation of processes to minimise repetition of errors;
 - Engagement with the Office of the Surveillance Commissioner inspectors when they conduct their inspections, and
 - Where necessary, oversight of the implementation of post-inspection action plans approved by the relevant oversight Commissioner.

Within local authorities, the SRO should be a member of the corporate leadership team and should be responsible for ensuring that all Authorising Officers are of an appropriate standard in the light of any recommendations in the inspection reports prepared by the OSC. Where an inspection report highlights concerns about the standards of Authorising Officers, the SRO will be responsible for ensuring the concerns are addressed.

4.3 RIPA Policy:

The new statutory RIPA Orders and Codes of Practice came into force on 6th April 2010 but previously the Council had its own working practices guide for Authorising Officers and for Investigating Officers.

The national statutory revised Codes of Practice on Directed Surveillance and CHIS provide more guidance on key RIPA concepts such as necessity, proportionality and collateral intrusion. They also use real life examples to explain key points and are generally much more user friendly than the previous versions.

However the Council has never had a separate Policy document for RIPA, but each previous biannual inspection has stated that the internal guidance documents are sufficient.

This requirement to have a separate RIPA policy is as a consequence of certain authorities making authorisations that are not compliant with the Act.

A policy document would state that the Council will only make use of the powers contained in RIPA in accordance with the Act. No authorisations within the Council have been outside the constraints of the Act and the current local working practices guides and the statutory Codes of Practice provide excellent direction for Officers.

However, it is proposed to prepare a RIPA Policy for the next inspection due in May 2011 and to recommend that policy as part of the next annual report to this committee, having had the benefit of the Inspectors comments on the draft policy.

5.0 Action Plan

The last OSC Inspection Report (May 2009) recommended that the application form considered by the Authorising officer is revised, so as to assist the Council to move from good to excellent, the Authorising Officer to complete their authorisation in handwriting and that there are consequential amendments to the local Code of Practice.

These recommendations and the introduction of a policy will be completed before the next inspection in May 2011, subject to a current government review of RIPA. This review will make recommendations as to whether Local Authorities should continue to have access to the provisions of RIPA, particularly as to investigating non serious crime.

The following annual report will update the Committee on the next Inspection and present a RIPA Policy for acceptance.

Appendix 1 - Authorisations: for two years from April 2008 to March 2010

Team	Type	Number
Public Protection Service	Directed Surveillance	1
Public Protection Service	Communications Data	8
Public Protection Service	Covert Human Intelligence Source	0
Housing & Council Tax Benefit Investigations	Directed Surveillance	4
Anti Social Behaviour Unit	Directed Surveillance	9
	Total Authorisations	22

Appendix 2: - National comparison of RIPA authorisations for two years from April 2008 to March 2010.

Local Authority	Total RIPA use 2008/10	Local Authority	Total RIPA use 2008/10	Local Authority	Total RIPA use 2008/10
Plymouth	22	Plymouth	22	Plymouth	22
Comparators		Major Cities		South West Councils	
Bolton	??	Brighton & Hove	27	Devon	40
Bristol	29	Bristol	29	N Devon	9
Calderdale	3	Cardiff	72	Mid Devon	17
Coventry	90	Derby	32	E Devon	1
Darlington	65	Kingston upon Hull	85	Exeter	2
Derby	32	Leicester	41	West Devon	12
Gateshead	33	Milton Keynes	40	S Hams	2
Kingston upon Hull	85	Nottingham City	61	Teignbridge	25
North Tyneside	26	Portsmouth	11	Wiltshire	34
Oldham	46	Southampton	59	Swindon	18
Salford	149	Stoke on Trent	77	Gloucestershire	35
Sandwell	135	Swansea	40	Gloucester	0
Sheffield	57			S Gloucestershire	2
Walsall	215			Cornwall	34
Wolverhampton	??			Dorset	1
				E Dorset	1
				Weymouth	2
?? indicates that did not respond to the survey				Bournemouth	17
				Poole	5
				N Dorset	2
				Somerset	17
				W Somerset	0
				S Somerset	1
				Bath & NE Somerset	4
				N Somerset	16
				Taunton Deane	0
				Bristol	29

Derived from: <http://www.bigbrotherwatch.org.uk/TheGrimRIPA.pdf>

CITY OF PLYMOUTH

Subject: Strategic Risk Register - Monitoring Report

Committee: Audit Committee

Date: 24th September 2010

Cabinet Member: Cllr 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:

This report provides a summary of the latest formal monitoring exercise completed for the Strategic Risk Register for the period March 2010 to August 2010.

The total number of strategic risks reported has reduced from 35 to 34 with the addition of 3 new risks and the deletion of 4.

Appendix A to the report provides a traffic light summary showing the current status of each risk, the movement in risk scores compared with previous monitoring periods and explanatory commentary on the key issues for each risk.

Corporate Plan 2010/13:

The Strategic Risk Register includes links to Corporate Plan/CIP objectives – monitoring of control action for strategic risks therefore contributes to the delivery of the Council's core objectives.

**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, Equalities Impact Assessment etc.

None arising specifically from this report but community safety and health and safety issues and 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 the Strategic Risk Register.
-

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
Strategic Risk Register and associated working papers
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 for Corporate Support to Audit Committee
24th September 2010**

Strategic Risk Register Monitoring

1. Introduction

- 1.1** The position with regard to the Strategic Risk Register was last reported to this Committee on 26th March 2010 and this report now provides a summary of the latest monitoring exercise covering the position at 31st August 2010.

2. Strategic Risk Register – Monitoring Summary

- 2.1** In accordance with the strategy requirement for twice-yearly monitoring, the latest monitoring exercise was completed in August 2010 with the results discussed and agreed by CMT and Cabinet Planning on 14th September 2010.
- 2.2** Attached to this report at Appendix A is a summary showing the current status of each risk and any movement in risk scores compared with previous monitoring periods together with explanatory commentary on the key issues for each risk.

3. Headline Issues

- 3.1** The net number of strategic risks has reduced from 35 to 34 with the addition of 3 new risks and the deletion of 4.

New Risks

- **Red Risk 79 - Reduced Homes and Communities Agency investment into new affordable housing and regeneration programmes – (Row No. 2)**
 - Risk of the Council not meeting its affordable housing targets NI 155 and key strategic sites and regeneration priorities not being funded. A Local Investment Plan has been developed to articulate housing investment requirements, lobbying for funding and making the case for Plymouth. Close working with HCA to maintain their confidence in investing in the city.
- **Red Risk 77 - Carbon Reduction Commitment (CRC) Energy Efficiency Scheme – (Row No. 8)**
 - The CRC carries significant financial, reputational and legal compliance risks. New energy projects need to be identified to ensure on-going scheme performance and value for money.
- **Amber Risk 80 - Planning Obligations – implications of new legal framework and current economic circumstances – (Row No. 25)**
 - Reduced levels of funding secured for infrastructure needs. Potential for legal challenge to planning permissions and associated Section 106

agreements. Successful planning appeals could undermine the Council's overall policy on planning obligations.

Deleted Risks

- **Risk 63 - Recession deepens and the Market Recovery Action Plan measures do not achieve anticipated development interest – (Row No. 35)**
- Following a complete review of all risks in Development and Regeneration this risk has been considered to be no longer relevant to current business planning.
- **Risk 50 - Structural condition of properties on North Prospect Estate – (Row No. 36)**
- Following a complete review of all risks in Development and Regeneration this risk has been considered to be no longer relevant to current business planning.
- **Risk 48 - Taxi Licensing Trading Account – (Row No. 37)**
- No longer considered a strategic issue and therefore risk has been transferred to Community Services Operational Risk Register.
- **Risk 53 - Adult Social Care – Supporting more people to live independently – (Row No. 38)**
- Incorporated with risk number 72 Adult Social Care Budget

3.2 The table below shows the movement in the number of red, amber and green risks over the last four monitoring periods:

	Feb 09	Aug 09	Feb 10	Aug 10
Red	5	4	6	9
Amber	17	22	20	17
Green	10	10	9	8
TOTAL	32	36	35	34

3.3 The summary at Appendix A gives a more detailed commentary on the key issues affecting each risk as at 31st August 2010.

3.4 The headline issues are:-

3.4.1 Risk Scores Unchanged

- **Red Risk 21 - MTFS issues – (Row No. 1)**
- Current economic conditions still causing significant budget pressures with reduction in Central Government funding confirmed. All departments are continuing to develop new delivery plans to address the funding

shortfall. The MTFS has been formally updated and approved in April 2010.

