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AUDIT COMMITTEE

Thursday 13 March 2014
2pm
Warspite Room, Council House

Members:

Councillor Wheeler, Chair
Councillor Dr. Mahony, Vice Chair
Councillors Murphy, Stark and Stevens.

Independent Members:

Ros Badger, Mr Clarke and Mr Stewart.

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

Tracey Lee

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 - 4)

To confirm the minutes of the meeting held on 23 January 2014.

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. AUDIT COMMITTEE UPDATE

(Pages 5 - 30)

The Council's External Auditor, Grant Thornton, will provide the Committee with the Audit Committee update report.

6. FINANCIAL REPORTING ISSUES

(Pages 31 - 34)

The Council's External Auditor, Grant Thornton, will provide the Committee with an update on Financial Reporting Issues.

7. FRAUD BRIEFING 2013

(Pages 35 - 48)

The Council's External Auditor, Grant Thornton, will provide the Committee with the Fraud Briefing 2013.

8. STRATEGIC RISK AND OPPORTUNITY MANAGEMENT REGISTER MONITORING REPORT

(Pages 49 - 64)

The Committee will be provided with the Strategic Risk and Opportunity Management Register Monitoring Report.

9. INTERNAL AUDIT ANNUAL PLAN (Pages 65 - 84)

The Committee will be provided with the Internal Audit Annual Plan.

10. UPDATE ON CIVICA SYSTEM (Pages 85 - 86)

The Committee will be provided with an update on the Civica System as requested at 12 December 2013 Audit Committee meeting.

11. UPDATE ON DATA SYSTEM AT WINDSOR HOUSE (Pages 87 - 90)

The Committee will be provided with an update on the Data System at Windsor House as requested at 12 December 2013 Audit Committee.

12. GOVERNANCE ARRANGEMENTS FOR TRANSFORMATION PROGRAMME (Pages 91 - 94)

The Committee will be provided with a briefing paper on the governance arrangements for the Council's Transformation Programme.

13. RIPA SURVEILLANCE REPORT (Pages 95 - 108)

The Committee will be provided with the RIPA Surveillance report.

14. REVIEW OF ROLLING WORKPLAN (Pages 109 - 114)

The Committee will review the rolling workplan for 2013/14.

15. EXEMPT BUSINESS

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

Thursday 23 January 2014

PRESENT:

Councillor Wheeler, in the Chair.
Councillor Dr. Mahony, Vice Chair.
Councillors Casey (substitute for Councillor Stevens) and Murphy.

Independent Members: Mr Clarke and Mr Stewart.

Apologies for absence: Ros Badger and Councillors Stark and Stevens.

Also in attendance: Simon Arthurs (Group Accountant), Andrew Liddicott (Senior Accountant), David Northey (Head of Finance) and Helen Rickman (Democratic Support Officer).

The meeting started at 2.00 pm and finished at 2.45 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.

47. **DECLARATIONS OF INTEREST**

There were no declarations of interest in accordance with the code of conduct.

48. **MINUTES**

Agreed that the minutes of 12 December 2013 are approved as a correct record.

Under this item it was questioned why, under minute 42 'Annual Audit Letter 2012/13', that the Director for Grant Thornton only provided an 'unqualified opinion' on the accounts. Members were advised that an unqualified opinion was an industry standard and was not a negative comment upon the Council's accounts.

49. **CHAIR'S URGENT BUSINESS**

There were no items of Chair's Urgent Business.

50. **TREASURY MANAGEMENT STRATEGY AND ANNUAL INVESTMENT STRATEGY**

Simon Arthurs (Group Accountant) and Andrew Liddicott (Senior Accountant) provided Members with a brief overview of the Treasury Management Strategy and Annual Investment Strategy.

Members were advised that –

- (a) the strategy had been prepared by officers in consultation with the Council's advisers Arlingclose and cross-party Councillors;
- (b) in terms of investment, there was a reduction in limits for UK banks and building societies with a minimum long-term rating of A-, from £30m to £20m;
- (c) the Council was aiming to diversify its investments by adding building societies to the lending list; money was kept in several institutions in order to spread the risk;
- (d) the minimum credit rating of A- was now based on the lowest published rating and was no longer required from all three rating agencies;
- (e) the Council's contract with the Cooperative Bank would end on 31 March 2014; as a result of a tendering process the Council had appointed Barclays Bank as of 1 April 2014;
- (f) the MRP policy for 2014/15 had been updated to allow for loans to housing associations within Plymouth, and other organisations, that will be capital expenditure; the policy was set to ensure that the loans don't require MRP to be charged to revenue over the life of the loan;
- (g) prudential indicators were authorised and operational boundaries for total debt and had to be approved by Full Council;
- (h) the upper limit for variable rate exposure had been set to ensure that the Council would not be exposed to interest rate rises which could adversely impact on the revenue budget; fixed rate debt also needed to be monitored to control excessive exposures to volatility in interest rates when refinancing maturing debt;

In response to questions raised it was reported that –

- (i) due to forthcoming changes in bank regulations and the proposal to further diversify the Council's investments, the maximum specified and non-specified investments with any bank would be set at a maximum of £20m;
- (j) a balance was required between paying off debt and investing money; the Council had a balance between long term debt and short term debt with more flexibility; the lifetime cost of buying out of debt also needed to be considered;
- (k) some of the Council's loans had been taken out on a 50 year term; it was expensive to get out of long term debt and when the loans were initially taken out the Council was in a very different financial environment;
- (l) officers would provide Members with the costs associated with changing banks from the Cooperative Bank to Barclays;

- (m) officers would provide a summary of changes in the next Treasury Management Strategy and Annual Investment Strategy;
- (n) Svenska Handelsbanken was a Swedish bank that had offices situated in Plymouth;
- (o) Close Brothers was a bank that had a similar credit rating to more well-known bigger banks;
- (p) the Bank of England's Monetary Policy Committee was committed to keeping policy rates low for an extended period using the Labour Force Survey unemployment rate of 7% as a threshold for when it would consider if interest rates should be increased; it was considered by officers that interest rates should not have been linked to unemployment as the consumer was the driver in the economy however average earnings had not increased;
- (q) Lobo loans (lender option borrower option loans) gave the lender the option to vary the rate at pre-agreed dates; the borrower would then have the option to accept the rate or repay the loan; the notice period on the loan repayment would be monitored by officers;
- (r) the Fixed Rate PWLB average percentage was 5.75%. Any new borrowing taken would be at a much lower rate (approximately 2%) reducing the average rate on loans from the PWLB.

Agreed that the Audit Committee recommends the annual Treasury Management Strategy and Annual Investment Strategy 2014/15 (incorporating the authorised limits, operational boundaries and prudential indicators) to the Cabinet.

51. **REVIEW OF ROLLING WORKPLAN**

Members noted the rolling workplan.

52. **DATE AND VENUE OF FUTURE AUDIT MEETINGS**

Members noted the date and time of the next meeting being 13 March 2014, 2pm.

Under this item the start time of future meetings was discussed.

Agreed that the 13 March 2014 meeting would stay at 2pm however the start time of meetings in the new municipal year could be subject to change dependent on Members' views.

53. **EXEMPT BUSINESS**

There were no items of exempt business.

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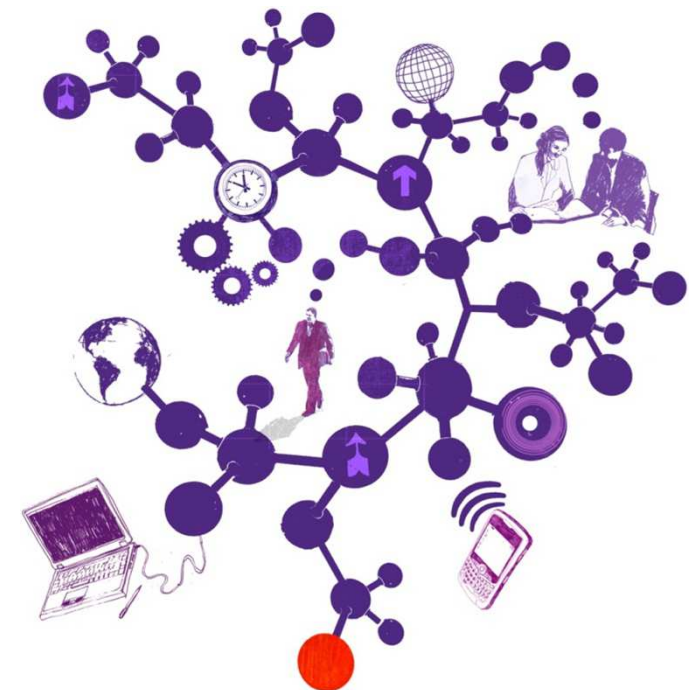
Audit Committee Update for Plymouth City Council

Year ended 31 March 2014

13 March 2014

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

Progress at 28 February 2014

Work	Due By?	Complete?	Comments
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • initial risk assessment to support the Value for Money conclusion. 	31 March 2014	On schedule	<p>Our interim audit work will be completed in mid-March and we will then prepare our audit plan for discussion with your finance team.</p> <p>We will present this to the Council's Audit Committee in June 2014.</p>
<p>2013-14 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • detailed work to support the VFM conclusion • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	30 September 2014	Not yet due	<p>We have been working with your finance team regarding the audit of your financial statements for the year ended 31 March 2014 and have had monthly meetings with them since October 2013.</p> <p>We have included the "Top Five Issues" as a separate agenda item for the March 2014 Audit Committee and have covered these at our meetings with your finance team.</p> <p>Representatives from the Council attended a financial statements workshop in Exeter on 18 February 2014, one of a series events nationally jointly hosted by Grant Thornton and CIPFA.</p> <p>Our audit is scheduled to commence on 16 June 2014, which is an earlier start date than in previous years. We will complete our work before the Audit Committee in September 2014.</p>

Progress at 28 February 2014

Work	Due By?	Complete?	Comments
<p>2013-14 VFM Conclusion</p> <p>We are required to assess whether Plymouth City Council has proper arrangements in place for:</p> <ul style="list-style-type: none"> • securing financial resilience • challenging how it secures economy, efficiency and effectiveness 	September 2014	Not yet due	We will complete an initial risk assessment and the results of this will be included within our audit plan.
<p>2013-14 certification work</p> <p>This work is expected to cover:</p> <ul style="list-style-type: none"> • Housing benefits • Teachers pensions 	November 2014	Not yet due	We do not expect to be required to certify the Council's non domestic rates return for 2013/14.

Progress at 28 February 2014

Work	Comments
<p>South West Devon Waste Partnership Joint Committee</p> <p>We have been working with officers at Plymouth City Council (as this is the lead Council for the Joint Committee) to establish whether the South West Devon Waste Partnership Joint Committee needs to prepare financial statements in its own right.</p>	<p>The Audit Commission's standing guidance for Local Government auditors includes a flowchart for the appointment of auditors to Joint Committees.</p> <p>The key question on the flowchart, is: <i>"do devolved powers include power to incur expenditure in discharging functions of the constituent Audited Bodies ?"</i></p> <p>We advised the Council's Audit Committee on 12 December 2013 that a combined response we had received from the three Councils (Plymouth City Council, Devon County Council and Torbay Council) was not sufficient for us to be satisfied that this question has been properly considered.</p> <p>We wrote to Plymouth City Council on 15 December 2013 and at the time of writing, 28 February 2014, we have still not received a response.</p> <p>We are concerned at the lack of progress in resolving this issue and have therefore drawn it to the attention of the Audit Committee.</p>

2012/13 Certification Fees

We presented our certification report to the Audit Committee in December 2013.

The certification fees for 2012/13 were £22,768 and the Audit Commission has asked us to provide Councils with a split of this fee across the claims and returns that were certified in the year.

Claim or return	2012/13 indicative fee (£)	2012/13 actual fee (£)	Variance to indicative fee (£)	Explanation for significant variances
Housing and council tax benefit scheme	20,140	20,140	0	
National non-domestic rates return	2,780	1,148	-1,632	Only Part A testing was undertaken in 2012/13.
Teachers' pensions return	1,480	1,480	0	
Total	£24,400	£22,768	-£1,632	

Councils must continue to adapt to meet the needs of local people

Local government guidance

Audit Commission research - Tough Times 2013

The Audit Commission's latest research, which can be found on its website, shows that England's councils have demonstrated a high degree of financial resilience over the last three years, despite a 20 per cent reduction in funding from government and a number of other financial challenges. However, with uncertainty ahead, the Commission says that councils must carry on adapting in order to fulfil their statutory duties and meet the needs of local people.

The Audit Commission's Chairman, Jeremy Newman, said that with continuing financial challenges 'Councils must share what they have learnt from making savings and keep looking for new ways to deliver public services that rely less on funding from central government'.

Key findings:

The Audit Commission's research found that:

- the three strategies most widely adopted by councils have been reducing staff numbers, securing service delivery efficiencies and reducing or restructuring the senior management team;
- three in ten councils showed some form of financial stress in 2012/13 – exhibited by a mix of difficulties in delivering budgets and taking unplanned actions to keep finances on track;
- auditors expressed concerns about the medium term prospects of one third of councils (36 per cent)

Issues to consider:

How have Members satisfied themselves that the Council can deliver a balanced budget, that the medium term strategy/budget has been subject to appropriate challenge and that the Council's finances are resilient over the medium term (3 years) and beyond?

Councils choosing their auditors one step closer

Local government guidance

Local Audit and Accountability Act

The Local Audit and Accountability Act received Royal Assent on 30 January 2014.

Key points

Amongst other things:

- the Act makes provision for the closure of the Audit Commission on 31 March 2015;
- arrangements are being worked through to transfer residual Audit Commission responsibilities to new organisations;
- there will be a new framework for local public audit due to start when the Commission's current contracts with audit suppliers end in 2016/17, or potentially 2019/20 if all the contracts are extended;
- the National Audit Office will be responsible for the codes of audit practice and guidance, which set out the way in which auditors are to carry out their functions;
- Local Authorities will take responsibilities for choosing their own external auditors;
- recognised supervisory bodies (accountancy professional bodies) will register audit firms and auditors and will be required to have rules and practices in place that cover the eligibility of firms to be appointed as local auditors;
- Local Authorities will be required to establish an auditor panel which must advise the authority on the maintenance of an independent relationship with the local auditor appointed to audit its accounts;
- rights around inspection of documents, the right to make an objection at audit and for declaring an item of account unlawful are in line with current arrangements;
- transparency measures give citizens the right to film and tweet from any local government body meeting.

Issues to consider:

- Have Members considered the implications of the Local Audit and Accountability Act for the Council's future external audit arrangements?

Joint Health and Social Care Plans to be in place by 4th April

Local government guidance

Better Care Fund

In the June 2013 Spending Round the Government announced the prospective implementation of the Better Care Fund (formerly the integration transformation fund). The key aim is to ensure a transformation in integrated health and social care through local single pooled budget arrangements. Pooled budget arrangements are formally underpinned by Section 75 of the NHS Act 2006.

Key issues

- £3.8 billion for funding will be available from 2015/16, largely through a top slice of existing Clinical Commissioning Group (CCG) budgets;
- Local Authorities with Adult Social Services, CCGs and NHS Trusts will need to collaborate through a single pooled budget arrangement to support the delivery of health and social care services in their designated local areas;
- finalised joint health and social care plans must be in place setting out how pooled budgets will be spent – draft plans must be formally signed off by each statutory Health and Well Being Board and submitted to NHS England area teams by 14 February, with a 4 April 2014 deadline for submission of finalised plans

Issues to consider:

- Is the local Health and Wellbeing Board on track to finalise and sign off the joint health and social care plan for submission to the NHS England area team?
- Has the size of the pooled budget been clarified?
- Is the Authority collaborating with its partner bodies to work through funding and delivery arrangements?
- Have roles and responsibilities been defined and understood for the Authority and its partner CCGs, NHS Trusts and the Health and Wellbeing Board?

Austerity continued – further cuts in spending powers

Local Government Guidance

Final local government finance settlement 2014/15

On 5 February 2014 the government published the final local government finance settlement for 2014/15. This confirmed the proposals laid out in the provisional finance settlement. The government has proposed that any council tax increases made by billing or precepting authorities of 2 per cent or more will be subject to a referendum. This proposal needs to be accepted by Parliament.

Excluding the Greater London Authority, the spending power for local authorities in England will fall by 2.9% in 2014/15 compared to 2013/14. As in previous years, councils will have their funding reduction capped at 6.9%. Indicative funding levels for 2015/16 have also been provided to assist local authorities with their medium term financial planning.

Issues to consider:

- Has your Head of Finance reviewed the proposed settlement and assessed the impact on your Council?

Helping the High Street

Local government guidance

Support for UK high streets

On December 6, 2013 the Communities Secretary set out a £1 billion package of support for UK high streets, the stated objectives being to:

- support business and the private sector to have a greater stake in their high streets;
- make it easier to diversify town centres;
- ensure town centres remain accessible to visitors;
- promote the use of technology to modernise town centres.

Key elements of the strategy include:

- a £1,000 discount in 2014/15 and 2015/16 for retail premises with a rateable value of up to £50,000 – including shops, pubs, café and restaurants;
- capping the Retail Price Index (RPI) increase in bills to 2% in 2014/15;
- extending the doubling of Small Business Rates relief to April 2015;
- a reoccupation relief for 18 months with a 50% discount for new occupants of retail premises empty for a year or more;
- assisting business cash flow by allowing businesses to pay their bills over 12 months (rather than 10)

Issues to consider:

- Has the Council assessed the local economic impact of the measures announced by the Communities Secretary?
- Has the Head of Finance assessed the impact of the measures on the Council's finances and the 2014/15 and 2015/16 budgets?

Councils keep New Homes Bonus

Local government guidance

Help for housing building

In the Autumn statement (5 December 2013) the government announced plans to secure a £1 billion 6 year investment in house building, to simplify the local authority planning process and help to achieve the stated objective of delivering 250,000 new homes.

Key objectives:

- nationally to increase the housing supply in England through a £1 billion 6 year investment programme;
- at a local level helping councils to increase the supply of affordable social housing supply in their area by allowing them to bid for up to £300 million of additional borrowing against their housing revenue account;
- improving labour market mobility by introducing a Right to Move for those needing to move to take up a job or training ;
- Allowing councils outside London to keep all of their **New Homes Bonus** and have full control over how they use it to support new homes in their area – the New Homes Bonus is a grant paid by central government to local councils for increasing the number of homes and their use, is paid each year for 6 years and is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use

Issues to consider/challenge questions:

- Has your Head of Finance assessed the implications and potential financial impact for the Council of the help for housing building measures announced in the Autumn statement?

79% of Councils anticipate Tipping Point soon

Grant Thornton

2016 tipping point? Challenging the current

This national report from Grant Thornton is the third in an annual series which assesses whether English local authorities have the arrangements in place to ensure their sustainable financial future. Copies have been sent to the Council and the report can also be found on our website. Please contact your Audit Manager, David Bray, if you would like additional copies.

Local authorities have so far met the challenges of public sector budget reductions. However, some authorities are predicting reaching tipping point, when the pressure becomes acute and financial failure is a real risk. Based on our review of forty per cent of the sector, this report shows that seventy nine per cent of local authorities anticipate some form of tipping point in 2015/16 or 2016/17.

Our report rates local authorities in four areas - key indicators of financial performance, strategic financial planning, financial governance and financial control. It also identifies a series of potential 'tipping point scenarios' such as local authorities no longer being able to meet statutory responsibilities to deliver a range of services.

Our report also suggest some of the key priorities for local authorities in responding to the challenge of remaining financially sustainable. This includes a relentless focus on generating additional sources of revenue income, and improving efficiency through shared services, strategic partnerships and wider re-organisation.

