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Democratic Support

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Published 10 December 2014

AUDIT COMMITTEE

Thursday 18 December 2014
2.00 pm
Council House (Next to the Civic Centre), Plymouth

Members:

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

Independent Members:

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 - 12)

To confirm the minutes of the meeting held on 25 September 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 13 - 24)

Members will be provided with the Audit Committee Update.

6. ANNUAL AUDIT LETTER 2013/14 (Pages 25 - 32)

Members will be provided with the Annual Audit Letter 2013/14.

7. CERTIFICATION REPORT 2013/14 (Pages 33 - 42)

Members will be provided with the Certification Report 2013/14.

8. TREASURY MANAGEMENT STRATEGY 2014/15 MID-YEAR REVIEW (Pages 43 - 60)

Members will be provided with the Treasury Management Strategy 2-14/15 Mid-Year Review.

9. OPERATIONAL RISK AND OPPORTUNITY MANAGEMENT UPDATE REPORT (Pages 61 - 66)

Members will be provided with the Operational Risk and Opportunity Management Update Report.

10. INTERNAL AUDIT HALF YEAR AUDIT REPORT 2014/15 (Pages 67 - 98)

Members will be provided with the Internal Audit Half Year Report 2014/15.

11. PLYMOUTH INTERNATIONAL HISTORY CENTRE UPDATE (Pages 99 - 102)

Members will be provided with an update on the Plymouth International History Centre.

12. LOCAL GOVERNMENT PENSION SCHEME GOVERNANCE ARRANGEMENTS

Members will be provided with a verbal update on the Local Government Pension Scheme Governance Arrangements.

13. REVIEW OF ROLLING WORKPLAN (Pages 103 - 108)

Members will be provided with their workplan for 2014/15.

14. 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 3 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.

15. DATA BREACH (E3) (Pages 109 - 110)

Members will be provided with an update on the Data Breach.

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Audit Committee

Thursday 25 September 2014

PRESENT:

Councillor Wheeler, in the Chair.

Councillor Dr Mahony, Vice Chair.

Councillors Murphy, Singh (substitute for Councillor Stevens) and Stark.

Co-opted Representatives: Mr Clarke and Mr Stewart.

Apology for absence: Councillor Stevens.

Also in attendance: David Bray (Senior Audit Manager – Grant Thornton), Malcolm Coe (Head of Finance), David Curnow (Deputy Head of Devon Audit Partnership), John Finch (Information Governance Manager), John Golding (Partner and Engagement Lead – Grant Thornton) Julie Hosking (Risk Management and Insurance Officer), David James (Head of Strategic Development Projects), Dominic Measures (Audit Manager - Specialist Services -Devon Audit Partnership), David Northey (Head of Corporate Strategy), David Trussler (Interim Strategic Director for Transformation and Change), James Watt (Head of Land and Property), Zoe Wilkinson (Lead Accountant) and Helen Wright (Democratic Support Officer).

The meeting started at 2.00 pm and finished at 4.25 pm.

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

16. **DECLARATIONS OF INTEREST**

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

17. **MINUTES**

Agreed that the minutes of the meeting held on 26 June 2014 are confirmed as a correct record.

It was confirmed that the risk matrix had been circulated to councillors.

18. **CHAIR'S URGENT BUSINESS**

The Chair proposed to consider the status report on the Civic Centre in Part II of the meeting, rather than in part I.

In accordance with Section 100(B)(4)(b) of the Local Government Act, 1972, the Chair brought forward the above item for urgent consideration because of the need to inform members).

19. **AUDIT PLAN 2013/2014 PROGRESS REPORT**

John Golding (Partner and Engagement Lead) (Grant Thornton) and David Bray (Senior Audit Manager) (Grant Thornton) presented the audit plan 2013/14 – progress report which provided the committee with the progress in delivering the external auditor’s responsibilities.

(a) areas of work included –

- CIPFA 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (Code), the Exposure Draft and the Invitation to Comment for public consultation (consultation would close on 10 October 2014);
- certification work;
- 2013/14 value for money conclusion;
- 2013/14 final accounts audit;
- good practice papers, national reports and guidance.

The Chair on behalf of the Audit Committee took the opportunity to thank Grant Thornton for the good news relating to the issuing of an unqualified value for money conclusion for the year ended 31 March 2014.

In response to questions raised by the committee, it was reported that –

- (b) the auditors were satisfied that adequate procedures were in place across the Council;
- (c) a response would be sought relating to the planning permission that had been granted for the housing development at Central Park which had to date not commenced and the principles behind that decision.

The committee noted the report.

20. **ANNUAL REPORT TO THOSE CHARGED WITH GOVERNANCE 2013/2014 (ISA260 REPORT) INCLUDING THE VALUE FOR MONEY CONCLUSION**

John Golding (Partner and Engagement Lead) (Grant Thornton) and David Bray (Senior Audit Manager) (Grant Thornton) presented the annual report to those charged with governance 2013/2014 (ISA260 report) including the value for money conclusion, which highlighted the key matters arising from Grant Thornton’s audit of the Council’s financial statement for the year ended 31 March 2014.

The committee was informed that –

- (a) the key issues arising from the audit included the following –

- financial statements opinion – only a small number of adjustments of the Council's draft financial statements had been made; overall the standard of the financial statements were consistent with the previous year and their content and layout had been significantly improved;
 - a large number of trivial amendments to the draft financial statements were made following submission to Grant Thornton; although they did not have a noticeable effect on the presentation of the financial statements, they did hinder the audit, particularly the Whole of Government Accounts (WGA) work which required reconciliation of the Council's (WGA) return to its financial statements;
 - a number of further presentational and disclosure changes had been identified which were required by the Code of Practice 2013-14;
 - value for money conclusion – based on the review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, an unqualified value for money conclusion would be given;
 - work was on-going on the 'Whole of Government Accounts' but would be completed in accordance with the national timetable;
 - controls – the audit undertaken by Grant Thornton was not designed to test all internal controls or identify all areas of control weakness; however, where as part of the testing control weaknesses were identified these would be reported to the Council;
 - the audit plan identified weaknesses relating to journal entries as there was no authorisation process for journals prior to posting; Grant Thornton's IT auditors had identified scope to improve the controls in a number of areas, although none of these were considered to be a significant weakness;
- (b) as in previous years, the Council had deviated from the guidance provided by CIPFA regarding the accounting treatment for investments held with Icelandic Banks; if the Council was to follow CIPFA's guidance there would be a reversal of the loss of £1.5m in investment income accounted for in the financial statements; as the Council had not followed the guidance, Grant Thornton had again raised this issue as an adjusted mis-statement for those charged with governance to consider;

- (c) the Council had been consistent and used a prudent approach in calculating the impairment adjustment within the accounts due to the continued uncertainty over the level of future recovery; impairments had been made in line with actual receipts rather than those anticipated; the recovery will continue to be monitored during 2014/15 and made appropriate judgements in terms of the accounting entries.

In response to a question raised the auditors confirmed that they were satisfied that the upgrade of the financial system scheduled for April 2015 should address the authorisation of journal issues.

The committee agreed the letter of representation relating to the Council's financial statements for the year ended 31 March 2014 and noted the report.

21. **CERTIFICATION PLAN**

John Goulding (Partner) (Grant Thornton) and David Bray (Senior Manager) (Grant Thornton) presented the Grant Certification Work Plan for Plymouth City Council.

Members were informed that –

- (a) the report summarised Grant Thornton's overall assessment of the Council's management arrangements in respect of the certification process; there was one claim for Housing Benefit subsidy (no certification of council tax benefit was required in 2013/14);
- (b) the auditors expected to complete the certification of the claims by late 2014 and would issue a grant certification report highlighting any issues that needed to be brought to the Council's attention.

The committee noted the grant certification work plan for Plymouth City Council.

22. **CHANGE OF EXTERNAL AUDITORS**

David Northey (Head of Corporate Strategy) presented the change of external auditors.

Members were informed that –

- (a) the Local Audit and Accountability Act 2014 provided for the abolition of the Audit Commission and the introduction of new arrangements for the audit of local public bodies such as local authorities, clinical commissioning groups and police and crime commissioners;
- (b) the key elements of the Act relating to the audit arrangements included –

- local bodies would be able to appoint their own auditors, once existing audit contracts had run their course (contract currently ran until 2017 and would be overseen by a transitional body once the Audit Commission had been abolished);
- (c) the Council's financial accounts would be audited by Grant Thornton in 2014/15 and BDO LLP in 2015/16;
- (d) the Council had objected to the proposed appointment of BDO LLP and had asked the Commission to consider extending the appointment of the current auditor, Grant Thornton LLP;
- (e) the sub-committee of the Commission Board (the Board's Appointment Panel) had considered the Council's representations and as a result did not intend to change the Commission's proposal to appoint BDO LLP to audit the Council's accounts from 2015/16.

In response to a question raised by the committee, it was reported that all existing contracts would terminate in 2017; following which the Council would be able to procure/appoint audit services.

A discussion took place regarding the committee's concerns relating to the appointment of BDO LLP for a period of two years.

The committee agreed that even though the consultation period had closed a further letter will be written to the Audit Commission urging it to reconsider the appointment of BDO LLP.

23. **STATEMENT OF ACCOUNTS 13/14**

David Northey (Head of Corporate Strategy) presented the Statement of Accounts 2013/14, which highlighted the following key areas –

- (a) the Council's draft Statutory Statement of Accounts had been prepared and approved ready for audit by the Assistant Director for Finance on 26 June 2014;
- (b) the accounts had now been audited and were being presented to the committee for approval; the Accounts and Audit Regulations required the accounts to be formally approved and published by 30 September 2014;
- (c) the main amendments to the accounts, included -
 - the PFI disclosure;
 - revaluations/impairments;
 - heritage assets;
 - the nature and extent of risks arising from financial instruments;
 - cash and cash equivalent;

- Defined Benefits Pension Scheme;
- movement in Reserves Statement;
- non compliance with Code of Practice 2013-14.

In response to questions raised by the committee, it was reported that –

- (d) a response would be provided as to why the Council's deposits were not deposited with the Royal Bank of Scotland;
- (e) a breakdown of the £20m invested in building and maintaining schools and academies would be provided;
- (f) an explanation of the contingent assets and liabilities that the Council may incur in 2015/16 would be provided.

The Chair took the opportunity to thank staff for their work in preparing the Statement of Accounts 2013/14.

The committee noted the amendments made to the Statement of Accounts for 2013/14 as approved by the auditor and outlined in the report.

The committee agreed the –

- (1) approval of the Statement of Accounts 2013/14;
- (2) authorisation of the letter of representation and its submission to the auditors.

24. **STRATEGIC RISK AND OPPORTUNITY MANAGEMENT REGISTER MONITORING REPORT**

David Northey (Head of Corporate Strategy) and Julie Hosking (Risk Management and Insurance Officer) presented the strategic risk and opportunity register monitoring report which summarised the latest formal monitoring exercise completed for the period of March 2014 – August 2014.

The committee was advised that –

- (a) the total number of strategic risks reported had increased from 28 to 31 with the addition of five new risks and the deletion of two; the number of red risks had increased from four to six;
- (b) the red risks included -
 - medium term financial forecast;
 - governance arrangements between ODPH, CCG and NHS England;
 - highway network;
 - transformation impact on Plymouth City Council;
 - future of the Civic Centre and Council House;

- Adult Social Care budget;
- (c) the Transformation Portfolio risk register was reviewed regularly and reported to the Portfolio Board;
- (d) the key potential risks identified in the Transformation Portfolio risk register included –
- the impact of transformation on business as usual;
 - the Council's capacity and capability to design and deliver the substantial changes to the way services are delivered in the future;
 - insufficient allocation of resources in design and delivery to effect change.

In response to questions raised by the committee, it was reported that –

- (e) a response would be provided as to why the Council had agreed to purchase a new detailed survey of the highways network rather than providing this in-house;
- (f) updates would be provided on the following –
- ensuring that processes were in place to protect staff from violent incidents whilst carrying out their duties;
 - failure to reach recycling targets and divert waste from landfill;
- (g) a response would be provided relating to whether the recycling of kitchen waste would be revisited.

The committee noted the report and endorsed the current position with regard to the strategic register and opportunity register.

25. **INFORMATION ASSET ANNUAL REPORT**

John Finch (Information Governance Manager) presented the information asset annual report which summarised the work that had been undertaken by the Information Lead Officers Group to improve information governance principles across all directorates in order to improve the Council's information asset.

The committee was informed that –

- (a) in 2011, a specific breach of the Data Protection Act had occurred and a fine of £60,000 was imposed by the Information Commissioner's Office;

- (b) as a result of the breach the Information Lead Officers Group had been established in order to implement an action plan to improve the Council's information governance resilience to meet service delivery goals and ensure on-going legislative compliance;
- (c) following the independent audit undertaken by the Devon Audit Partnership an action plan had been produced which identified responsible officers and target dates for completion;
- (d) as a result of the audit 49 recommendations had been made by the Information Commissioner's Office, primarily around enhancing existing processes to facilitate compliance with the Data Protection Act;
- (e) 16 percent of the recommendations had been completed with a further 10 percent scheduled for completion by the end of October 2014;
- (f) areas of good practice included Adult Social Care which used electronic records rather than manual records;
- (g) 20 percent of staff had still not completed the Data Safe elearning course.

The committee noted the report.

26. **ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITIES FOR 2013/14**

Zoe Wilkinson (Lead Accountant) presented the annual report on treasury management activities for 2013/14, which highlighted the following main areas –

- (a) in order to comply with the Code of Practice for Treasury Management, the Council was required to formally report on its treasury management activities for the year, which provided information on the progress and outcomes against the Treasury Management Strategy;
- (b) the report included the following -
 - capital financing, borrowing debt rescheduling and investment transactions;
 - risks inherent in the portfolio and actions taken by the authority to reduce the risk;
 - outturn position on Treasury Management transactions;
 - confirmation of compliance with treasury limits and Prudential Indicators.

The committee noted the report.

The committee agreed to refer the Treasury Management annual report for 2013/14 to Full Council to note (as required by CIPFA Treasury Management Code of Practice – note 6 refers).

Order of Business

With the permission of the Chair, the order of business on the agenda was amended, as set out below in the minutes.

27. **REVISED GOVERNANCE ARRANGEMENTS FOR THE TRANSFORMATION PROGRAMME**

David Trussler (Interim Strategic Director for Transformation and Change) presented the revised governance arrangements for the Transformation programme.

Members were advised that –

- (a) the revised governance arrangements related to Cabinet Members being responsible for overseeing the Transformation Portfolio;
- (b) Transformation formed part of the portfolio for the Cabinet Member for Finance, who received the Portfolio Highlight Report from the Transformation Portfolio Board;
- (c) Cabinet took key decisions relating to the Transformation Portfolio in accordance with the constitution and scheme of delegation;
- (d) Cabinet Members –
 - own and were accountable for the Transformation Portfolio;
 - were aligned to individual programmes;
 - recommended programme business cases to Cabinet for approval.

The committee noted the report.

28. **INTERNAL AUDIT PROGRESS REPORT**

David Curnow (Deputy Head of Audit Partnership) (Devon Audit Partnership) and Dominic Measures (Audit Manager - Specialist Services) (Devon Audit Partnership) presented the Internal Audit – Progress report which provided a position statement on the audit work undertaken since April 2014 and was based on the work performed to date during 2014/15.

Members were informed that –

- (a) overall, good progress had been made against the plan agreed with management for 2014/15;

- (b) progress up to 21 August 2014 had included completion of work carried out from 2013/14, follow up audits and completion of assignments in accordance with the timescales agreed with management;
- (c) overall, and based on the work performed during 2014/15, Internal Audit was able to provide reasonable assurance on the adequacy and effectiveness of the authority's internal control environment.

In response to questions raised by the committee, it was reported that –

- (d) following the announcement that the History Centre project had been successful in its first round bid for Heritage Lottery Funding, the project was now entering its next phase of development with six work streams identified to take the project forward; Internal Audit attended the Programme meetings and provided support, advice and assurance;
- (e) although there continued to be lack of proactive housing benefit fraud work, reactive work was being undertaken promptly and effectively in line with the procedures in place;
- (f) the implications of the Plymouth Adult Safeguarding Board not implementing an annual report, risk register, business plan and the lack of an operational risk register was considered to be high priority and would be expressed within Ofsted's review.

The committee agreed that a report on the History Centre is submitted to the next committee meeting in December 2014.

The committee noted the report.

(Councillor Stark was not present for the remainder of the meeting).

29. **INTERNAL AUDIT FOLLOW UP WORK**

David Curnow (Deputy Head of Devon Audit Partnership) presented the Internal Audit follow up work report.

The committee was informed that –

- (a) the report provided assurance to the Audit Committee that where an audit had been undertaken and that an opinion of 'improvement required' or less had been provided, Devon Audit Partnership had undertaken follow up audit reviews;
- (b) Devon Audit Partnership had not given an opinion of 'fundamental weaknesses identified' for any of the audits that had been undertaken in 2013/14 to date;

- (c) the 'rag' rating for contract Management Amey (Contract Overview) was red; agreement was awaited from the Network Management Team for a management action plan which would contain dates for actions to be completed; a follow up audit would be programmed in during 2015/16 audit plan year; (the council remained at risk of possible loss that could not be quantified, which was linked to the different interpretation of the contract by the council and contractor).

In response to a question raised by the committee it was reported that there was no 'rag' rating for the pre-paid cards (review process from end to end) as the draft report had only been finalised.

The committee agreed that the contract management – Amey (contract overview) is an agenda item at the next meeting scheduled for December 2014.

The committee noted the report.

30. **REVIEW OF ROLLING WORKPLAN**

The committee considered and noted its rolling work programme for 2014/15.

31. **STATUS REPORT ON THE CIVIC CENTRE**

Please refer to minute 33.

32. **EXEMPT BUSINESS**

Agreed that under Section 100(A)(4) of the local Government Act, 1972, the press and public are excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part I of Schedule 12A of Part I of Schedule 12A of the Act, as amended by the Freedom of Information Act 2000.

33. **STATUS REPORT ON CIVIC CENTRE (E3)**

Malcolm Coe (Head of Finance), David James (Head of Strategic Development Projects) and James Watt (Head of Land and Property) presented the status report on the Civic Centre.

The report updated the committee on the progress on the renovation project for the Civic Centre.

The committee noted the report.

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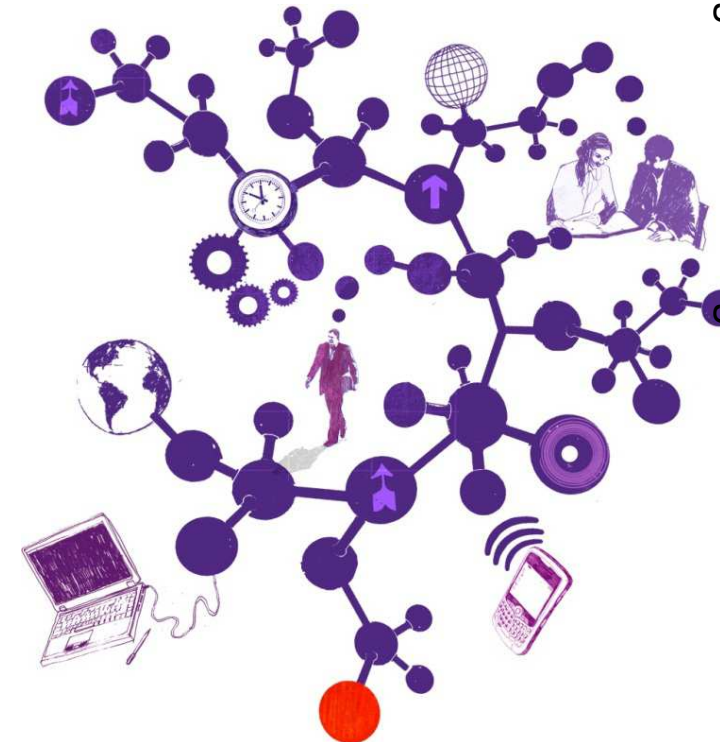
Audit Committee Update for Plymouth City Council

Year ended 31 March 2015

Committee Date: 18 December 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 and Governance 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 as a Unitary Council
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit and Governance 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 referred to in these updates.

