



**Democratic Support**

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#plymaudit

## AUDIT COMMITTEE

Thursday 26 March 2015  
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 18 December 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 - 28)**

Members will be provided with the Audit Committee Update.

#### **6. AUDIT PLAN 2014/15**

**(Pages 29 - 48)**

Members will be provided with the Audit Plan 2014/15.

#### **7. ACCOUNTING FOR SCHOOLS**

**(Pages 49 - 52)**

Members will be provided with an update from the Council's External Auditors on Accounting for Schools.

#### **8. AUDIT FEE UPDATE**

The Head of Corporate Strategy will provide a verbal update on the Audit Fee Letter.

#### **9. INTERNAL AUDIT ANNUAL PLAN**

**(Pages 53 - 72)**

Member will be provided with the Internal Audit Annual Plan.

**10. STRATEGIC RISK AND OPPORTUNITY MANAGEMENT REGISTER MONITORING REPORT (Pages 73 - 88)**

Members will be provided with the Strategic Risk and Opportunity Management Register Monitoring report.

**11. INFORMATION COMMISSIONERS AUDIT (Pages 89 - 90)**

Members will be provided with the Information Commissioners Audit.

**12. CITY'S ASSETS AND INSURANCE STATUS (Pages 91 - 92)**

Members will be provided with the City's Assets and Insurance Status Update.

**13. RISKS OF DELIVERY OF THE TRANSFORMATION PROGRAMME (Pages 93 - 98)**

Members will be provided with the Risks of Delivery of the Transformation Programme.

**14. REVIEW OF ROLLING WORKPLAN (Pages 99 - 104)**

Members will have an opportunity to review the rolling workplan for 2014/15.

**15. CONTRACT MANAGEMENT - AMEY CONTRACT OVERVIEW**

Members will be provided with a presentation on the Contract Management – Amey Contract Overview.

**16. 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 1 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.

**17. DATA SECURITY UPDATE**

Members will be provided with a presentation on Data Security as requested at the December 2014 Audit Committee meeting.



## Audit Committee

Thursday 18 December 2014

### PRESENT:

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

Independent Members: Mr Clarke and Mr Stewart.

Apologies: Councillor Stark.

Also in attendance: David Bray (Senior Audit Manager – Grant Thornton), Paul Brookes (Programme Director History Centre), David Curnow (Deputy Head of Devon Audit Partnership), John Finch (Information Governance Manager), John Golding (Partner and Engagement Lead – Grant Thornton), Mike Hocking (Head of Corporate Risk and Insurance), Julie Hosking (Risk Management and Insurance Officer), David Northey (Head of Corporate Strategy), Helen Rickman (Democratic Support Officer), Zoe Wilkinson (Lead Accountant).

The meeting started at 2.00 pm and finished at 4.10 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.*

### 34. **DECLARATIONS OF INTEREST**

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

### 35. **MINUTES**

Agreed the minutes of 25 September 2014 as an accurate record of the meeting.

### 36. **CHAIR'S URGENT BUSINESS**

The Chair advised Members of the following items of Chair's Urgent Business:

- 1 information requested at the last meeting held on 18 December 2014 had been emailed to Committee Members;
- 2 a decision was required by Members as to whether the Treasury Management Strategy would be discussed via delegated authority or at the 22 January 2015 Audit Committee meeting;
- 3 the Data Breach item listed on the agenda as part II (restricted) was to be discussed in part I.

Under this agenda item the Head of Corporate Strategy advised Members that, with regards to minute 22 'Change of External Auditors' of the last meeting, he had not sent a letter to the Audit

Commission urging them to reconsider the appointment of BDO LLP; it was the opinion of Grant Thornton that the letter would not have been successful in changing the Audit Commission's opinion to appoint BDO LLP as the Council's external auditors.

37. **AUDIT COMMITTEE UPDATE**

John Golding (Grant Thornton) and David Bray (Grant Thornton) provided Members with the Audit Committee Update.

Members were advised that –

- (a) the audit of the 2013/14 financial statements, the value for money conclusion and the opinion on the Council's accounts had been completed;
- (b) the debate regarding school land and buildings being recognised on local authority balance sheets had been reignited; Grant Thornton were taking a lead role in trying to resolve this issue;
- (c) Grant Thornton hosted a seminar in Taunton on 2 December 2014 regarding accounting for schools and infrastructure assets; this was attended by Plymouth City Council;
- (d) the DCLG was consulting on proposals to bring forward the audit deadline for 2017/18 from September to the end of July 2018; it was considered that both local authorities and their auditors would have to make real changes in how they worked in order to ensure that they were able to achieve the deadline. It was highlighted that the change in deadline might result in estimate figures being provided by auditors other than actual figures;
- (e) changes to the code were effecting how local authorities accounted for services delivered through other entities and joint working with partners; a key change for 2014/15 included accounting for joint arrangements and included the change to the definition of joint ventures and how they were consolidated in group accounts.

In response to questions raised it was reported that –

- (f) the Grant Thornton seminar held in December included representatives from Cornwall Council;
- (g) as of yet Grant Thornton were unaware how the newly adopted suite of standards for accounting for subsidiaries, associated and joint arrangements would affect the Tamar Bridge and Torpoint Ferry Committee, Mount Edgcombe Joint Committee and the South West Devon Waste Partnership Committee.

Members noted the Audit Committee Update.

38. **ANNUAL AUDIT LETTER 2013/14**

John Golding (Grant Thornton) and David Bray (Grant Thornton) provided Members with an update on the Annual Audit Letter 2013/14.

Members were advised that –

- (a) Grant Thornton issued an unqualified opinion of the Council's accounts and an unmodified conclusion on the value for money conclusion;
- (b) the Council's consolidation pack was consistent with the audited financial statements;
- (c) Grant Thornton's fees for 2013/14 was £181,428 (excluding VAT) as expected and had not changed;
- (d) there were two recommendations from Grant Thornton in relation to the Council's accounts advising that firstly the Council shouldn't make amendments to the financial statements until the audit had been completed and secondly that the Council should introduce a sample-based approach to journal review and authorisation covering all journals.

In response to questions raised it was reported that –

- (e) Grant Thornton was satisfied with the Council's accounts;
- (f) any changes to accounts needed to be logged; all changes would be put through system at once which was considered to be more efficient.

Members noted the Annual Audit Letter 2013/14.

39. **CERTIFICATION REPORT 2013/14**

David Bray (Grant Thornton) provided Members with the Certification report 2013/14.

Members were advised that –

- (a) Grant Thornton was required to certify certain claims and returns submitted by Plymouth City Council;
- (b) the number of claims to certification had fallen considerably to one claim for 2013/14 relating to housing benefit whereby the benefit awarded to a claimant was too low;
- (c) once the error with the housing benefit claim had been discovered auditors were required to assess a further 40 cases relating to housing benefit to ensure that no other mistakes had been made; auditors were satisfied that only one error had been made;
- (d) the housing benefit claim was qualified due to the error found in one instance whereby a claimant was not awarded the correct entitlement.

In response to a question raised it was reported that certification work was very prescriptive; auditors were required to extract the errors and report them.

Members noted the Certification 2013/14 report.

40. **TREASURY MANAGEMENT STRATEGY 2014/15 MID-YEAR REVIEW**

Zoe Wilkinson (Lead Accountant) provided Members with the Treasury Management Strategy 2014/15 Mid-Year Review.

Members were advised that –

- (a) Table I in the agenda displayed the Council's overall treasury portfolio as at September 2014 compared to the position at the start of the year; the average interest rate for borrowing decreased from 3.19% to 3.12% in December 2014;
- (b) the Council's external debt limits for 2014/15 had not been breached between 1<sup>st</sup> April to 30<sup>th</sup> September 2014; authorised limits were set to £335m and Operational Boundary limits were set to £312m;
- (c) on the recommendation of the Council's advisors, Arlingclose, the Council's investments were put out for a shorter period of time, between 1-3 months;
- (d) as part of the 2014/15 budget setting process the Council reduced the allocation to Treasury Management by £1m. This was to reflect the reduced interest costs resulting from the realignment of the LOBO (Lender Option Borrower Option loan) debt at the of 2013;
- (e) following advice from advisors, the Council had invested a further £5m in the Property Investment fund increasing the total to £15m.

In response to questions raised it was reported that –

- (f) with bank deposit rates falling and current returns not being as attractive, the Authority continued to look at alternative investment products to diversify its portfolio. After discussions with Arlingclose, the following funds were chosen: Federated Prime Rate Cash Plus Fund, Ignis Sterling Short Duration Cash Fund, Investec Short Bond Fund, Investec Target Return Fund and Payden & Rygel Sterling Reserve Fund; £1-2m was deposited in each of the funds and it was considered that this was sufficient to show best performance. The performance of these funds will be included in the Treasury Management out-turn report;
- (g) the value of property funds (pooled funds) could go up and down; the purpose for diversifying was to take a longer term view whilst balancing the risk of return;
- (h) property funds (pooled funds) had variable interest rates; return rates expected would be emailed to Members;



- (i) a schedule detailing where the Council had invested its funds and the investment performance would be emailed to Members;
- (j) the Council was continually monitoring its performance against other authorities and receiving advice from its advisors.

Agreed that –

- 1. the Treasury Management Strategy 2014/15 Mid-Year Review report is noted by the Audit Committee and presented to Full Council;
- 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 Cabinet and Full Council for authorisation in February 2015.

41. **OPERATIONAL RISK AND OPPORTUNITY MANAGEMENT UPDATE REPORT**

Mike Hocking (Head of Corporate Risk and Insurance) provided Members with the Operational Risk and Opportunity Management Update Report.

Members were advised that –

- (a) the total number of operational risks had decreased from 144 to 110 (including 2 high red risks, 53 medium amber risks and 55 low green risks); the main reason for the risk reduction was the deletion of old Chief Executive department risks and ICT risks that were no longer valid following the establishment of DELT;
- (b) twelve years ago Plymouth City Council implemented its first risk management strategy; this had been continually reviewed each year and updated to ensure it remained fit for purpose;
- (c) the deterioration of the condition of the City's Highway Network (both carriage and footway) had been removed as a red risk; the scheduled resurfacing work was underway and this risk was monitored via the strategic register.

In response to questions raised it was reported that –

- (d) the underlying fabric of the highway was deteriorating rapidly due to bad winter weather conditions; there was a 500% increase in pothole damage claims however this figure was decreasing. The Council had committed £2m per annum for 10 years to help improve the highway network;
- (e) claims linking to the footway had decreased; it was considered that a lot of damage to pavements was caused by trees; a programme of tree maintenance was in place to help with this issue;

- (f) Officers were working with Devon Audit Partnership regarding the lack of operational risk register for the Plymouth Safeguarding Adults Board; this would be further discussed under the Internal Audit Update.

The Audit Committee agreed to note and endorse the current position with regard to operational risk and opportunity management.

42. **INTERNAL AUDIT HALF YEAR AUDIT REPORT 2014/15**

David Curnow (Devon Audit Partnership) and Brenda Davis (Audit Manager) provided Members with the Internal Audit Half Year Audit Report 2014/15.

Members were advised that –

- (a) the Audit Committee was 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 to satisfy themselves that the internal control framework continued to be maintained;
- (b) Internal Audit provided reasonable assurance on the adequacy and effectiveness of the Authority's internal control framework;
- (c) audit work was affected by the Council's operational business needs being examined as part of the Transformation Programme as well as the Ofsted Inspection and the change of ICT services to DELT;
- (d) audits completed this year, in the majority of areas, provided assurances that identified risks were being minimised or mitigated where appropriate;
- (e) the internal audit activity had added value to the organisation and stakeholders by providing objective and relevant assurance and contributing to the effectiveness and efficiency of governance, risk management and internal control processes;
- (f) the graphs displayed on page 76 of the agenda pack were incorrect – the revised graphs provided a better opinion than those displayed and would be updated on the Council's website;
- (g) the Plymouth Safeguarding Adults Board identified areas for improvement specifically regarding the governance of the Board; issues were due to be discussed and addressed at the next board meeting;
- (h) during 2014/15 an audit was undertaken linked to Fraud Prevention and Detection; seven irregularity investigations were carried out of which five were linked to IT misuse and two linked to employee conduct. Concerns had been reported back to management;

- (i) asterisks contained within the appendix highlighted if the report had recently been issued or linked to transformation or other projects.

In response to questions raised it was reported that –

- (j) the replacement graphs for page 76 of the agenda did not show the high standard category however officers confirmed that results were of a good standard;
- (k) Plymouth Safeguarding Adults Board was listed in the appendix as having a green rag rating despite the lack of an operational risk register because there were plans in place to progress this issue;
- (l) the Safeguarding Adults Return 2013/14 was populated using data held in a spreadsheet instead of data being extracted direct from CareFirst as this was not considered to be complete or up to date; this resulted in more likelihood for error. Officers confirmed that they would provide Members with an update on this issue;
- (m) the performance against indicators within the report was very good; some reports were not issued to the customer within the agreed timeframe however areas for improvement had been highlighted;
- (n) an update would be provided to Members at the March 2015 Committee meeting regarding the risks of delivery of the Transformation Programme.

Agreed that –

- (1) Members would be provided with an update on the issues linked to the Safeguarding Adults Return 2013/14;
- (2) Members would be provided with an update at the March 2015 Audit Committee meeting regarding the risks of delivery of the Transformation Programme.

Members noted the Internal Audit Half Year Audit Report 2014/15.

#### 43. **PLYMOUTH INTERNATIONAL HISTORY CENTRE UPDATE**

Paul Brookes (Programme Director History Centre) provided Members with an update on the Plymouth International History Centre.

Members were advised that –

- (a) the Plymouth International History Centre was a £24m scheme with a vision to transform the existing museum and art gallery on North Hill into a cutting edge cultural centre;
- (b) this was a unique project to the UK bringing together collections and archives currently at risk;

- (c) the Heritage Lottery Fund funded £12.9m for the project; another £6m was still required to be raised for the History Centre;
- (d) the project was due to commence in 2016 and completed in late 2019; it was expected to be open to the public in early 2020 in time for the Mayflower 2020 celebrations.

In response to questions raised it was reported that –

- (e) archives stored in the West Devon Archives office were to remain in their current storage until they were ready to be moved to the new development;
- (f) the Heritage Lottery Fund was to undertake a mid-term review in May 2015 to assess the progress of the project;
- (g) branding for the History Centre was very important to the success of the project; a final name had not yet been agreed;
- (h) it was expected that central library would be relocated and would remain in the city centre;
- (i) there was potential disabled car parking space allocated for this project;
- (j) risks associated with the project linked to timescales, funding and planning permissions.

Members thanked Paul for his update.

Agreed that an update on the International History Centre would be scheduled in June 2015.

#### 44. **LOCAL GOVERNMENT PENSION SCHEME GOVERNANCE ARRANGEMENTS**

David Northey (Head of Corporate Strategy) provided Members with an update on the Local Government Pension Scheme Governance Arrangements.

Members were advised that the Local Government Pension Scheme was currently run by a committee in which two Plymouth City Council representatives were nominated. It was proposed that the current committee should be disbanded and a new committee was to be formed as well as a board of members. Under the new proposals Plymouth's representatives would reduce to one member; the Head of Corporate Strategy was invited to respond to the consultation and sought feedback from the Audit Committee before submitting feedback.

In response to questions raised it was reported that -

- (a) Devon currently had 12 members but was proposed to be reduced to six; the overall committee is reduced from 19 to 12 members;
- (b) Plymouth and Torbay currently had three members, split between both authorities, on the committee however this was proposed to reduce to two

members;

- (c) officers shared members' concerns regarding the changes to the local government pension scheme and would respond to the consultation specifying that the proposals didn't satisfy the Council's assurances.

Members noted the update.

45. **REVIEW OF ROLLING WORKPLAN**

Members discussed the workplan for 2014/15.

Agreed that –

- (a) the 22 January 2015 Audit Committee was not required as this meeting was only arranged to discuss Treasury Management Strategy; it was agreed in minute 40 that the approval of this item would be delegated to the Head of Corporate Strategy in consultation with the Chair and Vice Chair;
- (b) an update would be provided on the City's Assets and Insurance status in March 2015;
- (c) an update would be provided in March 2015 regarding integrated health and an Ofsted Update;
- (d) an update on the Information Commissioners Audit would be available in March 2015;
- (e) Grant Thornton's audit committee update would be scheduled for every audit committee meeting.

46. **EXEMPT BUSINESS**

There were no items of exempt business.

47. **DATA BREACH (E3)**

This agenda item was discussed in part I (public).

John Finch (Information Governance Manager) provided Members with an update on the Data Breach.

Members were advised that –

- (a) on 1 December 2014 a large data breach occurred where personal financial details of 511 clients were mistakenly sent to 395 other clients and three suppliers; breached information included names, addresses, bank sort codes, the last four digits of account numbers and the financial remittance amounts deposited;

- (b) a full investigation was undertaken in which the cause was determined; an error in a creditors report was 'fixed' but the fix itself introduced another unknown error where the report displayed all records rather than individual records. Since the data breach the system for making fixes has been changed and alerts had been set up for quality assurance;
- (c) a letter was sent out to all clients advising them of the data breach and formally apologising; a phone line was also set up to take calls from concerned clients.

In response to questions raised it was reported that –

- (d) the error occurred with the direct payments software which was used to send out notification emails to clients advising them of the amount of funding they were entitled to;
- (e) the error was a human error other than a software error; the data breach was highlighted to the department involved and extra controls were introduced as well as staff training;
- (f) alerts were introduced to prompt the user on the computer, manager approval was now also required to make changes to the programme and a further test was required before a final email was to be sent;
- (g) the data breach was not linked to the problems experienced by a Councillor not receiving the weekly planning applications list where the email was mistakenly sent to a Council employee with the same surname;
- (h) the finance department generated the direct payments report however DELT maintained the ICT software;
- (i) the Head of Corporate Strategy was satisfied that the sanction for the member of staff matched the seriousness of the incident;
- (j) since 2006 all data incidents were recorded;
- (k) A member of staff based outside of the finance department was responsible for checking the content of future direct payments to ensure that the same mistake couldn't happen again;
- (l) not everyone had administration rights to change documents;
- (m) this breach would be reported to the internal security forum; Members of Devon Audit Partnership sat on this forum;
- (n) Members would be provided with a breakdown of security incidents and breach statistics

Members noted the update.