Issues to consider:

- Our report includes a good practice checklist designed to provide senior management and members with an overview of key tipping point risks. Has the Head of Finance completed the checklist and reported it to the Audit Committee ?
- The report also includes good practice case studies in strategic financial planning, financial governance and financial control. Has the Head of Finance reviewed these case studies and considered whether there is scope to adopt these?

Alternative Delivery Models – are you making the most of them?

Grant Thornton

Alternative delivery models in local government

This report from Grant Thornton discusses the main alternative delivery models available to local government. These are based on our recent client survey and work with local government clients. It aims to assist others as they develop their options and implement innovation strategies. Copies have been sent to the Council and the report can also be found on our website. Please contact your Audit Manager, David Bray, if you would like additional copies.

Local government has increased the variety and number of alternative delivery models it uses in recent years including contracts and partnerships with other public bodies and private sector organisations, as well as developing new public sector and non-public sector entities. With financial austerity set to continue, it is important that local authorities continue innovating if they are to remain financially resilient and commission better quality services at reduced cost.

This report is based on a brief client survey and work with local authority clients and:

- Outlines the main alternative delivery models available to local authorities
- Aims to assist other authorities as they develop their options and implement innovation strategies
- Considers aspects of risk.

Issues to consider:

- Our report includes a number of case studies summarising how public services are being delivered through alternative service models. Has the Authority reviewed these case studies and assessed whether there are similar opportunities available to it?
- Our report includes three short checklists on supporting innovation in service delivery, setting up a company and questions that Members should ask officers when considering the development of a new delivery model. Are the checklists being considered as part of the development of the Authority's commissioning strategy?

Welfare reforms – first impressions

Grant Thornton

Reaping the benefits: first impressions of the impact of welfare reform.

The potential scope of this topic is broad, so our report, focused on the financial and managerial aspects of welfare reform. This involves:

- Understanding the challenges currently facing local government and housing associations in regard to welfare reform and what organisations have been doing to meet this challenge in terms of strategy, projects and new processes.
- Reporting on the early indications of effectiveness following the implementation of these measures and the impact of reform.
- Providing early insight into challenges facing these organisations in the near future.

We have pulled together information from a variety of sources, including our regular conversations across the local government and housing sectors and surveying local authorities and housing associations in England.

We found that:

- In general, organisations have been very active in engaging with stakeholders and putting in place appropriate governance arrangements and systems to implement specific reforms. A minority of organisations did not fully exploit all the options open to them in preparing for reform.
- So far, the indication is that the impact of reform experienced by local authorities and partners has been managed effectively. This may be because the full impact has not yet been felt. Some worrying signs are emerging, including rising rental arrears, homelessness and reliance on food banks, which may be linked to the reforms.
- Looking ahead, further reforms, such as the implementation of universal credit and the move to direct payments present significant uncertainties and challenges over the next few years.

Issues to consider:

- Has the Head of Benefits kept members informed of progress with stakeholder engagement and changes to governance arrangements to implement specific reforms?
- What impact assessment is the Authority carrying out on council tax localisation, the benefit cap and housing benefit, the spare room subsidy and changes to the Social Fund?
- Does the Authority have a plan in place or in development for the introduction of universal credit?

How do you recognise a PFI?

Accounting and audit issues

Private Finance Initiative Schemes and Service Concessions

The Government financial reporting manual (FReM) and the Local Government CIPFA Code of Practice have now adopted IPSAS 32 (International public sector accounting standards) – Service Concession Arrangements.

Previously under IAS 17 (International Accounting Standards – Leases), the recognition point for an asset and a liability in the financial statements for such a scheme was at the commencement date of the contract, when the asset was handed over to the public sector and ready for use.

Now under IPSAS 32, the recognition point is when:

- it is probable that future economic benefits associated with the asset will flow to the organisation
- the cost of the asset can be measured reliably.

This suggests that some authorities may need to consider recognising service concession assets during the construction phase as assets under construction. In reaching a judgement as to whether to recognise an asset under construction, we would expect authorities to consider the extent to which they bear construction risk and whether they can get reliable information on the cost of construction from the operator.

Issues to consider:

- Has your Head of Finance considered whether IPSAS 32 is relevant to your authority?
- Do you have any partially built assets at the year end under such a scheme which would now need to be accounted for differently?
- As the standard is retrospectively applied, do your financial statements require a prior period adjustment for the financial statements year ending 31 March 2013?

Keeping your PFI accounting up to date

Accounting and audit issues

Private Finance Initiative Schemes and Service Concessions

Updating the accounting model during the operational phase

Most authorities derive their accounting entries from an accounting model which, in turn, is derived from the operators costing model. The initial accounting model will have included a range of assumptions, such as inflationary increases. We would expect authorities to update the accounting model for actual information, such as inflationary increases and performance variations, during the contract.

Disclosing the impact of inflation on commitments

We expect authorities to disclose the impact of inflation on their service concession commitments. These commitments are affected by:

- past inflation – previous price rises will be built into future payments
- fluctuations in future inflation – this gives rise to uncertainties about future payments.

Disclosing the fair value of the service concession liability

Service concession liabilities are financial instruments. Therefore, we would expect authorities to disclose the fair value of the liability unless this is not materially different from the carrying value. In most cases we would expect the fair value for operational schemes to be higher than the carrying value. This is because once a scheme is operational, authorities have access to lower interest rates for refinancing. This is because the pre-construction interest rate reflects the risks associated with construction.

Issues to consider:

- Does your Head of Finance regularly update the accounting model?
- Has your authority disclosed the impact of past and future inflation on its commitments?
- Has your authority disclosed the fair value of its PFI liability?

Revaluing your assets – clarification of accounting guidance

Accounting and audit issues

Property, plant and equipment valuations

The 2013/14 Code has clarified the requirements for valuing property, plant and equipment and now states explicitly that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.' This means that a local authority will need to satisfy itself that the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014. This is likely to be a complex analysis which might include consideration of:

- the condition of the authority's property portfolio at 31 March 2014
- the results of recent revaluations and what this might mean for the valuation of property that has not been recently valued
- general information on market prices and building costs
- the consideration of materiality in its widest sense - whether an issue would influence the view of a reader of the accounts.

The Code also follows the wording in IAS 16 more closely in the requirements for valuing classes of assets:

- items within a class of property, plant and equipment are to be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates
- a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date.

There has been much debate on what is a short period and whether assets that have been defined as classes for valuation purposes should also be disclosed separately in the financial statements. These considerations are secondary to the requirement that the carrying value does not differ materially from the fair value. However, we would expect auditors to report to those charged with governance where, for a material asset class:

- all assets within the class are not all valued in the same year
- the class of asset is not disclosed separately in the property, plant and equipment note.

Issue to consider:

Has your Head of Finance consulted you on the programme of valuations and the proposals for disclosing information about classes of assets?

Estimating the impact of business rate appeals

Accounting and audit issues

Business rate appeals provisions

Local authorities are liable for successful appeals against business rates. They should, therefore, recognise a provision for their best estimate of the amount that businesses have been overcharged up to 31 March 2014.

However, there are practical difficulties which mean that making a reliable estimate for the total amount that has been overcharged is challenging:

- the appeals process is managed by the Valuation Office Agency (VOA) and so local authorities are reliant on the information provided to them by the VOA
- some businesses may have been overcharged but not yet made an appeal.

We would expect local authorities:

- to work with the VOA to make sure that they have access to the information they need
- where appeals have been made, to determine a methodology for estimating a provision and to apply this methodology consistently
- where appeals have not been made:
 - to consider the extent to which a reliable estimate can be made (for example, in relation to major businesses)
 - to recognise a provision where a reliable estimate can be made
 - to disclose a contingent liability where a reliable estimate cannot be made
 - to provide a rationale to support their judgement that a reliable estimate cannot be made
- to revisit the estimate with the latest information available immediately before the audit opinion is issued.

Issues to consider:

- Is your authority confident of obtaining the information it needs from the VOA?
- Has your authority recognised a provision where it is possible to make a reliable estimate? Has a robust methodology been used?
- Has your authority provided a robust rationale where it has decided it cannot make a reliable estimate? Is it planning to disclose a contingent liability?
- Is your authority planning to revisit its provision and contingent liability before the audit opinion is issued?

Accounting for pensions

Accounting and audit issues

Accounting for and financing the local government pension scheme costs

Accounting issues

The 2013/14 Code follows amendments to IAS 19 and changes the accounting requirements for defined benefit pension liabilities such as those arising from the local government pension scheme (LGPS). This is a change in accounting policy and will apply retrospectively.

The main changes we expect to see are:

- a reallocation of amounts charged in the comprehensive income and expenditure statement (CIES)
- more detailed disclosures.

We do not expect changes to balance sheet items (the net pension liability and pension reserve balance). This means that whilst we would expect the CIES to be restated, a third balance sheet is not required. Actuaries should be providing local authorities with the information they need to prepare the financial statements, including restated comparatives.

Financing issues

The amount to be charged to the general fund in a financial year is the amount that is payable for that financial year as set out in the actuary's rates and adjustments certificate. Some local authorities are considering paying pension fund contributions early in exchange for a discount but not charging the general fund until later.

Local authorities must be satisfied that the amounts charged to the general fund in a financial year are the amounts payable for that year. Where local authorities are considering making early payments, we would expect them to obtain legal advice (either internally or externally) to determine the amounts that are chargeable to the general fund. We would expect this to include consideration of:

- the actuary's opinion on the amounts that are payable by the local authority into the pension fund
- the agreement between the actuary and the local authority as to when these payments are to be made
- the wording in the rates and adjustments certificate setting out when amounts are payable for each financial year.

For example, if a local authority agrees to make a payment to the pension fund in a single year and proposes to charge this amount to the general fund over a three-year period, we would expect the rates and adjustments certificate to show, unambiguously, that the amount payable is spread over the three years.

Accounting for pensions

Accounting and audit issues

Issues to consider:

- Is your authority confident of getting the information from its actuary to meet the changes in the requirements for accounting for the LGPS (including restating the comparatives)?
- If your authority is considering making an early payment to the pension fund, has it set out a reasonable argument for how it proposes to charge this amount to the general fund? Is this supported by legal advice?

Changes to the public services pension scheme

Accounting and audit issues

Changes to the Local Government Pension Scheme

The Public Service Pensions Bill received Royal Assent in April 2013, becoming the Public Service Pensions Act 2013 ('the Act'). The Act makes provision for new public service pension schemes to be established in England, Wales & Scotland. Consequent regulations have been laid to introduce changes to the LGPS in England and Wales from 1st April 2014. (The regulations for the changes in Scotland have not yet been laid and will only impact from 1 April 2015).

These introduce a number of changes including:

- a change from a final salary scheme to a career average scheme
- introduction of a 50/50 option whereby members of the scheme can choose to reduce their contributions by 50% to receive 50% less benefit
- calculation of contributions based on actual salary which could lead to some staff with irregular patterns of working moving between contribution rate bandings on a regular basis
- changes in employee contribution rates and bandings
- transitional protection for people retiring within 10 years of 1 April 2014 (further regulations are still awaited)

The above changes have implications for all employers involved in the LGPS introducing required changes to their payroll systems to ensure pension contributions are calculated correctly. This has consequent implications for administering authorities to communicate with employers and consider how they will obtain assurance over the accuracy and completeness of contributions going forwards since the calculations are more complex going forwards and less predictable. In addition changes are also required to pension administration/payment systems as well as much more detailed processes around maintaining individual pension accounts for all members to ensure the correct payment of future pensions.

The Act also requires changes to the governance arrangements although regulations for the LGPS have not yet been laid for these and the changes in governance arrangements are not expected to be implemented until 1 April 2015.

(continued overleaf)

Changes to the public services pension scheme

Accounting and audit issues

Changes to Local Government Pension Scheme continued

Issues to consider:

- Is the authority aware of the detailed requirements and their impact on its current payroll system and processes?
- Is the authority taking appropriate action to ensure implementation of the required changes to its payroll system and processes by 1 April 2014?
- Has the authority liaised with the administering authority over any changes they may need in the assurances provided over the completeness and accuracy of contributions?



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Top 5 local authority financial reporting issues for 2013/14

This paper summarises the top 5 financial reporting issues we expect local authorities to face in preparing their statement of accounts for 2013/14 and some discussion questions.

1 Property Plant and Equipment valuations

The 2013/14 Code has clarified the requirements for valuing property, plant and equipment and now states explicitly that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.' This means that a local authority will need to satisfy itself that the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014. This is likely to be a complex analysis which might include consideration of:

- the condition of the authority's property portfolio at 31 March 2014
- the results of recent revaluations and what this might mean for the valuation of property that has not been recently valued
- general information on market prices and building costs
- the consideration of materiality in its widest sense - whether an issue would influence the view of a reader of the accounts.

The Code also follows the wording in IAS 16 more closely in the requirements for valuing classes of assets:

- items within a class of property, plant and equipment are to be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates
- a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date.

There has been much debate on what is a short period and whether assets that have been defined as classes for valuation purposes should also be disclosed separately in the financial statements. **These considerations are secondary to the requirement that the carrying value does not differ materially from the fair value.** However, we would expect auditors to report to those charged with governance where, for a material asset class:

- all assets within the class are not all valued in the same year
- the class of asset is not disclosed separately in the property, plant and equipment note.

Discussion questions

- How will your authority satisfy itself that the carrying value of assets does not differ materially from the fair value at 31 March 2014?
- Have you consulted your auditor and those charged with governance on:
 - your programme of valuations?
 - your proposals for disclosing information about classes of assets?

2 Business rate appeals

Local authorities are liable for successful appeals against business rates. Local authorities should, therefore, recognise a provision for their best estimate of the amount that businesses have been overcharged up to 31 March 2014.

However, there are some practical difficulties which mean that making a reliable estimate for the total amount that has been overcharged is challenging:

- the appeals process is managed by the Valuation Office Agency (VOA) and so local authorities are reliant on the information provided to them by the VOA
- some businesses may have been overcharged but not yet made an appeal.

The Audit Commission is working with the VOA to ensure that auditors have the information to complete their audit of the financial statements efficiently.

We would expect local authorities:

- to work with the VOA to make sure that they have access to the information they need
- where appeals have been made, to determine a methodology for estimating a provision and to apply this methodology consistently
- where appeals have not been made:
 - to consider the extent to which a reliable estimate can be made (for example, in relation to major businesses)
 - to recognise a provision where a reliable estimate can be made
 - to disclose a contingent liability where a reliable estimate cannot be made
 - to provide a rationale to support their judgement that a reliable estimate cannot be made
- to revisit the estimate with the latest information available immediately before the audit opinion is issued.

Discussion questions

- Is your authority confident of obtaining the information it needs from the VOA?
- Has your authority recognised a provision where it is possible to make a reliable estimate? Has a robust methodology been used?
- Has your authority provided a robust rationale where it has decided it cannot make a reliable estimate. Has it disclosed a contingent liability?
- Is your authority planning to revisit its provision and contingent liability before the audit opinion is issued?

3 Changes to SeRCOP – new public health line

SeRCOP for 2013/14 introduces a new cost of service line for 'Public health'. This has been introduced to reflect new responsibilities placed upon local authorities following restructuring in the NHS. We expect this new service line to be presented on the face of the CIES within cost of services. If there were material amounts relating to this service in 2013/14, we would expect comparative figures to be restated.

Discussion question

- Is your local authority confident that it can provide accurate information and a robust audit trail for the public health line within cost of services?

4 Accounting for and financing the local government pension scheme costs

Accounting issues

The 2013/14 Code follows amendments to IAS 19 and changes the accounting requirements for defined benefit pension liabilities such as those arising from the local government pension scheme (LGPS). This is a change in accounting policy and will apply retrospectively.

The main changes we expect to see are:

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Financing issues

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Local authorities must be satisfied that the amounts charged to the general fund in a financial year are the amounts payable for that year. Where local authorities are considering making early payments, we would expect them to obtain legal advice (either internally or externally) to determine the amounts that are chargeable to the general fund. We would expect this to include consideration of:

- the actuary's opinion on the amounts that are payable by the local authority into the pension fund
- the agreement between the actuary and the local authority as to when these payments are to be made
- the wording in the rates and adjustments certificate setting out when amounts are payable for each financial year.

For example, if a local authority agrees to make a payment to the pension fund in a single year and proposes to charge this amount to the general fund over a three-year period, we would expect the rates and adjustments certificate to show, unambiguously, that the amount payable is spread over the three years.

Discussion questions

- Is your local authority confident of getting the information from its actuary to meet the changes in the requirements for accounting for the LGPS (including restating the comparatives)?
- If your authority is considering making an early payment to the pension fund, has it set out a reasonable argument for how it proposes to charge this amount to the general fund? Is this supported by legal advice?

5 PFI and other service concessions

Recognising assets during the construction phase

The 2013/14 Code has changed the recognition point for service concession assets.

Previously, this was when an asset was made available for use. Now, the recognition point is the same as for assets under construction, when:

- it is probable that future economic benefits associated with the asset will flow to the organisation **and**
- the cost of the asset can be measured reliably.

This suggests that some local authorities may need to recognise service concession assets during the construction phase as assets under construction. This is a matter of judgement for local authorities. We would expect local authorities to consider issues such as:

- construction risk – if construction risk rests with the operator, this would suggest that the local authority does not have an obligation during the construction phase and so should not recognise the asset until it is constructed
- information about costs of construction – if the operator does not provide the local authority with information about the costs of construction at the balance sheet date, this would suggest that the local authority should not recognise the asset because it cannot measure the cost of the asset reliably.

Updating the accounting model during the operational phase

Most local authorities derive their accounting entries from an accounting model which, in turn, is derived from the operator's costing model. The initial accounting model will have included a range of assumptions, such as inflationary increases and performance levels. We would expect local authorities to update the accounting model for actual information, such as inflation and performance variations, during the contract.

Disclosing the impact of inflation on local authority commitments

We expect local authorities to disclose the impact of inflation on their service concession commitments. These commitments are affected by:

- past inflation – previous price rises will be built into future payments
- fluctuations in future inflation – this gives rise to uncertainties about future payments.

Disclosing the fair value of the service concession liability

Service concession liabilities are financial instruments. This means that local authorities are required to disclose the fair value of the liability unless this is not materially different from the carrying value. In most cases we would expect the fair value for operational schemes to be higher than the carrying value. This is because once a scheme is operational local authorities have access to lower interest rates for refinancing. This is because the pre-construction interest rate reflects the risks associated with construction.

Discussion questions

- Has your authority assessed whether it should recognise any service concession assets during the construction phase?
- Does your authority regularly update its accounting model?
- Has your authority disclosed the impact of past inflation?
- Has your authority disclosed uncertainties relating to future inflation?
- Has your authority disclosed the fair value of its PFI liability?

Protecting the Public Purse Fraud Briefing 2013 Plymouth City Council



Agenda

- Introduction and purpose of your Fraud Briefing
- *Protecting the Public Purse (PPP) 2013* report – national picture
- Interpreting fraud detection results
- The local picture
- Questions?