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 4 December 2014

Work	Due By	Complete	Comments
<p>2013-14 final accounts audit and VFM Conclusion</p> <p>Including:</p> <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • detailed work to support the VFM conclusion • opinion on the Council's accounts • Value for Money conclusion. 	September 2014	Complete	<p>We reported the results of our work to the Council's Audit Committee on 25 September 2014 in our Audit Findings Report.</p> <p>On 29 September 2014 we issued an unqualified opinion on the Council's financial statements for the year ended 31 March 2014 and an unqualified VFM Conclusion.</p> <p>The results of our are audit are summarised in our Annual Audit Letter, which we will present to the Audit Committee on 18 December 2014.</p>
<p>2013-14 certification work</p> <p>This work is expected to cover:</p> <ul style="list-style-type: none"> • Housing benefits 	November 2014	Complete	<p>The results of our this work is summarised in our certification report, which we will present to the Audit Committee on 18 December 2014.</p>
<p>2014-15 audit</p> <p>This work will cover</p> <ul style="list-style-type: none"> • audit of the 2014-15 financial statements • detailed work to support the VFM conclusion • certification work 	September 2015 November 2015	Not yet due	<p>We have met with your finance team on two occasions to discuss the emerging issues for 2014/15.</p> <p>We hosted a seminar in Taunton on 2 December 2014 to cover accounting for Schools and Infrastructure assets and this was attended by Plymouth City Council.</p> <p>A follow-up event is being held in Plymouth on 5 January 2015.</p>

Accounting and audit issues

Accounting for schools

The debate about which school land and buildings should be recognised on local authority balance sheets (which most commentators had thought settled) has been reignited. Grant Thornton is taking a leading role in trying to resolve this unexpected development.

In March 2014, CIPFA/LASAAC Code concluded that under IFRS 10, maintained schools (but not free schools or academies) meet the definition of entities that need to be consolidated in group accounts. However, rather than requiring local authorities to prepare group accounts, the CIPFA/LASAAC Code requires local authorities to account for maintained schools within their single entity accounts. This includes school income and expenditure as well as assets and liabilities. The general expectation in the sector was that:

- the vast majority of voluntary aided, voluntary controlled and foundation schools would be recognised on local authority balance sheets
- a small number of school buildings that are provided at no charge by a religious body and where there was a realistic possibility that they would be taken back by their owners would be treated as assets of the religious body and so not recognised on the local authority balance sheet.

However, at the CIPFA conference in November 2014, CIPFA clarified that it considers that most voluntary aided and voluntary controlled school buildings would **not** be recognised on the balance sheet. This is because the religious bodies have a legal right to take back these assets. Nor does CIPFA consider the position for foundation school buildings to be clear cut and local judgement would need to be applied. We have not seen evidence that would support the view taken by CIPFA and have concerns about:

- whether the treatment proposed by CIPFA actually complies with the Code
- the significant practical implications for the sector
- the potential for inconsistent accounting treatments depending on local judgement.

We are taking a leading role in discussions with the Audit Commission, CIPFA and the other audit suppliers to try to seek a practical way forward as soon as possible.

Accounting and audit issues

Accounting for schools (cont'd)

We will continue to share the latest developments with officers. In the mean time we would recommend that you continue your preparations for recognising school land and building including:

- identifying those schools where school buildings are owned by third parties (such as church dioceses) and determining under what circumstances the buildings could be taken back by the third party
- obtaining valuations for school land and buildings for each of the three balance sheet dates (1 April 2013, 31 March 2014, 31 March 2015)
- obtaining sufficient information to enable the authority to restate its revaluation reserve and capital adjustment account.

Issue to consider

- Has your finance team put in place a plan to address the potential changes in accounting for schools?

Accounting and audit issues

Group accounting standards

The Code has adopted a new suite of standards for accounting for subsidiaries, associates and joint arrangements. These changes affect how local authorities account for services delivered through other entities and joint working with partners.

The key changes for 2014/15 are to:

- the definition of control over other entities. This is set out in IFRS 10 and determines which entities are treated as subsidiaries
- the accounting for joint arrangements. This now follow IFRS 11 and includes changes to the definition of joint ventures and how joint ventures are consolidated in group accounts
- disclosures in relation to subsidiaries, joint arrangements, associates and unconsolidated entities as set out in IFRS 12.

Changes to the definition of control over other entities

Control was previously defined in terms of power to govern the financial and operating policies of an entity. IFRS 10 sets out three elements for an investor to be considered as controlling an investee (all of which must be met):

- the investor has the rights to direct the relevant activities of the investee (relevant activities being the ones that determine the return for the investors – the return could be in the form of a service rather than money)
- the investor has exposure, or rights, to variable returns from its involvement with the investee
- the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

In the commercial sector, this is generally thought to have resulted in more entities being treated as subsidiaries. However, the change is in both directions: some subsidiaries have been redefined as associates. Local authorities with investments in other entities will need to consider whether:

- they control any entities using the new definition. Local authorities will need to pay particular attention to special purpose vehicles and any other entities where there was a close judgement call under the old IAS 27
- there is a need for a prior period adjustment.

Accounting and audit issues

Changes to accounting for joint arrangements

Joint arrangements are contractual arrangements between two or more parties where there is joint control. IFRS 11 makes three key changes from IAS 31:

- there are now only two types of joint arrangements: joint operations and joint ventures
- under IAS 31 joint ventures were legal entities. IFRS 11 bases its definition of joint ventures on the substance of the arrangement rather than legal status. In a joint operation the investing parties have rights and obligations in relation to the arrangement's assets and liabilities, whereas in a joint venture the parties have rights to the arrangement's net assets
- local authorities are still required to consolidate joint ventures in their group accounts but must now do so using the equity (single line) method. The option for proportionate (line-by-line) consolidation has been removed.

The key challenge for most local authorities will be determining whether their joint arrangements are joint ventures or joint operations. The difference should be clear from the contract but in some cases judgement may be required. Local authorities that have previously used the proportionate consolidation method will need to account for the move to equity accounting as a prior period adjustment.

Disclosure of interests in other entities

IFRS 12 makes consistent the requirements for disclosures in relation to subsidiaries, joint arrangements, associates and unconsolidated entities. It includes the need for transparency about the risks to which the reporting entity is exposed as a consequence of its investment in such arrangements.

Issue to consider

- Has your finance team assessed the potential impact of these standards for the authority's financial statements?

Accounting and audit issues

Early close

DCLG is consulting on proposals to bring forward the audit deadline for 2017/18 to the end of July 2018. Although July 2018 is almost 4 years away, both local authorities and their auditors will have to make real changes in how they work to ensure they are 'match-fit' to achieve this deadline. This will require leadership from members and senior management. Local government accountants and their auditors should start working on this now.

Top tips for local authorities:

- make preparation of the draft accounts and your audit a priority, investing appropriate resources to make it happen
- make the year end as close to 'normal' as possible by carrying out key steps each and every month
- discuss potential issues openly with auditors as they arise throughout the year
- agree key milestones, deadlines and response times with your auditor
- agree exactly what working papers are required.

Issue to consider

- Has your finance team put in place a plan to address the earlier close date?

Place Analytics – Understanding Growth

Invitation to a local Grant Thornton seminar

In a recent survey, chief executives and leaders were asked a simple question: what do you see as the future primary purpose of local government?

72% answered *"as a leader of place driving investment and stimulating economic regeneration."*

This is simple to say, but difficult to define and very difficult to measure.

With the drive to increase efficiency, improve service quality and enable collaboration between organisations, a better and shared understanding of people and places has never been more important. Yet the resources available to inform this understanding have never been more stretched.

It is in this context that we have launched our new Place Analytics service. Incorporating all of the data and tools necessary to shape a comprehensive understanding of your place, and the people who live there, it puts at your fingertips a powerful Insight Engine that can be used to inform policy-making and decision-making.

We are holding two seminars in the South West – on 8 December 2014 in Taunton and on 15 December 2014 in Bristol – to demonstrate the value of Place Analytics. We will provide a comprehensive analysis of the South West, from economic, social and environmental perspectives and will also provide an assessment of performance on our High Growth Index – with an opportunity to discuss the findings and policy implications.

We have sent invitations to all Chief Financial Officers and Heads of Economic Development.



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The Annual Audit Letter for Plymouth City Council

Year ended 31 March 2014

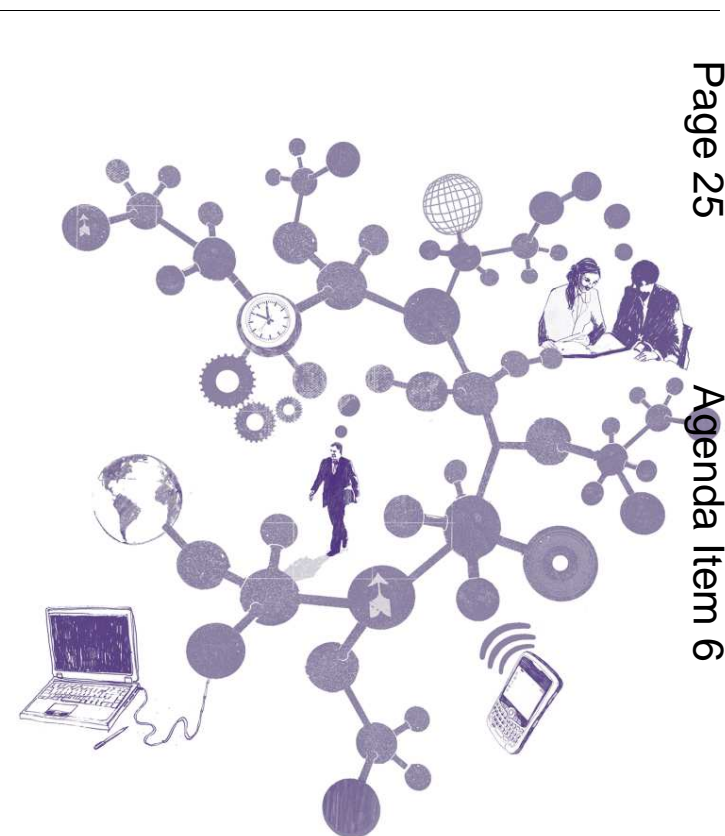
October 2014

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Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Plymouth City Council ('the Council') for the year ended 31 March 2014.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 5 June 2014 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

<p>Financial statements audit (including audit opinion)</p>	<p>We reported the findings arising from our audit of the financial statements to the Audit Committee in our Audit Findings Report on 25 September 2014. The key messages reported were:</p> <ul style="list-style-type: none"> • The Council prepared its financial statements ahead of the National timetable (30 June 2014) and made a full set of working papers available to us at the start of the audit, in the week commencing 16th June 2014, which was two weeks earlier than the previous year. • Only a small number of adjustments to the Council's draft financial statements were made as a result of our audit and we did not identify any material errors. Overall, the standard of the Council's financial statements were consistent with the previous year and their content and layout had been significantly improved. <p>We issued an unqualified opinion on the Council's 2013/14 financial statements on 29 September 2014, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.</p>
<p>Value for Money (VfM) conclusion</p>	<p>We issued an unqualified VfM conclusion for 2013/14 on 29 September 2014.</p> <p>On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.</p>

Key messages

Whole of Government Accounts	<p>We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. The Council made a number of minor adjustments to its draft financial statements which made this exercise more difficult and time consuming than in previous years.</p> <p>Nevertheless, we were able to report that the Council's pack was consistent with the audited financial statements.</p>
Certification of grant claims and returns	<p>As noted in our certification plan, there is only one return applicable to Plymouth City Council in 2013/14. This is for Housing Benefits and the deadline for the completion of this work is 30 November 2014. We will report our findings to the Council once this work has been completed.</p>
Audit fee	<p>Our fee for 2013/14 was £181,428, excluding VAT, which was in line with our planned fee for the year. Further detail is included within appendix B.</p>

Appendix A: Key issues and recommendations

This appendix summarises the significant recommendations made during the 2013/14 audit. These have been agreed with the Council and were included in our Audit Findings Report.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	<p>The Council made a number of minor adjustments to its draft financial statements after the audit commenced.</p> <p>Recommendation: Once the draft financial statements have been prepared, no amendments should be made until the audit has been completed.</p>	High	<p>Management response: Agreed</p> <p>Responsible officer: Lead Accountant – Technical Finance</p> <p>Due date: April 2015</p>
2.	<p>Journals are not appropriately approved before being processed.</p> <p>Recommendation: The Council should introduce a sample-based approach to journal review and authorisation, covering all journals.</p>	High	<p>Management response (1): Internal Audit carry out an annual testing of a sample of journals as part of their work.</p> <p>Finance will introduce its own random sample of journals to test accuracy, plus any individual journal entry over £500,000 will be authorised by Head of Corporate Strategy or Head of Finance Operations.</p> <p>Responsible officer: Head of Corporate Strategy</p> <p>Due date: October 2014</p> <p>Management response (2): Looking ahead, the Council is upgrading its finance system which should incorporate an alert mechanism that automatically identifies unusual journals that fall outside prescribed parameters. These alerts will then be reviewed by finance management.</p> <p>Responsible officer: Lead Accountant – Technical Finance</p> <p>Due date: April 2015</p>

Appendix B: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit	181,428	181,428
Grant certification	23,302	TBC
Total audit fees	204,730	TBC

Our certification work will not be completed until November 2014. We will advise the Council's Audit Committee of the final fee for this work at that time.

There is an additional fee of £1,080 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. The additional fee is 50% of the average fee previously charged for NDR3 certifications for Unitary Authorities and is subject to agreement by the Audit Commission.

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan (including interim audit work)	June 2014
Audit Findings Report	September 2014
Certification Plan	September 2014
Annual Audit Letter	October 2014
Certification Report	Due December 2014



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Certification report 2013/14 for Plymouth City Council

Year ended 31 March 2014

2 December 2014

John Golding

Partner

T 0117 305 7802

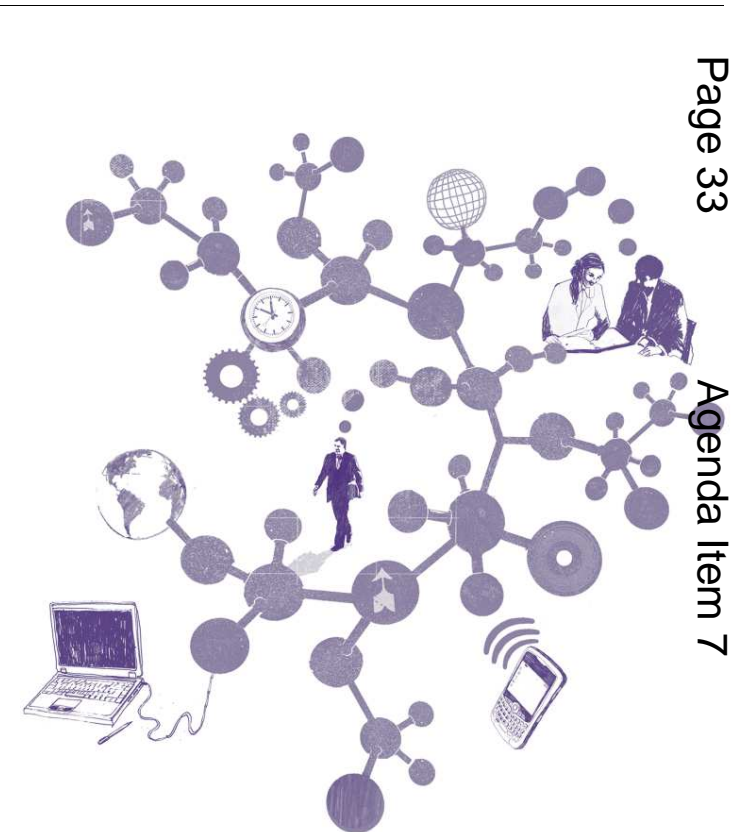
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Section 1: Summary of findings

01. Summary of findings

Summary of findings

Introduction

We are required to certify certain claims and returns submitted by Plymouth City Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

We have certified one such claim for the financial year 2013/14 relating to expenditure of £102.5 million.

This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and highlights the findings of the one claim subject to certification.




Approach and context to certification

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

Our approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform were set out in our Certification Plan which we presented to the Council's Audit Committee in September 2014.

Key messages

The key messages from our certification work are summarised in the table below and set out in detail in the next section of the report.

Aspect of certification arrangements	Key Messages	RAG rating
Submission & certification	The Housing Benefits claim was submitted to us on time and was certified in accordance with the nationally prescribed timetable.	 Green
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	The Housing Benefits claim was qualified because we found one case where the Housing Benefits awarded to a claimant was too low. The level of errors was much less than in previous years.	 Amber
Supporting working papers	The working papers to support the Housing Benefits claim were prepared to a good standard.	 Green

Certification fees

The indicative certification fee are set by the Audit Commission.

The fees for 2013/14 for Plymouth City Council are based on the final 2011/12 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Similarly, the fees for 2012/13 were set by the Audit Commission using 2010/11 as a base year.

Fees for schemes no longer requiring certification (such as the national non-domestic rates return) have been removed from the baseline fee and the fees for certification of housing benefit subsidy claims were reduced by 12 per cent, to reflect the removal of council tax benefit from the scheme. This is set out in more detail in Appendix B.

Acknowledgements

We would like to take this opportunity to thank the Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP
December 2014

Appendices

Appendix A: Details of claims and returns certified for 2013/14

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing benefit subsidy claim	£102.5m	No	None	Yes	<p>Our initial testing of 20 cases identified an instance where Housing Benefits of £9.83 was underpaid to a claimant as the incorrect rent was recorded. A further sample of 40 cases did not identify any further errors.</p> <p>Similar issues were identified in previous years and the claim was qualified in this respect.</p> <p>However, as noted on page 4, overall the level of errors identified in 2013/14 was much less than in previous years.</p>

Appendix B: Fees

Claim or return	2012/13 fee (£)	2013/14 indicative fee (£)	2013/14 actual fee (£)	Variance year on year (£)	Explanation for significant variances
Housing benefits subsidy claim	£20,140	£23,302	£23,302	£3,162	The fee for 2013/14 was set by the Audit Commission based on the fee for 2011/12, which was higher than the fee set by the Commission for the previous year.



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PLYMOUTH CITY COUNCIL

Subject:	Treasury Management Strategy 2014/15 – Mid Year Review
Committee:	Audit Committee
Date:	18 December 2014
Cabinet Member:	Councillor Mark Lowry
CMT Member:	Malcolm Coe (Assistant Director for Finance)
Author:	Zoe Wilkinson, Lead Accountant
Contact details	Tel: 01752 304707 email: zoe.wilkinson@plymouth.gov.uk
Ref:	ACCT/DJN
Key Decision:	No
Part:	I

Purpose of the report:

The Local Government Act 2003 requires the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy. The Council's strategy for 2014/15 was approved by full Council at its budget meeting on 23 January 2014. This report provides an update on the progress and outcomes against the Treasury Management Strategy for the six month period ended 30 September 2014. It is a requirement of the CIPFA Code of Practice on Treasury Management that a full mid-year report, as a minimum, should be presented to Full Council.