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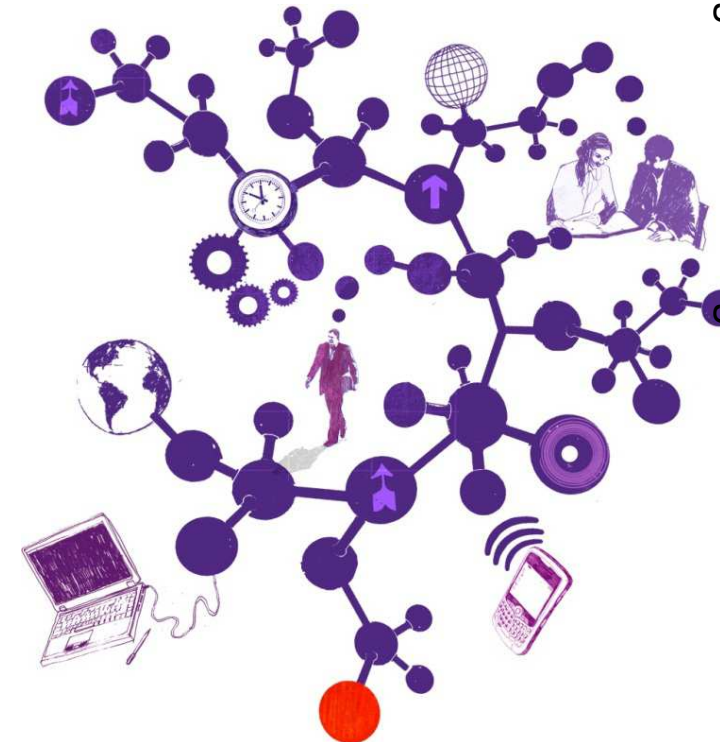
# Audit Committee Update for Plymouth City Council

**Year ended 31 March 2015**

Committee Date: 26 March 2015

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

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# Introduction

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

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

Members of the Audit Committee can find further useful material on our website [www.grant-thornton.co.uk](http://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 13 March 2015

Work	Due By	Complete	Comments
<p><b>2014-15 Audit Fee</b></p> <p>External Audit fees are determined by the Audit Commission after a period of consultation with the audited bodies.</p>	<p>28 February 2015</p>	<p>Yes</p>	<p>In 2013/14, the Audit Commission increased the audit fee for all Unitary Councils by £1,070 to reflect the fact additional audit work was required on material business rates balances.</p> <p>This additional work was necessary as auditors were no longer required to carry out work to certify NNDR3 returns. The additional fee was 50% of the average fee previously charged for NNDR3 certifications for Unitary Councils.</p> <p>The Audit Commission has included this additional amount in all audit fees for 2014/15. The audit fee is now £182,498 for Plymouth City Council .</p> <p>The indicative certification fee for 2014/15 has been set at £17,720.</p>
<p><b>2014-15 Accounts Audit Plan</b></p> <p>We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2014-15 financial statements.</p>	<p>March 2015</p>	<p>Yes</p>	<p>Our audit plan is a separate item on the agenda of the Audit Committee on 26 March 2015.</p>
<p><b>Interim accounts audit</b></p> <p>Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the Council's control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• Value for Money conclusion initial risk assessment.</li> </ul>	<p>March 2015</p>	<p>Yes</p>	<p>The findings of our interim audit are summarised in our audit plan.</p>

# Progress at 13 March 2015

Work	Planned date	Complete?	Comments
<p><b>2014-15 final accounts audit</b></p> <p>Including:</p> <ul style="list-style-type: none"> <li>audit of the 2014-15 financial statements</li> <li>proposed opinion on the Council's accounts</li> <li>proposed Value for Money conclusion.</li> </ul>	30 September 2015	Not yet due	We are planning to commence our fieldwork on 15 June 2015 and aim to have this completed by the end of July.
<p><b>Value for Money (VfM) conclusion</b></p> <p>The work to inform the 2014/15 VfM conclusion assesses the Council's arrangements for:</p> <ul style="list-style-type: none"> <li>securing financial resilience</li> <li>challenging how it secures economy, efficiency and effectiveness</li> </ul>	30 September 2015	Not yet due	Our initial risk assessment has been undertaken and further information on the work to underpin our VFM conclusion is included within our audit plan.
<p><b>2014-15 certification work</b></p> <p>This work is expected to cover:</p> <ul style="list-style-type: none"> <li>Housing benefits</li> </ul>	30 November 2015	No	We plan to make an early start on our certification work in 2014/15.
<p><b>Other activities</b></p> <ul style="list-style-type: none"> <li>We facilitated a follow-up seminar in Plymouth on 5 January 2015 covering accounting for schools and transport infrastructure assets</li> <li>We meet with your finance staff on a monthly basis to discuss emerging issues and the implications for our financial statements audit.</li> <li>The Council attended: <ul style="list-style-type: none"> <li>one of our annual financial statements workshops which we run in conjunction with CIPFA.</li> <li>our Better Care Fund seminar on 20 January</li> <li>our PFI seminar on 27 February</li> </ul> </li> <li>We met with officers from Plymouth City Council and NEW Devon CCG on 21 January to discuss the joint working arrangements</li> </ul>			

# Accounting for schools – Code update and LAAP Bulletin 101

## Accounting and audit issues

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

### Non-current assets

In December 2014, CIPFA issued an Update to Appendix E of the 2014/15 Code which states *"The recognition of non-current assets used by schools shall be determined in accordance with the relevant standards adopted by Chapter Four Non-Current Assets of this Code as appropriate to the arrangements for the assets. These assets shall be recognised in a local authority's balance sheet if they meet either the appropriate recognition criteria (see Chapter Four) for the local authority or for a school within the local authority area."*

CIPFA also issued LAAP Bulletin 101: *Accounting for Non-Current Assets Used by Local Authority Maintained Schools* in December 2014. The Bulletin provides application, clarification and interpretation but is secondary to the Code and accounting standards.

Due to the varied and sometimes complex arrangements for use of school land and buildings, the accounting treatment for these non-current assets will require the chief finance officer to make significant judgements in the preparation of the statement of accounts. These judgements should be based on the circumstances for individual schools and will involve consideration of the rights of the school as an entity and any rights held by the local authority. Judgements should be robust and well documented as auditors will be required to consider whether these are reasonable and supported by appropriate evidence. Local authorities should discuss and agree these judgements with Those Charged With Governance.

### Other matters

The work required to identify and consider the arrangements over the use of schools may be significant and progress to date has been variable. Local authorities need to consider the resources required to identify and review arrangements and to undertake any necessary valuations. Good project management arrangements also need to be in place to ensure the requirements of the Code are met.

# Accounting for schools – Code update and LAAP Bulletin 101

## Accounting and audit issues

Treating a school as an entity means that local authorities are satisfied that, for each school, they have captured all the financial information relating to the school as an entity. This means all income and expenditure (including voluntary donations and related expenditure), cash flows and all assets and liabilities.

As part of their accounts preparations local authorities should ensure transactions between the local authority and schools are eliminated, all required disclosures are made and any appropriate governance matters are disclosed in the Annual Governance Statement.

A more detailed summary of the issues arising from the Code Update and LAAP Bulletin 101 is included within the Audit Committee papers for information.

### Issues to Consider

- What progress has the Council made in making judgements on the accounting treatment of schools non-current assets on a case by case basis?
- Has the Council got arrangements in place to ensure the accounting requirements for schools are met?



# Provision for Business Rates Appeals

## Accounting and audit issues

### Unlodged appeals

The Chancellor's Autumn Statement included a change to the rules relating to business rates appeals. As a result we do not expect to see any provisions for unlodged appeals in local authorities' 2014/15 accounts, although we will expect this to be re-considered for 2015/16 accounts.

The change restricts the backdating of Valuation Office Agency (VOA) alterations to rateable values. Only VOA alterations made before 1 April 2016 and ratepayers' appeals made before 1 April 2015 can now be backdated to the period between 1 April 2010 and 1 April 2015. The aim is to put authorities in the position as if the revaluation had been done in 2015 as initially intended, before the deadline was extended to 2017.

There may be some fluctuations in provisions at 31 March 2015 as unlodged appeals provisions are released. However, there may also be increased numbers of appeals lodged prior to 31 March 2015. These appeals may be more speculative in nature and therefore authorities may need to consider whether prior year assumptions remain valid in estimating their provisions.

### Utilisation of provision

As part of the provisions disclosures in the accounts, local authorities need to disclose additional provisions made in the year, the amounts used (i.e. incurred and charged against the provision) during the year and unused amounts reversed during the year.

We understand that the software used for business rates may not provide values for the amounts charged against the provision during the year and that there is no simple software solution for this for 2014/15. Local authorities will need to consider available information and make an estimate of the amount for appeals settled in the year.

### Issues to Consider

- Has the Council reassessed the methodology for making the business rates provision?
- Has the Council got arrangements in place for the estimation of appeals to be charged against the provision?

# Inclusion of overtime in the calculation of holiday pay

## Accounting and audit issues

The Employment Appeal Tribunal (EAT) has delivered its judgement on the extent to which overtime pay should be included in the calculation of holiday pay. This case stems from an apparent conflict between UK law and European Law.

The EAT found that non-guaranteed overtime (i.e. overtime, which is not guaranteed by the employer, but which the worker is obliged to work, if it is offered), should be included in the calculation of holiday pay. Back-dated claims can only be made if it is less than three months since the last incorrect payment of holiday pay.

It is likely that there will be an Appeal to this decision. However that does not mean that authorities should hold off assessing the impact. Local authorities should be considering their own circumstances and if necessary taking their own legal advice as to the extent they might be affected by the ruling. If an authority is going to be affected they need to assess whether the liability can be reliably measured.

For an authority likely to be affected in a material way, where it is possible to reliably measure that liability, then appropriate provision should be made in the 2014/15 accounts. The fact that the issue might go to Appeal at some uncertain time in the future is not of itself grounds for not including a provision. The chances of any success would need to be taken account of in the legal analysis but, in any case, there are some indications that the key issue on Appeal would be whether to remove the three month cap (if this were done then the provision would increase), rather than dismissing the entire decision to include overtime in the calculation of holiday pay.

### Issue to Consider

- Has the Council assessed if a provision is required in the 2014/15 accounts?

# Local government financial reporting remains strong

## Local government guidance

The Audit Commission published its report, Auditing the Accounts 2013/14: Local Government Bodies in late December 2014.

Financial reporting was consistently strong for most types of principal local authority in 2013/14 when compared to the previous financial year. This year the Commission has congratulated 16 bodies where auditors were able to issue an unqualified opinion and a VFM conclusion on the 2013/14 accounts by 31 July 2014, and the body published audited accounts promptly. Although, as only 21 principal bodies have managed to publish their audited accounts by 31 July since 2008/09, a move to bring the accounts publication date forward is likely to cause significant challenges for the majority of public bodies.

The Commission reports that auditors were able to issue the audit opinion by 30 September 2014 at 99 per cent of councils, 90 per cent of fire and rescue authorities, 97 per cent of police bodies, all other local government bodies and 99 per cent of both parish councils and internal drainage boards. This is consistent with last year for most groups, but an improvement for councils and small bodies compared to 2012/13.

Eight principal authorities were listed where the auditor was unable to issue an opinion by the 30<sup>th</sup> September deadline.

# Earlier closure and audit of accounts

## Accounting and audit issues

Legislation was recently passed to bring forward the deadlines for the preparation and audit of Local Government financial statements from 2017/18 onwards. The timeframes for the preparation of the financial statements and their subsequent audit will be reduced by one month and two months respectively as follows:

- Deadline for preparation of financial statements – 31 May (currently 30 June)
- Deadline for audit completion – 31 July (currently 30 September)

Although July 2018 is over 3 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.

Auditors are already working on bringing forward more testing to before the financial statements are prepared and will be discussing further changes with local authorities including greater use of estimates in the accounts which will enable the audits to be brought forward further.

Some authorities currently produce their financial statements ahead of the current deadline, or have plans to do so in 2014/15, and some audits are completed before 31 July.

We will be assessing how this has been achieved and will share our findings in a national report, expected in early 2016.

# 2020 Vision

## Grant Thornton

In a time of unprecedented challenge for English local government, how can the sector develop towards 2020 if it is to have a sustainable future? Our latest report provides a thorough analysis of the current political and economic context, explores a range of potential policies and outcomes, and suggests several scenarios to facilitate an open debate on the future for the sector.

Produced in collaboration with the University of Birmingham's Institute for Local Government Studies (INLOGOV), our report suggests that fundamental changes to local government are both operationally necessary and constitutionally inevitable, for the sector to remain relevant by 2020. The report offers a thorough analysis of the current political and economic context and explores a range of potential future policies and outcomes that English local government will need to adopt and strive towards as they seek to adapt and overcome these challenges.

Placed in the context of enhanced devolution, following the Scottish independence referendum, 2020 Vision maintains a wary eye fixed on the 2015/16 Spending Round and looks ahead to the life time of the next government. It highlights that the economic and financial situation remains increasingly untenable, with an expanding North/South divide arising from the pattern of funding reductions and economic growth.

It highlights that English local authorities continue to face unprecedented challenges, relating to the pressures of austerity and central government funding reductions, and demographic and technological change. Our report highlights the vital role of a successful local government sector and encourages it to think hard about how it will cope in the future.

Informed by the views of a broad range of local authority leaders, chief executives and other sector stakeholders, the report offers a set of six forward-looking scenarios\* in which councils could be operating within by 2020. Though not mutually exclusive, we suggest that key stakeholders need to take urgent action to avoid a potential slow and painful demise for some councils by 2020.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

# Rising to the challenge

## Grant Thornton

Our national report, *Rising to the Challenge, the Evolution of Local Government* is the fourth in our series of annual reports on the financial health of local government. Like previous reports, it covers key indicators of financial performance, strategic financial planning, financial governance and financial control. It also includes case studies of best practice and a comparison to the NHS. This year it has been extended to use benchmarking information on savings plans and budget performance.

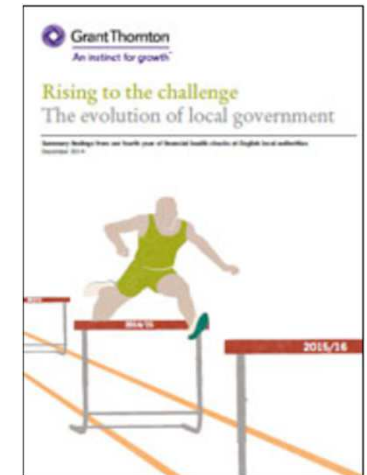
The overall message is a positive one. What stands out is how well local authorities have navigated the first period of austerity in the face of ever increasing funding, demographic and other challenges. Many authorities are forecasting financial resilience confidently in their medium term financial strategy. This reflects an evolution in financial management that would have been difficult to envisage in 2010.

However, there remains much to be achieved if the sector is to become sustainable in the long term, and authorities should consider if their:

- medium- to long-term strategy redefines the role of the authority creatively
- operational environment will adapt, working in partnership with other authorities and local organisations
- strategy looks beyond the traditional two- to three-year resource planning horizon
- organisational culture is aligned to where the authority needs to be in the medium to long term
- senior leadership teams – both officers and members – have the necessary skills and capacity to ensure delivery against the medium-term challenges
- corporate governance arrangements ensure effective oversight and scrutiny of the organisation as it adapts to the challenges it faces.

The importance of these actions will be magnified if local government devolves further, particularly in relation to fiscal devolution. The new-found confidence of local government in responding to the medium-term challenges will be tested significantly by the second phase of austerity.

Hard copies of our report are available from your Engagement Lead.



# All Aboard? - Local Government Governance Review 2015

## Grant Thornton

Our fourth annual review of local government was recently published.

We note that the challenges faced by local authorities are intensifying as austerity and funding reductions combine with demographic pressures and technological changes to create a potential threat to the long-term sustainability to some organisations. Maintaining effective governance is becoming ever more complex and increasingly important.

Against this background we have focused this year's review on three key areas:

**Governance of the organisation** – the main area of concern highlighted in this year's governance survey is the level of dissatisfaction with the scrutiny process.

**Governance in working with others** – there is an urgent need for scrutiny to exercise good governance over the complex array of partnerships in which local authorities are now involved. Boundary issues notwithstanding, by 'shining a light' on contracted-out activities and joint operations or ventures, scrutiny committees can bring a new level of transparency and accountability to these areas

**Governance of stakeholder relations** – despite the work that a number of local authorities are doing with the public on 'co-production', almost a third of respondents to our survey did not think their organisation actively involves service users in designing the future scope and delivery of its services.

We conclude that local authorities need to ensure that their core objectives and values are fulfilled through Many other agencies . This implies a greater role for scrutiny and a need to make sure local public sector Bodies' arrangements are a transparent as possible for stakeholders.

Hard copies of our report are available from your Engagement Lead or Audit Manager.