Introduction

- Fraud costs local government in England over £2 billion per year (*source: National Fraud Authority*)
- Fraud is never a victimless crime
- Councillors have an important role in the fight against fraud



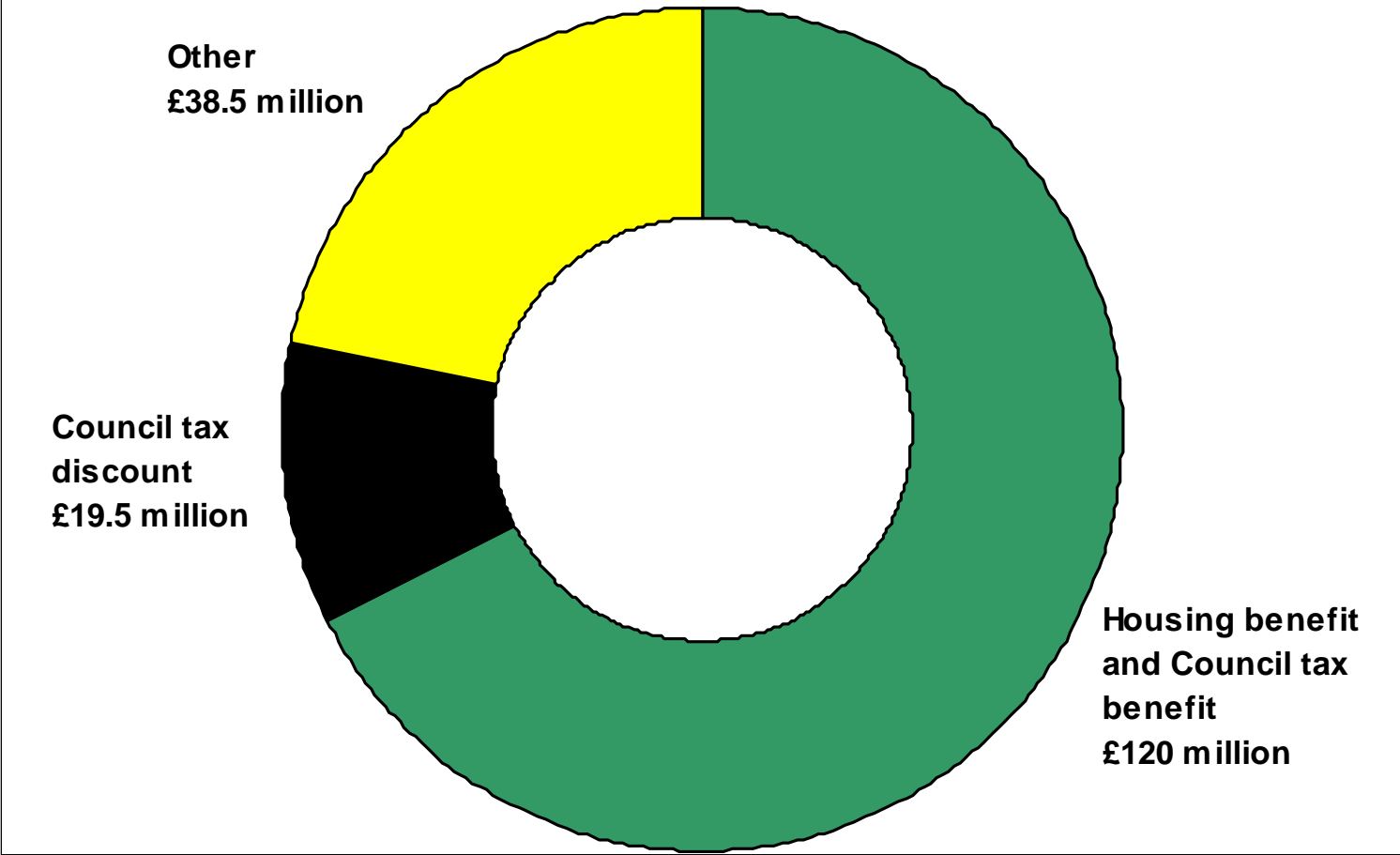
Purpose of Fraud Briefing at your council

- Opportunity for councillors to consider fraud detection performance, compared to similar local authorities
- Reviews current counter fraud strategy and priorities
- Discuss local and national fraud risks
- Reflect local priorities in a proportionate response to those risks

Your council is compared with the unitary authorities of the south west and south east regions

National Picture 2012/13

Total cases detected 107,000, with a value of £178 million (excluding social housing fraud)



Nationally, the number of detected frauds has fallen by 14% since 2011/12 and the value by less than 1%



Interpreting fraud detection results

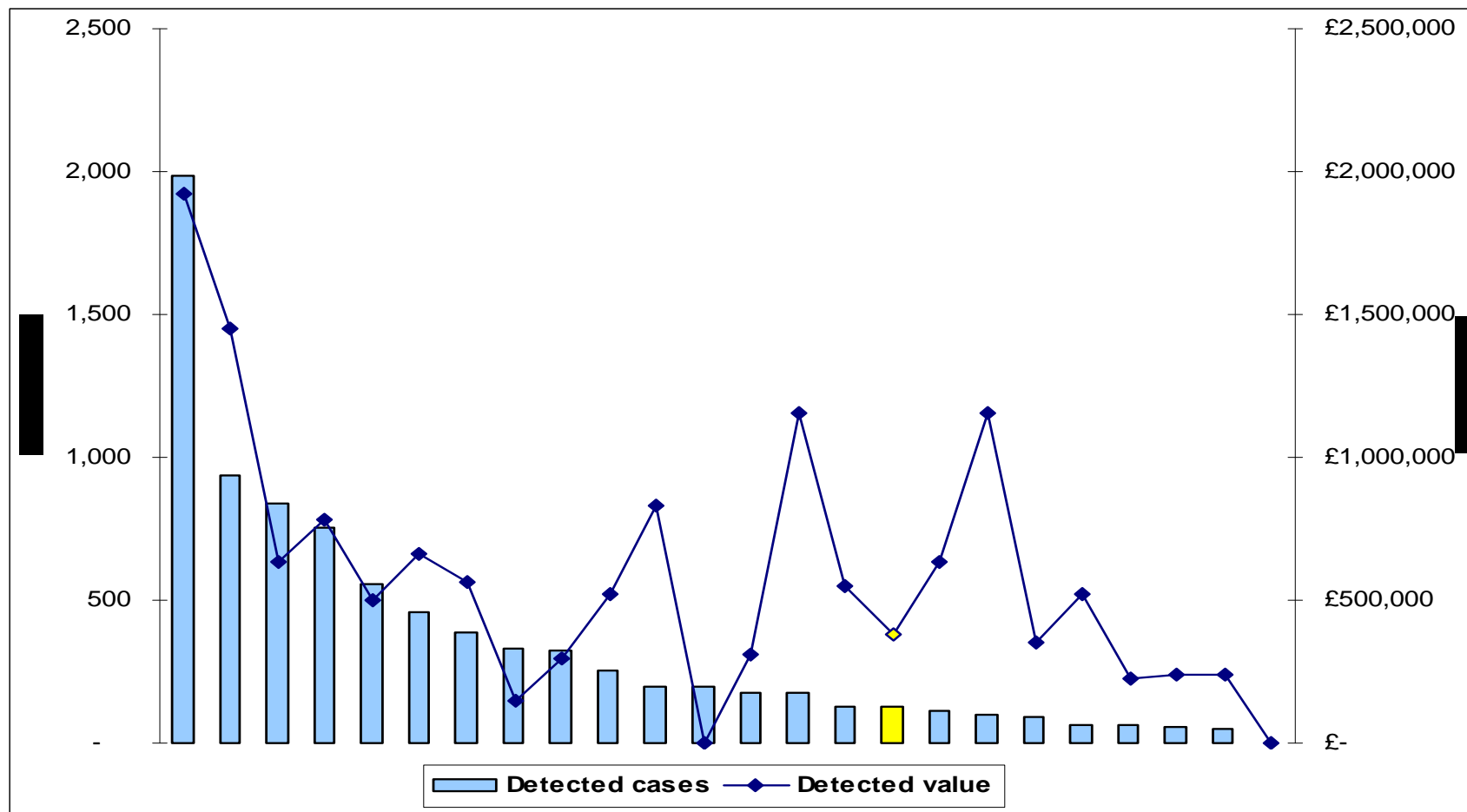
- Contextual and comparative information needed to interpret results
- Detected fraud is indicative, not definitive, of counter fraud performance (Prevention and deterrence should not be overlooked)
- No fraud detected does not mean no fraud committed (Fraud will always be attempted and even with the best prevention measures some will succeed)
- Councils who look for fraud, and look in the right way, will find fraud (There is no such thing as a small fraud, just a fraud that has been detected early)

Your council is highlighted in yellow in the graphs that follow

The local picture

How your council compares to other Southern unitary authorities

Total detected cases and value 2012/13 (excluding social housing fraud)



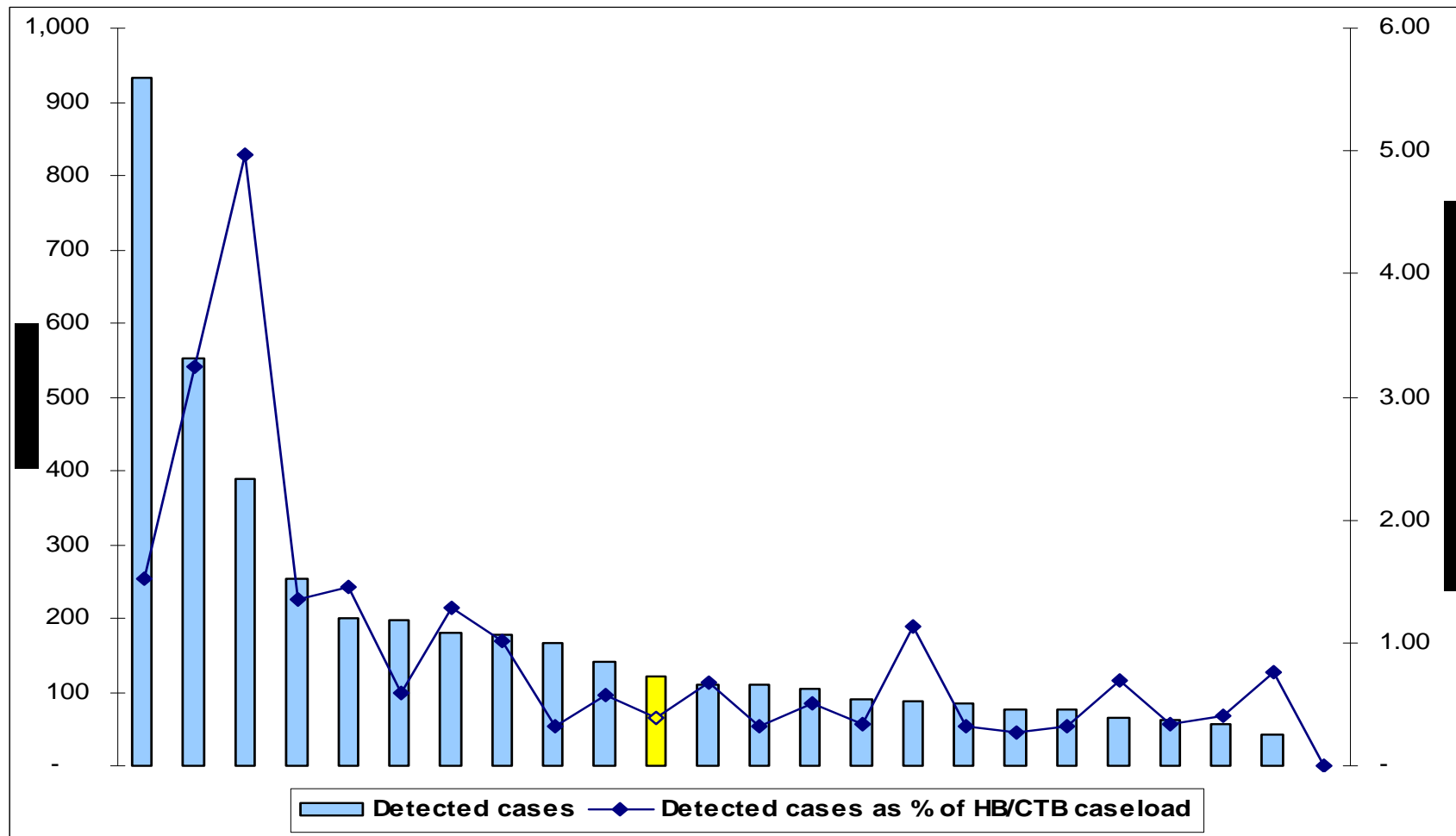
Plymouth detected: 124 cases, valued at £382,361



Southern unitary authorities 2012/13

Housing benefit (HB) and Council tax benefit (CTB) fraud

Detected cases and detected cases as a percentage of HB/CTB caseload



Plymouth detected: 122 cases, valued at £382,311

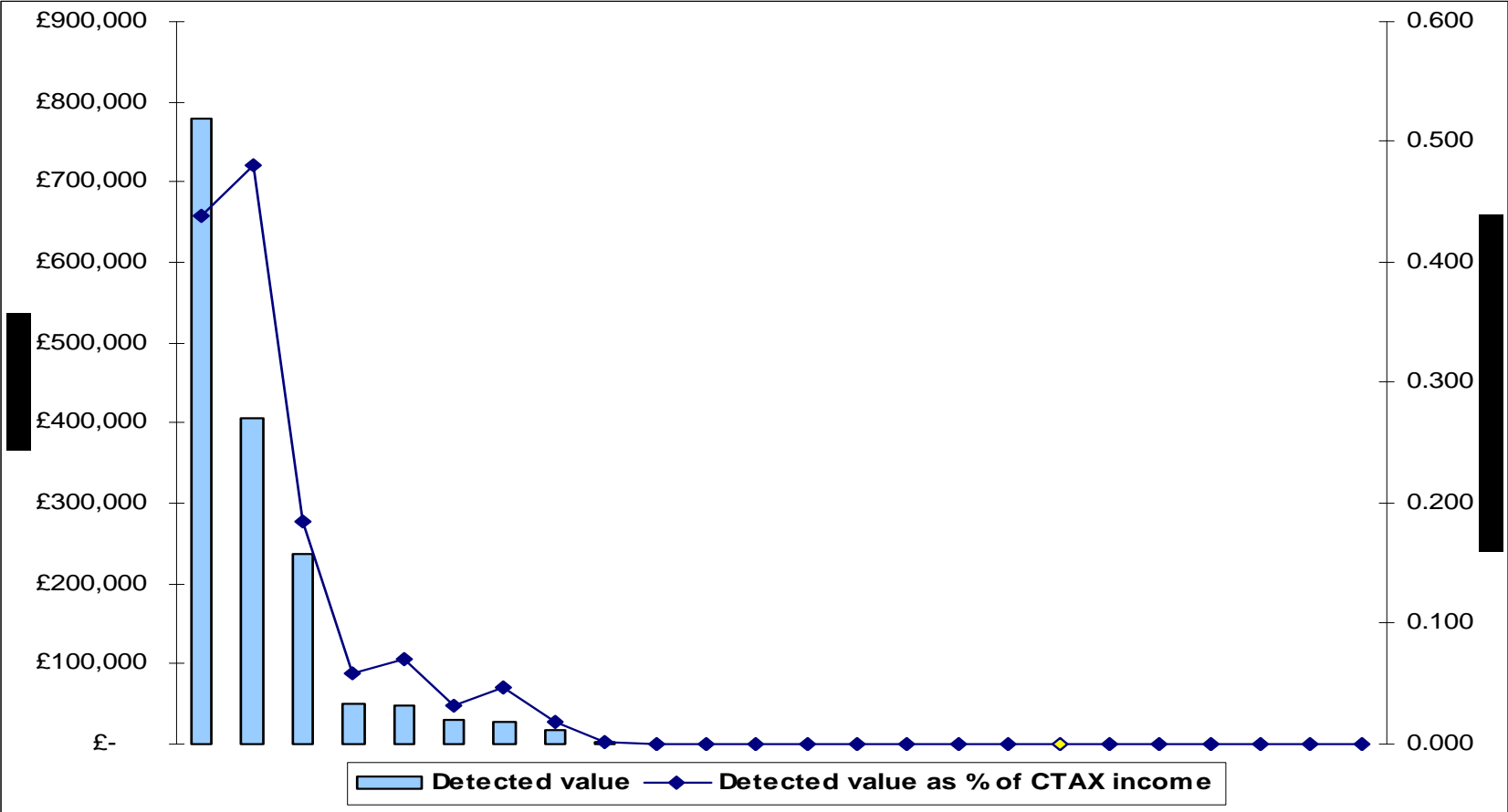
Southern average: 178 cases, valued at £470,661



Southern unitary authorities 2012/13

Council tax (CTAX) discount fraud

Detected value and detected value as a percentage of council tax income



Plymouth detected: no cases

Southern average: 147 cases, valued at £66,679



Southern councils without housing stock 2012/13

Social housing fraud

It is estimated that:

- 2 per cent of social housing stock outside London is subject to tenancy fraud;
- tenancy fraud represents the second largest financial loss to fraud in local government, costing £845 million in 2013; and
- when combined with the loss to tenancy fraud suffered by housing associations, the total value in England is £1.8 billion – making tenancy fraud five times greater than the annual loss due to housing benefit fraud.

The Prevention of Social Housing Fraud Act 2013 criminalises tenancy fraud

The legislation gives councils investigation powers and the ability to prosecute tenancy fraudsters on behalf of housing associations

Should you be using this legislation to work in partnership with local housing associations?

Southern unitary authorities 2012/13 Disabled parking (Blue Badge) fraud Detected cases



Plymouth detected: no cases

Southern average: 18 cases



Plymouth City Council

Other frauds

- Procurement: no cases
(Ave per Southern UAs: 1 case, valued at £12,882)
- Insurance: no cases
(Total Southern UAs: 4 cases reported, valued at £73,500)
- Social care: no cases
(Ave per Southern UAs: 1 case, valued at £10,933)
- Economic & Third sector: no cases
(Total Southern UAs: no cases reported)
- Internal fraud: 4 cases, valued at £4,016
(Ave per Southern UA: 4 cases valued at £28,045)

*Correctly recording fraud levels is a central element in assessing fraud risk
It is best practice to record the financial value of each detected case*

Any questions?



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PLYMOUTH CITY COUNCIL

Subject:	Strategic Risk and Opportunity Register – Monitoring Report
Committee:	Audit Committee
Date:	13 March 2014
Cabinet Member:	Councillor Lowry
CMT Member:	David Trussler (Interim Director for Corporate Services)
Author:	Mike Hocking, Head of Corporate Risk and Insurance
Contact details	Tel: 01752 304967 email: mike.hocking@plymouth.gov.uk
Ref:	CRM/MJH
Key Decision:	No
Part:	I

Purpose of the report:

This report provides a summary of the latest formal monitoring exercise completed for the Strategic Risk and Opportunity Register for the period September 2013 to February 2014.

The total number of strategic risks reported has reduced from 32 to 28 with the addition of 3 new risks and the deletion of 7. The number of red risks remains at 4.

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

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

The Strategic Risk and Opportunity 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 and opportunity registers could have financial or resource implications.

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

None arising specifically from this report but community safety, health and safety issues and risks are taken into account in the preparation of risk and opportunity registers.

Equality and Diversity

Has an Equality Impact Assessment been undertaken? Not required.

Recommendations and Reasons for recommended action:

The Audit Committee is recommended to:

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

Alternative options considered and rejected:

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.

Published work / information:

Plymouth City Council Risk and Opportunity Management [Strategy](#).

Background papers:

None.

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

Sign off:

Fin		Leg		Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member: Tim Howes													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

1.0 Introduction

- 1.1 The position with regard to the Strategic Risk and Opportunity Risk Register was last reported to this Committee on [19 September 2013](#) and this report now provides a summary of the latest monitoring exercise covering the position as at 28 February 2014.

