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Date: 8 March 2012

Please ask for: Helen Rickman, Democratic Support Officer
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AUDIT COMMITTEE

Date: Friday 16 March 2012

Time: 10am

Venue: Warspite Room, Council House

Members:

Councillor Dr. Mahony, Chair

Councillor Stevens, Vice Chair

Councillors Evans, Stark and Thompson.

Independent Members:

Mr. Clarke and Mr. Stewart, plus one vacancy.

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.

Please note that unless the chair of the meeting agrees, mobile phones should be switched off and speech, video and photographic equipment should not be used in meetings.

Barry Keel
Chief Executive

AUDIT COMMITTEE

AGENDA

PART I – PUBLIC MEETING

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 - 8)

To confirm the minutes of the meeting held on 16 December 2011.

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. STRATEGIC RISK REGISTER MONITORING REPORT (Pages 9 - 22)

The Director of Corporate Services will submit a report summarising the latest formal monitoring exercise completed for the Strategic Risk Register for the period September 2011 to February 2012.

6. INTERNAL AUDIT ANNUAL PLAN 2012 - 2013 (Pages 23 - 36)

The Head of Devon Audit Partnership will submit the Internal Audit Plan for 2012 - 2013.

7. AUDIT PLAN 2011 - 2012 (Pages 37 - 56)

The Council's external auditor, Grant Thornton, will submit the Audit Plan for 2011 - 2012.

8. AUDIT FEE LETTER 2012 - 2013

The Council's external auditor, Grant Thornton, will provide a verbal update on the progress of the Annual Audit Fee letter and the audit work to be undertaken during 2012 - 2013 and the associated fee.

9. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2012 - 2013 UPDATE (Pages 57 - 68)

The Director of Corporate Services will submit the Treasury Management Strategy Statement and Annual Investment Strategy 2012 – 2013 update.

10. CENTRALISATION OF TREES UPDATE (Pages 69 - 70)

The Head of Capital and Assets will submit an update on the risk of incidents relating to trees on city council land.

11. AUDIT COMMITTEE FORWARD WORK PLAN (Pages 71 - 74)

The Committee will note the conclusion of its work programme for 2012.

12. 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(s) of Part I of Schedule 12A of the Act, as amended by the Freedom of Information Act 2000.

PART II (PRIVATE MEETING)

AGENDA

MEMBERS OF THE PUBLIC TO NOTE

that under the law, the Panel 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

Friday 16 December 2011

PRESENT:

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

Independent Members: Mr Clarke and Mr Stewart.

Also in attendance: Barrie Morris, Grant Thornton, Martin Gould, Devon Audit Partnership, Tim Howes, Assistant Director for Democracy and Governance, Malcolm Coe, Assistant Director Finance Assets and Efficiencies, Martine Collins, Revenues and Benefits Service Manager, Mike Hocking, Head of Corporate Risk and Insurance, Julie Hosking, Risk Manager, David Northey, Head of Finance, and Katey Johns, Democratic Support Officer.

The meeting started at 10 am and finished at 1.25 pm.

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

35. DECLARATIONS OF INTEREST

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

Name	Minute No. and Subject	Reason	Interest
Councillor Thompson	Minute Nos. 44 and 45 – Treasury Management Strategy and Supplement	Director of Plymouth Community Homes	Personal

36. MINUTES

Agreed the minutes of the meeting held on 23 September 2011.

37. CHAIR'S URGENT BUSINESS

Recruitment of Independent Member

The Chair reported that whilst there had been some initial interest to the advertisement no-one had actually applied for the role. The Chair had discussed the matter with the Council's Corporate Communications Manager with a view to running a new advertising campaign in the new year.

In accordance with Section 100(B)(4)(b) of the Local Government Act 1972, the Chair brought forward the above items of business in order to inform Members).

38. **FINANCIAL RESILIENCE REVIEW**

The City Council's external auditor, Grant Thornton, presented the Financial Resilience Review. Members were advised that the report focussed on the arrangements that the Council had in place in terms of financial planning and how those plans were monitored throughout the year to ensure delivery of the financial savings required. Overall, the review found that the arrangements in place were robust and that plans were clearly defined and linked well to the city priorities. However, a number of areas for improvement had been identified as follows –

- the Council should continue to develop delivery plans to meet the funding shortfall expected in 2012/13 and beyond;
- zero based budgeting, focussed on priority areas, should be developed across the Council;
- the Council should continue to ensure that delivery plans were based on realistic assumptions, that they were deliverable in the planned timescales across departments, and that there were alternative delivery plan options for implementation where intended plans were unlikely to produce the planned level of savings;
- the content of the joint performance and finance reports should be kept under review to ensure that it contains sufficient detailed information to enable appropriate action to be taken where performance or spending was not in line with expectations.

Despite this, the external auditor reported that he was very pleased with the work done by the Council and was happy to recommend the authority as an example of best practice to others.

In response to questions raised, Members heard that –

- (a) an action plan was in place to address the areas of improvement identified and this was appended to the report;
- (b) a further freeze on Council Tax was being recommended to City Council as part of the 2012/13 budget setting process. The knock-on effect of this freeze would be a £2.4m gap in funding to be found from the 2013/14 delivery plans.

The Committee welcomed the report and noted the recommendations.

39. **ANNUAL AUDIT LETTER 2010/2011**

The City Council's external auditor, Grant Thornton, presented the Annual Audit Letter 2010/11 for consideration. The Letter summarised the key messages and conclusions which had arisen from the work of Grant Thornton during their 2010/11 audit, namely –

- auditing of the 2010/11 year end accounts;
- assessing the Council's arrangements for securing economy, efficiency and effectiveness to ensure value for money is achieved;
- certification of claims and returns to various grant paying bodies.

In addition, the following key areas where the Council had not yet completed recommendations to further improve its arrangements for 2011/12 were highlighted –

- roll out of the new draft project management procedures across the Council combined with the planned training programme;

- continued refining of financial planning and control arrangements to maintain strong financial performance in an increasingly challenging financial environment.

Concerns were raised about whether the rationalisation of staff and new transparency agenda would provide increased opportunity for acts of fraud or corruption. The external auditor commented that where rationalisation of staff occurred it was sometimes possible that jobs which had responsibility for elements of internal controls could be lost or forgotten. In addition, incidents of fraud or corruption could increase as a result of the economic climate with people willing to take more of a risk.

Members were advised that the National Fraud Authority and Audit Commission had done lot of work to address these concerns and had produced a 'Fraud Resilience Self Assessment Tool' which local authorities could use. Another example of helpful material available to local authorities was the 'Fighting Fraud Locally' document, which contained good advice on identifying risk and preventing it.

The Annual Audit Letter 2010/11 was noted.

40. **CERTIFICATION WORK REPORT 2010/2011**

The City Council's external auditor, Grant Thornton, presented the Certification Work Report 2010/11 for consideration. The report –

- (a) set out the requirements for certification arrangements and the approach adopted by Grant Thornton, acting as agent for the Audit Commission;
- (b) detailed the key messages arising from the certification work, including that –
 - 6 claims and returns had been certified for the Council, amounting to £216,421,754;
 - the Council's overall performance in preparing claims and returns had slightly deteriorated since 2009/10, with one additional claim requiring amendment;
 - one claim had been identified as having significant issues and that was in respect of the Housing and Council Tax Benefit Scheme;
- (c) indicated that the fee for certification work at the Council in 2010/11 was £51,966.

In order to help Members better understand the significant issues identified in the claim relating to the Housing and Council Tax Scheme, the Assistant Director for Finance Assets and Efficiencies and the Revenues and Benefits Service Manager gave a presentation on the Revenues and Benefits Services. A copy of the presentation was tabled at the meeting.

In response to questions raised, Members heard that –

- (d) the time taken to process claims was being monitored and regularly reported in the quarterly joint finance and performance report;
- (e) the Assistant Director for Finance Assets and Efficiencies was committed to turning the service around and welcomed being held to account should the performance targets set fail to be achieved;

- (f) there had been a significant increase in the workload relating to housing benefit claims and council tax staff were being trained in order to help alleviate this pressure;
- (g) the 18 FTE posts quoted as having left the service, equated to a total of 22 employees;
- (h) the Support Services Overview and Scrutiny Panel would shortly be undertaking a task and finish group part of which would be to look at the impact of the restructure in revenues and benefits;
- (i) Officers met with both the private sector and Plymouth Community Homes to discuss the impact and consequences of legislative changes on all parties.

The Committee noted the Certification Work Report 2010/11 and agreed that four members of the Support Services Overview and Scrutiny Panel be nominated to monitor performance within the housing benefit service and recommended commencement of the task and finish group at the earliest opportunity.

(The meeting adjourned for a comfort break at 11.50 am and reconvened at 12 noon)

41. **OPERATIONAL RISK MANAGEMENT UPDATE REPORT**

The Head of Corporate Risk and Insurance presented an update on Operational Risk Management. The report –

- (a) outlined the continuing progress being made across services in delivering Operational Risk Registers;
- (b) indicated that the total number of operational risks had decreased from 131 to 113, comprising one high (red) risk, 66 medium (amber) risks, and 46 low (green) risks;
- (c) provided commentary on the high risk areas together with details of the control actions/mitigation in place;
- (d) included information on how risk management was being embedded in the Council's core business processes.

A number of queries were raised in regard to the arrangements put in place to mitigate the risk of failing to maintain trees on the corporate estate. As the specifics of this arrangement fell outside the remit of the Head of Corporate Risk and Insurance it was suggested that the relevant officer be invited to attend the next meeting of the Committee.

The Committee noted the Operational Risk Management Update and agreed that the relevant officer be invited to the next meeting to update Members on the amber risk – failure to maintain trees on the corporate estate.

42. **SIX MONTHLY INTERNAL AUDIT PROGRESS REPORT**

The Head of Devon Audit Partnership presented the Six Monthly Internal Audit Progress Report. The report –

- reviewed audit work carried out since April 2011;
- commented on current commitments and performance;
- outlined proposed audit coverage for the remainder of the financial year.

In response to questions raised, Members heard that –

- (a) all of the anecdotes contained in the report were from Plymouth clients;
- (b) sickness levels were higher than anticipated due to a couple of incidents of long-term absence. As Devon County Council was the employing authority for Devon Audit Partnership staff, any long-term absences were referred to its wellbeing at work service which was generally very successful at getting people back to work. Cases which were not successful were pursued through the informal absence stage and ultimately dismissal. Despite this, delivery of the audit plan was still on target;
- (c) the Audit Management System was working well with previous connectivity problems having been resolved. Information could now be downloaded to laptops and staff were able to work offline.

The Committee noted the report.

43. **CONSTITUTION UPDATE**

Further to minute 64 of the Audit Committee meeting held on 21 January 2011, the Assistant Director for Democracy and Governance, updated the Committee on progress following the Annual Review of Financial Regulations. Members were advised that –

- (a) five recommendations had been agreed at that meeting as follows –
 - (1) the proposal to incorporate the Financial Rules within the overall Constitution be noted;
 - (2) the proposed changes to the virement delegation limits be recommended to Council;
 - (3) the new Finance Rules be recommended for discussion at Council; the same to be attached to the Constitution as an appendix;
 - (4) the Capital Governance Document outlining the detailed arrangements for managing and monitoring the capital programme be approved and added to the Finance Rules Index, subject to new schemes costing up to £100,000 being approved by the relevant Cabinet Member;
 - (5) no project manager should be appointed to any project (revenue or capital) prior to having undertaken relevant project management training;
- (b) recommendations (1)-(3) had been addressed through the Constitutional reforms agreed at City Council on 5 December 2011;
- (c) the delegation tables which went to Council in June and December as part of the Constitution were slightly different from those which were seen by the Committee

as they had now been simplified, made consistent and were easier to understand. In addition, the officer delegation limit had increased from £100,000 to £200,000;

- (d) with regard to recommendation (4), the Finance Rules have the Cabinet Member and appropriate Director as consultees;
- (e) with regard to recommendation (5), the Council ensured that appointments to project management roles had the necessary skills and capabilities and this would be tested as part of any recruitment process;
- (f) changes in the delegation limits reflect the following broad rule –
 - Director Up to £200,000
 - Executive Up to £500,000
 - Council Above £500,000

The broad rule set out in the draft to the Audit Committee had a £100,000 ceiling on Director authority. The reference to third and fourth tier managers had also been removed to be replaced with Assistant Director;

- (g) whilst policies including the Whistleblowing policy were covered by the Audit Committee, the new Constitution gave the Standards Committee a concurrent role in relation to these matters.

The Committee noted the update.

44. **TREASURY MANAGEMENT STRATEGY 2011/2012 MID-YEAR REVIEW**

The Head of Finance presented the Treasury Management Strategy 2011/12 Mid-Year Review. The report provided the Committee with an update on the progress and outcomes against the Treasury Management Strategy for the six month period ending 30 September 2011, including details of –

- New borrowing
- Debt rescheduling
- Investment activity
- Benchmarking
- Compliance with Prudential Indicators
- the latest Icelandic Bank situation

Discussion focussed on the pros and cons of paying less interest on the Council's borrowing compared to receiving less interest on its investments.

(This item was taken simultaneously with minute no. 45 below).

45. **SUPPLEMENT TO TREASURY MANAGEMENT STRATEGY UPDATE SUBMITTED TO CABINET ON 29 NOVEMBER 2011**

The Head of Finance presented the update to the Council's investment policy/strategy as approved by Cabinet on 29 November 2011. The Committee was advised that amendments were required

to the Strategy and as the next meeting was not until March approval would need to be delegated to the Director for Corporate Support in consultation with Chair and Vice-Chair.

Agreed that –

- (1) approval of the Treasury Management Strategy be delegated to the Director for Corporate Support in consultation with Chair, Vice-Chair and Councillor Thompson;
- (2) the Strategy would be brought back to the next meeting in March 2012.

(This item was taken simultaneously with minute no. 44 above).

46. **AUDIT COMMISSION UPDATE**

The Committee considered the letter from the Audit Commission to the Council's Chief Executive. The letter informed the Council that –

- (a) 13 potential providers had been invited to submit tenders as part of the procurement exercise to outsource the work of the Commission's in-house audit practice;
- (b) the procurement process had three key stages –
 - decision-making about the award of contracts;
 - determining the length of contracts;
 - appointment of auditors to individual bodies

and set out the arrangements for each of these stages.

