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## **Democratic Support**

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Published 16 June 2015

## **AUDIT COMMITTEE**

Thursday 25 June 2015  
10.00 am  
Council House (Next to the Civic Centre), Plymouth

### **Members:**

Councillor Parker-Delaz-Ajete, Chair  
Councillor Sam Leaves, Vice Chair  
Councillors Sam Davey, Murphy and Mrs Pengelly

### **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. TO NOTE THE CHAIR AND VICE CHAIR**

The committee will be asked to note the appointment of the Chair and Vice Chair for the municipal year 2015-2106.

#### **2. APOLOGIES**

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

#### **3. DECLARATIONS OF INTEREST**

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

#### **4. MINUTES**

**(Pages 1 - 12)**

To confirm the minutes of the meeting held on 26 March 2015.

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

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

#### **6. INTRODUCTIONS FROM NEWLY APPOINTED AUDITORS, BDO**

**(Pages 13 - 16)**

The Committee will receive an introduction from the newly appointed external auditors, BDO.

#### **7. INTERNAL AUDIT CHARTER/INTERNAL AUDIT STRATEGY**

**(Pages 17 - 34)**

The Committee will be provided with the Internal Audit Charter and the Internal Audit Strategy.

#### **8. INTERNAL AUDIT ANNUAL REPORT - 2014/15**

**(Pages 35 - 74)**

The Committee will be provided with the Internal Audit Annual Report 2014/15.

**9. RISK AND OPPORTUNITY MANAGEMENT 2015 - 2017 AND ANNUAL REPORT (Pages 75 - 104)**

The Committee will be provided with the Risk & Opportunity Management Annual Report.

**10. OPERATIONAL RISK AND OPPORTUNITY MANAGEMENT UPDATE REPORT (Pages 105 - 110)**

The Committee will be provided with the Operational Risk & Opportunity Management Update Report.

**11. ANNUAL GOVERNANCE STATEMENT 2014/15 (Pages 111 - 138)**

The Committee will be provided with the Annual Governance Statement.

**12. INFORMATION GOVERNANCE ANNUAL REPORT (Pages 139 - 144)**

The Committee will be provided with the Information Governance Annual Report.

**13. CONSTITUTIONAL CHANGES IN RELATION TO CONTRACT STANDING ORDERS AND FINANCIAL REGULATIONS (TO FOLLOW)**

The Committee will receive a report detailing the changes to the constitutional changes in relation to contract standing orders and financial regulations.

**14. STATEMENT OF ACCOUNTS 2014/15 (Pages 145 - 152)**

The Committee will be provided with an update on the Statement of Accounts 2014/15.

**15. TREASURY MANAGEMENT PRACTICES, PRINCIPLES AND SCHEDULES 2015/16 AND TREASURY MANAGEMENT OUTTURN FOR 2014/15 (TO FOLLOW)**

The Committee will be provided with the Treasury Management Practices, Principles and Schedules 2015/16, and the Treasury Management Outturn for 2014/15.

**16. EXTERNAL AUDIT PLAN PROGRESS REPORT (Pages 153 - 164)**

The Committee will be provided with the External Plan Progress Report.

**17. AUDIT COMMITTEE WORKPLAN 2015/16**

For the Committee to discuss the Audit Committee Workplan 2015/16.

## **18. EXEMPT BUSINESS**

To consider passing a resolution under Section 100A(4) of the Local Government Act 1972 to exclude the press and public from the meeting for the following item(s) of business on the grounds that it (they) involve the likely disclosure of exempt information as defined in paragraph 3 of Part I of Schedule 12A of the Act, as amended by the Freedom of Information Act 2000.

## **PART II (PRIVATE MEETING)**

### **AGENDA**

#### **MEMBERS OF THE PUBLIC TO NOTE**

that under the law, the Panel is entitled to consider certain items in private. Members of the public will be asked to leave the meeting when such items are discussed.

NIL.

## **Audit Committee**

**Thursday 26 March 2015**

### **PRESENT:**

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

Independent Members: Mr Clarke and Mr Stewart.

Apologies for absence: Councillor Stevens.

Also in attendance: Les Allen (Head of Portfolio), Lesa Annear (Director for Transformation and Change), David Bray (Grant Thornton), David Curnow (Deputy Head of Devon Audit Partnership), Simon Dale (Interim Assistant Director for Street Services), Brenda Davis (Audit Manager), John Finch (Information Governance Manager), Mike Hocking (Head of Corporate Risk and Insurance), David Northey (Head of Corporate Strategy), Helen Rickman (Democratic Support Officer), Dan Sharp (Amey) and Adrian Trim (Head of Highways, Parking and Marine Services).

The meeting started at 2.05 pm and finished at 4.45 pm.

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

### **Chair's Thanks**

Councillor Wheeler, Chair of the Audit Committee, thanked Malcolm Coe (Assistant Director for Finance) on the Committee's behalf, for his hard work and dedication to the role. Members wished Malcolm good luck for the future in his new job.

#### 48. **DECLARATIONS OF INTEREST**

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

#### 49. **MINUTES**

Agreed the minutes of 18 December 2014 as an accurate record of the meeting.

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

There were no items of Chair's Urgent Business.

51. **AUDIT COMMITTEE UPDATE**

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

Members were advised that –

- (a) 2014/15 was the last financial year in which Grant Thornton would be employed as the Council's external auditors;
- (b) the 2014/15 external audit fees were determined by the Audit Commission; there was an increase in fees of £1,070 for all Unitary Councils to reflect the additional audit work undertaken on material business rate balances;
- (c) the debate regarding which school land and buildings should be recognised on local authority balance sheets had been reignited by CIPFA who issued an update to the Code of Practice; Grant Thornton was taking a lead role in trying to resolve this issue;
- (d) the provision for business rates appeals had changed whereby the backdating of Valuation Office Agency (VOA) alterations was restricted; only alterations made before 1 April 2016 and ratepayers' appeals made before 1 April 2015 could be backdated to the period of 1 April 2010-1 April 2015;
- (e) the Employment Appeal Tribunal (EAT) has confirmed that non-guaranteed overtime should be included in the calculation of holiday pay; back dated claims could only be made if it occurred less than three months since the last incorrect payment of holiday pay;
- (f) legislation was recently passed to bring forward the deadline for the preparation and audit of Local Government financial statements from 2017/18 onwards; the deadline for the preparation of financial statements was brought forward by one month to May, and the deadline for the audit completion was brought forward by two months to July. These changes to deadlines represented a significant challenge to auditors and local authorities; Grant Thornton would be writing a national report in 2016 detailing how local authorities had achieved submitting their accounts earlier.

In response to questions raised it was reported that –

- (g) the Head of Corporate Strategy confirmed that his team worked closely with colleagues in Grant Thornton, Internal Audit and the Valuation Office to ensure that the Council had arrangements in place for the estimation of business rates appeals to be charged against the appeals provision set up last year. Officers were currently assessing if a provision was required in the 2014/15 accounts for the inclusion of overtime in the calculation of holiday pay;
- (h) a representative from Grant Thornton would advise Members at the next Audit Committee meeting of the success of pre-decision scrutiny nationwide;

- (i) Plymouth City Council was positively mentioned in the 'All Aboard? – Local Government Governance Review 2015' – this reflected well upon the Council's finance team as an example of good practice.

Under this item David Bray (Grant Thornton) thanked Malcolm Coe (Assistant Director for Finance), on behalf on Grant Thornton for all of his hard work.

The Chair thanked David Bray for his update.

Members noted the report.

52. **AUDIT PLAN 2014/15**

David Bray (Grant Thornton) provided Members with an update on the Audit Plan 2014/15.

Members were advised that –

- (a) the Audit Plan set out the key challenges and opportunities facing the Council as well as Grant Thornton's response to developments;
- (b) contained within the audit plan was a diagram on page 34 of the agenda detailing how the audit process worked and how the Council's external auditor issued their opinion;
- (c) there were two significant risks which were applicable to all audits under auditing standards (International Standards on Auditing – ISAs) including management over-ride of controls, and the revenue cycle including fraudulent transactions. Other risks identified included Housing Benefit expenditure being improperly computed however good progress had been made in this area;
- (d) the Code of Practice required Grant Thornton, as External Auditor, to issue a conclusion regarding if the Council had put proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources; to address the risks identified the external auditor would review the medium term financial planning of the Council, assess future savings plans, review the Council's performance against the budget and consider whether the better Care Fund was a risk in the context of the Value for Money conclusion;
- (e) the findings of the interim audit work included the review of the Council's journal entry policies and procedures. A material weakness was identified whereby there was no authorisation process for journals prior to posting. Further testing of journals would be undertaken as part of the final accounts audit. The Head of Corporate Strategy advised that as a result of last year's audit recommendations, with effect from 1<sup>st</sup> October 2014 all journals with a value in excess of £500k were being signed off by him or the Head of Finance Operations. In response to this audit recommendation, the head of Corporate Strategy was proposing that all journals are passed to the relevant finance manager for approval.

In response to a question raised it was reported that a software programme called 'Idea' was used to select samples for testing from all of the Council's transactions; an error was found for the sum of £33, officers were required to ensure that this was an isolated incident.

Under this item Malcolm Coe (Assistant Director for Finance) thanked David Bray and his colleagues from Grant Thornton for their hard work and support as the Council's external auditors.

Agreed that the report is noted.

53. **ACCOUNTING FOR SCHOOLS**

David Bray (Grant Thornton) confirmed that the Accounting for Schools briefing attached to the agenda was for Members' information; Grant Thornton were taking a lead to resolve this issue nationally.

54. **AUDIT FEE UPDATE**

David Northey (Head of Corporate Strategy) advised Members that his intention was to provide a verbal update upon the new external auditors (BDO) fees, having arranged to meet them prior to the Audit Committee. Unfortunately his meeting was moved therefore the update would be provided at the next meeting.

Members noted the update.

55. **INTERNAL AUDIT ANNUAL PLAN**

David Curnow (Deputy Head of Devon Audit Partnership) provided Members with the Internal Audit Annual Plan.

Members were advised that –

- (a) the report commented on the Internal Audit resources available to undertake the 2015/16 plan, and identified the work to be carried out including audit support, contribution to Transformation, value added, core assurance, key financial systems, schools reviews, anti-fraud work and corporate governance;
- (b) the High Level Audit Plan 2015/16 detailed 1332 planned audit days for the review of core activities including transformational change, value added and anti-fraud and corruption; key items would receive the largest amount of time due to the higher risk;
- (c) the 2015/16 internal audit plan reflected the transition of many transformational change work-streams into the design and development stages. Internal audit would continue to 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;
- (d) internal audit would review the management of the new DELT contract and



the role of the retained client function and work alongside the transformation programme to ensure that their objectives were properly supported;

- (e) within the Place department, auditors would provide management with advice, support and assurance on the GAME transformation programme including the History Centre project and the new energy from waste facility;
- (f) work with Public Health would be agreed shortly;
- (g) internal audit would continue to investigate instances of potential fraud and irregularities, and would also undertake proactive anti-fraud and corruption testing of systems considered to be most at risk to fraud;
- (h) internal audit would continue to participate in a range of internal audit networks, both locally and nationally, which provided for a beneficial exchange of information and practices;
- (i) from assurances provided by the Annual Governance Statement Working Group, the Corporate Management Team and Internal Audit it was confirmed that the annual governance statement met statutory requirements;
- (j) appendix I set out proposed audit reviews and associated risks as well as the estimated audit effort days.

In response to questions raised it was reported that –

- (k) the proposals of the plan were flexible enough to change depending on need if an issue arose that needed urgent attention;
- (l) regular liaison meetings were held between Council officers, internal audit and external audit in order to share concerns and issues as well as coordinating work to avoid duplication; it was hoped that this working practice would continue with the Council's new external auditors BDO.

Agreed that –

1. the report is noted;
2. the proposed Internal Audit Plan 2015/16 at Appendix I is approved.

### **Order of business**

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

## 56. **RISKS OF DELIVERY OF THE TRANSFORMATION PROGRAMME**

Lesa Annear (Director for Transformation and Change) and Les Allen (Head of Portfolio) provided Members with an update on the Risks of Delivery of the Transformation Programme.

Members were advised that –

- (a) the briefing report attached to the agenda provided Members with a summary of the management measures that the Portfolio Office was taking to control the risks to the delivery of the financial benefits for the Council's transformation. The Transformation Programme was set up to enable the Council to make a saving of £6.7m in the first year; the Portfolio Management system approach adopted was considered best practice;
- (b) several transformation projects were running in parallel; it was expected that there would be a significant financial impact for the Council as well as changes to services provided that would benefit the public. Not all projects were focused around cost cutting as income generation was equally important as well as a shared working approach;
- (c) the Coroners team was due to move to Building 1 at Derriford and would be located with the NHS and Police; Public Health were located at Windsor House nearby allowing costs to be shared and services improved;
- (d) the Portfolio, Programme and Project Maturity Model (P3M3) was a standardised maturity assessment; results were scored 1 each section on a 1-5 sliding scale whereby the Council's transformation programme and projects would be mapped against them. In this year the score had increased from 0 to 1.6 with a target of 2 by the end of the year;
- (e) with regards to the governance of the project, the transformation programme reported to Cabinet Members, the Chief Executive, Senior Officers and Programme Managers on a regular basis; Full Council, Cabinet and Audit Committee were also engaged in the process; approximately 60 hours every month was allocated to scrutiny of the transformation programme;
- (f) various officers around the council were selected to work for the Transformation Programme; all members received regular development training. 12 apprentices were linked to the programme and seven employees were taken from the redeployment pool;
- (g) transformation was at the centre of the Council's budget setting process; Internal Audit had regular access to the ongoing work with confirmation from the Finance team.

In response to a question raised it was reported that –

- (h) the Director for Transformation and Change was in agreement with concerns raised that the Council and its partners had a lot of work to do ensure the success of the transformation programme; it was highlighted that the challenge was ambitious but everyone was working together with a shared goal to achieve and improve.

The Chair thanked Lesa and Les for their comprehensive report and attendance at the meeting.

Agreed that an update on the Transformation Programme would be provided to the Audit Committee in the future.

### **Order of business**

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

#### 57. **CONTRACT MANAGEMENT - AMEY CONTRACT OVERVIEW**

Simon Dale (Interim Assistant Director for Street Services), Adrian Trim (Head of Highways, Parking and Marine Services) and Dan Sharpe (Amey) provided Members with an update on Contract Management – Amey Contract Overview.

Members were advised that –

- (a) the Council was successful in winning £8m bid from Government for highways maintenance; Dan Sharpe was congratulated in helping to achieve the bid;
- (b) the Council's contract with Amey LG Ltd for highways services had been extended for a further two years until March 2017; the contract was initially awarded in 2008 for a seven year term covering highway maintenance, network management and design and delivery of improvement schemes;
- (c) approximately two years ago a review of the service was commissioned by the Strategic Director for Place, the following areas were focused upon: cost components, direct fee schedule, information systems, scheme development and financial procedures and systems. Scheme development was considered good practice however the other four areas required improvement; measures were put in place to address concerns where required;
- (d) auditors previously highlighted concerns regarding the hourly rate calculation for some members of staff; incorrect allowance calculations could result in the Council either be under or over charged. Hourly rates for each member of staff had been agreed and were reviewed periodically;
- (e) auditors raised a query regarding the possible overlap of support provided by Amey's local management team and that provided in the central team in Oxford; Amey charged a fee of 8.81% on works delivered through the contract including management, accounting, HR and IT support. The query involving one individual being listed as IT in the hourly rate calculation was instead a GIS technician working locally on the Plymouth contract;
- (f) with regards to concerns relating to information systems, Amey provided the Council with access to their financial systems SAP via two user accounts to assess costs incurred on projects. These user accounts were inadvertently suspended by Amey's IT team; interim arrangements had since been put in place as new accounts were issued via access to an Amey computer. Further improvements were expected with the proposed co-location of the Council and Amey and by reinstating direct access via the Council's IT network;

- (g) auditors previously noted inconsistencies in the lump sum fee percentage applied to certain schemes in different years; it was explained that different fees had been applied to works in different financial years which resulted in a different value of works delivered in each year; this was subsequently changed so that fees were applied to individual projects irrespective if they span different financial years;
- (h) auditors noted a large number of disputed costs whereby the Council had not paid Amey; the majority were small in value and generally related to where Amey had exceeded the agreed estimate for work undertaken. A settlement of outstanding disputed sums had since been resolved between Amey and the Council and an early warning and scheme closedown process was reinforced to ensure that these problems didn't continue to occur; these changes were incorporated as at 1 April 2015;
- (i) overall the Audit has been well received and prompted improvements from both parties.

In response to questions raised it was reported that –

- (j) officers were confident that disputed costs between Amey and the Council had been resolved; officers confirmed they would also make a more concerted effort to deal with any issues when they arose;
- (k) a consultation was held a year ago during a Department for Transport Roadshow in which ideas relating to top-slicing the integrated transport budget was proposed; the Council was successful in receiving £8m from a bid submitted. The money would be used to free up revenue to concentrate on maintenance of lesser roads in the city;
- (l) the council had gained overall despite the budget being top-sliced by approximately £200,000 to £300,000.

The Chair thanked officers for their attendance at the meeting and congratulated them on the successful £8m bid.

Agreed to note the update.

(Councillor Murphy left part way through this item.)

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

Mike Hocking (Head of Corporate Risk and Insurance) provided Members with the Strategic Risk and Opportunity Management Register Monitoring Report update.

Members were advised that –

- (a) the information provided in the report was a six monthly monitoring report spanning September 2014 to February 2015;

- (b) the total number of strategic risks reported remained at 31; there was one new amber risk regarding the Council's potentially impaired ability to contact appropriate members of staff out of hours to respond to a major emergency. Call-out rotas for the Senior Management Team were being implemented to mitigate this risk;
- (c) the deterioration of the condition of the City's highway network remained a red risk; further money was being invested in the highway network and Amey's highways maintenance contract had been extended until 2017;
- (d) the future of the Civic Centre and Council House remained a red risk despite the Council accepting an offer from Urban Splash for the freehold of the Civic Centre tower as the future use of the building was not confirmed;
- (e) the pressure on the Adult Social Care budget remained a red risk; the budget containment plan was monitored on a fortnightly basis;
- (f) amber risk 33 'Governance arrangements between Office of the Director of Public Health, Clinical Commissioning Group and NHS England Area Team decreased from 25 to 15; the risk was significantly reduced due to the appointment of a Governance Pharmacist in PCHealthcare;
- (g) green risk 91 'failure to keep abreast of and track new and emerging legislation as part of the powers following Localism Act (regulations)' had been deleted as this was being tracked as business as usual;
- (h) the Transformation Programme was moving from the planning to the delivery and benefits phase; a number of programmes and associated projects were delivered in line with the Council's Corporate Plan and was considered to be a very robust programme.

In response to questions raised it was reported that –

- (i) the Council had simulated major emergencies to ensure that processes were in place to respond effectively; the Head of Corporate Strategy confirmed that, on an ad-hoc basis, he would receive a text message alert of which he had to respond to;
- (j) the Council's emergency response room was now based at Windsor House;
- (k) row number 24 in Appendix A relating to 'Employee Relations' on the strategic risk register was assessed as an amber risk as there was positive progress with Trade Unions despite initial issues; a written response would be provided to Members at the next Audit Committee meeting;
- (l) officers would provide Members with an update on risk reference 76 relating to the risk of not getting funding to progress development of gypsy sites;

- (m) officers would provide Members with an update on why the recent road works to Alma Road took so long and as an effect caused so much disturbance.

Agreed that the report is noted.

59. **INFORMATION COMMISSIONERS AUDIT**

John Finch (Information Governance Manager) provided Members with an update on the Information Commissioners Audit.

Members were advised that –

- (a) the Information Commissioners Office (ICO) was invited to undertake a data protection audit by the Council; the audit took place in Spring 2014;
- (b) the ICO made 49 recommendations to the Council and gave a limited assurance rating for record management and training & awareness and a rating of reasonable assurance for subject access requests;
- (c) a follow-up audit was undertaken in January 2015 to monitor the progress of the 49 recommendations; 28 recommendations had now been completed, a further 20 were partially complete; 15 areas were still outstanding;
- (d) three areas of noteworthy improvement included the resolution 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 and the monthly consideration of subject access reports by the Information Governance Manager;
- (e) the Council still had to work towards the appointment of a corporate records manager, and the delivery of specialised training for specialised roles;
- (f) officers were disappointed that the assurance level hadn't improved to 'improved' after the follow-up audit in January; this was challenged by the Council however it was their policy not to provide revised ratings during follow-up audit work.

Agreed to note the report.

(Councillor Stark left the meeting during the discussion of this item)

60. **CITY'S ASSETS AND INSURANCE STATUS**

Mike Hocking (Head of Corporate Risk and Insurance) provided Members with an update on the City's Assets and Insurance Status.

Members were advised that –

- (a) all Council buildings were alarmed with a 24 hour security call out system in

place;

- (b) the Council had a large insurance programme with a variety of different policies; property assets were also self-insured up to the value of the first £100,000;
- (c) the total value of assets insured was £550m including the contents and re-buildings costs;
- (d) museum exhibits were insured on an all risks basis with no excess; the total value of assets insured was £39m;
- (e) high value items were valued more frequently.

Agreed to note the report.

61. **REVIEW OF ROLLING WORKPLAN**

Members noted their workplan for 2014/15.

62. **EXEMPT BUSINESS**

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

63. **DATA SECURITY UPDATE**

John Finch (Information Governance Manager) provided Members with the Data Security Update.

Members noted the update.

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# PLYMOUTH CITY COUNCIL

Planning Letter 2015/16

April 2015



# PROPOSED FEES

## Introduction

Following the recent procurement exercise undertaken by the Audit Commission, BDO has been appointed as your external auditor for the 2015/16 and 2016/17 financial years. We have held introductory meetings with management and will arrange a formal hand over with your current external auditors following their completion of the audit for 2014/15.

At this stage, we are required to report to you the Audit Commission's scale fee and programme of work for 2015/16.

## Scope of the audit

The existing Commission's Code of Audit Practice has been replaced by a new Code of Audit Practice issued by the National Audit Office for 2015/16. There is little change to the scope of the work required to be undertaken by auditors, which includes:

- Audit of the financial statements
- Value for money conclusion.

There is a separate proposed fee for the certification of the Housing Benefit subsidy claim on behalf of the Department for Work and Pensions.

## Indicative fees

The proposed fee is based on the consultation undertaken by the Audit Commission in October 2014. Although the Commission closed on 31 March 2015, the Department for Communities and Local Government (CLG) asked the Commission to set fees for principal bodies before it closed. We have set out your fee on the table on the right. From 1 April 2015, Public Sector Audit Appointments Limited (PSAA) will oversee the Commission's contracts through to the end of 2017 and will also be responsible for setting fees in the future.

The indicative fee does not include any time required to investigate questions or objections from members of the public. Should any arise, time spent dealing with questions and objections will be billed separately.

If we need to propose any amendments to the audit fee during the course of the audit or where our assessment of risk and complexity are significantly different from those reflected in the proposed fee, we will first discuss this with the Assistant Director of Finance (s151 officer) and seek approval from the PSAA for a proposed variation of fee. If necessary, we will also prepare a report outlining the reasons why the fee needs to change for discussion with the **Audit Committee**.

## Fees

AUDIT AREA	PROPOSED FEE 2015/16 (£)	GRANT THORNTON SCALE FEE 2014/15 (£)
Code audit fee	<b>136,874</b>	182,498
Certification fee	<b>17,477</b>	17,720
Total fees	<b>154,351</b>	200,218

Your current auditor will determine the final fees for 2014/15 based on their risk assessment and we have included the current scale fee above as reported by the Audit Commission.

The Commission completed a further audit procurement exercise in April 2014 which has enabled it to further reduce fees for the two years 2015/16 and 2016/17, and CLG may wish to extend these contracts to lock in the reduced fees for a further three years. This has allowed the Commission to reduce Code fees by 25%, resulting in combined Code and certification fee savings of **£45,867** for the Council.

The proposed fees for 2015/16 remain at the scale rate published by the Commission.

# AUDIT ARRANGEMENTS

## Planned outputs

We plan to issue the following reports and opinions over the course of the 2015/16 audit:

REPORT	DATE
Progress reports to the Audit Committee	each meeting
Audit plan	December 2015
Report on any significant deficiencies in internal controls, if required, based on the results of our interim audit visit	May 2016
Final report to those charged with governance	September 2016
Independent auditor's report including: <ul style="list-style-type: none"> <li>Opinion on the financial statements</li> <li>Value for money conclusion</li> <li>Certificate</li> </ul>	September 2016
Whole of Government Accounts assurance statement and report to the NAO	October 2016
Summary of findings from the audit in the annual audit letter	October 2016
Grant claims and returns certification report	December 2016

## Audit team

The key members of the audit team will be:

**Engagement Partner - Greg Rubins**

email: greg.rubins@bdo.co.uk

Tel: 0238 088 1892

Greg will be responsible for the overall delivery of the audit including the quality of outputs and liaison with senior management.

**Engagement Director - Paul Bricknell**

email: paul.bricknell@bdo.co.uk


Tel: 0238 088 1889

Paul will manage and co-ordinate the technical aspects of the audit.

## Client satisfaction

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact Greg Rubins in the first instance. Alternatively, you may wish to contact our Managing Partner, Simon Michaels. Any complaint will be investigated carefully and promptly. If you are not satisfied you may take up the matter with the Institute of Chartered Accountants in England and Wales ("ICAEW").

In addition, the Audit Commission's complaints handling procedure is detailed in their leaflet "How to complain: What to do if you want to complain about the Audit Commission or its appointed auditors", which is available on their website <http://www.audit-commission.gov.uk/about-us/contact-us/complaints>. PSAA will put in place similar arrangements for receiving and investigating complaints from 1 April 2015.



The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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**PLYMOUTH CITY COUNCIL**

**Subject:** Internal Audit Charter and Strategy 2015/16  
**Committee:** Audit Committee  
**Date:** 25 June 2015  
**Cabinet Member:** Councillor Lowry  
**CMT Member:** Lesa Annear (Strategic Director for Transformation & Change)  
**Author:** Robert Hutchins, Head of Devon Audit Partnership  
**Contact details** robert.hutchins@devonaudit.gov.uk T: 01752 306710  
**Ref:** AUD/RH  
**Key Decision:** No  
**Part:** I

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**Purpose of the report:**

1. One of the requirements of the Public Sector Internal Audit Standards (PSIAS) is that the purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter and strategy, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards. The internal audit charter and strategy for the financial year 2015/16 are described in detail in the accompanying report.
2. The PSIAS sets additional Public Sector requirements where the internal audit charter and strategy must also:
  - define the terms 'board' and 'senior management' for the purposes of internal audit activity;
  - cover the arrangements for appropriate resourcing;
  - define the role of internal audit in any fraud-related work; and
  - include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.
3. The revised Accounts and Audit Regulations 2015 come into effect from 1st April 2015. There are changes relating to Internal Audit:
  - inclusion of compliance to the Public Sector Internal Audit Standards (PSIAS);
  - inclusion of the remit of governance, which with reference to PSIAS includes “ethics” within audit;
  - clarification of the powers of internal audit for access to staff and members and inspection documents (including electronic records);
  - ensuring the annual governance statement is approved in advance of that of the approval of the statements of account;
  - simplification of other areas as applied.

All these matters have been previously considered and incorporated into our process and plans and so are noted here for information.

4. The Charter and Strategy complies with the mandatory requirements of the Public Sector Internal Audit Standards.
  5. Delivery of the Internal Audit Service will be by the Devon Audit Partnership, a shared services arrangement between Devon County Council, Plymouth City and Torbay Councils in accordance with the agreed internal audit plan.
- 

**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 Service assists all directorates in delivering outcomes from the Corporate Plan:-

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

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

None.

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

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

**Equality and Diversity**

Has an Equality Impact Assessment been undertaken? No

**Recommendations and Reasons for recommended action:**

It is recommended that:

That the Committee agrees the Internal Audit Charter & Strategy for the year 2015/16

**Alternative options considered and rejected:**

None, as failure to maintain an adequate and effective system of internal audit would contravene the Accounts & Audit Regulations 2003, 2006, 2011 & 2015 & 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	<b>DN</b>	Leg		Mon Off		HR		Assets		IT		Strat Proc	
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Originating SMT Member
Has the Cabinet Member(s) agreed the contents of the report? No

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## **PLYMOUTH CITY COUNCIL**

### **INTERNAL AUDIT CHARTER (March 2015)**

#### **TERMS OF REFERENCE**

This Charter formally describes the purpose, authority, and principal responsibilities of the Council's Internal Audit Service, which is provided by the Devon Audit Partnership (DAP), and the scope of Internal Audit work. This Charter complies with the mandatory requirements of the Public Sector Internal Audit Standards.