- **Red Risk 52 - Delivery of Capital Programme – (Row No. 4)**
 - Central Government levels of Capital funding to change ie. £900,000 reduction in Transport capital allocation and approx £70 million from the BSF programme. 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.
- **Red Risk 49 - Listing of Civic Centre – (Row No. 5)**
 - Avanti brief is completed and a financial appraisal and analysis is being undertaken. Documentation is being prepared with marketing of the building to commence later in 2010.
- **Red Risk 73 - Employee Relations – (Row No. 6)**
 - Negotiations with Trade Unions on-going. CMT/Director for Corporate Support monitor regularly. Trade Unions considering industrial action in response to expected Government spending cuts and potential issues are being managed through the Business Continuity Steering Group.
- **Red Risk 74 - Social Care – Client Management IT Systems (Carefirst) – (Row No. 7)**
 - Significant progress has been made with the implementation of infrastructure and software to support better management reporting and client facing outputs. The foundations of the software environment are being established by addressing security and control of the system configuration. The more concentrated functional work is being focused on Children's Social Care as per the agreed Programme Plan.
- **Red Risk 28 - Increase in the number of looked after children and cost pressures on independent placements (Row No. 9)**
 - The numbers and associated costs of children being admitted to care are still too high and action is being taken to reduce drift in children's placements and develop preventative programmes to divert children from care.
- **Amber Risk 60 - Economic downturn affecting treasury management (Row No. 24)**
 - Revised Investment and Borrowing Strategy has been approved by Audit Committee. Continuing to reduce and re-profile our investment/borrowing portfolio and repaid debts. Started to receive dividend payments back in relation to Icelandic Bank losses.
- **Amber Risk 55 - Failure to deliver waste PFI Procurement for SW Devon Waste Partnership (by 2014) – (Row No. 14)**
 - Procurement continuing to programme and within budget with estimated financial and contract close now accelerated to Mar 2011 subject to Council's and Defra approvals.

- **Amber Risk 59 - Financial risk associated with contaminated land – (Row No. 18)**
 - ICT software has been installed and staff trained. Inspections on-going.

3.4.2 Risk Scores Increased

- **Red Risk 33 - Building Schools for the Future (BSF) Programme – Increased from 6 to 20 (Row No. 3)**
 - New Government has withdrawn the BSF programme and is consulting on a review of how capital is allocated to schools.
- **Amber Risk 76 - Not getting government funding to build Efford gypsy site – Increased from 12 to 16 (Row No. 10)**
 - Funding options for building the site are being explored but are challenging.

3.4.3 Risk Scores Decreased

- **Green Risk 62 - Use of Resources Framework – Decreased from 12 to 8 (Row No. 31)**
 - Introduction of a service area responsible for VFM and efficiencies. As of June 2010 the UoR framework has been abolished, however Grant Thornton agreed to produce a report on the Council's performance which was presented to Audit Committee. Very positive 2009/10 result received which demonstrated progress in a number of key areas. Work on UoR framework continuing.
- **Green Risk 71 - To outsource the management of the Life Centre and existing leisure facilities – Decreased from 15 to 6 (Row No. 33)**
 - ISOS (Invitation to Submit Outline Solutions) submissions returned by 3 bidders in July 2010 and presently being evaluated. Initial review of bids encouraging.

4. Summary and Conclusion

- 4.1** The Council's success in dealing with the risks that it faces can have a major impact on the achievement of key promises, objectives and ultimately, therefore, the level of service to the people of Plymouth.
- 4.2** The movement in risk scores and the consequent changes to the Council's overall strategic risk profile outlined in this latest review provides good evidence of the dynamic nature of the Strategic Risk Register and the maturity of the Council's approach to the identification and management of strategic risk.
- 4.3** The inclusion of risk management considerations is now a key feature in the Council's key corporate processes featuring in the Corporate Plan preparation, the Business Planning Framework, Budget Planning and Monitoring and Performance Management.

- 4.4 Managing Risk is also one of the five core management competencies in the Council's Competency Framework ensuring that the success of managers in managing risk in their area of responsibility is assessed as part of their annual performance appraisal.
- 4.5 This embedded approach now acts as an effective early warning system for the recording, monitoring and management of risks that threaten the delivery of the Council's strategic objectives and plans.
- 4.6 The next formal review of the Strategic Register will take place in February 2011.

5. Recommendation

The Audit Committee is invited to:

- 5.1 Note and endorse the current position with regard to the Strategic Risk Register.

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PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER ELEVEN AUGUST 2010 - Summary by Risk Rating

Row No.	RISK REF	POTENTIAL RISKS IDENTIFIED	RESIDUAL RISK RATING Feb-09	RESIDUAL RISK RATING Aug-09	RESIDUAL RISK RATING Feb-10	RESIDUAL RISK RATING Aug-10	CURRENT RESIDUAL RISK RATING Aug-10	CHANGE IN RISK RATING	COMMENTS	LEAD OFFICER	RISK CHAMPION
1	21	MTFS issues.	4	5	5	5	5	25	COMMENTS FEB 10: Current economic conditions causing significant budget pressures with reduction in Central Govt. funding confirmed, compounded by reduced income from car parks, commercial rents and treasury investments. In addition there are significant pressures on expenditure from increasing numbers of looked after children and greater demands for services for adults. While Revenue resources continue to be actively monitored on a risk basis and prioritised accordingly to ensure that spending plans match resources, the financial pressures facing the Council remain significant. COMMENTS AUG 10: Current economic conditions causing significant budget pressures with reduction in Central Government funding confirmed, compounded by reduced income from car parks, commercial rents and treasury investments. All departments are continuing to develop new delivery plans to address the funding shortfall. Improvement Boards have been instigated to oversee progress.	Malcolm Coe	Rachel Houlden
2	79	Reduced Homes and Communities Agency (HCA) investment into new affordable housing and regeneration programmes.				New	5	25	COMMENTS AUG 10: Risk of the Council not meeting its affordable housing targets NI 155 and key strategic sites and regeneration priorities not being funded. A Local Investment Plan has been developed to articulate the Council's housing investment requirements, lobbying for funding and making the case for Plymouth. Need to ensure close working with HCA to maintain their confidence in investing in the city.	Stuart Palmer	Maria Smith
3	33	Building schools for the future (BSF) programme (formerly Schools re-organisation.)	3	3	6	2	5	20	COMMENTS FEB 10: BSF Governance established including a political committee and executive. COMMENTS AUG 10: The government has withdrawn the BSF programme and is consulting on a review of how capital is allocated to schools. This could mean that the valuable source of capital investment that has supported the Council's reorganisational agenda will be redirected to other properties. The authority still holds the liability for school buildings which represents more than half of the councils asset stock.	Gareth Simmons	Hannah Haines
4	52	Delivery of Capital Programme	4	4	5	4	4	20	COMMENTS FEB 10: 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. Remains a high risk as long as the uncertainty over future funding continues. COMMENTS AUG 10: The Council has an ambitious growth agenda. However, Central Govt. Capital Grant funding has reduced whilst RDA and other grants are also reducing eg. £900,000 reduced from Transport capital allocation and approx. £70 million from the BSF programme, which has now ceased altogether. 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. Remains a high risk as long as the uncertainty over future funding continues.	Malcolm Coe	Rachel Houlden
5	49	Listing of Civic Centre	4	5	4	4	4	20	COMMENTS FEB 10: Draft Brief completed and in discussion. COMMENTS AUG 10: Avanti brief now completed and financial appraisal and analysis undertaken. Preparing documentation for marketing of the building to commence later in 2010.	Andrew Janold	Maria Smith

PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER ELEVEN AUGUST 2010 - Summary by Risk Rating

Row No.	RISK REF	POTENTIAL RISKS IDENTIFIED	RESIDUAL RISK RATING		RESIDUAL RISK RATING		RESIDUAL RISK RATING		RESIDUAL RISK RATING		CURRENT RESIDUAL RATING	CHANGE IN RISK RATING	COMMENTS	LEAD OFFICER	RISK CHAMPION
			Feb-09	Aug-09	Aug-09	Feb-10	Aug-10	Aug-10							
6	73	Employee Relations	P	P	New	P	P	P	P	P	5	20	COMMENTS FEB 10: Risk of litigation and awards relating to employment practises. COMMENTS AUG 10: Transformational Change Programme may lead to employee relations issues. Trade Unions considering industrial action in response to expected Government spending cuts.	Mark Grimley	Helen Cocks
7	74	Social Care - Client Management IT Systems (Carefirst)		New	New	5	4	5	4	5	4	20	COMMENTS FEB 10: A 3 year programme of improvement has begun to address both the system and supporting business processes. A CareFirst Project Board has been established chaired by the Asst Chief Executive. COMMENTS AUG 10: Significant progress has been made over the last month with the implementation of infrastructure and software to support better management reporting and client facing outputs, approval of the technical design and scheduling of hardware upgrade to support the latest release of the CareFirst software and the recruitment of 7 members of staff to the CareFirst team to support the roll out of the new functionality. Process re-engineering is dependent on the work taking place with Charteris but this too is moving forward with more detailed outputs to determine the direction of the CareFirst implementation for ASC by October. Meanwhile, the foundations of the software environment is being established by addressing security and control of the system configuration. More concentrated functional work is being focused on Children's Social Care as per the agreed Programme Plan.	Ian Gallin	Lynn Clark
8	77	Carbon Reduction Commitment (CRC) Energy Efficiency Scheme				New				4	5	20	COMMENTS AUG 10: The CRC carries significant financial, reputational and legal compliance risks. Sustainability has risen immensely on the public agenda and poor performance in the CRC league table will make local and national headline news. A working group has been established and a wide range of energy reduction measures have been adopted across council properties and schools. New energy projects need to be identified to ensure on-going CRC scheme performance.	Chris Trevitt	Angie McSweeney
9	28	Increase in the of number of looked after children and cost pressures on Independent Placements.	3	3	3	9	4	5	20	4	5	20	COMMENTS FEB 10: Increase in the number of children subject to Child Protection Plan has added to cost pressures for staffing and resources. COMMENTS AUG 10: The numbers and associated costs of children being admitted to care are still too high and action is being taken to reduce drift in childrens placements and develop preventative programmes to divert children from care.	Mairead MacNeil	Hannah Haines
10	76	Not getting government funding to build Efford Gypsy site		New	New	3	4	12	4	4	16	COMMENTS FEB 10: Discussions with Homes & Communities Agency and project team on any future bidding opportunities. COMMENTS AUG 10: Options for funding building the site are being explored but are challenging.	Peter Aley	Lynn Clark	
11	57	Performance against Local Area Agreement (LAA) Targets	4	4	4	16	4	4	16	4	4	16	COMMENTS FEB 10: Executive group workshop on improving performance management within the Local Strategic Partnership arranged. Lead officers to act on underperformance and rectify through action/recovery plans. On-going Corporate reporting of underachieving LAA targets on bi-monthly basis. COMMENTS AUG 10: Final year out-turn for majority of stretch targets confirms anticipated results. Two key targets yet to report. 2008-11 LAA targets to be assessed Summer 2011.	Ian Gallin	Adam Fleet / Jon Stevens
12	46	Information Governance (compliance with statutory requirements, information sharing, information security)	4	4	4	16	4	4	16	4	4	16	COMMENTS FEB 10: Awareness training being designed. Records management being rolled out. Encrypted memory sticks available and encrypted email being tested. COMMENTS AUG 10: Government Connect being developed. Work has started on PCI Data Standards. Secure mobile working being launched. The SIRO is in place.	Neville Cannon	Kevin Priday

PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER ELEVEN AUGUST 2010 - Summary by Risk Rating

Row No.	RISK REF	POTENTIAL RISKS IDENTIFIED	RESIDUAL RISK RATING Feb-09		RESIDUAL RISK RATING Aug-09		RESIDUAL RISK RATING Feb-10		RESIDUAL RISK RATING Aug-10		CHANGE IN RISK RATING	COMMENTS	LEAD OFFICER	RISK CHAMPION
			P	I	P	I	P	I	P	I				
13	72	Significant pressure on Adult Social Care budget	P	1	P	1	P	1	P	1	—	COMMENTS FEB 10: Management action plans are regularly monitored and reviewed by the Strategic Board. COMMENTS AUG 10: The Programme Board continues to regularly monitor budget performance and delivery plans (which are on schedule except for RAS). RAS Pilots in place to be reviewed in September 2010.	Pam Marsden	Lynn Clark
14	55	Failure to deliver waste PFI Procurement for SW Devon Waste Partnership (by 2014)	3	5	3	5	4	4	4	4	—	COMMENTS FEB 10: Procurement is continuing well although estimated contract close is now May 2011 due to additional ISDS stage and Defra approval requirements. Delivery in 2014 is still possible although dependent on successful contractor and planning approval. Recent national planning failures and delays have increased the risk of planning delay and of contract failing to be operational by 2014. COMMENTS AUG 10: Procurement continuing to programme with estimated financial and contract close now accelerated to Mar 2011 subject to Council's and Defra approvals. Budget positions being refreshed. No indication at present that Treasury budget review will affect PFI credit allocation but being monitored. Operational delivery during financial year 2014/15 still possible although depends on which contractor is successful and when planning approval is secured - the latter being independent of partnership.	Mark Turner	Maria Smith
15	43	Risk of exceeding Landfill Allowances	4	4	3	4	4	4	4	4	—	COMMENTS FEB 10: Although recycling rates are not forecast to have improved for 2009/10, it is projected that biodegradable waste to landfill will have reduced in 2009/10 ensuring that PCC will remain within allowances for 2009/10. However it is forecast that PCC will exceed its allowances from 2011/12 onwards and will need to purchase credits until the new PFI solution is in place which may be delayed beyond 2014 subject to planning and contractor. COMMENTS AUG 10: The tonnage of biodegradable waste to landfill fell by around 2,500 tonnes in 2009/10 compared with 2008/09 and ensured PCC remained within available allowances. It is estimated that PCC will remain within available allowances for 2010/11 but will need to purchase additional credits for 2011/12 onwards until the new residual waste solution is in place (expected during 2014 subject to contractor and planning). LATS position being monitored and forward purchase strategy to be reviewed for early 2011 following Government waste policy review.	Jayne Donovan / Mark Turner	Lynn Clark
16	68	Failure to implement new initiatives to increase recycling rate, due to budget pressures. Initiatives agreed as part of PFI funding arrangements.	New	3	3	4	4	4	4	4	—	COMMENTS FEB 10: Initiatives are being progressed although economic downturn factors as well as Council funding constraints are slowing the implementation of new waste recycling and minimisation initiatives against PFI OBC projections which in turn is slowing the improvement of recycling rates which are likely to remain at around 30% for 2009/10. Roll out of garden waste collections from May 2010 to 30,000 properties. COMMENTS AUG 10: The planned initiatives such as garden waste collection expansion has helped the Council meet its OBC 2009/10 recycling target of 29% but have not achieved newer LAA recycling targets. Financial pressures and budget constraints are slowing delivery of identified PFI recycling initiatives which may impact on achievement of future targets.	Jayne Donovan / Mark Turner	Lynn Clark
17	42	Health & Safety Management system	3	5	3	5	3	5	3	5	↗	COMMENTS FEB 10: Auditing programme - other organisational health and safety issues taking priority over implementation of audit programme. COMMENTS AUG 10: Other organisational health & safety issues remain priority so team are preparing business case for external audit resource to undertake audit programme.	Mark Grimley	Heleen Cocks

PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER ELEVEN AUGUST 2010 - Summary by Risk Rating

Row No.	RISK REF	POTENTIAL RISKS IDENTIFIED	RESIDUAL RISK RATING Feb-09		RESIDUAL RISK RATING Aug-09		RESIDUAL RISK RATING Feb-10		RESIDUAL RISK RATING Aug-10		CHANGE IN RISK RATING	COMMENTS	LEAD OFFICER	RISK CHAMPION	
			P	I	P	I	P	I	P	I					
18	59	Financial Risk associated with contaminated land	4	16	3	5	15	3	5	15	3	5	15	Jayne Donovan / Robin Canton	Lynn Clark
19	67	Violent extremism	New		3	5	15	3	5	15	3	5	15	Peter Alsey	Lynn Clark
20	47	Concessionary Fares	3	15	3	5	15	3	5	15	3	5	15	Clive Perkin	Maria Smith
21	36	Management of Employee Stress	3	15	3	5	15	3	5	15	3	5	15	Mark Grimley	Helen Cocks
22	24	Violence to staff/one working.	3	15	3	5	15	3	5	15	3	5	15	Mark Grimley	Helen Cocks
23	51	Failure to deliver sustained and accelerated economic and population growth.	3	15	3	5	15	3	5	15	3	5	15	David Dreifan	Maria Smith

PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER ELEVEN AUGUST 2010 - Summary by Risk Rating

Row No.	RISK REF	POTENTIAL RISKS IDENTIFIED	RESIDUAL RISK RATING Feb-09		RESIDUAL RISK RATING Aug-09		RESIDUAL RISK RATING Feb-10		CURRENT RESIDUAL RATING Aug-10		CHANGE IN RISK RATING	COMMENTS	LEAD OFFICER	RISK CHAMPION	
			P	I	P	I	P	I	P	I					P
24	60	Economic downturn affecting treasury management.	4	5	20	3	5	15	3	5	15	↗	COMMENTS FEB 10: Ongoing liaison with Treasury Management advisors to produce a borrowing and investment strategy that balances financial returns whilst also minimising financial risk. Revised Treasury Management Strategy Statement and Investment Strategy 2010/11 approved by Cabinet 9.2.10. DCLG approval for a Capitalisation Direction to enable any losses from Icelandic Bank investments to be spread over 10 - 20 years. Treasury Management Board continues to meet weekly. COMMENTS AUG 10: Revised our Borrowing and Investment Strategy, which has been approved by Audit Committee. Started to make revenue savings ie. received back £34 million debt from Devon County Council. DCLG approval for a Capitalisation Direction to enable any losses from Icelandic Bank investments to be spread over 10-20 years.	Malcolm Coe	Rachel Houlden
25	80	Planning Obligations - implications of new legal framework and current economic circumstances.						New	3	4	12		COMMENTS AUG 10: Reduced levels of funding secured for infrastructure needs. Greater risk for individual projects which have high degree of reliance on planning obligation monies. Potential for legal challenge to planning permissions. Planning Obligations Forum established and governance arrangements under development.	Paul Barnard	Maria Smith
26	54	Data Quality Management/Providing inaccurate information	3	5	15	3	4	12	3	4	12	—	COMMENTS FEB 10: Recommendations from the 2009 Data Quality Audit have been embedded into the Corporate Action Plan. This forms part of the Use of Resources Action Plan for 2009/10. A list of accountable data officers and outcome leads is currently being compiled. COMMENTS AUG 10: An action plan to address 2010 Internal Audit report recommendations has been drawn up. A list of data and delivery leads has been compiled. Role profiles to be amended to reflect new accountabilities.	Silas Peritt	Adam Fleet / Mohamed Muganzi
27	14	Fraud	2	5	10	2	5	10	2	5	10	—	COMMENTS FEB 10: IA continue to work with ICT & HR to investigate incidences which includes identifying weaknesses and making recommendations for improvements in working practices and internal control. IA also continue to work with departments to extract data set for the National Fraud Initiative. Whistleblowing returns continue to be reported to the Audit Committee. COMMENTS AUG 10: Whistle-blowing policy reviewed, updated and approved by Audit Committee in June 2010. Internal Audit working with departments to review data coming out of National Fraud Initiative and close scrutiny will continue in the light of the economic climate and expected public sector cuts which may increase the propensity for fraud.	Malcolm Coe	Mike Hocking
28	08	Business continuity planning in line with Civil Contingencies Act 2004 statutory responsibilities.	2	5	10	2	5	10	2	5	10	—	COMMENTS FEB 10: Business Continuity Strategy Group in place. Ongoing staff training being rolled out. Consultation with specialist BC consultants on a BC Assurance Package. Table top exercises to test 'Services' BC plans to take place by the end of March 2010. COMMENTS AUG 10: Corporate Incident Management Plan implemented. Mainframe software and data backed up and stored off-site. All critical business activities have Departmental Recovery Plans in place.	Silas Peritt	Adam Fleet / Scott Senior
29	44	Financial & liability implications of Members & Officers serving on Outside Bodies.	3	3	9	3	3	9	3	3	9	—	COMMENTS FEB 10: Further work now being undertaken which has delayed the draft report being presented to Council for approval. No change to risk rating. Now due after May AGM. COMMENTS AUG 10: Draft report has been further delayed but will go to Council in October 2010	Tim Howes	Rosa Clehane
30	30	Failure of ICT	3	3	9	3	3	9	3	3	9	—	COMMENTS FEB 10: Critical work continues to improve ICT infrastructure and delivery - eg. the SAN has been replaced. Capital investment plan must be met to achieve improved resilience and support mandatory and strategic priorities. Capacity planning and resource management requirements being addressed to better identify risks so they may be escalated to CMT. COMMENTS AUG 10: Configuration changes made to cabinets in the computer room to improve recovery time after a failure. Following Cabinet approval planning has started for the new data centre. Increased resilience will be achieved with new equipment planned as part of the changes to the data centre.	Neville Cannon	Kevin Priday

PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER ELEVEN AUGUST 2010 - Summary by Risk Rating

Row No.	RISK REF	POTENTIAL RISKS IDENTIFIED	RESIDUAL RISK RATING Feb-09		RESIDUAL RISK RATING Aug-09		RESIDUAL RISK RATING Feb-10		CURRENT RESIDUAL RISK RATING Aug-10		CHANGE IN RISK RATING	COMMENTS	LEAD OFFICER	RISK CHAMPION				
			P	I	P	I	P	I	P	I					P	I		
31	62	Use of Resources Framework	3	4	12	3	4	12	3	4	12	2	4	8	↑	COMMENTS FEB 10: Overall CAA score of 3 achieved for Organisational Assessment with strong improvements evidenced - the challenge remains to continue the process of allocating resources to priorities and the Use of Resources Action Plan therefore continues to be actively monitored and reported to the Audit Committee. COMMENTS AUG 10: As of June 2010 the UoR framework had been abolished and all scores for 2009/10 were not published. Grant Thornton however did agree to produce a report on our performance which was very positive and demonstrated progress in a number of key areas. Currently awaiting communications from Audit Commission on UoR replacement.	Malcolm Coe	Rachel Houlden
32	69	Contribute and support the development of the Life Centre at Central Park	New			2	5	10	2	3	6	2	3	6	—	COMMENTS FEB 10: Register updated, as most risks previously highlighted now mitigated with award of construction contract. COMMENTS AUG 10: Contract awarded with good progress being made on site. Small delay related to utilities diversion works will result in 3/4 weeks delay to practical completion. Costs being managed effectively and projected as being delivered under budget.	James Coulton / Tony Hopwood	Lynn Clark
33	71	To outsource the management of the Life Centre and existing leisure facilities	New			3	5	15	3	5	15	2	3	6	↑	COMMENTS FEB 10: Procurement of operator process commenced. "Bidders Day" held. Documentation to be completed by March 2010. COMMENTS AUG 10: ISOS (Invitation to Submit Outline Solutions) submissions returned by 3 bidders in July and presently being evaluated. Initial review of bids is encouraging.	James Coulton / Tony Hopwood	Lynn Clark
34	70	Delivering the transformation of Adult Social Care through Putting People First framework	New			2	3	6	2	3	6	2	3	6	—	COMMENTS FEB 10: National milestones have been met. Continue to be on track with our transformation programme. COMMENTS AUG 10: Continuing to be on target to deliver against national milestones. NI 130 out turn for 09/10 was above target.	Pam Marsden / Julie Penfold	Lynn Clark
35	63	Recession deepens and the Market Recovery Action Plan measures do not achieve anticipated development interest	New			3	5	15	3	5	15	Delete			—	COMMENTS FEB 10: Market Recovery Action Plan for 2009 has seen planning approvals for 354 residential dwellings, 182 student flats and 7,484m2 of commercial floorspace including 2 hotels and a supermarket. 191 residential units are expected from the current applications with 7 further commercial units. Market recovery measures have been extended in scope and timescale for period to March 2011. Score not changed due to fragility of economic recovery. COMMENTS AUG 10: Following a complete review of all risks in Development and Regeneration this risk has been considered to be no longer relevant in relation to current business planning.	David Drifflin	Maria Smith
36	50	Structural condition of properties on North Prospect Estate	5	5	25	4	4	16	2	4	8	Delete			—	COMMENTS FEB 10: HCA leading scoping and mini master planning exercise for North Prospect. Identified as major priority with HCA as part of single investment plan. A funding agreement has been agreed as part of stock transfer but uncertainty over future spending review plans on the agreed £44m over 10 years leaves a residual risk. COMMENTS AUG 10: Following a complete review of all risks in Development and Regeneration this risk has been considered to be no longer relevant in relation to current business planning.	Stuart Palmer	Maria Smith
37	48	Taxi Licensing Trading Account	3	3	9	3	3	9	3	3	9	Delete			—	COMMENTS FEB 10: The fees report is scheduled for approval by the end of April 2010. COMMENTS AUG 10: Transferred to Operational Risk Register - no longer considered a strategic issue.	Robin Carlton	Lynn Clark
38	53	Adult Social Care - Supporting more people to live independently (formerly "increasing number of elderly population")	4	4	16	3	4	12	3	4	12	Delete			—	COMMENTS FEB 10: We continue to be on track to meet our target as confirmed by our monthly performance monitoring. Care Quality Commission for 2009/9 judged ASC as performing well on all 7 outcomes including outcome 4 "Increased Choice and Control". COMMENTS AUG 10: Risk is now incorporated with 72 Adult Social Care Budget.	Pam Marsden	Lynn Clark

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Grant Thornton

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.

Plymouth City Council- Report on Compliance with Equalities Legislation

- 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.

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- 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:
<p>The Council should undertake further equality impact assessments as the implications of impending organisational and legislative changes become clear.</p>	<p>High</p>	<p>HR to consider how this can be achieved as part of other ELAs being undertaken in future Director of Corporate Support, HR Organisational Development and DMT to consider the issues raised</p>	<p>To be considered by Director for Corporate Support.</p>	<p>Complete by Sept 2011 at the latest, to fit with corporate plans for the EFLG assessment</p>
<p>The Council should undertake specific risk assessments in respect of age-related employment issues relevant to impending organisational and legislative changes.</p>	<p>High</p>	<p>HR to consider how this can be achieved as part of other ELAs being undertaken in future Director of Corporate Support, HR Organisational Development and DMT to consider the issues raised</p>	<p>Eve Skuse (HR) with support of Mike Hocking (Risk Management)</p>	<p>To be undertaken as the implications of the new equalities bill become clear.</p>



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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.	Completed. Final report presented at 28 June 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.	Completed. Final report at this Audit Committee.
Accounts Opinion.	Code of Audit Practice.	To provide an opinion on the accounts.	September 2010.	Adam Broome.	Final audit report at this Audit Committee.
Assessments					
Value for Money conclusion.	Code of Audit Practice.	To provide auditor judgment for VFM.	September 2010.	Adam Broome.	Completed. Final report at this Audit Committee.
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.	Draft report to Officer.
Follow up on Partnership working arrangements	Code of Audit Practice	Local risk based work to support VFM conclusion	September 2010.	Adam Broome.	Draft report to Officer.
Corporate Restructuring arrangements.	Code of Audit Practice	Local risk based work to support VFM conclusion	July 2010.	Adam Broome.	Draft report to Officer.
Joint Strategic Needs Assessment.	Code of Audit Practice	Local risk based work to support VFM conclusion	May 2010.	Adam Broome.	Draft report 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	Fieldwork started - work ongoing.

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Plymouth City Council

VFM conclusion 2009-10

Final

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1 Introduction

Introduction

- 1.1 In carrying out our audit, we comply with statutory requirements governing our duties, in particular, the Audit Commission Act 1998 and the Code of Audit Practice (the Code).
- 1.2 The Code of Audit Practice emphasises the respective responsibilities between audited bodies and their auditors. The Council is responsible for putting in place proper arrangements for the preparation of its accounts, governance of its affairs and for making adequate arrangements to secure economy, efficiency and effectiveness in the use of its resources. We are required to form an opinion on the Council's annual financial statements and whether the Council has adequate arrangements to secure economy, efficiency and effectiveness in the use of its resources.
- 1.3 In May 2010, the Government announced that the Comprehensive Area Assessment (CAA) would be abolished. Following this the Audit Commission confirmed that our work for the Use of Resources assessment (UoR) should cease with immediate effect.
- 1.4 Whilst there will not be a scored UoR assessment for 2009-10, the work completed has been used to inform our value for money conclusion.
- 1.5 In August 2010 the Audit Commission set out its new approach to assess Councils' value for money arrangements. From 2010-11, our assessment will be based on a more targeted approach, focussing on specific local risks and issues, concentrating on the Council's arrangements for securing financial resilience and prioritising resources within tighter budgets.
- 1.6 The areas for further improvement identified within this report have, therefore, been framed to address these areas.