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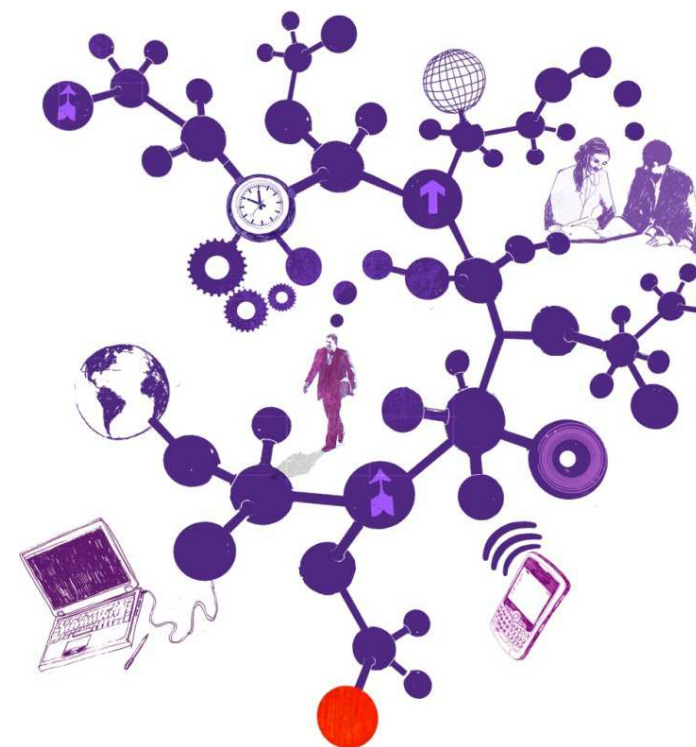
# The Audit Plan for Plymouth City Council

**Year ended 31 March 2015**

Audit Committee: 26 March 2015

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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 the Council 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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# Contents

## **Section**

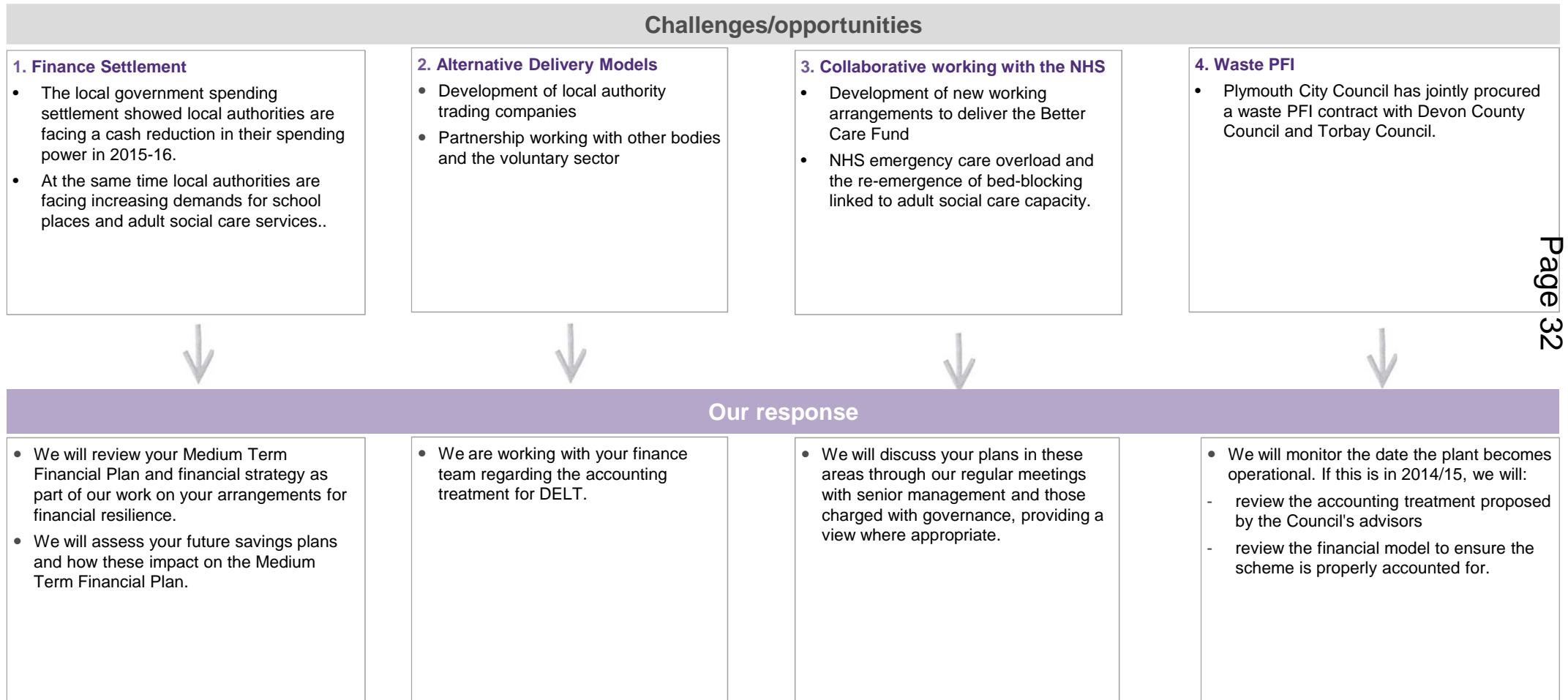
1. Understanding your business
2. Developments relevant to your business and the audit
3. Our audit approach
4. An audit focused on risks
5. Significant risks identified
6. Other risks
7. Group scope and risk assessment
8. Value for Money
9. Results of interim work
10. Key dates
11. Fees and independence
12. Communication of audit matters with those charged with governance

## **Appendices**

- A. Action plan

# Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.



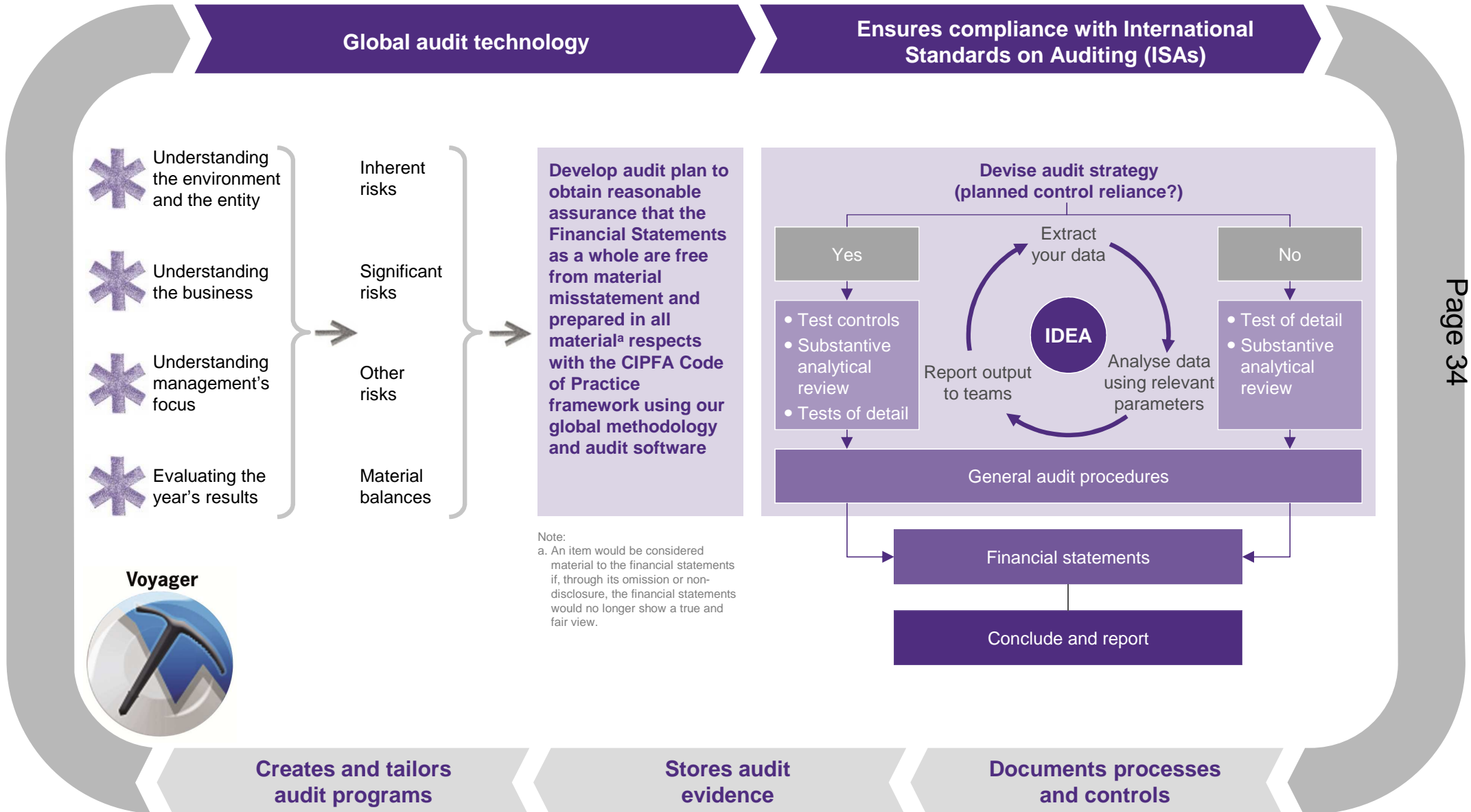
# Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

Developments and other requirements					
<p><b>1. Financial reporting</b></p> <ul style="list-style-type: none"> <li>• Changes to the CIPFA Code of Practice</li> <li>• Changes to the recognition of school land and buildings on local authority balance sheets</li> <li>• Adoption of new group accounting standards (IFRS 10,11 and 12)</li> </ul>	<p><b>2. Legislation</b></p> <ul style="list-style-type: none"> <li>• Local Government Finance settlement</li> </ul>	<p><b>3. Corporate governance</b></p> <ul style="list-style-type: none"> <li>• Annual Governance Statement (AGS)</li> <li>• Explanatory foreword</li> </ul>	<p><b>4. Better Care Fund</b></p> <ul style="list-style-type: none"> <li>• Better Care Fund (BCF) plans and the associated pooled budgets will be operational from 1 April 2015</li> </ul>	<p><b>5. Financial Pressures</b></p> <ul style="list-style-type: none"> <li>• Managing service provision with less resource</li> <li>• Progress against savings plans</li> </ul>	<p><b>6. Other requirements</b></p> <ul style="list-style-type: none"> <li>• The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion</li> <li>• The Council completes grant claims and returns on which audit certification is required</li> </ul>

Our response					
<p>We will ensure that</p> <ul style="list-style-type: none"> <li>• the Council complies with the requirements of the CIPFA Code of Practice through discussions with management and our substantive testing</li> <li>• schools are accounted for correctly and in line with the latest guidance</li> <li>• the group boundary is recognised in accordance with the Code and joint arrangements are accounted for correctly</li> </ul>	<ul style="list-style-type: none"> <li>• We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate</li> </ul>	<ul style="list-style-type: none"> <li>• We will review the arrangements the Council has in place for the production of the AGS</li> <li>• We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge</li> </ul>	<ul style="list-style-type: none"> <li>• We will consider whether the BCF is a risk in the context of our VfM conclusion.</li> </ul>	<ul style="list-style-type: none"> <li>• We will review the Council's performance against the 2014/15 budget, including consideration of performance against the savings plan</li> <li>• We will undertake a review of Financial Resilience as part of our VfM conclusion</li> </ul>	<ul style="list-style-type: none"> <li>• We will carry out work on the WGA pack in accordance with requirements</li> <li>• We will certify the housing benefit subsidy claim in accordance with the requirements specified by Public Sector Audit Appointments Ltd. This company will take over the Audit Commission's responsibilities for housing benefit grant certification from 1 April 2015.</li> </ul>

# Our audit approach



# Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Plymouth City Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Plymouth City Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>
Management over-ride of controls	Under ISA 240 the presumption that the risk of management over-ride of controls is present in all entities.	<p><b>Work completed to period 9 (December 2014):</b></p> <ul style="list-style-type: none"> <li>• Review of initial accounting estimates, judgments and decisions made by management</li> <li>• Testing of journal entries</li> <li>• Review of unusual significant transactions</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Review of final accounting estimates, judgments and decisions made by management</li> <li>• Testing of journal entries</li> <li>• Review of unusual significant transactions</li> </ul>

# Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit Approach
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	<p><b>Work completed to period 9 (December 2014):</b></p> <ul style="list-style-type: none"> <li>• Documented our understanding of processes and key controls</li> <li>• Undertaken walkthrough of key controls to assess the design effectiveness</li> <li>• Early substantive testing on operating expenses incurred</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Substantive testing on operating expenses incurred for the remainder of the year</li> <li>• Search for unrecorded liabilities</li> <li>• Substantive testing on year-end creditors</li> </ul>
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	<p><b>Work completed to period 9 (December 2014):</b></p> <ul style="list-style-type: none"> <li>• Documented our understanding of processes and key controls</li> <li>• Undertaken walkthrough of key controls to assess the design effectiveness</li> <li>• Analytical procedures</li> <li>• Early substantive testing</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Substantive testing for the remainder of the year</li> <li>• Complete analytical procedures</li> </ul>



# Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit Approach
Welfare Expenditure	Welfare benefit expenditure improperly computed	<p><b>Work completed to period 9 (December 2014):</b></p> <ul style="list-style-type: none"> <li>• Documented our understanding of processes and key controls</li> <li>• Undertaken walkthrough of the key controls to assess the design effectiveness</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Check system parameters</li> <li>• Substantive testing on welfare expenditure</li> <li>• Analytical procedures</li> </ul>

# Group audit scope and risk assessment

ISA 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA 600	Comments
Delt	To be advised	To be advised	We are working with your finance team to understand the financial implications of Delt on the Council's financial statements for the year ended 31 March 2015 and subsequent years.

# Value for money

## Value for money

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

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have undertaken an initial risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following areas to address the risks identified:

- Review of your medium term financial planning
- Assessment of your future savings plans and how these impact on the Council's medium term financial planning
- Review the Council's performance against the 2014/15 budget, including consideration of performance against the savings plan
- On-going consideration whether the Better Care Fund is a risk in the context of our VfM conclusion

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

# Results of interim audit work

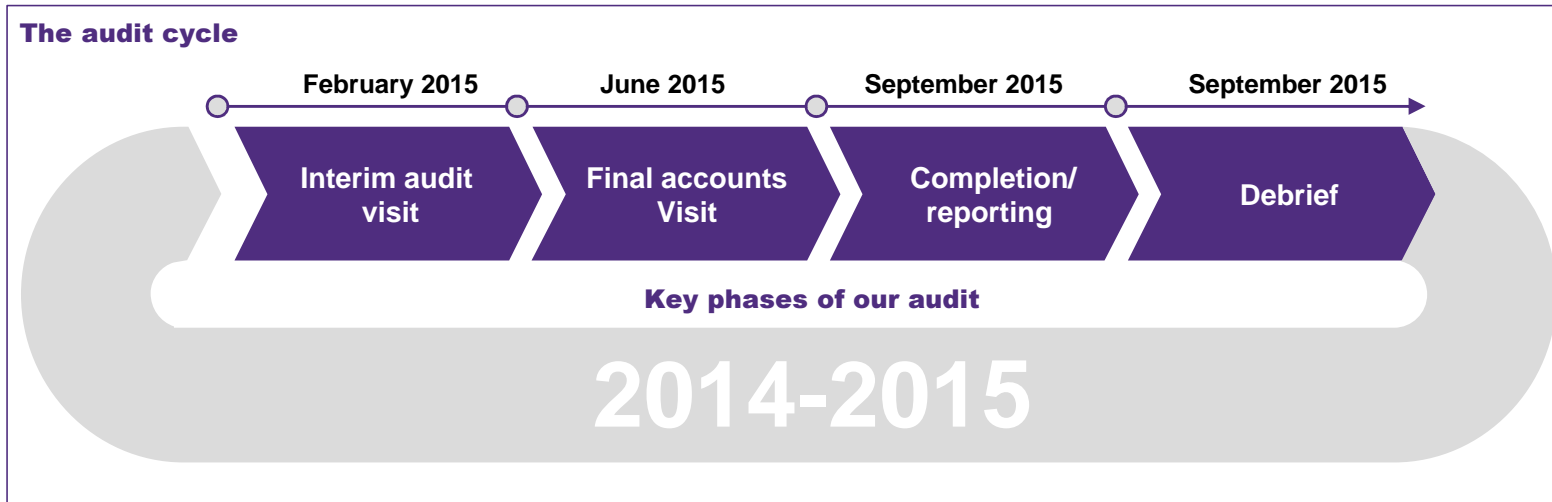
The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
<b>Internal audit</b>	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have not been able to review internal audit's work on the Council's key financial systems as this work has not yet been completed.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council.</p>
<b>Walkthrough testing</b>	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach. However, we did note that the bank reconciliations had not been performed and reviewed in a timely manner.</p>
<b>Entity level controls</b>	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> <li>• Communication and enforcement of integrity and ethical values</li> <li>• Commitment to competence</li> <li>• Participation by those charged with governance</li> <li>• Management's philosophy and operating style</li> <li>• Organisational structure</li> <li>• Assignment of authority and responsibility</li> <li>• Human resource policies and practices</li> </ul>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>

# Results of interim audit work cont'd

	Work performed	Conclusion
<b>Review of information technology controls</b>	Our information systems specialist will perform a high level review of the general IT control environment, as part of the overall review of the internal controls system. We will also perform a follow up of the issues that were raised last year.	We will update the Audit Committee on the results of our work.
<b>Journal entry controls</b>	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy.</p> <p>A material weakness has again been noted as there is no authorisation process for journals prior to their posting. This was reported to the Council in 2012/13 and 2013/14.</p> <p>We have undertaken detailed testing on journal transactions recorded to the date of interim audit, by extracting 'unusual' entries for further review. No issues have been identified that we wish to highlight for your attention.</p>	<p>A material weakness has been identified as there is no authorisation process for journals prior to posting.</p> <p>Further testing of journals will be undertaken as part of the final accounts audit. This will include examination of the remaining months of the financial year and year end journal processing.</p>
<b>Early substantive testing</b>	<p>We have endeavoured to complete as much testing as possible during our interim audit., we have undertaken early substantive testing in the following areas:</p> <ul style="list-style-type: none"> <li>• Operating expenses</li> <li>• Employee remuneration</li> <li>• Council Tax</li> <li>• Grants Received</li> <li>• Other Revenue</li> </ul>	<p>Our work relating to the Employee Remuneration did not identify any issues.</p> <p>Our work relating to operating expenses identified a control weakness. A payment had been authorised without appropriate supporting documentation.</p> <p>Further investigations are being undertaken in relation to this control issue by Internal Audit.</p>
<b>Value for money</b>	We have completed the initial risk assessment to underpin our VFM conclusion work.	The areas we propose to review are set out on page 11.

# Key dates



<b>Date</b>	<b>Activity</b>
<b>February 2015</b>	Planning
<b>February / March 2015</b>	Interim site visit
<b>March 2015</b>	Presentation of audit plan to Audit Committee
<b>June / July 2015</b>	Year end fieldwork
<b>September 2015</b>	Audit findings clearance meeting with Director of Finance
<b>September 2015</b>	Report audit findings to those charged with governance (Audit Committee)
<b>September 2015</b>	Sign financial statements opinion

# Fees and independence

## Fees

	£
Council audit	182,498
Grant certification	17,720
<b>Total fees (excluding VAT)</b>	<b>200,218</b>

### Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

### Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited, as the successor to the Audit Commission in this area.
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services.'

## Fees for other services

Service	Fees £
VAT advice	5,135
Trading Company advice	3,750
2013/14 Teachers Pensions Return	4,200

### Fees for other services

Fees for other services reflect those invoiced at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

### Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

# Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

## Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

	Audit plan	Audit findings report
<b>Our communication plan</b>		
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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# Appendices

# Action plan

## Priority

**High** - Significant effect on control system

**Medium** - Effect on control system

**Low** - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1.	Sample testing of journals should be undertaken by management in order to ensure that they are appropriate for the Council.	Medium	Sample testing of journals will be carried out from 1 May 2015. The Finance Systems Team will set up a new procedure to sample journals every month and get them signed off by a manager.	Nick Flay Lead Accountant May 2015
2.	Bank Reconciliations should be undertaken and reviewed in a timely manner.	Medium	Bank reconciliation have been brought up to date and are be signed off by the manager on a monthly basis.	Hannah West Lead Accountant March 2015
3.	Payments should not be authorised without appropriate supporting documentation.	Medium	Lead Accountants will advise all services managers that anyone who authorises payments must have the supporting documentation. Internal audit has been advised and will carry out further investigations.	Lead Accountants and Internal Audit April 2015



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# Accounting for local authority maintained schools

February 2015

## Background

Following the adoption of the new International Financial Reporting Standards on group accounting, the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2014/15 includes new accounting requirements for schools in local authorities in England and Wales.

It was hoped that these requirements would provide a solution to address concerns in relation to inconsistency of schools accounting including the qualification of the Whole of Government Accounts.