#### **DEFINITIONS**

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) as “an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

The PSIAS set out the requirements of a 'Board' and of 'senior management'. For the purposes of the internal audit activity within The Council the role of the Board within the Standards is taken by the Council's Audit Committee and senior management is the Council's Corporate Management Team.

The PSIAS make reference to the role of “Chief Internal Auditor”. For The Council this role is fulfilled by the Head of Devon Audit Partnership.

#### **STATUTORY REQUIREMENTS**

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state:

*5.—(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.*

In addition, the Local Government Act 1972, Section 151, requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. In The Council, the Assistant Director for Finance is the 'Section 151 Officer'. One of the ways in which this duty is discharged is by maintaining an adequate and effective internal audit service.

## **THE PURPOSE AND AIM OF INTERNAL AUDIT**

The role of Internal Audit is to understand the key risks of the Council; to examine and evaluate the adequacy and effectiveness of the system of risk management and the entire control environment as operated throughout the organisation and contribute to the proper, economic, efficient and effective use of resources. In addition, the other objectives of the function are to:

- support the Section 151 Officer to discharge his / her statutory duties
- contribute to and support the Finance function in ensuring the provision of, and promoting the need for, sound financial systems
- support the corporate efficiency and resource management processes by conducting value for money and efficiency studies and supporting the work of corporate working groups as appropriate
- provide a quality fraud investigation service which safeguards public monies.

The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

Internal Audit for The Council is provided by Devon Audit Partnership. We aim to provide a high quality, professional, effective and efficient Internal Audit Service to the Members, service areas and units of The Council, adding value whenever possible.

## **PROFESSIONALISM, ETHICS AND INDEPENDENCE**

### **Being Professional**

We (Devon Audit Partnership) will adhere to the relevant codes and guidance. In particular, we adhere to the Institute of Internal Auditors' (IIA's) mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the Public Sector Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing within the public sector and for evaluating the effectiveness of Internal Audit's performance. The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, Internal Audit will adhere to The Council's relevant policies and procedures and the internal audit manual.

Internal Auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not, however, imply infallibility.

### **Our Ethics**

Internal auditors in UK public sector organisations must conform to the Code of Ethics as set out by The Institute of Internal Auditor's. This Code of Ethics promotes an ethical culture in the profession of internal auditing. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

The Code of Ethics extends beyond the definition of internal auditing to include two essential components:

1. Principles that are relevant to the profession and practice of internal auditing;
2. Rules of Conduct that describe behaviour norms expected of internal auditors.

The Code of Ethics provides guidance to internal auditors serving others, and applies to both individuals and entities that provide internal auditing services.

The Code of Ethics promotes an ethical, professional culture. It does not supersede or replace Codes of Ethics of employing organisations. Internal auditors must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.

### **Being Independent**

Internal Audit should be independent of the activities that it audits.

The status of Internal Audit should enable it to function effectively. The support of the Council is essential and recognition of the independence of Internal Audit is fundamental to its effectiveness.

The Head of Devon Audit Partnership should have direct access to and freedom to report in his or her own name and without fear or favour to, all officers and members and particularly to those charged with governance (the Audit Committee). In the event of the necessity arising, the facility also exists for Internal Audit to have direct access to the Chief Executive, the S.151 Officer and the Chair of the Audit Committee.

The Council should make arrangements for Internal Audit to have adequate budgetary resources to maintain organisational independence.

The Head of Devon Audit Partnership should have sufficient status to facilitate the effective discussion of audit strategies, audit plans, audit reports and action plans with senior management and members of the Council.

Auditors should be mindful of being independent. They;

- Must have an objective attitude of mind and be in a sufficiently independent position to be able to exercise judgment, express opinions and present recommendations with impartiality;
- Notwithstanding employment by the Partnership / Council, must be free from any conflict of interest arising from any professional or personal relationships or from any pecuniary or other interests in an activity or organisation which is subject to audit;
- Must be free from undue influences which either restrict or modify the scope or conduct of their work or significantly affect judgment as to the content of the internal audit report; and
- Must not allow their objectivity to be impaired by auditing an activity for which they have or have had responsibility.

### **AUTHORITY**

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement.

All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities. This is enforced in the Accounts and Audit (England) Regulations 2011 section 6(2) that state that:

All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities. This is enforced in the Accounts and Audit (England) Regulations 2015 section 5(2-3) that state that:

Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—

(2) (a) make available such documents and records; and

(b) supply such information and explanations;

as are considered necessary by those conducting the internal audit.

(3) In this regulation “documents and records” includes information recorded in an electronic form.

In addition, Internal Audit, through the Head of Devon Audit Partnership, where deemed necessary, will have unrestricted access to:

- the Chief Executive
- Members
- individual Heads of Service
- Section 151 Officer
- Monitoring Officer
- all authority employees
- all authority premises.

### **ACCOUNTABILITY**

Devon Audit Partnership is a shared service established and managed via a Partnership Committee and Board with representation from each of the founding partners. The Partnership operates as a separate entity from the client authorities and Internal Audit is therefore independent of the activities which it audits. This ensures unbiased judgements essential to proper conduct and the provision of impartial advice to management. Devon Audit Partnership operates within a framework that allows the following:

- unrestricted access to senior management and members
- reporting in its own name
- separation from line operations

Every effort will be made to preserve objectivity by ensuring that all audit members of audit staff are free from any conflicts of interest and do not, ordinarily, undertake any non-audit duties.

The Head of Devon Audit Partnership fulfils the role of Chief Auditor at the Authority and will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit activity.

The Assistant Director for Finance ‘Section 151 Officer’ will liaise with the Head of Devon Audit Partnership and is therefore responsible for monitoring performance and ensuring independence.

Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Head of Devon Audit Partnership reports functionally to the Audit Committee on items such as:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- receiving reports from the Head of Devon Audit Partnership on the section’s performance against the plan and other matters;
- approving the Head of Devon Audit Partnership’s annual report’
- approve the review of the effectiveness of the system of internal audit.

The Head of Devon Audit Partnership has direct access to the Chair of Audit Committee and has the opportunity to meet with the Audit Committee in private.

### **RESPONSIBILITIES**

The Chief Executive, Service Directors and other senior officers are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their services.

The Head of Devon Audit Partnership will provide assurance to the Assistant Director for Finance 'Section 151 Officer' regarding the adequacy and effectiveness of the Council's financial framework, helping meet obligations under the LGA 1972 Section 151.

The Head of Devon Audit Partnership will provide assurance to the Monitoring Officer in relation to the adequacy and effectiveness of the systems of governance within the Council helping her meet obligations under the Local Government and Housing Act 1989 and the Council's Constitution. He will also work with the Monitoring Officer to ensure the effective implementation of the Council's Whistleblowing Policy.

Internal Audit responsibilities include but are not limited to:

- examining and evaluating the soundness, adequacy and application of the Council's systems of internal control, risk management and corporate governance arrangements;
- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- reviewing the systems established to ensure compliance with those policies, plans, procedures and regulations which could have a significant impact on operations;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- investigating alleged fraud and other irregularities referred to the service by management, or concerns of fraud or other irregularities arising from audits, where it is considered that an independent investigation cannot be carried out by management;
- appraising the economy, efficiency and effectiveness with which resources are employed and the quality of performance in carrying out assigned duties including Value for Money Studies;
- working in partnership with other bodies to secure robust internal controls that protect the Council's interests;
- advising on internal control implications of new systems;
- providing consulting and advisory services related to governance, risk management and control as appropriate for the organisation;
- being responsible for reporting significant risk exposures and control issues identified to the Audit Committee and to senior management, including fraud risks, governance issues.

### **INTERNAL AUDIT MANAGEMENT**

The PSIAS describe the requirement for the management of the internal audit function. This sets out various criteria that the Head of Devon Audit Partnership (as Chief Internal Auditor) must meet, and includes:-:

- be appropriately qualified;
- determine the priorities of, deliver and manage the Council's internal audit service through a risk based annual audit plan;
- produce a Strategy to explain how the service will be delivered and reflect the resources and skills required;

- regularly liaise with the Council's external auditors to ensure that scarce audit resources are used effectively;
- include in the plan the approach to using other sources of assurance if appropriate;
- be accountable, report and build a relationship with the Council's Audit Committee and S.151 Officer; and
- monitor and report upon the effectiveness of the service delivered and compliance with professional and ethical standards.

The Head of Devon Audit Partnership is required to give an annual audit opinion on the governance, risk and control framework based on the audit work done.

The Head of Devon Audit Partnership should also have the opportunity for free and unfettered access to the Chief Executive and meet periodically with the Monitoring Officer and S.151 Officer to discuss issues that may impact on the Council's governance, risk and control framework and agree any action required.

### **INTERNAL AUDIT PLAN AND RESOURCES**

At least annually, the Head of Devon Audit Partnership will submit to the Audit Committee a risk-based internal audit plan for review and approval. The Head of the Devon Audit Partnership will:

- develop, in consultation with Service Directors, an annual audit plan based on an understanding of the significant risks to which the organisation is exposed;
- submit the plan to the Audit Committee for review and agreement;
- implement the agreed audit plan;
- maintain a professional audit staff with sufficient knowledge, skills and experience to carry out the plan and carry out continuous review of the development and training needs;
- maintain a programme of quality assurance and a culture of continuous improvement;

The internal audit plan will include timings as well as budget and resource requirements for the next fiscal year. The Head of Internal Audit will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

Internal Audit resources must be appropriately targeted by assessing the risk, materiality and dependency of the Council's systems and processes. Any significant deviation from the approved Internal Audit plan will be communicated through the periodic activity reporting process.

It is a requirement of the Council's Anti-Fraud and Corruption Strategy that the Head of Devon Audit Partnership be notified of all suspected or detected fraud, corruption or impropriety. All reported irregularities will be investigated in line with established strategies and policies. The audit plan will also include sufficient resource to carry out proactive anti-fraud work.

Internal Audit activities will be conducted in accordance with Council strategic objectives and established policies and procedures.

Monitoring of Internal Audit's processes is carried out on a continuous basis by Internal Audit management, and the Council's members and management may rely on the professional expertise of the Head of the Devon Audit Partnership to provide assurance. From time to time, independent review is carried out: for example, through peer reviews; ensuring compliance with the PSIAS is an essential approach to such a review.

## **REPORTING**

The primary purpose of Internal Audit reporting is to communicate to management within the organisation information that provides an independent and objective opinion on governance, the control environment and risk exposure and to prompt management to implement agreed actions.

Internal Audit should have direct access and freedom to report in their own name and without fear or favour to, all officers and members, particularly to those charged with governance (the Audit Committee).

A written report will be prepared for every internal audit project and issued to the appropriate manager accountable for the activities under review. Reports will include an 'opinion' on the risk and adequacy of controls in the area that has been audited, which, together, will form the basis of the annual audit opinion on the overall control environment.

The aim of every Internal Audit report should be:

- to give an opinion on the risk and controls of the area under review, building up to the annual opinion on the control environment; and
- to recommend and agree actions for change leading to improvement in governance, risk management, the control environment and performance.

The Manager will be asked to respond to the report in writing, within 30 days, although this period can be extended by agreement. The written response must show what actions have been taken or are planned in relation to each risk or control weakness identified. If action is not to be taken this must also be stated. The Head of Devon Audit Partnership is responsible for assessing whether the manager's response is adequate.

Where deemed necessary, the Internal Audit report will be subject to a follow-up, normally within six months of its issue, in order to ascertain whether the action stated by management in their response to the report has been implemented.

The Head of the Devon Audit Partnership will

- submit periodic reports to the Audit Committee summarising key findings of reviews and the results of follow-ups undertaken;
- submit on an annual basis an Annual Internal Audit Report to the Audit Committee, incorporating an opinion on the Council's control environment, which will also inform the Annual Governance Statement.

## **RELATIONSHIP WITH THE AUDIT COMMITTEE**

The Council's Audit Committee will act as the Board as defined in the Public Sector Internal Audit Standards (PSIAS),

The Specific Functions of the Audit Committee are set out in the Council's Constitution (Part 3 Responsibility for Functions).

The Head of Devon Audit Partnership will assist the Committee in being effective and in meeting its obligations. To facilitate this, the Head of Devon Audit Partnership will:

- attend meetings, and contribute to the agenda;

- ensure that it receives, and understands, documents that describe how Internal Audit will fulfil its objectives (e.g. the Audit Strategy, annual work programmes, progress reports);
- report the outcomes of internal audit work, in sufficient detail to allow the committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address;
- establish if anything arising from the work of the committee requires consideration of changes to the audit plan, and vice versa;
- present an annual report on the effectiveness of the system of internal audit; and
- present an annual internal audit report including an overall opinion on the governance, risk and control framework

## **QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME**

The PSIAS states that a quality assurance and improvement programme must be developed; the programme should be informed by both internal and external assessments.

An external assessment must be conducted at least once in five years by a suitably qualified, independent assessor. (Please note that the previous external assessment of Devon Audit Partnership was completed in October 2012).

The results will be reported to the Audit Committee in the Head of Devon Audit Partnership's annual report, as well as progress against any improvement plan.

## **CHARTER – NON CONFORMANCE AND REVIEW**

Any instances of non conformance with the Internal Audit Definition, Code of Conduct or the Standards must be reported to the Audit Committee, and in significant cases consideration given to inclusion in the Annual Governance Statement.

The Head of Devon Audit Partnership will advise the Audit Committee on behalf of the Council on the content of the Charter and the need for any subsequent amendment. The Charter should be approved and regularly reviewed by the Audit Committee.

**Devon Audit Partnership**

**March 2015**



**Auditing for achievement**



## **PLYMOUTH CITY COUNCIL**

### **INTERNAL AUDIT STRATEGY (March 2015)**

#### **1 INTRODUCTION**

The Accounts and Audit Regulations 2015 state that:

"A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices."

For the purposes of the Regulations, proper practice is that contained in the Public Sector Internal Audit Standards (PSIAS).

The PSIAS refers to the role of Chief Internal Auditor, and requires this officer to ensure and deliver a number of key elements to support the internal audit arrangements. For The Council, the role of Chief Internal Auditor is provided by the Head of Devon Audit Partnership.

The PSIAS require the Head of Devon Audit Partnership to produce an Audit Strategy, which:

- is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities;
- will communicate the contribution that Internal Audit makes to the organisation and should include:
  - internal audit objectives and outcomes;
  - how the Head of Devon Audit Partnership will form and evidence his opinion on the governance, risk and control framework to support the Annual Governance Statement;
  - how Internal Audit's work will identify and address significant local and national issues and risks;
  - how the service will be provided, and
  - the resources and skills required to deliver the Strategy.
- should be approved, but not directed, by the Audit Committee.

The Strategy should be kept up to date with the organisation and its changing priorities.

#### **2 INTERNAL AUDIT OBJECTIVES AND OUTCOMES**

The primary objective of Internal Audit is to provide an independent and objective opinion to the Council on the governance, risk and control framework by evaluating its effectiveness in

achieving the organisation's objectives through examining, evaluating and reporting on their adequacy as a contribution to the proper, economic, efficient use of resources.

To achieve this primary objective, the Head of Devon Audit Partnership aims to fulfil the statutory responsibilities for Internal Audit by:

- identifying all of the systems, both financial and non-financial, that form the Council's control environment and governance framework, and contribute to it meeting its obligations and objectives – the 'Audit Universe';
- creating an audit plan providing audit coverage on the higher risk areas in the Audit Universe;
- undertaking individual audit reviews, to the standards set by the PSIAS, to independently evaluate the effectiveness of internal control;
- providing managers with an opinion on, and recommendations to improve, the effectiveness of risk management, control and governance processes;
- providing managers with advice and consultancy on risk management, control and governance processes;
- liaising with the Council's external auditors to ensure efficient use of scarce audit resources through the avoidance of duplication wherever possible; and
- providing the Council, through the Audit Committee, with an opinion on governance, risk and control framework as a contribution to the Annual Governance Statement.

### **3 OPINION ON THE GOVERNANCE, RISK AND CONTROL FRAMEWORK**

As stated above, one of the key objectives of Internal Audit is to communicate to management an independent and objective opinion on the governance, risk and control framework, and to prompt management to implement agreed actions.

Significant issues and risks are to be brought to the attention of the S.151 Officer as and when they arise. Regular formal meetings should also be held to discuss issues arising and other matters.

The Head of Devon Audit Partnership will report progress against the annual audit plan and any emerging issues and risks to the Audit Committee.

The Head of Devon Audit Partnership will also provide a written annual report to the Audit Committee, timed to support their recommendation to approve the Annual Governance Statement, to the Council.

The Head of Devon Audit Partnership's annual report to the Audit Committee will:

- (a) include an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework;
- (b) disclose any qualifications to that opinion, together with the reasons for the qualification;
- (c) present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance streams;
- (d) draw attention to any issues the Head of Devon Audit Partnership judges particularly relevant to the preparation of the Annual Governance Statement;
- (e) compare the audit work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and targets; and
- (f) comment on compliance with the Public Sector Internal Audit Standards and communicate the results of the internal audit quality assurance programme.

#### **4 PLANNING, INCLUDING LOCAL AND NATIONAL ISSUES AND RISKS**

The audit planning process includes the creation of and ongoing revision of an “audit universe”. This seeks to identify all risks, systems and processes that may be subject to an internal audit review.

The audit universe will include a risk assessment scoring methodology that takes account of a number of factors including: the Council’s own risk score; value of financial transactions; level of change, impact on the public; political sensitivity; when last audited; and the impact of an audit. This will inform the basis of the resources allocated to each planned audit area.

The results from the audit universe will be used in creating an annual audit plan; such a plan will take account of emerging risks at both local and national level.

##### *Assignment planning*

Further planning and risk assessment is required at the commencement of each individual audit assignment to establish the scope of the audit and the level of testing required.

#### **5 PROVISION OF INTERNAL AUDIT**

The Internal Audit for The Council is provided by Devon Audit Partnership

The Head of Devon Audit Partnership has established policies and procedures in an Audit Manual to guide staff in performing their duties and complying with the latest available PSIAS guidance. The manual is reviewed and updated to reflect changes in working practices and standards.

##### **Internal Audit Performance Management and Quality Assurance**

The PSIAS state that the Head of Devon Audit Partnership should have in place an internal performance management and quality assurance framework; this framework must include:

- a comprehensive set of *targets to measure performance*. These should be regularly monitored and the progress against these targets reported appropriately;
- seeking *user feedback* for each individual audit and periodically for the whole service;
- a periodic review of the service against the Strategy and the achievement of its aims and objectives. The results of this should inform the future Strategy and be reported to the Audit Committee;
- internal quality reviews to be undertaken periodically to ensure compliance with the PSIAS and the Audit Manual (self assessment); and
- an action plan to implement improvements.

##### *Performance Measures and targets*

The Head of Devon Audit Partnership will closely monitor the performance of the team to ensure agreed targets are achieved. A series of performance indicators have been developed for this purpose (please see over).

## Plymouth City Council - Internal Audit Performance Monitoring Targets 2015/16.

<b>Performance Indicator</b>	<b>Full year target 2015/16</b>
Percentage of Audit Plan completed	90%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%
Draft reports produced with target number of days (currently 15 days)	90%
Final reports produced within target number of days (currently 10 days)	90%

There are a number of other indicators that are measured as part of the audit process that will be captured and reported to senior management.

<b>Task</b>	<b>Performance measure</b>
Agreement of Annual audit plan	Agreed by Chief Executive, CMT and Audit Committee prior to start of financial year
Agreement of assignment brief	Assignment briefs are agreed with and provided to auditee at least two weeks before planned commencement date.
Undertake audit fieldwork	Fieldwork commenced at agreed time
Verbal debrief	Confirm this took place as expected; was a useful summary of the key issues; reflects the findings in the draft report.
Draft report	Promptly issued within 15 days of finishing our fieldwork. Report is "accurate" and recommendations are both workable and useful.
Draft report meeting (if required)	Such a meeting was useful in understanding the audit issues
Annual internal audit report	Prepared promptly and ready for senior management consideration by end of May. Report accurately reflects the key issues identified during the year.
Presentation of internal audit report to management and audit committee.	Presentation was clear and concise. Presented was knowledgeable in subject area and able to answer questions posed by management / members.
Contact with the audit team outside of assignment work.	You were successfully able to contact the person you needed, or our staff directed you correctly to the appropriate person. Emails, letters, telephone calls are dealt with promptly and effectively.

Once collated the indicators will be reported to the S.151 Officer on a regular basis, and will be summarised in an annual report. Performance indicator information will also be presented to the Audit Committee for information and consideration.

The Head of Devon Audit Partnership is expected to ensure that the performance and the effectiveness of the service improves over time, in terms of both the achievement of targets and the quality of the service provided to the user.

#### *Customer (user) feedback*

The PSIAS and the Internal Audit Manual state that internal audit performance, quality and effectiveness should be assessed at two levels:

- for each individual audit; and
- for the Internal Audit service as a whole.

Customer feedback is also used to define and refine the audit approach. Devon Audit Partnership will seek feedback from:-

- auditees;
- senior management; and
- executive management.

The results from our feedback will be reported to Senior Management and the Audit Committee in the half year and annual reports.

#### *Internal quality reviews*

Devon Audit Partnership management have completed a self-assessment checklist against the PSIAS and have identified that there are no omissions in our practices. We consider that we fully meet over 92% of the elements; partially meet 5.5%; and are not required to or do not meet 2% (seven) of the elements. The self-assessment will be updated annually, and, if management identify areas where we could further strengthen our approaches, these will be added to the Quality Action Improvement Plan.

In October 2012, Helen Maneuf, Head of Assurance for Hertfordshire Shared Internal Audit Service, completed an external validation of the Partnership. Helen concluded that;

*DAP is considered to be operating in conformance with the IIA standards.*

*'The service has established a strong reputation with its clients and recent structural changes are proving beneficial. There are opportunities to further develop the business to ensure DAP is strongly placed to progress and to deliver its vision'.*

## **6 RESOURCES AND SKILLS**

### *Resources*

The PSIAS and the Audit Manual states that:

- Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its responsibilities and objectives, or have access to the appropriate resources;
- The Internal Audit service shall be managed by an appropriately qualified professional with wide experience of internal audit and of its management; and

- The Chief Internal Auditor (Head of Devon Audit Partnership) should be of the calibre reflecting the responsibilities arising from the need to liaise with members, senior management and other professionals, and be suitably experienced.

Devon Audit Partnership currently has c.36 staff who operate from any one of our three main locations (Plymouth, Torquay and Exeter). The Partnership employs a number of specialists in areas such as Computer Audit and Contracts Audit as well as a mix of experienced, professionally qualified and non-qualified staff.

The Partnership draws on a range of skilled staff to meet the audit needs. Our current staff (as at January 2015) includes:-

- 3 x CCAB qualified
- 6 x qualified IIA (including QICA – computer audit)
- 4 x studying for IIA
- 11 x AAT qualified
- 4 x ILM (Institute of Leadership & Management) level 5 or above

Devon Audit Partnership uses MorganKai Insight (MKi) as an audit management system. This system allows Partnership management to effectively plan, deliver and report audit work in a consistent and efficient manner. The system provides a secure working platform and ensures confidentiality of data. The system promotes mobile working, allowing the team to work effectively at client locations or at remote locations should the need arise.

### *Staff Development and Training*

Devon Audit Partnership management assess the skills of staff to ensure the right people are available to undertake the work required.

Staff keep up to date with developments within internal audit by attending seminars, taking part in webinars and conferences, attending training events and keeping up to date on topics via websites and professional bodies. Learning from these events helps management to ensure they know what skills will be required of our team in the coming years, and to plan accordingly.

Devon Audit Partnership follows formal appraisal processes that identify how employees are developing and create training and development plans to address needs.

**Devon Audit Partnership**

**March 2015**

**Auditing for achievement**

**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	Internal Audit - Annual Audit Report 2014/15
<b>Committee:</b>	Audit Committee
<b>Date:</b>	25 June 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>	<a href="mailto:robert.hutchins@devonaudit.gov.uk">robert.hutchins@devonaudit.gov.uk</a> T: 01752 306710
<b>Ref:</b>	AUD/RH
<b>Key Decision:</b>	No
<b>Part:</b>	1

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**Purpose of the report:**

This report summarises the work undertaken by Devon Audit Partnership during 2014/15, reviews the performance and effectiveness of the Internal Audit service, and provides an audit opinion on the adequacy of internal control. The report is particularly relevant, therefore, to the preparation of the Authority's Annual Governance Statement which is required under the Accounts and Audit (England) Regulation 2015.

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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.

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**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.

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**Equality and Diversity:**

Has an Equality Impact Assessment been undertaken? No

**Recommendations and Reasons for recommended action:**

It is recommended that:-

1. The report be noted.

**Alternative options considered and rejected:**

None, as failure to maintain an adequate and effective system of internal audit would contravene the Accounts and Audit Regulations 2003, 2006, 2011 & 2015.

**Published work / information:**

Internal Audit Annual Plan 2014/15.

**Background papers:**

None

**Sign off:**

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



Internal Audit

Annual Audit Report 2014-15

Plymouth City Council  
Audit Committee

June 2015

Robert Hutchins  
Head of Audit Partnership

Page 37



Auditing for achievement

# Contents

<b>INTRODUCTION</b>	<b>1</b>
<b>ASSURANCE STATEMENT</b>	<b>2</b>
<b>BASIS FOR OPINION</b>	<b>3</b>
<b>AUDIT AUTHORITY</b>	<b>4</b>
<b>BUSINESS OBJECTIVES – AUDIT ASSURANCE OVERVIEW</b>	<b>5</b>
<b>AUDIT COVERAGE AND PERFORMANCE AGAINST PLAN</b>	<b>6</b>
<b>CUSTOMER VALUE</b>	<b>7</b>
CONFORMANCE WITH PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS)	7
PERFORMANCE INDICATORS	7
CUSTOMER SERVICE EXCELLENCE	7
ADDED VALUE	7
<b>VALUE ADDED</b>	<b>8</b>
<b>INTERNAL AUDIT COVERAGE AND RESULTS</b>	<b>9</b>
<b>FRAUD PREVENTION AND DETECTION</b>	<b>11</b>
<b>APPENDIX 1 - ANNUAL GOVERNANCE FRAMEWORK ASSURANCE</b>	<b>12</b>
<b>APPENDIX 2 - AUDIT NEEDS ASSESSMENT</b>	<b>13</b>
<b>APPENDIX 3 – PERFORMANCE INDICATORS</b>	<b>14</b>
<b>APPENDIX 4 – SUMMARY OF AUDIT REPORTS AND FINDINGS FOR 2014/15</b>	<b>15</b>
<b>APPENDIX 5 - CUSTOMER SERVICE EXCELLENCE</b>	<b>34</b>

<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>

## Introduction

The Audit Committee, under its Terms of Reference contained in Plymouth Council's Constitution, is required to consider the Chief Internal Auditor's annual report, to review and approve the Internal Audit programme, and to monitor the progress and performance of Internal Audit.

The Accounts and Audit (Amendment) (England) Regulations 2011 introduced the requirement that all Authorities need to carry out an annual review of the effectiveness of their internal audit system, and need to incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

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

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual report providing an opinion that can be used by the organisation to inform its governance statement. This report provides that opinion.

### Expectations of the Audit Committee from this annual report

Audit to Committee members are requested to consider:

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

In review of the above the Audit Committee are required to consider the assurance provided alongside that of the Executive, Corporate Risk Management and external assurance including that of the External Auditor as part of the Governance Framework (see appendix A1) and satisfy themselves from this assurance for signing the Annual Governance Statement.

**Robert Hutchins**  
**Head of Audit Partnership**

# Assurance Statement

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

*This assurance statement will support Members in their consideration for signing the Annual Governance Statement see appendix 1.*

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

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

Directors have been provided with details of Internal Audit's opinion on each audit review carried out in 2014/15 to assist them with compilation of their individual annual governance assurance statements. If significant weaknesses have been identified in specific areas, these have been considered by the Authority in preparing its Annual Governance Statement which will be accompanying its published Statement of Accounts for 2014/15.

Performance against plan is generally as expected. Where changes have been made, these were planned and agreed, with resources targeted to support the Council in delivery of the transformation programme. Although no specific audits were undertaken with regard to ICT following the launch of Delt Shared Services Ltd or to Public Health we feel, based on previous year's work, that the framework of control remains in operation.