Members were further advised that a further update would be presented to the next Audit Committee meeting in March 2012.

The Audit Commission Update was noted.

47. **AUDIT COMMITTEE FORWARD WORK PLAN**

The Committee's Forward Work Plan for 2011/12 was noted.

48. **EXEMPT BUSINESS**

There were no items of exempt business.

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CITY OF PLYMOUTH

Subject: Strategic Risk Register - Monitoring Report

Committee: Audit Committee

Date: 16 March 2012

Cabinet Member: Councillor Ricketts

CMT Member: Director for Corporate Services

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 September 2011 to February 2012.

The total number of strategic risks reported has increased from 31 to 33 with the addition of 2 new risks and the number of red risks has reduced from 3 to 2.

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 2012/15

The Strategic Risk Register includes links to the Corporate Plan 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:

Fin	DN	Leg	DS	HR		Corp Prop		IT		Strat Proc	
Originating SMT Member: Tim Howes, Asst Director, Democracy & Governance											

**Report of Director for Corporate Services to Audit Committee
16 March 2012**

Strategic Risk Register Monitoring

1. Introduction

1.1 The position with regard to the Strategic Risk Register was last reported to this Committee on 23 September 2011 and this report now provides a summary of the latest monitoring exercise covering the position at 29 February 2012.

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 February 2012 with the results discussed and agreed by CMT and Cabinet Planning on 21 February 2012 and 28 February 2012 respectively.

2.2 Directorate responsibility for individual risks is being reviewed in line with the senior management restructure.

2.3 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 number of strategic risks has increased from 31 to 33 with the addition of 2 new risks and there has been a reduction in red risks from 3 to 2.

New Risks

- **Amber Risk 83 – Health Inequalities - Scored 16 – (Row No. 4)**
- Interim action plan delivered in 2011. A new 3 year plan is currently under development and will be used to inform the Joint Strategic Needs Assessment and Joint Commissioning Boards.
- **Amber Risk 84 – Impact of welfare reform on Plymouth City Council and our customers — Scored 16 - (Row No. 5)**
- High level analysis being undertaken on the impact for people in Plymouth of proposed changes in welfare reforms. Working groups have been established and will be used to measure multiple impact so that social groups can be prioritised according to the support services they might need.

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

Risk Category	No. of Risks – Aug 11	No. of Risks – Feb 12	Deleted Risks Feb 12	New Risks Feb 12
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Red	3	2	0	0
Amber	21	24	0	2
Green	7	7	0	0
TOTAL	31	33	0	2

3.3 The summary at Appendix A gives a more detailed commentary on the key issues affecting each risk as at 29 February 2012.

3.4 The headline issues are:-

3.4.1 Risk Scores Unchanged

- **Red Risk 21 – MTFS Issues – (Row No. 1)**
 - No change in risk score but the situation is being closely monitored though visit to DMT's 3 times a year. Improvement Boards are also in place to oversee the "Major Change" agenda. The MTFS is being updated on the back of the 12/13 budget setting process and is due to be presented to Council in June 2012.
- **Red Risk 49 – Future of Civic Centre & Council House– (Row No. 2)**
 - A formal procurement process is being developed but if no solution is provided following that process the Council may be forced to carry out necessary works to bring the building into a 'fit for purpose' condition.
- **Amber Risk 46 – Information Governance – (Row No. 3)**
 - CMT has approved the establishment of an Information Lead Officers Group comprising directorate representatives to oversee the corporate implementation of actions to reduce risks and produce a consistent approach to information governance issues across the Council. This group is expected to be in operation by March 2012.
- **Amber Risk 33 – Capital for Education Infrastructure – (Row No. 6)**
 - Capital Settlements for 2012/13 are broadly in line with those predicted in the capital programme this being higher than initially budgeted for in early 2011 as the Government announced a one-off additional allocation of £2.5m for Basic Need. Wave 2 programme has been approved by Cabinet. Plymouth's allocation for 2013/14 will be known in December 2012 when, if necessary, programme "waves" will be adjusted to match confirmed resources.
- **Amber Risk 28 – Increase in the number of looked after children and cost pressures on independent placements – (Row No. 8)**
 - There has been a 4% increase in the number of children coming into care which is a third less than other comparable Local Authorities. In terms of future risk areas there are 2 recent developments that will increase the looked after population. A recent Judicial Review known as the Kent Judgement will result in more relatives who are carers becoming eligible for fostering allowances and, young people who are remanded to custody are likely to become classified as children in care. In mitigation to the increase, we are seeing a reduction in the cost of placements as a consequence of smarter commissioning and improved market management of independent placements; improved case scrutiny

resulting in speedier permanency outcomes and an increase in the number of in-house placements. The Child and Parent project is now in place which will enable in-house community assessments.

- **Amber Risk 52 – Delivery of Capital Programme – (Row No. 11)**
 - The Constitution, including Project Governance procedures has now been approved and Project Management training will be rolled out from January 2012 onwards. Delivery of the Capital Programme is being centralised under the Place Directorate from 1 March 2012.

3.4.2 Risk Scores Increased

- **Green Risk 70 – Delivering the transformation of Adult social Care through Putting People First Framework – Increased from 6 to 9 (Row No. 30)**
 - Restructuring of the service has impacted on rollout and has meant that we will not reach our target this year but will still increase on last year's target.

3.4.3 Risk Scores Decreased

- **Amber Risk 74 – Social Care – Client Management IT Systems (Carefirst) – Decreased from 20 to 12 (Row No. 19)**
 - Work is ongoing and benefits are being realised. Work must continue to enable roll out of functionality to support the ASC restructure and embed technologies to support the personalisation agenda.
- **Red Risk 81 – impact of trading services and loss of local authority funding through academy status- Decreased from 16 to 12 (Row No. 20)**
 - Although the rate of academy transfers has significantly slowed since 12 months ago, there is still a need to monitor the level of buy-back of local authority services by schools who are already academies and the impact of any national changes to funding transferred from LA budgets to academies. The degree of impact on services varies but is being mitigated through monitoring of individual budgets.
- **Amber Risk 72 – significant pressure on Adult Social Care budget – Decreased from 16 to 12 (Row No. 21)**
 - Financial pressures continue, but are being tightly managed and the overspend is likely to be minimal at year end.
- **Amber Risk 73 – Employee Relations – Decreased from 15 to 12 (Row No. 23)**
 - Ongoing liaison and meaningful engagement with trade unions including national office and legal teams. Various efficiency savings to be confirmed following the implementation of revised terms and conditions for staff.
- **Amber Risk 77 – Carbon Reduction Commitment (CRC) Energy Efficiency Scheme – Decreased from 15 to 12 (Row No. 25)**
 - Carbon reduction commitments for 2011 achieved via a number of initiatives,

e.g. installation of Smart Meters, and there has been a 8.5% reduction of the Council's carbon footprint in 2010/11 from a 2009/10 baseline. Plymouth City Council is ranked among the top 20% in the CRC Performance League Table.

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 August 2012.

5. Recommendation

The Audit Committee is invited to:

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

PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER FOURTEEN FEBRUARY 2012 - Summary by Risk Rating

Row No.	RISK REF	POTENTIAL RISKS IDENTIFIED	RESIDUAL RISK RATING Aug-10	RESIDUAL RISK RATING Feb-11	RESIDUAL RISK RATING Aug-11	CURRENT RESIDUAL RISK RATING Feb-12	CHANGE IN RISK RATING	COMMENTS	LEAD OFFICER	RISK CHAMPION
1	21	MTFS issues.	5	5	5	5	25	COMMENTS AUG 11: CMT & SMT have held a Delivery Plan 11/12 challenge session to highlight areas of most concern. On going CMT & DMT monitoring via monthly/quarterly reporting. COMMENTS FEB 12: The situation is being closely monitored through visits to DMTs 3 times a year. Improvement Boards are also in place to oversee the "Major Change" agenda. The MTFS is being updated on the back of the 12/13 budget setting process and is due to be presented to Council June 2012.	Malcolm Coe	Angie McSweeney
2	49	Future of Civic Centre & Council House	4	5	20	4	20	COMMENTS AUG 11: Expressions of interest in the Civic Centre have been received from developers. These have been considered and further professional advice has been taken on the options available to the Council to rationalise and improve its office accommodation. A report on the preferred option for the Civic Centre was considered by the Council's Cabinet on 23 August 2011 and approval given for a formal procurement process to be instigated. COMMENTS FEB 12: A formal procurement process is being developed but if no solution is provided following that process the Council would be forced to carry out necessary works to bring the building into a 'fit for purpose' condition.	Chris Trevitt	Angie McSweeney
3	46	Information Governance (compliance with statutory requirements for information use, security, exchange, storage and to comply with Intellectual Property obligations)	4	4	16	4	16	COMMENTS AUG 11: Information Management is now included as a mandatory item on all Operational Risk Registers, this includes Information Governance requirements. Responsibility for the assessment of all council information activity is held by the Senior Information Risk Officer (SIRO) who is seeking appointment of an Information Lead Officer from each Directorate in order to achieve a consistent approach across the council, in order to reduce the likelihood of regulatory penalties and promote citizen and intellectual property rights. COMMENTS FEB 12: The Senior Information Risk Officer (SIRO) - Director of Corporate Services - is initiating implementation of actions to reduce risks arising from an Information Governance risk evaluation in each department. This coordinating Information Lead Officers group is expected to be in operation by March in order to produce a consistent approach across the council. The object is to reduce the likelihood of regulatory penalties and work to protect citizen and business sens delivery purposes.	Neville Cannon	Richard Woodfield
4	83	Health Inequalities (Not meeting high level partnership target to reduce the gap in life expectancy by at least 10%)			New	4	16	COMMENTS FEB 12: A new 3 year plan is currently under development and will be used to inform the JSNA (Joint Strategic Needs Assessment) and Joint Commissioning Boards.	Peter Aley	Lynn Clark
5	84	Impact of welfare reform on Plymouth City Council and our customers			New	4	16	COMMENTS FEB 12: High level analysis being undertaken on the impact for people in Plymouth of proposed changes in welfare reforms. Working groups have been established and will be used to measure multiple impact so that social groups can be prioritised according to the support services they might need.	Jo Hambly / Stuart Palmer	Lynn Clark

PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER FOURTEEN FEBRUARY 2012 - Summary by Risk Rating

Row No.	RISK REF.	POTENTIAL RISKS IDENTIFIED	RESIDUAL RISK RATING Aug-10	RESIDUAL RISK RATING Feb-11	RESIDUAL RISK RATING Aug-11	RESIDUAL RISK RATING Feb-12	CURRENT RESIDUAL RISK RATING Feb-12	CHANGE IN RISK RATING	COMMENTS	LEAD OFFICER	RISK CHAMPION					
6	33	Capital for Education Infrastructure (Formerly Building schools for the future (BSF) programme (formerly Schools re-organisation.)	5	4	20	3	4	12	4	4	16	16	—	COMMENTS AUG 11: Cabinet paper in March was approved and phase 1 of Wave 1 is being delivered to the first five schools to achieve the Sept 2011 cohort. A further Cabinet paper detailing Wave 2 (Sept 2012 cohort) and outlining Waves 3-5 will be submitted in September. It is estimated that £6m funding will be required for this next phase and the government has indicated that additional money may be available but this has not been clarified which is why the risk score has increased. Feasibility work is underway. The Cabinet Paper to obtain approval for Waves 3-5 will be submitted in December 2012. COMMENTS FEB 12: Capital Settlements for 2012/13 are broadly in line with those predicted in the capital programme this being higher than initially budgeted for in early 2011 as the Government announced a one-off additional allocation of £2.5m for Basic Need. Wave 2 programme has been approved by Cabinet. Plymouth's allocation for 2013/14 will be known in December 2012 when, if necessary, programme "waves" will be adjusted to match confirmed resources.	Gareth Simmons	Andrea Langman
7	42	Health & Safety Management system	3	5	15	3	5	15	3	5	15	15	—	COMMENTS AUG 11: Senior managers completed IOSH Managing Safely course. Focused audit in waste and recycling completed by Gallagher Bassett in Jan 2011 evidencing good levels of compliance but still need to address audit programme to maintain that assurance. COMMENTS FEB 12: Formal Internal Audit programme implementation underway. A number of proactive audits have been carried out in maintained schools.	Mark Grimley	Helen Cocks
8	28	Increase in the of number of looked after children and cost pressures on Independent Placements.	4	5	20	3	5	15	3	5	15	15	—	COMMENTS AUG 11: There have been minimal increases in the total number of children in care. The diversion from care project and supporting mechanisms among Children's Social Care managers are working to ensure fewer children are placed with independent sector providers. However, in terms of future risks, new fostering regulations have the potential to impact negatively on the number of children going into the independent sector. This is because foster carers can no longer go over numbers (more than 3 children) their age approval profile for more than 6 days. We are actively managing this situation by reviewing the age approval profile of all current in house foster carers. COMMENTS FEB 12: There has been a 4% increase in the number of children coming into care which is a third less than other comparable Local Authorities. In terms of future risk areas there are 2 recent developments that will increase the looked after population. A recent Judicial Review known as the Kent Judgement will result in more relatives who are carers becoming eligible for fostering allowances and, young people who are remanded to custody are likely to become classified as children in care. In mitigation to the increase, we are seeing a reduction in the cost of placements as a consequence of smarter commissioning and improved market management of independent placements; improved case scrutiny resulting in speedier permanency outcomes and an increase in the number on in-house placements. The Child and Parent Project is now in place which will enable in-house community assessments.	Mairead MacNeill	Angela Langman

PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER FOURTEEN FEBRUARY 2012 - Summary by Risk Rating