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

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

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

Treasury Management affects the Council's budget in terms of borrowing costs and investment returns and its implications have been fully incorporated into the council's budgets.

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

N/A

Equality and Diversity

Has an Equality Impact Assessment been undertaken? No

Recommendations and Reasons for recommended action:

1. The report be noted by the Audit Committee and presented to Full Council.
As required by Cipfa Code of Practice, Treasury Management
2. The Audit Committee agree that approval of the Treasury Management Strategy and Annual Investment Strategy 2015/16 is delegated to the Head of Corporate Strategy in consultation with the Chair and Vice Chair of the Audit Committee to agree a final version before being submitted to Full Council for authorisation in February 2015.

Alternative options considered and rejected:

It is statutory requirement under the Local Government Act 2003 and supporting regulations to set an annual treasury strategy for borrowing and prepare an annual investment strategy. The Council has adopted the Cipfa Code of Practice for Treasury Management which requires a mid-year report to be submitted to the Audit Committee and Full Council covering the performance against this approved strategy.

Published work / information:

[Treasury Management Strategy 2013/14 Mid-Year Review to Council 27 January 2014](#)
[Treasury Management Practices, Principles and Schedules 2014/15 to Audit Committee 26 June 2014](#)

Background papers:

Title	Part I	Part II	Exemption Paragraph Number							
			1	2	3	4	5	6	7	
Not applicable										

Sign off:

Fin	djn14 15.24	Leg	alt/219 04	Mon Off	dvs/21 909	HR		Assets		IT		Strat Proc	
Originating SMT Member - Malcolm Coe													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

Treasury Management Strategy Mid-Year Review

I. Introduction

I.1 The definition of Treasury Management is:

“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

I.2 The responsibility for implementing and monitoring Treasury Management policies and practices and for the execution and administration of Treasury Management decisions is delegated by the Council to its Section 151 Officer and is overseen by a Treasury Management Board consisting of Councillors and senior officers of the Council.

I.3 The day to day operation of the Treasury Management activity is carried out in accordance with detailed Treasury Management Practices (TMP’s). Updates to these practices for 2014-15 were approved by the Audit Committee on 26th June 2014.

I.4 The Council works closely with its Treasury Management advisers, Arlingclose, who assist the Council in formulating views on interest rates, regular updates on economic conditions and interest rate expectations, and advise on specific borrowing and investment decisions.

I.5 Under the Council’s approved Strategy we continue to manage risk and diversify our investment portfolio.

2. Review of the Council’s Performance April – September 2014

2.1 Table I shows the Council’s overall treasury portfolio at 30th September 2014 compared to the position at the start of the year.

Table I

01/04/2014 £m	Average Interest rate %		30/9/2014 £m	Average Interest rate %
44.252	5.79	External Borrowing Long-term:	44.252	5.76
100.000	4.38	PWLB	100.000	4.38
0.087	0.65	Market	0.036	0.60
80.800	0.29	Bonds	85.500	0.29
		Temporary Borrowing		
225.139	3.19	Total PCC Borrowing	229.788	3.12
29.440	8.73	Long-term liabilities	29.440	8.73
1.937	n/a	PFI Schemes	1.937	n/a
8.889	n/a	Finance Leases	8.889	n/a
		Cornwall County Council (TBTF)		
265.405		Total External Debt	270.054	
(70.812)	0.89	Bank Deposits	82.222	0.83
(7.500)	Variable	Property Fund (Pooled investment)	10.000	Variable
(5.025)	Variable	Other External Funds	15.025	Variable
(83.337)		Total Investments	(107.247)	
182.068		Net Borrowing/(Net Investment) Position	162.807	

3. Borrowing

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

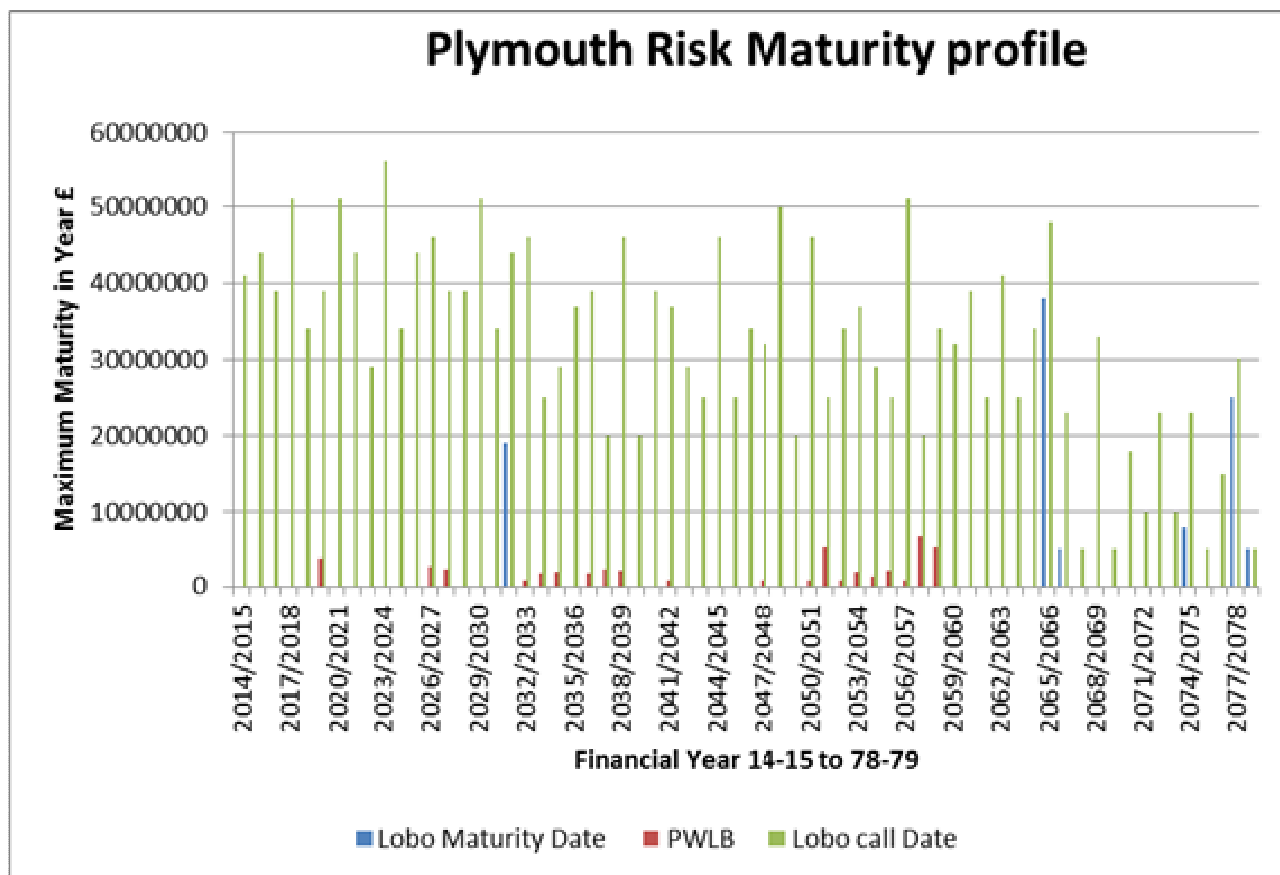
3.2 The external debt limits for 2014/15, as approved by Council in January 2014, are as follows:

- Authorised limits £335m
- Operational Boundary £312m

3.3 These limits have not been breached in the period 1st April to 30th September 2014.

3.4 The following graph in **Figure I** shows the maturity profile of the Council's £144.242m borrowing at 30th September 2014:

Figure 1



3.5 The debt portfolio currently includes £100m of LOBO loans. These loans have various option call dates where the banks have the ability to amend the loan terms and at which point the Council could choose to repay the loan if the terms are changed. This is reflected within the maturity profile shown above (in green) to enable officers to risk manage the Council's cash flows

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

Table 2

	Balance 01/04/2014 £000s	Debt Maturing £000s	Debt Repaid £000s	New Borrowing £000s	Balance 30/09/14 £000s	Increase / (Decrease) in Borrowing
Short Term Borrowing	80,800	0	0	4,700	85,500	4,700
Long Term Borrowing	144,339	(51)	0	0	144,288	(51)
TOTAL BORROWING	225,139	(51)	0	4,700	229,788	4,649

3.7 New borrowing in year

The use of short-term borrowing has continued to be the most cost effective means of financing capital expenditure and cashflow requirements. During the first half of the year the level of borrowing was constrained within a maximum investment level to generate additional revenue savings whilst maintaining the risk of excessive level of investments. By matching any short-term borrowing with the available liquid deposits held in bank call accounts, this has lowered overall treasury risk by allowing flexibility of reducing debt and investment levels at short notice should credit conditions deteriorated.

The Council started the year with £80.8m of short-term loans. New loans were taken out in the period 1st April to 30th September 2014 with an average period of 70 days at an average rate of 0.29%.

3.8 Debt Rescheduling

There has been no debt rescheduling in the period. Officers along with our advisers Arlingclose continue to monitor PWLB interest rates looking for opportunities to repay any debt, maximising the savings achieved whilst maintaining a balanced maturity profile.

3.9 Overall debt performance for the first part of the year

All new debt taken in 2014-15 has been in short-term borrowing to meet cash flow/capital financing requirements. Over the period total loan debt has increased by £4.649m as a result of an increase in short-term borrowing.

Due to affordability and credit risk the current borrowing strategy is to take short-term borrowing at very low rates. However the Section 151 officer will continue to monitor interest rates and credit conditions and consider long-term borrowing in line with the approved 2014/15 Treasury Management Strategy.

4. Investments

4.1 Managing Investment Risk

In accordance with investment guidance issued by the CLG and best practice this Authority's primary objective in relation to the investment of public funds remains the security of capital. The liquidity (accessibility) of the Authority's investments is important but is a secondary consideration.

4.2 Investments are categorised as "Specified" or "Non-Specified" within the investment guidance issued by the CLG.

Specified investments are sterling denominated investments with a maximum maturity of one year. They also meet the "high credit quality" as determined by the Authority and are not deemed capital expenditure investments under statute. Non-specified investments are, effectively, everything else.

- 4.3 The types of investments that will be used by the Authority and whether they are specified or non-specified are as follows:

Table 3 Specified and Non-Specified Investments

Investment	Specified	Non-Specified
Term deposits with banks and building societies	✓	✓
Term deposits with other UK local authorities	✓	✓
Investments with Registered Providers	✓	✓
Certificates of deposit with banks and building societies (CD's)	✓	✓
Gilts	✓	✓
Treasury Bills (T-Bills)	✓	x
Bonds issued by Multilateral Development Banks	✓	✓
Local Authority Bills	✓	x
Commercial Paper	✓	x
Corporate Bonds	✓	✓
AAA rated Money Market Funds	✓	x
Other Money Market and Collective Investment Schemes	✓	✓
Debt Management Account Deposit Facility	✓	x
Loans to other organisations	✓	✓

- 4.4 The credit rating limits proposed for specified investments with institutions for 14-15 is a lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's of A-. Limits will be set for levels depending on the rating of each institution.

4.5 Investment Activity

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

With bank deposit rates falling and current returns not being as attractive, the Authority continues to look at alternative investment products to diversify its portfolio. After discussions with Arlingclose, the Council's Treasury Management

Advisers, a number of fund managers were interviewed and the following funds chosen:

- Federated Prime Rate Cash Plus Fund
- Ignis Sterling Short Duration Cash Fund
- Investec Short Bond Fund
- Investec Target Return Fund
- Payden & Rygel Sterling Reserve Fund

£1-2m has been deposited in each of these funds investing in a range of investments and asset classes including Certificates of Deposits (CD) and Government and Corporate Bonds. The target return on these funds will produce around 1%. The performance of these funds will be included in the Treasury Management out-turn report.

4.6 Table 4 and Figure 2 below show the split of investments over country/sector as at 30th September 2014.

Figure 2:

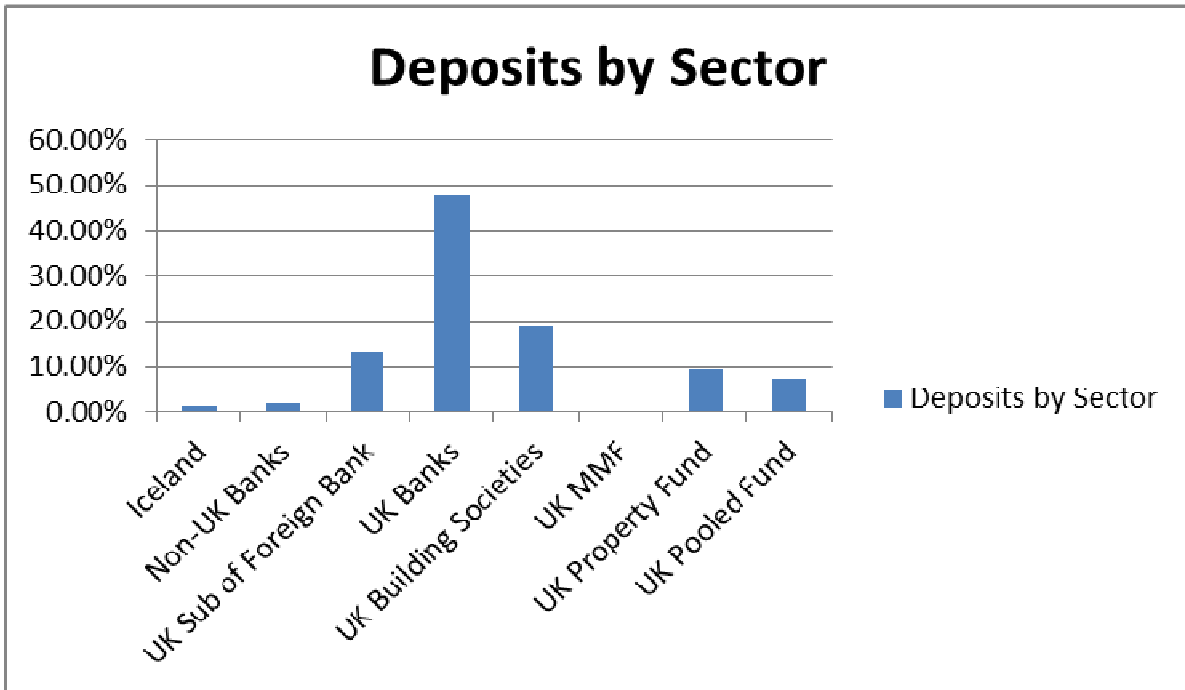
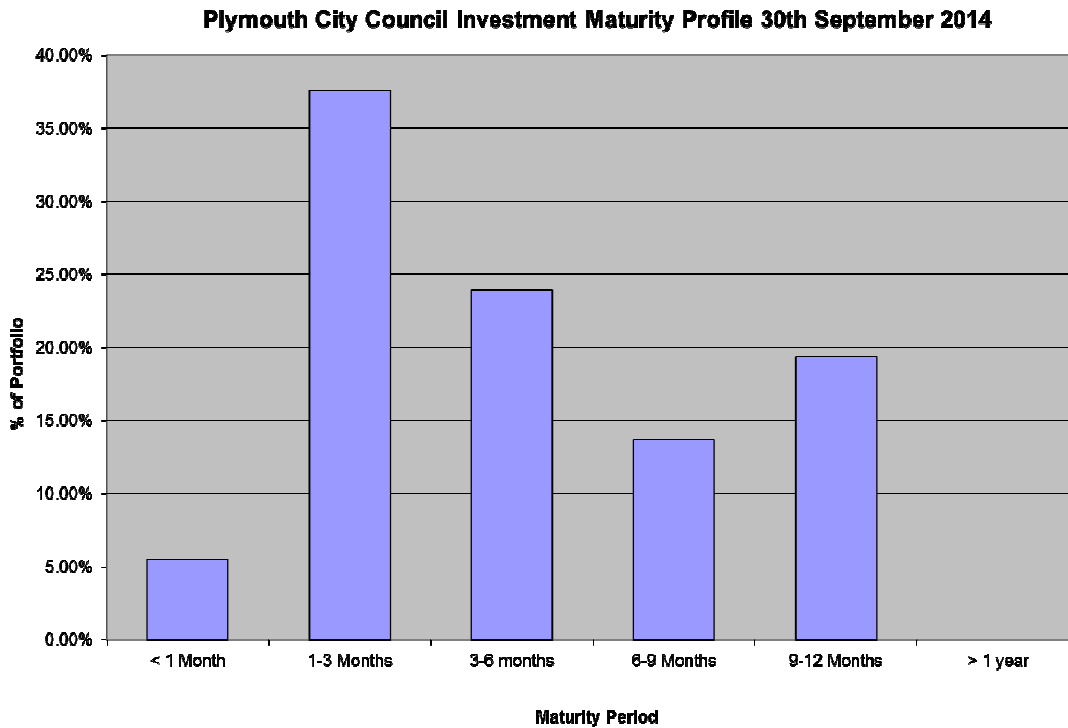


Table 4

Counterparty	Total £m	Sector Type	%	Sector %
Santander UK (was Abbey National)	14.500	UK Subsidiary of Foreign Bank	13.52	13.52
Lloyds Banking Group	15.000	UK Banks	13.99	
Barclays	13.285	UK Banks	12.39	
HSBC	15.000	UK Banks	13.99	
Close Brothers	5.000	UK Banks	4.66	
Standard Chartered	3.000	UK Banks	2.80	47.83
Nationwide Building Society	16.000	UK Building Societies	14.92	
National Counties Building Society	1.000	UK Building Societies	0.93	
Market Harborough Building Society	1.000	UK Building Societies	0.93	
Furness Building Society	1.000	UK Building Societies	0.93	
Cumberland Building Society	1.000	UK Building Societies	0.93	18.64
Nordea Bank Finland	1.000	Non UK Banks	0.93	
Rabobank	1.000	Non UK Banks	0.93	1.86
CCLA Lamit Property Fund	10.000	UK Property Fund	9.32	9.32
Iceland	1.437	Iceland	1.34	1.34
UK MMF	0.025	UK MMF	0.02	0.02
Federated Prime Rate Cash Plus Fund	2.000	UK Pooled Fund	1.87	
Ignis Sterling Short Duration Cash Fund	2.000	UK Pooled Fund	1.87	
Investec Short Bond Fund	2.000	UK Pooled Fund	1.87	
Investec Target Return Fund	1.000	UK Pooled Fund	0.93	
Payden & Rygel Sterling Reserve Fund	1.000	UK Pooled Fund	0.93	7.47
Total	107.247		100.00	100.00

- 4.7 The maturity profile of the Council's deposits is represented in figure 3. This shows a large proportion of deposits maturing during the 1 – 3 month period, reflecting the deposits in call accounts. These types of deposits ensure that the Council has the ability to react quickly to adverse changes in market conditions.