**This statement of opinion is underpinned by :**

## Internal Control Framework

The control environment comprises the Council's policies, procedures and operational systems and processes in place to:

- Establish and monitor the achievement of the Council's objectives;
- Facilitate policy and decision making;
- Ensure the economical, effective and efficient use of resources;
- Ensure compliance with established policies, procedures, laws and regulations;
- Safeguard the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.

During 2014-15, core financial and administrative systems were reviewed by Internal Audit either through specific reviews (e.g. debtors, creditors, payroll & Main Accounting) or generally in the reviews undertaken in respect of directorate systems. The Council's overall internal control framework operated effectively during 2014-15, and where internal audit work has highlighted instances of none or part compliance, none have had a material impact on the Authority's affairs.

## Risk Management

The Transformation Project aligns programmes to one another and to the Council's Corporate Plan in order to meet the current financial challenge. Governance for the Programme involves five delivery strands that link to a Portfolio risk register which is monitored by the Transformation Portfolio Board.

## Governance Arrangements

In preparation for the pooling of the adult social care budget with Health, activity focussed around the proposed governance structure, financial and risk framework and reporting arrangements. Positive action was taken to address issues identified.

Establishment of an Intelligent Client Function for commissioned services following audit recommendation.

## Economy Efficiency & Effectiveness

The Transformation Programme is designed to deliver more efficient processes, realise cost saving and improvements in service delivery.

Following on from our review of contract management in 2013/14 a working group which includes audit and officers with responsibility for major contract has been sharing knowledge and experience.

## Basis for Opinion

The Chief Internal Auditor is required to provide the Council with an assurance on the adequacy and effectiveness of its accounting records and its system of internal control in the Council. In giving our opinion, it should be noted that this assurance can never be absolute. The most that the internal audit service can do is to provide reasonable assurance, based on risk-based reviews and sample testing, that there are no major weaknesses in the system of control.

This report compares the work carried out with the work that was planned through risk assessment (see appendix 2); presents a summary of the audit work undertaken; includes an opinion on the adequacy and effectiveness of the Authority's internal control environment; and summarises the performance of the Internal Audit function against its performance measures and other criteria. The report outlines the level of assurance that we are able to provide, based on the internal audit work completed during the year. It gives:

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

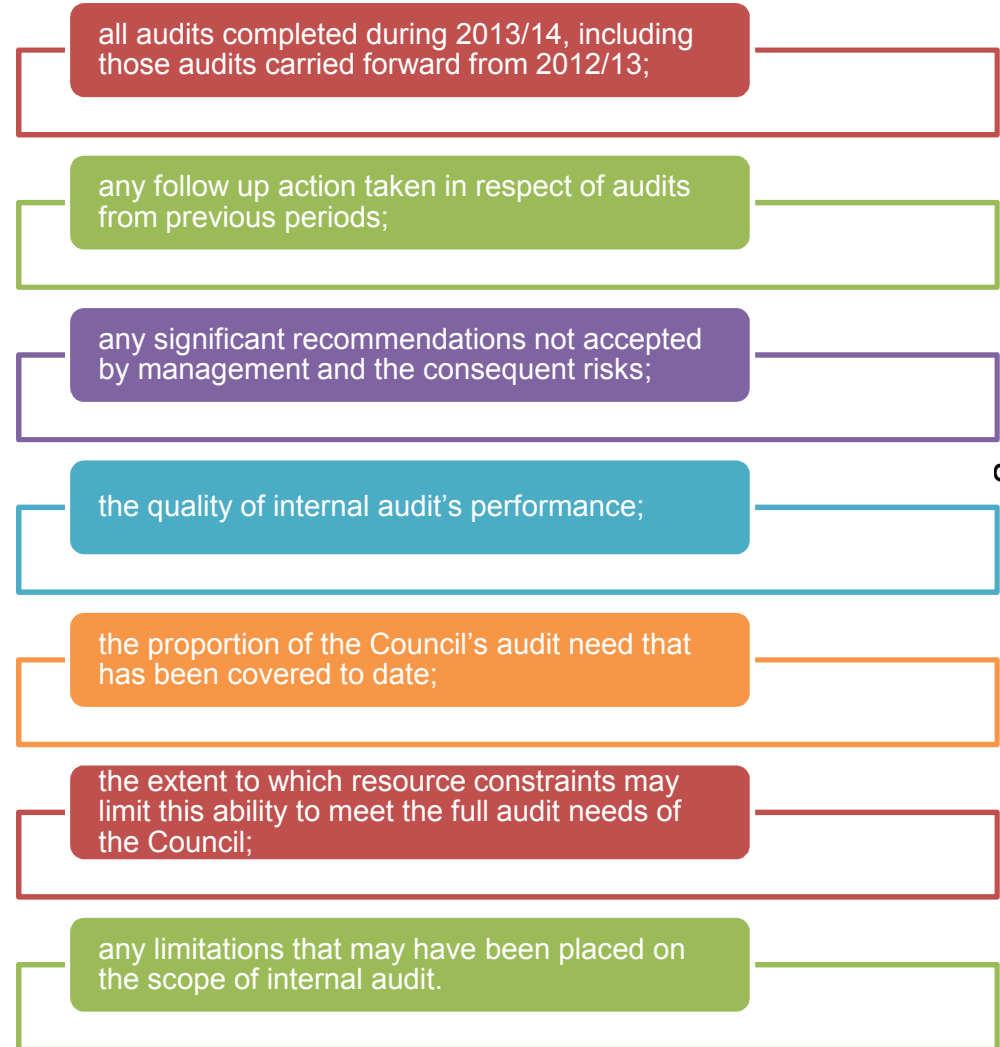
The 2014/15 Audit Plan has been subject to some change to the support delivery of the Transformation Programme with audit resources being targeted, adding value at the time of need, in response to the far reaching changes that are being delivered. As a result, some work originally included within the 2014/15 audit plan was no longer relevant or has been deferred to a later date to fit with client needs and current objectives.

No specific audits were undertaken with regard to ICT following the launch of Delt Shared Services Ltd or to Public Health.

The overall audit assurance takes will have to be considered in light of this position of changed and reduced coverage.



In assessing the level of assurance to be given the following have been taken into account:



# Audit Authority

## Service Provision

The Internal Audit (IA) Service for Devon County Council is delivered by the Devon Audit Partnership (DAP). This is a shared service arrangement between Devon County Council, Torbay Council and Plymouth City Council constituted under section 20 of the Local Government Act 2000. The Partnership undertakes an objective programme of audits to ensure that there are sound and adequate internal controls in place across the whole of the Council. It also ensures that the Council's assets and interests are accounted for and safeguarded from error, fraud, waste, poor value for money or other losses.

## Regulatory Role

There are two principal pieces of legislation that impact upon internal audit in local authorities:

- **Section 6 of the Accounts and Audit Regulations (England) Regulations 2011** which states that ".....A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance....."
- ".....a larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit ....."
- **Section 151 of the Local Government Act 1972**, which requires every local authority to make arrangements for the proper administration of its financial affairs.

## Professional Guidelines

We work to professional guidelines which govern the scope, standards and conduct of Internal Audit as set down in the Public Sector Internal Audit Standards. We have been assessed as "conforming" to these standards and have completed our annual self assessment against PSIAS requirements.

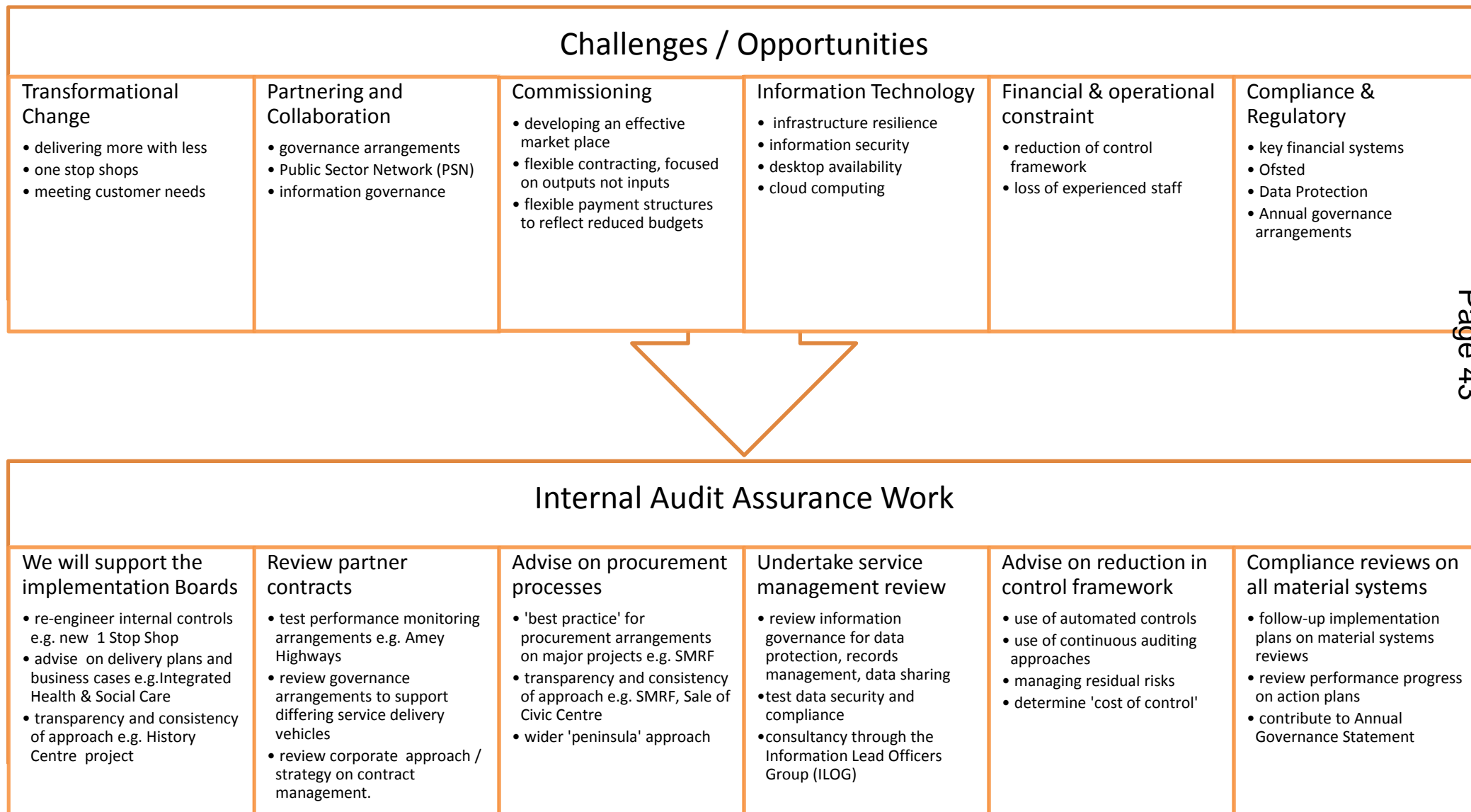
Our Internal Audit Manual provides the method of work and Internal Audit works to and with the policies, procedures, rules and regulations established by the Authority. These include standing orders, schemes of delegation, financial regulations, conditions of service, anti-fraud and corruption strategies, fraud prevention procedures and codes of conduct, amongst others.



Internal Audit Strategy sets out how the service will be provided and the Internal Audit Charter describes the purpose, authority and principal responsibilities of the audit function.

## Business objectives – audit assurance overview

From consideration of the Authority’s key challenges and opportunities it is facing we have provided assurance in these area through our work over the year.

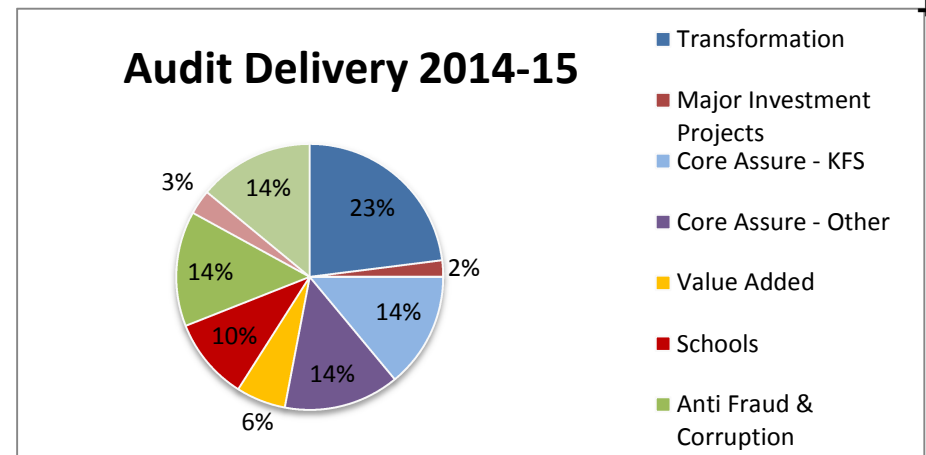
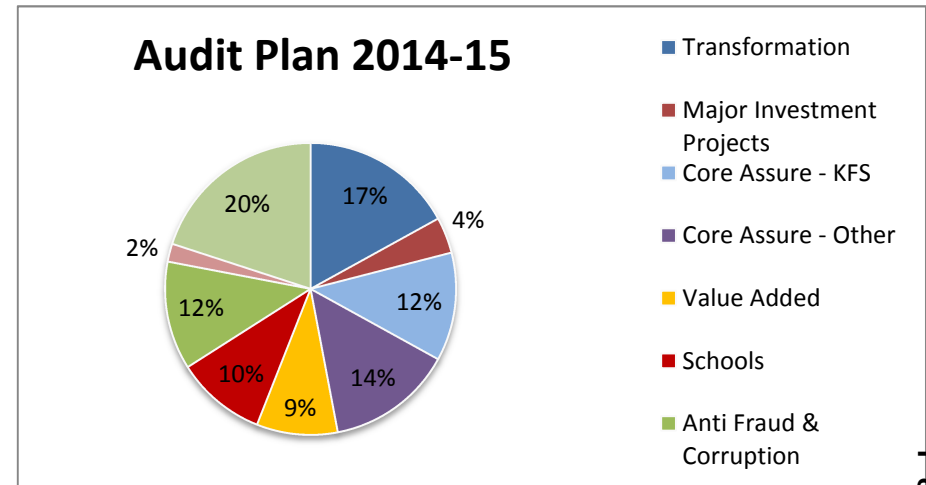


## Audit Coverage and performance against plan

The pie chart right shows the breakdown of audit days delivered by service area / type of audit support provided.

Appendix 3 shows our performance of audit delivery in 2014/15 against the audit plan. It will be noticed that there are some small variances in outturn against target for audits provided during the year. When we prepare our plans we make an educated assessment of the number of days that an audit is likely to take. When the fieldwork is actually completed there is inevitably a variance from the planned days. It can be seen that we have undertaken additional work on transformation this year to fit client need. In addition we provide an allowance for work on areas such as fraud and corruption; in some years the requirement will exceed the planned budget and in others the need for our resource will be less than planned. It should also be noted that some audits required a richer mix of staff resource due to the complexity / sensitivity of the area under review. In such instances we expect that a more senior officer will be able to complete the review in less time than a junior and also the need for managerial review of working papers will be less.

Appendix 4 to this report provides a summary of the audits undertaken during 2014/15, along with our assurance opinion. Where a “high” or “good” standard of audit opinion has been provided we can confirm that, overall, sound controls are in place to mitigate exposure to risks identified; where an opinion of “improvement required” has been provided then issues were identified during the audit process that required attention. We have provided a summary of some of the key issues reported that are being addressed by management. It should be pointed out that we are content that management are appropriately addressing these issues.





## Customer Value

### Conformance with Public Sector Internal Audit Standards (PSIAS)

**Conformance** - Devon Audit Partnership conforms to the requirements of the PSIAS for its internal audit activity. The purpose, authority and responsibility of the internal audit activity is defined in our internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. Our internal audit charter was approved by senior management and the Audit Committee in March 2013. This is supported through DAP self-assessment of conformance with Public Sector Internal Audit Standards & Local Government Application note.

**Quality Assessment** - the Head of Devon Audit Partnership maintains a quality assessment process which includes review by audit managers of all audit work. The quality assessment process and improvement is supported by a development programme. External Assessment provides assurance that against the Institute of Internal Auditors (IIA) Quality Assessment & Public Sector Internal Audit Standards (PSIAS) "DAP is considered to be operating in conformance with the standards" as reported to the Partnership Committee in November 2014.

**Improvement Programme** – DAP maintains a rolling development plan of improvements to the service and customers. All recommendations of the external assessment of PSIAS and quality assurance were included in this development plan and have been completed. This will be further embedded with revision of our internal quality process through peer review. Our development plan is regularly updated and a status report was reported to the Management Board in November 2014.

### Performance Indicators

Overall, performance against the indicators has been very good (see appendix 3). The targets were increased for some indicators in 2013/14 yet we have met or exceeded most but acknowledged that the percentage of audit plan commenced is slightly below the new target. We have lifted our draft and final reports issued to the customer within the agreed timeframes (15 working days for draft report and 10 working days for final report). We have identified further areas where performance can be improved.

### Customer Service Excellence

DAP has been successful in re-accreditation by G4S Assessment Services of the CSE standard during the year.

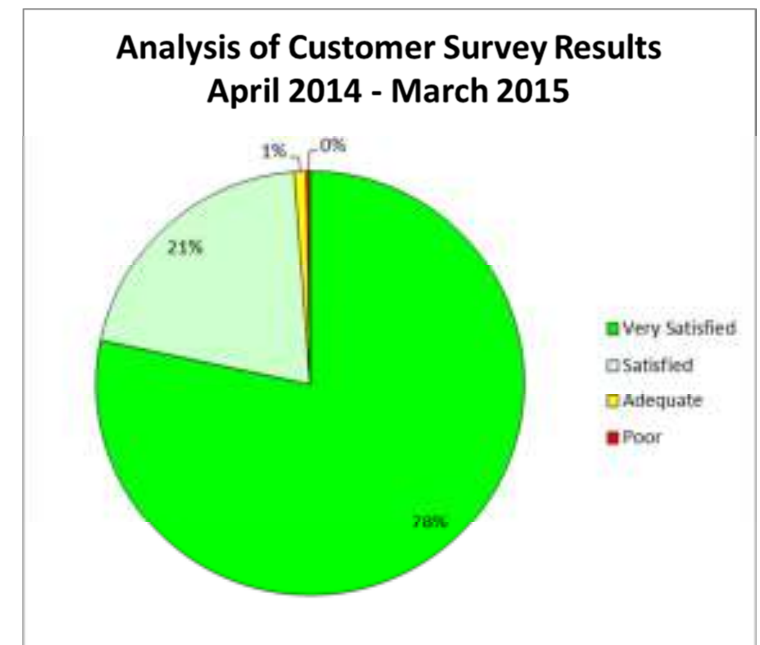
During the period we issued client survey forms with our final reports. The results of the surveys returned are, although low in number, very good and again are very positive. The overall result is very pleasing, with near 99% being "satisfied" or better across our services, see appendix 5. It is very pleasing to report that our clients continue to rate the overall usefulness of the audit and the helpfulness of our auditors highly.

### Added Value

We have had some very complimentary feedback some of the specific examples of where our team have been able to add value to the Council include:-

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

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



## Value Added

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

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

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

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

### Transformation and Change

- operational effectiveness of the core financial systems supporting reduction on staff resources whilst maintaining the control framework;
- contributing to a “lessons learnt” exercise following the transfer of ICT services to DELT;
- assurance on the governance arrangements on use and appointment of consultants;
- providing advice and support to officers within the Council’s Transaction Centre during an exercise to reconcile the payments received for head rents on city centre properties; The outcome was that through scrutiny of remittance evidence provided, interrogation of council systems and liaison with the Head Lessee, DAP identified a refund for £100k made by the Council in 2009 which had not previously been accounted for in the reconciliation process;
- support to Corporate Accountants following the transfer of School Finance Officer support to PAPH CIC;

## Place

- continued support, advice and challenge on the contract management arrangements and the Financial Allocation Mechanism (FAM) relating to the South West Devon Waste Partnership, to ensure that the City Council’s interests are protected;
- offering knowledge and experience to the Contract Management Working Group, providing support and challenge as the Group review and develop strategies and procedures.

## People

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

## Schools

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

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

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

## Internal audit coverage and results

### Transformation and Change

Based on audits completed and on indications from previous and on-going work, we are able to report that material systems controls remain effective and where weaknesses have been identified management have agreed an action plan for improvement. Where reviews have identified improvement areas relating to other operational departments, we will continue to monitor the implementation of the agreed recommendations.

Where weaknesses had been identified previously with regard to contract management a working group that included Audit and officers from across the Council with responsibility for some of the Council's major contracts e.g. Highways, Leisure Management and Waste PFI has been sharing their knowledge and experience as the Group review and develop strategies and procedures for the future. Audit are pleased to report that an Intelligent Client function has also been set up and Audit are liaising with the Intelligent Service Client Manager and BAU Intelligent Client Manager.

Information governance continues to be a high priority for the Council and Audit has continued to provide ongoing advice, consultancy and liaison with the Council's Information Governance Manager and attendance at Information Officers Lead Group (ILOG) meetings. Following a DAP review of compliance with the Data Protection Act in 2013/14 and the visit of the Information Commissioner's Office in April 2014, ILOG developed action plans to cover the recommendations made which DAP continue to monitor.

As the Council has continued to review and transform the way in which services are delivered, Internal Audit has been involved in a number of workstreams, including the Building Our Capabilities for Effective Change" project (formerly Evolve), the Assure project and mobilisation of Delt.

In addition to audits undertaken as per the plan, advice and guidance has been provided to managers and staff at all levels within Transformation and Change.

### People

In our opinion, and based upon our audit work completed during the 2014/15 financial year and in previous years, we consider that adequate controls are in place to control operations within People. Where weaknesses have been identified management have agreed findings and have either agreed the recommendations or accepted the associated risks. Where management actions have been agreed as appropriate we shall undertake follow up work to ensure that the identified risks have been mitigated.

Recent work has focused around Integrated Health & Wellbeing (Integrated Delivery and Integrated Commissioning) the report issued providing assurance opinions on the:

- Section 75 Agreement,
- Financial and Risk Framework,
- Proposed Governance Structure and Administration Processes,
- Risk Reporting Arrangements and Project Architecture.

Whilst there were a number of actions to be addressed action was ongoing and driven by the deadline of 1<sup>st</sup> April 2015.

In addition to audits undertaken as per the plan, advice and guidance has been provided to managers and staff at all levels within People.

### Public Health

No specific audits were undertaken with regard to Public Health during the 2014/15 financial year.

## Place

Our work overall has continued to confirm that adequate controls are in place in the Place Directorate with management responding positively to recommendations to improve control and reduce exposure to risk.

DAP reviewed the evidence compiled by officers to support the City Council's annual CRC Energy Efficiency Scheme submission, as required by the Environment Agency. We were able to provide assurance that the Council has fulfilled its obligations with regard to its annual submission prior to the submission deadline of 31 July 2014.

Following the implementation of the city's domestic waste collection routes earlier in the year, DAP were commissioned by the service to review the start to finish process relating to the reporting and collection of "missed" bins. The work involved understanding the systems currently in operation, analysing the problems and making recommendation to improve the efficiency of the service with an initial report having recently been issued.

DAP has continued to support the South West Devon Waste Partnership Waste PFI project. A Contract Manager was appointed during the year and we have been providing them with support and challenge on the contract management arrangements as well as participating in discussions on how the Financial Allocation Mechanism (FAM) will operate in practice. In addition, DAP have been developing a programme of audit and assurance checks and reporting that can be used by the Contract Manager and Internal Audit in the future

Audit continued to provide management with support in reviewing various aspects of the Highways contract. This included an examination of management fees being levied by the contractor with the Client Manager providing an update, on actions taken in response to audit reviews, to Audit Committee in March 2015; this concluded good progress is being made.

In addition to audits undertaken as per the plan, advice and guidance has been provided to managers and staff at all levels within Place.

## Schools

We have made good progress in the delivery of our audit plan to schools and schools have again been very appreciative of the quality of our service. The requirements to meet the challenges through change to the SFVS are significant. We are focusing all of our effort to achieve the targets and support schools to the fullest of our ability.

Our overall opinion is one of Good Standard, with only one school receiving an audit opinion of 'improvements required'. In general, the systems and controls in schools mitigate the risks identified in many areas. However, there are risks exposed in key areas which reduce overall assurance.

The key matters arising from the audits are the:

- understanding of financial management by governors and skills assessment as evidenced by the requirements of the Standard
- demonstrable financing of plans for raising standards and attainment; and,
- absence of financial benchmarking.

Recommendations have been made to reduce risks and in other areas, recommendations made serve to strengthen what are reasonably reliable procedures. Schools which had an opinion of improvements required or fundamental weaknesses identified were subject to a follow up in 2014/15 and are subject to a full audit 2015/16.

The Schools Financial Value Standard is now an established tool for maintained schools as a self-assessment of their local financial management and schools are required to annually submit their self-assessment to their local authority by the 31<sup>st</sup> March. Currently there are 65 maintained schools within Plymouth City Council and all but one of these schools formally submitted a signed self assessment by 31<sup>st</sup> March 2015. The one school which did not submit a completed self-assessment within deadline is part of a 'hard' federation and this for the purposes of SFVS is considered by the Department of Education as an exemption.

## Fraud Prevention and Detection

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

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. The Audit Commission runs a national data matching exercise (National Fraud Initiative - NFI) every two years. For the 2014/15 exercise, Internal Audit co-ordinated the extract of relevant datasets, as defined by the Audit Commission, from a range of City Council systems. Departments supplied their datasets and these were uploaded onto the NFI secure website. The subsequent matching reports were received back from the Audit Commission at the end of January 2015 and these are currently being examined either by Internal Audit or provided to relevant departments for their investigation.

**Irregularities** - During 2014/15 Internal Audit have carried out, or assisted in a total of 10 irregularity investigations, of which 9 were newly referred during the year. Analysis of the types of investigation and the number undertaken shows the following:-

Issue	Number
IT Misuse	7
Employee Conduct	3

As can be seen from above, Audit continued to investigate suspected misuse of the Council's email and internet facilities. Audit received requests from management asking for the email accounts and/or internet logs of employees to be examined and were able to provide management with reports evidencing usage together with our findings which were then used in deciding whether to take further action against individuals.

Audit were commissioned to investigate allegations of an employee who was carrying out duties without a driving licence with the valid category of vehicle and investigate concerns about an employee abusing their position. In addition, DAP were asked to investigate issues raised by an officer in respect of alleged detriments suffered as a consequence of service restructure.

The details of these irregularities have been reported to Directors. In addition to the specific investigations, DAP have also provided management with a range of advice and support on courses of action or improvements to controls.

**Schools** - There have been no irregularities to report upon in the maintained schools. We have seen issues in other schools relating to governance and leadership and additionally manipulation of data for the schools benefit. We remain vigilant to these issues though it is difficult within the constraints of an audit to identify such detailed and complex issues.

Lessons learnt are understood by auditors and shared where required during discussions with schools.

The Assistant Director for Learning and Communities commissioned a 'lessons learnt' report on a former maintained school. This report was subsequently taken to the Audit Committee under part two arrangements.