Row No.	RISK REF.	POTENTIAL RISKS IDENTIFIED	RESIDUAL RISK RATING Aug-10	RESIDUAL RISK RATING Feb-11	RESIDUAL RISK RATING Aug-11	RESIDUAL RISK RATING Feb-12	CURRENT RESIDUAL RATING	CHANGE IN RISK RATING	COMMENTS	LEAD OFFICER	RISK CHAMPION
9		Potential legislative non-compliance of PCC buildings due to fragmented ownership and responsibility	P	P	P	P	5	15	COMMENTS AUG 11: Consideration of centralising the internal ownership of Council land and buildings following initiatives like stock transfer to ensure continuing legislative compliance and provide a clear and efficient service to customers. With further future potential operational changes arising from the Council's accommodation strategy a consistent approach to management of council property is required to ensure opportunities for efficiencies are maximised and potential risks are minimised. Adoption of a Corporate Landlord model is planned to take on responsibility for all land and buildings and extend current agreements for legislative compliance to all property. COMMENTS FEB 12: The Corporate Landlord Initiative has now been adopted and goes live 1 March 2012. No change to risk score at this time as it is too early to measure the impact of this initiative.	Chris Trevitt	Angie McSweeney
10	59	Financial Risk associated with contaminated land	3	5	3	5	3	15	COMMENTS AUG 11: The highest priority site was investigated, found to be contaminated and the land remediated. We are currently in the process of returning it to a condition it can be used as before. The next top priority site requires intrusive investigations subject to grant funding from Government. COMMENTS FEB 12: Grant funding has been awarded for the current top priority site and investigations are progressing. Preparations are in hand to apply for further funding with the next highest priority site when the bid window opens. Unknown implications for future liabilities if funding from DEFRA not available.	Jayne Donovan / Robin Carton	Lynn Clark
11	52	Delivery of Capital Programme	4	5	3	5	3	15	COMMENTS AUG 11: There has been a delay to the new Project Management Procedures due to a delay in approval of the new Constitution of which they form part. A further review of the delivery of Capital Projects is on going. COMMENTS FEB 12: The Constitution, including Project Governance Procedures has now been approved and Project management training will be rolled out from Jan 2012 onwards. Delivery of the Capital Programme is being centralised under the Place Directorate from 1 March 2012.	Malcolm Coe	Angie McSweeney
12	67	Violent extremism	3	5	3	5	3	15	COMMENTS AUG 11: Draft Prevent Action Plan produced. 2nd Counter Terrorism Local Profile produced and responded to. COMMENTS FEB 12: "Prevent" action plan refreshed in line with new Government policy and being performance managed with partners.	Peter Aley	Lynn Clark
13	24	Violence to staff/ lone working.	3	5	3	5	3	15	COMMENTS AUG 11: Policy drafted, some funding identified and development planned. Awaiting installation of Dynamics 2011 subject to CMT financial capital approval. COMMENTS FEB 12: A prototype for PVP case management is being reviewed. This is subject to decision on how case data will be input in the system. The HR Transformation Project is considering use of an electronic form VRI to capture the data required so that, if the management decision officer a violent incident is to raise a PVP alert, then the data can be input to the PVP case without re-keying.	Mark Grimley	Helen Cocks

PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER FOURTEEN FEBRUARY 2012 - Summary by Risk Rating

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14	51	Failure to deliver sustained and accelerated economic and population growth.	3	3	3	3	3	5	15	Chris Grace / John Dixon	Anthony Davis
15	68	Failure to reach recycling targets and divert waste from landfill (Ex Failure to implement new initiatives to increase recycling rate, due to budget pressures. Initiatives agreed as part of PFI funding arrangements.)	4	4	4	4	3	4	12	Jayne Donovan / Mark Turner / Sue Lorne	Lynn Clark
16	65	Failure to deliver waste PFI Procurement for SW Devon Waste Partnership (by 2014)	4	4	4	4	3	4	12	Mark Turner	Anthony Davis

PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER FOURTEEN FEBRUARY 2012 - Summary by Risk Rating

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17	79	Reduced government grant investment into new affordable homes, renewal & regeneration programmes (Ex Reduced Homes and Communities Agency (HCA) investment into new affordable housing and regeneration programmes.)	5	5	4	3	4	12	<p>COMMENTS AUG 11: We have supported our Housing Development Partners with their bids - including factoring in PCC housing sites and await ministers decisions. For private sector housing we have changed the Assistance Policy rules to reduce grants and introduce loans to target our reduced resources where it is most effective.</p> <p>COMMENTS FEB 12: The Housing Plan sets out key priorities to target available funding and to seek innovative methods of new home delivery. We have put 11 PCC housing sites out to competition for more homes. For private sector housing we have changed the Assistance Policy rules to reduce grants and introduced loans to target our reduced resources where it is most effective. We continue to seek other resources from partners etc. to target the worst housing for improvement, aligned with energy efficiency measures.</p>	Stuart Palmer	Anthony Davis
18	60	Economic downturn affecting treasury management.	3	5	15	3	4	12	<p>COMMENTS AUG 11: Treasury Management Board is monitoring any potential impact from the current global economic situation hence the increase in risk from green to amber. It will monitor institutions used on a weekly basis and continue to seek advice from independent advisors. COMMENTS FEB 12: The global economic situation has not improved so close scrutiny is still needed to avoid any detrimental impact on treasury management. Exposure to fluctuating interest rates has diminished due to significantly reducing investments and borrowing.</p>	Malcolm Coe	Angie McSweeney
19	74	Social Care - Client Management IT Systems (Carefirst)	5	4	20	3	4	12	<p>COMMENTS AUG 11: The last few months have seen a number of significant deliverables and improvements to the tool to support frontline services but work is ongoing; as the new products go live considerable effort needs to be invested in the monitoring of the benefits realisation. The implementation of mobile technologies and introduction of new functionality within ASC will need careful review to ensure that the piloted way of working is in fact successful. However, new workstreams are being introduced in line with business pressures, which although being managed, are creating considerable additional work. Budget is on target as are approved implementation target deadlines. COMMENTS FEB 12: Work is ongoing and benefits are being realised but the programme of work in ongoing to ensure they are maximised. Work must continue to enable roll out of functionality to support the ASC restructure as well as embed technologies to support the personalisation agenda.</p>	Karen Poole	Angie McSweeney
20	81	Impact of trading services and loss of local authority funding through academy status	New	4	16	4	3	12	<p>COMMENTS AUG 11: SLA and contracts have been drafted. The effect to date on LA budgets has been modelled and fed into the Dedicated Schools Grant budgets both within schools and the LA. To date only 1 further primary school has expressed an interest in becoming Academy - no fixed date for transfer. If further schools expressed an interest then more work would need to be carried out on the future resourcing of maintained schools. COMMENTS FEB 12: Although the rate of academy transfers has significantly slowed since 12 months ago, there is still a need to monitor the level of buy-back of local authority services by schools who are already academies and the impact of any national changes to funding transferred from LA budgets to academies. The degree of impact on services varies but is being mitigated through monitoring of individual budgets.</p>	Gareth Simmons	Andrea Langman

PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER FOURTEEN FEBRUARY 2012 - Summary by Risk Rating

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21	72	Significant pressure on Adult Social Care budget	4	4	4	4	4	12	<p>COMMENTS AUG 11: The Programme Board continues to regularly monitor performance and delivery plans. Milestones of 30% of service users receiving a personal budget by end of March 10/11 was reached. COMMENTS FEB 12: Financial pressures continue but are being tightly managed and the overspend is likely to be minimal at year end.</p>	Pam Marsden	Lynn Clark
22	36	Management of Employee Stress	3	5	15	3	4	12	<p>COMMENTS AUG 11: Introduction of employee assistance programme to address issues at an earlier stage and encourage colleagues to take control of their situation giving them the tools to do this. Targeted stress reduction plan. New business plan templates updated to include commitment to assessing risk in each service area. COMMENTS FEB 12: Team stress risk assessments are complete. Workplace options service in place and being used. Thorough review of approach to resilience in 12/13 business plan year.</p>	Mark Grimley	Helen Cocks
23	73	Employee Relations	4	5	20	3	4	12	<p>COMMENTS AUG 11: Negotiations with GMB, Unite & Unison agreed. New Terms & Conditions to start on 1st September 2011. COMMENTS FEB 12: Ongoing liaison and meaningful engagement with trade unions including national office and legal teams. Various efficiency savings to be confirmed following the implementation of revised terms and conditions for staff.</p>	Mark Grimley	Helen Cocks
24	47	Concessionary Fares	3	5	15	3	4	12	<p>COMMENTS AUG 11: The reimbursement scheme was accepted by operating companies and no challenge was made during the prescribed period to the end of May 2011. This reduces the risk of increases in costs to the Council for the current financial year. Monitoring will continue on a monthly basis to actively manage and report trends. COMMENTS FEB 12: The 2012/13 reimbursement rate has been published and meetings held with operating companies (OPCOs). It is not expected that the rate will be challenged but there is a two month period from April 1st for appeals to the Secretary of State if companies feel that they are "worse off". We will continue to engage with OPCOs to minimise the risks.</p>	Clive Perkin / Adrian Trim	Anthony Davis
25	77	Carbon Reduction Commitment (CRC) Energy Efficiency Scheme	4	5	20	3	4	12	<p>COMMENTS AUG 11: Tax burden has been reduced by over £100k by migrating street lighting from active to passive HH metering. This loop hole will be closed in April 2014. Energy Management system acquired to improve carbon data management capability. 65% of the Early Action Metric has been fulfilled through achieving the ISO 14064 (CEMARS) standard and installing AMRs across schools and corporate buildings. This will improve our ranking in the first Performance League Table published in October 2011. The annual and footprint reports for 2010/11 have been submitted to the Environment Agency on the 28th July after the successful completion of an internal audit to provide assurance that PCC has fulfilled its obligations to the CRC EE scheme. COMMENTS FEB 12: Carbon reduction commitments for 2011 achieved via a number of initiatives, e.g. installation of Smart Meters and there has been a 8.5% reduction of the Council's carbon footprint in 2010/11 from a 2009/10 baseline. PCC is ranked among the top 20% in the CRC Performance League Table.</p>	Chris Trevitt	Angie McSweeney

PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER FOURTEEN FEBRUARY 2012 - Summary by Risk Rating

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26	54	Data Quality Management/Providing inaccurate information	3	4	12	3	4	12	COMMENTS AUG 11: Internal audit will conduct an audit of performance indicators included in the performance framework in Jan 2012. Further audit work will take place during the Adult and Children's data returns in May 2012. COMMENTS FEB 12: Internal Audit are currently undertaking an audit of corporate performance indicators. Findings will help improve the accuracy of performance information.	Giles Perritt	Patrick Hartop
27	30	Unavailability of ICT	3	3	9	2	5	10	COMMENTS AUG 11: The likelihood is lower due to infrastructure improvements, but the impact of losing ICT services as the result of an unplanned event has now increased. However funding is now in place for network upgrade which will improve resilience. A business case has been put forward for a second data centre which will improve Disaster Recovery. Further lessons to be learnt following a recent failure. COMMENTS FEB 12: A network upgrade is reducing known points of failure and a contract to build a second data centre to provide resilience / disaster recovery is in place. However, the contract for the fit out of the second data centre has not yet been agreed and if the Civic Centre is refurbished the first data centre will be taken out of operation, thus reducing the resilience / disaster recovery back to the current capability. Processes have been improved to minimise unplanned events and reduce discovery times, but there is a continuing risk of unavailability of ICT until two data centres are in place.	Malcolm Coe	Richard Woodfield
28	14	Fraud	2	5	10	2	5	10	COMMENTS AUG 11: The NFI matches are now back from the Audit Commission following the data extracts submitted in October 2010. Council departments have been working with Devon Audit Partnership to investigate the matches and the results of these are being collated. Devon Audit Practice continues to monitor progress and be a point of contact for queries/further action. The Bribery Act came into force in July 2011 and a briefing paper will be issued to Audit Committee and Council staff on its implications. COMMENTS FEB 12: Briefing paper on implementation of the Bribery Act has been presented to Audit Committee and further work will be undertaken to educate members and staff. The checking of NFI matches received from the Audit Commission has come to an end. The results of the exercise are being collated and will be reported in due course. Investigations are on-going in a number of cases highlighted by the matching process.	Dominic Measures	Mike Hocking
29	08	Business continuity planning in line with Civil Contingencies Act 2004 statutory responsibilities.	2	5	10	2	5	10	COMMENTS AUG 11: All plans have now been signed off. COMMENTS FEB 12: Update on Departmental Recovery Plans underway following recent industrial action. Successful activation of the Business Coordination Centre carried out on the day of the industrial action.	Giles Perritt	Scott Senior
30	70	Delivering the transformation of Adult Social Care through Putting People First framework	2	3	6	2	3	9	COMMENTS AUG 11: Target of 30% of service users receiving a personal budget was achieved March 2011. New operating system currently being rolled out. COMMENTS FEB 12: Restructuring of the service has impacted on rollout and has meant that we will not reach our target this year but will still increase on last year's target.	Pam Marsden / Paul Francombe	Lynn Clark

PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER FOURTEEN FEBRUARY 2012 - Summary by Risk Rating

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31	80	Planning Obligations - implications of new legal framework and current economic circumstances.	3	4	12	2	4	8	COMMENTS AUG 11: Good progress being made towards Community Infrastructure Levy, with Cabinet approving timetable on 12 July 2011; ongoing liaison with PINS and CLG regarding planning inspector's interpretation of tariff approaches to mitigating development impacts. COMMENTS FEB 12: Work still on track with Cabinet agreeing the Draft CIL Charging Schedule and the amended Planning Obligations & Affordable Housing Supplementary Planning Document for public consultation.	Jonathan Bell	Anthony Davis
32	76	Not getting government funding to build Efford Gypsy site	4	4	16	4	4	8	COMMENTS AUG 11: A plan to identify a preferred bidder to develop the site was agreed by Cabinet in August. COMMENTS FEB 12: A plan to identify a preferred bidder to develop the site was agreed by Cabinet in Aug 2011. Options are being considered following invitations to express an interest in acquiring a lease and a government funding opportunity.	Peter Aley	Lynn Clark
33	69	Contribute and support the development of the Plymouth Life Centre at Central Park	2	3	6	2	3	6	COMMENTS FEB 12: Project on programme and on budget. COMMENTS FEB 12: Progress on site is very good with the building clearly coming together well. The professional team is working through the handover arrangements, snagging the building already and monitoring the completion programme. The operator, Everyone Active, is well into its mobilisation arrangements with the majority of the fit-out items having been procured already. Leisure Partnership Manager appointed to Leisure Management Contract and will be the key focal point between operator, Council and the sporting governing bodies and other partners.	James Coulton / Tony Hipwood	Lynn Clark
<p>* P = Probability Rating (1 = Low, 5 = High) * I = Impact Rating (1 = Low, 5 = High) Maximum Score 5 x 5 = 25</p> <p>NB. Risks scored 12 or above will be the subject of priority monitoring</p>											

CITY OF PLYMOUTH

Subject: Internal Audit Plan 2012/13
Committee: Audit Committee
Date: 16 March 2012
Cabinet Member: Cllr Ricketts
CMT Member: Director for Corporate Services
Author: Martin Gould, Head of Devon Audit Partnership
Contact: Tel: (01752 (30) 6710
Email: martin.gould@devonaudit.gov.uk
Ref: AUD/MG
Part: I

Executive Summary:

This report provides information on the legislative requirement for local authorities to provide an Internal Audit (IA) service in accordance with the Accounts and Audit Regulations 2006; the need for an annual risk-based IA plan to be prepared; and the methodology of identifying the audit needs for the Authority.