However, due to the varied and sometimes complex arrangements for use of school buildings, the accounting treatment of schools will still require significant judgements, based on the circumstances for individual schools, to be made by the chief financial officer in the preparation of the statement of accounts. This will involve consideration of the school as an entity and any rights held by the local authority.

## What does the Code say?

### Code of Practice on Local Authority Accounting in the United Kingdom for 2014/15

Appendix E to the 2014/15 Code concluded that schools are separate entities and that under IFRS 10, maintained schools (but not free schools or academies) meet the definition of entities controlled by local authorities which should be consolidated in group accounts.

However, rather than requiring local authorities to prepare group accounts, the 2014/15 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 Code also includes disclosure requirements on any significant restrictions (eg statutory, contractual and regulatory restrictions) on the local authority's ability to access or use the assets and settle the liabilities of consolidated entities.

### Update to the 2014/15 Code

In December 2014, CIPFA issued an Update to Appendix E of the 2014/15 Code. This states that "The recognition of non-current assets used by schools shall be determined in accordance with the relevant standards adopted by Chapter Four Non-Current Assets of this Code as appropriate to the arrangements for the assets. These assets shall be recognised in a local authority's balance sheet if they meet either the



appropriate recognition criteria (see Chapter Four) for the local authority or for a school within the local authority area".

The Update includes transitional provisions where authorities are required to recognise non-current assets for the first time as a result of a change of accounting policy resulting from the changes to accounting for schools. Under these transitional provisions non-current assets recognised for the first time should be accounted for at their 1 April 2013 valuation as "deemed cost" with the credit entry recognised in the Capital Adjustment Account. This means that there will be no need to identify historic valuation movements prior to 1 April 2013.

There is currently no reference in the Code update to the possible de-recognition of schools as a result of changes to schools accounting under the 2014/15 Code.

## CIPFA guidance

### LAAP Bulletin 101 Accounting for Non-Current Assets Used by Local Authority Maintained Schools

The Bulletin provides application, clarification and interpretation but is secondary to the Code and accounting standards. It states that "property used by schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for property". It goes on to consider the impact for different types of schools as follows:

Community schools – the Bulletin considers that either directly or by consolidation of the school as an entity, it is likely non-current assets would be recognised on the local authority balance sheet.

Voluntary aided, voluntary controlled and foundation schools where non-current assets are owned by religious bodies – the Bulletin considers that where schools use assets under "mere licences" these are not within the control of the school and should not be recognised by the school or on the local authority balance sheet.

Foundation schools with assets not owned by religious bodies – the Bulletin concludes that where assets are owned by the governing body these assets would be recognised by the school and consequently on the local authority balance sheet. Where other arrangements exist, such as ownership

by private sector entities, the arrangements need to be assessed to determine whether or not assets used by schools would be recognised.

However the Bulletin emphasises that "Local authorities will need to establish that the situation\* and analysis exists for VA, VC schools and foundation schools where assets are owned by religious bodies in their area and assure themselves as to the extent to which this situation is applicable".

\* CIPFA's understanding that *generally* assets owned by religious bodies are used under "mere licences" which pass no interest to the school and that religious bodies' rights to control the asset are substantive

From discussions with clients we are aware that there may be a wide range of arrangements in place under which schools use assets. It will be important to establish the particular circumstances for individual schools on a case by case basis.

## Practical implications

The first stage in accounting for schools is to consider the school as an entity. The income, expenditure, assets and liabilities of each school will be consolidated into the local authority single entity accounts. The key consideration is whether the non-current assets should be recognised by the school.

Chief finance officers will be required to form judgements on a case by case basis once they have established the rights and obligations of all parties relating to the use of buildings and underlying land. These judgements should be discussed and agreed with Those Charged with Governance at the authority.

From discussions with clients we understand there is a wide range of arrangements in place ranging from no written agreements whatsoever (what CIPFA calls "mere licences") to formal arrangements in the form of leases. This could mean that there may be differing recognition judgements in relation to land and buildings and also within the types of school. These judgements should apply the relevant accounting standards.

In understanding the arrangements, local authorities need to consider both the legal ownership of the assets and the circumstances under which schools occupy them, including rights and obligations. Assessing the substance of the arrangement under IAS 16 may require separate consideration of land and buildings as to whether it is probable that service potential associated with the item will flow to the authority.

In considering the rights of the legal owners and the schools, local authorities will need to consider whether those rights are substantive or protective.

Local authorities should therefore:

- establish and document the facts, rights and obligations relating to the arrangements for the use of the assets on a case by case basis (with reference to formal documented arrangements, experience of and communications with legal owners)
- in considering the rights and obligations, consider the substance of the arrangement in addition to the legal form including whether the rights of the legal owner are substantive or protective, for example:
  - the circumstances in which the third party could and would have any rights to take back the school buildings
  - indicators that the third party is likely to exercise its rights to take back the buildings
  - any rights obtained by either the school or local authority in respect of expenditure on the premises or the provision of funding for the premises
- prepare an accounting judgement on the recognition of the non-current assets used by the school (distinguishing between land and buildings) based on the arrangements in place with clear reference to the Code and relevant accounting standards
  - where IAS 17 applies, the factors to consider in determining whether the school has a finance or operating lease
  - where IAS 16 applies, application of the recognition criteria (whether it is probable that the economic benefits and service potential of the assets will flow to the school)
- where schools will need to be recognised, obtain relevant valuations
- disclose that judgement in the statement of accounts.

These are complex issues involving judgement and there is the potential for inconsistency in the recognition, or otherwise, on local authority balance sheets. It is therefore important to ensure judgements are robust and well documented as auditors will be required to consider whether these are reasonable and supported by appropriate evidence.

## Other matters

The work required to identify and consider the arrangements over the use of schools may be significant and from discussions with clients, progress to date has been variable. Local authorities will need to consider the availability of resource to identify and review arrangements and requirements and timing of valuations. Good project management arrangements will need to be in place to ensure the requirements of the Code are met.

Whilst much of the debate has been around the recognition of non-current assets, treating a school as an entity means that local authorities will need to be satisfied that, for each school, they have captured all the financial information relating to the school as an entity. This will include obtaining assurance over the completeness of school:

- income (including voluntary donations to the school)
- expenditure (including salaries expenditure made out of voluntary donations)
- cash flows
- assets (including office equipment, minibuses etc)
- liabilities (including locally agreed leasing arrangements and any claims against the school)

in so far as these might be material.

In addition local authorities should :

- have arrangements for eliminating transactions between the local authority and schools in preparing aggregated accounts
- consider the extent of disclosures required
- consider governance implications that should be disclosed in the Annual Governance Statement.

We suggest that local authorities discuss progress with their auditor early and share judgements prior to the preparation of the financial statements.

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**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	Internal Audit Plan 2015/16
<b>Committee:</b>	Audit Committee
<b>Date:</b>	26 March 2015
<b>Cabinet Member:</b>	Councillor Lowry
<b>CMT Member:</b>	Lesa Annear (Strategic Director for Transformation & Change)
<b>Author:</b>	Robert Hutchins, Head of Devon Audit Partnership
<b>Contact details</b>	robert.hutchins@devonaudit.gov.uk T: 01752 306710
<b>Ref:</b>	AUD/RH
<b>Key Decision:</b>	No
<b>Part:</b>	I

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**Purpose of the report:**

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

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

This report comments on IA resources available to carry out the 2015/16 plan, and identifies the work to be carried out analysed between audit support and contribution to Transformation, value added work, core assurance, key financial systems, school's reviews, anti-fraud work, consultancy, corporate governance, grant certification and other chargeable work. The report also contains details of the specific audits to be undertaken.

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**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.

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**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
2. The proposed Internal Audit Plan for 2015/16 at Appendix 1 be approved.

**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 and the Public Sector Internal Audit Standards.

**Published work / information:**

None

**Background papers:**

None

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

**Sign off:**

Fin		Leg		Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member													
Has the Cabinet Member(s) agreed the contents of the report? Yes / No													

Internal Audit

# Internal Audit Plan 2015-16

## Plymouth City Council Audit Committee

March 2015

Not Protectively Marked

Robert Hutchins  
Head of Audit Partnership



Auditing for achievement

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<b>Devon Audit Partnership</b>	<b>Confidentiality and Disclosure Clause</b>
<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 <a href="mailto:robert.hutchins@devonaudit.gov.uk">robert.hutchins@devonaudit.gov.uk</a> .</p>	<p>This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation’s disclosure policies.</p> <p>This report is prepared for the organisation’s use. We can take no responsibility to any third party for any reliance they might place upon it.</p>

## Audit Framework

All principal Local Authorities, including Plymouth City Council, are subject to the Accounts and Audit Regulations 2003 (as amended), and the Accounts and Audit Regulations 2006 and 2011, which require that the Authority should make provision for Internal Audit. From April 2013, organisations in the UK public sector are required to adhere to the Public Sector Internal Audit Standards.

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

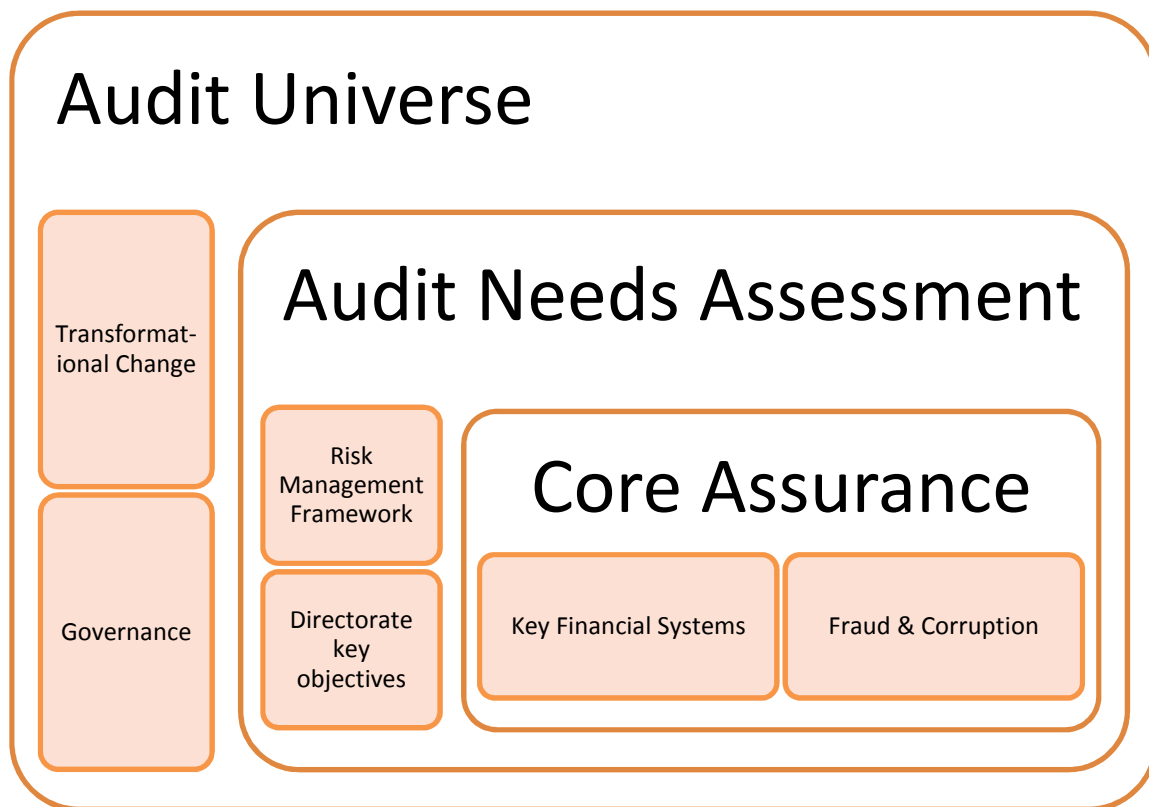
This audit plan has been drawn up, therefore, to enable an opinion to be provided at the end of the year in accordance with the above requirements



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

## Audit Needs Assessment

We employ a risk based priority audit planning tool to identify those areas where audit resources can be most usefully targeted. This involves scoring a range of systems, services and functions across the whole Authority, known as the “Audit Universe” using a number of factors/criteria. The final score, or risk factor for each area, together with a priority ranking, then determines an initial schedule of priorities for audit attention.



The resultant Internal Audit Plan for 2015/16 is set out in the high level plan and Appendix 1

The audit plan for 2015/16 plan has been created by:

- Consideration of risks identified in the Authority’s strategic and operational risk registers
- Review and update of the audit universe
- Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, and corporate initiatives
- Taking into account results of previous internal audit reviews
- Taking into account Internal Audit’s knowledge and experience of the risks facing the Authority, including factors and systems that are key to successful achievement of the Council’s delivery plans
- Requirements to provide a “collaborative audit” approach with the external auditors

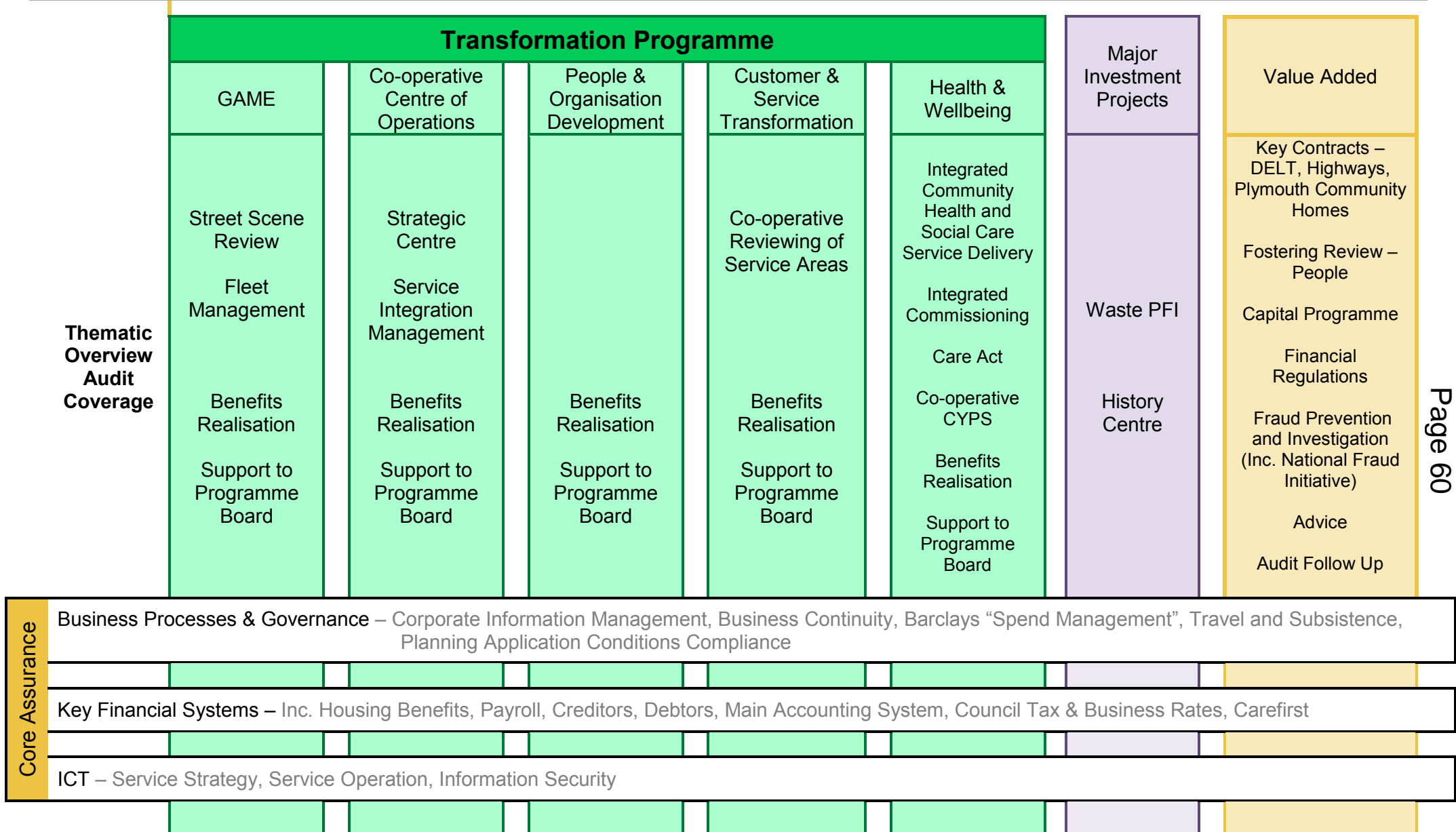
## Consideration of your business objectives

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

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



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



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



## High Level Audit Plan 2015-16

This table shows a summary of planned audit coverage for 2015/16 totalling 1,332 direct days. It should be borne in mind that, in accordance with the Public Sector Internal Audit Standards, the plan needs to be flexible to be able to reflect and respond to the changing risks and priorities of the Authority and, to this end, it will be regularly reviewed with directorates, and updated as necessary, to ensure it remains valid and appropriate. As a minimum, the plan will be reviewed in six months to ensure it continues to reflect the key risks and priorities of the Council given the significant changes across the public sector. In order to allow greater flexibility, the Internal Audit Plan includes a contingency to allow for unplanned work.

We have set out our plan based on the current organisational structure for the Authority. Detailed terms of reference will be drawn up and agreed with management prior to the start of each assignment – in this way we can ensure that the key risks to the operation or function are considered during our review. The following pages give a brief overview of the focus of proposed audit coverage for the year.

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

Core Activity for Internal Audit Review	Coverage in Days
Transformation	309
Major Investment Projects	20
Value Added	135
Core Assurance – Key Financial Systems	190
Core Assurance - Other	200
Public Health	20
Anti Fraud and Corruption	170
Grant Certification	30
Other Chargeable Activities	258
<b>Total internal audit plan for Plymouth City Council</b>	<b>1332</b>
Schools (estimated)	135

# Service Level Plans – Transformation & Change, Place, People and Public Health

## Transformation & Change

As part of the challenge to reduce its funding gap, the Council has developed a transformation programme which will see radical change to the way services are provided. The 2015/16 internal audit plan reflects the transition of many programme workstreams into the design and development stages of the change lifecycle and includes resource to examine, support and challenge areas of the programme during this stage.

Audit will continue to support Co-operative Centre of Operations (CCO) as they develop the Assure and Evolve projects. We will contribute to the development of proposed governance and methodologies for commissioning and procurement and support and challenge the work undertaken by the Council to ensure better, more efficient use of its current financial systems.

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

In addition to work on the financial systems, Internal Audit coverage will include auditing, support and advice on other areas identified through review of risk registers and discussions with Senior Management. These include:

- Information Governance, working with relevant managers and ILOG to review key areas of strategic and operational information management practice,
- the use of corporate contracts,

With respect to ICT, we will review the management of the new DELT contract and the role of the retained client function. We will work alongside the Transformation programme as new delivery models are designed that involve the implementation of new ICT business systems. We will work

with the Council and its business areas to ensure that their objectives are appropriately supported and the value of ICT is fully realised.