Figure 3



4.8 Credit Risk

The Treasury Management Strategy report to Audit Committee in February 2010 outlined a recommendation that officers work to develop a set of benchmarking criteria against which the Council's investment risk could be measured. This continues to be used in 2014-15:

The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

4.9 Table 3 shows the rating currently attached to the Council's portfolio and its movement during the year.

Table 3

Date	Value Weighted Average – Credit Risk Score	Value Weighted Average – Credit Rating	Time Weighted Average – Credit Risk Score	Time Weighted Average – Credit Rating
31/03/2014	5.32	A+	5.73	A
30/06/2014	5.38	A+	5.68	A
30/09/2014	5.67	A	4.84	A

Throughout the first half of the year the Council’s credit score was maintained well within the target level of 7 as set in the approved 2014/15 strategy.

- 4.10 Arlingclose have used the scoring matrix to compare Plymouth’s investment risk against other unitary authorities who use Arlingclose as their advisers. The results are shown in section 5.

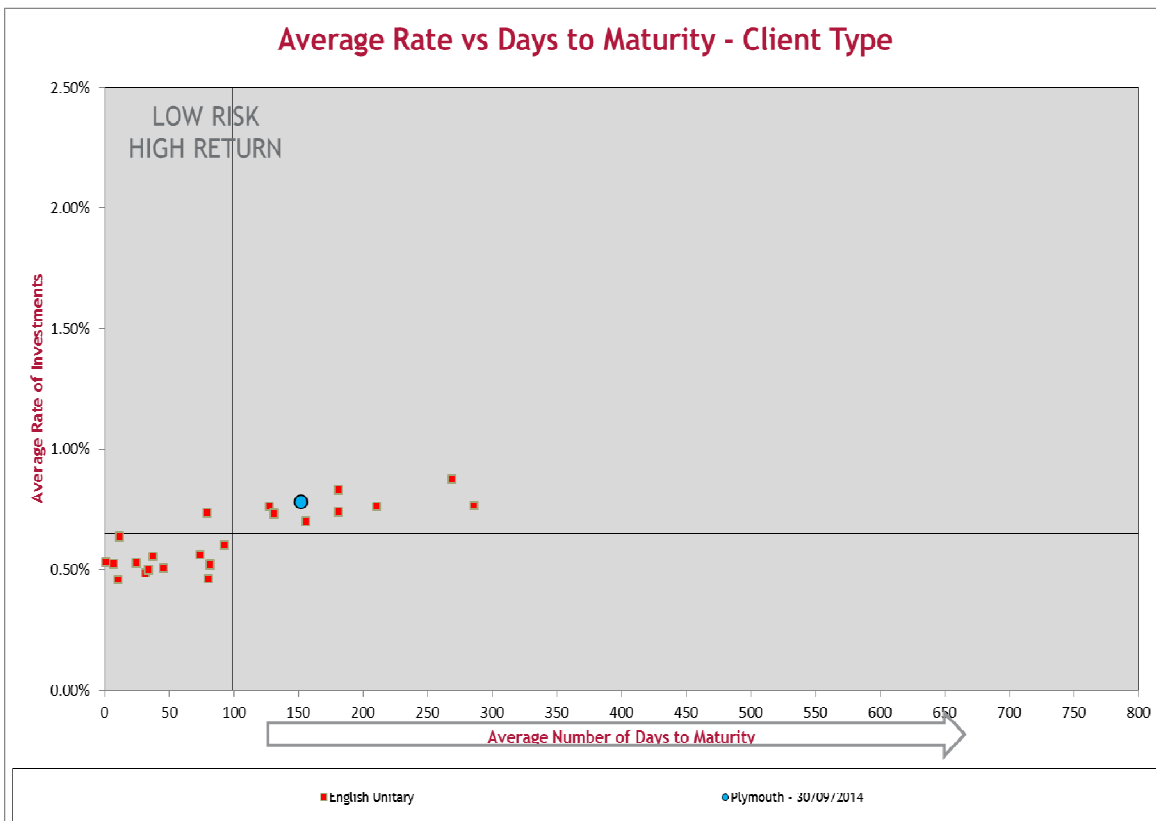
5. Benchmarking

- 5.1 The Council’s performance on investments is measured against a benchmark of the 7 day libid rate. For the period to 30th September 2014 the return on investments made in 2014/15 was 0.83% against the average 7 day Libid for the period of 0.347%.

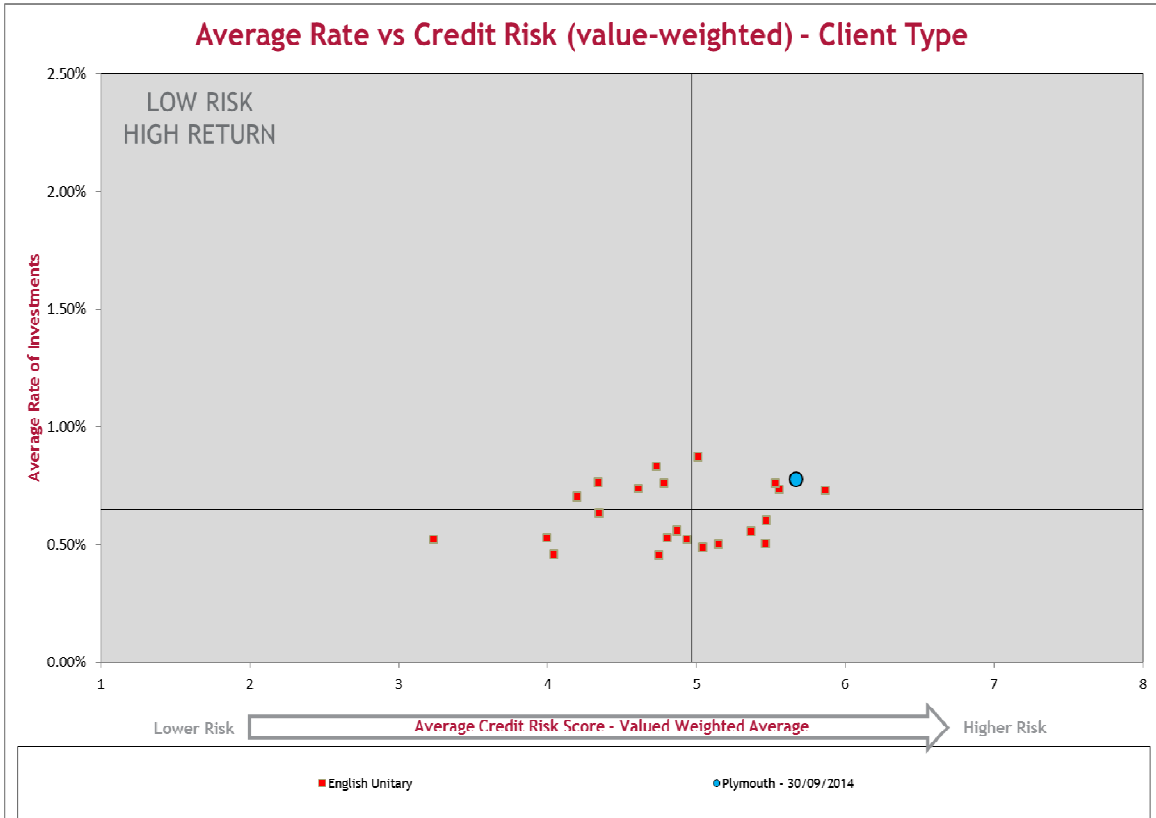
- 5.2 As outlined above, Arlingclose have developed a set of benchmarking criteria to enable comparisons on performance to be made on data provided by all their clients. To compare like with like the following graphs compare our performance with other unitary authorities. We feel that the best graphs used to demonstrate our performance to 30th September 2014 are as follows;

1. Average rate of investment against average maturity period
2. Average rate of investment against value weighted average credit risk score
3. Average rate of investment against time weighted average credit risk score

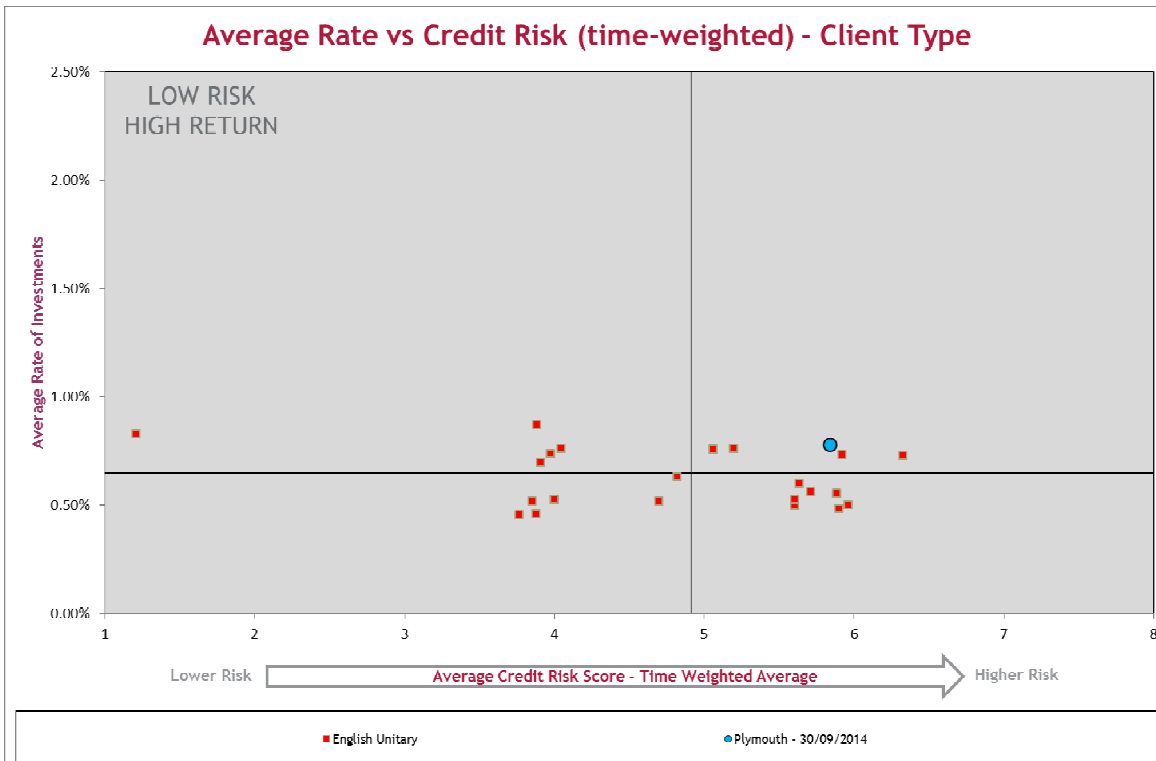
Graph I Average Number of days to Maturity V Return



Graph 2 Value Weighted Average Return



Graph 3 Time weighted Average V Return



6. Revenue Implications of Treasury Management

- 6.1 The expenditure and income arising from the Council's borrowing and investments accrues to the revenue accounts. The table below shows the monitoring positions against budget arising from these transactions in 2014/15 to 30th September 2014.

Table 4 Summary of Capital Financing Costs 2014/15

	2014/15 Budget £000	Forecast 2014/15 Outturn £000	Variance £000
External Interest payments	8,347	8,147	(200)
External Interest received	(936)	(1,136)	(200)
Interest transferred to other accounts	15	15	0
Premiums / Discounts written out to Revenue	(146)	(146)	0
Debt Management Expenses	126	126	0
Treasury Management Cost	7,406	7,006	(400)
Minimum Revenue Provision	8,394	8,194	(200)
Recharges for unsupported borrowing	(4,617)	(4,617)	0
Recovered from trading Accounts	(2,725)	(2,725)	0
Net Cost to General Fund	8,458	7,858	(600)

7. Compliance with Prudential Indicators

- 7.1 Under the arrangements set out in the Prudential Code for Capital Finance in Local Authorities, individual authorities are responsible for deciding the level of their affordable borrowing, having regard to the Code, and for establishing a range of prudential indicators covering borrowing limits and other Treasury Management measures. The Prudential Indicators for 2014/15 were approved by Council on 23rd January 2014.

Performance to 30th September 2014 against these limits is set out below:

7.2 Gross Debt and the Capital Financing Requirement

This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for capital purposes, the Local Authority should ensure that debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year for the current and next two financial years.

The Council's underlying need to borrow as measured by the Capital Financing Requirement (CFR) as at 31 March 2014 was estimated at £264.753m. At the start of the year total debt was £225.139m. By the 30th September this had increased to £229.788m, but still below the CFR. Short term cash flow requirements will sometimes mean the debt will be above the CFR but the

Section 151 officer can report that the Authority had no difficulty meeting the requirement in the current year to date.

7.3 Authorised Limit and Operational Boundary for External Debt

The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached.

The Council’s Affordable (Authorised) Borrowing Limit was set at £335m for 2014/15.

The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit. The Operational Boundary may be breached at certain times during the year due to short-term cash flow requirements.

The Operational Boundary for 2014/15 was set at £312m.

There were no breaches to the Authorised Limit or Operational Boundary to 30th September 2014.

7.4 Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.

Table 5

	Limits for 2014/15 %
Upper Limit for Fixed Rate Exposure	210
Upper Limit for Variable Rate Exposure	60

The Council’s exposure to both fixed and variable rates was managed well within the limits set during the first half of the year.

7.5 Maturity Structure of Fixed Rate Borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates, and is designed to protect against excessive exposure to interest rate changes.

It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The following table shows the limits during the year.

Table 6

Maturity Structure of Fixed Rate Borrowing	Upper Limit %
under 12 months	40
12 months and within 24 months	60
24 months and within 5 years	60
5 years and within 10 years	50
10 years and within 20 years	50
20 years and with 30 years	30
30 years and within 40 years	20
40 years and within 50 years	20
50 years and above	20

7.6 Total principal sums invested for periods longer than 364 days

- This indicator allows the Council to manage the risk inherent in investments longer than 364 days.
- The limit for 2013/14 was set at £30m and the estimate for 2014/15 is £40m.
- On the advice of the Council's advisers no deposits were made beyond 364 days during the first half of the year. Having not taken any deposits over 364 days in the first half of the year the Council still has space for longer-term deposits should this be viewed as appropriate in light of credit conditions, available counterparties and the risk/reward of these investments.

7.7 Credit Risk

- This indicator has been incorporated to review the Council's approach to credit risk.
- The Council confirms it considers security, liquidity and yield, in that order, when making investment decisions.
- The Council can confirm that all investments were made in line with minimum credit rating criteria set in the 2014/15 Treasury Management Strategy.

8. Outlook for Q3-Q4

There is momentum in the UK economy, with a continued period of growth through domestically-driven activity and strong household consumption. There are signs that growth is becoming more balanced. At the time of writing this report, our advisors brought our attention to the risk of Barclays Bank and Deutsche Bank being downgraded below the A- threshold in the coming months. Where strategies permit, they have advised that new and unsecured investments with Barclays Bank and Deutsche Bank are restricted to a maximum period of 6 months. Arlingclose continues to forecast the first rise in official interest rates in Q3 and general market sentiment is now close to this forecast. There is a momentum in the economy, but inflationary pressure is benign and external risks have increased, reducing the likelihood of immediate monetary tightening.

Appendix I contains projected rates for Dec 2014 to March 2018.

9 Summary

- 9.1 In compliance with the requirements of the CIPFA Code of Practice, this report provides members with a summary of the Treasury Management activity during the first half of 2014/15. As indicated in this report none of the financial boundaries have been breached and a prudent approach has been taken in relation to investment activity and borrowing.
- 9.2 As part of the 2014/15 budget setting process we reduced the allocation to Treasury Management by £1m. This was to reflect the reduced interest costs resulting from the realignment of our LOBO debt at the end of last year. This report sets out the additional saving in-year currently forecast at £0.600m from our continuing policy of securing the best available rates from our investments.
- 9.3 In the two months since the period covered by this report, we have further diversified our investment portfolio. Following advice from our advisors, we have invested a further £5m in the Property Investment fund, taking our total investment from £10m to £15m. We are also talking to our brokers about two investments of £2.5m each in secure bonds, with a fixed coupon in excess of 1.45% for a maximum of eighteen months.
- 9.4 The LGA (Local Government Association) are in the process of setting up a Municipal Bonds Agency, with a view to improving the lending capabilities and reducing council financing costs. It will raise money on the capital markets through issuing bonds, arrange lending or borrowing directly from local authorities and source funding from other third party sources, such as banks, pension funds and insurance companies.
- 9.5 At this early stage, Plymouth City Council is still negotiating with the LGA to understand the short term and long term benefits of becoming an investor at this early pre-launch stage. More details will be included in future reports.
- 9.6 As part of the budget setting process, each year the Council is required to produce its annual Treasury Management Strategy and Annual Investment Strategy. This document forms a fundamental strategy within the overall budget and the report for 2015/16 will be included in the budget debate at Full Council in February 2015.
- 9.7 It is recommended that approval of the Treasury Management Strategy and Annual Investment Strategy 2015/16 is delegated to the Head of Corporate Strategy in consultation with the Chair and Vice Chair of the Audit Committee to agree a final version before being submitted to Full Council for authorisation in February 2015.

Appendix I - Projected Rates - Dec 14 – Mar 18

	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Dec-17	Mar-18
Official Bank Rate													
Upside risk		0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75
Downside risk				0.25	0.25	0.50	0.50	0.75	0.75	1.00	1.00	1.00	1.00
3-month LIBID rate													
Upside risk	0.05	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.55	0.60	0.65	0.85	1.00	1.15	1.30	1.45	1.60	1.75	1.85	2.05	2.15
Downside risk	0.10	0.15	0.20	0.30	0.40	0.55	0.65	0.75	0.85	-0.95	-0.95	-0.95	-1.00
1-yr LIBID rate													
Upside risk	0.10	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.95	1.00	1.05	1.20	1.35	1.50	1.65	1.80	1.95	2.10	2.20	2.40	2.50
Downside risk	-0.30	-0.35	-0.40	-0.45	-0.50	-0.55	-0.60	-0.65	-0.70	-0.75	-0.80	-0.80	-0.80
5-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	1.70	1.75	1.90	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.90	2.95
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.60	-0.65	-0.70	-0.70	-0.70
10-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	2.40	2.45	2.55	2.60	2.65	2.70	2.75	2.80	2.85	2.90	2.95	3.05	3.10
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60
20-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	2.90	2.95	3.05	3.10	3.15	3.20	3.25	3.30	3.35	3.40	3.45	3.50	3.55
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.50	-0.55	-0.55	-0.60	-0.60	-0.60
50-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	3.00	3.05	3.10	3.15	3.20	3.25	3.30	3.35	3.40	3.45	3.50	3.55	3.60
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60

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PLYMOUTH CITY COUNCIL

Subject:	Operational Risk & Opportunity Management Update Report
Committee:	Audit Committee
Date:	18 December 2014
Cabinet Member:	Councillor Lowry
CMT Member:	Giles Perritt (Assistant Chief Executive)
Author:	Mike Hocking, Head of Corporate Risk and Insurance
Contact details	Tel: 01752 304967 mike.hocking@plymouth.gov.uk
Ref:	CRM/MJH
Key Decision:	No
Part:	I

Purpose of the report:

To support the delivery of the City's vision and to enable the provision of high quality services to the citizens and communities of Plymouth it is imperative that effective risk management arrangements are in place. A fundamental element of Corporate Governance, a risk managed approach to decision making will enable the council to achieve its objectives and deliver services more efficiently and cost effectively.

The management of risk principles and processes equally apply at operational level, supporting improved performance, integration with business planning, projects, change programmes and partnerships.

This report now outlines the continuing progress being made across Services in delivering Operational Risk and Opportunity Registers in line with the Council's shared vision and priorities.