The report comments on the delivery of the Council's Internal Audit provision by Devon Audit Partnership (DAP) which is a shared service arrangement between Plymouth City, Torbay and Devon County Councils and which commenced on 1st April 2009.

This report comments on IA resources available to carry out the 2012/13 plan, and identifies the work to be carried out analysed between systems / procurement reviews, IT audits, school's reviews, anti-fraud work, consultancy, corporate governance, contingency and other chargeable work. The report also contains details of the specific audit reviews to be undertaken.

Corporate Plan 2010-2013 as amended by the four new priorities for the City & Council

The work of the Internal Audit assists the Authority in maintaining high standards of public accountability and probity in the use of public funds. The Service has a role in promoting high standards of service planning, internal control, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations. In addition, the delivery of the Internal Audit plan assists all directorates in meeting their Improvement Priorities and achieving the shared priorities for the City and the Council.

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

None

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

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

Recommendations and Reasons for recommended action:

It is recommended that:

1. The report be noted
2. The proposed Internal Audit Plan for 2012/13 at Appendices 1 and 2 be approved.

Alternative options considered and reasons for recommended action:

The Accounts and Audit Regulations 2003, 2006 and 2011 require that the Authority maintains an adequate and effective system of internal audit and the annual audit plan sets out the Authority's intentions and commitment in this respect. No alternatives have, therefore, been considered.

Background papers:

Accounts and Audit Regulations 2003 and 2006

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

Fin	MC 05/3/1 2	Leg	1423 6/DV S	HR		Corp Prop		IT		Strat Proc	
Originating SMT Member: Head of Devon Audit Partnership											

INTERNAL AUDIT SERVICE – ANNUAL AUDIT PLAN 2012/13

I. INTRODUCTION

- 1.1 All principal Local Authorities, including Plymouth City Council, are subject to the Accounts and Audit Regulations 2003 (as amended), and the Accounts and Audit Regulations 2006 and 2011, which require that the Authority should make provision for Internal Audit in accordance with the CIPFA Code of Practice for Internal Audit in Local Government (the Code).
- 1.2 The Code requires, inter alia, that Internal Audit should prepare an annual risk-based plan for approval by the Audit Committee. In addition the Code requires that the Chief Internal Auditor should provide, annually, an opinion on the overall adequacy and effectiveness of the Council's internal control environment.
- 1.3 This audit plan has been drawn up, therefore, to enable an opinion to be provided at the end of the year in accordance with the above requirements.

2. AUDIT NEEDS ASSESSMENT

- 2.1 The audit plan for 2012/13 plan has been identified by:
 - Adopting a risk based priority audit planning tool to identify those areas where audit resources can be most usefully targeted. This involves scoring a range of systems, services and functions across the whole Authority, known as the "Audit Universe" using a number of factors/criteria. The final score, or risk factor for each area, together with a priority ranking, then determines an initial schedule of priorities for audit attention;
 - Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including the introduction of new systems and corporate initiatives;
 - Taking into account results of previous internal audit reviews;
 - Taking into account Internal Audit's knowledge and experience of the risks facing the Authority, including factors and systems that are key to successful achievement of the Council's delivery plans;
 - Requirements to meet the "managed audit" approach with the external auditors;
 - Consideration of risks identified in the Authority's strategic and operational risk registers.

The resultant Internal Audit Plan for 2012/13 is set out in Appendices 1 and 2.

3. INTERNAL AUDIT PARTNERSHIP

- 3.1 Since 1st April 2009 the Internal Audit Service for Plymouth City Council has been delivered by the Devon Audit Partnership (DAP). This is a shared service arrangement between Plymouth City, Devon County and Torbay Councils and is constituted under section 20 of the Local Government Act 2000.

- 3.2 Although delivery of each authority's audit requirements is resourced by DAP, each authority's audit plan for 2012/13 has been prepared individually as hitherto, although some cross partner reviews have also been undertaken.

4. INTERNAL AUDIT RESOURCES

- 4.1 Based upon our detailed risk assessment process we consider that 1,738 days of internal audit input will be required for Plymouth City Council in 2012/13.
- 4.2 In order to provide a cost-effective service and good value for money to all of our clients it is important that emphasis is given to minimising costs, particularly overheads, and maximising the efficiency and effectiveness of the audit processes. There is regular monitoring and management review of performance within the team over the year and we participate in the annual CIPFA benchmarking comparisons with other Internal Audit functions to demonstrate that Devon Audit Partnership provides a cost-effective service.

5. PLANNED AUDIT COVERAGE 2012/13

- 5.1 Appendix 1 shows a summary of planned audit coverage for 2012/13 totalling 1,738 direct days (excluding Schools). A more detailed analysis of proposed audit reviews is provided in Appendix 2. It should be borne in mind that, in accordance with CIPFA's Code of Practice for Internal Audit, the plan needs to be flexible to be able to reflect and respond to the changing risks and priorities of the Authority and, to this end, it will be regularly reviewed with directorates, and updated as necessary, to ensure it remains valid and appropriate. As a minimum, the plan will be reviewed in 6 months to ensure it continues to reflect the key risks and priorities of the Council given the significant changes across the public sector.
- 5.2 Detailed terms of reference will be drawn up and agreed with management prior to the start of each assignment – in this way we can ensure that the key risks to the operation or function are considered during our review. The following paragraphs give a brief overview of the focus of proposed audit coverage for the year:-

Systems / Procurement / Cross Cutting Reviews

- 5.3 A key element of the IA Plan for the year is to undertake reviews of the Authority's material systems. The International Standards for Auditing (ISA) require that an annual review is carried out of the effectiveness of controls for each of the Council's systems from which the balances and disclosures in the Authority's accounts are derived. Under the Managed Audit arrangements, the External Auditor looks to place reliance on the work undertaken by Internal Audit to assist them in determining their opinion as to whether or not the annual accounts provide a true and fair view of the Council's financial position. This framework for co-operation helps to lessen the disruption to staff in the service areas and minimises the external audit fee.

- 5.4 We shall also review other areas that are assessed as posing a risk to the Council and these include the implementation of the new payroll system, risk management, business continuity and health integration.
- 5.5 At the end of the year there will always be part of our work that is “work in progress” – this may require testing to be completed, the working papers to be reviewed by audit management, or the draft / final report to be agreed with management. Time has been allocated to ensure that all “in progress” planned audits carried forward from 2011/12 can be completed in 2012/13 to the expected standard.
- 5.6 The Authority relies on a range of information systems to deliver its diverse and complex business needs. ICT will also be instrumental in delivering significant parts of the proposed Council wide change programme. The ICT audits included in the 2012/13 audit plan have been prioritised using the same risk analysis methodology as the rest of the audit plan and accordingly reflects areas that appear in the strategic and operational risk registers. The proposed plan of activity includes reviews of key business applications and ICT operational processes that support ongoing service delivery and service design and transition to meet future demands.

Anti Fraud

- 5.7 Counter-fraud arrangements are a high priority for the Council and Internal Audit will continue to investigate instances of potential fraud and irregularities referred to it by managers, and will also carry out pro-active anti-fraud and corruption testing of systems considered to be most at risk to fraud. In recognition of the guidance expected in the new Fraud Strategy for Local Government and the recent Audit Commission publication “Protecting the Public Purse” greater audit resource will be allocated to this area to allow more focus on identifying and preventing fraud before it happens.
- 5.8 The Audit Commission runs a national data matching exercise (National Fraud Initiative) every two years. The next exercise is due to be undertaken in the coming year and Internal Audit will work with relevant departments to ensure that the required data sets are extracted from the appropriate Council systems as required by the Audit Commission, in accordance with their data specifications. These are due to be uploaded to the NFI web application in October 2012.

Consultancy / Advice

- 5.9 Internal Audit will continue to be consulted by all departments throughout the Authority on many and varied topics including, for example, interpretation of Financial Regulations/Standing Orders, corporate governance, internal controls, legislation (e.g. Data Protection), security, letting of contracts, PC/network access etc. The pro-active involvement of Internal Audit in risk and control issues, relating to new systems and changes, assists in protecting the Authority from loss, fraud and abuse.
- 5.10. In addition Internal Audit will continue to support major projects throughout the Council providing advice and input into key developments and initiatives such as the revised payroll system and several procurement exercises.

Corporate Governance

- 5.11 Over recent years Internal Audit has become increasingly involved in several corporate governance and strategic issues, and this involvement is anticipated to continue during 2012/13, eg Audit Committee, Annual Governance Statement, risk management etc.

External Clients - Schools Audits

- 5.12 The Financial Management Standard in Schools (FMSiS) has now been abolished and replaced by the Schools Financial Value Standard (SFVS). The revised standard was developed by Department for Education (DfE) to replace the FMSiS to help governors, in particular, in self-evaluating the quality of their financial management and to aid in improving schools financial management. The Standard is intended to cover standards and processes that should already be in place in schools, and reduce the bureaucracy of the former FMSiS.
- 5.13. The DfE announced the SFVS at the very end of the Summer Term with an implementation date of 1st September 2011 and have set 2 key deadlines for achievement. All schools that were not accredited to FMSiS will need to submit their SFVS Self-assessment to their LA by the 31st March 2012 and those schools that were accredited will need to submit their SFVS Self-assessment before the 31st March 2013. The purpose of the SFVS is to make the best use of resources in the education system, to achieve the best possible outcomes for children. DfE have made this a mandatory requirement for all schools and are changing the scheme of delegation to fit this requirement.
- 5.14. Audit of the control and governance arrangements within schools will continue to be carried out on a three year cyclical basis and all the key elements that were in FMSiS and now in SFVS, and which were formerly audited by us, will continue to be covered. We were part of the DfE consultation and pilot study on the SFVS and we have incorporated the SFVS into the school audit programme. Our Audit Programme has been tailored to fit with the SFVS standard from the 1st September 2011 in order to support schools and maintain efficiency. We have also developed support through our webpages with:
- model answers;
 - key timelines guidance;
 - training programme to be delivered through Autumn and Spring.

- 5.15 The Government's drive to encourage schools to become academies is firmly in place and, to date, 13 schools have become (or are just about to become) academies and leave the LA control. Because there is no requirement for academy schools to have internal audit this represents, potentially, lost business to DAP. We have had some success in the process of advertising and bidding for "responsible officer" work with the academies and, although we have had no success with Plymouth schools to date, we do have agreements in place with some Devon and Torbay Schools. Non-academy schools (still within LA control) are currently choosing their options for the coming years' services and we anticipate, based on previous experience, a high level of take-up from the remaining schools.
- 5.16 All the above means that there is considerable uncertainty over the amount of input that will be commissioned from Plymouth schools from the Devon Audit Partnership. Based on our current understanding we expect that we will provide in the region of 189 days – however this will be subject to ongoing change to meet individual school needs.

6. PARTNERSHIP WORKING WITH OTHER AUDITORS

- 6.1 We will continue to work towards the development of effective partnership working arrangements between ourselves and other audit agencies where appropriate and beneficial. We will participate in a range of internal audit networks, both locally and nationally, which provide for a beneficial exchange of information and practices. This often improves the effectiveness and efficiency of the audit process, through avoidance of instances of "re-inventing the wheel" in new areas of work which have been covered in other authorities.

7. RECOMMENDATIONS

- 7.1 It is recommended that:-
- (i) The report be noted
 - (ii) The proposed Internal Audit plan for 2012/13 at Appendices 1 and 2 be approved

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APPENDIX 1

INTERNAL AUDIT**SUMMARY WORK PROGRAMME 2012/13**

	TOTAL DAYS	%
Systems / Procurement / Cross Cutting / ICT	1110	64
Anti-fraud / NFI	246	14
Consultancy / Advice	88	5
Corporate Governance	88	5
Contingency	98	6
Other Chargeable Activities	108	6
Total Audit Days	1738	100

External Clients	TOTAL DAYS
Schools	189

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Plymouth City Council Detailed Plan

Please note that subject areas are subject to change as new initiatives and / or risks emerge.