2.0 Strategic Risk and Opportunity Register – Monitoring Summary

- 2.1 In accordance with the strategy requirement for twice-yearly monitoring, the latest monitoring exercise was completed in February 2014 with the results discussed and agreed by CMT and Cabinet Planning on 18 February and 25 February 2014 respectively.
- 2.2 Attached to this report at Appendix A is a summary showing the current status of each risk and any movement in risk score compared with previous monitoring periods together with explanatory commentary on the key issues for each risk.

3.0 Headline Issues

3.1 New Risks

Red Risk 95 – Transformation impact on Plymouth City Council business (Row No. 2)

Each of the 5 Transformation Programme delivery strands link to a Portfolio risk register which is monitored by the Transformation Board. The project is currently at the planning stage and therefore until the projected outcomes and benefits are realised the risk remains a significant one for the Council, particularly with regard to the delivery of the target budget savings.

Amber Risk 94 – Delivering the Early Intervention and Prevention Strategy (Row No. 22)

The Early Intervention & Prevention Strategy is now embedded and the action plan is being refreshed. Risks are that the Strategy fails to deliver on multi-agency outcomes to reduce the number of referrals into Social Care.

Green Risk 96 – Implementation of the Care Bill and the Dilnot cap on care costs (Row No. 28)

New Strategic risk in respect of changes to the Care Bill which sets out key proposals for reforming the way adult social care is funded from April 2016.

3.2 Risk Score Unchanged

Red Risk 21 – Medium Term Financial Forecast (Row No. 1)

A 3 year budget was approved at Full Council in February 2014 but risks remain for year 1, 2014/15, where £16m of cost reduction/additional income will be required. Budget papers include a risk register detailing individual assessments and countermeasures. Years 2 and 3 are heavily reliant on our Transformation Programme which itself is covered by individual risk assessments, which are monitored by the Transformation Board.

Red Risk 49 – Future of Civic Centre and Council House following listed status as not currently fit for purpose – (Row No. 3)

The procurement process has run its course and we continue dialogue with interested parties to take forward a development solution. We have secured new office accommodation at Ballard House which is cost effective and will increase efficiency.

Red Risk 92 – Deterioration of the condition of the City’s Highway Network (carriageway and footways) – (Row No. 4)

The Council have agreed to purchase a new detailed survey of the network to inform future investment aimed at maximising value for money. The system is the right tool to aid the development of our asset management plan and deliver treatments that meet the new Highway Maintenance Efficiency Programme (HMEP) criteria and associated DfT funding models. The survey work will commence in April 2014 and be completed by October, enabling the Council to assess what options to move forward with in terms of MTFP.

Amber Risk 46 – Risk of the Council not meeting its obligations to keep citizen data secure – (Row No. 5)

The Information Lead Officers Group has an action plan which is informed by a recent internal audit of information governance and in preparation for an external audit of Data Protection Act compliance by the Information Commissioners Office in April 2014. An eLearning package for all computer users ‘Data Safe’ has just been provided. Current key issue is the governance and storage of council records, due to the current change in the location of council staff and the use of buildings. Further information is provided at paragraph 4 below.

Amber Risk 83 – Health Inequalities – (Row No. 6)

The grant allocation received by the Council to fund its public health work was discussed at the full Council meeting held on 27 January 2014. At this meeting a ‘motion on notice’ was unanimously agreed. As a result of this a joint letter has been sent to the Health Secretary asking that Plymouth’s allocation be reviewed as a matter of urgency. In addition to this, PCC’s Chief Executive and Director of Public Health held a teleconference with Duncan Selbie (Chief Executive, Public Health England) to put the case for additional public health resource being directed to the City. If these approaches result in more funding being forthcoming then the Council will be in a stronger position to put programmes of work in place which will, in the longer term, address the gap in life expectancy.

Amber Risk 14 – Ensuring robust systems are in place to combat fraud and protect Council assets (Row No. 15)

Instances of fraud and irregularity are on the increase nationally, as highlighted by the National Fraud Authority and Audit Commission. This is much to do with the state of the economy and the recent welfare reforms which has seen many with less income. Devon Audit Partnership continues to work with the Council in reviewing its strategy and policies surrounding fraud and corruption. The Council have taken steps to address particular services areas susceptible to fraud such as Single Person Discount within Council Tax and high profile exercises to tackle blue badge fraud. Plymouth is also taking the lead in a project to tackle Social Housing Fraud working in partnership with other Local Authorities and Registered Housing Providers across Devon.

Amber Risk 60 – The impact on Revenue budget of Treasury Management activity (Row No. 18)

A revised Treasury Management Strategy was presented to Audit Committee in January 2014 and Full Council in February 2014 which will allow more delegated authority to the Treasury Management Board and broader remit on borrowing and loan arrangements to maximise interest return and minimise borrowing costs. Monthly strategic Treasury Management Board meetings are minuted and actions logged. These meetings are attended by the Finance lead for both elected parties.

3.3 Deleted Risks

Green Risk 76 – Development of Gypsy Sites (Row No. 29)

Implementation plans in place.

Green Risk 70 – Transformation of Adult Social Care (Row No. 30)

Risk will be monitored operationally.

Green Risk 74 – Client Management IT Systems (Row No. 31)

Risk will be monitored operationally.

Green Risk 85 – Health Integration – (Row No. 32)

This risk can now be removed as transfer of public health commissioning activity and multi-agency engagement at all levels of strategic planning is underway. Further commentary is provided at paragraph 5.

Red Risk 89 – Development of HR Transformation Project – (Row No. 33)

The AX project is complete.

Green Risk 42 – Health & Safety Management – (Row No. 34)

Mitigation is embedded. The risk will continue to be monitored through business as usual.

Green Risk 36 – Staff Stress – (Row No. 35)

Mitigation is embedded. The risk will continue to be monitored through business as usual.

4.0 Information Governance

- 4.1 I reported to this Committee on [12 December 2013](#) that following a high profile staff information governance awareness campaign an eLearning training course entitled 'Data Safe' had been rolled out to staff with computer access.
- 4.2 The percentage of staff that completed and passed this course by the deadline of 17 January 2014 was 76.07%.
- 4.3 Training for members of staff without computer access is currently being developed.
- 4.4 Devon Audit Partnership (DAP) carried out an independent review of our information governance arrangements. They reviewed the assurance level of information governance embeddedness in three areas:-
- in the work of ILOG members
 - in the work of service managers
 - in the work of front-line staff
- 4.5 The DAP assurance opinion recorded 'Improvements Required' for all three areas covered by the audit, however they have acknowledged that the findings in respect of ILOG members and service managers are tending towards the higher end of this range and once the recommendations are adopted, could attain a 'Good Standard' in a reasonably short timeframe.
- 4.6 Based on the recommendations from their report an action plan has been produced which includes responsible officer and target dates for completion. The action plan is to be linked to

the Corporate Transformation Programme and will be actioned where appropriate to a strand of the Programme.

- 4.7 The planned Information Commissioner's Office (ICO) audit which was due to take place in January has been postponed by mutual agreement to April 2014. This will give officers time to implement the majority of the actions arising from the DAP audit.
- 4.8 The results of the ICO audit will be presented to this Committee in either June or September 2014 depending on when we receive a report of their findings.

5.0 Office of the Director of Public Health (ODPH)

- 5.1 A risk workshop is being planned to identify the key risks and opportunities arising from the ODPH business plan. A key focus will be integrated working and using the risk and opportunity framework to help ensure all agencies work collectively and collaboratively across the health and wellbeing agenda.

6.0 Transformation Project

- 6.1 New business planning guidance issued to Assistant Directors in February highlights the need to consider how the five Transformation Programmes may impact on business objectives.
- 6.2 Managers are being advised to cross reference risks to the Transformation Programme risk log and consult their Directorate Business Change Advisor who will support them to successfully prepare for, implement and embed changes being delivered by the Programmes.
- 6.3 The benefits that the projects need to achieve have been challenged and there is confidence in the robustness of the financial plan for 2014. The budget for 2015/16 and 2016/17 have what are considered achievable figures but are still to go through a budget challenge process as part of building the Full Business Case for each Programme.
- 6.4 The Interim Director for Corporate Services will provide a briefing on the governance arrangements, including risk management, in respect of the Transformation Programme to this Committee under a separate agenda item today.

7.0 Summary and Conclusion

- 7.1 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 community.
- 7.2 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 and Opportunity Register and the maturity of the Council's approach to the identification and management of strategic risk.
- 7.3 The inclusion of risk management considerations is 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.
- 7.4 Transformation Project risks are being managed at three levels - via the Transformation Board, Programme Boards and at individual project level to ensure the overall risk level of the

Project is determined and delivered within acceptable limits and that mitigating actions are clearly defined and understood by the project team.

- 7.5 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.
- 7.6 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.
- 7.7 The next formal review of the Strategic Risk and Opportunity Register will take place in August 2014.

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PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER EIGHTEEN FEB 2014 - Summary by Risk Rating APPENDIX A

ROW NO	RISK REF	POTENTIAL RISKS IDENTIFIED	RESIDUAL RISK RATING			RESIDUAL RISK RATING			RESIDUAL RISK RATING			CURRENT RESIDUAL RISK RATING		CHANGE IN RISK RATING	COMMENTS	RISK OWNER	RISK CHAMPION
			Aug-12			Feb-13			Aug-13			Feb-14					
			*P	*I		*P	*I		*P	*I		*P	*I				
1	21	Medium Term Financial Forecast issues - unable to meet spending reduction targets, negative impact on budgets, loss of reputation, negative impact on front line services and a negative opinion from external audit.	5	5	25	5	5	25	5	5	25	5	5	25	R	Malcolm Coe	Angie McSweeney
2	95	Transformation Impact on Plymouth City Council Business - PCC is embarking on a large Transformation Programme. The scale of change and the benefit realisation required to achieve the council's plan as a Co-operative Council and address funding/income shortfall by 2016 / 17 carries significant risk on its capability and capacity to achieve this result.										4	5	20	R	David Trussler	Sue Thomas
3	49	Future of Civic Centre and Council House following listed status as not currently fit for purpose.	4	5	20	4	5	20	4	5	20	4	5	20	R	David Draffan / David James	Gill Peele
4	92	Deterioration of the condition of the City's Highway Network (carriageway and footways)	New			5	4	20	5	4	20	5	4	20	R	Adrian Trim	Gill Peele

PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER EIGHTEEN FEB 2014 - Summary by Risk Rating APPENDIX A

ROW NO	RISK REF	POTENTIAL RISKS IDENTIFIED	RESIDUAL RISK RATING			RESIDUAL RISK RATING			RESIDUAL RISK RATING			CURRENT RESIDUAL RISK RATING		CHANGE IN RISK RATING	COMMENTS	RISK OWNER	RISK CHAMPION	
			Aug-12			Feb-13			Aug-13			Feb-14						
			*P	*I		*P	*I		*P	*I		*P	*I					
5	46	The Council not meeting its obligations to keep citizen data secure , or provide and display information in line with statutory requirements. The consequence can be a financial penalty and/or reputational damage resulting in loss of trust in the Council which will affect the ability of the Council to work efficiently and effectively with the public, contractors or partner organisations (formerly Information Governance)	4	4	16	4	4	16	4	4	16	4	4	16	A	COMMENTS AUG 13: ILOG is continuing to work through the Information Governance Action Plan. More Corporate Communications are planned and an eLearning package for all staff will be rolled out in the Autumn. The Information Commissioner's Office have accepted an invitation from PCC to carry out an audit of our processes and this is planned to take place between Nov 13 and Jan 14. COMMENTS FEB 14: The Information Lead Officers Group has an Action Plan which is informed by a recent Internal Audit of Information Governance and in preparation for an external audit of Data Protection Act compliance by the Information Commissioners Office in April 2014. An eLearning package for all computer users 'Data Safe' has just been provided to all computer users. Current key issue is the governance and storage of council records, due to the planned change in the location of council staff and the use of buildings. Risk reduction will be reliant on processes put in place through the Transformation Project.	Dave Saunders	Rob Batten
6	83	Health Inequalities - not meeting high level partnership target to reduce the gap in life expectancy by at least 10% between the fifth of areas (eight neighbourhoods) with the lowest life expectancy and the population as a whole by 2020	4	4	16	4	4	16	4	4	16	4	4	16	A	COMMENTS AUG 13: Toolkit in preparation to address health inequalities down to neighbourhood level across 66 outcomes. COMMENTS FEB 14: A quarterly performance report has been developed to go to Caring Scrutiny Panel and Joint Commissioning Partnership. The grant allocation received by the Council to fund its public health work was discussed at the full Council meeting held on 27 January 2014. At this meeting a 'motion on notice' was unanimously agreed. As a result of this a joint letter has been sent to the Health Secretary asking that Plymouth's allocation be reviewed as a matter of urgency. In addition to this, the Council's Chief Executive and Director of Public Health held a teleconference with the Chief Executive of Public Health England to put the case for additional public health resource being directed to the City. If these approaches result in more funding being forthcoming then the Council will be in a stronger position to put programmes of work in place which will, in the longer term, address the gap in life expectancy.	Rob Nelder	Katrina Houghton
7	84	Impact of Welfare Reform on Plymouth City Council and our customers	4	4	16	4	4	16	4	4	16	4	4	16	A	COMMENTS AUG 13: Officers working group continues to meet to implement action plan. Advice service to continue with tight contract management and direct support to claimants as appropriate. Assessing the impact of large increase in customer contacts through the front office. COMMENTS FEB 14: Progress continues against action plan, including direct contact with those claimants affected, campaigns targeting groups and support for credit unions and ban on advertising of pay day lenders.	Peter Aley	Julie Cook
8	33	Ensuring there is adequate capital for Education Infrastructure	4	4	16	4	4	16	4	4	16	4	4	16	A	COMMENTS AUG 13: Targeted Capital allocations made in July following confirmation of basic need allocation in April 2013. Cabinet paper to be provided Autumn 2013 listing proposals along with a presentation. COMMENTS FEB 14: Approval given for new build at Knowle and additional spaces at St Peter's CE Pennycross and Woodfield. Project plans need to be agreed in order that the majority of the work is completed by Sept 2015.	Jayne Gorton	Julie Reed

PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER EIGHTEEN FEB 2014 - Summary by Risk Rating APPENDIX A

ROW NO	RISK REF	POTENTIAL RISKS IDENTIFIED	RESIDUAL RISK RATING			RESIDUAL RISK RATING			RESIDUAL RISK RATING			CURRENT RESIDUAL RISK RATING		CHANGE IN RISK RATING	COMMENTS	RISK OWNER	RISK CHAMPION
			Aug-12			Feb-13			Aug-13			Feb-14					
			*P	*I		*P	*I		*P	*I		*P	*I				
9	88	Failure to secure Government funding through new process to deliver sufficient Major Transport Schemes (MTS)	4	4	16	4	4	16	4	4	16	4	4	16	A	Philip Heseltine	Gill Peele
10	86	Strategic Housing Private Sector Housing Intervention - reducing capital resources.	3	4	12	3	4	12	4	4	16	4	4	16	A	Stuart Palmer / Paul Barnard	Julie Cook
11	67	Working with partners in the prevention of Violent Extremism.	3	5	15	3	5	15	3	5	15	3	5	15	A	Peter Aley	Julie Cook
12	24	Ensuring processes are in place to protect staff from violent incidents whilst carrying out their duties.	3	5	15	3	5	15	3	5	15	3	5	15	A	Chris Squire	Michelle Chapman

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			Aug-12			Feb-13			Aug-13			Feb-14						
			*P	*I		*P	*I		*P	*I		*P	*I					
13	51	Delivery of sustained and accelerated economic and population growth in line with the Council's Corporate Plan and vision for the City.	3	5	15	3	5	15	3	5	15	3	5	15	A	COMMENTS AUG 13: Since February unemployment has fallen slightly each month and some progress has been made in younger age groups but long-term unemployment for some residents remains a stubborn issue. We have secured new funds from the National Apprenticeship Service, Coastal Communities Funds and Flexible Support Fund to help with employment initiatives. A number of businesses have opened or expanded such as Hymec, Mitch Tonks, the Dome and there are significant enquiries from businesses such as God TV. An announcement on our bid into Regional Growth Fund is expected imminently and we are progressing work with the Local Enterprise Partnership to secure new EU and Single Pot monies (although the latter would not start to arrive until 2015). Latest figures have shown an increase in visitor numbers into Plymouth. We have commenced a review of the Local Economic Strategy which by year end will provide an updated strategic blueprint for economic growth, business support and job creation. Get Plymouth Building initiatives underway to accelerate housing delivery. Working with housing providers and agents to identify actions to help unblock barriers and new models of delivery such as RENT plus. Strategic funding mechanisms being explored. COMMENTS FEB 14: The launch of The Plan for Homes on 1 November with 16 specific initiatives which will help deliver the accelerated population growth that is being planned through the Plymouth Plan. In addition the Transformation Programme now contains the Growth, Assets and Municipal Enterprise programme of activity which will provide further impetuous into population growth. A City Deal has been signed which has the potential to deliver 10,000 jobs and will see South Yard transformed along with initiatives to help young people stay in employment and for more businesses to be supported and started up. There has been close work with the LEP to produce an EU work is also taking place with the LEP to produce a Strategic Economic Plan and secure a growth Deal with the Government. Our 1000 Club has achieved a number of its targets and a recent quarterly update on the Plan for Jobs showed that the 19 projects within it are currently above target in achieving the delivery of new jobs for the city.	Paul Barnard / David Draffan	Gill Peele
14	59	Financial risk associated with investigation and clean up of contaminated land	3	5	15	3	5	15	3	5	15	3	5	15	A	COMMENTS AUG 13: As funding becomes available, bids are made to DEFRA for investigation works. Unknown implications for future liabilities if funding not available. COMMENTS FEB 14: The funding that was previously available from DEFRA has now been withdrawn and consequently if land is identified as contaminated the Council would have to identify resources to comply with the statutory duties.	Simon Dale / Robin Carton	Gill Peele

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			Aug-12			Feb-13			Aug-13			Feb-14					
			*P	*I		*P	*I		*P	*I		*P	*I				
15	14	Ensuring robust systems are in place to combat fraud and protect Council assets.	2	5	10	2	5	10	3	5	15	3	5	15	A	Dominic Measures	Angie McSweeney
16	28	Increase in the number of looked after children and those subject to a Child Protection Plan leading to cost pressures on independent placements, staffing and resources	3	5	15	3	4	12	3	4	12	3	4	12	A	Alison Botham	Julie Cook
17	68	Failure to reach recycling targets and divert waste from landfill	3	4	12	3	4	12	3	4	12	3	4	12	A	Simon Dale / Mark Turner	Gill Peele