The total number of operational risks now reported has decreased from 144 to 110, comprising 2 high (red) risks, 53 medium (amber) risks and 55 low (green) risks. The main reason for the risk reduction is the deletion of old Chief Executive risks and ICT risks that are no longer valid following the establishment of DELT.

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

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

Operational Risk and Opportunity Registers are aligned to business plan objectives which are in turn linked to the Corporate Plan and our four priorities. This ensures that appropriate links are identified with individual risks where control action contributes to delivery of a key corporate objective.

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

None arising specifically from this report but control measures identified in risk 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 and 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 operational risk and opportunity management.

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's Risk & Opportunity Management [Strategy](#)

Background papers:

None.

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

Sign off:

Fin	Djn14 15.23	Leg	21879 /DVS	Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member: Malcolm Coe, Asst Director for Finance.													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

1. Introduction

1.1 The position with regard to Operational Risk and Opportunity Risk Register monitoring was last reported to this Committee on [26 June 2014](#) and this report now provides a summary of the latest monitoring exercise covering the position as at December 2014.

2. Background

2.1 Twelve years ago Plymouth City Council implemented its first risk management strategy. This has been continuously reviewed each year and updated to ensure it remains fit for purpose.

2.2 To comply with the Risk and Opportunity Management Strategy each Directorate must implement a robust process of managing risks to corporate, service, project and partnership objectives for which they have responsibility.

2.3 To support the promotion and co-ordination of risk management each Directorate/Service has a dedicated Risk Champion. Risk Champions represent their Directorate/Service at the Operational Risk Management Group which is chaired by the Head of Corporate Risk and Insurance.

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

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

3.1 The corporate risk management process to enable service level Operational Risk and Opportunity Registers to be brought in line with business planning guidance linked to the Corporate Plan is now embedded across the Council.

3.2 In drawing up their Business Plans, Assistant Directors and Heads of Service are identifying risks that may prevent them from delivering on their key service objectives and, by monitoring these risks on a regular basis, will be tracking the effectiveness of mitigation controls.

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

3.4 All Services have therefore completed Operational Risk and Opportunity Registers or are reporting work in progress in line with development of their Business Plans.

4. Red Risks

4.1 Two of the three “red” risks identified in June 2014 remain and one is to be removed, as indicated below:-

EXISTING RED RISK	
Dept: Finance	Medium Term Financial Strategy issues
Comments/Mitigation: Higher profile of Council's finances at both CMT & Cabinet. Finance restructure has placed increased emphasis on DMT monitoring reporting to build on monthly	

report which is published to CMT, Cabinet Planning and public via the Cooperative Scrutiny Board meetings each month. Cross challenge at CMT/SMT. Progress reports are reported monthly to cabinet members and scrutiny board. MTFP is now being refreshed and a MTFP to 2018/19 will go to Council in February 2015.	
EXISTING RED RISK Dept: People (Homes & Communities)	Increasing homelessness as a direct result of the Local Housing Allowance (LHA) & Welfare Reform changes
Comments/Mitigation: Continue to work with partners to supply services to customers in Housing Options, which will help mitigate effects of welfare reform. We continue to look for new ways to offer temporary accommodation, reducing use of bed and breakfast. Meetings continue with Customer Services to ensure expenditure of DHP is focussed on those most in need.	
PREVIOUS RED RISK to be removed Dept: Place (Transport & Highways)	Deterioration of the condition of the City's Highway Network (carriageway and footway)
Comments/Mitigation: The scheduled resurfacing work continues and as this risk is monitored via the Strategic Register it is proposed to remove it from the Operational Register.	

5. Risk and Opportunity Register Information

- 5.1 Operational Risk and Opportunity Registers record mitigation actions and controls for all risks identified together with a named risk owner in each case
- 5.2 Where appropriate, risk templates include opportunities that may be realised following successful management of risk.
- 5.3 Risks scored 5 and under are considered to be managed to an acceptable level and have been removed from registers and archived in line with the Risk and Opportunity Management Strategy.
- 5.4 More detailed information on individual Services' risk and opportunity registers can be obtained from the Head of Corporate Risk & Insurance, departmental risk champions or Heads of Service.

6. Transformation Programme

- 6.1 The Transformation Portfolio Board is supported by the Portfolio Office who manage the risk management element of the project using a Portfolio, Programme and Project Risk Management methodology which is aligned to the corporate approach.
- 6.2 Risks to the Transformation Project outcomes are being tracked operationally via project risk logs.

7. Conclusion

- 7.1 The Council's success in dealing with the risks it faces can have a major impact on the achievement of key promises and objectives and ultimately, therefore, on the level of service to the community.
- 7.2 The Council recognises that it is operating in a climate of unprecedented financial pressure and that it needs to substantially reduce operating costs and ensure maximum possible investment in achieving its objectives and therefore needs to be innovative, resourceful, customer focused and provide greater value for money. The achievement of delivery plan

actions to deliver budget savings continues to be closely monitored by Services with regular reporting on a risk rated basis to the Corporate Management Team.

- 7.3** The Council's approach to operational risk and opportunity management supports the implementation of the council-wide transformation programme, based on co-operative values, and is focussed on improving the ability of Services to manage those risks that may prevent them from delivery of their Business and Delivery Plans – this in turn should in time impact positively on outcomes for service users.
- 7.4** One of the responsibilities of the Audit Committee is to seek and receive assurances that the Council has an effective internal control framework in place which includes arrangements for the management of risk at both strategic and operational level.
- 7.5** This update report confirms that operational risks are now being identified across Services with clear links to Business Plan objectives and also confirms the good progress in embedding risk and opportunity management in the Council's other core business processes.
- 7.6** Transformation Programme 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.
- 7.7** The Risk and Opportunity Management Strategy will provide staff with a process for identifying threats or risks that includes becoming more outcome focussed to be able to manage the upside of risk.
- 7.8** The Operational Risk Management Group is continuing to work with departmental Risk Champions to maintain the good progress to date and to further develop consistent application of risk management considerations across all operations of the Council.
- 7.9** The next report will be presented to Audit Committee in June 2015.

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PLYMOUTH CITY COUNCIL

Subject:	Internal Audit – Half Year Audit Report 2014/15
Committee:	Audit Committee
Date:	18 December 2014
Cabinet Member:	Councillor Lowry
CMT Member:	Malcolm Coe, (Assistant Director for Finance)
Author:	Robert Hutchins, Head of Devon Audit Partnership
Contact details:	Tel: (01752 (30) 6710 e-mail: robert.hutchins@devonaudit.gov.uk
Ref:	AUD/RH
Key Decision:	No
Part:	1

Purpose of the report:

This report provides Members of the Audit Committee with a position statement on the audit work carried out since our last report of September 2014 and based on work performed to date during 2014/15. Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control environment.

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

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

The delivery of the Internal Audit Plan assists all directorates in delivering outcomes from the Corporate Plan:-

- Pioneering Plymouth – by ensuring that resources are used wisely and that services delivered meet or exceed customer expectations;
- Confident Plymouth - the Government and other agencies have confidence in the Council and partners.

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

None.

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

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

Equality and Diversity:

Has an Equality Impact Assessment been undertaken? No

Recommendations and Reasons for recommended action:

It is recommended that:-

1. The report be noted.

Alternative options considered and rejected:

None, as failure to maintain an adequate and effective system of internal audit would contravene the Accounts and Audit Regulations 2003, 2006 and 2011.

Published work / information:

Internal Audit Annual Plan 2014/15.

Background papers:

None

Sign off:

Fin MC		Leg		Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member:													
Has the Cabinet Member(s) agreed the content of the report?													

Internal Audit

Half Year Report 2014/15

Plymouth City Council
Audit Committee

December 2014

Not Protectively Marked

Robert Hutchins
Head of Audit Partnership



Auditing for achievement

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<p>Devon Audit Partnership</p>	<p>Confidentiality and Disclosure Clause</p>
<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>

Introduction

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

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

The Internal Audit plan for 2014/15 was presented to and approved by the Audit Committee in March 2014. The following report and appendices set out the current position of the audit service provision; reviews work undertaken to date in 2014/15 and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide a report providing an opinion that can be used by the organisation to inform its governance statement. This report provides a position statement at half year on the progress towards that opinion.

Expectations of the Audit Committee from this half year report

Audit Committee members are requested to consider:

- the assurance statement within this report;
- the completion of audit work against the plan;
- the scope and ability of audit to complete the audit work;
- progress impact against strategic aims
- audit coverage and findings provided;
- the overall performance and customer satisfaction on audit delivery.

In review of the above the Audit Committee are required to consider the assurance provided alongside that of the Executive, Corporate Risk Management and external assurance including that of the External Auditor as part of the Governance Framework and satisfy themselves from this assurance that the internal control framework continues to be maintained.

Robert Hutchins
Head of Audit Partnership

Assurance Statement

Overall, and based on work performed during 2014/15 and that of our experience from the current year progress and previous years audit, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control framework.

This assurance statement will provide Members with an indication of the direction of travel for their consideration for the Annual Governance Statement.

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

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

Directors have been provided with details of Internal Audit's opinion on each audit review carried out in 2014/15. If significant weaknesses have been identified in specific areas, these will need to be considered by the Authority in preparing its Annual Governance Statement later in the year when preparing the Statement of Accounts for 2013/14.

Our work across the Council has been affected by on-going changes that our client is undertaking with operational business needs being examined in many areas as part of the Transformation Programme. Audit continue to be flexible in our approach and timetabling of audits so that our work can be delivered at the most effective times.

This statement of opinion is underpinned by our consideration of :



Progress Against Plan

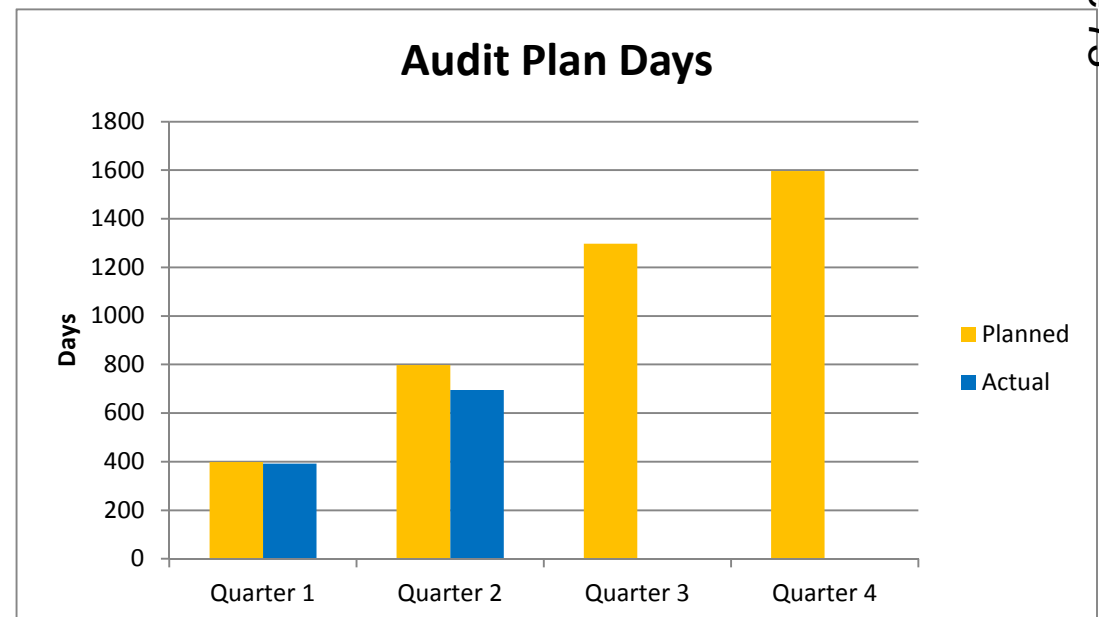
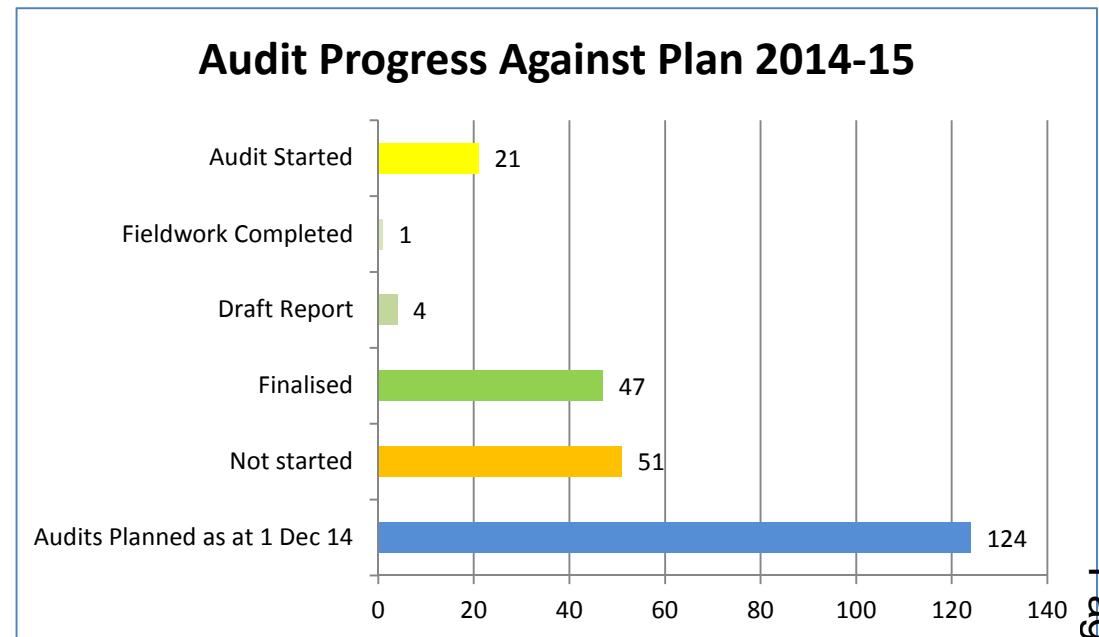
This report compares the work carried out with the work that was planned through risk assessment, presents a summary of the audit work undertaken, includes an opinion on the adequacy and effectiveness of the Authority's internal control environment and summarises the performance of the Internal Audit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

- a comparison of internal audit activity during the year with that planned, placed in the context of internal audit need;
- a summary of significant fraud and irregularity investigations carried out during the year and anti-fraud arrangements; and
- a statement on the effectiveness of the system of internal control in meeting the Council's objectives.

For People, progress against plan has been slower than expected for the first six months of the year due to the need to schedule work to meet the client's priorities. Our work across the Council has been affected by on-going changes, with operational business needs being examined in many areas as part of the Transformation Programme. In addition, time allocated for the review of various aspects of ICT provision has been utilised on our support and challenge during the implementation of DELT.

The bar charts (right) shows the status of audit progress against plan as at 1st December 2014 and the audit days delivered for the first six months of 2014/15.

Appendix 2 provides further performance information for the first six months of 2014/15.



Progress Impact Assessment

Our audits completed to date this year, in the majority of areas, provide assurance that identified risks are being minimised or mitigated where appropriate.

Transformation and Change

Several areas within the Plan support key elements within transformational change. Our work in the coming months will consider the success of managing the wider strategic risks in these areas. For example new commissioning models require strong contract and performance management frameworks. These frameworks would benefit from the “lessons learnt” as part of our review of contracts from highways and DELT. Key areas are as follows:

- Contract performance management - highways maintenance and ICT service delivery;
- Information management – service compliance;

The principles, in terms of lessons learnt around contract management, need to be taken forward by the Council as a whole and by teams/officers who will be responsible for managing contracts in the future. A working group that includes Audit and officers from across the Council with responsibility for some of the Council’s major contracts, have been sharing their knowledge and experience as the Group review and develop strategies and procedures for the future.

As a result of the period of austerity, budget reductions have been required to set a budget within the reduced funding levels provided by Government in the financial settlement. It is essential that service areas drive the most value out of limited resources and this will include consideration of alternative service delivery vehicles. In support of this, Audit has been working with Transformation Officers in the development of an Alternative Service Delivery options appraisal “Toolkit”, a guide for officers to use in evaluating the various delivery options available.

Place

The original plan allowed 10 days of audit involvement for GAME Transformation. However, at the request of the Head of Development Management, these days have been re-allocated to allow reviews of Tree Preservation Team and Ancient Monuments Team. These reviews will

examine opportunities for exploiting the synergies between Planning and Street Services to improve service delivery.

The work on the development of an Alternative Service Delivery “Toolkit”, will assist officers in their evaluation of the various delivery options available when considering different ways of providing their services.

Officers responsible for major contracts within the Directorate, for example Highways Services and Waste PFI have been contributing to the Contract Management Working Group, sharing their knowledge and experience as the Group review and develop strategies and procedures for the future.

People

The introduction of the Care Act in the very near future will have profound effects both within the Authority and upon those receiving social care services. Changes in processes and procedures will undoubtedly occur through transformation and systems will require to be fit for purpose.

The functionality and responsiveness of IT is paramount. In these times of austerity with budgets set against a scenario of ongoing government funding reductions, efficiencies and achieving more for less are the norm. In support of this Audit have been working with Transformation Officers in development of an Alternative Delivery Toolkit for use across the authority.

Our work for the Adult Safeguarding Board was well received and provides a document from which they can progress forward. Best practice from other authorities where we undertake work will be shared where practical. We are currently involved in exploration of changes within the National Troubled Families programme with movement towards TF Phase 2 and the changing role of internal audit as regards this initiative. Our learning and awareness of best practice from elsewhere will be used to assist our clients.

Work upon Adult Social Care income collection is ongoing and will be reported upon in due course.

Value Added

Our internal audit activity has added value to the organisation and its stakeholders by:

- providing objective and relevant assurance;
- contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.

Senior Management has found our engagement, support as a “trusted advisor” effective and constructive in these significantly changing times.

Our work has identified specific added value benefits in key areas and in mitigating key risks. Notable benefits have been reported in the following areas:

Transformation and Change

- operational effectiveness of the core financial systems supporting reduction on staff resources whilst maintaining the control framework;
- contributing to a “lessons learnt” exercise following the transfer of ICT services to DELT;
- assurance on the governance arrangements on use and appointment of consultants;
- continued support, advice and challenge on the contract management arrangements and the Financial Allocation Mechanism (FAM) relating to the South West Devon Waste Partnership, to ensure that the City Council’s interests are protected;
- providing advice and support to officers within the Council’s Transaction Centre during an exercise to reconcile the payments received for head rents on city centre properties;
- offering knowledge and experience to the Contract Management Working Group, providing support and challenge as the Group review and develop strategies and procedures.

Place

- continued support, advice and challenge on the contract management arrangements and the Financial Allocation Mechanism (FAM) relating to the South West Devon Waste Partnership, to ensure that the City Council’s interests are protected;

- providing advice and support to officers within the Council’s Transaction Centre during an exercise to reconcile the payments received for head rents on city centre properties;
- offering knowledge and experience to the Contract Management Working Group, providing support and challenge as the Group review and develop strategies and procedures.

People

- support to Corporate Accountants following the transfer of School Finance Officer support to PAPH CIC;
- engagement with the Heath Check process for schools enabling targeting for intervention and support at a number of schools;
- resource saving in PSAB made by the audit pulling together’ all the areas of improvement needed in one document, providing a useful template for our response and action plan. Thereby enabling much more efficiency in our forward planning.

Schools

The Partnership has joined the School Health Check process to provide the internal audit view of the financial management of individual schools based on the most recent audit visit. The provision of internal audit’s performance data provides a greater focus on schools causing concern in the wider control environment. The result of our input was:

- six schools were highlighted as of concern for audit to undertake follow-up reviews; and,
- intervention reviews will be made to two further schools by the Governor Consultant and School Improvement.