Scope

- 1.7 We have completed the work in connection with our value for money conclusion in accordance with our agreed audit strategy as set out in our Annual Fee Letter presented to the Audit Committee on 25 March 2009. The scope of our audit was an assessment of the Council's arrangements for:
 - financial management;
 - commissioning and governance; and
 - Management of natural resources, assets and people.

Overall conclusions

Financial management - How effectively does the Council manage its finances to deliver Value for Money?

- 1.8 We have identified that the Council have implemented a range of improvements following our review last year, which has resulted in the strengthening of the Council's financial management arrangements.
- 1.9 The Council achieved an under spend of £1.5 m and an overall reserve balance of £11.5 m. This was achieved despite significant financial pressures and a number of high profile projects occurring in year.
- 1.10 The Council has demonstrated a significant and improved stakeholder consultation process in 2009-10 and has established a consultation network with representatives from all key directorates to ensure that where there are opportunities for improving community engagement they are identified and acted upon.
- 1.11 Benchmarking has identified that value for money has been achieved in a number of services and action plans are in place to drive further improvements. However, there is scope for the Council to further develop their understanding of the opportunities to share resources between key Partners to maximise value for money and to ensure that resources are used effectively to drive local improvement targets.
- 1.12 The Statement of Accounts and supporting working papers continue to be prepared to a high standard and in accordance with statutory deadlines. Adequate progress has been made towards the implementation of International Financial Reporting Standards. To ensure that the Council remains on track to meet the required deadline, the Council should focus on restating their comparatives to ensure that all issues are identified and resolved early on in the process.

Commissioning and governance - How does the Council govern itself and commission services that provide value for money and deliver better outcomes for local people?

- 1.13 The Council has continued to develop its arrangements to ensure that it commissions and procures quality services and supplies, tailored to local needs to delivery sustainable outcomes and value for money. However arrangements could be strengthened further to ensure that the Council has a good understanding of their supply market, resulting in improved outcomes.
- 1.14 The Council has improved its arrangements for producing relevant and reliable data and information to support decision making and manage performance. In particular, we have noted significant improvement in the quality of data relating to revenue and benefits. That was noted as a particular concern last year.
- 1.15 Internal control arrangements continue to be strong and will be enhanced further through the adoption and communication of the 'Code of Practice on Partnerships' and by ensuring that the detailed checklists and questionnaires within the code of practice are applied to all current and new partnerships.
- 1.16 During the year, there has been evidence of strong risk management processes. However, arrangements with partners could be strengthened further by ensuring that the risk management guide to Partnerships is approved and communicated to all key stakeholders and that risk registers are put in place with all key partners.

- 1.17 The Audit Committee continues to operate effectively and have demonstrated some areas of good practice, for example, the production of an annual report demonstrating the work and benefits of the Audit Committee over the past year

Management of natural resources, assets and people - How well does the Council manage its natural resources, physical assets and people to meet current and future needs and deliver value for money?

- 1.18 The Council maintains sound arrangements for the management of its assets. The Accommodation Strategy is leading, on a phase basis to more effective use of Council properties.
- 1.19 The joint provision of services and co-location of teams are actively pursued with good example of partnerships within the Adult Social Care teams with the PCT working co-operatively together.
- 1.20 The Council have established sound processes relating to workforce planning, however this could be enhanced further by introducing a process to clearly identify the skills gaps and develop comprehensive plans to address these gaps.

Use of this report

- 1.21 This report has been prepared to advise you of the matters arising from our audit work in relation to our value for money conclusion and should not be used for any other purpose or be given to third parties without our prior written consent.
- 1.22 Our report is part of a continuing dialogue between the Council and ourselves and should not be relied upon to detect all errors, systems or control weaknesses or opportunities for improvements in management arrangements that might exist. The Council should assess the wider implications of our conclusions and recommendations before deciding whether to accept or implement them, seeking your own specialist advice as appropriate.
- 1.23 We accept no responsibility in the event that any third party incurs claims, or liabilities, or sustain loss, or damage, as a result of their having relied on anything contained within this report.

The way forward

- 1.24 We have discussed the recommendations with the Director for Corporate Resources and will report the actions management have taken at the conclusion of our audit, in our Annual Audit Letter.

Acknowledgements

- 1.25 We would like to record our appreciation for the assistance and co-operation provided to us during our work by the Council's staff.

Grant Thornton UK LLP

1 September 2010

2 Detailed findings

Financial management

- 2.1 This theme focuses on sound strategic and financial management, that is, whether the Council plans its finances to deliver its priorities, the extent to which it has a sound understanding of its costs and performance, and whether its financial reporting is timely, reliable and meets the needs of its population.

Financial planning

- 2.2 The Council's budget-setting process continues to be robust, resulting in the Council achieving a surplus of £1.5 m and an overall reserve balance of £11.5 m (5.7% of the net revenue budget for 2010-11) for the financial year ending 31 March 2010. This was in line with their Medium Term Financial Strategy. Total savings of £5.8 m were achieved against an ambitious target of £6.2 m. This was achieved despite significant financial pressures such as enabling the housing stock transfer, an increase Adult Social Care spend due to a significant increase in the number and complexity of cases and continued pressure on Children Services as a result of additional referrals following high profile cases in 2009-10.
- 2.3 The Medium Term Financial Strategy recognises the likelihood of reduced financial settlements and other income streams in the prevailing economic climate. The strategy shows that resources are being shifted from support services to front-line delivery to enable desired service levels to be maintained. A transformational change programme is currently being developed that includes identifying opportunities for the more effective use of the existing estate to enable savings to be made.
- 2.4 The Council has demonstrated a significant and improved stakeholder consultation process in 2009-10. In particular, it has used interactive voting techniques at area committees and at the Drake Circus public event and the results of this were fed into an effective scrutiny process for the 2010-11 Corporate Plan and Budget.
- 2.5 A lead officer has established a consultation network with representatives from all key directorates to regularly consider engagement issues in the context of the relevant corporate improvement priorities (CIPs) and to identify improvement areas. In addition, the competency framework, introduced in 2009, includes competencies specific to need for effective engagement with stakeholders and partners.

Understanding costs

- 2.6 The Council continues to have sound arrangements for managing costs and performance that integrate financial and strategic planning, based on its 14 CIPs. Our recommendations arising from the 2008-09 review are being addressed and include improved consultation with the local population and the use of social and environmental impact assessments for major developments. This has been demonstrated by its work on locating and establishing gypsy and travellers sites and on undertaking a sustainability impact assessment of the proposed Life Centre.
- 2.7 VfM profile data indicates that the Council's total net current expenditure has not increased at the same rate as its benchmark group and the Council's drive for improved value for money is

having a positive impact in respect of the Council's comparative position across key services. In some areas the Council has been able to reduce costs whilst improving service delivery, for example in waste collection where costs per head of population have fallen in 2009-10 and arrangements for collection have improved. In planning and development services key targets are being achieved and in adult social services the gross spend per adult head of population has been falling.

- 2.8 The Council recognises that there are further opportunities to reduce overall service costs and increasingly the Council is assessing the value for money of individual service components within departments, where staff contribute to ideas about service-based improvements and how services can be delivered differently. For 2010-11, the Council is focusing on developing value for money delivery plans for directorates, recognising the increasingly tight financial regime. The Council have appointed a new corporate Head of VFM and Efficiencies to ensure that value for money remains focused and that opportunities for improvement are pursued.
- 2.9 The Council's bi-monthly corporate reporting of finance and performance has been developed further in the year, though we have drawn attention to opportunities for further improvements in reporting timeliness and the need for greater clarity in the links between finance and performance data
- 2.10 The Council has undertaken some initial analysis of the scope to share resources between Partners to identify whether any potential savings can be delivered. The Council should undertake this analysis for all significant partnerships to maximise the opportunities for value for money to be secured and to ensure that resources are used effectively to drive local improvement targets.

Financial reporting

- 2.11 Profiled budgets are monitored monthly within directorates and the position is reported to CMT and Cabinet through the joint financial and performance bi-monthly reports. The Internal Audit review on budgetary controls has confirmed that the budgetary control arrangements in place remain sound. Action plans to address significant variances are developed in a timely fashion and the bi-monthly reports contain sufficient narrative to enable members and lead officers to have a full understanding of the underlying issues.
- 2.12 The Council has a strong and effective accounts closedown process with information available on a timely basis. Financial reports contain appropriate information to enable performance to be monitored and support strategic decision making. These reports also enable the monitoring of finance and performance against key targets linked to the 14 CIPs throughout the year. Budget holders have live access to financial management system and the performance management system and produce action plans to address emerging issues on a timely basis, with the higher risk and more significant variances being included in the bi-monthly reports for CMT and Cabinet review. There is a clear policy on measures to be taken to address adverse variances with the use of working balances only available as a last resort.
- 2.13 The Council consistently prepares accounts which are approved, submitted and published in accordance with statutory requirements. There is a formal closedown plan which incorporates changes in the SORP and issues identified in the 2008-09 ISA 260. Key staff have attended professional training and have been proactive in discussing emerging accounting issues with ourselves as the external auditors. The statutory accounts and working papers are prepared to a high standard, with only minor adjustments being required to the 2009-10 accounts. Historically, there have been difficulties in obtaining third party information for the group accounts but a process has been introduced to improve this area in the current year.