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			Aug-12			Feb-13			Aug-13			Feb-14						
			*P	*I		*P	*I		*P	*I		*P	*I					
18	60	The impact on Revenue budget of Treasury Management activity (formerly Economic downturn affecting treasury management)	3	4	12	3	4	12	3	4	12	3	4	12	A	COMMENTS AUG 13: Adopted new strategies spreading our portfolio to minimise risk and maximise value. Adjusted revenue budget to better reflect rates of return from investments. Revenue cost of funding council lending is escalating with overall revenue resources reducing. COMMENTS FEB 14: Revised Treasury Measurement strategy to be presented to Audit Committee in January 2014 and Full Council in February 2014 which will allow more delegated authority to the Treasury Management board and broader remit on borrowing and loan arrangements to maximise interest return/minimise borrowing costs. Monthly strategic TM board meetings now minuted and actions logged. Attended by Finance lead for both elected parties.	Malcolm Coe	Angie McSweeney
19	72	Significant pressure on Adult Social Care budget	3	4	12	3	4	12	3	4	12	3	4	12	A	COMMENTS AUG 13: Departmental Delivery Plan continues to be monitored through People Directorate Programme Board. COMMENTS FEB 14: Rigorous monitoring is undertaken by ASC Senior Management Team on a fortnightly basis.	Dave Simpkins	Julie Cook
20	91	Failure to keep abreast of and track new and emerging legislation as part of the powers following Localism Act (regulations)	New			3	4	12	3	4	12	3	4	12	A	COMMENTS AUG 13: Temporary Lawyer is currently in post. Waiting to see if this becomes permanent before delegating this responsibility to that person. COMMENTS FEB 14: When we have secured a permanent Contracts Lawyer to the vacant post that person will be designated to undertake the tracking of new and emerging legislation. It is hoped that this situation will be resolved early in the new financial year.	Dave Shepperd	Rosie Clahane
21	93	Failure to deliver the range of housing to meet Plymouth's need				New			3	4	12	3	4	12	A	COMMENT AUG 13: The Get Plymouth Building Programme has a number of strands to unblock barriers and to accelerate housing delivery and in particular bring forward greener and more affordable housing. Looking at stalled sites and new sites, self build and how the council can support propositions as well as new funding streams. COMMENTS FEB 14: The Get Plymouth Building programme continues to deliver increased momentum. This has been supplemented with the launch of The Plan for Homes on 1 November 2013 which aims to deliver 1,000 homes per annum.	Paul Barnard	Gill Peele
22	94	Delivering the Early Intervention and Prevention Strategy							New			4	3	12	A	COMMENTS FEB 14: The Early Intervention & Prevention Strategy is now embedded and the action plan is being refreshed. Risks are that the Strategy fails to deliver on multi-agency outcomes to reduce the number of referrals into Social Care.	Alison Botham / Judith Harwood	Julie Reed
23	73	Employee Relations	3	4	12	3	4	12	3	3	9	3	4	12	A	COMMENTS AUG 13: Ongoing negotiations with trade unions. Continuing to work through claims in accordance with plans. COMMENTS FEB 14: Negotiations about to commence for 2014/15.	Chris Squire	Michelle Chapman
24	81	Impact of trading services and loss of local authority funding through academy status	3	4	12	3	4	12	3	4	12	2	5	10	G	COMMENTS AUG 13: Changes to schools funding does not appear to have impacted greatly on services bought back. The level of buy back and impact on school budgets continues to be monitored and a new Directory is being prepared for Nov 13. COMMENTS FEB 14: Changes to schools funding does not appear to have impacted greatly on services bought back. Services are fit for purpose and reviewed regularly.	Jayne Gorton	Julie Reed
25	82	Potential legislative non-compliance of PCC buildings due to fragmented ownership and responsibility	3	5	15	2	5	10	2	5	10	2	5	10	G	COMMENTS AUG 13: Corporate Property now restructured to ensure effective management and support across the corporate estate. COMMENTS FEB 14: A Health and Safety audit will be completed Feb 2014 and issues identified will be addressed to ensure compliance with H&S legislation.	Chris Trevitt	Angie McSweeney

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			Aug-12			Feb-13			Aug-13			Feb-14						
			*P	*I		*P	*I		*P	*I		*P	*I					
26	30	ICT Resilience - Ensuring there is adequate disaster recovery in place to deal with the unavailability of ICT.	2	5	10	2	5	10	2	5	10	2	5	10	G	COMMENTS AUG 13: The 2nd data centre at Windsor House is now holding test data and is on schedule to go live 2nd quarter 2013. COMMENTS FEB 14: Project scope changed to bring forward replacement of legacy equipment in Civic to avoid duplication of work and minimise business disruption and risk. The majority of services are now running from the new infrastructure in the Civic increasing resilience. Final migration to Windsor is planned for completion during Q1 14/15 once a full DR test is completed for the site.	Malcolm Coe	Angie McSweeney
27	08	Ensuring the Council has a robust Business continuity planning strategy in place to facilitate resumption of normal business activities should a serious incident occur	2	5	10	2	5	10	2	5	10	2	5	10	G	COMMENTS AUG 13: Departmental Plan Owners are tasked monthly to review their plans to ensure that information is correct and up to date. The strategy group continues to monitor potential incidents and lead corporately in building resilience. COMMENTS FEB 14: A revised Departmental Recovery Plan has been created to make the process easier to understand and ensure that plans are constantly kept up to date. The strategy group continues to monitor potential incidents and lead corporately in building resilience.	Jamie Whitford-Robson	Katrina Houghton
28	96	Implementation of the Care Bill and the Dilnot cap on care costs - financial risk associated with additional assessment activity, managing care accounts and earlier funding of care costs							New			3	3	9		COMMENTS FEB 14: New Strategic risk in respect of changes to the Care Bill sets out key proposals for reforming the way adult social care is funded from April 2016.	Dave Simpkins	Julie Cook
29	76	Risk of not getting funding to progress development of Gypsy Sites .	3	4	12	3	3	9	3	3	9	Delete			COMMENTS AUG 13: Continue implementation plans towards build for Broadley Park and other sites. COMMENTS FEB 14: Implementation plans in place, risk can now be removed.	Peter Aley	Julie Cook	
30	70	Delivering the transformation of Adult Social Care (ASC) through Putting People First framework	3	3	9	3	3	9	3	3	9	Delete			COMMENTS AUG 13: Programme Managers, strategic and operational programme in place. Monitored through the People directorate programme board. COMMENTS FEB 14: Can be deleted and will continue to be monitored operationally.	Paul Francombe	Julie Cook	
31	74	Ensuring robustness of Client Management IT Systems for Social Care (both Adults and Children)	2	4	8	2	4	8	2	4	8	Delete			COMMENTS AUG 13: Awaiting update. COMMENTS FEB 14: Can be deleted as being monitored operationally.	Karen Porte	Angie McSweeney	
32	85	Health Integration - Transfer of public health commissioning activity, functions and staff from NHS Public Health departments to PCC	3	5	15	3	5	15	3	3	9	Delete			COMMENTS AUG 13: Continued support to Health & Wellbeing Board. Multi-agency engagement at all levels of strategic planning and resource allocation. COMMENTS FEB 14: Remove from register.		Julie Cook	
33	89	Development of HR Transformation Project	3	4	12	4	5	20	4	5	20	Delete			COMMENTS AUG 13: Ongoing discussions with KPMG and Microsoft. Decision to be made in September on future plans. COMMENTS FEB 14: The AX project is complete and this risk can be removed from the register.	Chris Squire	Michelle Chapman	
34	42	Maintain and support Health & Safety Management processes to aid the wellbeing of staff and reduce sickness levels.	3	5	15	3	5	15	2	5	10	Delete			COMMENTS AUG 13: Communications with team Plymouth complete, audit timetable published and first audit in the new programme final data tbc for 12 or 20 September COMMENTS FEB 14: Mitigation embedded, will continue to monitor operationally.	Chris Squire	Michelle Chapman	
35	36	Ensuring systems are in place to deal with staff stress issues which could lead to sickness absence.	3	4	12	3	4	12	2	4	8	Delete			COMMENTS AUG 13: Audit report favourable, evidence of systems in place. Will continue to monitor through formal internal audit programme (SRR42). COMMENTS FEB 14: Mitigation embedded, will continue to monitor operationally.	Chris Squire	Michelle Chapman	
* P = Probability Rating (1 = Low, 5 = High)																		
* I = Impact Rating (1 = Low, 5 = High)																		
Maximum Score 5 x 5 = 25																		
NB. Risks scored 12 or above will be the subject of priority monitoring																		

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Internal Audit

Internal Audit Plan 2014-15

Plymouth City Council
Audit Committee

March 2014



Auditing for achievement

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Devon Audit Partnership	Confidentiality and Disclosure Clause
<p>The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay and Devon councils. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.</p> <p>The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at robert.hutchins@devonaudit.gov.uk.</p>	<p>This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.</p> <p>This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.</p>

Audit Framework

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. From April 2013, organisations in the UK public sector are required to adhere to the Public Sector Internal Audit Standards.

The Standards require that the Head of Internal Audit must “establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”. When completing these plans, the Head of Internal Audit should take account of the organisation’s risk management framework. The plan should be adjusted and reviewed, as necessary, in response to changes in the organisation’s business, risk, operations, programs, systems and controls. The plan must take account of the requirement to produce an internal audit opinion and assurance framework.

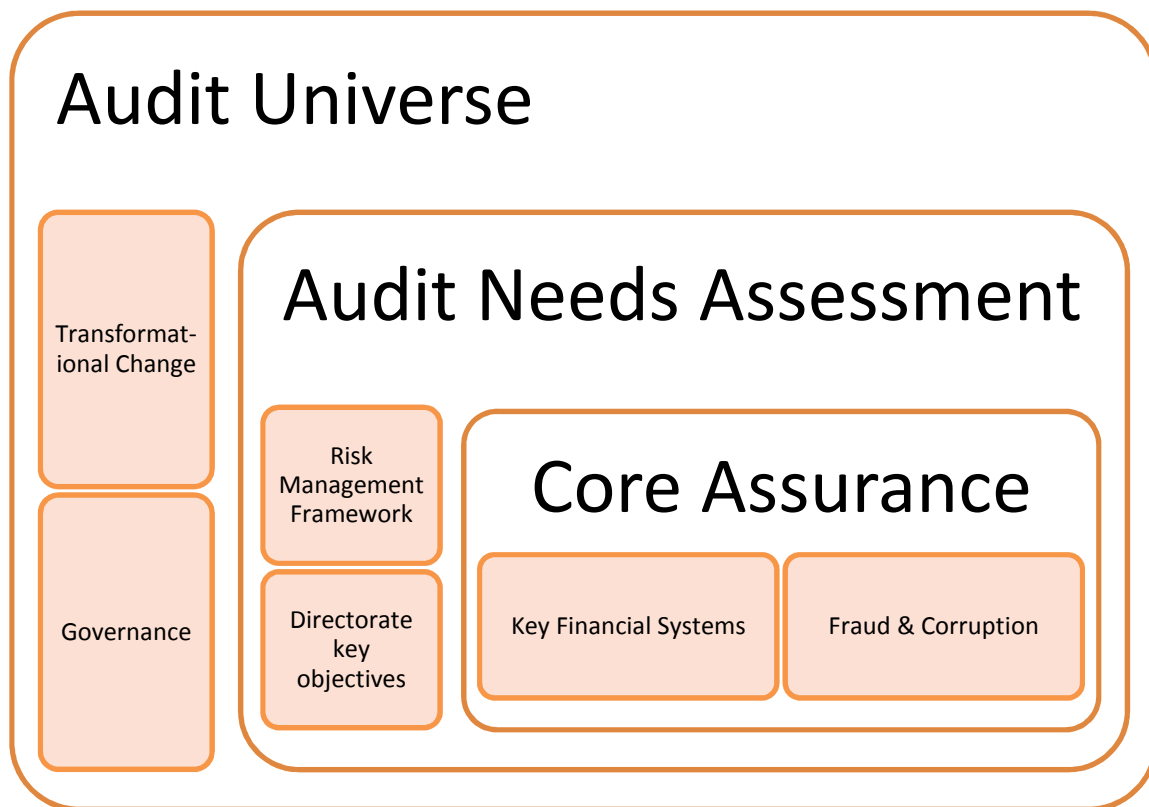
This audit plan has been drawn up, therefore, to enable an opinion to be provided at the end of the year in accordance with the above requirements



We will seek opportunity for shared working across member authorities. In shared working Devon Audit Partnership will maximise the effectiveness of operations, sharing learning & best practice, helping each authority develop further to ensure that risk remains suitably managed.

Audit Needs Assessment

We employ 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.

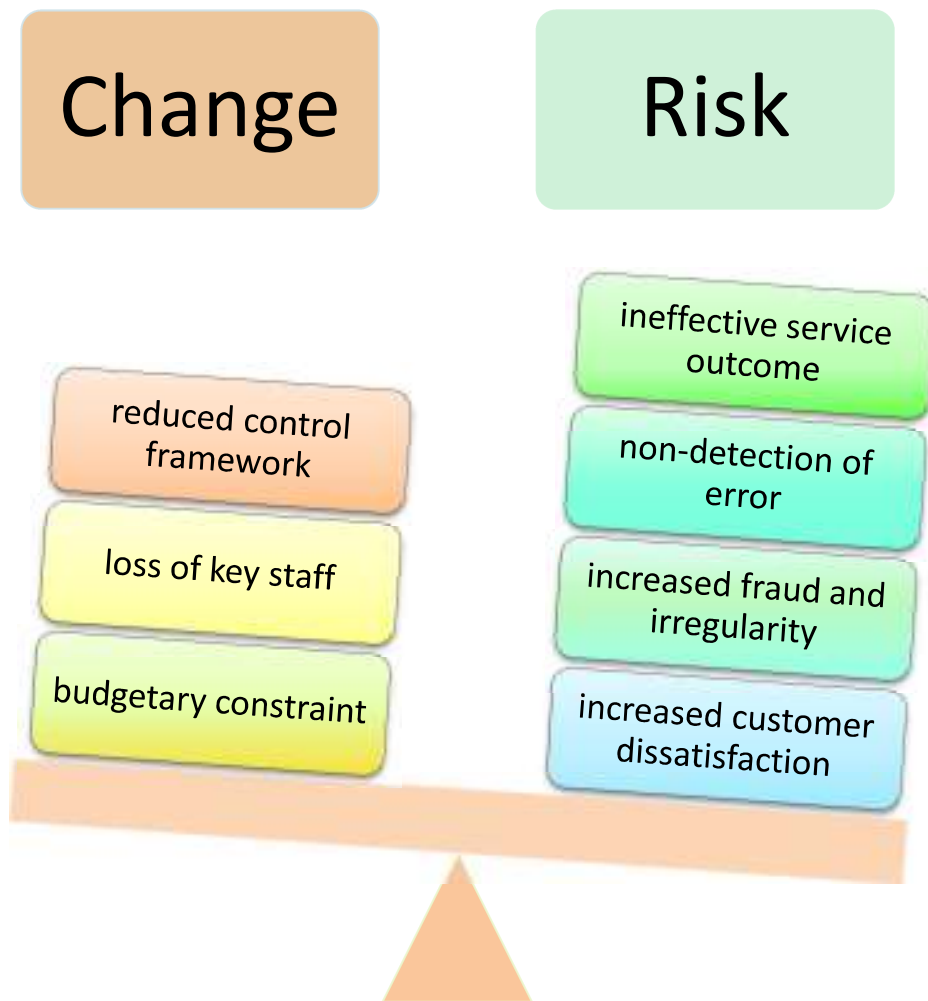


The resultant Internal Audit Plan for 2014/15 is set out in the high level plan and Appendix 1

The audit plan for 2014/15 plan has been created by:

- Consideration of risks identified in the Authority’s strategic and operational risk registers
- Review and update of the audit universe
- Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, 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 provide a “collaborative audit” approach with the external auditors

Consideration of the consequences of change



Times are changing; the expectation of the public for services provided by the public sector has never been greater; yet the money that is available for these services needs to be reduced. All public sector organisations are looking at how services can be transformed; what worked in the last decade may not meet new challenges. The use of, and dependency on, IT for service delivery will only increase further; this bring rewards but also carries its own risk.

The Internal Audit function has a key role in helping management fully understand their risks and in designing effective and efficient controls that mitigate these risks to an acceptable level; a consistent application of a quality internal audit opinion assists the organisation to develop alternative and new delivery solutions that will deliver the service required.

We will work with you to understand the changes you are making, the risks you face and help you design and operate effective governance and delivery solutions.

Consideration of your business objectives

From consideration of the corporate goals and strategic risk registers we have discussed the key challenges and opportunities the Authority is facing with senior management. Our consideration and proposed action is set out below.

Challenges / Opportunities					
Transformational Change <ul style="list-style-type: none"> • delivering more with less • one stop shops • meeting customer needs 	Partnering and Collaboration <ul style="list-style-type: none"> • governance arrangements • Public Sector Network (PSN) • information governance 	Commissioning <ul style="list-style-type: none"> • developing an effective market place • flexible contracting, focused on outputs not inputs • flexible payment structures to reflect reduced budgets 	Information Technology <ul style="list-style-type: none"> • infrastructure resilience • information security • desktop availability • cloud computing 	Financial & operational constraint <ul style="list-style-type: none"> • reduction of control framework • loss of experienced staff 	Compliance & Regulatory <ul style="list-style-type: none"> • key financial systems • Ofsted • Data Protection • Annual governance arrangements



Internal Audit Consideration					
We will support the Implementation Boards <ul style="list-style-type: none"> • re-engineer internal controls • advise on delivery plans 	Review partner contracts <ul style="list-style-type: none"> • test performance monitoring arrangements • Review governance arrangements 	Advise on procurement processes <ul style="list-style-type: none"> • "best practice" for procurement arrangements • Transparency and consistency of approach • wider "peninsula" approach 	Undertake service management review <ul style="list-style-type: none"> • review information governance • test data security and compliance 	Advise on reduction in control framework <ul style="list-style-type: none"> • use of automated controls • use of continuous auditing approaches • managing residual risks • determine "cost of control" 	Compliance reviews on all material systems <ul style="list-style-type: none"> • follow-up implementation plans on material systems reviews • review performance progress on action plans • contribute to Annual Governance Statement

Transformation Programme							Major Investment Projects	Value Added
GAME	Co-operative Centre of Operations	People & Organisation Development	Customer & Service Transformation	Health & Wellbeing				
Street Scene Review	Contract Management	Civic Centre Decant		Adult / Health Integration Inc. Pooled Budget			Key Contracts Management (e.g. Amey)	
Asset Strategy	Partnerships			Other Alternative Delivery Models	Civic Centre		Early Intervention– People	
	Asset Management				Waste PFI		Use of Consultants	
	DELT				Data Centre		Income Collection - People	
Benefits Realisation	Benefits Realisation	Benefits Realisation	Benefits Realisation	Benefits Realisation	City Deal		Fraud Prevention and Investigation (Inc. National Fraud Initiative)	
Support to Programme Board	Support to Programme Board	Support to Programme Board	Support to Programme Board	Support to Programme Board	History Centre		Advice	
							Audit Follow Up	
Core Assurance	Business Processes & Governance – Corporate Information Management, Business Continuity, Corporate Contracts, Capital Programme, Partnerships, Public Service Network (PSN), “Procure to Pay”,							
	Key Financial Systems – Inc. Housing Benefits, Payroll, Creditors, Debtors, Main Accounting System, Council Tax & Business Rates, Carefirst							
	ICT – Service Strategy, Service Operation, Information Security, ICT Programme and Compliance Boards							

The diagram shows the thematic approach to the elements proposed for audit coverage in the coming year as identified through risk assessment and discussion with Senior Management. This overview is supported by the detailed plans, by theme, in appendix 1.

High Level Audit Plan 2014-15

This table shows a summary of planned audit coverage for 2014/15 totalling 1,519 direct days. It should be borne in mind that, in accordance with the Public Sector Internal Audit Standards, 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 six months to ensure it continues to reflect the key risks and priorities of the Council given the significant changes across the public sector. In order to allow greater flexibility, the Internal Audit Plan includes a contingency to allow for unplanned work.

We have set out our plan based on the current organisational structure for the Authority. 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 pages give a brief overview of the focus of proposed audit coverage for the year.

A detailed analysis of proposed audit reviews is provided in Appendix 1.