## Appendix 1 - Annual Governance Framework Assurance

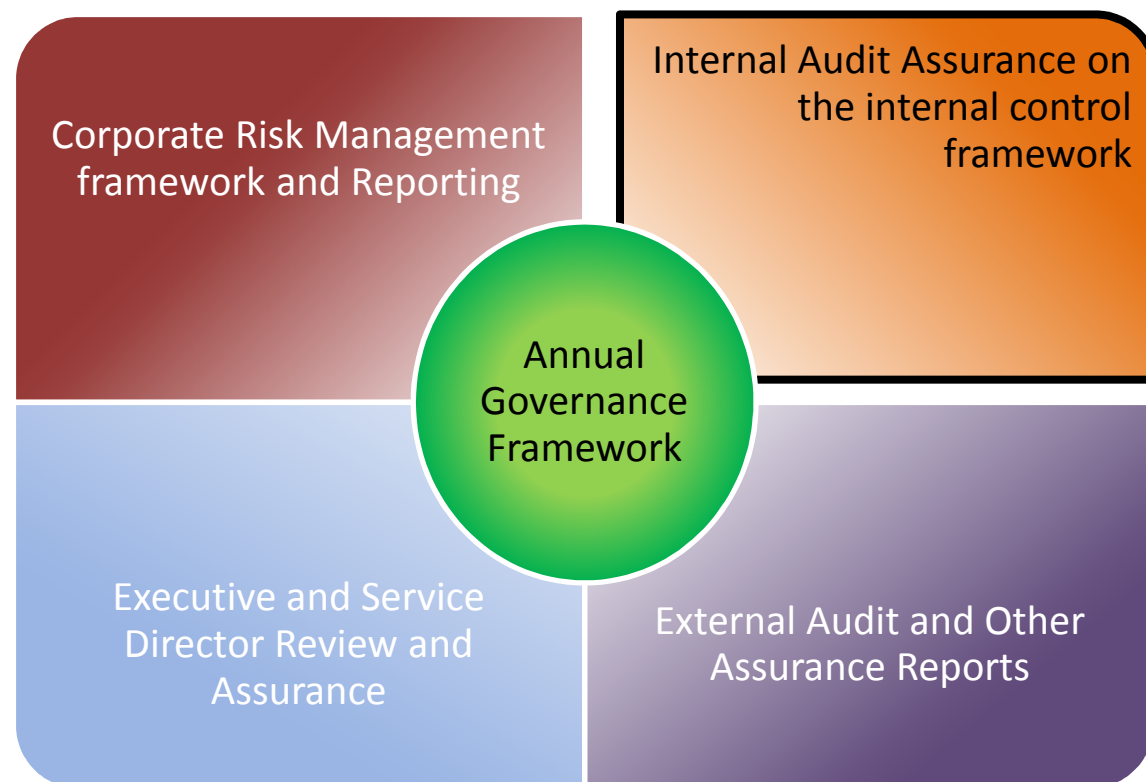
**The conclusions of this report provide the internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.**

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:-

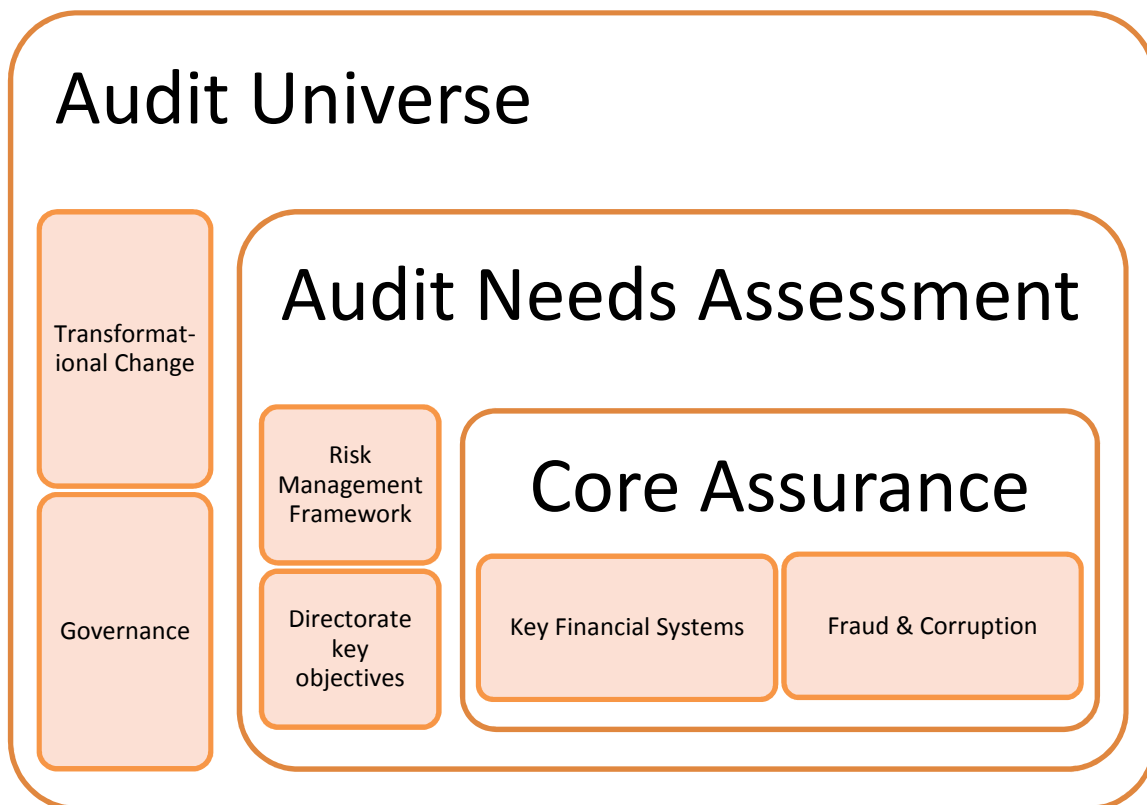
- be prepared by senior management and signed by the Chief Executive and Leader of the Council;
- highlight significant events or developments in the year;
- acknowledge the responsibility on management to ensure good governance;
- indicate the level of assurance that systems and processes can provide;
- provide a narrative on the process that has been 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.

## Appendix 2 - Audit Needs Assessment



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

The resultant Internal Audit Plan for 2014/15 was built from this assessment.

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

## Appendix 3 – Performance Indicators

There are no national Performance Indicators in existence for Internal Audit, but the Partnership does monitor these Local Performance Indicators:

<b>Local Performance Indicator (LPI)</b>	<b>2013/14</b>	<b>Plymouth 2013/14</b>	<b>2014-15</b>	<b>Plymouth 2014/15</b>	<b>DAP 2014/15</b>
	<b>Target</b>	<b>Actual</b>	<b>Target</b>	<b>Actual</b>	<b>Actual</b>
Percentage of Audit plan Commenced (Inc. Schools)	100%	94.3%	100%	98%	96.9%
Percentage of Audit plan Completed (Inc. Schools)	93%	91.2%	93%	94%	92%
Actual Audit Days as percentage of planned (Inc. Schools)	95%	91.5%	95%	96%	97.8%
Percentage of fundamental / material systems reviewed annually	100%	100%	100%	100%	100%
Percentage of chargeable time	65%	70.1%	65%	69%	67.8%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	98%	90%	99%	99%
Draft Reports produced within target number of days (currently 15 days)	90%	70.6%	90%	94%	87%
Final reports produced within target number of days (currently 10 days)	90%	84.4%	90%	99%	97%
Average level of sickness absence (DAP as a whole)	2%	3%	2%	5.5%	5.5%
Percentage of staff turnover (DAP as a whole)	5%	3%	5%	16.6%	16.6% (6 people)
Out-turn within budget	Yes	Yes	Yes	Yes	Yes

Overall, performance against the indicators has been very good and has shown a marked improvement on 2013/14 in relation to the issue of draft and final reports to the customer within the agreed timeframes.






## Appendix 4 – Summary of audit reports and findings for 2014/15





### Risk Assessment Key




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





### Assurance Progress Key





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



Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
<b>Transformation – Overall Programme</b>					
Programme Delivery and Benefits Realisation	SRR – Red ANA - High	On-going	Value Added	Independent monitoring and/or support of various projects within the Transformation Programme such as ASDVs and Category Management (see below). Audit has been a member of the “Building Our Capabilities for Effective Change” project (formerly Evolve) which is defining the way in which portfolio, programmes, projects, architecture, business analysis, change management and related disciplines support PCC in delivering change in the future.	 **
<b>Transformation - Co-operative Centre of Operations (CCO)</b>					
Contract Management	SRR – Red ANA – High Client Request	On-Going	Value Added	Audit was a member of the Contract Management Working Group, a group that included officers from Directorates with responsibility for some of the Council’s major contracts e.g. Highways, Waste PFI, Leisure Management and Social Care. Together, these officers and DAP were able to offer their knowledge and experience to the Project Manager with Audit providing support and challenge as the Group reviewed and developed strategies and procedures. DAP now have regular input with those responsible for developing the Intelligent Client function within the Council.	 **
Mobilisation of DELT	SRR – Red ANA - High	Completed	Value Added	DAP had an ongoing role in identifying the key risks associated with the implementation of Delt services and for bringing these matters to	 **


Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				the attention of the relevant officers in 'real-time' so that mitigating actions could be taken to protect the interests of both Transformation and Change and the Council as a whole. A report was subsequently issued in draft which highlighted a number of issues including the need to establish an Intelligent Client Function and to carry out a post implementation review so that lessons can be learned for future implementations of this nature. Audit are pleased to report that an Intelligent Client function has now been set up and Audit liaise with the Intelligent Service Client Manager and BAU Intelligent Client Manager.	
Alternative Service Delivery Vehicles (ASDVs)	Client Request	Completed	Value Added	Auditors have used their knowledge and experience to assist the Project Team in the development of an options appraisal toolkit that will be made available to officers to use when considering different ways of delivering their service(s). The toolkit is currently being trialled to determine “proof of concept” and will be published in due course.	 **
Category Management	Client Request	On-Going	Value Added	Audit has participated in workshops looking at the options available for the introduction of category management within the organisation, as part of the Commissioning and Procurement Project.	 **
Civica Financials Project (FWeb)	Client Request	On-Going	Value Added	Audit was a member of the FWeb Project Board, a group who are working to develop more streamlined ways of working for all staff involved with the Civica Financials system, including budget managers. DAP were able to offer their knowledge and experience to the Project Team with Audit providing support and challenge as new processes and procedures are designed.	 **
<b>Transformation – Customer &amp; Service</b>					
Revenues & Benefits Risks & Processes	Client Request	Completed	Value Added	Auditors assisted the Project Team in identifying improvements to current front line and back office processes in advance of the move into the new customer services “shop” in New George Street.  A second piece of work around analysis of overtime was also carried out.	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
<b>Transformation – Growth, Assets &amp; Municipal Enterprise (GAME)</b>					
Asset Management (linked with POD)	SRR – Red ANA - Medium	On-Going	Value Added	Audit had initial discussions with Transformation Team on progress with this project. At the time, resources were being sought to manage this project. A Project Manager is now in place and Audit will seek to provide support during 2015/16 as a Strategic Asset Management Framework is drafted.	 **
Waste - Missed Bins	Client Request	Draft	Value Added	<p>Following the implementation of the city’s domestic waste collection routes earlier in the year, the service area asked audit to review the start to finish process relating to the reporting and collection of “missed” bins. The work involved understanding the systems currently in operation, analysing the problems and making recommendation to improve the efficiency of the service.</p> <p>The report provided assurance on areas, including:</p> <ul style="list-style-type: none"> <li>• software and technical solutions;</li> <li>• interaction and interface with the local community;</li> <li>• reporting and metrics and, included</li> <li>• “As Is” and “To Be” process maps.</li> </ul> <p>Note: This work commenced March 2015 and continued into 2015/16 with the draft report issued in May.</p>	 *
<b>Transformation – Integrated Approach to Health &amp; Wellbeing</b>					
Integrated Health & Wellbeing (Integrated Delivery and Integrated Commissioning)		In Progress	Good Standard	<p>Work was undertaken in quarter four in conjunction with Audit South West (CCG Internal Auditors). A report was issued in February 2015 which provided assurance opinions on the Section 75 Agreement, Financial and Risk Framework, Proposed Governance Structure and Administration Processes, Risk Reporting Arrangements and Project Architecture.</p> <p>Although there were a number of actions to be addressed, particularly in respect of the Financial Framework, action was seen to be ongoing and driven by a deadline of 01 April 2015.</p>	 **

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Care Act (Part 1)		In Progress	Value Added	Meetings have been held with Directorate staff to provide information on how the requirements of the Care Act will be implemented. Regular updates have been scheduled and work is planned for 2015/16 to confirm assurance on implementation of key aspects.	 **
<b>Transformation – People &amp; Organisation Development</b>					
Decant of Civic Centre	SRR – Red ANA - High	On-Going	Value Added	DAP has provided support and advice to the People & Organisation Development Programme Board and the two projects, covering Accommodation and Workforce Development, that report to it, to ensure that the intended benefits are delivered in an efficient and effective manner. Such advice has included the retention of documents and security of information, as well as assurance over project management.	 **
<b>Major Infrastructure &amp; Investment Projects</b>					
Waste PFI	SRR – Green ANA - High	On-Going	Value Added	DAP's long association with this project continues. A Contract Manager was appointed during the year and we have been providing them with support and challenge on the contract management arrangements as well as participating in discussions on how the Financial Allocation Mechanism (FAM) will operate in practice. In addition, DAP have been developing a programme of audit and assurance checks and reporting that can be used by the Contract Manager and Internal Audit in the future.	 **
History Centre (Record Office)	ORR – Amber ANA - High	On-Going	Value Added	Following the announcement that the Project has been successful in its first round bid for Heritage Lottery Funding, the project is now in its next phase, Development, with six workstreams identified to take the project forward. Earlier in the year, Audit attended Programme Board meetings but now maintains a watching brief and provides support, advice and assurance to the Project on an ad hoc basis. This will continue in 2015/16.	 **

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
<p>The following major infrastructure and investment project reviews were subsequently not required by Client.</p> <ul style="list-style-type: none"> <li>• Civic Centre (ANA – Medium, Client Request)</li> <li>• City Deal (Plymouth &amp; SW Peninsula (ANA – Medium, Client Request)</li> </ul>					
<p>The following review was not undertaken in light of the transfer of ICT services to DELT</p> <ul style="list-style-type: none"> <li>• Data Centre (SRR – Red, ANA – High)</li> </ul>					
<b>Value Added</b>					
Use of Consultants & Advisors	ANA - High	Complete	Value Added	The time allocated to this audit was used to assist senior management in a review of the process surrounding the appointment of interim chief officers.	
People – Income Collection	ANA – High Client Request	Complete	Value Added	Audit carried out a “lessons learnt” exercise following changes to the Adult Social Care Fairer Charging Policy and discovery of Client Billing issues. Two situation reports were issued, <i>Non-Residential Service Income Billing</i> followed by <i>Adult Social Care Client Billing</i> .	
Management of Major Contracts	ANA – High, Client Request	Complete	Value Added	Audit continued to provide management with support in reviewing various aspects of the Amey Highways contract. This included an examination of management fees being levied by the contractor. The Client Manager provided an update, on actions taken in response to audit reviews, to Audit Committee in March 2015.	
Claim for Overpaid Rents	Client Request	Complete	Value Added	Following representations to the Council regarding alleged overpayment of head rents by the Head Lessee, in respect of a number of premises within the city centre, DAP was asked to provide advice and support to officers within the Transaction Centre during the exercise to reconcile the payments received and determine the extent of any possible overpayment.	


Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				<p>The outcome was that through scrutiny of remittance evidence provided, interrogation of council systems and liaison with the Head Lessee, DAP identified a refund for £100k made by the Council in 2009 which had not previously been accounted for in the reconciliation process.</p> <p>Recommendations have been made which should prevent a similar occurrence in the future.</p>	
Place - SMRF	Client Request	Final	Good Standard	Assurance was given to the Project Manager that the procurement process was followed correctly, in line with European, National and Council regulations and procedures.	
Planning – Tree Preservation Orders	Client Request	Final	Good Standard	<p>Our review of the tree service found a good standard of internal control with Tree Preservation Order designations and applications for works to Trees and Conservation areas in line with the DCLG Planning Best Practice.</p> <p>The recommendations made support the service area as they strive to develop and streamline the service and include:</p> <ul style="list-style-type: none"> <li>• Implementation of mobile working technologies to eliminate duplication of effort and increase capacity;</li> <li>• Use of time recording to enable analysis and identification of trans, time taken on tasks etc;</li> <li>• Greater sharing of tree management with other planning officers and exploring the opportunities for closer working arrangements with the Street Scene Team Management Team.</li> </ul> <p>Some research was undertaken and details of charges levied by Cornwall Council and Trafford Council were included in the audit report.</p>	



Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Contract - Mutley Plain Car Park	Client Request	Final	Improvements Required	<p>The Parking Manager raised concerns relating to a contract which has been in place for a number of years and requested an audit review.</p> <p>To address the weaknesses identified, it was recommended that:</p> <ul style="list-style-type: none"> <li>clear procedures need to be put in place for the remainder of the contract,</li> <li>legal advice needs to be sought relating to increases in annual costs, and;</li> <li>the possible financial implications of negative income figures needs to be understood.</li> </ul>	

The following audit was deferred to 2015/16



- Early Intervention (Families With a Future) – (ANA – High, Client Request)



### Core Assurance – Key Financial System


Capital Accounting (Asset Register)	ANA - Low	Final	Good Standard	<p>Due to the nature of the audit and the timing of the year end processed under review, the work undertaken in 2014/15 related to the system in operation during 2013/14. Work is currently underway on the 2014/15 review and our opinion will be reported in September.</p> <p>During 2013/14 the Capital Programme was found to be subject to approval with regular monitoring reports provided throughout the year to enable effective scrutiny and appropriate approval of changes and this has continued to be robust across 2014/15.</p> <p>The rolling asset re-valuation programme was being adhered to and our initial findings indicate that this adherence has continued into 2014/15 and the Fixed Asset register updated accurately and completely with the revised valuations. Movement on the general ledger continues to be monitored on a monthly basis with further reconciliations between the general ledger and fixed asset register undertaken as part of the closedown process.</p>	
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Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				<p>In respect of 2013/14 we reported that The Land and Property Team were working with Transformation to develop an Asset Strategy. Development of the Strategic Asset Management Framework is now being progressed as part of the POD Transformation programme.</p> <p>Changes to the Capital Programme Governance arrangements have meant that Financial Regulations and the supporting working practices no longer reflect current practice. These changes have been incorporated into the Leader's Scheme of Delegation for Executive Functions.</p>	
iTrent - Payroll	ANA - High	Final	Good Standard	<p>The iTrent computer system has been in use for two years and the payroll team have further developed their knowledge of the solution during that time. Consistent application of sound internal controls has ensured that employees have been paid accurately, on time and in accordance with their contract of employment.</p> <p>Regular reconciliations of payroll data has maintained the validation, accuracy and completeness of the records feeding the main accounting system. Returns to HMRC and Pension Bodies were found to be timely and in accordance with regulatory requirements.</p> <p>Integral to the work of the payroll function is the System Support and Development Team who have continued to administer the iTrent system. Changes were found to be well managed with system access and overall system security controls robust and in accord with corporate standards.</p>	
Civica Financials – Debtors	ANA - Low	Draft	Good Standard	<p>Internal controls regarding the integrity and reliability of data and the administration of debt recovery were found to be operating to a good standard although there has been a slight fall in the collection rate from 96.8% in 2013/14 to 94.9% in 2014/15. The total amount of sundry debt billed in 2014/15 has increased by approximately 13% to £79.7m.</p> <p>Debt recovery performance is subject to regular monitoring at operational and senior management level. Performance reports are produced on a monthly basis and include the percentage of income collected in comparison to the previous 4 years.</p>	












Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Civica Financials – Creditors	ANA - High	On-going	Value Added	Following the transfer of buyers to the Transaction Centre, this review has incorporated the Procure-to-Pay audit to enable assurance to be provided on the end-to-end process. It is anticipated that the report will be issued & agreed in the first quarter of 2015/16.	
Civica Financials - Main Accounting	ANA - Medium	Draft	Improvements Required	<p>The budget setting process was found to be robust with rigorous challenge by the Co-operative Scrutiny Board to ensure that the actions to address the financial gaps to achieve a balanced budget were robust and fit for purpose</p> <p>Budget monitoring processes are embedded, with regular reports to senior management and members of how the Council is performing against it's financial measures.</p> <p>Areas where recommendations have been made to strengthen the system include:</p> <ul style="list-style-type: none"> <li>• having available sufficient evidence to demonstrate that virements have been approved in accordance with financial regulations;</li> <li>• authorisation of journal entries over £500k;</li> <li>• ensuring that the overarching cash and bank reconciliation is completed each month.</li> </ul> <p>Interfaced data from feeder systems was subject to control and agreement and prompt action taken to identify and correctly allocate items posted to suspense accounts.</p>	 *
Treasury Management	ANA – Low	Final	Improvements Required	<p>Monitoring and reporting of Treasury Management activity continues to be regular and transparent with the Treasury Management Board meeting each month. Cash flow forecasting and the management of the Council's main bank account is well managed and supporting records for all loans and investments made were found to be complete and accurate.</p> <p>However, the absence of a key member of staff on long term sick leave</p>	



Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				<p>with no replacement found in the short term highlighted issues as to staff training and specific qualifications in Treasury Management. During the period of absence (which is ongoing), attention to investment decisions on an advantageous basis were not fully exploited, potentially limiting returns as the team did not have the skills /experience to know whether deals were good or not and what should be filtered before passing to senior management for decisions.</p> <p>An action plan is being implemented to upskill and increase the capacity of the team.</p>	
Academy System Parameters	ANA - High	Final	Good Standard	<p>Whilst relevant systems and controls were generally sound, recommendations for improvements in control were made in the following areas:</p> <ul style="list-style-type: none"> <li>• Where staff have undertaken procedures for the first time or new ways of working have been trialed, there has been a lack of supporting evidence retained regarding the key controls in place.</li> <li>• The NNDR (business Rates) opening debit reconciliation required reconstructing during the course of the audit as supporting evidence was not captured at the time the reconciliation was undertaken</li> </ul>	
Academy – NNDR (Business Rates)	ANA - Low	Final	Good Standard	<p>NNDR administration now sits within the Transaction Centre and it was found that processes and procedures continue to be evaluated to ensure working practices are efficient and effective.</p> <p>Local policy, working practices and procedures have ensured that:</p> <ul style="list-style-type: none"> <li>• Regulatory and best practice requirements have been implemented;</li> <li>• Amendments to accounts were identified with the business rate liability accurately calculated and billed promptly;</li> <li>• Rate liability was subject to routine collection processes, with outstanding debt effectively monitored and managed.</li> </ul>	


Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Academy - Council Tax	ANA - Medium	In Progress		This review is currently in progress and it is anticipated that the report will be issued & agreed in the first quarter of 2015/16. No issues of major concern have been identified from our fieldwork to date.	
Academy - Housing Benefits	ANA - High	In Progress		<p>This review is currently in progress and from our fieldwork to date, the key issues are those identified previously in our review of Revenues &amp; Benefits Risks &amp; Processes. The service area is continuing to make progress with the implementation of the action plan.</p> <p>It is anticipated that the report will be issued &amp; agreed in the first quarter of 2015/16.</p>	
<p>The following core assurance / key financial system review was not undertaken as a consequence of the transfer of ICT services to DELT</p> <ul style="list-style-type: none"> <li>ICT Material Systems (ANA – Low)</li> </ul>					
<p>The following core assurance / key financial systems were due to be undertaken in 2014/15 but have been deferred to 2015/16</p> <ul style="list-style-type: none"> <li>CareFirst – Adults (ANA – Medium / Low) <ul style="list-style-type: none"> <li>➤ Residential Care Payments</li> <li>➤ Residential Care Billing</li> </ul> </li> </ul>					
<b>Core Assurance – Other</b>					
Absence Management	ANA - High	Final	Improvements Required	<p>The steps taken to reduce the amount of sickness absence have had a positive affect resulting in a significant decrease in the number of days absence per FTE. There was regular monitoring of the Top 100 reports and sickness was also a standing agenda item at meetings of the Corporate Management Team.</p> <p>Detailed guidance is available on Staffroom for both employees and line managers and a series of workshops were piloted to provide support to areas experiencing higher rates of absence. Whilst this was a positive move these workshops had not been rolled out across the entire organisation. It was also noted that there was no system in place to identify managers new to the organisation or employees promoted to Line Manager status who may benefit from training.</p> <p>As the review identified a lack of consistency between the departments in how absence is managed throughout the organisation roll-out of the</p>	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				training workshops to both new and existing managers would support a more consistent approach to absence management across the organisation, building on the positive steps already taken to improve absence management.	
Corporate Landlord	ANA - High	Final	Improvements Required	<p>The Corporate Landlord service is embedded across the Council, however, at present there does not appear to be an up to date corporate land and property strategy. It is acknowledged that the Council is embarking upon a period of significant change and that this change is being managed through its Transformation Programme. It is this programme that will shape the Council's land and property strategy moving forward.</p> <p>Whilst there are established procedures in place, and prescribed response and rectification time targets, the current use of the IT system does not allow for any meaningful performance reporting. Consequently, although performance and service delivery is discussed through forums, there is no formal performance reporting to inform senior management on the effectiveness of service delivery. Improvements are being implemented and will be assessed further during 2015/16.</p>	
ICT Access Management	ANA - High	Draft	Good Standard	<p>A draft report was issued to the former Head of ICT but with the transition to DELT an action plan has not been agreed.</p> <p>Policies and training provided to staff concerning logical access to systems are effective although they would be improved by the formal adoption of the Devon Information Security Partnership (DISP) framework for information security in which the Council played a major role in developing.</p> <p>The control framework provided through physical security and software controls is generally sound although there are improvements in control required in the following areas:</p> <ul style="list-style-type: none"> <li>- documentation of security procedures for staff generally;</li> <li>- documentation of firewall administration</li> <li>- management and monitoring of user and administrator accounts;</li> <li>- malfunction of smartcard access security door in the Civic Centre.</li> </ul>	





Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
People – CareFirst Creditors Follow-Up		Final	Improvements Required	Testing was carried out on potential duplicate payments. However, due to systems and processing being changed and the decommissioning of NSIBS in October 2014 it was not possible to carry out wider testing. Managers were informed that testing would need to be carried out in the future on the new systems in place as a separate audit exercise and should be added to the audit plan.	
Disclosure and Barring Service Follow-Up		Final	Good Standard	<p>The Council is registered as an Umbrella Body which gives other non-registered organisations access to DBS checks and for this the Council charges an agreed administration fee. The team process in excess of 3,000 checks per year, around 70% of which are for staff (including schools) with the remainder split amongst groups including external organisations, taxi licensing and social care checks.</p> <p>There has been a merger of CRB and ISA into a single Non-Departmental Public Body known as the Disclosure and Barring Service (DBS) and the decommissioning of the SAP system which had been used by the team to administer the checking service. Our review finds that despite the level of change, the recruitment team have continued to meet DBS requirements with checks completed accurately, efficiently and in line with best practice.</p>	
Corp Information Management & Security <ul style="list-style-type: none"> <li>• Business</li> <li>• IT Inc. PSN</li> </ul>	SRR - Amber ANA - High	On-Going	Value Added	<p>Ongoing advice, consultancy and liaison with the Council's Information Governance Manager and attendance at Information Officers Lead Group (ILOG) meetings, a Group on which Transformation and Change are represented.</p> <p>Following a DAP review of compliance with the Data Protection Act in 2013/14 and the visit of the Information Commissioner's Office in April 2014, ILOG developed action plans to cover the recommendations made. DAP are monitoring the progress being made with implementing those action plans.</p>	 **
Schools Financial Value Standards (SFVS)	ANA - Low	Final	Good Standard	SFVS Dedicated Schools Grant Chief Finance Office assurance statement for 2013/14 submitted to the Department for Education.	
Business Continuity	SRR – Green, ANA Medium	On-Going	Value Added	DAP continued to be part of the Council's Business Continuity Strategy Group.	 **

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Schools Finance Support	ANA Medium, Client Request	Complete	Value Added	Following the transfer of finance officers to Plymouth Association of Primary Headteachers (PAPH), now Plymouth Learning Partnership (PLP), we have supported the Corporate Accountants with the reorganisation of the Council's responsibilities for accounting support and budget monitoring requirements for schools. This was to enable the City Council to meet its statutory responsibilities for monitoring school finances. In addition, we have met with PLP to develop a new working relationship between the School Finance Officers and Internal Audit.	
Procure to Pay Process	ORR – Amber, ANA High	In Progress		Following the transfer of buyers to the Transaction Centre, this audit is being undertaken at the same time as the Creditors review to enable assurance to be provided on the end-to-end process.	
In House Fostering	Client Request	In progress		The objective of our work is to provide an overview of the services the Council (and partners) are providing to support families in Plymouth who are fostering by measuring the impact of the delivery of services with the expected and reported outcomes. The intention to is to identify which services are providing value for money or not. This would then provide indicators as to where money could be potentially saved and / or redesign the services to improve delivery of fostering to support children in care.	
Lessons Learnt Audit (for Schools)	Client Request	Final	N/A	Part II Report presented to Plymouth City Council Audit Committee in June 2014.	
Direct Payments – Pre Paid Cards	Follow Up Review	Final	Improvements Required	Although progress has been made by officers in actioning the agreed recommendations there are a number which remain outstanding. Central to the remaining recommendations is the general theme of the need to update or draft policies and procedures. As the recommendations made have not yet been actioned, the risks of failing to provide a quality safe service and protection of the Council's finances remain.	
People – Plymouth Teaching School Alliance (PTSA)	Client Request	Final	High Standard	Under the PAPH CIC, a Strategic Partnership Board and an Operational Partnership Board have been established with direct involvement of Plymouth Schools, the Local Authority, the University of Plymouth and University of St Mark and St John to support the work of	

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

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				<p>The lack of a PSAB operational risk register is considered a high priority.</p> <p>With the departure of the Head of Safeguarding in March 2014 and the retirement of the Independent Chair of the PSAB in August 2014 the Board is operating in a period of uncertainty. There are clearly resource implications in implementing and establishing all the appropriate governance arrangements for the Board and these should be fully addressed once the new Chair is in post in January 2015.</p> <p>Agencies who will become statutory members of the PSAB have previously made financial contribution to its running costs. These contributions have been based on a number of factors and final decisions on how funding in the future will be met is yet to be determined. Agencies are not obliged to contribute financially. With no formal agreement in place regarding contributions, in the current economic climate, there is a risk that agencies may not feel able to make a contribution. Agreed contributions will need to be formalised and included in the Partnership Agreement.</p> <p>The Safeguarding Adults Return (SAR) 2013/14 was populated using data held in a spreadsheet instead of data being extracted direct from CareFirst. It is understood the reason for this is because data held in CareFirst cannot be relied upon to be complete and up to date. This is an area for concern. If the prime record (i.e. CareFirst) is not up to date then the safeguarding process may be less effective. The on-going completion of a spreadsheet creates an unnecessary duplication of work and adds to the risk of errors in the SAR.</p>	
Community and Voluntary Sector Contracts	Client Request	Draft	Good Standard	<p>Contract Monitoring processes were reviewed in detail for the HealthWatch contract and Carers contract. Regular meetings took place with the suppliers and performance targets were discussed and monitored closely. However, validation checks on data submitted by the suppliers were not routinely carried out as part of the quarterly monitoring process. The quality reviews did not take place until the contract had been running for some time.</p>	 *









Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				<p>Plymouth City Council (PCC) took over the Sustainable Routes contract with Routeways in 2013 and extended it for one year, no contract monitoring took place during this time.</p> <p>The contract award process was discussed with officers for the Timebanking (2011) and the CVS (2013) contracts. There were no major issues found with the awarding of either contract, although in both cases the electronic filing required improvement.</p>	
Maintained Schools audit programme	Agreed programme through 'buy back'	On-going		<p>The overall opinion for the routine school audit visits has been maintained as 'good standard'. The Partnership has joined the School Health Check process to provide the internal audit view of the financial management of individual schools based on the most recent audit visit. The provision of internal audit's performance data provides a greater focus on schools causing concern in the wider control environment.</p>	
Street Cleaners On-Call System – Follow up of 2013-14 review	ANA Medium risk	Final	Good Standard	<p>All recommendations have been implemented except for one of a low priority. In respect of the outstanding recommendation, regarding the analysis of call-outs, given the improvements made to the system and the low priority rating, it has been agreed with management that implementation will only be necessary if there is a material increase in the current demand and type of on-call activity.</p>	
Control of Fuel, Fuel Cards and Fuel Containers – Follow up of 2013-14 review	ANA Medium risk	Final	Good Standard	<p>Following a considerable amount of activity by the service area to implement audit recommendations, including the implementation of the new Civica Tranman fleet management system, we are pleased to report that the audit opinion has moved from improvements required to good standard.</p>	
Mount Edgcumbe - Small Bodies Return	Regulatory Requirement	Complete	Good Standard	<p>Overall arrangements are of a good standard. The focus of the Mount Edgcumbe Joint Committee has been to drive forward the transformational change of Mount Edgcumbe Park with the objective of securing its future sustainability.</p> <p>Whilst operational delivery and budget monitoring reports to the Mount Edgcumbe Joint Committee do communicate the risks to Mount</p>	





Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				Edgcombe these are not presented in a formal format that enables the overall risks to be considered and used to inform effective decision making.	