The culmination of this work should, once complete, lift the performance of these schools.

Executive Summary - Audit findings

Transformation and Change

In our opinion, and based upon our audit work completed during the 2014/15, 'watching briefs' and direct advice provided for on-going projects, we are able to report that internal controls continue to operate effectively and where recommendations for improvements have been made, action plans have been agreed with management.

Based on audits completed and on indications from previous and on-going work, we are able to report that key financial system controls are well maintained and where weaknesses have been identified, management have responded positively to our recommendations for improvement.

There were no concerns identified from our work on grants. We were able to sign off the small bodies return for Mount Edgcumbe and the Environment Agency's annual CRC submission.

As a result of the period of austerity, budget reductions have been required to set a budget within the reduced funding levels provided by Government in the financial settlement. As service areas look to review and transform, Audit are providing an independent review of ways to streamline service delivery and processes, for example Customer Services, NNDR, contract management.

Audit identified key risks associated with the implementation of DELT Services and brought these to the attention of relevant officers in 'real-time' so that mitigating actions could be taken to protect the interests of both Transformation and Change and the Council as a whole. A subsequent report highlighted issues including the need to establish an Intelligent Client Function and to carry out a post implementation review so that lessons can be learned for future implementations of this nature, the latter of which is taking place and Audit are contributing to it.

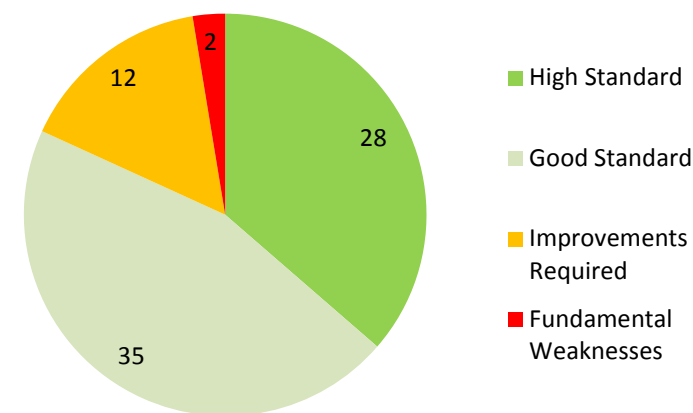
The Appendix 1 details the assurance opinions for individual audits for which the definitions of the assurance opinion ratings are given in Appendix 2.

Key Risks / Issues

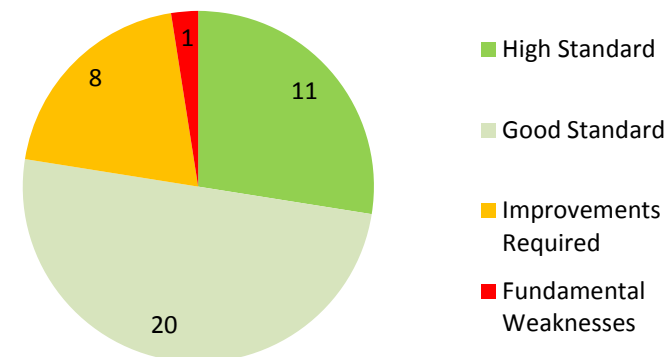
There is currently a lack of an Intelligent Client Function to oversee DELT and other future service providers. Audit will be working with those tasked to see the introduction of such a function, ensuring that it is appropriately resourced, fit for purpose and is "future proof" to meet the ever changing needs of the Council.

Development of an integrated and pooled budget/funding arrangement with NEW Devon CCG. Audit will be working with NEW Devon CCG and their auditors to identify any significant gaps in financial governance and assurance arrangements that are planned for the operation of the integrated fund.

Assurance Opinions 2013/14



Assurance Opinions Apr - Sept 2014/15



Place

In our opinion, and based upon our audit work completed during 2014/15 'watching briefs' and direct advice provided for on-going projects, we are able to report that internal controls continue to operate effectively and where recommendations for improvements have been made, action plans have been agreed with management.

DAP continues to work alongside the South West Devon Waste Partnership. We have been providing the recently appointed Contract Manager with support and challenge on the contract management arrangements as well as on how the Financial Allocation Mechanism (FAM) will operate in practice.

DAP were able to certify that the Council had fulfilled its obligations with regard the submission of data and compilation of supporting evidence for the CRC Energy Efficiency Scheme Annual Certificate issued 31 July 2014.

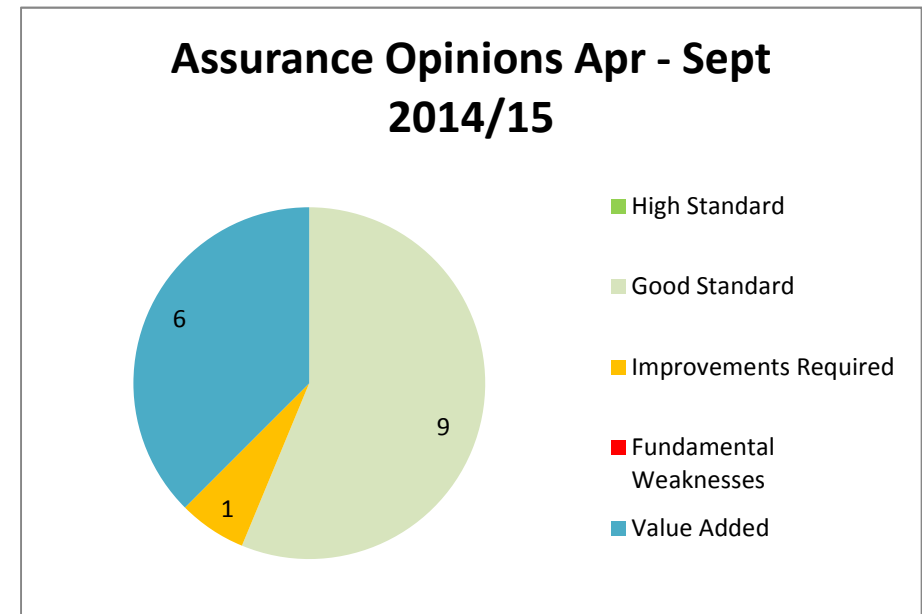
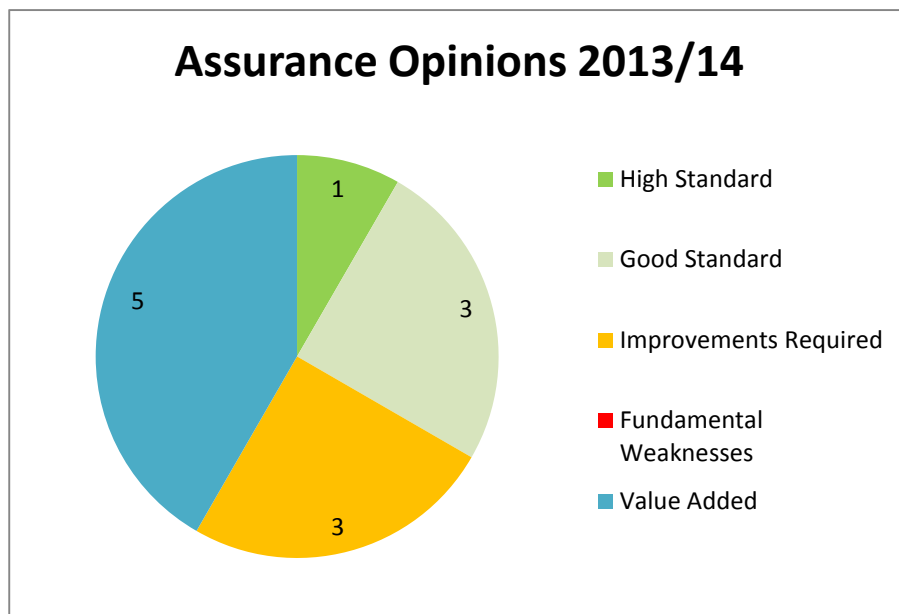
No significant concerns have been identified from our work and management have responded positively to any recommendations for improvement. The Appendix 1 details the assurance opinions for individual audits for which the definitions of the assurance opinion ratings are given in Appendix 2.

Key Risks / Issues

The contract for Highways Services is being considered with regard to future provision. DAP will be available to offer its support and challenge to those tasked with delivery.

Contract performance management is subject of audit review in several areas and will continue to be a risk requiring close management. Our recommendations on performance delivery of a car park contract are being implemented.

The History Centre is a significant project with a number of key dependencies, e.g. relocation of the Central Library and Audit will continue to provide a 'watching brief' to support delivery within the required timescales.



People

In our opinion and based upon our audit work completed, 'watching briefs' and direct advice provided, we are able to report that internal controls continue to operate effectively and where recommendations for improvements have been made, action plans have been agreed with management.

Any concerns identified through the on-going work leading to recommendations for improvement are responded to positively by management.

Appendix 1 details the assurance opinions for individual audits: this work in the main relates to 2013/14 audits finalised within the current financial year. Definitions of the assurance opinion ratings are given in Appendix 2.

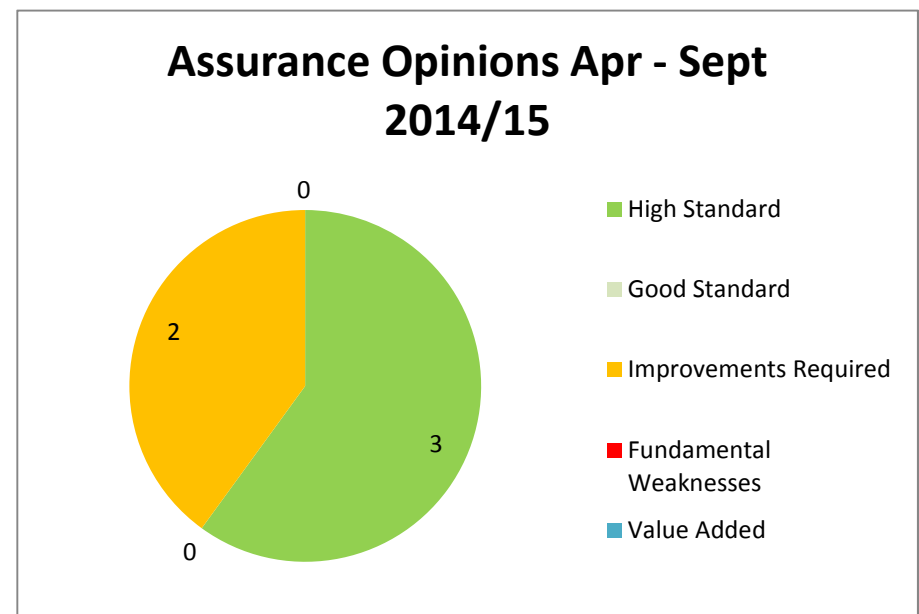
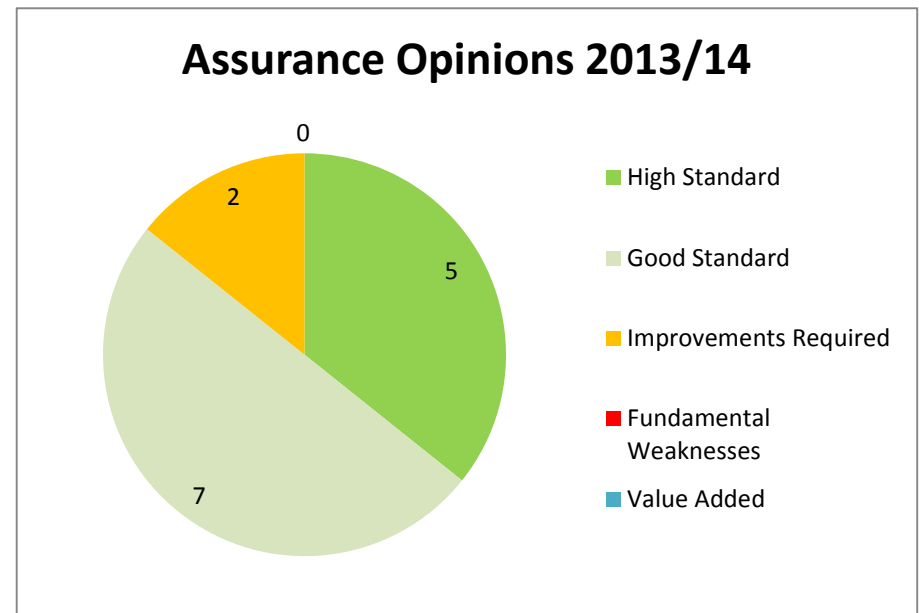
The overall assurance from schools audit is of good standard. The risk and control framework is of a good standard although there is some non-compliance or poor practice in a small number of schools on governance and use of resources to achieve school improvement. Detailed assurance is provided under a separate report.

Key Risks / Issues

Two audits detailed within Appendix 1 have an assurance opinion of 'Improvements Required'.

The Plymouth Adult Safeguarding Board report identified areas for improvement, particularly around the governance of the Board. This along with the retirement of the independent Chair has resulted in a period of uncertainty. The report reflected that the Board was between Chairs and some actions would have to wait for the incoming Chair. Appropriate action has already been taken following our guidance to ensure continuity of the Board's functions in this interim period. The Board's October 2014 set of published minutes confirmed that a meeting was planned with the incoming Chair to go through our report and to formulate a plan to address issues identified.

The second report with a continuing opinion of improvements required was the follow-up on the Carefirst – Creditors report. Although responses were provided as part of the follow-up process and management being aware of the associated risks, new processes were scheduled to be introduced in October 2014 as part of the phased transformation process of Adult Social Care and the decommissioning of the NSIBS support software. These new processes have yet to be subject to an internal audit review. This will be integrated where practical with other planned work on Care First billing.



Schools

We have made good progress in the delivery of our audit plan to schools and schools have again been very appreciative of the quality of our service. The Schools Financial Value Standard is now an established tool for maintained schools as a self-assessment of their local financial management. The maintained schools are required to annually submit their self-assessment to their local authority by the 31 March.

From 1 April 2014, the direct financial support for the schools became the responsibility of PAPH CIC. The Schools Finance Officers are now employed through PAPH CIC following restructuring of the Corporate Accountants. Following the loss of the Schools Accountancy Team from the corporate structure, we have supported the Corporate Accountants with the reorganisation of the Council's responsibilities for accounting support and budget monitoring requirements for schools. This will enable the City Council to meet its statutory responsibilities for monitoring school finances

Another significant change will be the introduction of the Financial Reporting Suite (FRS) in the autumn term to replace the 'Budget Monitor' report as Scomis will no longer be supporting this software from the end of December 2014. The Partnership's school audit team have attended

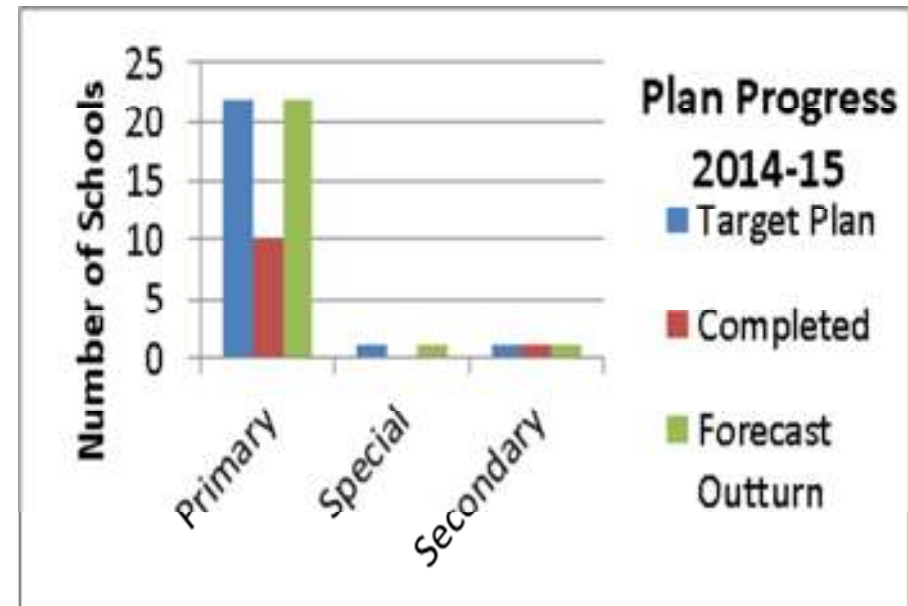
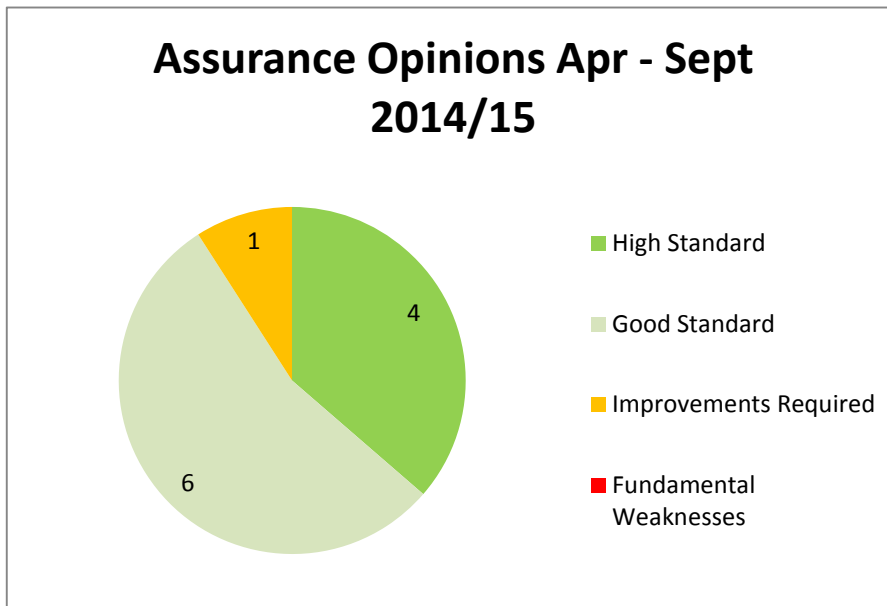
training for FRS in preparation for the introduction of this system and amended work programmes to support schools.

Good Standard - our opinion is that the systems and controls in schools mitigate the risks identified in many areas. Although specific risks have been identified on the core element of the audit review at some schools, recommendations have been made to reduce risks and in other areas and are made to strengthen what are reliable procedures.

Key Risks / Issues

- understanding of financial management by governors as evidenced by the requirements of the Standard, skills assessment and absence of key business from meetings;
- demonstrable benchmarking & financing of plans for raising standards and attainment;
- business continuity planning;
- purchasing procedures and,
- inventories and asset management.

Recommendations have been made to reduce risks and in other areas, recommendations made serve to strengthen what are reasonably reliable procedures.



Fraud Prevention and Detection

Fraud Prevention and Detection and the National Fraud Initiative

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. The Audit Commission runs a national data matching exercise (National Fraud Initiative - NFI) every two years. For the 2014/15 exercise, Internal Audit has been co-ordinating the extract of relevant datasets, as defined by the Audit Commission, from a range of City Council systems including Creditors, Payroll, Housing Benefits and Insurance. Departments have supplied their datasets and these have been uploaded onto the NFI secure website. Note that Council Tax and Electoral Roll are to be uploaded in December. The subsequent matching reports should be received back from the Audit Commission at the end of January 2015 and these will be examined either by Internal Audit or provided to relevant departments for their investigation.