System/Procurement/Cross Cutting Reviews

System	System Priority
<u>Material Systems</u>	
Payroll	Must Do
Housing Benefits	Must Do
KFS Access Controls	Must Do
Revenues & Benefits System Parameters	Must Do
Creditors	Must Do
Main Accounting System	Must Do
CareFirst – Domiciliary Care Services	Must Do
Council Tax	Must Do
CareFirst – Children Independent Placements	Must Do
Debtors	Must Do
Loans & Investments	Must Do
Capital Accounting (Asset Register)	Must Do
NNDR	Must Do
CareFirst – Residential Care Payments	Must Do
CareFirst – Fostering 11/12 Follow-Up	Must Do
CareFirst – Non Residential Services Billing (NSIBS) 11/12 Follow-Up	Must Do
Cash Collection	Must Do
<u>Other Systems - Place</u>	
Plymouth Market 11/12 Follow-Up	Must Do
Commercial Leases	Medium
Planning Applications and Appeals 11/12 Follow-Up	Must Do
Blue Badges	Medium
Public Protection Services	Medium
Sec 106 11/12 Follow-Up	Must Do
<u>Other Systems - Corporate Services</u>	
Payroll System Procurement & Transfer from SAP	High
Capital Programme – Delivery 11/12 Follow-Up	Must Do
Revenues & Benefits - Subsidy Claim and Policy Changes	High
Risk Management	Medium
Award of Grants to Schools	Medium
School Financial Value Standards	Medium

<u>Other Systems - People</u>	
Impact of ASC Restructure on controls	High
Personalisation	High
Health Integration inc Health & Wellbeing Boards and Transfer of Public Health	High
Client Finance Services incl Receiverships Follow-Up 11/12	Must Do
School Census	High
Fostering and Adoption Panels Processes / EDRMS	High
Children's Disability Team (Integrated)	Medium
Proof of Concept Team (POC)	Medium
Family Group Conferencing	Medium
Tamar Education Business Partnership	Medium
Localities Co-ordination	Medium
Special Educational Needs	Medium
PAPH / Community Interest Company / Co-ordinator Arrangements	Medium
<u>Procurement / Contract Audit</u>	
New Procurement Policies and Strategies inc Management and Monitoring of Contracts	High
Waste PFI	High
Culture, Sport and Leisure Projects inc Pavilions Disposal	High
School Construction Projects	High
Sale of Civic Centre	High
P2P Project	High
Commissioning & Contracting (Adults) 11/12 Follow-Up	Must Do
Commissioning & Contracting (Children) 11/12 Follow-up	Must Do
<u>Cross Cutting Reviews</u>	
Accommodation Strategy	Medium
Corporate Information Management	High
Payment to Consultants and Advisors 11/12 Follow-Up	Must Do
Carbon Management	High
Procurement & Management of Consultants & Advisors 11/12 Follow-Up	Must Do
Business Continuity	High
Use of Purchasing Cards	High
<u>Grant / Account Certification</u>	
Smart Ticketing LSP	Must Do
Mount Edgumbe Accounts 11/12	Must Do
<u>Carry Forward Completion Work</u>	
Finalising work from 11/12	Must Do

ICT Work Programme

System	System Priority
<u>ICT Audit</u>	
Material Systems IT Issues (12/13)	Must Do
New Data Centre (inc storage & backup)	High
CareFirst 6	High
Information Security	High
Release & Deployment	Medium
CRM Dynamics AX2012	Medium
ICT Service Strategy	Medium
Academy (HB Self-Serv Portal)	Medium
Corporate Telephony System	Medium

Corporate Governance

System	System Priority
Audit Committee	Must Do
Benchmarking	High
Policy Development & Advice	High
External Audit	Must Do
Whistleblowing	High
Audit Bulletins	High
Annual Governance Statement	Must Do

Schools Audit Reviews

Establishment
School Audits
Primary & Special
Plymridge Nursery
Mount Street Primary
Stuart Road Primary
Victoria Road Primary
Plaistow Hill Infants
Mount Wise Community Primary
Austin Farm Primary
Elburton Primary
Eggbuckland Vale Primary
Yealmpstone Farm Primary
Thornbury Primary
Whitleigh Community Primary (Wood View)
Woodlands School (Wood View)
Downham Special School
Mount Tamar School
St Edward's C of E Primary
St George's C of E Primary
St Peter's C of E Primary
Plympton St Mary's C of E Infants
St Paul's Catholic Primary
St Peter's Catholic Primary
Oakwood Primary
Beechwood Primary
Riverside Community Primary
Salisbury Road Primary
Secondary
Sir John Hunt Community Sports College
Eggbuckland Community College
Notre Dame R C School

*Plymouth City Council
Audit plan 2011/12*



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An overview of your 2011/12 Audit Plan

This is our audit plan for the financial year 2011-12 for Plymouth City Council (the Council). It sets out the work that we will carry out in discharging our responsibilities to give an opinion on the Council's financial statements and a conclusion on the Council's arrangements for achieving Value for Money (VfM).

We set an indicative fee in March 2011. In setting this fee, we assumed that the general level of risk in relation to the audit would not be significantly different from that identified for 2010/11. Following the completion of the 2010/11 audit we have updated our accounts audit risk assessment.

See
Accounts audit

The new approach to local Value for Money audit work was introduced by the Audit Commission in 2010/11. In 2011/12 we will continue to give our value for money conclusion based on two reporting criteria specified by the Audit Commission.

See
Value for
money audit

As in previous years, we will use specialists from across Grant Thornton to support our work and ensure that you are getting the required levels of expertise from us.

See
Engagement team

We have used the published 2011/12 Audit Commission scale of fee for the Council as our proposed fee. The planned fee of £302,380 remains as per the Indicative Fee letter (issued in March 2011).

See
Audit fee

You will receive a number of reports and plans from us throughout the year which will provide you with the detailed conclusions of our work culminating in the issue of our Annual Audit Letter to the Council.

See
Outputs and timeline

We have considered our independence and objectivity in respect of the audit and do not believe there are any matters which should be brought to your attention. We comply with the Audit Commission's requirements in respect of independence and objectivity.

See
Appendix A

Accounts audit – introduction

Introduction

This section of the plan sets out the work we propose to undertake in relation to the audit of the 2011/12 accounts at the Council. The plan is based on our risk-based approach to audit planning and uses our assessment of the potential business and audit risks that need to be addressed by our audit and the controls the Council has in place to mitigate these risks.

The Council's responsibilities

The Council's accounts are an essential means by which it accounts for the stewardship of resources and its financial performance in the use of those resources. It is the responsibility of the Council to:

- ensure the regularity of transactions by putting in place systems of internal control to ensure that financial transactions are in accordance with the appropriate authority;
- maintain proper accounting records; and
- prepare accounts, which give a true and fair view of the financial position of the Council and its expenditure and income in accordance with International Financial Reporting Standards.

Our responsibilities

We are required to audit the financial statements and to give an opinion as to:

- whether they give a true and fair view of the financial position of the Council and its expenditure and income for the period in question;
- whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements; and
- whether the Annual Governance Statement (AGS) has been presented in accordance with relevant requirements and to report if it does not meet these requirements, or if the statement is misleading or inconsistent with our knowledge.



Accounts audit – risk assessment

Accounting risks and planned audit response

Table 1 below summarises the results of our initial risk assessment of significant financial risks facing the Council and our planned response. The majority of these are in relation to Property Plant and Equipment following our audit last year and events that have arisen as part of our planning of the 2011/12 audit and new accounting requirements. We continue to liaise closely with members of the Council's finance department on these matters in the lead up to the final accounts audit and we will discuss our approach to the audit with senior financial and departmental management. We have also agreed to undertake a final accounts planning workshop at the Council's Management Team in March 2012. The aim of this workshop is to guide accountants through the audit process and approach, focusing on our approach to analytical review and the streamlining of the audit process. We intend to undertake a further liaison session prior to the commencement of the final accounts audit in June 2012.

Table 1: Accounting risks and planned audit response

Key audit risk	Audit areas affected	Work completed
Accounting for Property, Plant and Equipment	Property plant and equipment	<p>Accounting for Heritage assets.</p> <ul style="list-style-type: none"> The Council will be required to disclose heritage assets as a separate category of assets for the first time in its 2011/12 accounts. We will review the categorisation and valuation of heritage in the first year of disclosure.
Accounting for Property, Plant and Equipment	Property plant and equipment	<p>Adoption of the new asset register</p> <ul style="list-style-type: none"> The Council have introduced a new asset register in year. We will review the transition arrangements to ensure that all data is correct. We will also perform testing on the new asset register to ensure that accurately records in year transactions accounting for the many changes notes below.

Key audit risk	Audit areas affected	Work completed
<p>Accounting for Property, Plant and Equipment</p>	<p>Property plant and equipment</p>	<p>Community Assets</p> <ul style="list-style-type: none"> We will review the reclassification of community assets following our recommendations made in our ISA260 report fort 2010/11.
<p>Accounting for Property Plant and Equipment</p>	<p>Property plant and equipment</p>	<p>Life centre and impairment of the Mayflower Centre and swimming pool.</p> <ul style="list-style-type: none"> We will review the valuation of the above assets and the any impairment and accounting entries now that they have been brought into operational use.
<p>Tamar Bridge and Torpoint Ferry Joint Committee – inclusion within the single entity accounts.</p>	<p>All areas of the financial statements</p>	<p>Tamar bridge and torpoint ferry joint committee inclusion in Plymouth City Council's accounts</p> <ul style="list-style-type: none"> Through on-going discussions with the Council and the Audit Commission – auditors for Cornwall Council, we will review the accounting treatment for the inclusion of the Tamar Bridge and Torpoint Ferry Joint Committee in Plymouth City Council's single entity accounts for 2011/12. As part of this review we will test the accounting entries and associated disclosures for accuracy. We will also consider any impact on the Group accounts and adjust our testing strategy accordingly.
<p>Disclosures and comparatives</p>	<p>HRA and bad debt provision</p>	<p>Removal of HRA and adjustments to the bad debt provision and Council tax debtors</p> <ul style="list-style-type: none"> We will continue to discuss the impact upon disclosure requirements following the removal of the Housing Revenue Account. We will review the adjustments made for the bad debt write off of Council tax debtor The Council are also performing a detailed review of the accounts and disclosure requirements. We will work with the council to agree a suitable template and way forward as part of this exercise.

Key audit risk	Audit areas affected	Work completed
<p>Control weaknesses in the Council's IT systems are not addressed</p>	<p>All areas of the financial statements</p>	<p>Using our specialist IT auditors, we will provide the Council with an expert view on the Council's IT control environment We will follow up on the reviews undertaken in 2010/11 to ensure that control weaknesses previously identified have been addressed</p>
<p>Issues arising from our 2010/11 accounts audit</p>	<p>All areas of the financial statements</p>	<p>Follow up of issues identified in previous years As part of our interim audit, we will review progress against the recommendations made in our 2010/11 ISA260 report and consider whether adequate closedown arrangements are in place for the production of the 2011/12 financial statements.</p>

Our Approach

We will utilise Voyager, our audit software package, to document, evaluate and test, where appropriate, internal controls over the financial reporting process in order to reduce our detailed testing. Voyager also helps us to comment constructively on your system of internal controls.

Our approach will be to report all findings to management so that the Council can choose to secure improvement opportunities. We report only those findings that represent a control weakness to the Audit Committee and make formal recommendations.

In all cases, we invest time with management in understanding the basis of the weakness identified and what the options are, for example mitigating controls and system modifications, for improving the system.

Planning

- Updating our understanding of the Council through discussions with management and a review of the monthly finance reports

Controls evaluation

- Reviewing the design and implementation internal financial controls including IT, where they impact the financial statements
- Assessing audit risk and developing and implementing an appropriate audit strategy
- Assessing the Council's arrangements for complying with tax legislation and Bribery Act requirements
- Testing the operating effectiveness of selected controls
- Assessing internal audit against the CIPFA Code of Practice

Substantive process

- Reviewing material disclosure issues in the financial statements
- Performing analytical review
- Verifying all material income and expenditure and balance sheet accounts, taking into consideration whether audit evidence is sufficient and appropriate

Completion

- Performing overall evaluation of our work on the financial statements to determine whether they give a true and fair view
- Determining an audit opinion
- Reporting to the Audit Committee through our ISA 260 report

Accounts audit – other issues

Additional Assurance work

To support the audit opinion for 2011/12, we will undertake the following reviews:

- VAT - work is planned to review the current arrangements the Council has in place are appropriate to ensure VAT is accounted for correctly and in accordance with current legislation
- PAYE - We will undertake a review of the arrangements the Council has in place regarding taxation associated with payroll, including National Insurance and PAYE. This will look to provide assurance over the figures recorded within the financial statements are true and fair and calculated appropriate and in accordance with current legislation
- Fraud - we will use our forensic team to review the overall adequacy of the Council's arrangements to ensure that fraud and corruption are addressed effectively.

Whole of Government Accounts

We will also review the Whole of Government Accounts (WGA) consolidation pack prepared by the Council for consistency with the Council's accounts.

Certification of Grants and Returns

In addition to our audit of the Council's financial statements and the Value for Money audit, we are required to certify grant claims and returns above predetermined thresholds.

In carrying out work in relation to grant claims and returns, Grant Thornton UK LLP acts as an agent of the Audit Commission, on behalf of the grant paying bodies. The work that the auditor is required to undertake is specified in a Certification Instruction issued by the Audit Commission for each scheme, following discussion with the grant paying body. As agents of the Audit Commission we are required to recover, in respect of each grant claim and return, a fee that covers the full cost of the relevant work undertaken. These rates are based on the hourly rates for certifying claims and returns set out in the Audit Commissions 'Work programme and scales of fees 2011-12.'

Prior to the commencement of our work we will issue a grants plan and report in full to the Council on conclusion of our certification work. We are in the process of arranging a series of planning meetings with Housing Benefit staff to agree a work programme for the BEN01 grant claim.

National Fraud Initiative (NFI)

The Council participates in the National Fraud Initiative, the Audit Commission's data-matching exercise designed to prevent and detect fraud in public bodies. We will review the Council's progress and actions in following up the matches identified.

Accounts audit – public reporting

Annual Governance Statement and External Reporting

As part of our work on the accounts audit, we will review the Annual Governance Statement (AGS) to determine if it is consistent with our knowledge of the Council.

We will assess the Council's external reporting, through the 2011/12 Annual Governance Statement and explanatory foreword to the accounts, against best practice and will use our benchmarking tool, containing data from over 200 UK local authorities, to measure the Council against existing sector practice. This will enable us to identify areas where the Council is performing well and areas where there is scope to improve to improve external reporting to move towards 'best in class' in 2011/12 and beyond.

Elector challenge

The Audit Commission Act 1998 gives electors certain rights:

- the right to inspect the accounts;
- the right to ask the auditor questions about the accounts; and
- the right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form a decision on the elector's objection. The additional work may be significant and could result in the requirement to seek legal representations on the issues raised. The costs incurred in responding to any questions or objections raised by electors are not part of the audit fee. In the event of costs being incurred as a result of elector's objections we will discuss these with the Council and, where appropriate, charge for this work in accordance with the Audit Commission's fee scales.