The following core assurance (other) review has been deferred until 2015/16.

- Capital Programme – Governance (ANA – High, Client Request)

### Grants

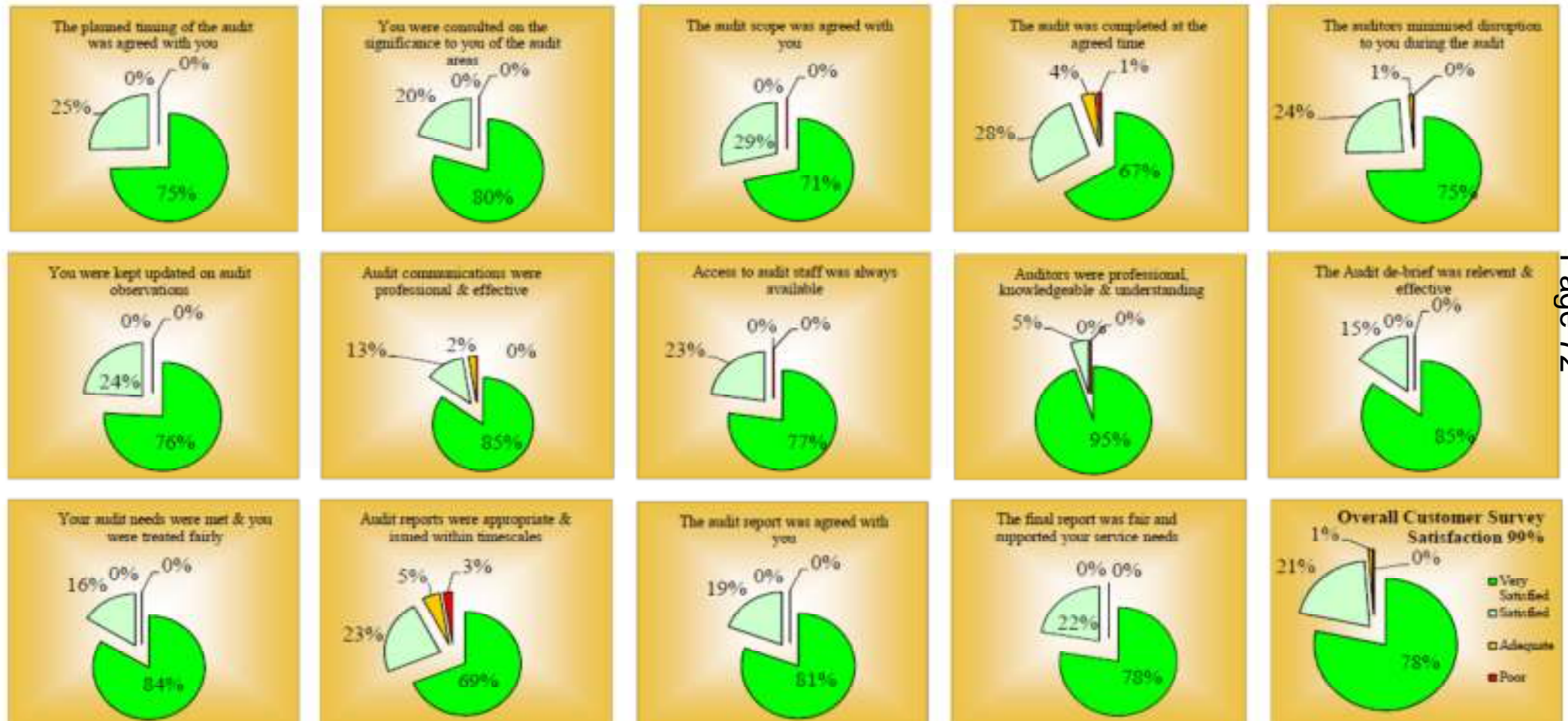
CRC Return	Regulatory Requirement	Complete	Certified	DAP were able to certify that the Council had fulfilled its obligations with regard the submission of data and compilation of supporting evidence for the CRC Energy Efficiency Scheme. Annual Certificate issued 31 July 2014.	
Local Pinch Point Fund	Regulatory Requirement	Complete	Certified	No issues identified	
Local Transport Capital Block Funding 31/2150	Regulatory Requirement	Complete	Certified	No issues identified	
LTP Additional Highways Maintenance Funding 31/2163	Regulatory Requirement	Complete	Certified	No issues identified	
LTP Severe Weather Recovery Grant 31/2277	Regulatory Requirement	Complete	Certified	No issues identified	
Troubled Families (Families With a Future)	Regulatory Requirement	Complete	Certified	Internal Audit has provided on-going support and challenge to the team responsible for the preparation of the payment by results (PBR) claims. A total of 4 claims have been reviewed and certified (the final claim for 2013/14 and 3 claims for 2014/15). On-going advice and support will be continue to be provided as the systems to evidence and track outcomes under Phase 2 of the Families With a Future programme is	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				developed.	
DFE Adoption Grant	Regulatory Requirement	Complete	Certified	No issues identified	
Rogue Landlord Funding	Regulatory Requirement	Complete	Certified	No issues identified	
Regional Growth Fund Wave Two Growth Hub	Regulatory Requirement	Complete	Certified	No issues identified	
Coastal Communities Fund	Regulatory Requirement	Complete	Certified	No issues identified	

# Appendix 5 - Customer Service Excellence

## Customer Survey Results April 2014 - March 2015

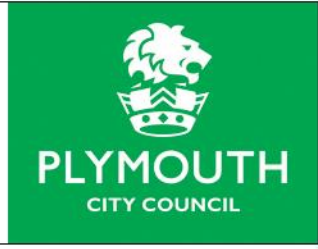
The charts below show a summary of 78 responses received.



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**RISK AND OPPORTUNITY  
MANAGEMENT STRATEGY  
2015-2017**



## INDEX

<b>PAGE</b>	<b>TITLE</b>
3	Executive Summary
4	Our Shared Vision and Priorities
5	Outline of the Risk & Opportunity Management Strategy
8	Risk & Opportunity Management Policy Statement
9	Risk & Opportunity Management Framework
10	Risk Description & Analysis Guidance
16	Roles & Responsibilities
19	Management of Risk & Opportunity Management Framework Diagram
20	Checklist for Risk & Opportunity Identification



## EXECUTIVE SUMMARY

We live in very challenging times, but also ones that provide us with real opportunities. We are a big, complex organisation, but one that needs to be continuously looking at how it can be more efficient and customer focused. Risk and Opportunity Management is both a statutory requirement and an indispensable element of corporate governance and good management. It has never been more important to have an effective Risk and Opportunity Management Strategy in place to ensure we are able to discharge our various functions and deliver public services efficiently and cost effectively.

Risk is unavoidable. It is an important part of life that allows us all to move forward and develop. Successful risk management is about ensuring that we have the correct level of control in place to provide sufficient protection from harm, without stifling our development. The Council's overriding attitude to risk is to operate in a culture of creativity and innovation, in which all key risks are identified in all areas of the business and are understood and proactively managed, rather than avoided. Risk and opportunity management therefore needs to be taken into the heart of the Council and our key partners. We need to have the structures and processes in place to ensure the risks and opportunities of daily Council activities are identified, assessed and addressed in a standard way. We do not shy away from risk but instead seek to proactively manage it. This will allow us not only to meet the needs of the community today, but also be prepared to meet future challenges.

The Council will record the significant risks identified as potential threats to the delivery of its objectives within Risk and Opportunity Registers and incorporate mitigation controls within action plans to include details of any opportunities that may arise from the successful management of each risk. Risks will be monitored every 6 months and findings reported via the Council's formal reporting process.

The benefits gained with a Risk and Opportunity Management Framework are improved strategic, operational and financial management, better decision making, improved compliance and, most importantly, improved customer service delivery and better outcomes for the citizens of Plymouth.

We embrace risk and opportunity management to support the delivery of our vision for the City and to enable the provision of high quality services to the citizens of Plymouth.

Cllr Tudor Evans  
Leader of the Council

Tracey Lee  
Chief Executive

Lesla Annear  
Strategic Director for Transformation  
and Change

## OUR SHARED VISION AND PRIORITIES AS A CITY AND A COUNCIL

As a large, complex organisation working across many fields of activity and with many partners it is important that we have a strong sense of how things hang together and where decisions are best managed, with the matrix below showing this fit.

Bringing it all together

City		Council	Listen, Learn and challenge Plan
Vision ↓	To make Plymouth one of Europe’s finest, most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone.		
Plan ↓	Plymouth Report Four Priorities: Deliver growth Raise aspirations Reduce inequalities Provide value for communities Key outcome measures Plymouth Plan (Local Plan) Major supporting strategic delivery plans	Corporate Plan Service Business Plans Transformation Portfolio Integrated business planning Risk and opportunity management Equality impacts	
Do ↓	Plymouth 2020 – Theme groups/delivery Boards Major partnership vehicles and shared programmes	Transformation Programmes & Projects Commissioning and contract management Business as usual delivery through teams and individuals Partnerships Guide	
Review ↓	Monitoring and evaluation	Appraisals Scrutiny Monitoring and evaluation Internal and external challenge Integrated business planning	
Decide ↓	Plymouth 2020	Corporate and Departmental Management Teams Cabinet/Council	
Lead and communicate			

Working more effectively across the council and with our partners we will deliver our ambitious agenda for modernising our services and delivering the vision for the city.

## **THE RISK AND OPPORTUNITY MANAGEMENT STRATEGY**

### **I. DEFINITIONS**

What is a Risk?

Risk is most commonly held to mean “hazard” and something to be avoided but it has another face – that of opportunity. Improving public services requires innovation – seizing new opportunities and managing the risks involved. In this context risk is defined as uncertainty of outcome, whether positive opportunity or negative threat of actions and events. It is the combination of likelihood and impact, including perceived importance.

What is Risk and Opportunity Management?

Risk and Opportunity Management is the culture, processes and structures that are directed towards effective management of potential opportunities and threats to an organisation achieving its objectives.

This Strategy is intended to reaffirm and improve effective Risk and Opportunity Management in Plymouth, comply with good practice and in doing so, effectively manage potential opportunities and threats to the organisation achieving its objectives.

### **2. TYPES OF RISK - STRATEGIC AND OPERATIONAL**

Strategic risks affect the aims/objectives of the corporate body – risks that hinder or stop successful achievement of corporate priorities/aims. These tend to be more medium to long term but some risks, because of a significant event or planned business activity e.g. outsource of the Life Centre, may feature for a shorter period of time. Inclusion of a risk in the strategic risk and opportunity register indicates that it is one of a number of risks that the Council (particularly elected members and senior managers) need to be aware of and ensure appropriate management arrangements are in place to manage/mitigate them.

Operational risks should link to each service area’s Business Plan. The Business Plan is a document that brings key information together in one place and demonstrates the service’s focus on council and city priorities. All major risks facing the service and to other services and partners resulting from the consequences of a service’s plans should be recorded with brief mitigation and potential outcome.

### **3. RISK ANALYSIS AND MONITORING ARRANGEMENTS**

The Corporate Risk Management Group will monitor and manage the delivery of the Risk and Opportunity Management Strategy at a strategic level. The Group’s purpose is to effectively embed Risk and Opportunity Management within the ethos of the Council’s culture as an integral part of strategic planning, decision-making and its performance management framework. The Group will also be responsible for the development and monitoring of the Strategic Risk and Opportunity Register.

The Operational Risk Management Group, comprising departmental Risk Champions and under the direction of the Head of Corporate Risk and Insurance, will be responsible for the delivery of this strategy at an operational level and for the development and monitoring of service level Operational Risk and Opportunity Registers.

## **4. PERFORMANCE MANAGEMENT**

Monitoring, managing and responding to risks are essential to the delivery of priorities and services. Quarterly Corporate Performance monitoring shows progress and the emerging trends of the Corporate Plan and provides a progress report of Pledges which complement the Council's risk and opportunity policy framework.

In addition, risk management is included as one of the five key management competencies in the Council's Competency Framework and managers will therefore be assessed on their contribution to the management of risk in their area of responsibility as part of their annual performance appraisal.

## **5. CORPORATE GOVERNANCE**

Risk and Opportunity Management is essential to effective corporate governance and the diagram at page 19 illustrates the central role it plays in relation to other key systems and processes. Key risks are included in the Annual Governance Statement which is published alongside the Statement of Accounts.

## **6. BUSINESS CONTINUITY**

The Council's ability to respond to major incidents, both external and internal, in terms of protecting the public and the ongoing delivery of critical services is co-ordinated by the Civil Protection Unit.

Business continuity arrangements are aligned to ISO 22301 and Business Continuity management is embedded across the authority. This includes the identification of potential risks and the impact on business processes/activities. This is performed through a program of business impact analysis and the implementation of mitigation procedures.

## **7. INFORMATION SECURITY**

A corporate Information Lead Officer Group (ILOG) has been established to co-ordinate a more consistent approach to all areas of information management across the council.

This group is supported by the Information Governance Manager and the Operational Risk Management Group (ORMG) which assists with raising awareness within departments and monitors information governance risks using a toolkit that includes a standard information governance risk template.

## **8. HEALTH & SAFETY**

The Risk and Opportunity Management Strategy supports the corporate Health and Safety Policy in its commitment to the continuous improvement of health and safety performance, in particular by identifying key priorities and areas for improvement in health and safety management and risk control.

## **9. EMBEDDING RISK AND OPPORTUNITY MANAGEMENT**

The Risk and Opportunity Management Strategy is reviewed annually to ensure it remains up to date. The Cabinet Member for Finance and the Strategic Director for Transformation and Change jointly champion the process.

Each Directorate has an officer appointed as Risk Champion who is trained to advise staff on best practice to ensure that the risk and opportunity management process is embedded in the Council's business processes, including:

- strategic and business planning
- information quality and use
- financial planning
- policy making and review
- project management

Awareness training can be arranged for any member of staff via the Head of Corporate Risk and Insurance

### **10. BENEFITS OF GOOD RISK AND OPPORTUNITY MANAGEMENT**

Integration of risk and opportunity management into the culture and working practices of the Council and its delivery partnerships has numerous benefits, which include:

- Protecting and adding value to the Council and its stakeholders by supporting the achievement of the Council's vision and corporate priorities
- Improved strategic, operational and financial management
- Contributing to more efficient use/allocation of resources within the Council and its partners
- Keeping the Council within the requirements of the law
- Mitigation of key threats and taking advantage of key opportunities
- Protecting and enhancing assets and image
- Improving decision-making (making the right decisions), planning and prioritisation by comprehensive and structured understanding of activity and volatility
- Enabling future activity to take place in a consistent and controlled manner
- Promotion of innovation and change
- Improved customer service delivery
- Continuity of knowledge and information management processes
- Developing and supporting people and the Council's knowledge base
- Optimising operational efficiency and therefore delivering efficiency gains and value for money
- Better allocation of time and management effort to major issues
- Avoiding nasty surprises, shocks and crises
- Ensures our approach is aligned to 'Best Practice'
- Satisfies stakeholder/partners expectations on our internal control

## **11. CULTURE**

The Council will be open in its approach to managing risks and will seek to avoid a blame culture. Lessons from events that lead to loss or reputational damage will be shared as well as lessons when things go well. Discussion on risk in any context will be conducted in an open and honest manner.

## **12. GUIDANCE AND ASSISTANCE**

The Transformation and Change Directorate, through the Head of Corporate Risk and Insurance, will promote and monitor good practice, provide guidance, support, advice and information and organise training.

## **13. RISK AND OPPORTUNITY MANAGEMENT POLICY STATEMENT**

Plymouth City Council is aware that, as a large organisation, it is exposed to a very wide range of risks and threats to the delivery of key services to the community it serves.

The Council recognises that it has a responsibility to identify, evaluate and manage risk whilst still creating a fertile climate for innovation. It therefore supports a structured approach to risk and opportunity management through its corporate Risk and Opportunity Management Strategy, the aims and objectives of which are described below:

The aims of the Risk and Opportunity Management Strategy are to:

- Integrate and raise awareness of risk and opportunity management for all those connected with the delivery of Council services
- Embed risk and opportunity management as an integral part of strategic, service, information use, financial and project planning and policy making
- Establish a standard systematic approach to risk identification, analysis, control and monitoring and reviewing
- Provide a process for identifying threats or drawbacks that also includes finding and considering opportunities
- Provide a robust and transparent framework for managing risk and supporting decision making
- Support well thought-through risk taking
- Anticipate and respond to changing external and internal environment
- Embed risk and opportunity management as an integral part of delivering and aligning successful partnerships

The objectives of the Risk and Opportunity Management Strategy are:

- To embed Risk and Opportunity Management as part of the Council's culture of governance
- To provide a robust and systematic framework for identifying, managing and responding to risk
- To provide a robust and transparent track record of managing, communicating and responding to risk

- To encourage staff to think creatively about ways to work better, simpler and more effectively

## **14. FRAMEWORK**

The Council maintains two different types of Risk and Opportunity Register - Strategic and Operational.

The Strategic Register records risks that affect the aims and objectives of the corporate body – risks that hinder or stop successful achievement of corporate priorities and aims and are generally of a medium to long term nature and the Operational records those risks affecting the day to day departmental operations.

Both registers detail the following:-

- possible consequences of the risks identified, both negative (risks and threats) and positive (opportunities)
- potential impact and likelihood of the risk identified
- existing controls in place to mitigate the risks
- actions planned to mitigate the risks with relevant timescales and the responsible officers

The Strategic Register is owned by the Corporate Management Team in its capacity of the Corporate Risk Management Group and maintained by the Head of Corporate Risk and Insurance and Operational Registers are maintained by the relevant Department's Risk Champion.

## **15. RISK AND OPPORTUNITY IDENTIFICATION**

Before we can identify our risks and opportunities we need to establish the context by looking at what we are trying to achieve and what our proposed outcomes are. Depending on the area under review, the relevant objectives and outcomes will usually be detailed in existing documents such as department business plans, project plans or partnership agreements. There are a number of different types of risks that an organisation may face including financial loss, failure of service delivery, physical risks to people and damage to reputation. To act as a prompt, a Risk Identification Checklist can be found at page 20.

Opportunities can arise from areas within the organisation and externally. Internal sources of opportunity include how the authority structures itself, partnerships with other entities, operational changes and technological innovation. External sources of opportunity include changes to political, legal, social and environmental forces.

Opportunities can also be identified by giving consideration to those that have been neglected because of perceived, but unexamined risk. These include:-

Learning from the past – whilst past experience cannot necessarily be a predictor for future performance, signals that were ignored and missed opportunities can provide insight into organisational blind spots.

Customer sensitivity – trying to understand customer needs and creating systems to exploit this information can lead to great gains.

Learning from others – exploring and sharing best practice with other organisations can lead to benefits.

Scenario planning – can be a powerful tool for generating new ideas.

Once the opportunity has been identified it should be described to include the expected benefits, contributions to business objectives and stakeholders.

## 16. TRANSFORMATION PROJECTS

The Portfolio Office measure and review all new Transformation programmes and projects to ensure the Council follows the correct model of operating an effective and appropriate governance process. A Risk and Opportunity Potential Assessment (ROPA) is used to measure the level of benefit or risk a new idea or project poses to the organisation which in turns determines the level of governance that needs to be put in place. The ROPA is undertaken when a new idea is submitted and is continually reviewed throughout the lifecycle of the project as new or more detailed information could change the level of governance.

## 17. RISK DESCRIPTION

The risks and opportunities identified need to be recorded in a structured format. A description covering the Cause, Event and Effect is used to scope a risk or opportunity. Guidance on some typical phrasing or statements listed below:-

Cause	Event	Effect
Because of .... As a result of .... Due to ....	<an uncertain event i.e. Risk or opportunity> may occur ....	which would lead to <effect on objective(s)>

Event	Cause	Effect
Risk of .... Failure to .... Failure of .... Lack of .... Loss of .... Uncertainty of .... Delay in .... Inability to .... Inadequate .... Partnership with .... Development of .... Opportunity to ....	.... due to ....	.... leads to .... and/or .... result in ....

## 18. RISK ANALYSIS

Once risks have been identified they need to be assessed systematically and accurately. The process requires managers to assess the level of risk by considering:-

The probability of an event occurring – “likelihood”, and the potential outcome of the consequences should such an event occur – “impact” Managers will assess each element of the judgement and determine the score. The tables below give the scores and indicative definitions for each element of the risk ranking process:-

Score	Likelihood	Threat / Risk
5	Almost Certain (80-100%)	Is expected to occur in most circumstances Will undoubtedly happen, possibly frequently e.g. Annually or more frequently Imminent/near miss
4	Likely (50-80%)	Will probably occur in many circumstances Will probably happen, but not a persistent issue e.g. Once in 3 years



		Has happened in the past
3	Possible (25-50%)	Could occur in certain circumstances May happen occasionally, e.g. Once in 10 years Has happened elsewhere
2	Unlikely (10-25%)	May occur only exceptional circumstances Not expected to happen, but is possible e.g. Once in 25 years Not know in this activity
1	Rare (0-10%)	Is never likely to occur Very unlikely this will ever happen e.g. Once in 100 years

Score	Impact	Threat / Risk
5	Catastrophic Risk	<p>Risks which can have a catastrophic effect on the operation of the Council or service. This may result in critical financial loss, severe service disruption or a severe impact on the public. Examples:-</p> <p>Unable to function without aid of Government or other external Agency</p> <p>Inability to fulfil obligations</p> <p>Medium – long term damage to service capability</p> <p>Severe financial loss – supplementary estimate needed which will have a catastrophic impact on the Council's financial plan and resources are unlikely to be available</p> <p>Death</p> <p>Adverse national publicity – highly damaging, severe loss of public confidence</p> <p>Significant public interest</p> <p>Litigation certain and difficult to defend</p> <p>Breaches of law punishable by imprisonment</p> <p>Very significant exposure of public funds with funding being managed across organisations and complex reporting</p> <p>Total project budget in excess of £250,000</p>
4	Major Risk	<p>Risks which can have a major effect on the operation of the Council or service. This may result in major financial loss, major service disruption or a significant impact on the public. Examples:-</p> <p>Significant impact on service objectives</p> <p>Short – medium term impairment to service capability</p> <p>Major financial loss – supplementary estimate needed which will have a major impact on the Council's financial plan</p> <p>Extensive injuries, major permanent harm, long term sick</p> <p>Major adverse local publicity, major loss of confidence</p> <p>Litigation likely and may be difficult to defend</p>

		<p>Breaches of law punishable by fines or possible imprisonment</p> <p>Relatively large budget £100-£250k</p>
3	Moderate Risk	<p>Risks which have a noticeable effect on the services provided. Each one will cause a degree of disruption to service provision and impinge on the budget. Examples:-</p> <p>Service objectives partially achievable</p> <p>Short term disruption to service capability</p> <p>Significant financial loss – supplementary estimate needed which will have an impact on the Council's financial plan</p> <p>Medical treatment required, semi-permanent harm up to 1 year</p> <p>Some adverse publicity, needs careful public relations</p> <p>High potential for complaint, litigation possible</p> <p>Breaches of law punishable by fines only</p>
2	Minor Risk	<p>Risks where the consequences will not be severe and any associated losses will be minor. As individual occurrences they will have a negligible effect on service provision. However, if action is not taken, then such risks may have a more significant cumulative effect.</p> <p>Examples:-</p> <p>Minor impact on service objectives</p> <p>No significant disruption to service capability</p> <p>Moderate financial loss – can be accommodated at HOS level</p> <p>First aid treatment, non-permanent harm up to 1 month</p> <p>Some public embarrassment, no damage to reputation</p> <p>May result in complaints/litigation</p> <p>Breaches of regulations/standards</p> <p>Budget within delegation</p>
1	Insignificant Risk	<p>Risks where the consequences will not be severe and any associated losses will be relatively small. As individual occurrences they will have a negligible effect on service provision. However, if action is not taken, then such risks may have a more significant cumulative effect.</p> <p>Examples:-</p> <p>Minimal impact, no service disruption</p> <p>Negligible impact on service capability</p> <p>Minimal loss – can be accommodated at SAC level</p> <p>No obvious harm/injury</p> <p>Unlikely to cause any adverse publicity, internal only</p> <p>Breaches of local procedures/standards</p> <p>Budget within delegation and relatively small or within operational costs</p>

The risk ratings for each part of the assessment are then combined to give an overall ranking for each risk. The ratings can be plotted onto the risk matrix, see below, which assists in determining the risk priority and the amount of attention it deserves.