## Place

Auditors will provide management with advice, support and assurance on areas within Street Scene and fleet management as part of the GAME transformation programme. We will continue to support both the South West Devon Waste Partnership, as the new facility opens, and the History Centre project. In addition, we will contribute to the development of a new service specification for Highways, as well as review the governance around approval of capital schemes, test the robustness of the process for planning condition compliance and assist in identifying ways to improve how advice is provided on works to listed buildings.

## People

Audit will continue its three year audit plan which commenced last year, majoring on the transformation programme including reviews around Integrated Community Health & Social Care service delivery and Integrated Commissioning. Work will include review of the governance arrangements, risk management, financial control and protection against fraud. Material systems work will focus on the residential care payments and billing systems. Support will be provided to assist in the successful implementation of the Care Act.

Audit will also contribute to the development of an outcomes plan for Phase 2 of the Troubled Families (Families With A Future) programme. Completion of a review of the Fostering Service will occur early in the financial year, comparing Plymouth with its Audit Commission 'nearest neighbours'.

## Public Health

Our work will provide assurance around the ongoing delivery of services as commissioned by Public Health.

## Fraud Prevention and Detection and Internal Audit Governance

### Fraud Prevention and Detection and the National Fraud Initiative

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. Internal Audit will continue to investigate instances of potential fraud and irregularities referred to it by managers, and will also carry out pro-active anti-fraud and corruption testing of systems considered to be most at risk to fraud. As part of this, Audit will continue to develop the working relationship with the Council's Corporate Fraud Team. In recognition of the guidance in the Fraud Strategy for Local Government "Fighting Fraud Locally" and the Audit Commission publication "Protecting the Public Purse" internal audit resource will be allocated to allow a focus on identifying and preventing fraud before it happens. Nationally, the notable areas of fraud include Procurement, Housing Benefit and Council Tax, Business Rates, Payroll, Blue Badges, and Direct Payments.

The Audit Commission runs a national data matching exercise (National Fraud Initiative - NFI) every two years. The 2014/15 exercise has now provided the Council with the resulting data matches, and work has begun (and will continue throughout 2015), with Council departments, to ensure that the matches are reviewed and action taken as may be necessary.

### Internal Audit Governance

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

- Preparing the internal audit plan and monitoring implementation;
- Preparing and presenting monitoring reports to Senior Management and the Audit Committee;
- Assistance with the Annual Governance Statement;
- Liaison with other inspection bodies (e.g. Grant Thornton);
- Corporate Governance - Over recent years Internal Audit has become increasingly involved in several corporate governance and strategic issues, and this involvement is anticipated to continue during 2015/16
- On-going development within the Partnership to realise greater efficiencies in the future.

### Partnership working with other auditors

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

We shall continue to work with External Audit colleagues from Grant Thornton with regard 2014/15. Grant Thornton are to be replaced by BDO from April 2016 but, in the meantime, Devon Audit Partnership will start to build a relationship with them to understand their requirements and to provide information that they will require. We will look to set up regular liaison arrangements to maximise the benefits of close working.

In addition, we are working closely with colleagues from Audit South West, the internal auditors for Health, as the Council's integration with Health progresses.

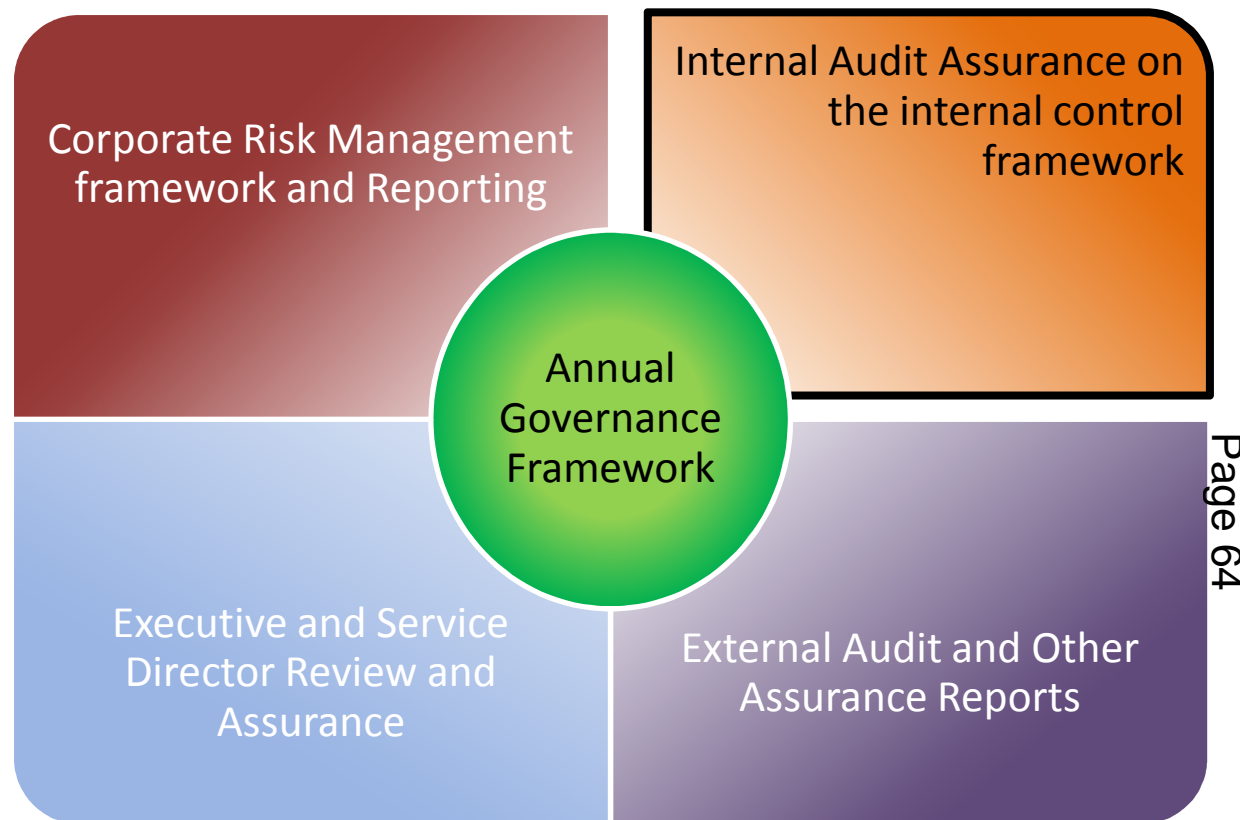
## Annual Governance Framework Assurance

The Annual Governance Statement provides assurance that

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

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

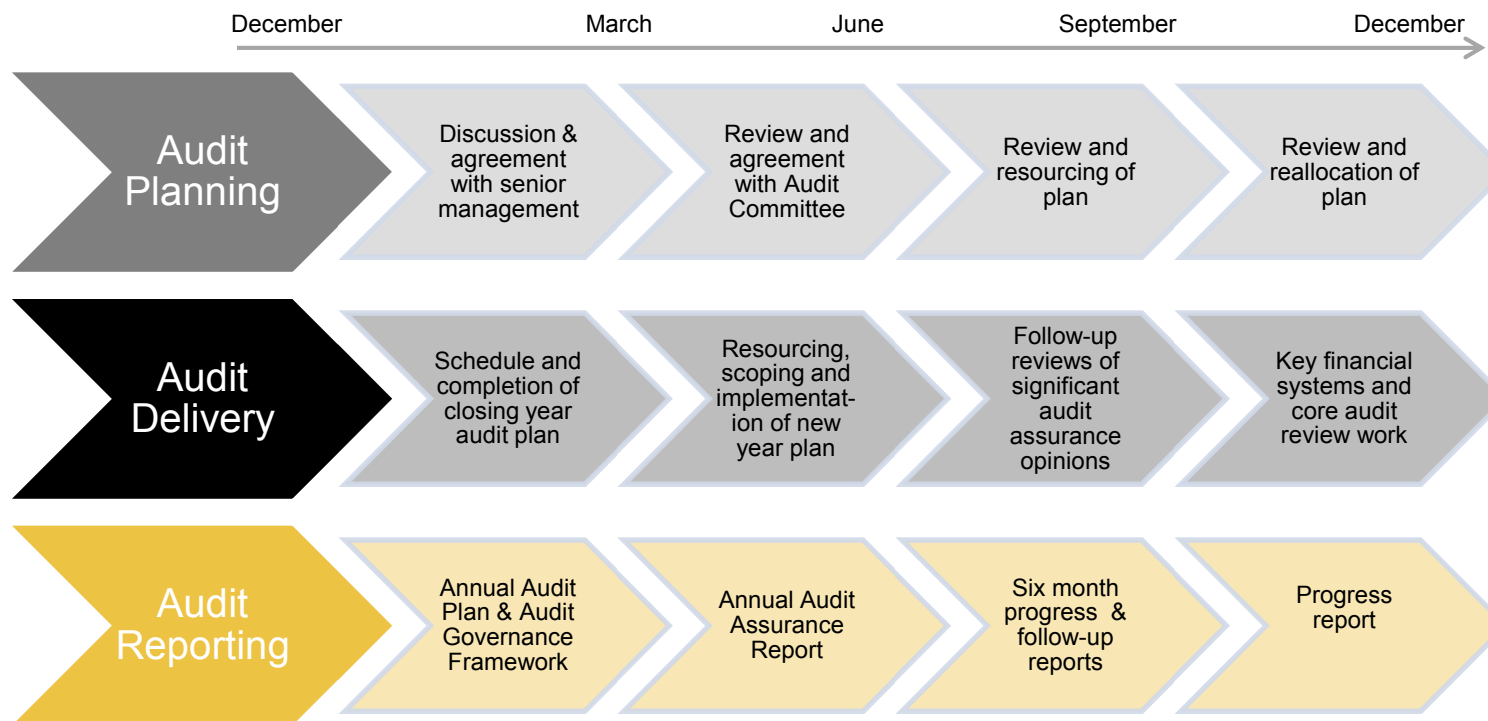
- be prepared by senior management and signed by the Chief Executive and Leader of the Council;
- highlight significant events or developments in the year;
- acknowledge the responsibility on management to ensure good governance;
- indicate the level of assurance that systems and processes can provide;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



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

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

## Our Audit Team and the Audit Delivery Cycle



Date	Activity
Dec / Jan 2015	Directorate planning meetings
March 2015	Internal Audit Plan presented to Audit Committee
	Internal Audit Governance Arrangements reviewed by Audit Committee
	Year end field work completed
Apr / May 2015	Annual Performance reports written
June 2015	Annual Internal Audit Report presented to Audit Committee
	Follow –up work of previous year’s audit work commences
Sept 2015	Follow-up and progress reports presented to Audit Committee
Dec 2015	Six month progress reports presented to Audit Committee
	2016 Internal Audit Plan preparation commences

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## Appendix 1 – Proposed audit reviews and associated risks

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Proposed Audit Work	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
<b>Transformation – Overall Programme</b>				
Programme Boards	SRR – Red ANA - High	Audit “trusted advisor” role at all six Programme Boards to provide support, challenge and independent assurance as to their effectiveness. This will place Audit at the heart of proposed changes and enable the targeted use of audit resources to support project delivery and mitigate risks in a collaborative manner.	Q1 – Q4	50
<b>Transformation - Co-operative Centre of Operations (CCO)</b>				
Strategic Centre	SRR – Red ANA - High	The continued support to CCO as they develop the Assure and Evolve projects. This will include the on-going work of the Integrated Assurance project and other workstreams as they are developed. (to fit Transformation Programme needs & timing)	Q1 – Q4	30
Service Integration and Management inc. Intelligent Client, Commissioning and Procurement, Category Management and Contract Management	SRR – Red ANA - High	Audit partner in the development of proposed governance & methodologies suitable for differing models that will see the Council becoming more consistently effective on how it commissions and procures, manages contracts and categories and gets the most from its relationships with delivery partners. This will use our knowledge of how solutions are delivered at other organisations, our understanding of the operations and culture within the Council and the changes that are needed to be made as the Council looks at opportunities to collaborate with others within the region. Review of Contracts Register and possibility of commissioning of contract monitoring software.	Q1 – Q2	30
Civica Financials Project	ANA - High	Audit partner at Project Board and support and challenge work undertaken by Project Team to ensure better, more efficient use of the Council’s current financial systems whilst maintaining sound, proportionate controls. Key areas could include : <ul style="list-style-type: none"> <li>- integrated system links;</li> <li>- “E” invoicing;</li> <li>- user lead performance analysis – FWEB;</li> <li>- intelligent scanning.</li> </ul>	Q1 – Q4	9

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Proposed Audit Work	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
<b>Transformation – Customer &amp; Service</b>				
Co-operative Reviewing of Service Areas	SRR – Red ANA - High	Audit partner support during service reviews within the Customer Services Programme. Where requested Audit support will to run alongside the reviews being carried out by the Programme Team as “co-reviews” with the recommendations of both pieces of work being presented collectively.	Q1 – Q4	20
<b>Transformation – Growth, Assets &amp; Municipal Enterprise (GAME)</b>				
Street Services Review	SRR – Red ANA - High	Internal Audit will continue its work with management to provide assurance that service efficiencies are identified, evaluated and where appropriate, delivered within Street Services, e.g. waste collection.	Q1 – Q4	35
Fleet Management	SRR – Red ANA - Medium	Internal Audit will act as “trusted advisor” to work alongside officers to provide advice, support and assurance with the implementation of a new fleet management system, the introduction of a category management approach to the procurement of the fleet and as the Council explores additional commercial opportunities in this area.	Q1 – Q4	35
<b>Transformation – Integrated Approach to Health &amp; Wellbeing</b>				
Integrated Community Health and Social Care Service Delivery	SRR – Red ANA - High	Audit partner support of programme development of robust and suitable solutions. This will include co-review with the business across partners including PCC, CCG & PCH to ensure the adequacy of appropriate controls within these solutions. Key areas will include as appropriate: <ul style="list-style-type: none"> <li>- Governance arrangements;</li> <li>- Risk management;</li> <li>- Delivery model and operational process</li> <li>- Financial control, alignment across partners and “authorisation” of care packages;</li> <li>- Fraud protection.</li> </ul>	Q1 – Q4	25
Integrated Commissioning	SRR – Red ANA - High		Q1 – Q4	25
Implementing the Care Act	SRR – Red ANA - High		Q1 – Q4	25
Co-operative Children and Young People Services	SRR – Red ANA - High		Q1 – Q4	25
<b>Transformation – People &amp; Organisation Development</b>				
Devon Audit Partnership will maintain a ‘trusted advisor’ and support the programme where appropriate as it continues to develop, especially where it is considered that there is fundamental change which impacts on existing controls or new risks emerge. Specific audit briefs to be identified through ongoing consultation process aligned to fit with programme need.				

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Proposed Audit Work	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
<b>Major Infrastructure &amp; Investment Projects</b>				
History Centre (Record Office)	ORR – Amber ANA - Medium	Continued “trusted advisor” role as the project progresses, providing support and challenge through the new build development.	Q1 – Q4	5
Waste PFI	ANA - Medium Client Request	Review of the proposed contract management procedures and Audit and Assurance plans. Continued “trusted advisor” role to the Executive Board to provide support and challenge.	Q1 – Q4	15
<b>Value Added</b>				
People – Completion of Fostering Review	ANA – High Client Request	Examination of policies and processes, benchmarking with other Authorities to identify / share best practice.	Q1	15
Early Intervention (Families With a Future)	Statutory Client Request	Phase 2 “Early Starter” FWWAF Audit will provide advice on the development of an outcomes plan and associated monitoring evidence systems that will be required. Audit will evaluate reported outcomes for families and certify the “Payments By Results” claim.	Q2	15
Management of DELT contract	ANA – High Client Request	To provide independent assurance that the Council’s interests are being protected and that the contract is being maximised.	Q2 – Q3	10
Customer Services - Review of Implemented Transformation Changes	ANA – High Client Request	Review and assure changes for the business once implementation of proposals are in place, as and when requested. Initial commission is for a review of changes in Revenues and Benefits at the end of quarter Q1.	Q1 – Q4	10
Highways Contract	ANA – High Client Request	Providing support and challenge as a new contract specification is developed by officers.	Q1 – Q4	15
Commissioning of Events	ANA - Medium	Review of process used to commission services for Council events.	Q2	15
Plymouth Community Homes Contract	ANA - Medium Client Request	Review of contract with regard to the liability for treatment of asbestos in properties and the financial impact on both PCH and the City Council. To understand what is the Council’s best interest from use of capital receipt	Q1	10



Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Proposed Audit Work	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
		income from Right to Buy against known and potential asbestos liability.		
Historic Environment Advice	ANA – Low Client Request	Audit to assist in reviewing existing processes and identify ways to improve how advice on works to listed buildings and development in conservation areas is administered.	Q2	10
Capital Programme Governance	ANA – High Client Request	Examination of current governance arrangements for approval of capital schemes.	Q3	10
Financial Regulations	ANA - Medium Client Request	Provide support as part of the review of current Financial Regulations which sit within the Council's constitution.	Q1 – Q4	5
<b>Core Assurance – Key Financial System</b>				
Civica Financials: <ul style="list-style-type: none"> <li>• Creditors</li> <li>• Main Accounting</li> <li>• Debtors</li> </ul>	ANA – High / Medium / Low	Identify and review the system in operation, where appropriate, and undertake a programme of testing, designed to measure compliance and to evaluate the effectiveness of system controls.	Q3 – Q4	55
Academy Revs & Bens: <ul style="list-style-type: none"> <li>• Housing Benefits</li> <li>• Sys Parameters</li> <li>• Council Tax</li> <li>• Business Rates</li> </ul>	ANA – High / Medium / Low	Identify and review the system in operation, where appropriate, and undertake a programme of testing, designed to measure compliance and to evaluate the effectiveness of system controls.	Q3 – Q4	55
Fixed Asset Register	ANA - Medium	Identify and review the system in operation, where appropriate, and undertake a programme of testing, designed to measure compliance and to evaluate the effectiveness of system controls.	Q4	10
Treasury Management	ANA - Low	Identify and review the system in operation, where appropriate, and undertake a programme of testing, designed to measure compliance and to evaluate the effectiveness of system controls.	Q3	10
CareFirst - Adults <ul style="list-style-type: none"> <li>• Residential Care Payments</li> <li>• Residential Care Billing</li> </ul>	ANA – High	Identify and review the system in operation, where appropriate, and undertake a programme of testing, designed to measure compliance and to evaluate the effectiveness of system controls.	Q2	40