- 2.14 Adequate progress has been made towards the implementation of International Financial Reporting Standards (IFRS), with the Council receiving an amber assessment against the Audit Commission's assessment of IFRS readiness. To ensure that the Council remains on track to meet the required deadline, the Council should focus on restating their comparatives to ensure that all issues are identified and resolved early on in the process.
- 2.15 The quality of financial governance and leadership has improved, for example, Audit Committee Members received specific external training in year which should enable them to more robustly scrutinise the Treasury Management and Investment Policy. Cabinet members also received specific training prior to the scrutiny of the 2010-11 budget, equipping them to provide more effective challenge and help to ensure that resources were targeted at priority areas.
- 2.16 The Council has attempted, for several years, to engage the local community on how to present financial information set out in the Accounts within an annual report. Due to low responses to previous feedback requests, the Council has planned to consult on an annual report which would have incorporated sustainability and social issues. However, due to resource constraints this consultation has not been possible for 2009-10, summary financial statements will be produced in line with previous years in a clear and understandable format with effective use of graphical representation of key figures and issued as an insert in the Council's "Plymouth Voice" newsletter.

Opportunities for improvement

- 2.17 As a result of our review of this theme, we have identified the following areas for improvement:

Securing financial resilience

- The Council should ensure that their 2009-10 comparatives are restated using International Financial Reporting Standards at the earliest opportunity. We also recommend that they receive early assurance from us, as their external auditor, to ensure that any contentious issues can be resolved early in the process.

Prioritising resources within tighter budgets

- The Council should further develop their understanding of the opportunities to share resources between key Partners to maximise VFM opportunities and to ensure that resources are used effectively to drive local improvement targets.

Commissioning and governance

- 2.18 This theme focuses on strategic commissioning and good governance, in particular how well the Council governs itself and commissions services that provide value for money and deliver better outcomes for local people.

Commissioning and procurement

- 2.19 The Council continues to develop its arrangements to ensure that it commissions and procures quality services and supplies, tailored to local needs to deliver sustainable outcomes and value for money.
- 2.20 Plymouth has an LSP, branded as Plymouth 2020, a Joint Strategic Needs Assessment, a Sustainable Community Strategy and a Sustainable Procurement Strategy, all underpinned by the Local Area Agreement, an accountability, governance and performance management framework and an assessment of the quality of life for residents of Plymouth. Together these represent a sound basis to achieve the city's vision.

- 2.21 The Council is engaged with a wide range of stakeholders including residents, businesses, the voluntary sector and service users and it is currently developing its understanding of the supply market.
- 2.22 The Council is seeking to improve the customer experience and has now established a central contact centre, has made improvements to its website and has implemented improvements to front-line desk arrangements at key first-stop civic offices. As part of the "procure 2 pay" strategy, the Council is setting up professional buyer posts throughout the organisation to deal with all negotiated requirements whilst using systems catalogues to deal with contracted items. It has also implemented extra care as an alternative to residential care and commissioned lifestyle services as an alternative to traditional day care.
- 2.23 Workshops have been held with local organisations on how to do business with the Council. Guidance is available on the web page and a formal training course on public procurement is available. The Council has hosted events for providers including a series of workshops around delivering personalisation and has appointed a project officer to work with "micro providers". The Council is also working with "Living Options Devon" to develop the capacity of user-led organisations, and with the Devon Procurement Partnership to increase market knowledge through the exchange of information and collaboration. However, we have not seen evidence of the extent of the Council's understanding of the supply market, nor that the Council has yet established a clear vision of expected outcomes.
- 2.24 The Council has a sustainable procurement strategy that addresses all elements of procurement, identifies the need for a "whole life" approach and recognises the need for all solutions to be considered when procuring goods and services. The Council has a statement of principles to encourage effective trade with small businesses. There are effective arrangements for specifying and monitoring contracts and a well-defined contract management process is in place. The corporate website is a sound source of information and advice for those seeking to contract with the Council. However, it is not clear to what extent the Council regularly assesses the sustainable development implications of its policy and practice, nor whether whole life and sustainability considerations are accounted for in all commissioning and procurement decisions.
- 2.25 Whilst the Council has a programme to identify value for money of its own services, it is not clear the extent to which the Council have achieved integrated, social, economic and environmental outcomes for its localities, nor that there is a clear shared understanding of the totality of resources at the disposal of partners.

Use of data

- 2.26 The Council has improved their arrangements for producing relevant and reliable data and information to support decision making and manage performance. The level of internal audit activities in this area has increased to ensure data quality standards are being met throughout the council with particular focus on data sharing amongst partners.
- 2.27 Data sharing amongst LSP partners is undertaken, which has resulted in improved performance against some of the stretch targets. The Corporate Performance Management Framework has been revised and sets out arrangements for managing performance across the Council and the LSP. In addition, a data sharing agreement has been developed by the LSP that will provide the necessary assurance that shared data is of a high standard. At the time of the internal audit review, neither of these documents had been formally approved or communicated to staff.
- 2.28 The Revenue and Benefits service have significantly improved their arrangements for checking data accuracy, demonstrating a clear decrease in the number of errors (quantitative and qualitative) from 79% to 41% between quarters three and four. Action has also been taken to address concerns arising from the Place Survey. For example, in respect of waste collection, a

focussed effort by the service team to improve performance resulted in the average number of bins being missed per day decreasing from 129 (at its peak) to a consistent 55.

- 2.29 The Council holds information on diversity and equality issues, for example spend across geographic areas and profiles of service users and is beginning to use this to inform decisions. For example, this data has been used in setting up, 'locality teams' a joint initiative between the Council and LSP, where the purpose of these teams is to respond to the priorities of the residents within each localities.
- 2.30 Sound arrangements are in place to ensure data security and the Council is working towards becoming fully compliant with good practice standards, for example, ISO27001 and Government Secure Intranet.
- 2.31 Variance in performance is highlighted in joint finance and performance bi-monthly reports to CMT and Cabinet. These reports include a dashboard of key performance indicators linked to the Council's CIPS. The Council are currently reviewing the format of these reports to ensure that they remain 'fit for purpose' and easy for decision makers to understand and use. In addition, the frequency of these reports will now be reported on a quarterly basis, in line with the LSP.

Good governance

- 2.32 The Council continues to have good arrangements for internal control, with a Scheme of Delegation. Financial Regulations and Constitution. The Council has undertaken an ethical governance survey and has implemented an action plan to address findings.
- 2.33 A member development committee oversees development opportunities for members and a skills framework with accompanying development programme of events has been devised and is made available to members through the intranet. Fifteen thousand pounds of funding has been made available to engage IDeA consultants to undertake one to one interviews with members to facilitate the initial preparation of PDPs early in 2010-11. The Committee is seeking to achieve the South West Councils Charter Mark status for member development and have a formal action plan in place to work towards the assessment in Autumn 2010.
- 2.34 The Council has undertaken an exercise to identify its partnerships and formal partnership agreements are in place for key partnerships, incorporating appropriate dispute resolution procedures. It works closely with key LSP partners, identifying shared objectives and how these are to be delivered. The Council is a signatory to the 2009 revised LSP governance structure. This incorporates a new Third Sector strategy with defined representation across voluntary and third sectors and clear objectives for provision of support. All LSP partners are required to sign up to the LSP Code of Conduct and the LSP Board / Executive monitors performance of partners in working towards LSP objectives, with arbitration procedures in place where necessary.
- 2.35 The Development and Regeneration directorate has reviewed and revised the governance of some of their key partnerships, producing a more streamlined structure of governance for delivery of the growth agenda in Plymouth, recognising that there was such a large number of partnerships involved with this agenda that it could become problematic.
- 2.36 Our review has identified that there is scope to further improve the arrangements in place through ensuring that the Council's, 'Code of Practice on Partnerships' is finalised, approved and communicated to all stakeholders and that the detailed checklists and questionnaires within the code of practice are applied to all current and new partnerships to ensure that appropriate governance arrangements are in place.

Internal control

- 2.37 The Council continues to manage its risks and maintain a sound system of internal control. The Council has acted in response to financial risks of the current economic climate to identify the means to re-focus resources from back-office functions to front-line services to mitigate the impact on service delivery.
- 2.38 Strong risk management processes are in place and the effectiveness of these has been demonstrated by the stock transfer project, the sale of Plymouth Citybus and the awarding of the LifeCentre contract.
- 2.39 Clear outcomes of effective partnership risk management have been demonstrated, for example, the implementation of the SHEALD programme to relocate serious offenders with learning disabilities back into the community from out-of-area specialist treatment centres. Demonstrable controls for the risks involved were a prerequisite to Home Office approval for the relocation and the Council worked with the PCT, police and others to demonstrate this.
- 2.40 All risks are recorded on the Performance Management System (PMS) and linked with corporate and service objectives and key performance indicators as appropriate. However, a recent Internal audit review has identified that the PMS system is not up to date with regard to key Partnership risks and that for two of the partnerships they reviewed in detail there were no risk registers in place.
- 2.41 Guidance for risk management in partnerships has been developed but it has not been formally approved or communicated to key stakeholders.
- 2.42 The Audit Committee operates effectively in monitoring internal control and has demonstrated effective and informed scrutiny in a number of areas, for example, risk management and project management. The Audit Committee has completed a self assessment against the CIPFA guidance and has implemented an improvement plan. The previous Chair of the Audit Committee produced an annual report demonstrating the work and the associated benefits and outcomes of the Audit Committee over the 2009-10 Council year.