Core Activity for Internal Audit Review	Coverage in Days
Transformation	290
Major Investment Projects	74
Value Added	151
Core Assurance – Key Financial Systems	205
Core Assurance - Other	227
Anti Fraud and Corruption	195
Grants	35
Other Chargeable Activities	342
Total internal audit plan for Plymouth City Council	1519
Schools (estimated)	152

Service Level Plans – Corporate Services, People and Place

Transformation

As part of the challenge to reduce its funding gap over the next three years the Council has developed a transformation programme.

Outline business cases for each of the programme's workstreams have been used in developing the 2014/15 internal audit plan, although it is recognised that much of the detail underpinning the proposed deliverables is still to be finalised. Therefore, time has been included in the plan to provide internal audit resource to examine, support and challenge key elements of the programme as it develops. Audit resources will be allocated on a risk based approach and will include consideration of the likelihood of benefits being realised.

Corporate Services

Assurance work will be undertaken on areas termed as key financial systems; these process the majority of income and expenditure of the Council, and which have a significant impact on the reliability and accuracy of the annual accounts.

In addition to work on material systems, Internal Audit coverage will include auditing, support and advice on a number of areas identified through review of risk registers and discussions with Senior Management such as:-

- Governance of the Council's capital programme with a review of governance at programme and project level and the allocation model for capital resources;
- Information Governance and Data Protection - through a review of strategic and operational internal information management, including compliance with Public Sector Network (PSN) and providing any support in the wake of the forthcoming visit by the Information Commissioner.
- Procurement arrangements - through review of the use of corporate contracts and potential "off contract" spend.

With respect to ICT, we will review the current ICT provision and provide a benchmark on their current ability to deliver ahead of the transition to DELT. We will work alongside the Transformation programme as new delivery models are designed that involve the implementation of new ICT business systems. We will work with ICT and business areas to ensure that business objectives are appropriately supported by IT and the value of ICT is fully realised.

Place

Work will include the GAME transformation programme; looking at such things as the review of Street Scene and the Council's Asset Management Strategy. We will continue to support both the South West Devon Waste Partnership, as the project moves towards live operation, and support the History Centre project. In addition, we will continue to work with the client in reviewing how some of the Council's existing major contracts are managed.

People

Further to meeting with People DMT a request was made that we move towards a three year audit plan looking at strategic matters affecting the directorate over the next few years. Although a small element of 'business as usual' type work around material systems affecting the People directorate will be undertaken, in the main work will focus upon fewer, more strategic, pieces of audit work. Discussion have been held with individual departmental heads and work will include the transformation programme for Integrated Health and Well Being; pooled budgets; the Care Bill; Fairer Charging; income collection; and benchmarking against other authorities.

Work will also be undertaken with regard Early Intervention. Potential alternative delivery models for specific services will be reviewed, we shall consider infrastructure and governance arrangements that will be required for different mechanisms of service delivery.

Fraud Prevention and Detection and Internal Audit Governance

Fraud Prevention and Detection and the National Fraud Initiative

Counter-fraud arrangements are a high priority for the Council; such arrangements assist in the protection of public funds and promote accountability. We will continue to investigate instances of potential fraud and irregularity referred to us 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 in the Fraud Strategy for Local Government “Fighting Fraud Locally” and the Audit Commission publication “Protecting the Public Purse” internal audit resource will be allocated to allow a focus on identifying and preventing fraud before it happens. Nationally, these areas include Procurement, Housing Benefit, Council Tax, Payroll, Blue Badges and Direct Payments.

The Audit Commission runs a national data matching exercise (National Fraud Initiative - NFI) every two years. The 2014/15 exercise will commence with the gathering and upload of the required datasets to the Audit Commission in October 2014. The resulting data matches will be received in January/February 2015 and we shall then work with Council departments to ensure that the matches are reviewed and action taken as may be necessary.

Internal Audit Governance

An element of our work is classified as “other chargeable activities” – this is work that ensures effective and efficient services are provided to the Council and the internal audit function continues to meet statutory responsibilities. In some instances this work will result in a direct output (i.e. an audit report) but in other circumstances the output may simply be advice or guidance. Some of the areas that this may cover include:-

- Preparing the internal audit plan and monitoring implementation;
- Preparing and presenting monitoring reports to Senior Management and the Audit Committee;
- Assistance with the Annual Governance Statement;
- Liaison with other inspection bodies (e.g. Grant Thornton);
- Corporate Governance - Over recent years Internal Audit has become increasingly involved in several corporate governance and strategic issues, and this involvement is anticipated to continue during 2014/15
- On-going development within the Partnership to realise greater efficiencies in the future.

Partnership working with other auditors

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.

The most significant partnership working arrangement that we currently have with other auditors continues to be that with the Council’s external auditors. We shall continue to work with colleagues from Grant Thornton to understand their requirements and to provide information that they will require. We have set up regular liaison arrangements to maximise the benefits of close working.

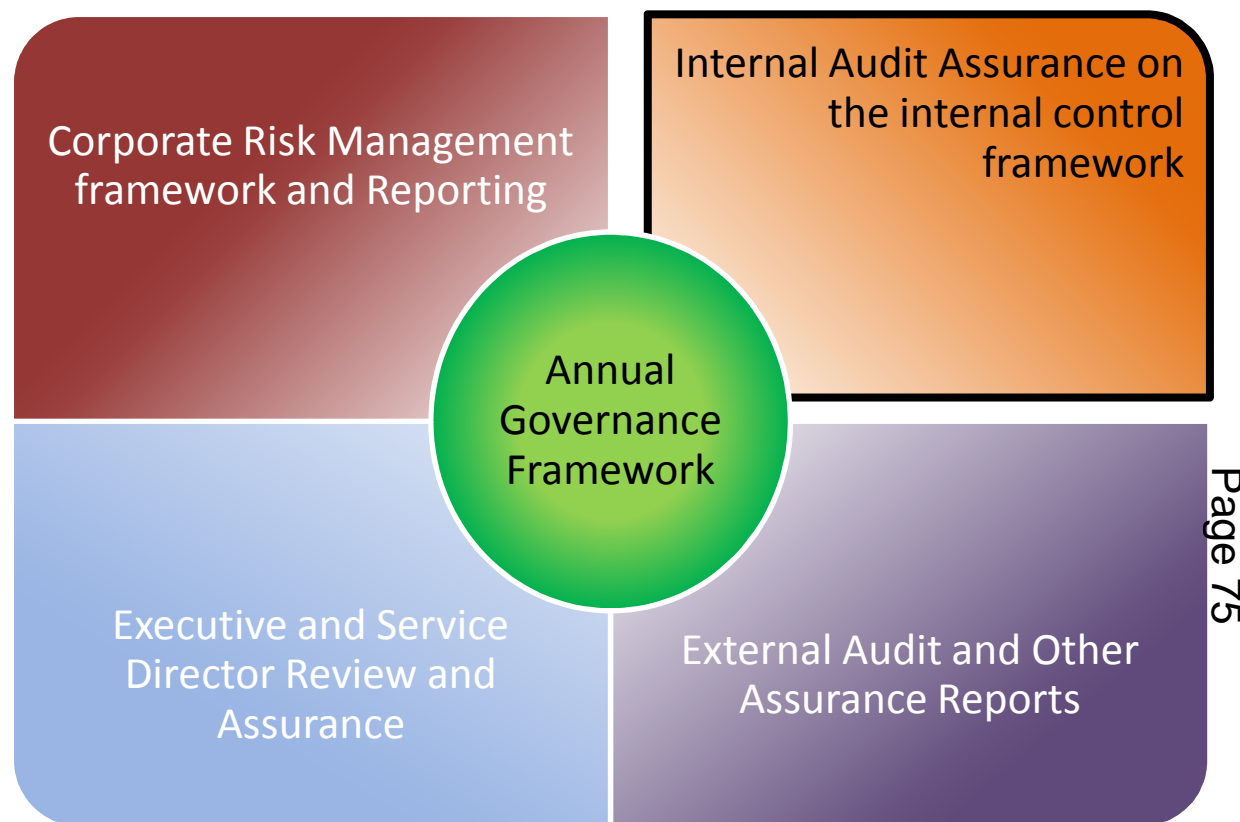
Annual Governance Framework Assurance

The Annual Governance Statement provides assurance that

- The Authority's policies have been complied with in practice;
- high quality services are delivered efficiently and effectively;
- ethical standards are met;
- laws and regulations are complied with;
- processes are adhered to;
- performance statements are accurate.

The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should:-

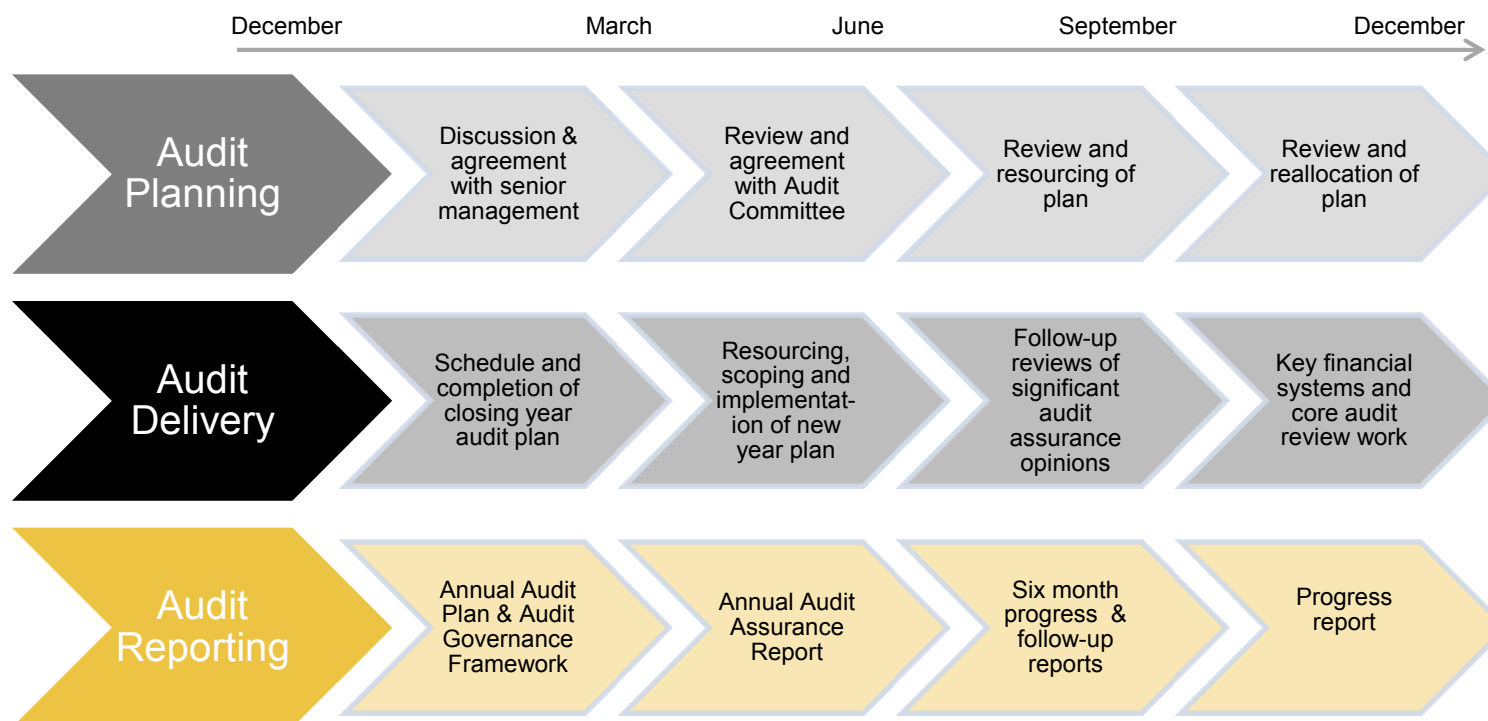
- be prepared by senior management and signed by the Chief Executive and Leader of the Council;
- highlight significant events or developments in the year;
- acknowledge the responsibility on management to ensure good governance;
- indicate the level of assurance that systems and processes can provide;
- provide a narrative on the process that is followed to ensure that the governance arrangements remain effective. This will include comment upon;
 - The Authority;
 - Audit Committee;
 - Risk Management;
 - Internal Audit
 - Other reviews / assurance
- Provide confirmation that the Authority complies with CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. If not, a statement is required stating how other arrangements provide the same level of assurance.



The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

The Committee should satisfy themselves, from the assurances provided by the Annual Governance Statement Working Group, CMT and Internal Audit that the statement meets statutory requirements.

Our Audit Team and the Audit Delivery Cycle



Date	Activity
Dec / Jan 2013	Directorate planning meetings
March 2014	Internal Audit Plan presented to Audit Committee
	Internal Audit Governance Arrangements reviewed by Audit Committee
	Year end field work completed
Apr / May 2014	Annual Performance reports written
June 2014	Annual Internal Audit Report presented to Audit Committee
	Follow –up work of previous years audit work commences
Sept 2014	Follow-up and progress reports presented to Audit Committee
Dec 2014	Six month progress reports presented to Audit Committee
	2015 Internal Audit Plan preparation commences

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Appendix 1 – Proposed audit reviews and associated risks

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Proposed Audit Work	Proposed Timings (Quarter)
Transformation – Overall Programme			
Programme Delivery	SRR – Red ANA - High	Independent monitoring of programme progress and the development of robust and suitable solutions. This will include liaising with Business Architects to ensure the adequacy of appropriate controls within these solutions.	Q1 – Q4
Benefits Realisation	SRR – Red ANA - High	Ensure benefits are clear and quantifiable, examine the approach and recording method, ensure actual benefits contribute to the intended “savings” plan, future benefits are still attainable and their delivery on course, ensure risks to achieving benefits are recognised and mitigated.	Q1 – Q4
Transformation - Co-operative Centre of Operations (CCO)			
Asset Management (linked with GAME)	SRR – Red ANA - High	Review of acquisition and disposal process and lease management.	Q1 – Q4
Contract Management	SRR – Red ANA – High Client Request	Continuation of 13/14 audit work and the examination of any proposed methodologies.	Q1 – Q2
Significant Partnership Arrangement	SRR – Red ANA - High	Ensuring existing partnerships are identified and risk assessed; confirm the existence of robust partnership protocols and guides. Ensure there is a good awareness of risks.	Q2
Mobilisation of DELT	SRR – Red ANA - High	On-going support and challenge during the migration of ICT operational service delivery to DELT.	Q1 – Q4

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Proposed Audit Work	Proposed Timings (Quarter)
Transformation – Customer & Service			
Devon Audit Partnership will maintain a ‘watching brief’ and feed into the programme where appropriate as it develops, especially where it is considered that there is fundamental change which impacts on existing controls or new risks emerge. Specific audit briefs to be identified through ongoing consultation process.			
Transformation – Growth, Assets & Municipal Enterprise (GAME)			
Asset Management (linked with CCO)	SRR – Red ANA – Medium	Examination of asset strategy.	Q3
Street Scene	SRR – Red ANA - Medium	Real time advice and support for service in developing new delivery models.	Q1 – Q4
Transformation – Integrated Approach to Health & Wellbeing			
Adult Social Care / Health Integration	SRR – Red ANA – High Client Request	Independent monitoring of programme progress and the development of robust and suitable solutions. This will include liaising with the business to ensure the adequacy of appropriate controls within these solutions.	Q1 – Q4
Alternative Service Delivery Models	SRR – Red ANA – High Client Request	Real time advice and support for service in developing new delivery models for Plymouth Adult & Community Learning Service (PACLS) and School Catering service.	Q1 – Q4
Transformation – People & Organisation Development			
Decant of Civic Centre	SRR – Red ANA - High	Real time advice and support to ensure timescales met and new ways of working are successfully implemented.	Q1 – Q4

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Proposed Audit Work	Proposed Timings (Quarter)
Major Infrastructure & Investment Projects			
Data Centre	SRR – Red ANA – High	Examine the Data Centre facility and compare against original business case and ensure it is “fit for purpose”.	Q2
Waste PFI	SRR – Green ANA - High	Examination of the proposed contract management procedures. Continued involvement with the Executive Board to provide support and challenge.	Q1 – Q4
History Centre (Record Office)	ORR – Amber ANA - High	Continued involvement with the Project Board to provide support and challenge.	Q1 – Q4
Civic Centre	SRR – Red ANA – High	Conduct a watching brief on the future redevelopment of the Civic Centre building.	Q1 – Q4
City Deal (Plymouth & SW Peninsula)	ANA – Medium Client Request	Examination of proposed governance structures, joint working arrangements and systems established to record and demonstrate success against milestones and outcomes.	Q3
Value Added			
People – Income Collection	ANA – High Client Request	Examination of policies and processes, benchmarking with other Authorities to identify good practice.	Q1
Early Intervention (Families With a Future)	ANA – High Client Request	FWAF will involve a range of services across the directorate & beyond. Audit will examine Value for Money (VFM), “checks and balances”.	Q2
Use of Consultants & Advisors	ANA - High	Identification of consultant strategy, examine recruitment procedure, on-going management process and the adequacy of information relating to consultants usage including financial and performance.	Q1

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Proposed Audit Work	Proposed Timings (Quarter)
Management of Major Contracts	ANA – High Client Request	Review of the management of major contracts (e.g. Amey, Leisure Management, Home Park development).	Q1 – Q4
Core Assurance – Key Financial System			
Civica Financials: <ul style="list-style-type: none"> • Creditors • Main Accounting • Debtors 	ANA – High / Medium / Low	Identify and review the system in operation, where appropriate, and undertake a programme of testing, designed to measure compliance and to evaluate the effectiveness of system controls.	Q3 – Q4
Academy Revs & Bens: <ul style="list-style-type: none"> • Housing Benefits • Sys Parameters • Council Tax • Business Rates 	ANA – High / Medium / Low	Identify and review the system in operation, where appropriate, and undertake a programme of testing, designed to measure compliance and to evaluate the effectiveness of system controls.	Q3 – Q4
Fixed Asset Register	ANA - Medium	Identify and review the system in operation, where appropriate, and undertake a programme of testing, designed to measure compliance and to evaluate the effectiveness of system controls.	Q4
Treasury Management	ANA - Low	Identify and review the system in operation, where appropriate, and undertake a programme of testing, designed to measure compliance and to evaluate the effectiveness of system controls.	Q3
CareFirst - Adults <ul style="list-style-type: none"> • Residential Care Payments • Residential Care Billing 	ANA – Medium / Low	Identify and review the system in operation, where appropriate, and undertake a programme of testing, designed to measure compliance and to evaluate the effectiveness of system controls.	Q2

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Proposed Audit Work	Proposed Timings (Quarter)
iTrent - Payroll	ANA - High	Identify and review the system in operation, where appropriate, and undertake a programme of testing, designed to measure compliance and to evaluate the effectiveness of system controls.	Q3
IT Material Systems	ANA - Low	Review procedures and controls relating to processes undertaken within the ICT Department that are common to all of the Council's Key Financial Systems. These include job scheduling and backup arrangements, application maintenance, ICT staff access to live applications, source code, operating systems, security and environmental protection of the data centre.	Q4
Core Assurance - Other			
Corp Information Management & Security <ul style="list-style-type: none"> • Business • IT Inc. PSN 	SRR - Amber ANA - High	Examine process for managing PSN compliance and verify sample of claims. Continuing involvement with Authority's ILOG and examining policies and processes relating to the management of information held throughout the organisation.	Q1 – Q4
Business Continuity	SRR – Green ANA - Medium	Continued involvement with Authority's Strategy Group and ensuring that continuity plans are maintained and tested.	Q1 – Q4
ICT <ul style="list-style-type: none"> • Service Strategy • Service Design • Service Operation 	ORR - Amber ANA - High	Review key operational functions and ICT's ability to meet Transformational requirements, deliver value to PCC and operate on a more commercial basis. Review the proposed delivery model in respect of its structure, relationship to ICT and any weaknesses identified. Review the processes used by the Transformation Programme that have a direct impact on ICT and corporate business systems, to identify, design and implement changes to service delivery through new	Q1 – Q4

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Proposed Audit Work	Proposed Timings (Quarter)
		business systems. ICT audit input into general reviews of business systems. This will include identification of potential areas of service improvement that will deliver better value for money.	
Capital Programme - Governance	ANA – High Client Request	Review the governance arrangements at programme and project level including appropriate levels of stakeholder engagement in relation to grant allocations. Examine the allocation model for capital resources to check its objective prioritisation of projects in line with corporate strategy. Examine monitoring and reporting arrangements.	Q3
Corporate Contracts	ANA - High	Examine rules and policies on purchasing, check that the role of the Authority's Strategic Procurement Team is clearly understood; that information about centrally negotiated contracts and purchasing activity is readily available; off-contract purchasing within departments is monitored and addressed; appropriate challenge is provided on contract compliance; review the adequacy of financial data and other information to enable effective monitoring;	Q2
Procure to Pay Processes	ORR – Amber ANA - High	Review of processes in place associated with the transfer of the “buyer” function within the Authority. Support and challenge during the implementation of category management.	Q2
Schools Finance Support	ANA – Medium Client Request	Providing assurance to Section 151 Officer of the effective of future Schools Finance Support.	Q3 – Q4

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Proposed Audit Work	Proposed Timings (Quarter)
Schools Financial Value Standards (SFVS)	ANA - Low	Collection of SFVS self assessments completed by schools. Preparation of the Direct Schools Grant (DSG) Chief Financial Officer (CFO) Assurance Statement for 13/14 to be returned to DfE by 31 st May 2014	Q1 & Q4

Risk Assessment Key

- SRR – Local Authority Strategic Risk Register score Impact x Likelihood = Total and Level
- ORR - Local Authority Operational Risk Register score Impact x Likelihood = Total and Level
- ANA - Audit Needs Assessment risk level as agreed with Client Senior Management
- Client Request – additional audit at request of Client Senior Management

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Civica Financials System Update

Co-operative Centre of Operations Programme (CCO)



At the Audit Committee meeting on 12 December 2013 Members asked for an update on the Civica Financials system at the 13 March 2014 meeting.