## 19. RISK RANKING TABLE

Likelihood / Probability	Almost Certain	5	10	15	20	25
	Likely	4	8	12	16	20
	Possible	3	6	9	12	15
	Unlikely	2	4	6	8	10
	Rare	1	2	3	4	5
		Insignificant	Minor	Moderate	Major	Catastrophic
		Negative Impact / Severity				

Risk Tolerance		
Red (High Risk)	20 - 25	Must be managed down urgently
Amber (Medium Risk)	12 - 16	Seek to influence medium term/monitor
Green (Low Risk)	6 - 10	Acceptable but continue to monitor
Yellow (No risk)	1 - 5	Remove from register

## 20. RISK APPETITE

Risk appetite is the level of risk we are prepared to tolerate or accept in the pursuit of our strategic objectives. Our aim is to consider all options to respond to risk appropriately and make informed decisions that are most likely to result in successful delivery whilst also providing an acceptable level of value for money.

The acceptance of risk is subject to ensuring that all potential benefits and risks are fully understood and that appropriate measures to mitigate risk are established before decisions are made. We recognise that the appetite for risk will vary according to the activity undertaken and hence different appetites and tolerances to risk apply. Specifically, our approach is to minimise exposure to compliance and reputation risk, whilst accepting and encouraging an increased degree of risk in other areas in pursuit of our strategic objectives as illustrated in the diagram and statements below:-

	Lower Risk			Higher Risk	
	1	2	3	4	5
Compliance & Regulation					
Operational/Service Delivery					
Financial					
Reputation					
Strategic Transformational Change					
Development & Regeneration					
People & Culture					

*Compliance & Regulation* – The Council recognises the need to place high importance on compliance, regulation and public protection and has no appetite for breaches in statute, regulation, professional standards, ethics, bribery or fraud.

*Operational/Service Delivery* – The Council accepts a moderate to high level of risk arising from the nature of the Council’s business operations and service delivery to deliver an appropriate level of service at value for money, whilst minimising any negative reputational impact.

*Financial* – The Council acknowledges the responsibility it has for administration of public funds, and wishes to emphasise to both the public and its employees the importance it places upon probity, financial control and honest administration. Financial Regulations provide the framework for managing the Council’s financial affairs and should be adhered to at all times. All schemes must be fully financed and approved by the Capital Delivery Board. Finance managers are an integral part of Department Management Teams and should be consulted when planning any new project.

*Reputation* – It is regarded as essential that the Council preserves a high reputation and hence it has set a low appetite for risk in the conduct of any of its activities that puts its reputation in jeopardy through any adverse publicity.

*Strategic Transformational Change* – The environment the Council works in is continually changing through both its internal operations and the services it provides. Change projects provide the Council with an opportunity to move forward and develop and establish benefits for the longer term. The Council recognises that this may require increased levels of risk and is comfortable accepting the risk subject to always ensuring that risks are appropriately managed. To help with the assessment of transformation projects a Risk and Opportunity Potential Assessment (ROPA) should be carried out. A ROPA is designed to provide a standard set of high-level criteria for assessing the strategic risk potential of programmes and projects and should be carried out during Programme/Project initiation.

*Development & Regeneration* – The Council has a continuing obligation to invest in the development and regeneration of the City. To continue to be progressive and innovative in the work performed the Council is willing to accept a higher risk appetite whilst ensuring that benefits are assessed and risks are fully scrutinised and appropriately mitigated before developments are authorised.

*People & Culture* – The Council recognises that staff are critical to achieving its objectives and therefore the support and development of staff is key to making the Council an inspiring and safe place to work. It has moderate to high appetite for decisions that involve staffing or culture to support transformational change and ensure the Council is continually improving.

## **21. RISK RESPONSE**

There are four basic ways of treating risk, which are:-

- Treat - Ensuring effectiveness of existing controls and implementing new controls where considered necessary and cost effective.
- Transfer - Involves another party bearing or sharing the risk i.e. via insurance
- Tolerate - Where it is not possible to treat or transfer. Consideration needs to be given to how the risk and consequences of such are to be managed should they occur.
- Terminate - Deciding where possible not to continue or proceed with the activity in view of the level of risks involved.

## **22. OPPORTUNITY RESPONSE**

There are four basic ways of treating opportunity, which are:-

- Enhance - Seek to increase the likelihood and/or the impact of the opportunity in order to maximise the benefit.
- Ignore - Minor opportunities can be ignored, by adopting a reactive approach without taking any explicit actions.
- Share - Seek a partner/stakeholder able to manage the opportunity, which can maximise the likelihood of it happening and increase the potential benefits
- Exploit - Seek to make the opportunity definitely happen. Aggressive measures to ensure the benefits from the opportunity are realised.

## **23. MONITORING ARRANGEMENTS FOR KEY RISKS**

The reason for monitoring key risks is to create an early warning system for any movement in risk – key risks are defined as those which score 12 or above in accordance with the risk ranking table on page 13. High level red risks may be referred to the Scrutiny Board subject to Audit Committee recommendation. Risks scoring below 12 are considered to be managed effectively and therefore within the Council’s “risk tolerance”. Any risk scored below 6 can be removed from the risk register and archived.

Risk Registers are living documents and therefore must be regularly reviewed and amended. The Risk and Opportunity Management Strategy requires risks recorded on the Strategic Risk and Opportunity Register and service level Operational Risk and Opportunity Registers to be monitored every six months by departmental risk champions in consultation with senior managers and lead officers.

Monitoring reports are presented for approval to the Corporate Risk Management Group and to Cabinet Planning for Member agreement prior to final ratification by the Audit Committee. Operational red risks may be referred to the Overview and Scrutiny Management Board.

The questions asked during monitoring are:-

- Is the risk still relevant?

- Is there any movement in the risk score?
- Are the controls still in place and operating effectively?
- Has anything occurred which might change its impact and/or likelihood?
- Have potential opportunities been considered and maximised?
- Have any significant control failures or weaknesses occurred since the last monitoring exercise?
- If so, does this indicate whether the risk is increasing or decreasing?
- If the risk is increasing do I need to devise more controls or think of other ways of mitigating the risk?
- If the risk is decreasing can I relax some existing controls?
- Are controls / actions built into appropriate documented action plans?
- Are there any new or emerging risks?
- Have any of the existing risks ceased to be an issue (and can therefore be archived?)

## **24. ROLES AND RESPONSIBILITIES**

### Cabinet Members

- Approve the Council's Risk and Opportunity Management Strategy
- Receive and approve monitoring reports on the Strategic Risk and Opportunity Register and an annual Risk and Opportunity Management report

### Corporate Risk Management Group/CMT

- Ensure the Council implements and manages risk effectively through the delivery of the Risk and Opportunity Management Strategy and consider risks affecting delivery of services
- Appoint a Senior Information Risk Officer (currently the Director for Transformation & Change) this role also includes being the Senior Responsible Officer for overseeing the impact on the Council from the use of covert surveillance
- Ensure risk and opportunity management is considered by Management Team Agenda on a quarterly basis
- Provide assurance to Cabinet Planning and Audit Committee regarding risk and opportunity management compliance.
- Be responsible for and monitor the Strategic Risk and Opportunity Register
- Receive and approve risk and opportunity management status reports from the Operational Risk Management Group
- Approve and monitor the progress and effectiveness of the Risk and Opportunity Management Strategy and Operational Risk Management Group
- Support the embedding of risk and opportunity management within the culture of the Council as an integral part of strategic/business planning, decision-making and performance management framework
- Approve risk and opportunity management monitoring reports to Cabinet Planning and Audit Committee

### Lead Member and Officer for Risk and Opportunity Management

- The Cabinet Member for Finance and the Director for Transformation & Change will act as Member and Officer risk champions
- Ensure that the Council manages risk effectively through the development of a robust and comprehensive Risk and Opportunity Management Strategy

### Head of Corporate Risk and Insurance

- Support the Council and its departments in the effective development, implementation and review of the Risk and Opportunity Management Strategy
- Share experiences across the Council and partners, promoting, facilitating and overseeing the arrangements for managing and monitoring of risk
- Provide training and guidance in Risk and Opportunity Management
- Support the Corporate Risk Management Group
- Lead and direct the work of the Operational Risk Management Group

### Operational Risk Management Group (ORMG)

- Monitor, review and communicate information on operational and strategic risks within their directorate
- Ensure risk and opportunity management is embedded within departmental business plans.
- Review cross cutting operational issues
- Report to Corporate Risk Management Group every six months
- Meet six times per year
- Receive, consider and approve bids for financial assistance towards risk reduction initiatives

### Audit Committee

- Provide independent assurance to the Council on the effectiveness of the Council's risk and opportunity management, internal control and overall assurance framework

### Directors

- Take responsibility for the promotion of the Risk and Opportunity Management Strategy within their areas
- Ensure that operational risk and opportunity registers are managed, monitored, responded to and communicated effectively in their areas
- Ensure that risk and opportunity management is a key consideration in the delivery of the Council's priorities

### Managers

- Identify, evaluate, prioritise and control risks and opportunities facing the Council in achieving its objectives
- Support, assist and inform their Directorate Risk Champion on risk issues
- Include staff without direct responsibility for owning and managing risk in risk discussions to ensure teams identify potential risks associated with service delivery

### Risk Champions

- Attend Operational Risk Management Group meetings
- Co-ordinate, present and monitor bids against the Risk Management Fund
- Promote, maintain and monitor risk and opportunity registers in line with risk and opportunity management/business planning guidance

- Support and provide guidance on the risk and opportunity management process in their department
- Promote and advise on the risk and opportunity management strategy
- Integrate and raise awareness of risk and opportunity management within their Directorate

### Employees

- Assess and manage risks effectively in their job and report hazards / risks to their service managers
- Undertake their job within contractual, policy and statutory guidelines
- Consult with department risk champion as necessary

### Devon Audit Partnership

- Provide a risk based Audit Plan to monitor the effectiveness of Internal Controls and provide a trigger and action plan for management intervention
- Audit the Risk and Opportunity Management Strategy and processes

### Insurance

- Ensure appropriate risk-financing arrangements are in place to mitigate against identified insurable risks
- Work with the Head of Corporate Risk and Insurance to identify and control insurable risks effectively and economically

### Health & Safety

- Provide independent health and safety advice to the Operational Risk Management Group
- Support the Council in managing and monitoring health and safety performance

### Civil Protection Team

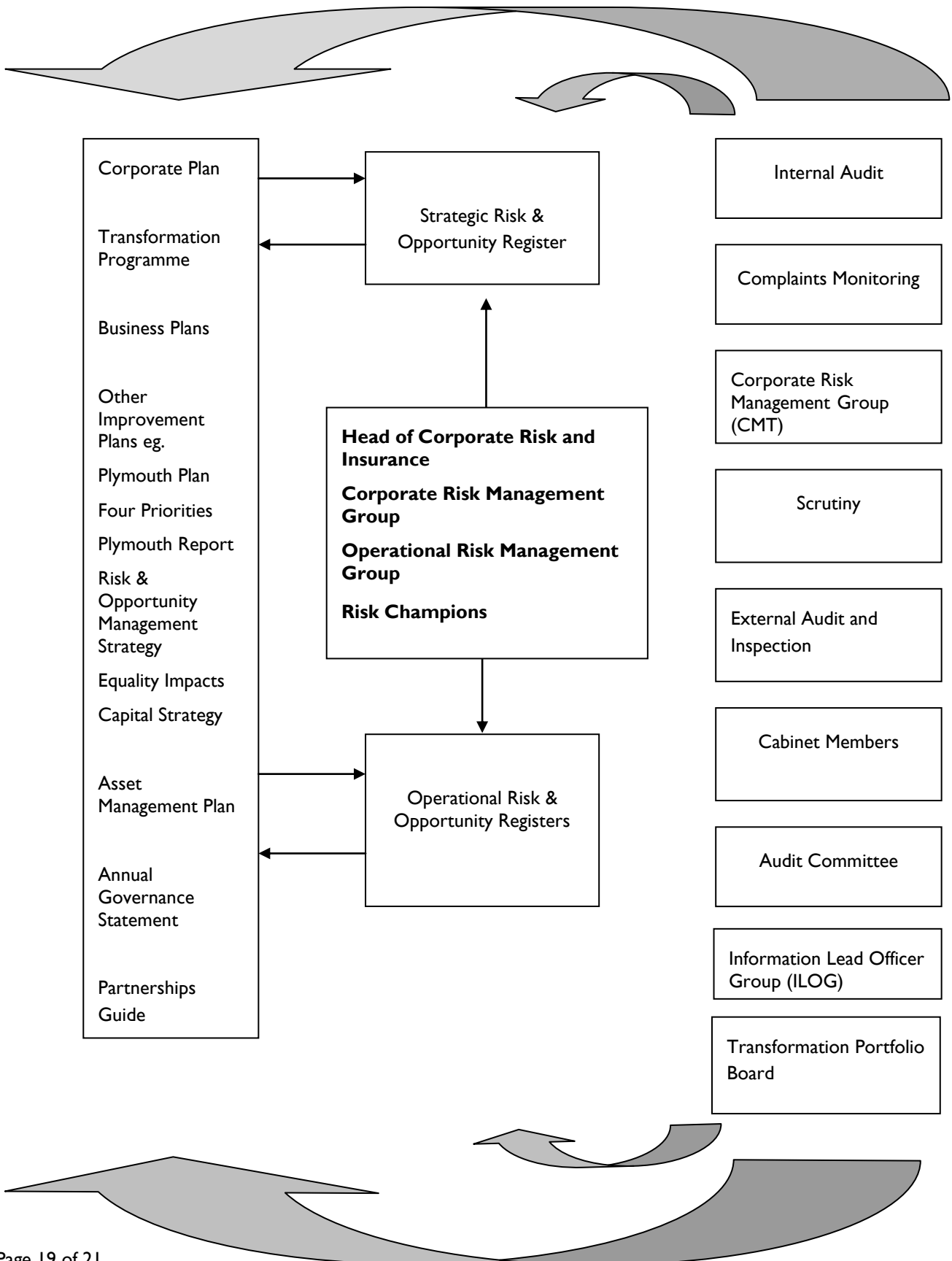
- Assess, manage and monitor risks associated with civil emergencies.
- Co-ordinate and advise on the production, maintenance and testing of a Business Continuity Management Plan for the council.



## 25. THE MANAGEMENT OF RISK AND OPPORTUNITY

The overall corporate governance framework for managing risk is illustrated by the following diagram:-

Monitoring and Review process



Checklist for Risk and Opportunity Identification (Please note that this is meant as a guide and is not an exhaustive list)

Compliance & Regulation	<ul style="list-style-type: none"> <li>• Legislation and internal policies/regulations</li> <li>• Grant funding conditions</li> <li>• Legal challenges, legal powers, judicial reviews or public interest reports</li> <li>• Change in government policy</li> </ul>
Operational/Service Delivery	<ul style="list-style-type: none"> <li>• Emergency preparedness/business continuity</li> <li>• Poor quality/reduced service delivery</li> <li>• Information security, retention accuracy</li> <li>• ICT integrity, availability</li> <li>• Changing needs and expectations of customers – poor communication/consultation</li> </ul>
Financial	<ul style="list-style-type: none"> <li>• Budgetary pressures</li> <li>• Loss of/reduction in income/funding, increase in energy costs</li> <li>• Cost of living, interest rates, inflation etc.</li> <li>• Financial management arrangements</li> <li>• Investment decisions, sustainable economic growth</li> <li>• Affordability models and financial checks</li> <li>• Inadequate insurance cover</li> <li>• System/procedure weaknesses that could lead to fraud</li> </ul>
Reputation	<ul style="list-style-type: none"> <li>• Negative publicity (local and national)</li> <li>• Increase in complaints</li> <li>• Fines</li> </ul>
Strategic Transformational Change	<ul style="list-style-type: none"> <li>• New initiatives, new ways of working, new policies and procedures</li> <li>• New relationships – accountability issues / unclear roles and responsibilities</li> <li>• Monitoring arrangements</li> <li>• Managing change</li> </ul>
Development & Regeneration	<ul style="list-style-type: none"> <li>• Demographics</li> <li>• Economic downturn – prosperity of local businesses/local communities</li> <li>• Impact of planning or transportation policies</li> <li>• Environmental, landscape, countryside, historic environment, open space</li> <li>• Property, land, buildings and equipment</li> </ul>

<p>People &amp; Culture</p>	<ul style="list-style-type: none"> <li>• Political personalities</li> <li>• Member support/approval</li> <li>• New political arrangements</li> <li>• Loss of key staff, recruitment and retention issues</li> <li>• Training issues</li> <li>• Lack of/or inadequate management support</li> <li>• Poor communication/consultation</li> <li>• Capacity issues – availability, sickness and absence etc.</li> </ul>
<p>Opportunities/Outcomes</p>	<ul style="list-style-type: none"> <li>• Add value or improve customer experience/satisfaction</li> <li>• Reduce waste and inefficiency</li> <li>• Improve staff skills/morale</li> <li>• Raising educational attainment and improving the lives of children, young people and families</li> <li>• Maximising independence for older people with disabilities</li> <li>• Developing sustainable places and communities</li> <li>• Protecting the community and making Plymouth a safer place to live</li> </ul>

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**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	Risk and Opportunity Management – Annual Report
<b>Committee:</b>	Audit Committee
<b>Date:</b>	25 June 2015
<b>Cabinet Member:</b>	Councillor Lowry
<b>CMT Member:</b>	Lesa Annear (Director for Transformation & 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 summarises the work carried out during 2014/15 to develop the Council's approach to risk and opportunity management and covers:

- Corporate and Operational Risk Management Groups
- Risk & Opportunity Management Strategy
- Risk and Opportunity Registers
- Annual Governance Statement
- Information Lead Officer Group (ILOG)
- Transformation Project
- Integrated Assurance Project
- Focus for 2015/2016

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

Maintaining sound systems of internal control and risk management enables the council to monitor and review the key risks that may prevent it from achieving its corporate and service 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.

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

- The Risk and Opportunity Management Strategy specifically supports the council's overall governance arrangements

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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 the Annual Report.

**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:**

[ALARM Opportunity Risk Management Guide](#)  
[Previous reports on risk management to Audit Committee](#)

**Background papers:**

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

**Sign off:** Councillor Mark Lowry

Fin	djn151 6.12	Leg	2318 6DVS	Mon Off	231 86D VS	HR		Assets		IT		Strat Proc	
Originating SMT Member , Assistant Director for Finance													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

## **1.0 Introduction**

**1.1** This report summarises the work carried out during 2014/15 to further develop the Council's approach to risk and opportunity management.

**1.2** The review covers:

- Corporate and Operational Risk Management Groups
- Risk & Opportunity Management Strategy
- Risk and Opportunity Registers
- Annual Governance Statement
- Information Lead Officers Group (ILOG)
- Transformation Project
- Integrated Assurance Project
- Focus for 2015/2016

## **2.0 Corporate and Operational Risk Management Groups**

**2.1** The risk and opportunity management strategy involves a two tier approach:-

**2.2** The Corporate Management Team (CMT) acts as the Corporate Risk Management Group (CRMG) with responsibility for the strategic risk and opportunity [register](#) and the overall risk and opportunity management strategy.

**2.3** CRMG has met four times in the past twelve months to receive and approve monitoring reports and to consider strategic risk issues prior to Cabinet Planning giving approval for reports to be presented to Audit Committee.

**2.4** Directors have engaged fully in the risk management process in taking ownership of the strategic risk and opportunity register both formally at CRMG meetings and throughout the year in proposing amendments to the register in line with changing circumstances and priorities for the Council.

**2.5** As a result the strategic risk and opportunity register has now been through 20 revisions since it was first drawn up ten years ago which is good evidence of the dynamic nature of the risk management process and how it is embedded at a strategic level.

**2.6** Relevant Cabinet Members have also been engaged in considering and challenging risk management monitoring reports.

**2.7** Matters of day to day operational risk management are the responsibility of the Operational Risk Management Group (ORMG) which is chaired by the Head of Corporate Risk and Insurance and comprises risk champions from each directorate and/or service.

**2.8** The ORMG has met every 6-8 weeks to review and monitor operational risk and opportunity risk registers to promote and develop a consistent approach to risk and opportunity management and also to consider bids from departments for financial assistance from the risk management fund towards risk reduction initiatives.

**2.9** The risk management fund is used as a pump-priming fund to enable departments to implement risk reduction initiatives in areas such as physical security improvements (fire/intruder alarms, CCTV etc.) training, health and safety improvements etc.

**2.10** A list of those projects supported by the fund in 2014/15 is attached for information at Appendix A.

### **3.0 Risk and Opportunity Management Strategy**

**3.1** The Risk and Opportunity Management Strategy provides a comprehensive framework and process designed to support Members and officers in ensuring that the Council is able to discharge its risk management responsibilities fully. The strategy outlines the objectives and benefits of managing risk and exploiting opportunities, describes the responsibilities for risk management and provides an overview of the process that we will implement to manage risk successfully.

**3.2** The Council records the significant risks identified as potential threats to the delivery of its objectives within risk and opportunity registers and incorporate mitigation controls within action plans to include details of any opportunity that may arise from the successful management of each risk.

**3.3** Once risks have been identified they need to be assessed systematically and accurately. [Guidance](#) has been produced to assist officers in evaluating the level of risk and this can be found in the document library.

**3.4** A refresh has taken place this year to bring the strategy in line with the Councils Transformation Programme and a copy of the revised draft is attached at Appendix B.

**3.5** The section on risk identification (para. 15) has been expanded to include guidance on identifying opportunities as well as the section on risk appetite (para. 20) which explains the level of risk we are prepared to tolerate or accept in the pursuit of our strategic objectives. Recognising that the appetite for risk will vary according to the activity undertaken provided appropriate evaluation is carried out before decisions are made is key component to promoting innovation and change.

### **4.0 Risk and Opportunity Registers**

**4.1** Both strategic and operational risk and opportunity registers are the subject of formal monitoring on a six monthly basis with the results discussed and agreed firstly at CMT and secondly at Cabinet Planning prior to a monitoring report being presented to this Committee.

**4.2** Monitoring reports are now routinely considered at each meeting of this Committee with strategic and operational risk updates provided to alternate meetings. Reports outline the direction of travel for all risks identified in risk and opportunity registers and provide commentary on the effectiveness of the risk management processes in place.

### **5.0 Annual Governance Statement (AGS)**

**5.1** The system of internal control in the Council is based on an on-going process to identify and prioritise the risks or threats to the achievement of policies, aims and objectives and to evaluate the likelihood of those risks being realised and the impact should they occur.

**5.2** In accordance with the CIPFA/SOLACE framework document *Good Governance in Local Government*, the Council has adopted a local Code of Corporate Governance which was approved by Audit Committee on 31 March 2008.



- 5.3** The framework recommends that the Council carries out annually a self-assessment of how it complies with the six core principles of good governance set out in the Code.
- 5.4** The AGS has been reviewed and updated this year based on an example provided in Grant Thornton's Local Government Governance Review 2013. The new format provides a more engaging layout that is easier to digest and captures our priorities and achievements as well as providing position statements for significant governance issues together with mitigating actions.
- 5.5** The AGS Working Group has carried out this annual review and is satisfied that the governance framework described in the Governance Statement continues to satisfy the compliance requirements of the CIPFA/SOLACE model Code.
- 5.6** The monitoring processes now in place to manage risk through the Council's approach to risk management is proving to be an effective tool in contributing to the delivery of this statutory responsibility, with the Strategic Risk and Opportunity Register in particular largely informing the content of the AGS.
- 6.0 Information Lead Officer Group (ILOG)**
- 6.1** The ILOG continue to support and direct work streams within the overall governance of the Council's information asset and more detail on the progress of the group is provided in a separate report to this Committee today.
- 7.0 Transformation Project**
- 7.1** The Risk & Opportunity Management Strategy continues to support the methodology being implemented in the Portfolio Office to ensure risk and opportunity management is included as part of the governance within the Project.
- 7.2** Project Managers from Transformation together with Corporate Risk have devised a tool to help measure the benefits and level of risk a new project poses to the organisation and also ensure that the amount of documentation and control measures put in place are proportional to the scale of the idea.
- 7.3** As a project progresses through its lifecycle, new or more detailed information could change the level of governance, so the tool will form part of the Gateway review process. This will ensure that we follow the P3O project maturity model of operating an effective and appropriate governance process.
- 8.0 Integrated Assurance Project**
- 8.1** As part of the Co-operative Centre of Operations Transformation strand, the Head of Corporate Risk is involved in a steering group being run to scope opportunities arising from the creation of a corporate integrated assurance team.
- 8.2** The aim of the scoping exercise is to examine if it would be viable to merge teams currently spread across directorates into one department to provide a corporate assurance approach to the council in areas such as risk management, audit, civil protection, fraud investigation and health and safety, as well as becoming a single point of contact for all formal returns to external assurance bodies.

- 8.3** Internal and external interactions have been identified across the teams in scope and work continues to identify key features of the future state of integrated assurance and ideas for service improvement.
- 9.0 Focus for 2015/16**
- 9.1** Support the creation of a new Integrated Assurance Service which will see Corporate Risk formally aligned and working alongside other compliance functions to promote a joined-up approach to all aspects of governance.
- 9.2** Risk and Opportunity Strategy – Continue to develop and promote our approach to risk management based on the identification and exploitation of opportunities.
- 9.3** Support the Transformation Portfolio Board in monitoring the key risks to the delivery of the blueprint for the Transformation Programme.
- 10.0 Conclusion**
- 10.1** There is good evidence of the development of a risk management culture within the Council with proactive engagement of Members, Directors and Heads of Service, and senior operational managers – this culture is supported by a mandatory assessment of risk management performance as part of the Competency Framework annual appraisal process.
- 10.2** The Council has well-developed and proven risk management processes in place which have been integrated into business planning, budget, transformation and project management.
- 10.3** The Annual Report should therefore give Audit Committee members assurance as to the adequacy and effectiveness of the internal control arrangements and, in particular, the contribution of risk and opportunity management to the overall governance framework.

**RISK MANAGEMENT BIDS APPROVED 2014/15****1. Corporate Services (Capital & Assets) – Replacement roller shutter door at Prince Rock Depot (14/01)**

Cost to replace door which is over 24 years old and unable to be repaired due to obsolete parts.

**£7,500**

**2. People (ODPH) – Effective Information Governance training (14/04)**

Training event provided by 'modgov' tailored for staff identified as having information governance responsibilities.

**£5,260**

**3. Corporate Services (Capital & Assets) – Replacement windows at Martinsgate (14/05)**

To replace single glazed windows with double security glazing and opening restrictors to prevent injury to clients and members of the public.

**£7,500**

**4. Corporate Services (Partnerships & Operations) – Updating Asset Register (14/06)**

Cost of resource to update the backlog of data from property condition surveys in order to deliver the One Public Estate Programme.

**£7,500**

**5. Corporate Services (Corporate Property) - Barriers at Windsor House (14/07)**

Installation of barriers to front and rear car parks at Windsor House to prevent parking violations and congestion and improve site safety.

**£7,500**

**6. Transformation & Change (Finance) – Conditioning survey of Brickfields Athletic Track (14/08)**

To conduct a specialist British Athletics Standard B (IAAF) Conditioning Survey to the Brickfields Athletics Track & Field Equipment, to ensure they are safe for both public and club use and to provide supporting information to help enforce how the track is maintained and extend its lifecycle.

**£4,800**

**7. Executive Office (Business Support) – Funding resources to simplify Corporate Rest Centre Plan (14/09)**

To provide a resource to review and update the Rest Centre Plan, in conjunction with the Civil Protection Team, which would be used during an emergency where it may be necessary to provide care to members of the public, including those who have been evacuated from their homes.

**£1,620**

**8. Customer Services (Libraries) – CCTV in children's reading area of the Central Library (14/10)**

Cost to improve the CCTV coverage and increase the protection of children using the library.

**£2,337**

**9. Customer Services (Client Financial Services) – Resource to transfer sensitive Adult Social Care clients documents to electronic files (14/11)**

Client Financial Services work with Adult Social Care clients to assess their finances and calculate the customer contribution to their care needs. Documentation needs to be kept in case family members challenge decisions at a later date and cases end up going to Court.

**£4,632**

**10. Customer Services (Revenues & Benefits) – Disposal module to data cleanse Civica system (14/12)**

Cost of Retention and Disposal Module to improve documentation compliance and manage future retention and disposal requirements.

**£7,500**

**11. Place (Parking) – 30 body cameras for Civil Enforcement Officers (CEOs) (14/13)**

Cost of body cams to be used as a deterrent to help reduce the threat of violence and aggression incidents against CEOs and provide court evidence where necessary.