Value for Money Audit

Introduction

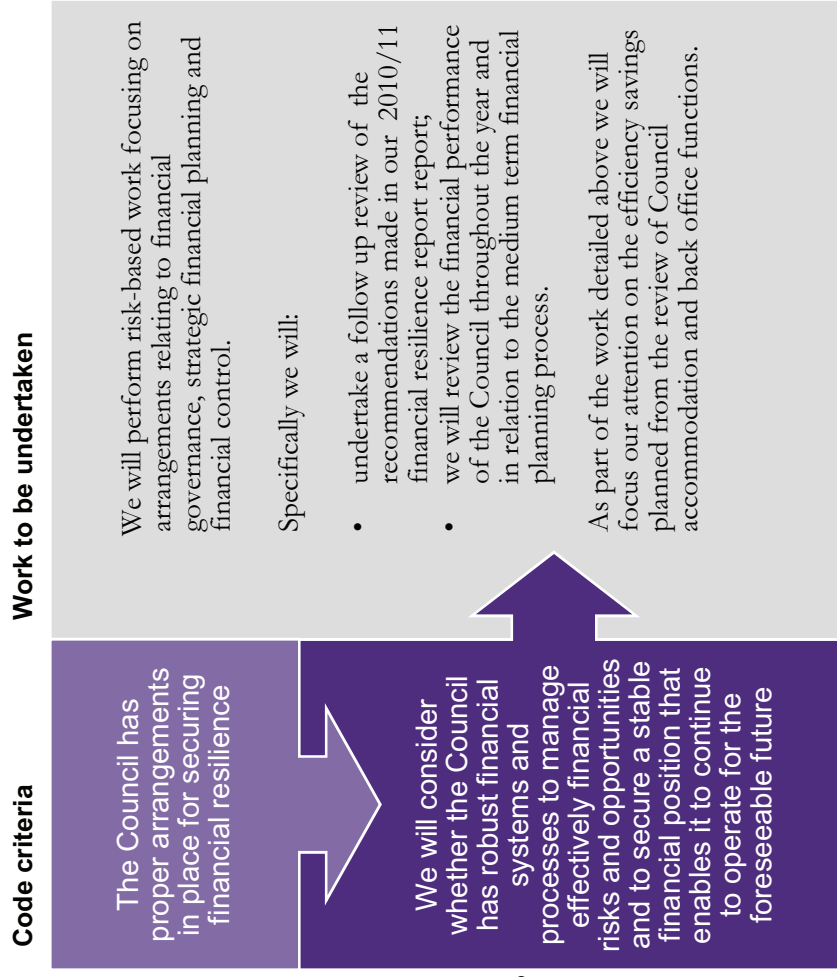
The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

2011/12 VfM conclusion

The Value for Money approach for 2011/12 remains the same as the prior year. Our VfM conclusion will be based on two reporting criteria specified by the Audit Commission:

- the Council has proper arrangements in place for securing financial resilience
- the Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

The work we will do to conclude on these criteria is summarised in the following charts: In many of the following areas we have suggested that a preliminary overview will be undertaken so that we can assess whether, further, more detailed work is required. We will agree any further work with management and update members on the progress of our work.



Value for money Audit

Code criteria

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness

We will consider whether the Council is prioritising its resources within tighter budgets

Work to be undertaken

Risk-based work focusing on arrangements for prioritising resources and improving productivity and efficiency.

Specifically we will:

- review the Council's performance against priority areas and the Council Plan taking into consideration key target areas and resultant outcomes;
- review progress made following our review of procurement in 2010/11;
- review the Council's arrangements to re-engineer elements of its service delivery processes and rationalise activities;
- perform an overview of the Council's planned ICT shared service with Health and other local organisations to ensure that there are robust project management arrangements to identify and deliver shared objectives and efficiencies.

We will tailor our VfM work to ensure that as well as addressing our high risk areas, it is, wherever possible, focused on the Council's priority areas and can be used as a source of assurance for officers and Members. Where we plan to undertake specific reviews to support our VfM conclusion, we will issue a brief specification for each review outlining the scope, methodology and timing. These will be agreed with officers and presented to Audit Committee.

The results of all our local VfM audit work and key messages will be reported in our Report to Those Charged with Governance (ISA 260 report) and in the Annual Audit Letter. We will agree any additional reporting to the Council on a review-by-review basis.



Engagement team – key contacts

Your main audit team is based in Bristol and Plymouth and are all Local Government specialists.

However, we operate as a national practice, coordinating the work of all our offices to ensure that new ideas, good practice experiences and services are developed and disseminated to all, irrespective of location.



Barrie Morris (CPFA)
Engagement Lead
0117 3057708
barrie.morris@uk.gt.com

Barrie is the Council's Engagement Lead, bringing his extensive Local Government expertise to the Council. Barrie will be a key contact for the Chief Executive, the Director for Corporate Support, other Executive Directors and Committee / Cabinet members. Barrie is responsible for the overall delivery of the audit including the quality of output and, signing the audit reports and conclusion



Geraldine Daly (CPFA)
Senior Manager
0117 3057741
geri.n.daly@uk.gt.com

Geraldine is responsible for the audit strategy, planning and liaison with key Council contacts to ensure the smooth running of the audit and the delivery of the overall audit plan.

Geraldine reviews the quality of audit outputs and ensures accuracy of reporting prior to presenting plans and reports to the Audit Committee and Cabinet members.



Emma Dowler (ACCA)
Audit Executive
0117 3057619
emma.dowler@uk.gt.com

Reporting to Geraldine, Emma is responsible for the performance of the audit fieldwork and day-to-day liaison with the Council's finance department.

Emma will be supported by a team of audit assistants



Ginette Beal (CPFA)
Performance Manager
0117 3057623
ginette.beal@uk.gt.com

Ginette is responsible for planning, management and delivery of all value for money work.

Ginette will provide feedback to the Council throughout all VFM reviews and she will report findings to Council management and Audit Committee members.

Engagement team – specialist support



Negat Sultan
IT Audit Manager
T 0161 247 5900
E negat.sultan@uk.gt.com

Negat is responsible for review of the Council's IT systems to complement the financial accounts process.



Bob Anderson
IFRS Specialist
T 020 7728 2245
E bob.anderson@uk.gt.com

Bob is responsible for the provision of specialist technical support to the audit team.

Bob will be used to provide support and advice to the Council throughout the year as it prepares its accounts for 2011/12.



Karen Smith
Advisory Specialist
T 0117 305 7778
E Karen.smith@uk.gt.com

Karen has extensive public sector experience specialising in financial, efficiency and performance reviews and transformation and change management.

Audit fee

What is the scale audit fee?

This is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2008.

It represents the Commission's best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment.

How your scale audit fee is calculated

The Audit Commission has published a scale fee for all authorities. This scale fee is based on the 2010/11 fee, which reflected our assessment of risk and complexity, reduced by 10%

Variations to the scale audit fee

Based on a thorough review by the audit team which includes discussions with Council Officers and Members, we tailor our work to reflect local circumstances. This may result in a variation upwards or downwards on the scale audit fee. Any variation to the scale fee must be approved by the Audit Commission, following agreement of the proposed fee with the Council.

2011-12 audit fee

Your external audit fee for 2011/12 is £302,380 (£335,978 in 2010/11). This is the same as the indicative fee communicated to you in March 2011, and represents a 10% reduction on last year.

The fee will be subject to review and may be revised if significant new audit risks are identified during the audit or if we are unable to progress as planned due to the timing or quality of information provided by the Council. In the event that we consider it necessary to revise the Council's audit fee upwards, we will discuss this with the Director for Corporate Support. A summary of the audit fee is shown in the table below:

Table 2: 2011/12 audit fee

Audit Area	Planned Fee 2011/12	Actual fee 2010/11
Accounts, including WGA and VFM conclusion	£302,380	£335,978
Certification of claims and returns*	Est £50,000	£ 51,966*

* the quoted fee for grant certification work is an estimate only and will be charged at published hourly rates

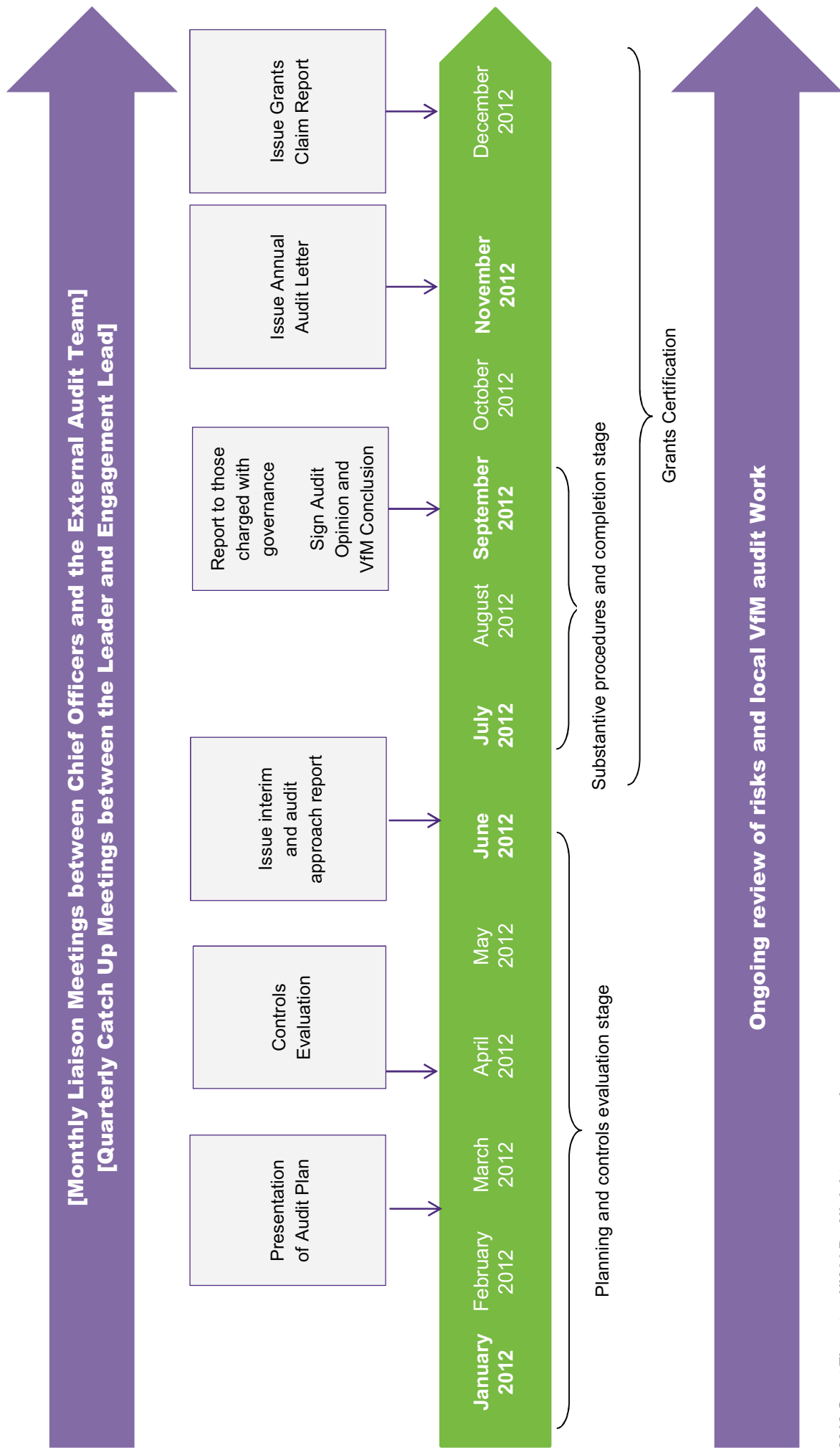
Outputs

Reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Reports are addressed to the Audit Committee and management and are prepared for the sole use of the Council. No responsibility is taken by the auditors to any member or officer in their individual capacity, or to any third party.

Output	Purpose	Issue date
Audit Plan	<ul style="list-style-type: none"> Outline audit approach for the accounts and VfM audits Identify initial high risk areas and our planned response Confirm Plan with Audit Committee 	March 2012
Interim Report	<ul style="list-style-type: none"> Report the results of the control evaluation of our audit and its impact on our planned audit approach Confirm focus areas for the audit of the accounts based on updated risk assessment Provide certain disclosures to those charged with governance under auditing standards Confirm with Senior Officers and Audit Committee 	June 2012
Report to those charged with Governance (ISA 260)	<ul style="list-style-type: none"> Highlight key issues arising from the audit and the resolution of these Communication of adjusted and unadjusted audit differences Improvement recommendations resulting from audit procedures 	September 2012
Auditor's Reports	<ul style="list-style-type: none"> Report on Plymouth City Council's financial statements Report on Plymouth City Council's value for money conclusion 	September 2012
Annual Audit Letter	<ul style="list-style-type: none"> Short summary of the key issues arising from our 2011/12 audit 	November 2012
Grant Claims Certification	<ul style="list-style-type: none"> Highlights key issues arising from our grants certification work Recommendations identified for improvement 	December 2012

Timeline



Appendix A - Independence and objectivity

We are not aware of any relationships that may affect the independence and objectivity of the audit team, which we are required by auditing and ethical standards to communicate to you.

We comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised below.

Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of my appointment. When auditing the financial statements auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).

The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.

International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:

- discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client
- confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised.

The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the audit committee. The auditor reserves the right, however, to communicate directly with the authority on matters which are considered to be of sufficient importance.

The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows:

- Appointed auditors should not perform additional work for an audited body (i.e. work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the audit plan as being 'additional work' and charged for separately from the normal audit fee.
- Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.
- The Engagement Lead responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years
- The Engagement Lead and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.
- The Engagement Lead and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment

Appendix B - Keeping you up to date

The collage consists of several overlapping presentation slides from Grant Thornton:

- Sustainable cities:** A vision of our future bidscapes. Features an illustration of a modern city with colorful buildings and green spaces.
- The Bribery Act 2010:** Spring 2011. Includes a photo of a man in a suit and a background image of Big Ben.
- Spending Review 2010 Headlines:** Spring 2011. Lists key points about the spending review process.
- Asset management:** Spring 2011. Discusses the challenges of asset management and offers solutions.
- Is your audit committee effective?:** Spring 2011. Focuses on the role and effectiveness of audit committees.
- Annual Governance Statement: adding real value?:** Spring 2011. Discusses the value of the annual governance statement.
- Surviving the storm: how resilient are local authorities?:** Summer 2011. Includes a graphic with various policy-related terms like '28% reduction in funding in funding', 'Local government faces a perfect storm', and 'Social Enterprise'.



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This proposal is made by Grant Thornton UK LLP and is in all respects subject to the negotiation, agreement and signing of a specific contract/letter of engagement.