CCO & corporate support services

The current strategy for the future of corporate support services (including Finance) has significant implications on what the Council can and should do in the short term.

The CCO programme is being established to transform the way support services are delivered and a number of 'alternative service delivery models' are being explored for improved delivery of services, more efficiently (at a lower cost). All corporate and business support services will be split between strategic direction setting, which will remain with PCC, and operational delivery.

PCC will be co-operating with other organisations, particularly public or third sector in Plymouth, to deliver operational support services on a shared basis (the advantages being larger operations than any one organisation would have for itself so providing more flexibility and wider skills base, as well as reduced management overheads). As part of this, all appropriate 'transactional' and operational services will be 'spun out' to shared Transaction Centre(s), jointly owned with other organisations (for e.g. financial processing such as accounts receivable, budget management, payroll).

Civica AWeb upgrade

The Authority Web (AWeb) module offers a more user friendly web-based front-end which, coupled with improved real-time reporting, automated alerts and e-budgeting, will enable more effective control by budget managers and reduce the time needed for finance staff to prepare reports and support for budget managers. Licences for the AWeb upgrade are already included in the 3-year maintenance contract with Civica, so any costs are only those for implementing and rolling it out.

An impact assessment has now been carried out to assess the impact on users, costs and benefits. The business case for these enhancements is cost neutral: £24.7k costs for £25k cashable savings in 2014/15 (savings are additional to the management actions now being carried out in Finance). The recommendation is that PCC should continue with implementing AWeb upgrade: this now needs to be authorised before delivery by CCO.

Further developments

Further enhancements and development of Civica are also available, including Self Billing, Intelligent scanning, AWeb Supplier and Customer Portals. These business improvements are expected to deliver significant savings and better controls, and are likely to be introduced by CCO as part of Transformation, but will need to align with the emerging Target Operating Model (TOM) for corporate services not necessarily in Civica.

As part of developing the TOM, there will be an overall assessment of the corporate systems and services needed, by PCC as well as by partners in a shared Transaction Centre: it is possible that an alternative to Civica is selected so that it would be premature to spend time and money on developing Civica now for a longer future than it might have.

Next steps

1. The impact assessment has been sent to the Corporate Services Director to authorise AWeb upgrade: a response is expected by 7 Mar 2014.
2. Assuming the upgrade is authorised, the upgrade could be rolled out in April 2014

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Audit Committee Update New Data Centre

Plymouth City Council

March 2014

Auditing for achievement

Delays at the New Data Centre at Windsor House

In response to questions raised at the December 2013 Audit Committee, it was requested that more information regarding delays at the Windsor House Data Centre be reported to members. An overview of key milestones, factors contributing to delays in meeting communicated timelines, and a position statement is provided below.

Chronological Overview

2011	ICT work through a range of potential delivery solutions concluding the implementation will be performed by a third party with dedicated independent project management and minimal input from PCC ICT staff.
Dec 2011	Capital Delivery Board approves £1.3 million investment, project delivery estimated as 9 months.
Apr 2012	Formal procurement process resulted in three companies selected for interview and preferred supplier chosen.
Jul 2012	Supplier submits first draft of technical design.
Aug 2012	Project put on hold to review options and change of scope. ICT Programme Board brings forward the work to replace legacy equipment within the Civic Centre data centre reducing future rework and impact. Total spend increased to £1.6million.
Sept 2012	Data Centre room build started as part of the Corporate Accommodation Strategy building work at Windsor House.
Dec 2012	Backup facility moved to Midland House and Pearl Assurance closed on time to meet savings projections. Data Centre room handed over by contractors late, due to supply issues and water leak.
Jan 2013	Installation of hardware commences on site at Windsor House.
Jan 13 onwards	Technical design work, installation and configuration of equipment completed and migrations started.

Contributory Factors for Delays

Contributory factors impacting upon the ability to deliver new data centre include:

- Unrealistic timelines due to the failure to fully understand the considerable technical complexities at the project outset;
- Data Centre build – delays due to water ingress at Windsor;
- Low levels of satisfaction around delivery by key suppliers and technical issues leading to rework;
- Delays in installation of key links between Civic, Windsor and Midland – problems with permission to close Tavistock Road;
- Additional reliance on internal resources in project management, technical solutions, and supplier management;
- Issues with filling key project roles due to sickness, service re-structuring, capability and recruitment of suitably skilled staff;
- Conflict/contention of key PCC technical resources as a result of running concurrent critical ICT projects – Integration of Public Health, Shared services initiative with PCC/NHS working out of Windsor House, Corporate Accommodation Strategy, and other high priority projects;
- Management of the financial constraints; Budget pressures so having to do much of work in-house to keep costs down.

Current Position

The need for the Data Centre is undeniable in both strategic and operational terms. Internal Audit have been reporting on the importance of greater ICT resilience for a number of years and, as services and customer engagement become more reliant on technical business solutions, so the importance of this increases.

Whilst the completion of the new Data Centre has suffered a number of delays, the project is on course to deliver the required outcomes and will provide the Authority with a more robust and resilient platform from which its ICT business solutions will be delivered.

To date, a considerable amount of change has been delivered with minimal service disruption. Work is now underway to migrate PCC's computer systems from the Civic Centre in order to establish the Windsor House facility as PCC's primary data centre. Scheduling of these tasks requires consultation with individual business areas in order to ensure service availability and it is planned that this phase will be completed by the end of May 2014. Work to safeguard future service resilience and business continuity using both data centres is scheduled for completion in June 2014.

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BRIEFING GOVERNANCE ARRANGEMENTS - TRANSFORMATION

David Trussler



In local government, decisions can be taken by the Council, the Cabinet, individual portfolio-holders, Committees and officers. There is a specific legal power to delegate ward-based decisions to ward members, but this has not been implemented at Plymouth City Council. Which decisions are implemented by whom, is determined by the general law, the Council's constitution and the Leader's scheme of executive delegations.

In complex areas of operation, the individual decision makers often find it useful to take the views of others in making decisions and to ensure a coordinated approach across the authority. One such complex area of operation will be the Transformation Project which is referred to in outline in the budget which was recently approved by Council.

The bodies which will support decision makers (but which can have no decision making powers of their own) will include:

- **Members Transformation Board**
 - Purpose: Executive ownership and accountability for Transformation Portfolio
 - Chaired by Executive Member for Transformation
 - Individual Executive members aligned to Programmes
 - Joined by Portfolio Board members as needed but will likely include Chair (CX), SROs and Portfolio Manager (Transformation Director)
 - Receive Portfolio Highlight Report from Transformation Portfolio Board
 - Pre-Cabinet approval of Programme Business Cases
 - Monthly Frequency
- **Transformation Advisory Group**
 - Purpose: Build cross-party dialogue, understanding and consensus on Transformation
 - Executive Member for Transformation (Chair), Shadow equivalent, Chair of Co-operative Scrutiny Board. Additional Labour member (flexible)
 - Supported by Transformation Director
 - Receive Portfolio Highlight Report
 - Monthly frequency
- **Scrutiny Committees**
 - Portfolio level scrutiny: CCSB
 - Programmes: Aligned to Scrutiny Boards with joint meetings where necessary

There is top level officer consideration of transformation through the Transformation Portfolio Board

- **Transformation Portfolio Board**
 - Purpose:
 - Coordinate the delivery of a Blueprint for the future of the organisation
 - Recommend prioritisation decisions between and within Programmes, reflecting council objectives

- Ensure engagement strands (political, community/customer, staff and partners) are fully supporting and driving the Transformation Portfolio and Programmes
- Ensure (financial and human) resources are available to deliver Portfolio
- Ensure Portfolio benefits are delivered
- Recommend Programme Business Cases and Exceptions
- Escalation path for Programmes
- Performance management (by exception) of Programmes
- Membership of the Transformation Portfolio Board comprises
 - Chair: Chief Executive
 - Portfolio Manager: Transformation Director
 - SROs for each Programme
 - Four Engagement leads
 - Political:
 - Staff:
 - Community/Customers:
 - Partners:
 - SI51 Officer
 - HR Director
 - Head of Portfolio Office

Programmes will be led by a Senior Responsible Officer of the Council who is accountable for successful delivery, achieving desired outcomes and realising expected benefits.

Their role in leading the Programme includes:

- Personal accountability for delivery of the programme outcomes and associated benefits
- Chairs the Programme Board and leads the Programme
- Owns the Programme Vision and provides strategic direction
- Manages the relationship with key stakeholders, ensuring strong and continued support for the programme
- Maintains alignment of the Programme to the overall Portfolio
- Secures the investment required to set up and run the programme and achieve the desired benefits
- Accountable for the running of programme governance arrangements in accordance with relevant Portfolio Office standards
- Owns the Programme Business Case
- Authorises the Programme Manager to carry out each stage of the Programme
- Appoints and authorises Project Executives to manage Projects within the Programme

Programmes comprise of Projects which are tasked to deliver new capabilities required and specified in the Programme/Project Business Case by the SRO. Projects are led by Project Executives.

The Project Executive

- Manages the relationship with key stakeholders
- Chairs the Project Board
- Owns the Project Vision and provides direction
- Is accountable to the Programme SRO for the overall success of the Project
- Authorises the Project Manager to carry out each stage of the project
- Is accountable for the project's governance arrangements in accordance with relevant standards
- Owns the project Business Case (where it is required)
- Ensures Risks and Issues are properly managed and resolved

The Transformation Portfolio Board is supported by the Portfolio Office.

- The Portfolio Office is an organisational capability, delivered through a Portfolio, Programme and Project Office (P3O) construct which provides:
 - Portfolio Alignment, Prioritisation and Planning
 - Blueprint aligned Portfolio of Programmes
 - Prioritisation of Programmes and Projects
 - Portfolio mapping & planning (outcomes, outputs, inputs, dependencies)
 - Portfolio financial strategy and planning
 - Portfolio resource strategy and planning
 - Portfolio level change control
 - Support for Engagement streams strategy & planning
 - Governance support: through education, training, & coaching.
 - Transparency: supporting high quality decision making through relevant and timely information provision and transmission.
 - Leadership roles: through ensuring leaders of change are in place who understand their roles and are given training and coaching support to deliver them
 - Delivery support: ensuring there is the right amount and type of specialist capability in place - including people in Programme and Project Management, Business & Technical Architecture, Business Analysis & Design, Change Management, Subject Matter Expert roles – with the right experience, knowledge, skills and behaviours.
 - Assurance: through constructive and consultative support of Programme and Project teams across the Portfolio, Programme and Project lifecycle.
 - Quality, Reusability and Traceability: ensuring that best practice models, products, processes, standards and tools are in place and being used consistently to maximise the chances of successful delivery.
 - Risk Management
 - Quality Management
 - Reports for the Transformation Portfolio Board

Risks to the delivery of Transformation objectives and benefits are managed using a Portfolio, Programme and Project Risk Management Methodology using OGC Management of Risk and aligned to PCC Corporate Risk Management. Risks and Issues are identified, articulated and assessed at the Project, Programme and Portfolio level against a scoring for Proximity, Likelihood and Consequence/Impact.

Risks are assessed by area such as Financial and Organisational and the mitigation for the risk is articulated with both a current RAG status and a residual RAG status assigned. Regular risk assessments are held led by the Portfolio Office to ensure that the Project, Programme and Portfolio responsible officers have identified all risks and their required actions and status, and that the identified actions to mitigate the risks are being effective. The Portfolio Office also monitors risks that need to be escalated from Project to Programme and Programme to Portfolio (as well as to the Corporate Risk Register as appropriate) are escalated and actioned.

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PLYMOUTH CITY COUNCIL

Subject: Surveillance, Covert Activities, and the Regulation of Investigatory Powers Act 2000 (RIPA)

Committee: Audit Committee

Date: 13th March 2014

Cabinet Member: Councillor Peter Smith

CMT Member: Carole Burgoyne (Corporate Director for People)

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Ref: RIPA Annual Report 2013/14

Key Decision: No

Part: I

Purpose of the report:

Surveillance is a tool that may be required for the Council to fulfil its obligations to investigate crime, prevent disorder, recover debt, protect the public and establish the facts about situations for which the Council has responsibility.

Members are required to agree a policy and have oversight of the use of covert activities and surveillance for Council purposes; but do not take decisions on individual situations.

Staff may consider that it is appropriate to undertake covert activities that result in the subject of enquires being unaware that their actions are being monitored, or enquires are being undertaken without their knowledge and managers may wish to covertly monitor staff activities. However, covert activities compromise an individual's 'right to privacy', so the use of a covert activity must be lawful, necessary and proportionate in order to comply with the Human Rights Act.

This report was delayed from the December 2013 Audit Committee, due to a relevant inspection taking place. The result of that positive inspection by the Interception of Communications Commissioner is now reported to Members and is available to the public.

The current Policy requires some minor updates and is submitted for reapproval.

This report informs Members about surveillance that has taken place and the steps being taken to ensure that the Council is compliant in respect of covert activities.

Audit Committee are requested to note the recent positive inspection, accept this report and the updated Surveillance and Covert Activities Policy.

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

This report is relevant to the Co-operative values of 'We are Responsible', 'We are Fair', the objective 'Caring Plymouth' and the outcome – 'People are treated with dignity and respect'.

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

There are no significant implications for the medium term financial plan as the undertaking of surveillance and covert activities is a departmental casework related process. There is not a specific budget cost code and all costs are subsumed within service team budgets. Thus any equipment that is required is obtained through current budgets.

However in order to ensure compliance with the requirements of the HRA and other relevant legislation; sufficient trained managers and staff are required to be available and the resourcing of specialist staff role profiles must be incorporated into Directorate action plans.

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

- Child Poverty – none.
- Community Safety - the purpose of the surveillance tool is to promote community safety, prevent crime and disorder, undertake fraud investigation and provide environmental protection.
- Health and Safety – in particular the use of CCTV can promote safety, but officers undertaking surveillance are potentially at risk.
- Risk Management - there is the possibility of loss of reputation and monetary penalties for the Council, through surveillance breaching privacy and that evidence obtained for an investigation will not be accepted. However implementing and monitoring the Surveillance Policy prevents the Council breaching its obligations under the Human Rights Act and associated legislation; as well as enabling the product of surveillance to be used in accordance with the requirements of legislation and good practice.

Equality and Diversity:

Has an Equality Impact Assessment been undertaken? Yes/No due to the low use of surveillance.

Recommendations and Reasons for recommended action:

To acknowledge that covert activities can be a necessary and proportionate response for achieving the Council's objectives through reapproval of the Surveillance and Covert Activities Policy; which allows covert activities to be deployed where necessary and proportionate, under the control of a good practice process based on the Regulation of Investigatory Powers Act requirements.

To note that the recent Inspection demonstrates that staff have appropriately implemented powers available under RIPA.

Alternative options considered and rejected:

The alternative option is for Members to limit the option for Officers to use surveillance as an investigatory tool by:

- a) deciding that Officers will not undertake surveillance or covert activities on behalf of the Council, or
- b) Officers may only use this covert activities when a serious crime is being investigated.

These alternative options are rejected as the oversight Commissioners have not found Officers to be irresponsible, the Council has only initiated necessary investigations and has always been proportionate in its use of covert activities.

Thus Officers have been found to have the expertise to deploy the available powers appropriately and to now limit the use of surveillance would have a detrimental impact on Officers ability to undertake investigations in order to fulfill responsibilities of the Council.

Published work / information:

[Home Office explanation to Local Authorities](#) of the current arrangements for using directed covert surveillance to obtain evidence for an investigation of a serious crime, the underage sale of alcohol and tobacco and the acquisition of the less intrusive types of communications data: service use and subscriber information.

Statutory codes of practice which staff must implement are available [on this web page](#)

The latest Inspection report and previous reports are available on the Council's [RIPA web page](#).

The [surveillance camera code of practice](#) sets out new guidelines for CCTV and automatic number plate recognition. In addition to the [Information Commissioners CoP on CCTV](#).

Background papers:

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

Sign off:

Fin		Leg	1967 7/NJ	Mon Off		HR	2014 0220	Assets		IT		Strat Proc	
Originating SMT Member – Carole Burgoyne (Corporate Director for People)													
Has the Cabinet Member(s) agreed the content of the report? Yes / No on 26/02/2014													

1.0 Introduction

- 1.1 The last annual report was submitted and a Surveillance policy adopted at [Audit Committee on 13 December 2012](#) item 40.
- 1.2 The intention was to submit the annual report for 2013 at the 12 December 2013 Audit Committee meeting but due to an impending relevant inspection the annual report was delayed [see item 40](#) of that meeting.
- 1.4 This latest positive [Interception of Communication Commissioner Inspection report](#) is now available to read on the [Council's web site](#).
- 1.3 An updated Surveillance policy is submitted for approval and the authorisations obtained since the last annual report are summarised for Members information.
- 1.4 The Office of the Surveillance Commissioner (OSC) is due to inspect the Council in 2015.
- 1.5 A Surveillance Camera Commissioner (SCC) is also now in place and has issued statutory principles to be followed for the deployment and use of cameras. The CCTV & Parking Development Officer is reviewing the implications for the Council.