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Proposed Audit Work	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
iTrent - Payroll	ANA - High	Identify and review the system in operation, where appropriate, and undertake a programme of testing, designed to measure compliance and to evaluate the effectiveness of system controls.	Q3	20
<b>Core Assurance - Other</b>				
Corp Information Management & Security <ul style="list-style-type: none"> <li>Business</li> <li>IT Inc. PSN</li> </ul>	SRR - Amber ANA - High	Audit partner support with Authority's ILOG and examining policies and processes relating to the management of information held throughout the organisation. Review processes followed by those areas of the Council that handle high risk information e.g. PADS.	Q1 – Q4	30
Business Continuity	SRR – Green ANA - Medium	Trusted advisor role with Authority's Strategy Group and ensuring that continuity plans are maintained and tested.	Q1 – Q4	5
ICT <ul style="list-style-type: none"> <li>Service Strategy</li> <li>Service Design</li> </ul>	ANA - High	Review key operational functions and provide assurance as to the effectiveness of the Council's ability to meet transformational requirements, deliver value through operating on a more commercial basis. Appraise the retained client function/ retained controls and provide assurance on their effectiveness in delivering, and maintaining, customer needs. ICT audit resources to input into general reviews of business systems including new business solutions, system development roadmaps and potential areas of service improvement that will deliver better value for money.	Q1 – Q4	50
Corporate Contracts	ANA – High	Examine rules and policies on purchasing, check that the role of the Authority's Strategic Procurement Team is clearly understood; that information about centrally negotiated contracts and purchasing activity is readily available; off-contract purchasing within departments is monitored and addressed; appropriate challenge is provided on contract compliance; review the adequacy of performance management, financial data and other information to enable effective monitoring;	Q2	10
Barclays "Spend Management"	ANA – High	Review of new processes being implemented following de-commissioning of DCal.	Q3	10
Travel and Subsistence	ANA - Medium Client Request	Compliance/Spot checks of travel and subsistence claims and accompanying receipts following the decision that service areas retain receipts rather than submit them centrally.	Q1-Q4 spot reviews	5

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Proposed Audit Work	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
		Ensuring Council's ability to satisfy HMRC requirements in the event of a VAT inspection.		
Planning Application Conditions Compliance	ANA – Low Client Request	Audit to test the robustness of controls within the processes following the introduction of an “e-based” system linked to the Council’s planning application software.	Q1 – Q2	15
Highways Act – Section 38 and Section 278	ANA – Low Client Request	Review of the Council’s procedures for dealing with Sec 38 and 278 agreements with developers.	Q3 – Q4	15
Mount Edgcumbe Joint Committee – Small Bodies Return	Statutory	Review of 2014/15 Small Bodies Return (Following recent rule changes, this will be the final year for this work to be carried out)	Q1 – Q2	5
Grant Certification	Statutory	Those grants where the grant determination requires independent certification of expenditure by Internal Audit.	Q1 – Q4	30
Schools Financial Value Standards (SFVS)	ANA - Low	Collection of SFVS self assessments completed by schools. Preparation of the Direct Schools Grant (DSG) Chief Financial Officer (CFO) Assurance Statement for 14/15 to be returned to DfE by 31 <sup>st</sup> May 2015	Q1 & Q4	15

### Risk Assessment Key

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

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**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	Strategic Risk and Opportunity Register – Monitoring Report
<b>Committee:</b>	Audit Committee
<b>Date:</b>	26 March 2015
<b>Cabinet Member:</b>	Councillor Lowry
<b>CMT Member:</b>	Lesa Annear (Strategic Director for Transformation and Change)
<b>Author:</b>	Mike Hocking, Head of Corporate Risk and Insurance
<b>Contact details</b>	Tel: 01752 304967 email: mike.hocking@plymouth.gov.uk
<b>Ref:</b>	CRM/MJH
<b>Key Decision:</b>	No
<b>Part:</b>	I

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**Purpose of the report:**

This report provides a summary of the latest formal monitoring exercise completed for the Strategic Risk and Opportunity Register for the period September 2014 to February 2015.

The total number of strategic risks reported remains at 31 with the addition of 1 new risk and the deletion of 1. The number of red risks has decreased from 6 to 5.

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

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

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

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**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.

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

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

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**Equality and Diversity**

Has an Equality Impact Assessment been undertaken? Not required.

**Recommendations and Reasons for recommended action:**

The Audit Committee is recommended to:

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

**Alternative options considered and rejected:**

Effective risk management processes are an essential element of internal control and as such are an important element of good corporate governance. For this reason alternative options are not applicable.

**Published work / information:**

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

**Background papers:**

None.

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

**Sign off:**

Fin		Leg		Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member: Malcolm Coe, Assistant Director for Finance													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

## **1.0 Introduction**

- 1.1 The position with regard to the Strategic Risk and Opportunity Risk Register was last reported to this Committee on [25 September 2014](#) and this report now provides a summary of the latest monitoring exercise covering the position as at 28 February 2015.

## **2.0 Strategic Risk and Opportunity Register – Monitoring Summary**

- 2.1 In accordance with the strategy requirement for twice-yearly monitoring, the latest monitoring exercise was completed in February 2015 with the results discussed and agreed by the Portfolio Holder on 13 March 2015 and CMT on 17 March 2015.
- 2.2 Attached to this report at Appendix A is a summary showing the current status of each risk and any movement in risk score compared with previous monitoring periods together with explanatory commentary on the key issues for each risk.

## **3.0 Headline Issues**

### **3.1 New Risk**

#### **Amber Risk 105 - The Council's potentially impaired ability to contact and mobilise appropriate operational staff out of hours to respond to a major emergency – (Row No. 6)**

Risks potentially result from the current informal on call arrangements across the organisation, which leads to a reliance on 'good will' in mobilising an appropriate operational response following the Civil Protection On-Call Officer initial assessment. There is a further risk of non-compliance with statutory duty of the Civil Contingencies Act 2004.

Call-out rotas for the Senior Management Team are being implemented which, when tested and embedded, will mitigate the risk.

### **3.2 Risk Score Unchanged**

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

Risk register implemented as part of the 2015/16 budget setting process. A continual review of risks is carried out following formal Council approval of the budget. Public facing finance plan report being written explaining what we spend our resources on - internal medium term financial statement being written for CMT as a reference document which will be updated as and when new information received.

#### **Red Risk 92 – Deterioration of the condition of the City's Highway Network (carriageway and footways) – (Row No. 2)**

Survey work has been carried out of the highway network. The Council will be investing £4.8m into roads and pavements and the Highways Maintenance contract has been extended until March 2017. The condition of the network is improving with the number of potholes at a record low level following a major programme of repairs and financial commitment by the Council. The repairs have also been helped by innovative approaches and the investment in new equipment. The risk remains high, however, due to the sheer scale of the investment required.

#### **Red Risk 49 – Future of Civic Centre and Council House following listed status as not currently fit for purpose – (Row No. 4)**

The Council has received an offer for the freehold of the Civic Centre tower from Urban Splash which has been accepted, subject to contract. It is intended that the legal transfer will take place by 30 September 2015, once existing Council staff and equipment have been relocated and the tower has been physically separated from the Council House, which will be retained in civic ownership and use.

**Red Risk 72 – Significant pressure on Adult Social Care budget – (Row No. 5)**

A significant overspend remains. Adult Social Care Budget Containment Plan continues to be monitored by the Clinical Commissioning and Adult Social Care Senior Management Team on a fortnightly basis.

**Amber Risk 51 – Delivery of sustained and accelerated economic and population growth in line with the Council's Corporate Plan and vision for the City – (Row No. 17)**

Plymouth is experiencing an upturn in private sector growth and investment and unemployment has reduced, sitting below the national average. The city has also been successful in securing a City Deal and finance from both rounds of the Growth Deal. These deals enable the redevelopment of key employment generating sites such as South Yard, various business support and trade development initiatives and improvements to infrastructure. Local initiatives such as the 1000 Club and Building Plymouth have helped more people get into work. As the economy continues to strengthen, the city needs to ensure that the labour pool has the right skills to match with the needs of businesses and that it delivers ease of access to sites where businesses can invest, expand or relocate. Initiatives such as a potential Enterprise Zone at South Yard and the bringing forward of sites for development within the city centre will be crucial in order to maximise the benefits of national economic improvements.

**Green Risk 97 – Integration of Adult Social Care and Community Health under the Integration Health & Wellbeing Transformation Programme — (Row No. 29)**

Shadow Integration Management Team established to develop a combined operating model based on high level structure agreed by Cabinet November 2014. The Council will have a place at Executive Team and Board of the newly merged organisation which is on schedule for implementation on 1 April 2015.

**3.3 Risk Score Reduced**

**Amber Risk 99 – Governance arrangements between ODPH, CCG and NHSE Area Team (decreased from 25 to 15) – (Row No. 13)**

The risk in Public Health commissioned services has been significantly reduced by the appointment of a Governance Pharmacist in PCHealthcare and the wider system risk is being addressed with the Clinical Commissioning Group and NHS England.

**Amber Risk 33 – Ensuring there is adequate capital for Education Infrastructure (decreased from 16 to 12) — (Row No. 19)**

Project plans in place for Knowle, St Matthew's CE Primary and Nursery Academy and expansions at Woodford and Holy Cross. Business cases will be presented to the City Council Investment Board on Pencycross and Pomphlett early in 2015. There are sufficient places across the city for all pupils requiring statutory education.

**3.4 Risk Score Increased**

**Amber Risk 94 – Delivering the Early Intervention and Prevention Strategy (increased from 12 to 16) — (Row No. 12)**



Early intervention and prevention is key to reducing referrals to Children's Social Care and this is being addressed through Transformation and the post Ofsted action plan. Although some areas of risk have been managed down through strategic processes, the overall risk is now clearer and more acute and has therefore increased the risk rating.

### **3.5 Deleted Risk**

#### **Green Risk 91 - Failure to keep abreast of and track new and emerging legislation as part of the powers following Localism Act (regulations) — (Row No. 32)**

Remove from register as being tracked as business as usual.

### **4.0 Transformation**

As described within the last Strategic Risk Report in August 2014 the Transformation Programme has been delivering a number of programmes and associated projects in line with the Council's Corporate Plan in order to meet the current financial challenge. In November 2014 the decision was made to align the Council's budgets and the expected benefits from the programme of work. This has been completed and the financial benefits from the projects and programmes are now aligned with the Council's budget.

The five original programmes will shortly be joined with a further programme to support the Council's ICT infrastructure moving into the future.

Financial benefits are being tracked by Finance to ensure there is a clear vision of benefit realisation on behalf of the Council. This reduces the risk of double counting benefits and also the risk of not identifying source budgets and removing the funding in subsequent years. A report to be provided to this Committee by the Portfolio as a separate agenda item on the risk of non-delivery of Transformation will cover benefits and risks in more detail, however, in February 2015 the predicted financial benefit realisation for the Council through Transformation was £7,180k against a budgeted £6,768k, therefore a £412k positive position.

Risk and Issue Management is now at the core of the Portfolio, Programme and Project (P3M) methodology and closely linked to the corporate risk reporting process. All projects, programmes and portfolio maintain a risk and issue register which is managed in line with best practice. Risks and Issues are an agenda item at each 'Performance' board on a monthly basis with escalation and de-escalation happening as required. All provide clear management processes around the life of risks and issues both within the Portfolio and within the wider organisation context of services and departments. The Transformation programme recently completed an external maturity assessment in line with Cabinet Office best practice which is known as the P3M3. Risk Management gained a level 3 assessment on a scale of 1-5. Level 3 is seen as an industry standard best practice rating of 'mature process'. This is measured against a database of over 200 other organisations using the same process.

### **5.0 Risk & Opportunity Management Strategy**

5.1 A review of the strategy is due to be undertaken in the next few months following consultation with key stakeholders to ensure it remains current. A revised draft will be presented to this Committee in June this year.

### **6.0 Summary and Conclusion**

6.1 The Council's success in dealing with the risks that it faces can have a major impact on the achievement of key promises, objectives and ultimately therefore, the level of service to the

community.

- 6.2 The movement in risk scores and the consequent changes to the Council's overall strategic risk profile outlined in this latest review provides good evidence of the dynamic nature of the Strategic Risk and Opportunity Register and the maturity of the Council's approach to the identification and management of strategic risk.
- 6.3 The inclusion of risk management considerations is a key feature in the Council's key corporate processes featuring in the Corporate Plan preparation, the Business Planning Framework, Budget Planning and Monitoring and Performance Management.
- 6.4 Managing Risk is also one of the five core management competencies in the Council's Competency Framework ensuring that the success of managers in managing risk in their area of responsibility is assessed as part of their annual performance appraisal.
- 6.5 This embedded approach now acts as an effective early warning system for the recording, monitoring and management of risks that threaten the delivery of the Council's strategic objectives and plans.
- 6.6 The next formal review of the Strategic Risk and Opportunity Register will take place in August 2015.

PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER TWENTY FEB 2015 - Summary by Risk Rating APPENDIX A

ROW NO	RISK REF	POTENTIAL RISKS IDENTIFIED	RESIDUAL RISK RATING			RESIDUAL RISK RATING			RESIDUAL RISK RATING			CURRENT RESIDUAL RISK RATING		CHANGE IN RISK RATING	COMMENTS	RISK OWNER	RISK CHAMPION	
			Aug-13			Feb-14			Aug-14			Feb-15						
			*P	*I		*P	*I		*P	*I		*P	*I					
1	21	<b>Medium Term Financial Forecast</b> issues - unable to meet spending reduction targets, negative impact on budgets, loss of reputation, negative impact on front line services and a negative opinion from external audit.	5	5	25	5	5	25	5	5	25	5	5	25	R	COMMENTS AUG 14: Monitoring for 14/15 has identified risks associated with delivering to budget. Robust challenges are now starting on management solutions and Transformation savings for 15/16 and 16/17 ahead of the next budget setting in February 2015. <b>COMMENTS FEB 15: Risk register implemented as part of the 2015/16 budget setting process; continual review of risks following formal Council approval of the budget. Public facing Finance Plan report being written explaining what we spend our resources on - internal medium Term Financial Statement being written for CMT as a reference document which will be updated as and when new information received.</b>	Malcolm Coe	Aaron Perrin
2	92	Deterioration of the condition of the City's <b>Highway Network</b> (carriageway and footways)	5	4	20	5	4	20	5	4	20	5	4	20	R	COMMENTS AUG 14: The survey work has continued with the results in the Autumn. Meanwhile the scheduled resurfacing programme continues in line with additional funding of £2m pa approved by Full Council. The Council's Highway Contractor is also introducing new ways of working and equipment in order to achieve further improvements to the condition of the highway network. <b>COMMENTS FEB 15: The survey work is now complete. The Council will be investing £4.8m into roads and pavements and the Highways Maintenance contract has been extended until March 2017. The condition of the network is improving with the number of potholes at a record low level following a major programme of repairs and financial commitment by the Council. The repairs have also been helped by innovative approaches and the investment in new equipment such as the roadmaster. However the risk remains high due to the sheer scale of the investment required eg. the backlog has been reduced from 7500 to 2500 but equally there have been 13,000 new potholes identified. The Council website has been improved to keep the public informed of planned works.</b>	Adrian Trim	Gill Peele

PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER TWENTY FEB 2015 - Summary by Risk Rating APPENDIX A

ROW NO	RISK REF	POTENTIAL RISKS IDENTIFIED	RESIDUAL RISK RATING			RESIDUAL RISK RATING			RESIDUAL RISK RATING			CURRENT RESIDUAL RISK RATING		CHANGE IN RISK RATING	COMMENTS	RISK OWNER	RISK CHAMPION	
			Aug-13			Feb-14			Aug-14			Feb-15						
			*P	*I		*P	*I		*P	*I		*P	*I					
3	95	<b>Transformation Impact on Plymouth City Council Business</b> - PCC is embarking on a large Transformation Programme. The scale of change and the benefit realisation required to achieve the council's plan as a Co-operative Council and address funding/income shortfall by 2016 / 17 carries significant risk on its capability and capacity to achieve this result.	New			4	5	20	4	5	20	4	5	20	R	COMMENTS AUG 14: The Business Architecture Design is underway with business cases in many instances now in their third review in increasing detail by Cabinet. Using industry standard Portfolio, Programme and Project methodology there is growing confidence in the capability maturity and the plan to develop and measure that maturity using a Transformation Capability Maturity Model tailored for PCC. There is a plan in draft for supporting the capability maturity and the governance and assurance role of the Portfolio Office is now established with a nearly complete complement of staff. Work is on-going to profile the benefit realisation for 14/15, 15/16 and 16/17. During the autumn in line with the budget preparation timeline the Architecture Design and Financial Analysis will prepare the profile for 15/16, 16/17 and 17/18. <b>COMMENTS FEB 15: Budget profiling for the programme is significantly improved. Dedicated internal transformation accountant in place. Projects and programmes aligned with benefits. Benefits used to support PCC budget setting and all management actions / identified benefits have been reviewed to ensure that they are not double counted. Benefit realisation being defined to ensure savings identified are taken. Benefit reporting is also in place where benefits are tangible and financial. For the financial year 14/15 projections in February 2015 are predicted to exceed targets set. Future actions are; Programme and Project Management in accordance with the Align Process to be formalised and tested with Gate Review Process launching in January 2015. P3M3 (external maturity assessment) review completed November 14 with problem areas being addressed, training increased throughout the portfolio with mentoring and more dependency work commencing.</b>	Les Allen	Helen Cocks
4	49	Future of <b>Civic Centre</b> and Council House following listed status as not currently fit for purpose.	4	5	20	4	5	20	4	5	20	4	5	20	R	COMMENTS AUG 14: An agreement could not be reached with the preferred developer that satisfied all the Council's criteria under the procurement process and under the timescales we had set out. Dialogue will continue with interested parties to enable this regeneration project to make progress. The Council will now vacate the Civic Centre office tower in the main by March 2015 and occupy alternative office accommodation. We are currently undertaking a twin-track approach which will either lead to the tower being sold to a private sector developer for conversion to non-council use which could include uses such as hotel, office, residential or leisure uses; or failing that the Council will work up a conversion scheme for office and other potential uses with the council occupying the space it requires with the remainder being leased as part of the Council's commercial estate. <b>COMMENTS FEB 15: The Council has received an offer for the freehold of the Civic Centre tower from Urban Splash which it has accepted, subject to contract. It is intended that the legal transfer will take place by 30th September 2015, once existing Council staff and equipment have been relocated, and the tower has been physically separated from the Council House, which will be retained in civic ownership and use. From the date of legal transfer, the responsibility for the building will pass to the new owner. The RAG rating will be revised once a legally binding agreement is in place.</b>	David Draffan / David James	Gill Peele





PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER TWENTY FEB 2015 - Summary by Risk Rating APPENDIX A