**£6,360**

**Total £62,509\***

(\*Total includes amount carried over from the previous year)

**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	Operational Risk & Opportunity Management Update Report
<b>Committee:</b>	Audit Committee
<b>Date:</b>	25 June 2015
<b>Cabinet Member:</b>	Councillor Lowry
<b>CMT Member:</b>	Lesa Annear, Director for Transformation & Change
<b>Author:</b>	Mike Hocking, Head of Corporate Risk and Insurance
<b>Contact details</b>	Tel: 01752 304967 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:**

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

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

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

The total number of operational risks now reported has increased from 110 to 116, comprising 2 high (red) risks, 50 medium (amber) risks and 64 low (green) risks.

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

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

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

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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.

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

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

**Equality and Diversity**

Has an Equality Impact Assessment been undertaken? Not required.

**Recommendations and Reasons for recommended action:**

The Audit Committee is recommended to:

- Note and endorse the current position with regard to operational risk and opportunity management.

**Alternative options considered and rejected:**

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

**Published work / information:**

Plymouth City Council’s Risk & Opportunity Management Strategy

**Background papers:**

None.

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

**Sign off:**

Fin	Djn151 6.11	Leg	23186 DVS	Mon Off	231 86D VS	HR		Assets		IT		Strat Proc	
Originating SMT Member: Assistant Director for Finance													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

**1. Introduction**

**1.1** The position with regard to Operational Risk and Opportunity Risk Register monitoring was last reported to this Committee on [18 December 2014](#) and this report now provides a summary of the latest monitoring exercise covering the position as at May 2015.

**2. Background**

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

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

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

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

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

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

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

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

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

**4. Red Risks**

**4.1** One of the two “red” risks identified in Dec 2014 remains and one has reduced in score. One new red risk has been added, as indicated below:-

<b>EXISTING RED RISK</b>	
<b>Dept: Finance</b>	Medium Term Financial Strategy issues
<b>Comments/Mitigation:</b> Higher profile of Council’s finances at both Corporate Management Team (CMT) and Cabinet. Finance restructure has placed increased emphasis on Department	

Management Team monitoring reporting to build on monthly report which is published to CMT, Cabinet Planning and goes public via the Cooperative Scrutiny Board meetings each month. Cross challenge at CMT/Senior Management Team. Progress reports are reported monthly to cabinet members and scrutiny board, Medium Term Financial Strategy is currently being refreshed.	
<b>NEW RED RISK</b> <b>Dept: People (Learning &amp; Communities)</b>	Funding for Safer Plymouth
<b>Comments/Mitigation:</b> Police and Crime Commissioner funding allocations are subject to Government policy which may or may not change following the General Election. The potential pooling of budgets into the Integrated Commissioning framework from 2016/17 may impact on the ability to deliver and respond dynamically to emerging crime issues. A Spend Plan has been written for 2015/16 in line with local crime priorities and Police and Crime Plan have been recently refreshed.	
<b>FORMER RED RISK - Reduced to AMBER</b> <b>Dept: People (Housing Services)</b>	Increasing homelessness as a direct result of the Local Housing Allowance (LHA) & Welfare Reform changes
<b>Comments/Mitigation:</b> Service demand and use of temporary accommodation is still high. We continue to work with partners to supply services to customers in Housing Options which will help mitigate the effect of Welfare Reform. This includes debt work, budgeting skills and support. We have now written a Temporary Accommodation Action Plan to support and improve both operational and strategic issues around the use of temporary accommodation.	

## 5. Risk and Opportunity Register Information

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

## 6. Conclusion

- 6.1 The Council's success in dealing with the risks it faces can have a major impact on the achievement of key promises and objectives and ultimately, therefore, on the level of service to the community.
- 6.2 The Council recognises that it is operating in a climate of unprecedented financial pressure and that it needs to substantially reduce operating costs and ensure maximum possible investment in achieving its objectives and therefore needs to be innovative, resourceful, customer focused and provide greater value for money. The achievement of delivery plan actions to deliver budget savings continues to be closely monitored by Services with regular reporting on a risk rated basis to the Corporate Management Team.
- 6.3 The Council's approach to operational risk and opportunity management supports the implementation of the council-wide transformation programme, based on co-operative values,



and is focussed on improving the ability of Services to manage those risks that may prevent them from delivery of their Business and Delivery Plans – this in turn should in time impact positively on outcomes for service users.

- 6.4** One of the responsibilities of the Audit Committee is to seek and receive assurances that the Council has an effective internal control framework in place which includes arrangements for the management of risk at both strategic and operational level.
- 6.5** This update report confirms that operational risks are now being identified across Services with clear links to Business Plan objectives and also confirms the good progress in embedding risk and opportunity management in the Council's other core business processes.
- 6.6** The Risk and Opportunity Management Strategy will provide staff with a process for identifying threats or risks that includes becoming more outcome focussed to be able to manage the upside of risk.
- 6.7** The Operational Risk Management Group is continuing to work with departmental Risk Champions to maintain the good progress to date and to further develop consistent application of risk management considerations across all operations of the Council.
- 6.8** The next report will be presented to Audit Committee in December 2015.

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**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	Annual Governance Statement 2014/15
<b>Committee:</b>	Audit Committee
<b>Date:</b>	25 June 2015
<b>Cabinet Member:</b>	Councillor Lowry
<b>CMT Member:</b>	Lesa Annear (Director for Transformation & 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:**

Regulation 4(3) of the Accounts and Audit (England) Regulations 2011 requires all relevant bodies to prepare an Annual Governance Statement (AGS)

The purpose of the AGS is to provide evidence of a continuous review of the Council's internal control and risk management processes, to provide assurance as to their effectiveness and to identify actions being taken or planned to address any key weaknesses identified.

The Accounts and Audit (Amendment) (England) Regulations 2006 also introduced a requirement to include an annual review of the effectiveness of the internal audit system.

The 2011/12 Code of Practice on Local Authority Accounting also requires that, within the AGS, there should be a statement on whether the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

This report outlines the process followed in order to produce the AGS for 2014/15 and recommends approval of the Statement prior to signature by the Leader, the Chief Executive and the Assistant Director for Finance (S.151 Officer).

The report also provides an opinion on the effectiveness of the internal audit system for the same period.

The proposed Statement for 2014/15 is attached to the report.

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

Maintaining sound systems of internal control and risk management enables the council to monitor and review the key risks that may prevent it from achieving its corporate and service objectives.

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

None arising specifically from this report.

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

The Risk and Opportunity Management Strategy specifically supports the processes which underpin the production of the Annual Governance Statement.

**Equality and Diversity**

Has an Equality Impact Assessment been undertaken? No.

**Recommendations and Reasons for recommended action:**

The Audit Committee is recommended to:

- a) Note the processes adopted for the production of the 2014/15 Annual Governance Statement.
- b) Endorse the adequacy and effectiveness of the system of internal audit.
- c) Approve the Annual Governance Statement prior to signature by the Leader, Chief Executive and Assistant Director for Finance (S.151 Officer).

**Alternative options considered and rejected:**

Not applicable.

**Published work / information:**

[Grant Thornton Local Government Review 2013](#)

**Background papers:**

[Strategic Risk & Opportunity Register](#)

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

**Sign off:** Councillor Mark Lowry

Fin	djn151 6.15	Leg	2318 6DVS	Mon Off	231 86D VS	HR		Assets		IT		Strat Proc	
Originating SMT Member , Director for Transformation and Change													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

## **1.0 Introduction**

**1.1** This report outlines the background to the statutory requirement to produce an Annual Governance Statement (AGS) and describes the process followed in producing the AGS for 2014/15 for publication with the Annual Statement of Accounts.

## **2.0 The Council's Statutory Responsibility**

**2.1** Regulation 4(3) of the Accounts and Audit (England) Regulations 2011 requires all relevant bodies to prepare an Annual Governance Statement.

**2.2** There is also a requirement under the Accounts and Audit (Amendment) (England) Regulations 2006 for the AGS to include a review of the effectiveness of the internal audit system.

**2.3** The 2012/13 Code of Practice on Local Authority Accounting also requires that, within the AGS, there should be a statement on whether the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

**2.4** The purpose of the AGS process is to provide a continuous review of the effectiveness of an organisation's internal control and risk management, in order to give assurance as to their effectiveness and/or to produce a management action plan to address identified weaknesses in either process.

**2.5** The AGS is required to be approved at a committee of the Council and this sits most comfortably with Audit Committee, as its terms of reference include both internal control and risk management.

**2.6** The proposed Annual Governance Statement for 2014/15 is attached to this report.

## **3.0 Effective Review and the Control of Risk**

**3.1** The statutory responsibility to publish an Annual Governance Statement requires the Council to review its key risks, and to identify and publish the actions that it intends taking to improve or resolve those risks.

**3.2** These risks primarily relate to the achievement of the Council's core objectives and strategies and, therefore, the AGS provides an opportunity to formally review governance structures and processes that underpin their delivery.

## **4.0 Scope of the AGS**

**4.1** The AGS spans the whole range of local authority activities and includes those controls designed to ensure:

- The authority's policies are put into practice
- The organisation's values are met
- Laws and regulations are complied with
- Required processes are adhered to
- Financial statements and other published information are accurate and reliable
- Governance arrangements are in place for significant partnerships

- Human resources and other resources are managed efficiently and effectively

**4.2** In establishing and defining the system of internal control the AGS provides a mechanism by which the authority can maintain, review and keep up to date its control environment. It links internal audit findings, external audit and inspection reports and the risk management process and provides an effective review of the Council's risk management and control mechanisms.

**4.3** The Council's control environment is managed through a number of core processes and procedures which are defined within the body of the AGS.

**4.4** The AGS has been compiled by carrying out an annual review of the control environment which has involved researching and formally recognising and recording the processes already in place across the Authority.

**4.5** Recognising that preparation of the AGS is a wide-ranging and corporate issue that should not be owned by any one department, a Working Group of key officers was established to oversee the process. This Group comprised:

- Head of Corporate Risk and Insurance
- Audit Manager, Devon Audit Partnership
- Head of Finance
- Performance and Research Officer
- Head of Legal Services
- Risk Management & Insurance Officer

**4.6** The Working Group is responsible for producing the AGS which is then approved by the Corporate Management Team and Cabinet Planning prior to ratification by the Audit Committee.

**4.7** The Council's external auditors will consider the arrangements in place to enable preparation of the AGS, including the degree to which the Council recognises and can demonstrate corporate ownership of its governance arrangements.

## **5.0 The Assurance Gathering Process**

**5.1** Those with responsibility for signing the AGS need to feel confident that the information used to review the control environment is complete and accurate. The AGS is therefore required to be signed by the most senior officer and most senior member (i.e. the Chief Executive and the Council Leader). It is also signed by the Assistant Director for Finance (S.151 Officer) as the officer responsible for overseeing the production of the AGS.

**5.2** Although the production of the AGS is required by the Accounts and Audit Regulations, the responsibility for securing effective internal control does not rest solely with Finance staff.

**5.3** Preparation of the AGS has therefore involved a variety of people charged with delivering corporate governance:

- Directors, Heads of Service and managers assigned with the ownership of risk and the delivery of services
- The Chief Financial Officer who is responsible for the accounting control systems and records and the preparation of the statement of accounts
- The Monitoring Officer in meeting his statutory responsibilities

- Elected Members (e.g. through Audit or Scrutiny Committees)
- Others responsible for providing assurance (e.g. Internal Audit and Risk Management)

**5.4** The primary source of information which informs the content of the AGS comes from Assurance Questionnaires completed by Directors, Head of Service and other senior managers covering key questions around the internal control and governance framework.

**5.5** When completing these questionnaires respondents are asked to review a number of sources where internal control/governance weaknesses may be identified:

- Risks identified in Strategic and Operational Risk Registers
- Issues arising from Internal Audit Reviews completed in 2014/15
- Issues arising from external inspections
- Audit Commission Annual Audit and Inspection Letter

## **6.0 Code of Corporate Governance Self-Assessment/Annual Review**

**6.1** In accordance with the CIPFA/SOLACE framework document *Good Governance in Local Government*, the Council has adopted a local Code of Corporate Governance which was approved by Audit Committee on 31 March 2008.

**6.2** The framework recommends that the Council carries out annually a self-assessment of the extent to which it complies with the six core principles of good governance set out in the Code.

**6.3** Grant Thornton's Local Governance Review 2013 'Improving council governance' was produced following their wider analysis of UK governance practice and complements reviews on companies in the FTSE 350, the NHS and charities. The AGS and Corporate Governance Self-Assessment have been reviewed utilising examples and recommendations contained within this report.

**6.4** The new format now provides in one document for a review of both the Code of Corporate Governance and the framework the Council adopts to comply with its key principles, as well as identifying the significant governance issues arising from the review and the mitigating actions in place to manage the risks.

**6.5** It has been designed to provide a more engaging layout that is easier to digest than in previous years and captures our unique priorities, challenges and achievements which was one of the recommendations from Grant Thornton's review, in order to allow the reader to recognise their individual council.

## **7.0 Review of Internal Audit System**

**7.1** Continuous review of the effectiveness of the Council's internal audit system is conducted by the Audit Committee whose terms of reference (paragraph 2.2) include, specifically, inter alia:

- To agree the annual Internal Audit Plan
- To monitor the progress and performance of Internal Audit
- To consider the Chief Auditor's annual report, and comment annually on the adequacy and effectiveness of internal control systems within the Council

**7.2** The Chief Auditor's annual report is being considered at the same time as this report and invites Members to endorse the adequacy and effectiveness of the system of internal audit for the year ending 31 March 2015.

**7.3** It is recommended that this endorsement forms part of the Annual Governance Statement for 2014/15.

## **8.0 Identifying control weaknesses significant for the purpose of the AGS**

**8.1** Whilst there is no absolute definition of the term, the following indicators (provided by CIPFA) have been used to help in considering whether or not an issue is significant enough to be reported on in the AGS:

- It seriously prejudices or prevents achievement of the principal objective of the authority;
- It has resulted in the need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
- It has led to a material impact on the accounts
- The Audit Committee advises it should be considered significant for this purpose;
- The Head of Internal Audit reports on it as significant, for this purpose, in the annual opinion on the internal control environment;
- The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation;
- The issue has resulted in formal action being undertaken by the Chief Financial Officer and/or the Monitoring Officer

## **9.0 Conclusion**

**9.1** The attached AGS identifies the outcome of the review of the effectiveness of Plymouth City Council's governance arrangements, covering internal audit, internal control and risk management systems and also identified significant governance issues together with details of actions being taken to address them.





## **ANNUAL GOVERNANCE STATEMENT 2014/2015**

### **1. Scope of Responsibility**

Plymouth City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Plymouth City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of the Council's functions, and which includes arrangements for the management of risk.

This Annual Governance Statement explains how the Council has complied with the Code and also how it meets the requirements of Regulation 4(3) of the Accounts and Audit (England) Regulations 2011, which requires all relevant bodies to prepare an annual governance statement

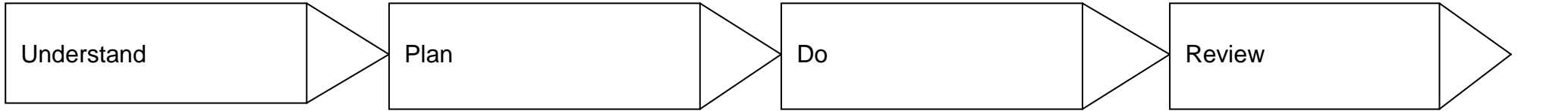
### **2. The Purpose of the Governance Framework**

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

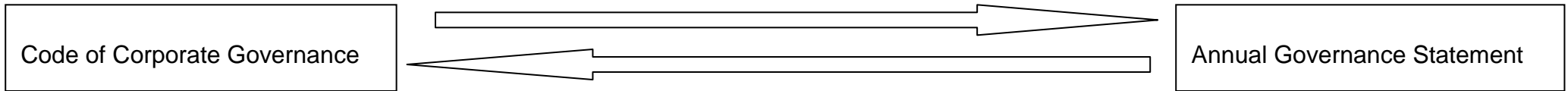
The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The governance framework has been in place at Plymouth City Council for the year ended 31 March 2015 and up to the date of the approval of the Annual Report and Statement of Accounts.

### 3. Assurance Cycle



What are we seeking to receive assurances on?	What sources of assurance do we require?	How we will arrange ourselves to receive adequate assurances?	How we know that we are effective?
<ul style="list-style-type: none"> <li>• Delivery against the corporate plan whilst observing the governance framework</li> <li>• Management of the Council's key risks</li> <li>• Design and effectiveness of internal controls</li> <li>• Compliance with laws, regulation, internal policies and procedures</li> <li>• Key governance tools are fit for purpose, e.g. the performance management and risk management framework</li> <li>• Value for money</li> <li>• Direction of travel of previous governance issues</li> <li>• Effectiveness of the system of Governance</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Audit Annual Plan</li> <li>• External Audit Annual Plan</li> <li>• Ofsted and Care Quality Commission</li> <li>• Other external agencies</li> <li>• Management assurances from active compliance frameworks</li> <li>• Committees/Internal Boards responsible for monitoring and reviewing the systems, processes and documentation</li> </ul>	<ul style="list-style-type: none"> <li>• Officer and Member structures working together</li> <li>• Senior Management Teams working closely with Executive Roles</li> <li>• Decision-making bodies</li> <li>• Scrutiny Committees</li> <li>• Audit Committee</li> <li>• Project Boards</li> <li>• Constitution</li> </ul>	<ul style="list-style-type: none"> <li>• Review sources of assurance identified at the Planning Phase</li> <li>• Review Annual Reports that provide further insight such as; scrutiny committee report, audit committee annual report, task and finish groups</li> <li>• Ensuring sources of assurances have delivered against their plans at the necessary quality</li> <li>• Internal and External Audit Reports</li> <li>• Highlight areas of weakness, development and implement action plans</li> </ul>



#### 4. The Governance Framework

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Code is on our website under “Constitution”. Included within this framework are six core principles of governance:-

Principle One	Description of Governance Mechanisms	Assurances Received
<p>Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area</p> <p>Plymouth’s Vision:- Britain’s Ocean City – to be one of Europe’s most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone.</p>	<ul style="list-style-type: none"> <li>• Members, working with officers, have developed a clear vision of their purpose and intended outcomes for citizens and service users.</li> <li>• Corporate Plan 2013/14 – 2016/17.</li> <li>• The Plymouth Plan which looks ahead to 2031.</li> <li>• Thrive Plymouth is a 10 year programme to reduce health inequalities and is addressing four behaviours (poor diet, lack of exercise, tobacco use and excess alcohol consumption).</li> <li>• The Joint Commissioning Partnership is the single strategic commissioning body for the City of Plymouth. It considers and approves commissioning plans in line with the priorities identified in the Joint Health and Wellbeing Strategy, and ensures a coordinated and consistent approach to commissioning services on behalf of partner agencies in Plymouth.</li> <li>• The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</li> <li>• A staff survey was carried out to gauge employee satisfaction and assist in improving the organization for employees as a place to work and consequently improve how the organisation performs.</li> <li>• The Council is jointly responsible (with Cornwall Council) for the operation of the Tamar Bridge and Torpoint Ferry (TBTF) Joint Committee which brings with it a 50% share of any future liabilities. However, from a governance point of view, the TBTF</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Report communicates Council’s activities and achievements, its financial position and performance.</li> <li>• Staff Survey 2014.</li> <li>• The Corporate Plan provides the framework used by departments in developing their business plans which establish and monitor the achievement of objectives at service and team level. It also sets out how each service is implementing the Council’s principles laid out in the Corporate Plan.</li> <li>• The Plymouth Plan is a ground-breaking concept which aims to undertake a review of the Plymouth Core Strategy and to take advantage of changes introduced by the Localism Act to create a Local Plan which integrates all of the other strategies produced by the Council into one Plan for Plymouth.</li> <li>• Thrive Plymouth aims to reduce health inequalities across the city by focusing on prevention that encourages and enables health choices by influencing the context within which those choices are made.</li> <li>• Devon Audit Partnership (DAP) Audit Plan linked to the overall objectives of the</li> </ul>

	<p>Joint Committee produces and monitors its own Governance arrangements, including the preparation of a separately published Annual Governance Statement covering the operations of the Joint Committee.</p> <ul style="list-style-type: none"> <li>• The Transformation Project has been constructed to align programs to one another and to the Council's Corporate Plan in order to meet the current financial challenge. Governance for the Programme involves five delivery strands that link to a Portfolio risk register which is monitored by a Transformation Portfolio Board. The Transformation strands are: <ul style="list-style-type: none"> <li>-Growth, Assets and Municipal Enterprise (GAME)</li> <li>-Integrated Health and Well Being (IHWB)</li> <li>-Customer and Service Transformation (CST)</li> <li>-Co-operative Centre of Operations (CCO)</li> <li>-People and Organisational Development (P&amp;OD)</li> </ul> </li> <li>• The Children's Social Care Improvement Plan forms part of the Transformation Programme and will be delivered as part of Children and Young People Service Project within the Integrated Health and Well Being Programme.</li> </ul>	<p>Council and the risks to their achievement.</p> <ul style="list-style-type: none"> <li>• Joint Commissioning Partnership meet Bi-monthly and receive regular progress and performance reports from commissioning managers. Also produce regular reports to the Health and Wellbeing Board.</li> <li>• External Audit findings reported that they were satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.</li> <li>• The Constitution aids the financial management of the Authority and is complemented by Financial Regulations and Standing Orders, which document protocols and procedures for members and officers in conducting the business of the Council.</li> <li>• The day to day operation of the Treasury Management activity is carried out in accordance with detailed Treasury Management Practices (TMP's). Updates to these practices for 2014-15 were approved by the Audit Committee on 26th June 2014.</li> <li>• Code of Corporate Governance reviewed annually as part of the preparation of this Governance Statement.</li> <li>• The Transformation Portfolio Risk Register is reviewed monthly and</li> </ul>
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		<p>reported to the Portfolio Board.</p> <ul style="list-style-type: none"> <li>• Journals with a value of &gt;£500k have been authorised by either Head of Corporate Strategy or Head of Finance Operations with effect from October 14</li> </ul> <div style="border: 1px solid black; padding: 5px;"> <p>Weaknesses Identified: The audit plan identified weaknesses relating to journal entries as there was no authorisation process for journals prior to posting; new procedures were implemented 1 Oct 2014 and improvements identified to improve the controls are now in place.</p> </div>
Principle Two	Description of Governance Mechanisms	Assurances Received
Members and Officers working together to achieve a common purpose with clearly defined functions and roles	<ul style="list-style-type: none"> <li>• Elected Members are collectively responsible for the governance of the Council. Decision making and scrutiny of these decisions has been separated through the executive arrangements introduced by the Local Government Act 2000.</li> <li>• The Constitution includes a statement on the roles of the Executive and Scheme of Delegation in place.</li> <li>• The Department for Children’s Services (DCS) has a politically restricted statutory chief officer in post who reports directly to the Chief Executive.</li> <li>• Statutory Officers are also documented within the Constitution. The Chief Executive (Head of Paid Service) is documented within the Constitution and works with Members and Strategic Directors to deliver the council’s themes.</li> <li>• Role of the Chief Finance Officer (s.151 officer), as documented in the Constitution, has responsibility for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and maintaining an effective system of internal financial control.</li> <li>• The Monitoring Officer is in place and, in accordance the Constitution, is responsible for ensuring agreed procedures are</li> </ul>	<ul style="list-style-type: none"> <li>• Devon Audit Partnership Report findings gave a satisfactory assurance assessment over the fundamental and key financial systems and satisfactory assurance assessment over system of internal control.</li> <li>• A Local Assurance Test (LAT) has been produced to ensure that the structure for the DCS element of the People Directorate and its organisational arrangements enable the local authority, through the Strategic Director for People role, to fulfil its statutory duties towards children and young people effectively.</li> <li>• Audit Committee in place providing independent oversight of internal control environment and corporate governance.</li> <li>• External Audit findings are reported to Audit Committee.</li> </ul>

	<p>followed and that all applicable statutes and regulations are complied with.</p> <ul style="list-style-type: none"> <li>• Formal procedures and rules govern the Council’s business; Constitution, Scheme of Delegation and procedure rules such as financial regulations, etc.</li> <li>• There is an annual process to review and agree the Pay Policy in accordance with the Localism Act section 38(1).</li> </ul>	
<b>Principle Three</b>	<b>Description of Governance Mechanisms</b>	<b>Assurances Received</b>
Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour	<ul style="list-style-type: none"> <li>• The Council recognizes that good governance is underpinned by shared values demonstrated in the behaviour of its Members, staff and partners.</li> <li>• The Assistant Director and Head of Legal Services is the Monitoring Officer responsible for ensuring that decisions are made in accordance with the Constitution.</li> <li>• Directors have the primary responsibility for ensuring that decisions are properly made in line with the Scheme of Delegation.</li> <li>• Standards of conduct and behavior expected of Members and Officers exist and are communicated. Training programs were in operation during the year to support good governance.</li> <li>• The Members Code of Conduct and Protocol on Member/Officer Relations forms part of the Constitution.</li> <li>• Arrangements are in place for Members and Officers to register interest and manage conflicts of interest.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Staff ‘Star’ Awards.</li> <li>• Scheme of Delegation in place.</li> <li>• Staff Appraisals carried out annually.</li> <li>• Equalities Policy in place.</li> <li>• New employees’ induction scheme and buddy system.</li> <li>• Whistle blowing policy.</li> </ul>
<b>Principle Four</b>	<b>Description of Governance Mechanisms</b>	<b>Assurances Received</b>
Taking informed and transparent decisions which are subject to effective scrutiny and managing risk	<ul style="list-style-type: none"> <li>• The Council has processes in place to demonstrate that decision makers followed due process, the decisions were properly documented and were taken having regard to all relevant considerations.</li> <li>• Decision making is supported by embedded risk management arrangements, with the Risk and Opportunity Management Strategy and Policy Statement reviewed annually.</li> <li>• Risks are considered quarterly by Corporate Management</li> </ul>	<ul style="list-style-type: none"> <li>• Overview and Scrutiny Annual Report</li> <li>• Devon Audit Partnership Audit Report</li> <li>• External Audit findings reported to Audit Committee</li> <li>• Risk and Opportunity Management Strategy – Risks monitored quarterly and monitoring results ratified by Audit Committee</li> </ul>

	<p>Team, Cabinet Planning and Audit Committee.</p> <ul style="list-style-type: none"> <li>• The Council’s arrangements for providing economy, efficiency and effectiveness are reviewed by the external auditors on an annual basis. Their Annual Report provides a summary of the activity undertaken during the year.</li> <li>• An effective Audit Committee is in place whose purpose is to provide independent assurance of the adequacy of the internal control environment, and to oversee the financial reporting process. The Audit Committee has two independent members.</li> <li>• The Chief Internal Auditor supports the Audit Committee and reviews its effectiveness on an annual basis.</li> <li>• The internal Audit plan is based on the high risks reported within the risk registers</li> <li>• The Constitution makes it clear that management have the responsibility for operating a sound system of internal control. Internal Audit collaboratively works with services to make recommendations around improvement to the control environment.</li> <li>• The Corporate Fraud Team fulfils the Council’s statutory obligation to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption.</li> <li>• The chief auditor has overall responsibility for the maintenance and operation of the whistleblowing policy. This includes monitoring the policy and maintaining a record of the concerns raised and the outcomes, which will be reported to the audit committee as necessary in an anonymised format.</li> <li>• The system of internal financial control is based upon a framework of regular management information, financial regulations, administrative procedures and a structure of delegation and accountability. The Medium Term Financial Strategy is updated each year and includes a risk assessment of budget option, the Medium Term Financial Strategy is agreed by Full Council.</li> </ul>	<ul style="list-style-type: none"> <li>• Operational Risk Management Group</li> <li>• Risk and Opportunity Management Annual Report</li> <li>• Benchmarking.</li> <li>• Information Lead Officer Group in place to direct work streams within the overall governance of information assets.</li> <li>• Annual report of the Plymouth Safeguarding Children Board</li> </ul> <div data-bbox="1489 561 2038 810" style="border: 1px solid black; padding: 5px;"> <p>Weaknesses Identified: More staff training required to continue to promote and raise awareness of information governance principles; included in action plan to be dealt with in 2015</p> </div>
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	<ul style="list-style-type: none"> <li>Children’s Safeguarding – The Local Safeguarding of Children Board has full partner engagement and its work and records are published and accessible.</li> <li>Adults’ Safeguarding – The Adult Safeguarding Board has full partner engagement and its work and records are published and accessible.</li> </ul>	
<b>Principle Five</b>	<b>Description of Governance Mechanisms</b>	<b>Assurances Received</b>
5 Developing the capacity and capability of Members and Officers to be effective	<ul style="list-style-type: none"> <li>A staff survey was carried out to gauge employee satisfaction and assist in improving the organization for employees as a place to work and consequently improve how the organisation performs.</li> <li>Induction training is carried out for new Members and employees.</li> <li>eLearning Training is utilized.</li> <li>Apprenticeship Programme.</li> </ul>	<ul style="list-style-type: none"> <li>Staff Appraisal process gives assurances that staff are carrying out their work in accordance with Council priorities and objectives.</li> <li>Staff Survey 2014.</li> <li>Benchmarking undertaken.</li> <li>Annual Staff ‘Star’ Awards.</li> </ul> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Weaknesses Identified: Low score in staff survey in relation to issues identified in previous surveys being acted upon; Working Groups to be formed during 2015 to address this.</p> </div>
<b>Principle Six</b>	<b>Description of Governance Mechanisms</b>	<b>Assurances Received</b>
6 Engaging with local people and other stakeholders to ensure robust public accountability	<ul style="list-style-type: none"> <li>The Council is committed to engaging and consulting with citizens about our services. A range of tools for effective engagement are used.</li> <li>There is a formal process for corporate complaints as well as Children’s and Adults Statutory complaints.</li> <li>The Health &amp; Wellbeing Board framework has been informed by engaging with the public through surveys and visiting communities.</li> <li>Committee agendas and minutes (Part I) are published on the Council’s website.</li> <li>Some Committee meetings are webcast as part of our drive to make our decision making more open and transparent.</li> </ul>	<ul style="list-style-type: none"> <li>The Council has commissioned a local voluntary and community provider to facilitate and support the development of time banks.</li> <li>Plymouth libraries have been commissioned to provide health and social care information hubs.</li> <li>Complaints process is managed and tracked on CRM system and enables regular reporting on performance to senior management.</li> <li>Quality Assurance Improvement Team</li> </ul>