The client names quoted within this proposal are disclosed on a confidential basis. All information in this proposal is released strictly for the purpose of this process and must not be disclosed to any other parties without express consent from Grant Thornton UK LLP

Subject: Treasury Management Strategy Statement and Annual Investment Strategy 2012/13 Update

Committee: Audit Committee
Cabinet
Full Council

Date: 16 March 2012
27 March 2012
16 April 2012

Cabinet Member: Councillor Bowyer

CMT Member: Director for Corporate Services

Author: Andrew Liddicott, Senior Accountant

Contact: Tel: 01752 307873
e-mail: andrew.liddicott@plymouth.gov.uk

Ref: Acct/AL

Key Decision: No

Part: I

Executive Summary:

This reports sets out proposed amendments to the strategy for 2012-13 approved by Council on 27th February 2012. In view of potential credit rating updates and following the advice of our independent treasury management advisors, Arlingclose, it is proposed to remove the requirement of a minimum short-term rating whilst maintaining the long-term rating requirement for new investments at A- (or equivalent). This will give the Director for Corporate Services the flexibility to react to changing credit conditions.

Corporate Plan 2012-2015:

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

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

Treasury Management affects the Council's budget in terms of borrowing costs and investment returns.

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

The volatility and uncertainty within the global financial markets continues to have a substantial effect on Treasury Management activities. The Council's investment strategy is constantly monitored and acted upon through the Treasury Management Board which meets weekly.

Recommendations & Reasons for recommended action

To recommend Full Council approve:

1. The removal of the short-term rating requirement from the criteria required for the inclusion of organisations on the Council's list of proposed Counterparties for new investments in 2012-13.
 2. The organisations and Counterparty limits as set out in Appendix A.
-

Alternative options considered and reasons for recommended action:

If we do nothing we risk the prospect of losing a number of Counterparties from our investment option including the Royal Bank of Scotland and the Lloyds Banking Group where the UK taxpayer owns a large share of these banks. We could lose the flexibility of spreading our investments between a number of UK banks and the Nationwide Building Society, systemically important to the UK economy, concentrating our credit risk in a smaller number of organisations.

Background papers:

Approved Treasury Management strategy 2012-13

Sign off:

Fin	DN/CorpF1112003 /07.03.2011	Leg		HR		Corp Prop		IT		Strat Proc	
Originating SMT Member : Malcolm Coe											

Updated Investment Strategy 2012-13

I. Approved Investment Strategy 2012-13

I.1 The Council's Treasury Management Strategy including the Investment Strategy for 2012-13 was approved by Council on 27th February 2012. This included the use of minimum credit ratings as one criteria for the consideration of the use of counterparties for investments as per an extract from the approved strategy set out below. Sections 8.6 and 8.8 of the approved strategy set out the required minimum credit ratings required for Counterparties to be included on the Council's list for possible investments.

I.2 Section 8.6 of the approved Treasury Management strategy stated:

The financial institution credit rating limits in place and proposed for 2012-13 is a minimum long-term rating of A- or equivalent and a minimum short-term rating of F1 or equivalent with a minimum long-term sovereign rating for non UK countries of AA+ or equivalent. The financial institution limit proposed is lower than the A+ minimum originally adopted in 2011/12 and is a response to downgrades in credit ratings below A+ of many institutions considered to be systemically important to the financial system. The minimum credit rating required to be met from all three credit rating agencies are:

Fitch Long-Term (LT) A- Short-Term (ST) F1
Moody's Long-Term (LT) A3 Short-Term (ST) P-1
Standard & Poor's Long-Term (LT) A- Short-Term (ST) A-1

I.3 Section 8.8 of the approved strategy stated:

Within the criteria set out above new specified and non-specified investments will be made/considered within the following limits:

Specified Investments				
Investment		Minimum Security / Credit Rating	Maximum Amount	Maximum Period
Term Deposit UK Government	DMADF (DMO)	Government Backed	No limit	12 Months
Term Deposits/Bills	UK Local Authorities: Unitary Councils County Councils Metropolitan Councils London Borough Councils	High Security	£5m	12 Months
Term Deposits / CD's / Call Accounts (including callable deposits)	UK Banks / Building Societies	Minimum credit rating: Fitch LT A- St FI Moody's LT A3 ST P-I S&P LT A- ST A-I	£30m	12 Months
Term Deposits / CD's / Call Accounts (including callable deposits)	Non-UK Banks	Minimum credit rating: Fitch LT A- St FI Moody's LT A3 ST P-I S&P LT A- ST A-I In select countries with a minimum Sovereign Rating of AA+	£5m	12 Months
Gilts	UK Government	Government Backed	20% of total investments	12 Months
T-Bills	UK Government	Government Backed	No limit	12 Months
Bonds issued by multilateral development banks	Non-UK	AAA or Government Guaranteed	20% of total investments	12 Months
Corporate Bonds	UK Companies	Minimum credit rating: Fitch LT A- St FI Moody's LT A3 ST P-I S&P LT A- ST A-I	10% of total Investment	12 Months
Commercial Paper	UK Companies	Minimum credit rating: Fitch LT A- St FI Moody's LT A3 ST P-I S&P LT A- ST A-I	10% of total Investments	9 Months
Money Market Funds	CNAV MMF's VNAV MMF's (where there is greater than 12 month history of a consistent £1 Net Asset Value)	AAA	20% of total investments Max £5m per fund limited to 0.5% of total fund value	Call
Other MMF's and Collective Investment Schemes	Various	Pooled funds which meet the definition of a Collective Investment	£10m	No set maturity date

2. Updated Investment Strategy 2012-13

- 2.1 One of the credit rating agencies (Moody's) are undertaking a review of global banks and are considering reducing the credit ratings. The original short-term ratings were set at very high levels whilst long-term ratings were reduced as set out in the extract 8.6 above. On the advice of our Treasury Management advisors (Arlingclose) it is proposed to remove the short-term rating criteria as part of the requirement for using counterparties. The revision to the Investment Strategy for 12-13 as a result of these proposed changes is set out below with the changes from the approved strategy highlighted.
- 2.2 The proposed revision to the strategy in Section 8.6 is:
The financial institution credit rating limits in place and proposed for 2012-13 is a minimum long-term rating of A- or equivalent with a minimum long-term sovereign rating for non UK countries of AA+ or equivalent. The financial institution limit proposed is lower than the A+ minimum originally adopted in 2011/12 and is a response to downgrades in credit ratings below A+ of many institutions considered to be systemically important to the financial system. The minimum credit rating required to be met from all three credit rating agencies are:
- Fitch Long-Term (LT) A-**
Moody's Long-Term (LT) A3
Standard & Poor's Long-Term (LT) A-
- 2.3 The proposed revision to the strategy in Section 8.8 of the report is:
Within the criteria set out above new specified and non-specified investments will be made/considered within the following limits:

Specified Investments				
Investment		Minimum Security / Credit Rating	Maximum Amount	Maximum Period
Term Deposit UK Government	DMADF (DMO)	Government Backed	No limit	12 Months
Term Deposits/Bills	UK Local Authorities: Unitary Councils County Councils Metropolitan Councils London Borough Councils	High Security	£5m	12 Months
Term Deposits / CD's / Call Accounts (including callable deposits)	UK Banks / Building Societies	Minimum credit rating: Fitch LT A- Moody's LT A3 S&P LT A-	£30m	12 Months
Term Deposits / CD's / Call Accounts (including callable deposits)	Non-UK Banks	Minimum credit rating: Fitch LT A- Moody's LT A3 S&P LT A- In select countries with a minimum Sovereign Rating of AA+	£5m	12 Months
Gilts	UK Government	Government Backed	20% of total investments	12 Months
T-Bills	UK Government	Government Backed	No limit	12 Months
Bonds issued by multilateral development banks	Non-UK	AAA or Government Guaranteed	20% of total investments	12 Months
Corporate Bonds	UK Companies	Minimum credit rating: Fitch LT A- Moody's LT A3 S&P LT A-	10% of total Investment	12 Months
Commercial Paper	UK Companies	Minimum credit rating: Fitch LT A- Moody's LT A3 S&P LT A-	10% of total Investments	9 Months
Money Market Funds	CNAV MMF's VNAV MMF's (where there is greater than 12 month history of a consistent £1 Net Asset Value)	AAA	20% of total investments Max £5m per fund limited to 0.5% of total fund value	Call
Other MMF's and Collective Investment Schemes	Various	Pooled funds which meet the definition of a Collective Investment Scheme per SI	£10m	No set maturity date

- 2.4 This revision in the strategy does not mean that short-term credit ratings will not be used in the consideration when adding or removing Counterparties to be used for Investments and setting maturity limits. However the decision will be based on a number of criteria as set out in section 8.12 of the approved Treasury Management Strategy 2012-13, used to assess the creditworthiness of each organisation, and not just the credit rating. This is in accordance with the updated Cipfa Code of Practice on Treasury Management.

Together with our Treasury Management advisors (Arlingclose) Council officers will ensure that this change does not expose the Council to any additional risks, and investments will be limited to organisations of systemic importance to the country's economy and only in countries within the limits set which have at least a AA+ (or equivalent) long-term rating.

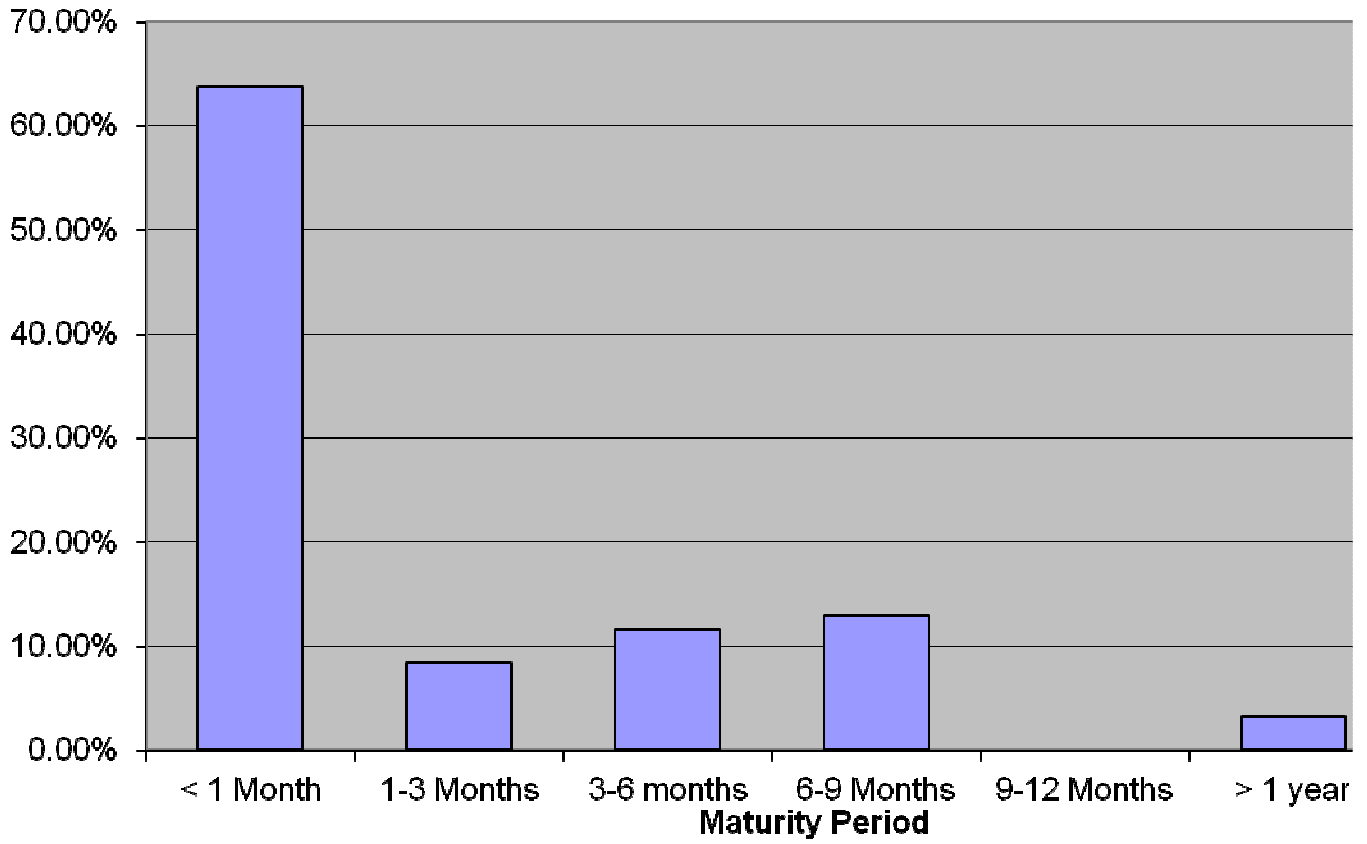
- 2.5 Appendix A to this report sets out the Organisation and Counterparty limits proposed, unchanged from the approved Treasury Management Strategy for 2012-13 but without the original required criteria of a minimum short-term credit rating.
- 2.6 Over the past 12 months as the Eurozone debt crisis as impacted on the global economy and credit conditions, the Council's loans and investments have been reduced along with the maturity profile of investment as Council officers have managed down the Counterparty and credit risk of the Council's investments.

Council loans stood at £286.373m at 31st March 2011. This has been reduced to £201.398m as at 1st March 2012 and is forecast to remain at this level to year end.