ROW NO	RISK REF	POTENTIAL RISKS IDENTIFIED	RESIDUAL RISK RATING			RESIDUAL RISK RATING			RESIDUAL RISK RATING			CURRENT RESIDUAL RISK RATING			CHANGE IN RISK RATING	COMMENTS	RISK OWNER	RISK CHAMPION
			Aug-13			Feb-14			Aug-14			Feb-15						
			*P	*I		*P	*I		*P	*I		*P	*I					
5	72	Significant pressure on <b>Adult Social Care budget</b>	3	4	12	3	4	12	5	4	20	5	4	20	R	COMMENTS AUG 14: A significant overspend is projected. ASC budget containment plan is in place. Rigorous monitoring continues to be undertaken by ASC Senior Management team on a fortnightly basis, finance and Business ADs and Director for People meet with Portfolio Holder for Finance on a weekly basis. COMMENTS FEB 15: A significant overspend remains, ASC Budget Containment Plan continues to be monitored by the CC & ASC SMT on a fortnightly basis.	Dave Simpkins	Julie Cook
6	105	The Council's potentially impaired ability to contact and mobilise appropriate operational staff out of hours to respond to a major emergency. Additional risk of non-compliance with statutory duty of the <b>Civil Contingencies Act 2004</b>							New			4	4	16	A	COMMENTS FEB 15: Risks potentially result from the current informal on call arrangements across the organisation, which leads to a reliance on 'good will' in mobilising an appropriate operational response following the Civil Protection On Call Officer initial assessment. Further risk of non-compliance with statutory duty of the Civil Contingencies Act 2004 should PCC be unable to respond out of hours. Call-out rotas for the Senior Management Team are being implemented which, when tested and embedded, will mitigate the risk.	Scott Senior	Katrina Houghton
7	46	The Council not meeting its obligations to keep <b>citizen data secure</b> , or provide and display information in line with statutory requirements. The consequence can be a financial penalty and/or reputational damage resulting in loss of trust in the Council which will affect the ability of the Council to work efficiently and effectively with the public, contractors or partner organisations (formerly Information Governance)	4	4	16	4	4	16	4	4	16	4	4	16	A	COMMENTS AUG 14: An action plan has been produced following the Information Commissioners Office (ICO) consensual audit which took place in April 2014. A Delivery Group has been established to co-ordinate implementation of the ICO recommendations. The ICO will undertake a desk based follow up of the audit early in 2015. A new post of Information Governance Manager has been created to support the delivery of the action plan. COMMENTS FEB 15: The Information Commissioners Office follow up audit report noted that PCC responded positively to the 49 recommendations made in their original audit report which took place in April 2014. Auditors were pleased to note significant progress in all 3 scope areas with 70% completion of the actions arising from the audit. The audit action plan is still live and Information Lead Officer Group continue to work through the remaining issues.	John Finch	Aaron Perrin
8	83	<b>Health Inequalities</b> - not meeting high level partnership target to reduce the gap in life expectancy by at least 10% between the fifth of areas (eight neighbourhoods) with the lowest life expectancy and the population as a whole by 2020	4	4	16	4	4	16	4	4	16	4	4	16	A	COMMENTS AUG 14: A revised approach to health inequalities will be launched in November 14 and will go to Cabinet and subsequently Caring Scrutiny in December. This will be a 10 year plan providing focus on the 4 main causes of health inequalities. Its aim will be to galvanise the work of PCC and partners. The initial stage will focus on working with employers. COMMENTS FEB 15: The city's 10 year plan to improve health was launched in November 2014 with 35 city businesses, partner organisations and a number of city leaders in attendance. The first year focus is on workforce wellbeing but Year 2 will focus on primary and secondary schools. Work to galvanise the Council and partners around the construct of 4-4-54 which is the name given to an emerging action plan from Plymouth's Director of Public Health to put in place a new approach for addressing health inequalities. This is being developed as the backbone to Thrive Plymouth over the 10 years. Current data suggests the gap in life expectancy between neighbourhoods in Plymouth has narrowed from the previous 12.2 to less than 10 years but this should be viewed in light of the Director of Public Health's recent comments to Corporate Management Team about the sensitivity of life expectancy measurements in small areas to the lifestyle risk factor improvements which Thrive Plymouth is based on.	Rob Nelder	Katrina Houghton

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			Aug-13			Feb-14			Aug-14			Feb-15						
			*P	*I		*P	*I		*P	*I		*P	*I					
9	84	Impact of <b>Welfare Reform</b> on Plymouth City Council and our customers	4	4	16	4	4	16	4	4	16	4	4	16	█ A	COMMENTS AUG 14: Groups continue to meet and implement updated action plan. Commissioned services are monitored alongside developments. The Emergency & Welfare fund is under review due to funding cuts. Benefit take up campaigns targeting groups are scheduled and support for credit unions and ban on pay day lending continues. <b>COMMENTS FEB 15: Group continue to meet and implement action plan. In-house commissioned services continue to be reviewed. Council Tax Support Scheme &amp; Emergency Welfare Fund schemes are monitored and reviewed. Plans implemented and strategies in place to create jobs and minimise poverty. Support continues to Credit Unions to reduce the use of costly loans.</b>	Peter Aley	Julie Reed
10	28	Increase in the number of <b>looked after children</b> and those subject to a Child Protection Plan leading to cost pressures on independent placements, staffing and resources	3	4	12	3	4	12	4	4	16	4	4	16	█ A	COMMENTS AUG 14: The current level of looked after children numbered at 411 exceeds targets. Placement monitoring meetings continue to ensure that only children with a need remain in care, this is monitored through weekly resource panel and quarterly through residential placement monitoring system. Commissioning work with colleagues continues to improve upon placement quality and choice. Work continues to increase level of in-house foster carers, a rigorous monitoring system is in place for pre-birth assessment work and a new family support team has been established. <b>COMMENTS FEB 15: The number of Looked After Children has decreased slightly, however, the number of children in independent foster care and young people in Supported Living has increased. Placements continue to be monitored through weekly resource panel and quarterly through residential placement monitoring system. Work continues to increase the number of in-house foster carers and we continue to monitor the effectiveness and impact of the new family support team. New 'wrap around' commissioning and service provision to be developed with project management support from Transformation to reduce need for high cost placements</b>	Alison Botham	Julie Cook
11	86	<b>Strategic Housing Private Sector Housing Intervention</b> - reducing capital resources.	4	4	16	4	4	16	4	4	16	4	4	16	█ A	COMMENTS AUG 14: Investment has been made through mandatory grants and discretionary loan interventions through Housing Assistance Framework. A prioritisation matrix is under development to ensure that the most vulnerable receive help first. Delivery plans have been revised, progress reports continue to be produced through Corporate Performance monitoring. <b>COMMENTS FEB 15: A bid was submitted to the City Council's Investment Board and has been successful in securing 100K towards this however the pressures as identified in the Action Plan and resource implications still remain the same. Delivery Plans still continue to be revised and monitored and will eventually align under the Plymouth Plan.</b>	Matt Garrett	Julie Cook
12	94	Delivering the <b>Early Intervention and Prevention Strategy</b>	New			4	3	12	4	3	12	4	4	16	↗ A	COMMENTS AUG 14: Transformation Team have captured this into the business process for development and presentation to Cabinet Planning in November. <b>COMMENTS FEB 15: Although some areas of risk have been managed down through strategic processes the overall risk is now clearer and more acute and has therefore increased the risk rating.</b>	Alison Botham / Judith Harwood	Julie Reed

PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER TWENTY FEB 2015 - Summary by Risk Rating APPENDIX A

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			Aug-13			Feb-14			Aug-14			Feb-15						
			*P	*I		*P	*I		*P	*I		*P	*I					
13	99	Potential risks resulting from the fragmented clinical and service <b>governance arrangements between ODPH, CCG and NHSE Area Team.</b>				New			5	5	25	3	5	15	 <b>A</b>	<p>COMMENTS AUG 14: The Health and Social Care Act 2012 transferred new and substantial health improvement and protection duties to Plymouth City Council in April 2013. In pursuit of this new duty, the Council commissions some services alongside providing a few services to the local population or other commissioners such as the CCG. The ring fenced Public Health grant funding requires that the Council, in commissioning services using funds from the grant, ensures that appropriate clinical governance arrangements are put in place. The public health system presently comprises aspects of public health commissioning and delivery sitting within different organisations such as Local Government, Public Health England, NHS England and CCG. Effective delivery of appropriate clinical governance expectations require high level partnership working and consistency across what is presently a fragmented system as far as public health is concerned. The Council is therefore currently engaged in strengthening its in-house public health departmental governance arrangements and exploring and establishing joint governance arrangements with the NHS England Area Team and the CCG.</p> <p><b>COMMENTS FEB 15: The risk in Public Health commissioned services has been significantly reduced by the appointment of a Governance Pharmacist in PCHealthcare and the wider system risk is being addressed with the Clinical Commissioning Group and NHS England.</b></p>	Kelechi Nnoaham	Katrina Houghton
14	76	Risk of not getting funding to progress development of <b>Gypsy Sites.</b>				Reinstated			3	5	15	3	5	15	 <b>A</b>	<p>COMMENTS AUG 14: This is not a new risk, however was archived during the last monitoring period and has now been reinstated as there has been a delay in the Broadley Park development due to a legal issue around the drawing down of HCA grant funding. There is planned investment in addressing underlying causes of problems to reduce costs and problems associated with unauthorised encampments and developments. <b>COMMENTS FEB 15: Broadley Park to be developed once legal issue is resolved. Potential sites to be identified as part of Plymouth Plan. Investment in addressing underlying causes of problems, reduces cost and issues associated with unauthorised encampments.</b></p>	Matt Garrett	Julie Cook
15	67	Working with partners in the prevention of <b>Violent Extremism.</b>	3	5	15	3	5	15	3	5	15	3	5	15	 <b>A</b>	<p>COMMENTS AUG 14: Counter Terrorism Local Profile (CTLP) received and responded to. Prevent Action Plan is being delivered with partners, and Plymouth Channel Panel is active in responding to referrals. <b>COMMENTS FEB 15: Prevent Action Plan continues to be delivered with partners, and Plymouth Channel panel continues to be active in it's response to referrals.</b></p>	Peter Aley	Julie Reed
16	24	Ensuring processes are in place to <b>protect staff from violent incidents</b> whilst carrying out their duties.	3	5	15	3	5	15	3	5	15	3	5	15	 <b>A</b>	<p>COMMENTS AUG 14: No update received. <b>COMMENTS FEB 15: Potentially Violent Persons ICT solution ready to roll out, pressure on team resources has re-prioritised this piece of work. Anticipate decision on way forward in May 2015, in the meantime continue to use incident reporting system to monitor any violent incidents recorded and share information as appropriate.</b></p>	Emma Rose	Michelle Chapman

PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER TWENTY FEB 2015 - Summary by Risk Rating APPENDIX A

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			*P	*I		*P	*I		*P	*I		*P	*I					
17	51	Delivery of <b>sustained and accelerated economic and population growth</b> in line with the Council's Corporate Plan and vision for the City.	3	5	15	3	5	15	3	5	15	3	5	15	█ A	COMMENTS AUG 14: The Growth and Assets Full Business Case was approved by Cabinet in June. The business case demonstrates a structure in place to accelerate commercial and housing developments and thereby achieving a minimum of £6.7m Growth Dividend. This in turn will enable a pipeline of future developments over the next three years. The latest monthly figures for Job Seeker claimants in Plymouth continue to show a downward trend. <b>COMMENTS FEB 15: Plymouth is experiencing an upturn in private sector growth and investment and unemployment has reduced further, sitting at below the national average. The city has also been successful in securing a City Deal and finance from both rounds of the Growth Deal. These deals enable the redevelopment of key employment generating sites such as South Yard, various business support and trade development initiatives and improvements to infrastructure. Local initiatives such as the 1000 Club and Building Plymouth have helped more people get into work. As the economy continues to strengthen, the city needs to ensure that the labour pool has the right skills to match with the needs of businesses and that it delivers ease-of-access to sites where businesses can invest, expand or relocate. Initiatives such as a potential Enterprise Zone at South Yard and the bringing forward of sites for development within the city centre will be crucial in order to maximise the benefits of national economic improvements.</b>	Paul Barnard / David Draffan	Gill Peele
18	59	Financial risk associated with investigation and clean up of <b>contaminated land</b>	3	5	15	3	5	15	3	5	15	3	5	15	█ A	COMMENTS AUG 14: As sites are identified remediation work is completed. Last site identified was Lipson Vale and a grant was obtained from DEFRA to complete the work. <b>COMMENTS FEB 15: No further sites have been identified under Part 2 A of the EPA 1990, but if a site was identified the Council would have to identify resources to comply with the statutory duty.</b>	Simon Dale / Robin Carton	Katrina Houghton
19	33	Ensuring there is adequate <b>capital for Education Infrastructure</b>	4	4	16	4	4	16	4	4	16	3	4	12	█ A	COMMENTS AUG 14: Project Plans in place for Knowle, St Matthew's CE Primary and Nursery Academy, expansions at Woodford Primary and Holy Cross RC for September 2015. Pennycross and Woodfield will be future projects. Sufficient places across the city for all pupils requiring statutory education. <b>COMMENTS FEB 15: Report to Cabinet for awarding contracts, St Matthew's and Knowle awarded in Nov 14 and Woodford and Holy Cross will be awarded in Jan 15. Business cases will be presented to City Council Investment Board on Pennycross and Pomphlett early in 2015. Sufficient places across the city for all pupils requiring statutory education.</b>	Jayne Gorton	Julie Reed
20	68	Failure to reach <b>recycling targets</b> and divert waste from landfill	3	4	12	3	4	12	3	4	12	3	4	12	█ A	COMMENTS AUG 14: Out-turn recycling rates for 2013/14 show continuing improvement and the kerbside glass collection scheme which is the last formal PCC initiative noted in the PFI Financial Business Case (FBC) has been launched which should provide further improvement. However these schemes are not delivering the recycling rate improvements forecast in the FBC and hence a condition risk remains that Defra may request further action. Notwithstanding the PFI Efficiency from Waste project is scheduled to come on line at the end of 2014 and the PFI to commence at that point. <b>COMMENTS FEB 15: The Energy From Waste plant will come on line in Spring 2015. Once the rezoning of the waste collection routes across the city has been fully embedded, a community engagement campaign around recycling will commence. This will include very clear messages on what and how waste can be recycled to improve the recycling rates.</b>	Simon Dale	Gill Peele



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			*P	*I		*P	*I		*P	*I		*P	*I					
21	93	Failure to deliver the range of <b>housing</b> to meet Plymouth's need	3	4	12	3	4	12	3	4	12	3	4	12	A	COMMENTS AUG 14: The Growth and Assets Business Case approved by Cabinet in June 2014 demonstrates the infrastructure in place funded by the Growth Dividend, to support the growth in housing. Progress is reviewed regularly. <b>COMMENTS FEB 15: The Plan for Homes has the ambition to deliver a very challenging target of 5,000 new homes over the next five years and will be regularly reviewed; first reporting period 2014/15. It contains 16 initiative aimed at increasing and accelerating housing delivery through a co-operative approach to partnership working to provide the finance, land, infrastructure, community engagement and leadership to provide a range of new homes.</b>	Paul Barnard	Gill Peele
22	88	Failure to ensure that the resources and capacity to deliver <b>Major Capital Transport Schemes</b> is in place to deliver effectively	4	4	16	4	4	16	3	4	12	3	4	12	A	COMMENTS AUG 14: The 2015 & 16 Growth Deal was announced in July 2014 and PCC has provisionally been allocated funding schemes, subject to approved business cases; Derriford Transport Scheme; Northern Corridor Signals; Eastern Corridor Strategic Cycle Network and Exeter Street Viaduct/Charles Cross improvement Scheme. Discussions surrounding the 2016 & 17 Growth Deal will commence in September 2014 and it is anticipated that an announcement on the successful Growth Deal Schemes will be made in Spring 2015. PCC will be looking to include the Forder Valley Link Road in the 2016 & 17 Growth Deal. <b>COMMENTS FEB 15: The Forder Valley Road project was submitted to the LTB for Growth Deal 2 in November 2014, with a request for £26.16M (total project cost of £37.238M). Provisional funding of £22.5 was offered to PCC in Jan 2015. The Forder Valley Road project was assessed as being the 2nd priority transport project under the Growth Deal 2 project ranking. PCC is confident that it can still deliver this project within the offered funding envelope, without needing to rescope the project. Re GD1 projects; Derriford Hospital Interchange - full Business Case approved. Derriford Transport Scheme - Programme Entry Business Case approved with Full Business Case to be submitted late summer/autumn 2015. Northern Corridor Junction - full BC approved which commits full funding for 15/16 and funding allocation for the next 5 years (subject to confirmation of value-for-money). Business Cases for Forder Valley Link Road and the City Centre Scheme will be submitted in summer/autumn 2015.</b>	Philip Heseltine	Gill Peele
23	96	<b>Implementation of the Care Bill and the Dilnot cap on care costs</b> - financial risk associated with additional assessment activity, managing care accounts and earlier funding of care costs	New			3	3	9	3	4	12	3	4	12	A	COMMENTS AUG 14: Most significant change in ASC legislation in a generation. Major policy reforms required. Care Act is part of Integrated Health & Wellbeing Transformation Programme. Work is underway on a peninsula basis to consider the potential for economies of scale through collaborative working on some key issues. <b>COMMENTS FEB 15: The Care Act continues to be part of the Integrated Health &amp; Wellbeing Transformation Programme. The resource implications are currently being modelled regionally as part of LGA/ADASS initiative.</b>	Dave Simpkins	Julie Cook
24	73	<b>Employee Relations</b>	3	3	9	3	4	12	3	4	12	3	4	12	A	COMMENTS AUG 14: No update received. <b>COMMENTS FEB 15: Difficulties in reaching agreements with Trade Unions re: Customer Services Team impacting more widely, requiring significant amount of resource across multiple service areas. Potentially much wider impact across transformation programme.</b>	Chris Squire	Michelle Chapman
25	82	Potential legislative non-compliance of <b>PCC buildings</b> due to fragmented ownership and responsibility	2	5	10	2	5	10	2	5	10	2	5	10	G	COMMENTS AUG 14: The recommendations of the audit are being worked through. Gaps identified, particularly around competency of responsible persons, will be addressed through forthcoming restructures. <b>COMMENTS FEB 15: New roles and responsibilities included in a revised structure to be in place by 1 April.</b>	Chris Trevitt	Aaron Perrin