2.0 Interception of Communications Commissioner's Office (IOCCO) inspection report

- 2.1 This inspection report states:
 - 2.1.1 "The Council emerged very well from this inspection. The Inspectors were satisfied that the public authority is acquiring communications data for a correct statutory purpose and for investigations where they have a clear statutory duty and responsibility to conduct a criminal investigation. Overall the Council has a good level of compliance with the Act and CoP."
 - 2.1.2 "In light of the good level of compliance it will not be necessary to conduct a further inspection for at least 18 months."
- 2.2 There are two procedural recommendations for the Council which are being considered by the relevant staff and our response will be provided to the IOCCO by the deadline date 26 March 2014.
 - 2.2.1 Page 5 - "The DP should promptly consider applications to ensure that the requests applicants can meet their investigative objectives in a timely fashion."
 - 2.2.2 Page 9 - "streamline the process when dealing with number porting, as well as in cases where it is necessary to take a more proactive approach to widen the data capture..."

3.0 Surveillance Policy

- 3.1 An updated Policy is submitted for approval.
- 3.2 The changes to the original Covert Activities and Surveillance Policy approved at [Audit Committee on 13 December 2012](#) item 40.
 - 3.2.1 The name of this policy has been revised to Surveillance and Covert Activities Policy in order to make its purpose more obvious,
 - 3.2.2 Updated to include the use of Body Worn Video which is available to the Anti-Social Behaviour team members

3.2.3 The Senior Responsible officer is now identified as the Strategic Corporate Director holding the role of Chief Information Officer rather than the Director of Corporate Services

3.2.4 The glossary and reference is updated.

3.3 The continued adoption of this Policy will implement a consistent approach to any covert activity and require consideration of necessity and proportionality by a trained manager, before any covert activity proceeds.

3.4 An annual report to Committee provides Members with the opportunity to review the operation of the Surveillance and Covert Activities Policy.

4.0 Examples of Surveillance in operation:

4.1 Fraud Investigation:

Sometimes facts about a claim for benefit payments are called into question and to assist the gathering of evidence about a person's relationships or activities, the Investigating Officer may need to covertly observe a person's contacts and work activities.

4.1.1 However the Department of Work and Pensions (DWP) are now undertaking the authorisations of covert activity and Council staff assist in the implementation of any authorisation by the DWP for covert activity, rather than taking the lead as previously. Thus there have not been any Council authorised covert surveillance activities since the last report.

4.2 Public Protection:

Investigating whether goods or services are being obtained or sold within the relevant legislation, may involve obtaining details about traders and their activities, which they have not made public.

4.2.1 The Trading Standards service is currently the only Council service team who seek authorisations under RIPA to progress criminal investigations.

4.3 Anti-Social Behaviour Unit:

In order to obtain evidence of any person engaging in activities that disrupt other individuals, when witnesses are reluctant to come forward, there may be a need to undertake covert filming of the anti-social behaviour, to provide evidence for a Court.

4.3.1 However all evidence gathering is currently covert, due to cooperation from local communities and the use of BWV is verbally announced.

4.3.2 Any video or CCTV held by the Council can be requested by the person who has been filmed in line with the Data Protection Act.

4.4 Cooperation with law enforcement agencies:

A law enforcement agency such as the Police may request use of Council CCTV in order to investigate or prevent crime.

4.4.1 For example the City Centre CCTV cameras could be used to observe a particular individual. If a properly authorised application is made to the control room manager, then covert tracking of the person may be undertaken by the camera operator. Normally a camera operator does not follow any individual without obvious justification.

4.4.2 Joint operations may also be undertaken with other investigation and enforcement agencies.

4.5 Employment issues:

Managers may require evidence of staff behaviour through monitoring their whereabouts or activities. There may also be a necessity to obtain details of computer use or document access, where there is evidence of contravention of Council policy.

4.5.1 Investigations into issues that may bring the Authority into disrepute are internally authorised using the RIPA process as a guide; so as to avoid any contravention of an employee's privacy rights.

5.0 Regulation of Investigatory Powers Act (RIPA) authorised covert activities to support departmental case work.

5.1 Members are reminded that contrary to popular statements, RIPA is not anti-terror legislation; but was enacted to provide an accredited process to follow by any crime investigating agency (including the Council) when there was likely to be an interference with a person's 'right to privacy' under Human Rights Act Article 8 (HRA).
An authorisation made in accordance with RIPA is a statutory defence against an allegation that the Council has contravened the HRA.

6.0 Use of Surveillance and covert activity since the previous annual report

6.1 The Policy provides for staff to undertake authorised investigations to enforce legislation. These authorised covert activities are intended to confirm or identify who has been involved in a crime, what has taken place and when events have taken place.

6.2 Surveillance Authorisations to undertake investigations since the last annual report 2012

Team	Authorised Date	Completed Date	Type	Purpose	Outcome
External magistrate authorisations					
Public Protection Service	19/09/2012	19/10/2012	Directed Surveillance	To identify the storage of counterfeit goods	Entry warrants executed resulting in seizure of counterfeit tobacco and evidence of illegal money lending – suspect on bail pending further enquiries. Now a Joint Operation with National Illegal Money Lending Team.
Public Protection Service	04/12/2012	11/12/2012	Comms Data - Subscriber Information	To link a suspect to a business engaged in fraudulent trading	Joint Operation with D&C Police (lead). CPS considered that proceeding with the case was not in the public interest after the defendant provided refunds to victims.

Team	Authorised Date	Completed Date	Type	Purpose	Outcome
Public Protection Service	08/05/2013	15/05/2013	Comms Data - Subscriber Information	To identify potential witnesses – purchasers of counterfeit items	Witnesses identified. Prosecution pending – Defendant on bail for next court appearance.
Public Protection Service	10/06/2013	13/08/2013	Comms Data - Subscriber Information	To link suspects to the sale of misdescribed goods	Subscriber details successfully link suspects to offences. Report with Legal Services with a view to prosecution.
Internal senior officer authorisations					
Public Protection Service	21/09/2012 (Pre-magistrate approval requirement)	10/10/2012	Comms Data - Subscriber Information	To identify the seller of pirate DVDs via Facebook	Offender identified and prosecution resulting in fine of £1,808 and curfew for 12 weeks.
Street Services	Liaison meeting with unions	02/12/2013	Surveillance Policy	Concern expressed by Union representative that a manager may have undertaken surveillance of staff without authorisation	HR reminded managers of Surveillance Policy requirements.
Social Care	29/11/2013	16/01/2014	Surveillance Policy	Case work documents transferred using insecure methods	Computer and memory sticks belonging to employee reviewed by agreement, to inform management investigation.

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SURVEILLANCE AND COVERT ACTIVITIES POLICY

Information Management



1. INTRODUCTION:

- 1.1. The Council has statutory duties of investigation and of proper operation. In order to meet its responsibilities, officers will sometimes consider obtaining information without explicitly making clear that an assessment is taking place. Any activity by Council staff or contractors that is designed to obtain information relevant to criminal or civil concerns about a citizen, service user, or employee without the person's knowledge, is a covert activity. On occasions, so as to assist in concluding an enquiry, formal surveillance of a location or a person may also be considered.
- 1.2. However the Human Rights Act 1998 (HRA) Article 8; provides that everyone has the right to respect for their private and family life, their home and correspondence and this is the key consideration when officers consider obtaining information using a covert activity or surveillance. This right is however subject to an important qualification as Paragraph 2 of Article 8 provides that:
"There shall be no interference by a public authority with the exercise of this right except such as is in accordance with the law and is necessary in a democratic society in the interests of national security, public safety or the economic wellbeing of the country, for the prevention of disorder or crime, for the protection of health or morals, or for the protection of the rights and freedoms of others."
- 1.3. In order to provide for covert activities and surveillance to be authorised and conducted compatibly with Article 8 the Regulation of Investigatory Powers Act 2000 (RIPA) and associated Codes of Practice provide a statutory framework, but do not cover every circumstance when it may be appropriate to support a Council function through undertaking a covert activity or surveillance.
- 1.4. The purpose of this Policy is to direct officers and contractors as to the requirements that must be in place if any covert activity or surveillance is considered to be necessary on behalf of the Council. The product of covert activities undertaken in respect of an individual is described as 'private information'.

2. ACTIVITIES NOT INCLUDED IN THIS POLICY:

- 2.1. An authorisation in accordance with this Policy is not required if the Council has a specific legal basis for conducting covert activities or surveillance, nor does this Policy apply where the proposed action is not likely to result in the obtaining of private information.
Such as when:
 - 2.1.1. Agreement has been sought and obtained from all those to be monitored
 - 2.1.2. Use of properly signed CCTV, ANPR or BWV systems
 - 2.1.3. Recording of excessive noise, or other activities that a person is displaying to the public
 - 2.1.4. General observations obtained in the course of employees undertaking their public work role
 - 2.1.5. The operational use of any statutory powers of entry, or seizure, on behalf of the Council which are available to an employee in a certain job role
 - 2.1.6. Test purchases when there is no intention to record a specific conversation or establish a relationship with the suspected offender
 - 2.1.7. Reviewing recorded information
 - 2.1.8. Obtaining covertly data, objects, artefacts, fauna, or flora, which is not private information.

3. COVERT ACTIVITY OR SURVEILLANCE COVERED BY THIS POLICY:

3.1. There are seven categories of covert activity that the Council can consider deploying to support its functions and each has a process that must be followed in order to make use of the product from that covert activity.

These are:

- 3.1.1. Serious crime investigation
- 3.1.2. Investigating the sale of tobacco, or alcohol to underage children
- 3.1.3. Acquisition of communications data
- 3.1.4. Monitoring of the use of Council communications equipment / email system
- 3.1.5. Undertaking covert activities as part of a Council function or service delivery
- 3.1.6. Monitoring employees' activities
- 3.1.7. Immediate response to a situation by an employee

4. REQUIREMENTS:

4.1. If it is considered that in order to carry out an assessment, investigation or enforcement responsibility, that there is a need to acquire private information through using covert activities, then the obligations of this Policy must be followed by employees and contractors.

4.2. Undertaking any covert activities or acquiring any personal data without informing the person under observation, are only appropriate when it is in accordance with the powers of the Council, necessary and a proportionate response in the circumstances.

4.3. This Policy provides for processes to be implemented and followed; so as to ensure that the Council has regard to the HRA and to enable the product of covert activities to be used as evidence to support the implementation of Council responsibilities.

5. RESPONSIBILITIES:

5.1. Chief Officers are responsible for ensuring the implementation of relevant processes for authorising and recording covert methods of obtaining private information.

5.2. Council employees and contractors must complete the relevant authorisation or reporting process required by this Policy; so as to demonstrate that using covert means has been in accordance with statutory controls on obtaining private information.

6. PROCESS REQUIRED FOR EACH TYPE OF COVERT ACTIVITY:

6.1. Serious crime investigation:

This is in respect of a criminal offence which is sought to be prevented or detected, which is punishable whether on summary conviction or on indictment, by a maximum term of at least 6 months of imprisonment. If the deployment of a covert activity is being considered then the RIPA process must be followed. This includes following the relevant Code of Practice and obtaining confirmation for the proposed covert activity from a Magistrate; before any covert activity or surveillance can proceed.

6.2. Investigating the sale of tobacco, or alcohol to underage children:

This is in respect of an offence under sections 146, 147 or 147A of the Licensing Act 2003 or section 7 of the Children and Young Persons Act 1933. If the deployment of a covert activity is being considered then the RIPA process; including following the relevant Code of Practice and obtaining confirmation of any proposed covert activity from a Magistrate, before any covert activity can proceed.

6.3. Acquisition of Communications Data:

This must be in accordance with Chapter II of Part I of the Regulation of Investigatory Powers Act 2000 (RIPA) and the relevant Code of Practice must be followed by employees and contractors.

RIPA Section 21(4) defines three categories of communications data, however Local Authorities are not authorised to acquire “traffic data” i.e. information that identifies any person, equipment or location to or from which a communication is or may be transmitted. Nor does the power to acquire communications data extend to obtaining the content of the communication.

6.4. Monitoring usage of the Council’s electronic communications systems:

This is required to be in accordance with the Lawful Business Practice Regulations and can only be undertaken after an internal authorisation process, (which is the RIPA process excluding authorisation by a Magistrate) that includes an impact assessment undertaken in line with guidance from the Information Commissioner on the implementation of the DPA.

6.5. Undertaking covert activities as part of a Council function or service delivery:

Should an officer consider that undertaking a covert activity or surveillance is necessary in order to progress an assessment or investigation as part of their work role and the activity does not fall under any of the other types of covert activity listed in this policy; then the internal assessment process must be followed, (which is the RIPA process excluding authorisation by a Magistrate).

6.6. Monitoring employees’ activities:

The observation and monitoring of employees without their knowledge or consent must only be undertaken after an internal authorisation process, (which is the RIPA process excluding authorisation by a Magistrate) that includes an impact assessment, undertaken in line with guidance from the Information Commissioner on the implementation of the DPA.

6.7. Immediate response to a situation by an employee:

If because of an employee’s work role, a person or situation of interest to the Council is suddenly observed, but there is insufficient time to seek a formal authorisation to undertake a covert activity or surveillance in response to immediate events.

An employee can determine that it is appropriate in the light of any known risks to their safety to immediately undertake a covert activity in order to gain private information which seems likely to support the functions of the Council. However the following must then be completed:

- 6.7.1. Only undertake necessary covert activities or surveillance
- 6.7.2. Record the events as soon as practicable within the case file
- 6.7.3. A manager is to review the situation within one working day
- 6.7.4. The case plan to be updated to identify when and how the person who has been observed is to be told of the information observed or collected
- 6.7.5. A manager must consider whether authorisation should be considered for any additional covert activity or surveillance.

7. MONITORING AND REPORTING ON THE EXTENT OF COVERT ACTIVITIES:

- 7.1. Monitoring of the use of covert activities and surveillance is through a report to Councillors by the Senior Responsible Officer (SRO), which is a required role to oversee compliance with RIPA.
- 7.2. The SRO is the Corporate Director / Chief Information Officer, who must advise the lead Councillor quarterly and report annually to Council on the use of covert activities and surveillance.
- 7.3. Reports from the SRO are to include analysis of the covert activities undertaken by service teams and the annual returns required by the RIPA oversight Commissioners; so as to enable Councillors to approve activities as being consistent with this Policy.
- 7.4. In order to support the SRO, a working group is to be established to:
 - 7.4.1. Develop the processes required by this policy
 - 7.4.2. Promote a consistent approach to all covert activities across all service teams
 - 7.4.3. Implement internal monitoring of covert activities undertaken within the Council
 - 7.4.4. Represent the Council to regulators or inspectors.

8. APPROVAL

V2.0 at Audit Committee 13 March 2014

APPENDIX – GLOSSARY AND REFERENCE

Term	Meaning
2000 Act RIPA	Regulation of Investigatory Powers Act 2000. http://www.homeoffice.gov.uk/counter-terrorism/regulation-investigatory-powers/
ANPR	Automatic Number Plate Recognition
Authorisation	An application which has received the approval of an authorising officer
Authorising officer	A person within a public authority who is entitled to grant authorisations. List available in Document Library
BWV	Body Warn Video – camera and sound recorder attached to an officer to record interactions with citizens
CCTV	Closed Circuit Television Recording
Code of Practice	Codes of Practice issued under RIPA section 71. http://www.homeoffice.gov.uk/counter-terrorism/regulation-investigatory-powers/ripa-codes-of-practice/
Councillors Members	They should not be involved in making decisions on specific authorisations. Section 3.30 of CoP for covert surveillance
Covert	Surveillance is covert if, and only if, it is carried out in a manner calculated to ensure that any persons who are subject to the surveillance are unaware that it is or may be taking place. As defined in section 26(9)(a) of the 2000 Act
Lawful Business Practice Regulations	The Telecommunications (Lawful Business Practice) (Interception of Communications) Regulations 2000 provide that it is lawful to intercept a communication with the express consent of the system controller in a number of circumstances. It is lawful for a public authority to monitor staff emails without their consent in order to establish the existence of facts relevant to the business or activities of the organisation. The system controller must make all reasonable efforts to inform staff that their communications may be intercepted. It is permissible to monitor (but not record) communications without individuals' consent to determine whether or not the communications in question relate to the business or activities of the organisation.
Local Authority use of RIPA	Updated from 01/11/2012 http://www.homeoffice.gov.uk/publications/counter-terrorism/ripa-forms/local-authority-ripa-guidance/
Private information	Any information relating to a person in relation to which that person has or may have a reasonable expectation of privacy. This includes information relating to a person's personal or family affairs. Private information includes information about any person, not just the subject(s) of an investigation. May include personal data, such as names, telephone numbers and address details.
Surveillance	includes monitoring, observing or listening to persons, their movements, conversations or other activities and communications. It may be conducted with or without the assistance of a surveillance device and includes the recording of any information obtained. See section 48(2) of the 2000 Act.

Audit Committee Work Plan 2013/14

Item	Cabinet Member / Lead Officer	2013							2014					
		J	J	A	S	O	N	D	J	F	M	A	M	J
Internal Audit Annual Report (including six month Internal Audit Progress Report - Dec)	Cllrs Lowry and Peter Smith / DfCS	13						12						√
Statement of Accounts 2012/13	Cllrs Lowry and Peter Smith / DfCS	13			19									√
Operational Risk and Opportunity Management - Update Report	Cllrs Lowry and Peter Smith / DfCS (Mike Hocking)	13						12						√
Risk Management Annual Report	Cllrs Lowry and Peter Smith / DfCS (Mike Hocking)	13												√
Annual Governance Statement	Cllrs Lowry and Peter Smith / DfCS (Mike Hocking)	13												√
Annual Report on Treasury Management Activities for 2012/13	Andrew Liddicott	13												√

Audit Committee Work Plan 2013/14

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Treasury Management Mid-Year Review 2013/14	Andrew Liddicott							12						
RIPA Surveillance Report	Richard Woodfield							12			13			
Strategic Risk and Opportunity Management Register Monitoring Report	Cllrs Lowry and Peter Smith / DfCS (Mike Hocking)				19						13			
Internal Audit Annual Plan	Cllrs Lowry and Peter Smith / DfCS (Sue Watts)										13			
Internal Audit – Progress Report	Brenda Davis/ Dominic Measures/ Robert Hutchins				19									
Internal Audit – Follow Up Work	Brenda Davis/ Dominic Measures/ Robert Hutchins				19									

Audit Committee Work Plan 2013/14

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Audit Plan 2012/2013 – progress report	External Auditor Grant Thornton				19									
Annual Report to Those Charged with Governance (ISA260 Report) 2012/2013	External Auditor Grant Thornton				19									
Value for Money Report - Financial Resilience	External Auditor Grant Thornton				19									
Project Management Review	External Auditor Grant Thornton													
Audit Update	External Auditor Grant Thornton							12			13			
Annual Audit Letter 2012/2013	External Auditor Grant Thornton							12						

Audit Committee Work Plan 2013/14

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Certification Work Report 2013/2014	External Auditor Grant Thornton							12						
Audit Plan 2013/2014	External Auditor Grant Thornton													
Audit Fee Letter 2013/2014	External Auditor Grant Thornton				19									
Review of rolling workplan	Lead Officer/DSO	13			19			12			13			√
ICT Update	Mel Gwynn				19									
Information Commissioners Audit	Mike Hocking										*13			
Update on Civica System	Brenda Davis/ Dominic Measures/ Robert Hutchins										13			

Audit Committee Work Plan 2013/14

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Update on Data System at Windsor House	Brenda Davis/ Dominic Measures/ Robert Hutchins										13			
Governance arrangements for Transformation Programme	Director for Corporate Services										13			
Financial reporting issues	External Auditor Grant Thornton										13			
Fraud Briefing 2013	External Auditor Grant Thornton										13			

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