Opportunities for improvement

- 2.43 As a result of our review of this theme, we have identified the following areas for improvement:

Securing financial resilience

- The Council should ensure that they have a good understanding of the supply market and develop a clear vision of their expected outcomes from their suppliers.
- The Council should regularly assesses the sustainable development implications of its procurement policy and practice and ensure that whole life and sustainability considerations are accounted for in all commissioning and procurement decisions.

Prioritising resources within tighter budget

- Whilst the Council has a programme to identify value for money of its own services, the Council should ensure it has a clear focus on achieving integrated, social, economic and environmental outcomes for its localities and that there is a clear shared understanding of the totality of resources at the disposal of partners.
- The Council should ensure that the 'Code of Practice on Partnerships' is finalised, approved and communicated to all stakeholders and that the detailed checklists and questionnaires within the code of practice are applied to all current and new partnerships to ensure that appropriate governance arrangements are in place.

- The Council should ensure that their performance management system is up to date with regard to all risk management arrangements, In particular, those involving key partnerships.

Management of natural resources, assets and people

- 2.44 Our assessment of this theme was being phased in over a three-year period. In 2009-10 our work focussed on whether the Council manages its assets effectively to help deliver its strategic priorities and service needs and whether it plans, organises and develops its workforce effectively to support the achievement of its strategic priorities.

Asset Management

- 2.45 The Council maintains sound arrangements for the management of its assets and the corporate asset plan links to CIPs and the capital strategy. The Council is now utilising the asset strategy as a key component of the financial strategy to maintain front-line service delivery at a time of tighter financial settlements and reduced income streams. The Accommodation Strategy, approved in 2009, is leading, on a phased approach, to more effective use of Council properties, for example, more effective use has been achieved in two Council's properties, through the implementation of open-plan configuration and hot-desking, which will ultimately enable relocation and the disposal of the Council's less efficient properties. The approach should ultimately enable the communication and disposal of properties.
- 2.46 Joint provision and co-location are actively pursued, and the Council is actively reviewing service delivery locations against those of partners such as the PCT and Police. The Council has approved a localities strategy where local service provision will be delivered in six geographical localities within the City.
- 2.47 The Council has actively pursued co-location of Adult Social Care teams with the local PCT, working cooperatively to resolve IT barriers and establishing 23 co-located teams to date, the largest of which is at the Beauchamp Centre at Mount Gould Hospital. The replacement of the demolished Plympton Library with a joint library and health centre facility is in the final stages of consultation.
- 2.48 The Council has built upon early outcomes from the implementation of the asset plan achieved in 2008-09, such as the BREEAM excellence award given to the Brook Green Centre for Learning. With increasing pressure on resources the Council has adopted a policy of only approving capital schemes for which funding is specifically identified (including spend-to-save). The Council actively engages with a benchmarking club of similar councils for asset and construction information.
- 2.49 There is an action plan in place to address backlog maintenance but progress remains slow due to lower than planned asset disposal proceeds to finance it, as a result of the deterioration in the property market and the general economic conditions. Significant asset decisions, such as the demolition and rebuild of the Mayflower Centre, have been based on a thorough option appraisal process incorporating whole life costing.
- 2.50 Action plans are in place to support strategy documents and these are monitored, annually, together with performance against an agreed set of indicators. Significant improvements have been achieved, for example, reductions in paper and water use and a reduction in waste produced at the Civic Centre.
- 2.51 However, the main focus of targets set by the Council relate to the Civic Centre, rather than across the estate and there is scope for further savings to be made by considering resource use in other Council buildings. For example, a significant proportion of the gas and electricity used in providing services to the public is incurred at leisure facilities, but the current leisure

management contract does not require this information to be collected. We recognise that this is specifically being included in the new contract to be let in 2010-11

Workforce Management

- 2.52 The Council has a corporate approach to its workforce and have the fundamental processes for ensuring a productive and skilled workforce in place, underpinned by a 'People Strategy'. one of a number of strategies underpinning the Corporate Plan and the locality-wide vision for 2020, which seeks to ensure that the Council has "the right staff in the right place with the right skills".
- 2.53 It has a number of policies that support the corporate HR processes, including recruitment, selection and induction as well as performance management. The Council has a corporate approach to its workforce and is implementing a competency-based framework, supported by a skills matrix, which sets out the critical "behaviours" expected of its staff and linked to the appraisal process.
- 2.54 The Council has strong arrangements for monitoring many aspects of its employment arrangements, including accidents and sickness. Measures to manage and reduce absences such as sickness are now set and monitored. The Council has reduced its sickness levels from an average of 8.11 days in 2007-08) to 6.95 days in 2008-09). In 2009-10, the average is 4.30 days. The Council monitors the use of agency staff and take appropriate action to address issues of concern. In particular, high levels of agency working in Children's Services have been addressed, with a significant shift from agency staff to permanent staff.
- 2.55 Our previous experience of the Council, as evidenced through our review particularly in respect of a review of "Job Evaluation" and our more recent review on Corporate Restructuring, has identified that staff and trade unions are actively engaged in local arrangements, particularly in managing change. 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.
- 2.56 However, the focus has been on establishing sound processes across the organisation and it is not yet clear that the Council has clearly identified all of the skills gaps across its departments or introduced comprehensive plans to address these gaps. the Council has also identified that it still needs to develop workforce development plans which align to departmental and corporate business plans.
- 2.57 Furthermore, our review indicates that the Council does not have a consistent approach in ensuring it fully involves staff in the implementation of change, empowering them to help deliver it or that it maintains, or improves, staff satisfaction and morale through the period of change. To date, the Council has not implemented, or evaluated, the benefits which may be achieved by implementing a total reward system, such as increase staff morale and motivation.
- 2.58 The Council has not been able to provide sufficient evidence to demonstrate how it is building a workforce broadly representative of the community at all levels, including senior management, or that the Council receives positive feedback by service users on the way they are treated by council staff.

Opportunities for improvement

- 2.59 As a result of our review of this theme, we have identified the following areas for improvement:

Prioritising resources within tighter budgets

- Data on the use of natural resources should be collected across all significant buildings to ensure that Council understands the full extent of its resource use.
- The Council should ensure that they have a process in place to clearly identify all of the skills gaps across its departments and introduce comprehensive plans to address these gaps.
- The Council should continue to develop workforce development plans which align to departmental and corporate business plans.
- The Council should develop an approach to ensure that it fully involves staff in the implementation of change and empowers them to help deliver it.
- The Council should evaluate whether the implementation of a total reward system would accrue benefits to both staff and the organisation as a whole.
- The Council should ensure that it is able to demonstrate that it is building a workforce that is broadly representative of the community at all levels including senior management.
- The Council should have a process in place to receive feedback , positive and negative, from service users on the way that they are treated by council staff.

A Action plan

2.60

The following recommendations arise from our work and should be considered in the context of significant change as a result of a reduction in resources going forward.

Recommendations	Priority	Management comments	Responsible officer	Implementation date
<p>Financial management - Securing financial resilience</p> <p>The Council should ensure that their 2009-10 comparatives are restated using International Financial Reporting Standards at the earliest opportunity. We also recommend that they receive early assurance from us, as their external auditor, to ensure that any contentious issues can be resolved early in the process.</p>	Medium	<p>Agreed. The IFRS project plan has key milestones built in in order to reach the overall objective of compliant IFRS accounts by 30 June 2011. Work is currently being undertaken to restate both the opening and closing balances for 2009/10 so that comparative data is prepared with a milestone date of 31 December 2010. The Council will ensure that the external auditor is closely involved in preparation of these accounts and undertakes assurance work on these balances once finalised in order to avoid difficulties further on in the process.</p>	Sandra Wilson / David Northey	Dec 2010
<p>Financial management - Prioritising resources within tighter budgets</p> <p>The Council should further develop their understanding of the opportunities to share resources between key Partners to maximise VFM opportunities and to ensure that resources are used effectively to drive local improvement targets.</p>	Medium	<p>The council evaluates and adopts, where appropriate, sharing the procurement function with others to deliver efficiencies, most effectively when using economy of scale, also the council carries out joint commissioning activities mainly within Adult and Childrens services (close links and relationships with PCT, Police, Third Sector Organisations & other authorities)</p>	Jane Keeley / Paul Chapman	Implemented.