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			*P	*I		*P	*I		*P	*I		*P	*I					
26	30	ICT Resilience - Ensuring there is adequate disaster recovery in place to deal with the unavailability of ICT.	2	5	10	2	5	10	2	5	10	2	5	10	G	COMMENTS AUG 14: The majority of key services are now migrated to Windsor House and there are failover arrangements in place for key systems. Business Continuity Plans (BCP) are maintained by each of the business areas and co-ordinated by the Civil Protection Unit. These would need to be invoked if there was a total failure of ICT. <b>COMMENTS FEB 15: BCP Plans continue to be reviewed on a six monthly basis.</b>	Giles Letheren	Helen Cocks
27	08	Ensuring the Council has a robust <b>Business continuity</b> planning strategy in place to facilitate resumption of normal business activities should a serious incident occur	2	5	10	2	5	10	2	5	10	2	5	10	G	COMMENTS AUG 14: Departmental Recovery Plans are reviewed on a six monthly basis and a selection will be subject to scrutiny during the National Exercise, Exercise Cygnus in October 2014. The strategy group continues to lead corporately in responding to and providing mitigation from threats that have the potential to disrupt the authorities service delivery. <b>COMMENTS FEB 15: The Business Continuity process is closely aligned with the principles of ISO 22301. Individual Departmental Recovery Plans continue to be reviewed on a six monthly basis and the impact of transformational changes is being closely monitored. An option is being explored to provide generic exercises through a uniformed approach within the Devon, Cornwall and Isles of Scilly Local Resilience Forum.</b>	Jamie Whitford-Robson	Katrina Houghton
28	98	Risk of suspension of access to key public health data due to organisational non compliance with the <b>Information Governance Toolkit</b> for Department of Health e.g. access to Health & Social Care Information Centre data.				New			2	5	10	2	5	10	G	COMMENTS AUG 14: Loss of access to this key base population data for the city will prevent accurate intelligence to both the CCG and PCC to support decision making as part of the mandated function of the local public health team. Business Support Managers to work jointly in a sub group of the Information Lead Officer Group ahead of 2015 compliance in order to compile evidence and refresh on a rolling program. <b>COMMENTS FEB 15: Currently compliant with work scheduled to achieve compliance for 2015.</b>	Kelechi Nnoaham	Katrina Houghton / John Finch
29	97	<b>Integration of Adult Social Care and Community Health</b> under the Integration Health & Wellbeing Transformation Programme				New			3	3	9	3	3	9	G	COMMENTS AUG 14: Delegation of the LA functions to a Social Enterprise. Integrated Health & Wellbeing Transformation Programme and Integrated Project Board. <b>COMMENTS FEB 15: The Council will have a place at Executive Team and Board of the newly merged organisation which is on schedule for implementation on 1 April 2015.</b>	Craig McArdle	Julie Cook
30	60	The impact on Revenue budget of <b>Treasury Management</b> activity (formerly Economic downturn affecting treasury management)	3	4	12	3	4	12	3	3	9	3	3	9	G	COMMENTS AUG 14: Monthly board meetings are now in place and setting the strategic direction cross-party for short and long term outlook. Banks are more secure and Icelandic banks are now not significant. Monitoring will continue as part of MTF. <b>COMMENTS FEB 15: New banking rules apply from July 2015 but risk mitigation covered within Treasury Management Strategy 2015/16 approved by Council February 2015. Continue to work with independent treasury advisors to minimise risk / maximise income.</b>	Malcolm Coe	Aaron Perrin
31	100	<b>Transformation of Youth Service.</b>				New			2	4	8	2	4	8	G	COMMENTS AUG 14: A reduction of £480,000 over 3 years. Completed rationalisation of business support and management. Next is remodelling of frontline delivery. The main risk is disruption to frontline service and ensuring business continuity. It is also key to ensure the new model (Community development model) process is kept in line with, and keeps pace with, the budget reduction. <b>COMMENTS FEB 15: 3 year transformation plan in place which has been through CMT and Cabinet. Progress with plan has meant process is currently ahead of the budget reduction schedule effectively creating more time for the smooth transition of services and lowering of likelihood of impact on customers.</b>	John Miller	Julie Cook

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32	91	Failure to keep abreast of and track new and emerging legislation as part of the powers following <b>Localism Act</b> (regulations)	3	4	12	3	4	12	2	4	8	Delete		D	COMMENTS AUG 14: Lawyer appointed and legislation being tracked as business as usual. <b>COMMENTS FEB 15: Remove from register as being tracked as business as usual.</b>	Dave Shepperd	Cheryl Spear
* P = Probability Rating (1 = Low, 5 = High) * I = Impact Rating (1 = Low, 5 = High) Maximum Score 5 x 5 = 25  NB. Risks scored 12 or above will be the subject of priority monitoring																	

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# ICO AUDIT

Audit Committee Report March 2015



## Introduction

The ICO was invited to conduct a data protection audit by the Council. The audit took place in spring 2014. The audit covered three main areas:

- Records management (manual and electronic)
  - The process in place for managing both manual and electronic records containing personal data.
- Training and awareness
  - The provision and monitoring of staff data protection training.
- Subject Access Requests
  - The procedures in operation for recognising and responding to individuals' requests for access to their personal data.

## Findings

The ICO audit made 49 recommendations to the Council, and gave a rating of "Limited Assurance" for Records Management and Training and Awareness and a rating of "Reasonable Assurance" for Subject Access Requests. This translates into an overall rating of Limited Assurance.

## Final audit report

In January 2015, the ICO supplied the final report. The Auditors were pleased to note significant progress in all 3 scope areas, stating that the Council has responded to these recommendations positively with 28 of the 49 recommendations accepted as complete, and a further 20 as partially complete.

Areas where improvements are particularly noteworthy include:

- The resolution of the nature and ownership of the substantial volume of records in the Civic Centre basement;
- The assignment of corporate responsibility for data protection training to the Information Governance Manager;
- The monthly consideration of subject access reports by the Information Governance Manager.

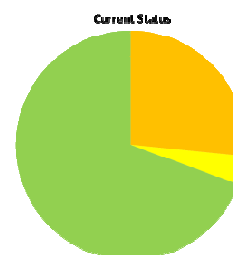
The ICO recommended that the Council continues to work towards full implementation of their recommendations. In particular

- The appointment of a corporate Records Manager to take the lead for records management
- The delivery of specialised training for specialised roles
  - This is being provided in June 2015 by the National Archives.

## Current status

Of the 49 actions, currently 15 need to be completed.

<b>To Start</b>	0	0%
Underway	13	27%
Almost Complete	2	4%
Complete	34	69%



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## CITY'S ASSETS AND INSURANCE STATUS

Information Note to Audit Committee 26 March 2015



### 1. Introduction

It was agreed at the last meeting of the Audit Committee that an update would be provided on the insurance status of the city's assets.

This note deals with both the insurance position of those assets and the security arrangements in place for their protection.

### 2. Security

All Council buildings are alarmed, with a 24 hour call out system automatically in place with our framework contractor.

The main corporate office buildings have security staff, soon to be concierge staff, in attendance from 6am to 8pm, with the buildings alarmed outside of these times.

Outside of these hours any incident call outs are dealt with by the security office at Prince Rock depot which is staffed 24/7.

### 3. Insurance

The Council insures its assets under a variety of insurance policies covering buildings, contents, computer equipment, fleet vehicles and Museum exhibits. The range of cover varies according to the risk and level of self-insured retention desired.

Property assets are self-insured up to the first £100,000 loss from any one occurrence for which an insurance provision is maintained to meet claims falling within this excess. The total value of assets insured is currently £558.6M which comprises, for each location insured, a rebuilding cost for re-instatement in the event of a total loss plus a figure for contents.

The insurance covers losses from the following "perils" – Fire, Lightning, Storm, Aircraft, Explosion, Malicious Damage, Riot & Civil Commotion, Impact, Escape of Water and Terrorism.

Museum exhibits, which include the Civic Plate and Regalia, historic pieces and items on long term loan, are insured on an "All Risks" basis with no excess. The locations where exhibits are housed include the Plymouth City Museum and Art Gallery, Council House, Merchant's House, Elizabethan House, Astor House, Buckland Abbey, Mount Edgcombe Country House and Port Elliot House. The total value of assets insured is £39m.

The Council's property insurers periodically carry out surveys of buildings which have included the Museum and Art Gallery and any security recommendations are put in place as a result e.g. 24 hour alarm responses, CCTV etc.

In addition, new building acquisitions and major alterations to risk such as accommodation moves involve insurers at an early stage to enable advice on minimum security measures to be incorporated into schemes.

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# TRANSFORMATION PROGRAMME



## The risks of delivery in the Transformation Programme

### Background

This paper provides the Audit Committee with a summary of the management measures that the Portfolio Office is taking to control the risk to the delivery of the financial benefits for Plymouth City Councils transformation.

As described in the Medium Term Financial Plan the Transformation programme represents the proactive plan to bridge the funding gap and to radically change the way that services are delivered in order to further reduce costs in future years.

The challenge set was to achieve the delivery of the following financial benefits over the first three years:

Financial Year 2014 /2015	£6.768M	forecasted outcome is £7.180M
Financial Year 2015 /2016	£13.611M	
Financial Year 2016 /2017	£8.818M	

Alongside this there are significant non-financial benefits that are aligned to the Programmes and projects but are not covered in this report.

### Methodology

The Portfolio Office is implementing a methodology known as Portfolio Management to deliver the transformation programme which is seen as 'industry best practice' and is sponsored by the Cabinet Office. This discipline is endorsed and regularly reviewed by The National Audit Office who has highlighted the importance of the methodology and its ability to successfully deliver and realise benefits. This methodology better coordinates investment in programmes and projects improving the management of risk, encouraging collaborative working and by providing accurate, timely information that enhances management decision making and enables Plymouth to:

- Invest in the right programmes and projects
- Ensure successful delivery in terms of time, quality, budgets and benefits

The Portfolio Office implements standards and processes which apply to all Projects, Programmes and Portfolio (P3M). In simple terms the Portfolio Office manages a hierarchy of selected programmes and projects (Figure 1) that will deliver benefits to Plymouth City Council. These benefits either have a financial impact, social impact or an efficiency improvement. In general given the main aim of reducing operational cost to support service delivery the programmes will aim to increase income, remove, reduce, avoid or share cost.

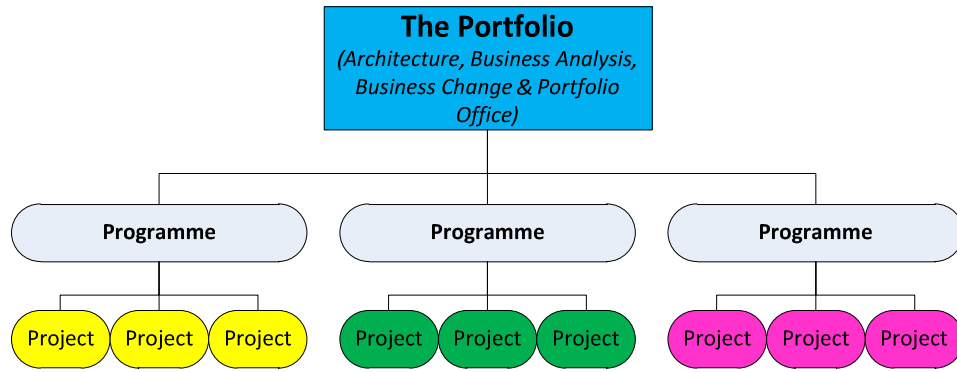


Figure 1: The Hierarchy of Portfolio, Programme and Project Management (P3M)

This hierarchical system allows Projects to be managed by Programmes and Programmes to be managed by The Portfolio. These all link together using common practices, technology, language, rules and processes. This best practice framework is depicted in Figure 2.

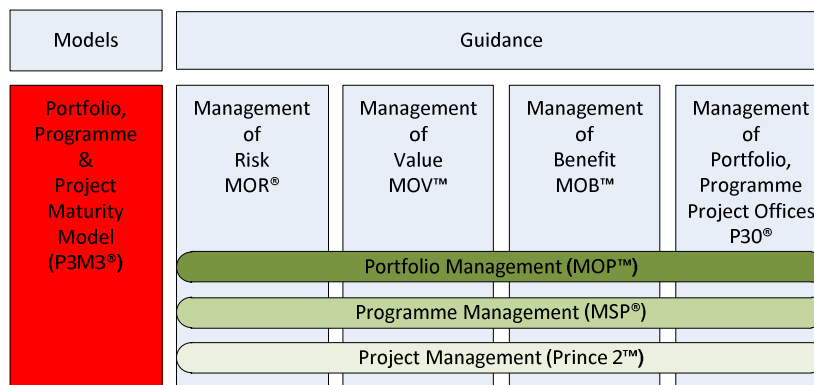


Figure 2: Cabinet Office endorsed best practice.

The Portfolio, Programme and Project Maturity Model (P3M3) shown in Figure 2 is a standardised maturity assessment that is available to be purchased through Government procurement frameworks. Thus far in the UK the industry has seen 220 completed and added to the database of standards. The scoring results against each section are on a 1 to 5 sliding scale. Thus far no one in the UK has achieved level 5 maturity. In November 2014 PCC commissioned its first Portfolio, Programme and Project Maturity Model (P3M3) and gained an overall rating of 1.6 which for its embryonic state is a very sound result. A further audit is booked for September 2015 and March 2016 with the aim of achieving levels two and three respectively. If achieved this would place PCC alongside some of the highest in the UK. Interestingly PCC scored 3 on risk management in November 2014.

In summary, Plymouth City Council are following and improving within the industry best practice to achieve the benefits that it needs to achieve. The methodology effectively spreads the risk of non-delivery of financial benefits by breaking it up, making it more achievable and easier to deliver. This removes reliance on a single solution and allows flexibility to achieve the target given that some may under or over achieve.

**Governance**

The Portfolio Office has taken the governance procedures that it needs to achieve successful delivery and has achieved a fit with the governance procedures of Plymouth City Council. As such we currently either deliver or report to the following on a regular basis through Cabinet Members, Chief / Senior Officers and Programme Managers:

- Council
- Cabinet
- Audit Committee
- All Scrutiny Committees
- Corporate Risk
- Departmental Joint Consultation Committee
- Lead Union Representatives
- Cabinet Portfolio Holders for all areas
- Cabinet Portfolio Holder for the Transformation Programme

Further to this the Portfolio Office also runs a number of boards as shown below to achieve the P3M momentum, monitoring and ultimately drive towards delivery.

- Transformation Advisory Group (Cross party and transformation open discussion on progress) held monthly.
- Transformation Portfolio Board (Performance) CMT + Head of Portfolio + Comms) held monthly.
- Transformation Portfolio Board (Momentum) held monthly
- Transformation Programme Boards (for each programme chaired by their Director (SRO) and internal Audit in attendance Appendix I of Audit Plan)
- Transformation Project Boards (for each project chaired by their Project Executive who in the main are AD's)

At each of the performance boards standing agenda items that are reviewed and monitored are:

- Issues
- Risks
- Benefits
- Finances
- Progress against planned programme
- Engagement and Communications

In summary, the transformation process receives in the order of 60 hours overview and scrutiny per month from different groups.

### **Issue and Risk Management**

Issues and risk management occurs in accordance with MOR®. This means that a standardised risk register (agreed with corporate risk) populated and reviewed by project boards and teams is used as a live document and actively managed to ensure that the risk is reduced and that issues do not form. If they do then they are managed actively and escalated to Programme Board to gain further support. This again escalates to Portfolio if unable to solve or critical to delivery. Portfolio maintains the link between the Transformation Programme and the Corporate Risk Register. Specific Risks may then be moved to the Corporate/ Departmental or Service Risk Registers if appropriate. Internal Audit sits in this process. Reporting through the P3M process above each Project Executive and Programme Senior Responsible Owner is accountable for their Risks and Issues.

### **Benefit Management**

Benefit Management is embryonic at this time but is forming into a clear process within the organisation. Again this will be managed in line with MOB™ with the Finance team having ownership of the recovery and the budgets and the Performance Policy and Partnership team having ownership

of the independent reporting but the coordination and delivery through the Portfolio Office. In this way the actual benefits are verified by two separate teams. Reporting through the P3M process above each Project Executive and Programme Senior Responsible Owner is accountable for their benefits.

## Financial Management

Financial Management of each Project or Programme is the responsibility of the appropriate project or programme manager, this is then coordinated and challenged and controlled by the Portfolio Office who is ultimately responsible for the budgets allocated. As depicted in the Budget transformation is now at the centre of the budget setting and as such has a dedicated link into Finance who is coordinating the numerous revenue and capital budgets with reporting through the P3M process above and Project Executive and Programme Senior Responsible Owner who are accountable for their expenditure. Again Internal Audit will have regular access to the ongoing work with confirmation from the Finance team.

## Planning & Progress

All Project and programme planning is again managed through the P3M process with the Portfolio office identifying dependencies upon critical points in other programmes and projects. These then are de-conflicted or coordinated as required to ensure that progress is as efficient as possible. The Portfolio Office also maintain a lessons learnt process which gathers sorts and aligns for easy reference and learning any lessons learnt through the lifetime of a project. This will allow the Portfolio Office to draw upon learning for future projects.

## Training

Training is at the heart of the methodology with team members receiving regular professional development training. Significant Training has been completed in all capabilities within the team.

Training course	No	Comments
TPS Basic (CPS)	45	
MS Project Basic (CPS)	48	
PRINCE2 Foundation (Aspire)	17	All delegates achieved Foundation status. Further staff attending in March/April.
PRINCE2 Practitioner (Aspire)	15	All delegates achieved Practitioner status. Further staff attending in March/April
BA Module 1 Foundation (AssistKD)	12	All BAs currently in post now have a timetable of training courses/exams culminating in BCS Diploma in Business Analysis
TPS Sharepoint and documentation (CPS)	36	
Align PPM fundamentals & Align (Aspire)	47	
Align PM - Benefits management concepts (Aspire)	6	
PM - Planning concepts (Aspire)	5	
PM Risk Management Concepts (Aspire)	15	
PM Business case and Finance concepts (Aspire)	15	
Web Author Training (PCC)	12	
ASDV Toolkit training (PCC internal)	6	
Managing Successful Programmes	2	1 further to take in May

Foundation/Practitioner (BMC)		
Management of Risk Foundation/Practitioner (BMC)	1	Achieved Practitioner status
Business Architecture for Enterprise Architects (QA)	2	1 further to take in April
APM (stage 1)	5	
Principles of Change Management (QA)	8	All delegates achieved Practitioner status.

## Summary

In summary, Plymouth City Council is on a journey to deliver a Portfolio Project Management process which will allow the city to control change in an economic and efficient way to support the organisation going forward. The use of industry best practice is achieving clear and efficient management of change. The results of this investment are already bearing fruits in the achievement of the first year of benefits.

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### 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
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													tbc
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			26			
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						26			
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	Paul Brookes							18						tbc
Contract Management – Amey Contract Overview	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	Lead Officer							18						
Data Security Breach	John Finch							18			26			
Risks of delivery of the Transformation Programme <i>*new</i>											26			
City's Assets and Insurance Status <i>*new</i>											26			

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