Irregularities - During 14/15, Internal Audit have carried out, or assisted in a total of seven new irregularity investigations within the Authority, including schools. Analysis of the types of investigation and the number undertaken shows the following:-

Issue	Number
IT Misuse	5
Employee Conduct	2

With the cases of IT misuse, DAP were able to supply management with internet usage reports that could be analysed for evidence of mis-use and trends and in one of the case, telephone logs. In another case, DAP were asked to review the contents of a Council employee's personal laptop following that employee alerting the Council that work related documents were stored on it and the laptop had subsequently become inoperable, the screen had stopped working. Using forensic software, an image of the hard drive was taken and reviewed. Work related documents were identified some containing personal information relating to clients and colleagues.

The owner of a local business raised concerns about the conduct of a Council employee, citing examples of abuse of position. The officer resigned from their position before any formal action was taken. In the second case, DAP were informed of an employee who was carrying out his duties without a licence with the valid category of vehicle. DAP are currently making enquires with DVLA.

In addition to the specific investigations outlined above, DAP were asked to investigate whistleblowing and grievance issues raised by an officer in respect of alleged detriments suffered as a consequence of service restructure . A report was subsequently issued to management.

In addition to the specific investigations outlined above, DAP have also provided management with a range of advice and support on courses of action or improvements to controls.

Customer Value

Performance Indicators - Resources

Overall, performance against the indicators has been very good (see appendix 2). We are aware that some of our draft and final reports were not issued to the customer within the agreed timeframes (15 working days for draft report and 10 working days for final report). We have identified areas where performance has been poor, and are working with our staff to ensure improvement is achieved.

Customer Service Excellence (CSE)

DAP continues to be maintain accreditation by G4S Assessment Services of the CSE standard. We highly value customer comments on our service and how we can improve our work.

During the period we issued client survey forms with our final reports. The results of the surveys returned are very positive. The overall result is very pleasing, with near 99% being "satisfied" or better across our services, see appendix 3. It is very pleasing to report that our clients continue to rate the overall usefulness of the audit and the helpfulness of our auditors highly.

What Our Customers Said

We have had some very complimentary feedback in the last six months. More details can be found on our website (www.devonaudit.gov.uk) but some of the more relevant comments include:-

"The Auditor was extremely helpful and responsive throughout the planning phase. The Auditor was efficient and flexible which helped us respond and plan appropriately. The reporting was timely, and the outcome of the audit was as expected by the board and senior safeguarding staff. The process has provided a useful vehicle to help us plan next steps and future requirements".
"The Auditor was accessible and pragmatic in his approach recognising the range of issues we were dealing with and it has been a positive experience".
"I cannot praise the Auditor's professionalism highly enough"

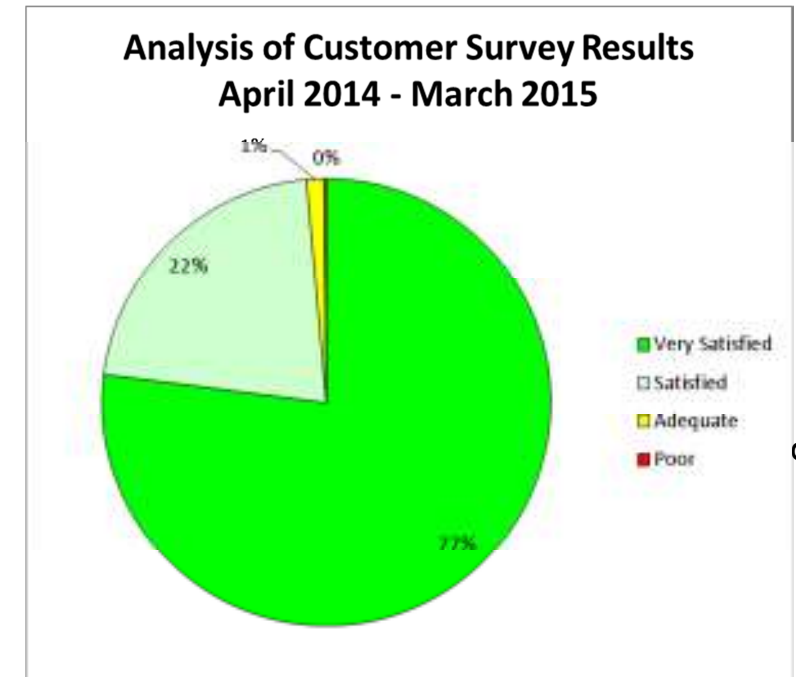
Added Value

We aim to provide a cost effective, efficient and professional internal audit service that takes the opportunity to add value whenever possible. Some of the specific examples of where our team have been able to add value to the Council in the first six months of 2014/15 include:-

"The main area of added value is the resource saving made by the audit 'pulling together' all the areas of improvement needed in one document, and providing a useful template for our response and action plan".

"From my perspective, the benefits of using the audit service is that it provides objective and balanced feedback from auditors who know their subject area. It provides assurance that the service is effective as well as offering recommendations for improvement (which is sometimes difficult to see when you are working with it day to day)".

We continue to develop and train our staff so that they can add value to the organisation as it faces the difficult challenges ahead.





Appendix 1 – Summary of audit reports and findings for 2014/15



Risk Assessment Key

LARR – Local Authority Risk Register score Impact x Likelihood = Total & Level
 ANA - Audit Needs Assessment risk level as agreed with Client Senior Management
 Client Request – additional audit at request of Client Senior Management; no risk assessment information available

Assurance Progress Key

Green – action plan agreed with client for delivery over an appropriate timescale;
 Amber – agreement of action plan delayed or we are aware progress is hindered;
 Red – action plan not agreed or we are aware progress on key risks is not being made.
 * report recently issued, assurance progress is of managers feedback at debrief meeting.
 ** for transformation & other projects, the direction of travel reflects our view of how effective the project is run.

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Transformation – Overall Programme					
Programme Delivery	SRR – Red ANA - High			Independent monitoring and/or support of various projects within the Transformation Programme such as ASDVs and Category Management (see below).	Page 82
Transformation - Co-operative Centre of Operations (CCO)					
Contract Management	SRR – Red ANA – High Client Request	In Progress	Value Added	Audit is a member of the Contract Management Working Group, a group that includes officers from Directorates with responsibility for some of the Council’s major contracts e.g. Highways, Waste PFI, Leisure Management and Social Care. Together, these officers and DAP have been able to offer their knowledge and experience to the Project Manager with Audit providing support and challenge as the Group review and develop strategies and procedures.	 **
Mobilisation of DELT	SRR – Red ANA - High	In Progress	Value Added	DAP has had an ongoing role in identifying the key risks associated with the implementation of Delt services and for bringing these matters to the attention of the relevant officers in 'real-time' so that mitigating actions can be taken to protect the interests of both Transformation and Change and the Council as a whole. A report has subsequently been issued in draft which has highlighted a number of issues including the need to establish an Intelligent Client Function and to carry out a post implementation review so that lessons can be learned	 **

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				for future implementations of this nature. Audit are pleased to report that such a review is taking place and Audit are contributing to it.	
Alternative Service Delivery Vehicles (ASDVs)	Client Request	In Progress	Value Added	Auditors have used their knowledge and experience to assist the Project Team in the development of an options appraisal toolkit that will be made available to officers to use when considering different ways of delivering their service(s).	 **
Category Management	Client Request	In Progress	Value Added	Audit has been invited to participate in workshops looking at the options available for the introduction of category management within the organisation, as part of the Commissioning and Procurement Project.	
Transformation – Customer & Service					
Revenues & Benefits Risks & Processes	Client Request	Completed	Value Added	Auditors assisted the Project Team in identifying improvements to current front line and back office processes in advance of the move into the new customer services “shop” in New George Street.	
Transformation – Growth, Assets & Municipal Enterprise (GAME)					
Transformation – Integrated Approach to Health & Wellbeing					
Care Act		In Progress		Meetings have been held with Directorate staff to provide information on how the requirements of the Care Act will be implemented. Regular updates have been scheduled.	
Transformation – People & Organisation Development					
Decant of Civic Centre	SRR – Red ANA - High	Ongoing	Value Added	DAP has provided support and advice to the People & Organisation Development Programme Board and the two projects, covering Accommodation and Workforce Development, that report to it, to	



Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				ensure that the intended benefits are delivered in an efficient and effective manner. Such advice has included the retention of documents and security of information, as well as assurance over project management.	

Work will commence on the following areas within Transformation in the second half of 14/15.

- Overall Programme – Benefits Realisation
- Co-operative Centre of Operations - Asset Management (linked with GAME)
 - Significant Partnerships
- Growth, Assets & Municipal Enterprise (GAME) - Asset Management (linked with CCO)
- Integrated Approach to Health & Wellbeing - Adult Social Care / Health Integration
 - Alternative Service Delivery Models

Time allowed for in the original plan for Street Services has been re-allocated for work relating to the team responsible for Tree Preservation Orders which is currently underway and a review of the systems for 'Ancient Monuments' which will commence in quarter 4.

Major Infrastructure & Investment Projects

Waste PFI	SRR – Green ANA - High	On-Going	Value Added	DAP's guidance continues to be sought to benefit this project. We have been providing the recently appointed Contract Manager with support and challenge on the contract management arrangements as well as providing guidance on how the new Financial Allocation Mechanism (FAM) will operate in practice.	 **
History Centre (Record Office)	ORR – Amber ANA - High	On-Going	Value Added	Following the announcement that the Project has been successful in its first round bid for Heritage Lottery Funding, the project is now entering its next phase, Development, with six workstreams identified to take the project forward. Until recently, Audit attended Programme Board meetings but it continues to provide support, advice and assurance to the Project.	 **

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	



The following major infrastructure and investment project reviews will be commenced in the second half of 14/15:



- Civic Centre (ANA – Medium, Client Request)
- City Deal (Plymouth & SW Peninsula (ANA – Medium, Client Request)

The following review will not be undertaken in light of the transfer of ICT services to DELT

- Data Centre (SRR – Red, ANA – High)

Value Added

Use of Consultants & Advisors	ANA - High	Complete	Value Added	Audit has completed their review of the appointment of interim chief officers and the findings have been reported to management.	Page 85
People – Income Collection	ANA – High Client Request	In progress		Adult social care charging policy and income contributions required from adults for their social care.	
Early Intervention (Families With a Future)	ANA – High Client Request			Q3 – further delayed due to the Ofsted inspection of Children’s Services	
Place - SMRF	Client Request	Final	Good Standard	Assurance was given to the Project Manager that the procurement process was followed correctly, in line with European, National and Council regulations and procedures.	
Planning – Tree Preservation Orders	Client Request	In Progress		To ensure the best possible service provision to the customer the focus of this review is on the robustness of processes and procedures relating to the authorisation of works on trees covered by tree preservation orders. Also considered will be any synergy with Street Services tree officers and possible opportunities for commercial activities.	
Contract - Mutley Plain Car Park	Client Request	Final	Improvements Required	The Parking Manager raised concerns relating to a contract which has been in place for a number of years and requested an audit review.	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				To address the weaknesses identified, it was recommended that: clear procedures need to be put in place for the remainder of the contract, legal advice needs to be sought relating to increases in annual costs, and; the possible financial implications of negative income figures needs to be understood.	
Claim for Overpaid Rents	Client Request	In Progress		Following representations to the Council regarding alleged overpayment of head rents by the Head Lessee, in respect of a number of premises within the city centre, DAP are providing advice and support to officers within the Transaction Centre during the exercise to reconcile the payments received and determine the extent of any possible overpayment. This work will also consider if there are any improvements in the system to prevent similar occurrences in the future.	Page 86
<p>The following value added reviews will be commenced in the second half of 14/15:</p> <ul style="list-style-type: none"> • Management of Major Contracts (ANA – High, Client Request) • Early Intervention (Families With a Future) (ANA – High, Client Request) 					
Core Assurance – Key Financial System					
Capital Accounting (Asset Register)	ANA - Low	Final	Good Standard	Assurance was reported in the September 2014 progress report; please refer to that report for details.	
Civica Financials – Debtors	ANA - Low	In Progress			
Academy System Parameters	ANA - High	Draft	Good Standard	Whilst relevant systems and controls are generally sound, recommendations for improvements in control have been made in the following areas:	 *



Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				<ul style="list-style-type: none"> Where staff have undertaken procedures for the first time or new ways of working have been trialled, there has been a lack of supporting evidence retained regarding the key controls in place. The NNDR (business Rates) opening debit reconciliation required reconstructing during the course of the audit as supporting evidence was not captured at the time the reconciliation was undertaken 	
iTrent - Payroll	ANA - High	In Progress			





The following core assurance / key financial systems will be commenced in the second half of 14/15:



- | | |
|--|--|
| <ul style="list-style-type: none"> • Civica Financials: (ANA High/Medium) <ul style="list-style-type: none"> ➢ Creditors ➢ Main Accounting • Academy Revs & Bens (ANA High/Medium/Low) <ul style="list-style-type: none"> ➢ Housing Benefits ➢ Council Tax ➢ Business Rates | <ul style="list-style-type: none"> • Fixed Asset Register (ANA – Medium) • Treasury Management (ANA – Low) • CareFirst – Adults (ANA – Medium / Low) <ul style="list-style-type: none"> ➢ Residential Care Payments ➢ Residential Care Billing |
|--|--|


The following core assurance / key financial system review will not be undertaken as a consequence of the transfer of ICT services to DELT




- ICT Material Systems (ANA – Low)



Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Core Assurance – Other					
Absence Management	ANA - High	Draft	Improvements Required	<p>The steps taken to reduce the amount of sickness absence have had a positive affect resulting in a significant decrease in the number of days absence per FTE. There is regular monitoring of the Top 100 reports and a sickness is also a standing agenda item at meetings of the Corporate Management Team.</p> <p>Detailed guidance is available on Staffroom for both employees and line managers but the absence management framework would be further enhanced if a system is put in place which would ensure that newly promoted employees, or Line Managers new to the organisation attend training workshops. This should ensure a more consistent approach to absence management across the organisation.</p>	 *
Corporate Landlord	ANA - High	In Progress			
ICT Access Management	ANA - High	Draft	Good Standard	<p>Policies and training provided to staff concerning logical access to systems are effective although they would be improved by the formal adoption of the Devon Information Security Partnership (DISP) framework for information security in which the Council played a major role in developing.</p> <p>The control framework provided through physical security and software controls is generally sound although there are improvements in control required in the following areas:</p> <ul style="list-style-type: none"> - documentation of security procedures for staff generally; - documentation of firewall administration - management and monitoring of user and administrator accounts; - malfunction of smartcard access security door in the Civic Centre. <p>The draft report was issued to the former Head of ICT but with the transition to DELT an action plan has not been agreed.</p>	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
People – CareFirst Creditors Follow-Up		Final	Improvements Required	Testing was carried out on potential duplicate payments. However, due to systems and processing being changed and the decommissioning of NSIBS in October 2014 it was not possible to carry out wider testing. Managers were informed that testing would need to be carried out in the future on the new systems in place as a separate audit exercise and should be added to the audit plan.	
Corp Information Management & Security <ul style="list-style-type: none"> • Business • IT Inc. PSN 	SRR - Amber ANA - High	In Progress		<p>Ongoing advice, consultancy and liaison with the Council’s Information Governance Manager and attendance at Information Officers Lead Group (ILOG) meetings, a Group on which Transformation and Change are represented.</p> <p>Following a DAP review of compliance with the Data Protection Act in 2013/14 and the visit of the Information Commissioner’s Office in April 2014, ILOG developed action plans to cover the recommendations made. DAP are monitoring the progress being made with implementing those action plans.</p>	
Schools Financial Value Standards (SFVS)	ANA - Low	Final	Good Standard	SFVS Dedicated Schools Grant Chief Finance Office assurance statement for 2013/14 submitted to the Department for Education.	
People – Plymouth Teaching School Alliance (PTSA)	Client Request	Final	High Standard	<p>Under the PAPH CIC, a Strategic Partnership Board and an Operational Partnership Board have been established with direct involvement of Plymouth Schools, the Local Authority, the University of Plymouth and University of St Mark and St John to support the work of the PTSA to deliver the improvement in the quality of school leadership, teaching and learning across Plymouth schools.</p> <p>Arrangements and protocols have been established between PAPH CIC and the schools to access available funding through a variety of programmes established by the PTSA. PAPH CIC has taken on the responsibility of checking the claims submitted by schools agree with approved action plans and the payments being made to schools that</p>	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				<p>provided support in delivering the programmes.</p> <p>Some recommendations have been made to ensure that schools are reminded to submit their claims on a more regular basis and the need for individual schools to clearly show their PTSA financial transactions in their budget monitor reports. This would provide clear information for a school's governing body.</p>	
People – Plymouth Safeguarding Children Board (PSCB)	ANA – Medium Client Request	Final	High Standard	<p>The Independent Chair of the PSCB is due to retire later this year. Consideration should be given as to the appropriate time to advertise this post to allow for an effective hand over. The current Independent Chair is also the Chair for the Plymouth Safeguarding Adults Board (PSAB) and the Chair for the Child Death Overview Panel (CDOP) which has allowed for good communication links between the three bodies. However, the future of how information is passed between these organisations may need to be revisited if the posts are filled by different people.</p> <p>Funding for the PSCB continues to be met by contributions from the member agencies of the Board. Previous years have seen an overall underspend on the budget which has been rolled forward. The reserves have proved useful in funding CDOP over the last few years since the Area Based Grant (ABG) funding ceased. However, it is anticipated that by 2015/16 the reserves will be exhausted. A special budget meeting has been arranged for later in the year to discuss this issue and the risk of insufficient funds available for the PSCB is highlighted in the risk register.</p>	
People – Plymouth Adult Safeguarding Board (PSAB)	ANA – Medium Client Request	Final	Improvements Required	<p>Several matters raised had been identified by the Board and were also raised previously in the October 2011 audit report; namely: implementation of an Annual Report, Risk Register and Business Plan. The lack of a PSAB operational risk register is considered a high priority.</p>	








Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				<p>With the retirement of the Independent Chair of the PSAB at the end of August 2014 and the departure of the Head of Safeguarding in March 2014 the Board is operating in a period of uncertainty. There are clearly resource implications in implementing and establishing all the appropriate governance arrangements for the Board and these should be fully addressed once the new Chair is in post in January 2015.</p> <p>Agencies who will become statutory members of the PSAB have previously made financial contribution to its running costs.</p> <p>These contributions have been based on a number of factors and final decisions on how funding in the future will be met is yet to be determined. Agencies are not obliged to contribute financially. With no formal agreement in place regarding contributions, in the current economic climate, there is a risk that agencies may not feel able to make a contribution. Agreed contributions will need to be formalised and included in the Partnership Agreement.</p> <p>The Safeguarding Adults Return (SAR) 2013/14 was populated using data held in a spreadsheet instead of data being extracted direct from CareFirst. It is understood the reason for this is because data held in CareFirst cannot be relied upon to be complete and up to date. This is an area for concern. If the prime record (i.e. CareFirst) is not up to date then the safeguarding process may be less effective. The on-going completion of a spreadsheet creates an unnecessary duplication of work and adds to the risk of errors in the SAR.</p>	
Disclosure and Barring Service (DBS)		Final	Good Standard	<p>The current policy and guidance complies with national requirements and is updated in response to changes made by the Protection of Freedoms Act 2012.</p> <p>We have concerns over the duplication of effort and the possible introduction of errors as a consequence of the need for two ICT systems to undertake all the necessary DBS functions. However, work is ongoing to look at the electronic submission of checks to the DBS and should this be successful then it would likely reduce the need for</p>	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				<p>double input by recruitment staff. Despite this, staff works in an accurate and efficient manner and the quality assurance checks built into the overall DBS process should help to ensure this continues moving forward.</p> <p>The new requirement for a tri-annual self-declaration process is managed from information obtained with the iTrent system and was found to be working well.</p>	
Community and Voluntary Sector Contracts	Client Request	In Progress		Work was commissioned to examine the awarding and monitoring of contracts.	
Maintained Schools audit programme	Agreed programme through 'buy back'	On-going		<p>The overall opinion for the routine school audit visits has been maintained as 'good standard'. The Partnership has joined the School Health Check process to provide the internal audit view of the financial management of individual schools based on the most recent audit visit</p> <p>The provision of internal audit's performance data provides a greater focus on schools causing concern in the wider control environment.</p>	
Schools Finance Support	ANA – Medium Client Request	On-going		<p>From 1 April 2014, the direct financial support for the schools became the responsibility of PAPH CIC. The Schools Finance Officers are now employed through PAPH CIC following restructuring of the Corporate Accountants. We have supported the Corporate Accountants with the reorganisation of the Council's responsibilities for accounting support and budget monitoring requirements for schools. This will enable the City Council to meet its statutory responsibilities for monitoring school finances. In addition, we have met with PAPH CIC to develop a new working relationship between the School Finance Officers and Internal Audit.</p>	
Street Cleaners On-Call System – Follow up of 2013-14 review	ANA Medium risk	Final	Good Standard	All recommendations have been implemented except for one of a low priority. In respect of the outstanding recommendation, regarding the analysis of call-outs, given the improvements made to the system and the low priority rating, it has been agreed with management that	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				implementation will only be necessary if there is a material increase in the current demand and type of on-call activity.	
Control of Fuel, Fuel Cards and Fuel Containers – Follow up of 2013-14 review	ANA Medium risk	In Progress		There has been a considerable amount of activity which has resulted in the majority of recommendations being implemented in full. The introduction of a new system has yet to take place which has prevented this audit from being completed.	
Mount Edgcumbe - Small Bodies Return	Regulatory Requirement	Complete	Good Standard	Overall arrangements are of a good standard. The focus of the Mount Edgcumbe Joint Committee has been to drive forward the transformational change of Mount Edgcumbe Park with the objective of securing its future sustainability. Whilst operational delivery and budget monitoring reports to the Mount Edgcumbe Joint Committee do communicate the risks to Mount Edgcumbe these are not presented in a formal format that enables the overall risks to be considered and used to inform effective decision making.	 Page 93
CRC Return	Regulatory Requirement	Complete	Certified	DAP were able to certify that the Council had fulfilled its obligations with regard the submission of data and compilation of supporting evidence for the CRC Energy Efficiency Scheme. Annual Certificate issued 31 July 2014	

The following core assurance (other) reviews will be commenced in the second half of 14/15:

- | | |
|---|---|
| <ul style="list-style-type: none"> • Business Continuity (SRR – Green, ANA Medium) | <ul style="list-style-type: none"> • Capital Programme – Governance (ANA – High, Client Request) • Procure to Pay Process (ORR – Amber, ANA High) • Schools Finance Support (ANA – Medium, Client Request) |
|---|---|

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Grants					
Local Pinch Point Fund	Regulatory Requirement	Complete	Certified	No issues identified	
Local Transport Capital Block Funding 31/2150	Regulatory Requirement	Complete	Certified	No issues identified	
LTP Additional Highways Maintenance Funding 31/2163	Regulatory Requirement	Complete	Certified	No issues identified	
LTP Severe Weather Recovery Grant 31/2277	Regulatory Requirement	Complete	Certified	No issues identified	
Troubled Families (Families With a Future)	Regulatory Requirement	On-going	Part Certified	2013/14 quarter 4 and 2014/15 quarter 1 claims have been certified. Quarter 2 claim to be checked in October and quarter 3 in January.	
DFE Adoption Grant	Regulatory Requirement	Complete	Certified		
Rogue Landlord Funding	Regulatory Requirement	Complete	Certified		

The following grant claims will be reviewed in the second half of 14/15 in accordance with the requirements of the grant determinations:

- Disabled Facilities Grant - Regulatory Requirement
- Green Deal Communities Fund – Regulatory Requirement

Appendix 2 – Performance Indicators

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

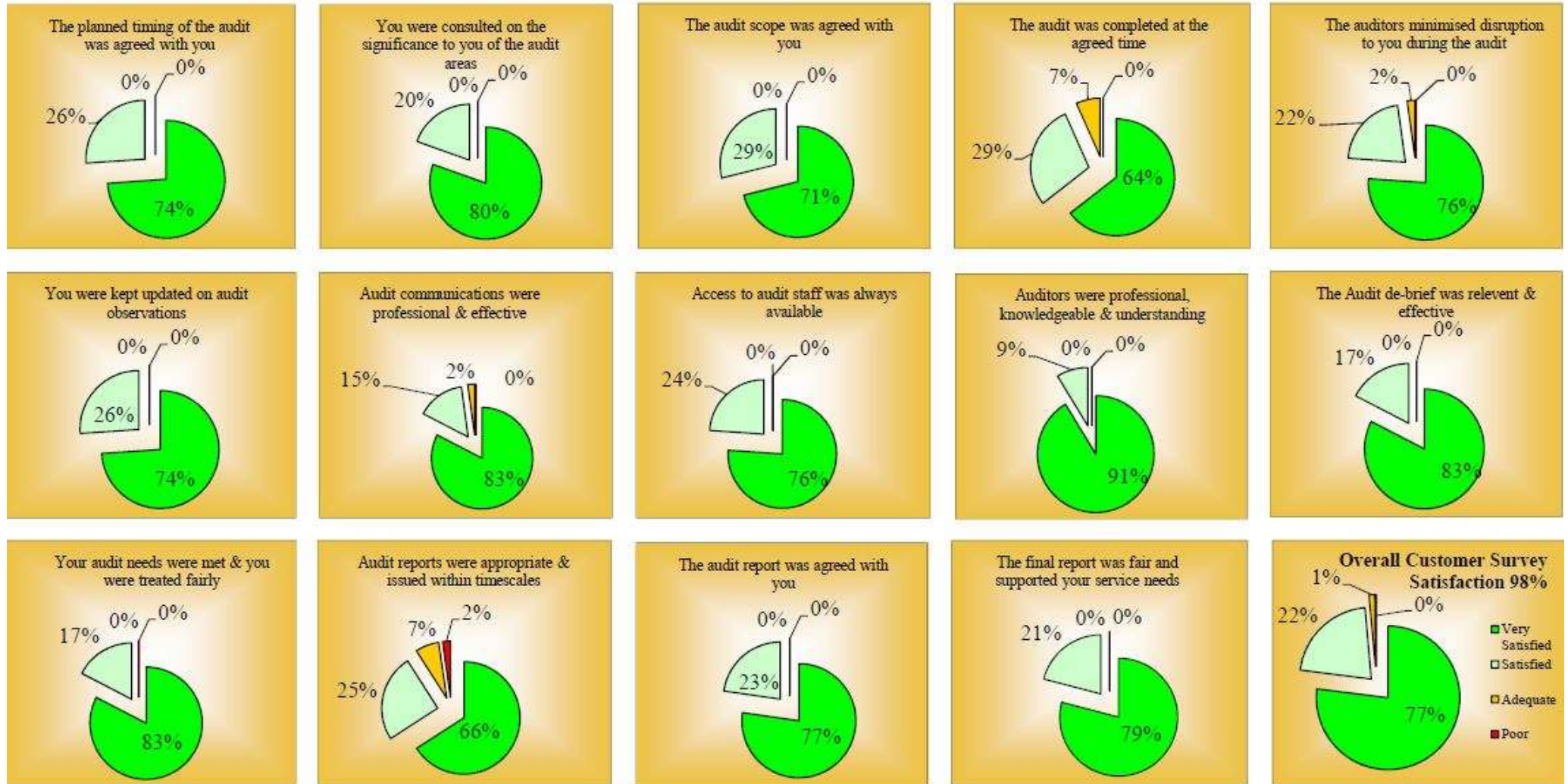
Annual Local Performance Indicators (LPI)	2012/13	2012/13	2013/14	2013/14	2014/15	2014/15
	Target	Actual	Target	Actual	Target	Actual
Percentage of Audit plan Commenced (Inc. Schools)	95%	97.75%	100%	96.5%	100%	62%
Percentage of Audit plan Completed (Inc. Schools)	90%	94.3%	93%	94.6%	93%	36%
Actual Audit Days as percentage of planned (Inc. Schools)	90%	99.7%	95%	97.5%	95%	44%
Percentage of fundamental / material systems reviewed annually	100%	100%	100%	100%	100%	On target
Percentage of chargeable time	65%	66.1%	65%	69.3	65%	66.6%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	94.5%	90%	98%	90%	99%
Draft Reports produced within target number of days (currently 15 days)	90%	79.7%	90%	80.1%	90%	84%
Final reports produced within target number of days (currently 10 days)	90%	86.4%	90%	89.1%	90%	90%
Average level of sickness absence (DAP as a whole)	2%	2.9%	2%	3%	2%	2.5%
Percentage of staff turnover (DAP as a whole)	5%	8.5% (3 people)	5%	3%	5%	2% (one person)
Out-turn within budget	Yes	Yes	Yes	Yes	Yes	On target

Overall, performance against the indicators has been very good. We are aware that some of our reports were not issued to the customer within the agreed timeframes (15 working days for draft report and 10 working days for final report). We have identified areas where performance has been poor, and are working with our staff to ensure improvement is achieved.

Appendix 3 - Customer Service Excellence

Customer Survey Results April 2014 - Sept 2014

The charts below show a summary of 46 responses received.



Appendix 4 – Definitions

Definitions of Audit Assurance Opinion Levels

Confidentiality under the National Protective Marking Scheme

Assurance	Definition	Marking	Definition
High Standard.	The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place. We have made only minor recommendations aimed at further enhancing already sound procedures.	Not Protectively Marked or Unclassified	Documents, information, data or artefacts that have been prepared for the general public or are for the public web pages or can be given to any member of the public without any exemptions or exceptions to release applying, have the classification NOT PROTECTIVELY MARKED. Some organisations will also use the word UNCLASSIFIED for publicly available information.
Good Standard.	The systems and controls generally mitigate the risk identified but a few weaknesses have been identified and / or mitigating controls may not be fully applied. There are no significant matters arising from the audit and the recommendations made serve to strengthen what are mainly reliable procedures.	Official	The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.
Improvements required.	In our opinion there are a number of instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved in order to ensure that they are fully reliable. Recommendations have been made to ensure that organisational objectives are not put at risk.	Secret	Very sensitive information that justifies heightened protective measures to defend against determined and highly capable threat actors. For example, where compromise could seriously damage military capabilities, international relations or the investigation of serious organised crime.
Fundamental Weaknesses Identified.	The risks identified are not being controlled and there is an increased likelihood that risks could occur. The matters arising from the audit are sufficiently significant to place doubt on the reliability of the procedures reviewed, to an extent that the objectives and / or resources of the Council may be at risk, and the ability to deliver the service may be adversely affected. Implementation of the recommendations made is a priority.	Secret and Top Secret	The most sensitive information requiring the highest levels of protection from the most serious threats. For example, where compromise could cause widespread loss of life or else threaten the security or economic wellbeing of the country or friendly nations.

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Plymouth International History Centre Love Our Past, Step into the Future



The Vision

The Plymouth International History Centre is a £24m scheme in the heart of Plymouth.

The vision is to transform the existing museum and art gallery on North Hill into a cutting-edge cultural centre three times its existing size, which will open in time for the Mayflower 400 commemorations in 2020. Situated between the University and the College of Art, the Centre will form the heart of the city's developing cultural quarter and act as an inspiration for those who live in, work in, study at, or visit Plymouth.

Led by the City Council, the project is a partnership with the University, the South West Film and Television Archive and the South West Image Bank. Partnership discussions are also being held with Plymouth College of Art and the Naval Heritage Centre, Devonport. Together the partners want to create an organisation that includes three integrated elements:

- The Museum of Plymouth - a museum and its collections reaching out to the world through telling stories about Plymouth's past, present and future.
- Plymouth Contemporary – the city's key location for contemporary visual arts exhibitions and events
- Archives South West Study Centre - an accessible regional archive available for research into the history of the area, its people and family origins

The scheme will see the restoration of the fine architecture of the existing museum and art gallery and central library, the creation of additional spaces with a contemporary extension, and the refurbishment of St. Luke's Church.

This ambitious project also brings together five of Plymouth's most valued collections under one roof for the first time, as part of a major new visitor attraction.

The Collections

The South West Film and TV Archive and the South West Image Bank, together with the Plymouth and West Devon Record Office, will join the historic collections which belong to the Plymouth Museum, Art Gallery and the Local Studies Library, available for research all on one site.

The Spaces

The new History Centre will provide approximately 4,300sq.m. of refurbished space in the existing Grade II listed museum and library buildings and St Luke's Church on Tavistock Place.

It will also include around 2,700 sq.m. of space in a new extension to the rear of the library building.

This will mean much bigger and better exhibition areas; some adjacent outdoor areas for programming related events in the public realm; and facilities for the visiting public, including study spaces for students and leisure and commercial outlets for visitors.

Funding and Development

In May 2014, the partners were successful with their bid to the Heritage Lottery Fund (HLF) for £12.9m. The City Council has also committed £5m., leaving a remaining funding target of £6.1m.

Applications for major funding will be made when appropriate, amongst others, to Arts Council England, the LEP's Regional Growth Fund and the Wolfson Foundation. Visits to the site by the Arts Council have been particularly encouraging.

The History Centre is now in its development phase. Detailed plans are currently being prepared that will be presented to other potential funding partners. A Stage 2 submission will be re-presented to the HLF in April 2016.

In October 2014, Atkins, one of the World's leading design, engineering and project management firms were appointed to oversee the technical and architectural design for the centre.

The interpretative masterplan has been developed by Ralph Appelbaum Associates. A brief for the Exhibition Designers will be issued in January, with an appointment expected in March or April 2015.

Black Radley Associates have undertaken some initial mapping of the Organisational Development requirements.

A visual arts strategy will be developed in the New Year with support from the Plymouth Culture Board.

Risks

<i>Risk</i>	<i>Requirement</i>	<i>Key Actions</i>	<i>Comment</i>
Securing a new location for the central library (permanent or temporary)	A vacant History Centre building by March 2016 to allow enabling works to begin	Options appraisal of available buildings to house the library HQ and lending library Remedial works to preferred building Decant of library collections	To be completed by January 2015
Securing a temporary location for the Museum collections	A vacant History Centre building by March 2016 to allow enabling works to begin	Options appraisal of available buildings with appropriate space, security and environmental conditions Remedial works to preferred building Decant of museum collections	To be completed by January 2015 Tight timescale within plan
Securing an additional £6.1 million capital funding	To be resolved by submission date of Stage 2 to HLF in April 2016	ACE grant application by December 2014 Wolfson stage 1 application January 2015	Initial discussion – capital scheme not open until autumn 2015 at the earliest
Keeping the partnership in place around a coherent integrated vision	Throughout	Regular partnership meetings with University, SWFTA, SWIB and potential new partners: MoD and College of Art	Black Radley Associates appointed to assist process
Listed building & other issues	To be resolved by submission date of Stage 2 to HLF in April 2016	Ensure English Heritage are engaged at all levels Begin negotiations with Diocese over covenant of St Luke's Church Listed building consent and planning application to be submitted by October 2015	Initial briefing done
Public Realm	Urban design issues resolved associated with Tavistock Place and North Hill	Close liaison between Planning Department and Design team	
Potential cost over-runs	To be resolved by submission date of Stage 2 to HLF in April 2016	Regular meetings with Design teams and a strong client, robust approach to costs	

Mitigation of Risks

- Work-streams have been established for all areas of work, a Programme Director has been appointed and progress is regularly monitored at Programme Board meetings. None of the risks are currently scored as higher than amber.

Conclusion

The History Centre concept has been very successful in bringing together some key partners and collections at risk and in attracting major funding from national sources. It is generating considerable interest from potential other partners and funding bodies. It is on track to be delivered successfully in time for the Mayflower 400 commemorations.

Paul Brookes
8.12.14

Audit Committee Work Plan 2014/15

Item	Cabinet Member / Lead Officer	2014							2015					
		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 (Rob Hutchings/ Brenda Davis)	26						18						
Statement of Accounts 2013/14	Cllrs Lowry and Peter Smith	26			25									
Operational Risk & Opportunity Management - Update Report	Cllrs Lowry and Peter Smith (Mike Hocking)	26						18						
Risk & Opportunity Management Annual Report	Cllrs Lowry and Peter Smith (Mike Hocking)	26												
Annual Governance Statement	Cllrs Lowry and Peter Smith (Mike Hocking)	26												
Annual Report on Treasury Management Activities for 2014/15 (and mid-year report)	Andrew Liddicott	26			25			18						22

Audit Committee Work Plan 2014/15

		2014							2015					
Item	Cabinet Member / Lead Officer	J	J	A	S	O	N	D	J	F	M	A	M	J
RIPA Surveillance Report	John Finch										26			
Strategic Risk and Opportunity Management Register Monitoring Report	Cllrs Lowry and Peter Smith (Mike Hocking)				25						26			
Internal Audit Annual Plan	Cllrs Lowry and Peter Smith										26			
Internal Audit – Progress Report	Brenda Davis/ Dominic Measures/ Robert Hutchins				25									
Internal Audit – Follow Up Work	Brenda Davis/ Dominic Measures/ Robert Hutchins				25									

Audit Committee Work Plan 2014/15

		2014							2015					
Item	Cabinet Member / Lead Officer	J	J	A	S	O	N	D	J	F	M	A	M	J
Audit Plan 2013/2014 – progress report	External Auditor Grant Thornton				25									
Audit Committee Update	External Auditor Grant Thornton							18						
Annual Report to Those Charged with Governance (ISA260 Report) 2013/2014 including Value for Money (VFM)	External Auditor Grant Thornton				25									
Annual Audit Letter 2013/2014	External Auditor Grant Thornton							18						
Certification Plan	External Auditor Grant Thornton				25									
Certification Work Report 2013/2014	External Auditor Grant Thornton							18						
Audit Plan 2014/2015	External Auditor Grant Thornton										26			

Audit Committee Work Plan 2014/15

		2014							2015					
Item	Cabinet Member / Lead Officer	J	J	A	S	O	N	D	J	F	M	A	M	J
Audit Fee Letter 2015/2016	External Auditor Grant Thornton										26			
Review of rolling workplan	Lead Officer/DSO	26			25			18			26			
Information Commissioners Audit	Mike Hocking				25									
Briefing on the process to reclaim back money lost to fraud (action from 13/3/14 mtg)	Revenues and Benefits Manager													
Status of report on Civic Centre	David Draffan				25									
History Centre Update <i>*new</i>	Paul Brookes							18						
Contract Management – Amey Contract Overview <i>*new</i>	Simon Dale										26			

Audit Committee Work Plan 2014/15

		2014							2015					
Item	Cabinet Member / Lead Officer	J	J	A	S	O	N	D	J	F	M	A	M	J
Local Government Pension Scheme Update <i>*new</i>	Lead Officer							18						
Data Security Breach <i>*new</i>	John Finch							18						

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