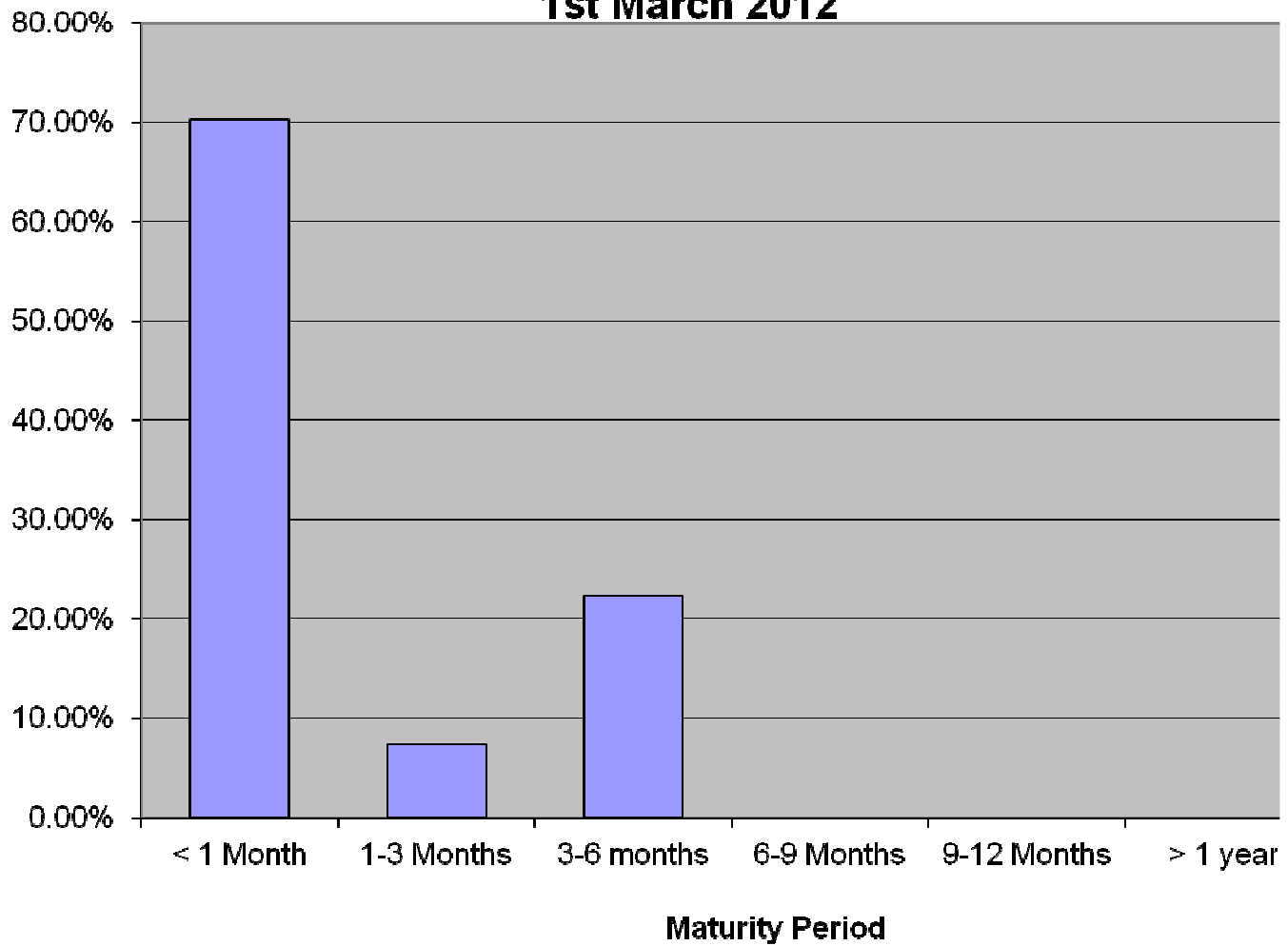
Council Investments were £165.802m at 31st March 2011 and have reduced to £76.957m (net of £14.51m held on behalf of the Local Enterprise Partnership). Net investments are forecast to fall further to year end with a forecast balance of approximately £50m at 31st March 2012.

- 2.7 Along with the reduction in risk by reducing loan and investment balances the Council's maturity profile of investments shows a reduction in the length of investment maturities as Council officers have limited investment to the use of call accounts to counteract the uncertainty in the Eurozone and its impact on banks. The charts below show the maturity profile of investments at 31st March 2011 and 1st March 2012.

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**Plymouth City Council Investment Maturity Profile
31st March 2011**



Plymouth City Council Investment Maturity Profile 1st March 2012



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PLYMOUTH CITY COUNCIL- PROPOSED COUNTERPARTIES FOR NEW INVESTMENTS (EFFECTIVE 1ST APRIL 2012)

MAX LENGTH	Up to 12 months		2 Years
	MAX AMOUNT	MAX AMOUNT	
Investment Criteria	Unlimited	£50M**	£5m
Country	UK Government	Minimum ratings (Ratings required for all 3 agencies) Fitch A- Moody's A3 S&P A-	Local Authorities
UK Banks	UK Government	Barclays Bank Plc HSBC Bank Plc Lloyds Banking Group Royal Bank of Scotland Group Santander UK PLC (Banco Santander Group) Standard Chartered Bank Nationwide Building Society	
UK Building Societies			
Central Government	UK Government Debt Management Office (DMO) - DMIADF Treasury Bills (T-Bills)		
Local Authorities			Unitary Councils County Councils Metropolitan Councils London Borough Councils
Foreign Banks			
	Australia	Australia and NZ Banking Group Commonwealth Bank of Australia National Australia Bank Ltd Westpac Banking Corp	
	Canada	Bank of Montreal Bank of Nova Scotia Canadian Imperial Bank of Commerce Royal Bank of Canada Toronto-Dominion Bank Nordea Bank Finland	
	Finland	BNP Paribas	
	France	Credit Agricole CIB (Credit Agricole Group) Credit Agricole SA (Credit Agricole Group) Societe Generale Deutsche Bank AG	
	Germany	ING Bank NV	
	Netherlands	Rabobank Bank Nederlandse Gemeeten	
	Sweden	Svenska Handelsbanken	
	Switzerland	Credit Suisse	
	USA	JP Morgan	
Money Market Funds	UK/Ireland/ Luxembourg		
Bonds Issues by Multilateral Development banks	Various	**£30m total limit for Bank/group to include money market call accounts deposits with: Lloyds TSB Bank of Scotland Royal Bank of Scotland Group to include deposits with: RBS NatWest	Limit of 10% of total investments in any non UK country **Total Deposit limit in all periods with a non-UK bank/group £5m

Approved by Adam Broome, Director for
Corporate Services

PLYMOUTH CITY COUNCIL- PROPOSED COUNTERPARTIES FOR NEW INVESTMENTS (EFFECTIVE 1ST APRIL 2012)

MAX LENGTH	10 years		Money Market Funds
MAX AMOUNT	£20m	£20m	£5m *
Investment Criteria	UK Government	Multilateral Development Banks	<p><u>Minimum rating (Rating required from at least 1 agency)</u></p> <p><u>Fitch</u> <u>Moody's</u> <u>S&P</u></p> <p>A Constant/Variable Net Asset value investing predominantly in Government securities AAAAm m f Aaa/MR+ AAAm</p> <p>A Constant/Variable Net Asset value investing in instruments issued primarily by financial institutions</p>
UK Banks	UK		
UK Building Societies	UK		
Central Government	UK		
Local Authorities	UK	Gilts	
Money Market Funds	UK/Ireland/Luxembourg		<p>Aviva Investors Sterling Liquidity Fund</p> <p>Blackrock Sterling Liquidity Fund</p> <p>BNY Mellon Asset management Sterling Liquidity Fund</p> <p>CCLA Public Sector Deposit Fund</p> <p>Deutsche Managed Sterling Liquidity Fund - Sterling</p> <p>Goldman Sachs Liquid Reserve Fund</p> <p>HSBC Sterling Liquidity Fund</p> <p>Igms Asset management Sterling liquidity Fund</p> <p>Insight Investments Sterling Liquidity Fund</p> <p>Invesco aim STIC Sterling Liquidity Portfolio</p> <p>J.P. Morgan Sterling Liquidity Fund</p> <p>Legal & General Investment Management Sterling Liquidity Fund</p> <p>Morgan Stanley Investment Management Sterling Liquidity Fund</p> <p>Northern Trust Global Cash Fund</p> <p>Prime Rate Capital Management Sterling Liquidity fund</p> <p>RBS Sterling Fund</p> <p>State Street Global Advisors GBP Liquidity Fund</p> <p>SWIV Global Liquidity Fund - Sterling Fund</p>
Bonds Issues by Multilateral Development banks	Various	<p>Council of Europe Development Bank (CEDB) *</p> <p>European Bank for Reconstruction and Development (EBRD) *</p> <p>European Investment Bank (EIB) *</p> <p>Inter-American Development Bank (IADB) *</p> <p>International Bank for Reconstruction and Development (the World Bank) *</p> <p>Kreftanstalt fuer Wiederaufbau (KfW)</p> <p>Nordic Investment Bank (NIB) *</p>	
Footnotes:		<p>* Total Investments in Bonds £20m</p> <p>Total Investments in Bonds not to exceed 20% of total investment portfolio.</p>	<p>Total investments not to exceed 20% of investment portfolio.</p> <p>Maximum £5m per fund limited to 0.5% of total fund value.</p>

Approved by Adam Broome, Director for Corporate Services

AUDIT COMMITTEE

16 March 2012



RISK OF INCIDENTS RELATING TO TREES ON CITY COUNCIL LAND

1.0 Following the transfer of former Housing Revenue Account funded land to Corporate Property as part of the housing stock transfer process a risk was identified around the number of trees that were on land not managed by the parks service and thus not routinely inspected.

The risk is identified from Health & Safety Executive guidance 'Management of the Risk from Falling Trees' (SIM 01/2007/05) which indicates that 'each year between 5 and 6 people in the UK are killed when trees fall on them'. The HSE guidance also indicates that 'around half of all fatalities due to falling trees occur in public spaces, such as a park or beside roads'.

1.1 Management of tree stocks is essential to:

- Reduce civil liabilities (e.g. prevent personal injury through trips and falls on footways disturbed by tree roots, prevent vehicle damage and personal injury from obscured sightlines on the highway, reduce the risk of property damage from subsidence, maintain tree stocks to preserve their amenity, conservation and environmental value);
- To meet legislative responsibilities (e.g. Health & Safety at Work etc Act 1974, Occupiers' Liability Acts 1957 and 1984, the Countryside and Rights of Way Act 2000, the Wildlife and Countryside Act 1981, as well as legislation relating to Sites of Special Scientific Interest, planning issues and Tree Preservation Orders).
- To meet public safety perception.

1.2 The risk rating related to trees, located across Plymouth City Council's (PCC) land portfolio, has been reduced from strategic risk rating red to amber after the introduction of the following risk control measures:

2.1 Risk assessments:-

- PCC's Street Scene Services have an ongoing strategic tree risk assessment of Street Scene Services controlled land to highlight trees on, or close to, high risk areas e.g. adjacent to roads/high use footpaths, playgrounds,

- PCC's Highways Department assisted by Street Scene Services have an ongoing strategic tree risk assessment of Highways controlled land to highlight trees on, or close to high risk areas e.g. adjacent to roads/high use footpaths
- PCC's Corporate Property Department, assisted by Street Scene Services, is currently finalising a strategic tree risk assessment of Corporate Property controlled land (including the retained ex-PCC Housing land) to highlight trees on, or close to high risk areas.
- PCC's Street Scene Services offer Schools the opportunity for a price to cover the mitigation of any significant findings identified from a school tree risk assessment

2.2. Process and Resourcing Improvements:-

- PCC Street Scene Services planned tree inspection programme, currently resourced by two FTE tree technicians implements identified risk assessment significant findings. In 2010, Street Scene Services requested an additional tree technician to increase resource capacity to mitigate tree related risk. A response to this request is currently outstanding.
- PCC Parks undertook, over a 12 months period during 2011 and 2012, seventy-five programmed tree rectification works (excluding emergency tree and reactive tree work) following tree inspections on ex-housing land.
- PCC's Street Scene Services and Corporate Property Departments worked together in November 2011 to implement a Service Level Agreement (SLA) related to planned and reactive land maintenance of the Corporate Property controlled land portfolio. The SLA allows for improved communication processes between the departments, a health & safety risk based prioritisation system and an agreement that Street Scene Services operatives will undertake a general land inspection, during planned maintenance, to identify rectification or report based actions.
- Further communication improvements will occur in 2012 when Street Scene Services joins Corporate Property by using Dynamics (the corporate call handling software). It is expected that a public portal using the latest mapping information technology will be made available to identify report locations.

2.3 Cross Departmental Liaison Meetings:-

- Both PCC Highways (TIE/Amey) and Corporate Property are undertaking liaison meetings with Street Scene Services allowing the introduction of strategic and operational process reviews (indicated above) aimed at improving internal and Public service delivery and mitigating known risk across the Authority's land portfolios.

Chris Trevitt
Head of Capital & Assets

Audit Committee Work Plan 2011/12

		2011							2012		
Item	Cabinet Member / Lead Officer	J	J	A	S	O	N	D	J	F	M
Internal Audit Annual Report	Cllr Bowyer / DfCS (Sue Watts)	27									
Statement of Accounts 2010/11	Cllr Bowyer / DfCS (Sandra Wilson)	27									
Operational Risk Management - Update Report	Cllr Bowyer / DfCS (Mike Hocking)	27						16			
Risk Management Annual Report	Cllr Bowyer / DfCS (Mike Hocking)	27									
Annual Governance Statement	Cllr Bowyer / DfCS (Mike Hocking)	27									
Strategic Risk Register Monitoring Report	Cllr Bowyer / DfCS (Mike Hocking)				23						16

Audit Committee Work Plan 2011/12

		2011							2012		
Item	Cabinet Member / Lead Officer	J	J	A	S	O	N	D	J	F	M
Six Month Internal Audit Progress Report	Cllr Bowyer / DfCS (Sue Watts)							16			
Internal Audit Annual Plan	Cllr Bowyer / DfCS (Sue Watts)										16
Interim Report and Update to Financial Audit Plan 2010/2011	External Auditor Grant Thornton	27									
Review of Procure to Pay Project	External Auditor Grant Thornton	27									
Annual Report to Those Charged with Governance (ISA260 Report) 2010/2011	External Auditor Grant Thornton				23						
Financial Resilience Review	External Auditor Grant Thornton							16			

Audit Committee Work Plan 2011/12

		2011							2012		
Item	Cabinet Member / Lead Officer	J	J	A	S	O	N	D	J	F	M
Project Management Review	External Auditor Grant Thornton				23						
Annual Audit Letter 2010/2011	External Auditor Grant Thornton							16			
Certification Work Report 2010/2011	External Auditor Grant Thornton							16			
Audit Plan 2011/2012	External Auditor Grant Thornton										16
Audit Fee Letter 2012/2013	External Auditor Grant Thornton										16

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