Recommendations	Priority	Management comments	Responsible officer	Implementation date
<p>Commissioning and governance - Securing financial resilience</p> <p>The Council should ensure that they have a good understanding of the supply market and develop a clear vision of their expected outcomes from their suppliers.</p>	<p>Medium</p>	<p>Implementation of the P2P strategy will further strengthen ongoing considerations for VFM & Utilising e-procurement techniques such as on-line catalogues, electronic tendering & Vendor Mgt will enable these opportunities to be taken. Due to the economic climate, more recently links have been made with other procurement bodies within the city and primary discussions have been arranged as to where if anywhere more effective use of resources can be implemented.</p>	<p>Jane Keeley / Paul Chapman</p>	<p>Implemented</p>
		<p>The council is engaged at every level with regards to understanding their market. At a local level there are representatives that have engaged with the FSB and Chamber of Commerce, there is a robust vendor management process currently being implemented to enable the organisation to have full visibility of any supply market that they need to utilise. Added to that the networking approach of the Strategic Procurement Team ensures that where it is felt the knowledge is not readily available within the authority, it can be utilised from other sources, for example, SWRIEP, Procurement Forums, Devon Procurement Partnership. The Plymouth Procurement</p>		

Recommendations	Priority	Management comments	Responsible officer	Implementation date
<p>Commissioning and governance - Prioritising resources within tighter budgets</p> <p>The Council should regularly assess the sustainable development implications of its procurement policy and practice and ensure that whole life and sustainability considerations are accounted for in all commissioning and procurement decisions.</p>	Medium	<p>Forum was initiated from the LSP, and is made up of key Public Sector Buyers and local suppliers, this is a good forum for ascertaining the supplier market needs. There are guides to prospective suppliers on how to do business with the council, and specifications of work are clearly defined with measurable outcomes to ensure that the suppliers are clear of what is expected to be delivered. Ongoing contract management once the initial implementation of the contract has taken place ensures consistent delivery.</p> <p>When service planning the Department utilizes the flexible framework which considers sustainability as one of the elements. Strong links with the sustainability team have been developed and the processes and procedures are reviewed on a regular basis to ensure that relevant legislation, not just on sustainability, are incorporated into the process, sustainability is always included within the PQQ documentation and, where relevant, specification and tender documentation also has it incorporated.</p>	Jane Keeley / Paul Chapman	Implemented
<p>Commissioning and governance - Prioritising</p>	medium	<p>Comment Noted – actions to be reviewed</p>	Giles Perritt/Peter	

Recommendations	Priority	Management comments	Responsible officer	Implementation date
<p>resources within tighter budgets</p> <p>Whilst the Council has a programme to identify value for money of its own services, the Council should ensure it has a clear focus on achieving integrated, social, economic and environmental outcomes for its localities and that there is a clear shared understanding of the totality of resources at the disposal of partners.</p>		<p>in light of Central Government decisions in relation to our partners.</p>	<p>Honeywell</p>	
<p>Commissioning and governance - Prioritising resources within tighter budgets</p> <p>The Council should ensure that the 'Code of Practice on Partnerships' is finalised, approved and communicated to all stakeholders and that the detailed checklists and questionnaires within the code of practice are applied to all current and new partnerships to ensure that appropriate governance arrangements are in place.</p>	<p>Medium</p>	<p>Comment Noted – actions to be reviewed in light of Central Government decisions in relation to our partners.</p>	<p>Giles Perritt/Peter Honeywell</p>	
<p>Commissioning and governance - Prioritising resources within tighter budgets</p> <p>The Council should ensure that their performance management system is up to date with regard to all risk management arrangements. In particular, those involving key partnerships.</p>	<p>Medium</p>	<p>Comment Noted – actions to be reviewed in light of Central Government decisions in relation to our partners.</p>	<p>Giles Perritt/Peter Honeywell</p>	

Recommendations	Priority	Management comments	Responsible officer	Implementation date
<p>Management of natural resource - Prioritising resources within tighter budgets</p> <p>Data on the use of natural resources should be collected across all significant buildings to ensure that Council understands the full extent of its resource use.</p>	Medium	<p>A programme of installation of automatic meter readers is underway for all gas and electric supplies to council properties. This will enable real time information to be collected and any exceptional use investigated.</p> <p>An audit of water use at significant buildings has been undertaken and a programme of water saving initiatives is underway.</p>	<p>Chris Trevitt</p> <p>Chris Trevitt</p>	<p>April 2011</p> <p>March 2011</p>
<p>Management of natural resource - Prioritising resources within tighter budgets</p> <p>The Council should ensure that they have a process in place to clearly identify all of the skills gaps across its departments and introduce comprehensive plans to address these gaps</p>	Medium	<p>Accept recommendation. A full competency based appraisal system has been implemented during the year and 'Manager on-line' has been introduced enabling managers to input training needs directly into the system.</p>	<p>Mark Grimley/Eve Skuse</p>	<p>Implemented</p>
<p>Management of natural resource - Prioritising resources within tighter budgets</p> <p>The Council should continue to develop workforce</p>		<p>Many areas of the council already have workforce development plans which align to departmental and corporate plans in</p>	<p>Mark Grimley/Eve Skuse</p>	<p>on-going</p>

Recommendations	Priority	Management comments	Responsible officer	Implementation date
development plans which align to departmental and corporate business plans.		place e.g. Adult Social Care. The council is working towards developing systems and tools to ensure the consistency and quality of Workforce Development plans across the council.		
Management of natural resource - Prioritising resources within tighter budgets The Council should develop an approach to ensure that it fully involves staff in the implementation of change and empowers them to help deliver it.		Accept recommendation. Whilst we have established a change management approach, further work is ongoing to ensure that this is consistently embedded across the Council. We have started this progress through Team Plymouth where we have discussed the MTFs and reduction in resources.	Mark Grimley/Eve Skuse	on-going
Management of natural resource - Prioritising resources within tighter budgets The Council should evaluate whether the implementation of a total reward system would accrue benefits to both staff and the organisation as a whole.		Accept recommendation. Following our successful implementation of job evaluation, we have now implemented a full competency based appraisal system that is now directly linked to pay.	Mark Grimley/Eve Skuse	implemented
Management of natural resource - Prioritising resources within tighter budgets The Council should ensure that it is able to demonstrate that it is building a workforce that is broadly representative of the community at all levels including senior management.		Recommendation accepted. The Corporate Equalities Group are in the process of considering the implications of the recently introduced Equalities act and agreeing new targets aimed at building a workforce that is broadly representative of the community at all levels including senior management.	Mark Grimley/Eve Skuse	December 2010

Recommendations	Priority	Management comments	Responsible officer	Implementation date
<p>Management of natural resource - Prioritising resources within tighter budgets</p> <p>The Council should have a process in place to receive feedback , positive and negative, from service users on the way that they are treated by council staff.</p>	High	<p>PCC has a documented "Have Your Say" policy which allows service users to feedback their experiences through face to face, telephone and web/e mail channels.</p> <p>In addition Customer Services utilise Govmetric Satisfaction software for the main services they currently are responsible for. Currently this is accessible our face to face and telephony operations in addition to all web pages on the PCC website.</p> <p>Performance data from Govmetric is also published in our face to face reception points and also on the PCC website.</p> <p>This process is in place and is already actively feeding back to ADs when we get any feedback - positive or negative. Mostly affects our true frontline services of waste and refuse, street sweeping and adult social care / OT's.</p> <p>In terms of positive staff feedback - as a build on this - I am working with Mark Grimley, AD HR, about instigating a staff recognition scheme for those staff whose exceptional performance is recognised by the public. This is in discussion stage with Members at the moment and we hope to</p>	JP Saunders	Dec 2010

Recommendations	Priority	Management comments	Responsible officer	Implementation date
		introduce something early in 2011.		



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PLYMOUTH CITY COUNCIL

AUDIT COMMITTEE

WORK PROGRAMME
September 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

Additional Provisional Meetings											8		
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Annual Governance Report (ISA 260)	External Auditors			24									
2009/10 Annual Audit and Inspection (Management) Letter	External Auditors					?							
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												28

Work Plan 2010/11

		2010						2011					
Item	Cabinet Member / Lead Officer	J	A	S	O	N	D	J	F	M	A*	M	J*
Audit Committee Forward Plan	Chief Auditor			24		?		21		25			28
Annual Review of Financial Regulations	Cllr Bowyer / DfCS					?				25			
Operational Risk Register Update Report	Cllr Bowyer / DfCS					?							28
Strategic Risk Register – Monitoring Report	Cllr Bowyer / DfCS					?				25			
Risk Management Annual Report	Cllr Bowyer / DfCS												28
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Statement of Accounts 2009/10 and 2010/11	Cllr Bowyer / DfCS			24									28

Work Plan 2010/11

		2010						2011					
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Annual Governance Statement	Cllr Bowyer / DfCS												28
Draft Audit Plan and Fees Letter 2011/12	External Auditors									25			
Value for Money Conclusion Report	External Auditors			24									
Treasury Management Mid-Year Report	Cllr Bowyer / DfCS					?							
Treasury Management Strategy	Cllr Bowyer / DfCS							21					
International Financial Reporting Standards (IFRS) Transition Project – Progress Report	Cllr Bowyer / DfCS							21		25			28
Project Management Arrangements						?							

Work Plan 2010/11

		2010						2011					
Item	Cabinet Member / Lead Officer	J	A	S	O	N	D	J	F	M	A*	M	J*
External Audit – Performance Management Arrangements	External Auditors			24									
External Audit – Review of Arrangements for Complying with Age Related Equalities Legislation	External Auditors			24									
Revenues and Benefits Update	Cllr Bowyer / DfCS					?							
Regulation of Investigatory Powers Act (RIPA)	Cllr Bowyer / DfCS							21					
Risk Champion Update								21					

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