	<ul style="list-style-type: none"> <li>• 1000 Club and plan for jobs is an initiative led by Plymouth City Council Employment Sub Group, whose membership is made up from the private and public sector to support young people into employment. It aims to identify 1000 companies in the Plymouth area to commit to providing a range of jobs, apprenticeships, graduate internships and work experience.</li> <li>• In May 2014 Council's Cabinet set out 50 new pledges that link to its Corporate Plan priorities. The commitments are themed around 10 priority areas focusing on: the economy and jobs, tackling crime and antisocial behaviour, supporting children and young people, the environment, transport, housing, culture and sport, improving the image and vision for the city, caring for residents whatever their age and being an open and transparent council.</li> <li>• Waste Collection Re-organisation Project created to provide a more streamlined, transparent and focused service.</li> <li>• Plymouth Plan Conversations and Convention followed by the 'Summer of Engagement' which took place July – September 2014.</li> <li>• The 'Framework for Working with Citizens and Communities' has been adopted as an approach to be taken by the Council, and was developed with input from the Plymouth Fairness Commission.</li> </ul>	<p>(QAIT) working with 'Healthwatch' Plymouth in order to gain independent feedback from residents and relatives of care homes.</p> <ul style="list-style-type: none"> <li>• Collaborative working with community and voluntary sector to develop funding bids drawing in external funding to the city.</li> <li>• To make it easy to track progress on delivering 50 new pledges they will be updated on a chart on the Council's website as they are delivered.</li> <li>• 1000 Club, which was set up through the Plymouth Growth Board aims to make it easier for young people and employers to team up – over 800 organisations and businesses have signed up.</li> <li>• The Waste Collection re-organisation project ran a number of engagement events, examples include: All-Member briefings and presentations to Cabinet Members and the Leader. Community surveys, community events and engagement exercises with Voluntary and Community Sector organisations to ensure the project understands the needs of the community as a whole.</li> <li>• The Plymouth Plan early engagement processes used many different ways to capture people's views and opinions across the city, two examples were:- The Sofa Conversations: The Plymouth Plan conversation was held on a sofa that moved around to over forty venues</li> </ul>
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		<p>across the city where 2418 comments were received. A specific Twitter account was also established - @PlymouthPlan. The Four Greens Development Trust in the north west of the city covering Ernesettle, Honicknowle and West Park, Manadon and Whiteleigh neighbourhoods is community-owned and led. It aims to bring about long-term social, economic and environmental benefits to an area, and will create local jobs and improve local services.</p> <div data-bbox="1447 660 2074 970" style="border: 1px solid black; padding: 5px;"> <p>Weaknesses Identified: Increasing homelessness as a direct result of the Local Housing Allowance (LHA) &amp; Welfare Reform changes; the Council continues to work with partners to supply services to customers in Housing Options, which will help mitigate effects of welfare reform</p> </div>
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## 5. Review of Effectiveness

Plymouth City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Council is subject to a number of audits and inspections. These help to inform the development of a strong control environment and to develop risk management processes. The Council has an established Risk and Opportunity Management Policy.

In reviewing the current control environment, reports issued by external bodies (Audit and Inspection) and reports produced by Internal Audit (Devon Audit Partnership) have been reviewed to ensure that a comprehensive assessment of the current control issues has been made and that all potential areas of significant risk are being addressed within the internal control environment.

Directors complete an Assurance Questionnaire reviewing the control environment within their Department and the results of the questionnaires have been used to inform the assessment of significant governance issues for the Council.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the audit committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

## 6. Significant Governance Issues

This table describes the significant governance issues identified during 2013/14 and the progress made against these during 2014/15:

Key Improvement Area	Lead Officer	Update on position	Carry forward for 2015/16	Reporting Through
<b>Medium Term Financial Statement (MTFS)/Capital Strategy</b> – The MTFS covers the likely costs and pressures that the council will face and matches these against the anticipated resource allocation over the period against reduced funding. It also identifies the Transformation strands being undertaken plus other significant work streams, and sets out the anticipated savings these plans will generate.	Asst. Director for Finance	A risk register was implemented as a major assurance part of the 2015/16 budget setting process; continual review of risks following formal Council approval of the budget. Public facing Annual Statement incorporating the finance resources was adopted by Cabinet in March 2015; it sets out what we spend our resources on and the link to our overall objectives. A public report – Medium Term Financial Statement being written for Cabinet approval at their June meeting. This will set our financial resources and spend requirements through to March 2019 and will become a reference document which will be updated as and when new information is received. Finance has developed a different reporting template to link the costs of Transformation to	Yes	Full Council

Key Improvement Area	Lead Officer	Update on position	Carry forward for 2015/16	Reporting Through
		the benefits being driven by the programmes. The Capital Programme has been extended to include the fourth year of both forecast resources and project plans – the City Council Investment Board CCIB has been embedded during 2014/15; there will be a further review of prioritisation during 2015/16.		
<b>Transformation Programme</b> – As a result of the Council’s projected funding gap of approximately £65m, which is likely to grow over the next three years without a significant restructuring of services, a Transformation Project was initiated in 2013/14 to undertake a fundamental review of how Council services can be delivered in future.	Head of Portfolio	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.	Yes	Transformation Portfolio Board; Scrutiny Panels and Cabinet
<b>Civic Centre Listing Issues</b> – The listing of the Civic Centre as a Grade II building by English Heritage continues to	Strategic Director for Place	The Council has successfully secured a buyer for the freehold of the Civic Centre tower and is working through the completion of the legal	No	Cabinet

Key Improvement Area	Lead Officer	Update on position	Carry forward for 2015/16	Reporting Through
have a potentially significant financial impact on the Council. As a listed building, demolition is not feasible and therefore a renovation and conversion project is required.		agreement. This will be completed by September 2015, by which time the building will be vacated by the Council. Work is being carried out to separate the Civic Centre tower from the Council House which will be retained in civic ownership and use. Any associated risk with the longer term accommodation requirements for Council staff and the delivery of its services is being addressed by the Council under the Transformation Programme.		
<b>Information Governance</b> – Information is the raw material used by the Council to plan for and deliver all its services and reducing the risk that describes the availability and quality of information for staff, decision makers and citizen use, as well as the protection of sensitive information, is a continuing process. There is a risk of potential financial and reputational effects on the Council arising from the intervention of a regulator if information management is not successfully implemented across all Council activities	Director for Transformation & Change	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 continues to work through the remaining issues.	Yes	Audit Committee
<b>Monitoring Officer Section 5 Report</b> – In March 2014 the Council’s Monitoring Officer issued a report under Section 5 of the Local Government and Housing Act 1989 which referred to the process of appointing chief officers and suggested that some appointments had taken place	Asst. Director & Head of Legal Services	The Council has enacted a number of changes to how its Appointments Panel operates and has revised and published a new Pay Policy Statement. External legal opinion confirms that the Council is now fully compliant.	No	N/A

Key Improvement Area	Lead Officer	Update on position	Carry forward for 2015/16	Reporting Through
without reference to the legislative framework and the Council's pay policy.				
<b>Impact of Health &amp; Social Care Reforms</b> – The introduction of a statutory Health and Wellbeing Board is a key aspect of the Health and Social Care Act 2012. The purpose of the Board is to promote the health and wellbeing of all citizens in the city of Plymouth.	Head of Co-operative Commissioning	Delegation of the Local Authority functions to a Social Enterprise. Integrated Health & Wellbeing Transformation Programme and Integrated Project Board. The Council will have a place at Executive Team and Board of the newly merged organisation which was implemented on 1 April 2015.	No	Health & Wellbeing Board
<b>Health Inequalities</b> – Reducing inequalities particularly in health and between communities is a long term priority for the City Council to support the delivery of the vision for Plymouth where an outstanding quality of life is enjoyed by everyone.	Director of Public Health	The root cause of health inequalities in Plymouth is its social inequalities; our efforts to tackle the causes of inequality such as income, housing, education, employment and opportunities to break the cycle of inequity and inequality has never been more important than during this time of austerity. In order to address this, the council has established a Health and Wellbeing Board that gives a further focus on health inequalities (identified through the Joint Strategic Needs Assessment). The Health and Wellbeing Board has also produced a Health and Wellbeing Strategy which supports the delivery of a number of plans that are designed to address inequalities. The Corporate Plan and the emerging Plymouth Plan have prevention and addressing the wider determinants of health at their heart and the directorate of the Office of Director of Public Health is becoming recognised as a key partner to deliver on these ambitions. Prevention is a priority for the whole city and is a foundation stone in each of the 4 integrated commissioning	Yes	Health & Wellbeing Board

Key Improvement Area	Lead Officer	Update on position	Carry forward for 2015/16	Reporting Through
		<p>strategies between the CCG and PCC. To ensure positive action is taken to address these health inequalities, the Council has agreed a 10-year programme to improve health and wellbeing and reduce health inequalities. This 10-year programme is called Thrive Plymouth and is based on the local 4-4-54 construct, i.e. that four behaviours (poor diet, lack of exercise, tobacco use and excess alcohol consumption) are risk factors for four chronic diseases (coronary heart disease, stroke, cancers and respiratory problems) which together account for 54% of deaths in Plymouth (4-4-54). Changing these four behaviours would help prevent four diseases and reduce the number of deaths due to these chronic diseases. Thrive Plymouth aims to reduce health inequalities across the city by focussing on prevention that encourages and enables health choices by influencing the context within which those choices are made.</p>		
<p><b>Public Health Transfer to Local Authorities</b> – On the 1 April 2013 the formal transfer of key public health responsibilities from Primary Care Trusts to Plymouth City Council was implemented with an expectation that the new arrangements would contribute significantly to addressing long term health and wellbeing for the city and the reduce the gap in health inequalities between communities.</p>	<p>Director of Public Health</p>	<p>Risks from transfer were managed well and patient safety continues to be closely monitored with a clinical governance memorandum of understanding between the Council and the NHS England's Local Care Team. After a year of flux 2014/15 has seen Plymouth City Council embrace public health, it is a council that understands public health, which was recently recognised by Sir John Oldham (Chair of the Independent Commission for Whole Person Care). Plymouth appointed a permanent Director of Public Health</p>	<p>No</p>	<p>Health &amp; Wellbeing Board</p>

Key Improvement Area	Lead Officer	Update on position	Carry forward for 2015/16	Reporting Through
		<p>in 2014 and welcomed him as a corporate director with responsibility for a newly formed directorate named the Office of the Director of Public Health (ODPH). This Directorate includes three service areas; Public Health, Public Protection and Civil Protection. The Public Health Team (within the wider ODPH) has now stabilised, recruiting to its vacant posts and now being fully staffed and committed to driving forward the wider public health agenda for the city. It has developed and launched the city's 10 year plan to improve health called Thrive Plymouth which was fully adopted by Full Council on 11 November 2014. It is widely acknowledged that Public Health in Plymouth is significantly underfunded (by £11 per head in 2015-16). This underfunding equates to almost £3 million per year. As long as Plymouth continues to be underfunded, the economic and health benefits lost to the city will add up year-on-year. In spite of the funding gap, the city's ambitions, its integrated commissioning and delivery agenda, and the relationships being built between the Public Health Team and other Council teams and partners means that public health is a language more commonly spoken than before and the wider public health workforce is being developed and harnessed to maximise opportunities and benefits for population health.</p>		
<p><b>Impact of Police &amp; Crime Reforms –</b> The Police Commissioner has</p>	<p>Head of Neighbourhood</p>	<p>The implementation of the Police Reform and Social Responsibility Act 2011 is now embedded.</p>	<p>No</p>	<p>Safer Plymouth Partnership</p>



Key Improvement Area	Lead Officer	Update on position	Carry forward for 2015/16	Reporting Through
responsibility for policing policy but also holds significant community safety budgets previously allocated to the Council.	& Community Services	The Police & Crime Commissioner for our Force area, Mr Tony Hogg was elected in November 2012 for a four year term. Work is on-going to refresh and rewrite Peninsula Partnership Strategic Assessments annually and the Police and Crime Plan priorities and objectives are also now strongly reflected in Safer Plymouth Partnership (CSP) Plan 2014-17.		
<b>Impact of Welfare Reforms</b> – The government’s welfare reform agenda continues to present significant risk, placing additional pressures on customers including the most vulnerable, and requiring significant partnership work with the voluntary sector to provide face to face advice to address this.	Head of Neighbourhood & Community Services	In-house and commissioned services continue to be reviewed. Council Tax Support Scheme & 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.	Yes	Cabinet
<b>Deterioration of Highways Network</b> – The condition and the perception of the road network across the city is poor and customer satisfaction points to a position where many believe the network to be in an unacceptable condition. Bad weather, extremes of cold and wet over the past few years have exacerbated the situation.	Strategic Director for Place	Significant investment has been made in the network over the last two years in excess of £12 million. The Council has also been successful in securing £8.4 million from the Governments Challenge Fund to add to its existing commitment from its own capital programme meaning £11.7 million will be spent on the strategic routes into the city, over the next three years, thereby freeing up money to spend on minor roads. The Council has highway investment as a top priority in its capital programme and has previously earmarked funding for the next 6 years of £14 million. In 2014/15 with innovative use of plant and machinery the Council repaired 28,000 potholes and resurfaced over 80 roads across the	Yes	Cabinet

Key Improvement Area	Lead Officer	Update on position	Carry forward for 2015/16	Reporting Through
		city. The Governments new Highways Toolkit HMEP is being utilised for modelling treatment scenarios and the Council's website has been improved to keep the public informed of planned and completed work. 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.		
<b>Sherford Development</b> – This development of 5,500 homes and associated infrastructure is a key component of the City Council's growth agenda as reflected in the Corporate Plan.	Strategic Director for Place	A detailed delivery plan has been produced by the Sherford Project Team who comprise of seconded officers from Plymouth City Council, South Hams District Council and Devon County Council. This is overseen by a Project Board with Council representation.	No	Sherford Project Board
<b>Delivery of sustained and accelerated economic population growth in line with the Council's Corporate Plan and vision for the City</b> - The Council is working on several strategic projects and strategies that help to deliver the city's growth agenda.	Strategic Director for Place	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	Yes	Cabinet

Key Improvement Area	Lead Officer	Update on position	Carry forward for 2015/16	Reporting Through
		<p>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. A new Peninsula Rail Task Force has been created to help the region pack a more powerful punch in the campaign for better rail connectivity for the South West. The unemployment rate has reduced to 2.2%. The pipeline of investment and jobs meets the planned growth in population and the risk is therefore no longer significant.</p>		
<p><b>Ensuring the resources and capacity to deliver major capital transport schemes is in place to deliver effectively</b> – The Council is working on several strategic projects and strategies that help to deliver the city’s growth agenda and is exploring delivery options for the city’s key sites.</p>	<p>Strategic Director for Place</p>	<p>The Forder Valley Road project was submitted to the Local Transport Board 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 re-scope the project. With regard to Growth Deal 1 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 Business Case approved which commits full funding for 15/16</p>	<p>Yes</p>	<p>Cabinet</p>

Key Improvement Area	Lead Officer	Update on position	Carry forward for 2015/16	Reporting Through
		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.		

The table below describes the new and emerging significant governance issues identified during this review period 2014/15 to carry forward for monitoring within 2015/16:

Key Improvement Area	Lead Officer	Update on position	Reporting Through
<p><b>Future Delivery of Highway Services</b> The core contract period of the existing Highways Services Contract with Amey ends on 30 November 2015. There is a need to have in place a new, transitory mechanism for the delivery of highways services.</p>	Strategic Director for Place	The Council has begun a collaboration and joint exercise with Devon and Somerset County Councils looking at options on a new highway maintenance contract with effect from April 2017.	Cabinet
<p><b>Delivery of the Plymouth Plan</b> The concept of a single strategic plan for Plymouth was conceived in September 2012, when Cabinet approved a report setting out an innovative approach to the review of the City Council's adopted Core Strategy, taking the city's statutory development plan forward within the context of the government's new Local Plan system. This established the foundations for preparing the new 'Plymouth Plan', and explained how it will provide an integrated and holistic long term plan as to how the city will change</p>	Strategic Director for Place	The project has been led by the Council's Strategic Planning & Infrastructure Department which has been working closely with other departments as well as over 30 different city organisations. The Plan is a finalist for the Excellence in Plan Making Practice Award for the RTPI Awards for Planning Excellence 2015. The RTPI represents 23,000 planning professionals worldwide and promotes spatial planning, shapes policy and raises professional standards.	Cabinet

Key Improvement Area	Lead Officer	Update on position	Reporting Through
between 2012 and 2031.			
Transforming the existing museum and art gallery on North Hill into the <b>Plymouth History Centre</b> . The vision is to build a unique visitor attraction, three times its existing size, which will open as the flagship building for the Mayflower 400 commemorations in 2020. Led by the Council, the project is also a partnership with the University, the South West Film and Television Archive and the South West Image Bank.	Strategic Director for Place	In May 2014, the partners were successful with their bid to the Heritage Lottery Fund (HLF) for £12.8m. The City Council has also committed £5.5m with an additional underwrite of £3m subject to the business case presented and success with other funding applications, e.g. Arts Council England, the LEP's Regional Growth Fund, the Wolfson Foundation and the Clore Foundation. The centre is looking to the private sector for the final 10%. Atkins appointed in October 2014 to oversee the architectural and technical design for the building and work is due to begin on site in the summer of 2016.	Cabinet
<b>Cooperative Commissioning and Adult Social Care Budget</b> – Increasing numbers of older people with complex and multiple needs and an increase in dementia will continue to put pressure on the health and social care system.	Strategic Director for People	Regular budget meetings take place to monitor cost and volume. Range of preventative services in place to manage demand. Joint working in place with Plymouth Community Healthcare to provide seamless care and facilitate system flow. Contract management to provide monitoring around quality assurance. Integrated Health & Wellbeing programme based around Integrated Commissioning, Integrated Delivery and Care Act in place to ensure system sustainability and care.	Health & Wellbeing Board and Cabinet
<b>The Care Act</b> represents the most significant reform of care and support in more than 60 years, putting people and their carers in control of their care and support.	Strategic Director for People	The Care Act is an historic and significant piece of legislation that modernises the framework of care and support law, bringing in new duties for local authorities and new rights for service users and carers. The Act places more emphasis than ever before on prevention – shifting from a system which manages crises to one which focuses on people's strengths and capabilities and supports them to live independently for as long as possible. Local authorities have new responsibilities towards all local people, including self-funders. The Act has been implemented in two parts - Part 1 was put in place in April 2015 with Plymouth City Council Adult Social Care service transferring to Plymouth Community Healthcare. Consultation on Part 2 of the Act has taken place and we do not expect the	Health & Wellbeing Board

Key Improvement Area	Lead Officer	Update on position	Reporting Through
		final guidance and regulations from Central Government until Autumn 2015. We will then be required to have our processes in place to assess any potential self-funders and for those with eligible needs set up their Care Account ready to start from 1 April 2016. The new modelling tool from the Department of Health is being used to give us more of an idea on the number of carers and self-funders and a Project Group has been established.	
<b>Potential volatility in the number of children entering the care system and those subject to a Child Protection Plan</b> - leading to cost pressures on independent placements, staffing and resources.	Strategic Director for People	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 commissioning and service provision to be developed with project management support from Transformation to reduce need for high cost placements.	Children & Young People's Trust and Cabinet

## 7. Certification

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Cllr Tudor Evans  
Leader of the Council  
Dated:

Tracey Lee  
Chief Executive  
Dated:

Andrew Hardingham  
Assistant Director for Finance (Section 151 Officer)  
Dated:

**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	Information Governance – Annual Report
<b>Committee:</b>	Audit Committee
<b>Date:</b>	25 June 2015
<b>Cabinet Member:</b>	Councillor Lowry
<b>CMT Member:</b>	Lesla Annear (Director for Transformation & 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 work that has been undertaken by the Information Lead Officers Group (ILOG) to improve information governance principles across all directorates in order to improve the Council's information asset. The report covers:-

- ILOG Terms of Reference
- Information Commissioners Office
- Devon Audit Partnership
- Information breach management
- Actions During 2014/15
- Future Actions
- ALARM Award

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

Information Governance is included in risk registers that include links to the Corporate Plan objectives – monitoring of control action for 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 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:**

Risk and Opportunity Management – Information Governance is included as a risk in all directorate risk registers.

**Equality and Diversity**

Has an Equality Impact Assessment been undertaken? Not required.

**Recommendations and Reasons for recommended action:**

The Audit Committee is recommended to note and endorse the current position with regard to the action of the Information Lead Officers Group.

**Alternative options considered and rejected:**

Effective Information Governance processes are essential in helping to ensure compliance with legislative requirements such as the Data Protection Act and fulfilling the Council’s duty of care to its customers. For this reason alternative options are not applicable.

**Published work / information:**

**Background papers:**

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

**Sign off:** Councillor Mark Lowry

Fin	djn151 6.13	Leg	2318 6DVS	Mon Off	231 86D VS	HR		Assets		IT		Strat Proc	
Originating SMT Member , Asst Director for Finance													
Has the Cabinet Member(s) agreed the contents of the report? Yes													



## **1.0 Introduction**

- 1.1** This report provides a summary of the work that has been undertaken by the Information Lead Officers Group (ILOG) to improve information governance principles across all directorates in order to protect the council's information asset.
- 1.2** A specific breach of the Data Protection Act (DPA) occurred in November 2011 and a financial penalty of £60,000 was imposed by the Information Commissioner's Office (ICO).
- 1.3** As a result of the above the Corporate Management Team approved the formation of an Information Lead Officers Group (ILOG) which was established in February 2012 in order to implement an action plan to improve the Council's information governance resilience in order to meet service delivery goals and ensure on-going legislative compliance
- 1.4** The position with regard to the work of ILOG was last reported to this Committee on [25 September 2014](#) and this report now provides a summary of the progress of the group since then.

## **2.0 ILOG Terms of Reference**

- 2.1** The ILOG comprises of Information Lead Officers (ILOs) for each directorate who provide the means for achieving a co-ordinated information governance framework that will develop improvements to service delivery.
- 2.2** The Information Lead Officers will be responsible for reporting directly to their management teams in order to secure buy-in and commitment to initiatives instigated by the ILOG.
- 2.3** Activities will be implemented through Information Asset Owners (IAOs) – those staff responsible for information holdings, or individual systems or applications within a service area and specialist working groups such as the Management of Information Security Forum, Freedom of Information Representatives and the Operational Risk Management Group.
- 2.4** The group is also supported by the Information Governance Manager, the Customer Relations Team and the Caldicott Guardians (the AD's for social care as the responsible managers for People's social and health data).
- 2.5.** The group meets bi-monthly.

## **3.0 Information Commissioners Office**

- 3.1** The Information Commissioner is responsible for enforcing and promoting compliance with the Data Protection Act 1998. Section 51(7) of the DPA contains provision giving the Information Commissioner power to assess any organisation's processing of personal data for the following of good practice, with the agreement of the data controller. This is done through a consensual audit.

**3.2** In July 2013 the Council agreed to a consensual audit by the ICO Good Practice Department and this took place at the end of April 2014. The results of this audit were presented to this Committee on [25 September 2014](#).

**3.3** A new post of Information Governance Manager was created to support the delivery of the action plan that arose from the audit and this enabled completion of 28 out of the 49 actions to be completed before the follow up audit which took place early in 2015.

**3.4** The auditors were pleased to note significant progress stating that the Council had responded to their recommendations positively.

**3.5** 70% of the recommendations have now been completed, with projects initiated within the Transformation programme which will result in 90% completion once they have been delivered.

#### **4.0 Devon Audit Partnership**

**4.1** Devon Audit Partnership (DAP) also carried out an independent review of our information governance arrangements and the results of this were presented to this committee in [March 2014](#).

**4.2** It was agreed with DAP to put the action plan produced as a result of their audit on hold whilst the ICO action plan was being worked through as a priority.

**4.3** Actions are now being revisited and worked through by the Information Governance Manager and ILOG.

#### **5.0 Information breach management**

**5.1** The Information Governance manager post was appointed in 1<sup>st</sup> September 2014, and the role has been essential in managing data breaches that occurred within the Council.

**5.2** Two data breaches were reported to the ICO, and due to the efficient incident management processes invoked during the breaches, the Council managed to avoid receiving any monetary penalties for either breach.

**5.3** The lessons learned from all breaches, and detailed statistical analysis have been shared with many teams within the Council, with future sessions scheduled to ensure that the lessons reach as all staff.

#### **6.0 Actions during 2014/15**

**6.1** Actions arising out of the group during the past 12 months include:-

- Action plan rolled out following ICO audit
- Continued promotion of incident reporting so that lessons can be learnt
- Office walkthroughs continuing across Directorates

- Information Governance Manager attendance at DMTs/Team meetings to raise awareness of issues
- Document storage project undertaken to scope future storage requirements
- Information Asset Owners identified within each service area
- Information Governance webpage updated for staff
- PCC hosted National Archives Information Asset Training Day on 11 June 2015

## **7.0 Future actions over the next 12 months**

### **7.1 ILOG's action plan over the next 12 months include:-**

- Carry out a further Information Governance risk audit via the Operational Risk Management Group
- Follow up action plan arising out of DAP audit
- Roll out Information Security refresher training for all staff
- Produce guidance booklet for non-pc enabled members of staff and Councillors
- Improve breach management processes, with a focus on greater reporting and escalation.

## **8.0 ALARM award**

**8.1** The Association of Local Authority Risk Managers (ALARM) is a public risk management association who hold an annual awards ceremony to celebrate and recognise those public service and community organisations who maintain effective and innovative forward momentum in the management of risk.

**8.2** This year the Council have submitted an entry under the Strategic Risk Award in relation to our corporate Information Governance journey and the revised approach the Council have taken to improve our information governance resilience and ensure on-going legislative compliance.

**8.3** The submission resulted in the Council receiving a nomination for the award, and officers will attend an award ceremony on 22 June at Aston University, Birmingham, where the team will be up against two other Public sector organisations for the main award.

**8.4** The nomination recognises the improvements that have been put in place corporately to manage the risks around how we deal with our information asset and, importantly, a changing culture in the approach staff take to the way that sensitive data is stored, shared and communicated.

## **9.0 Summary and conclusion**

**9.1** Good information governance provides people with confidence that their personal information is being handled properly, protects the vulnerable, enables the delivery of services and ensures that transparency requirements are met.

**9.2** There are practical difficulties in trying to achieve this objective against a background of re-organisation and financial constraint, however, through the work of ILOG and

the Information Governance Manager culture shift is beginning to take place within the organisation to ensure staff take appropriate care when handling data and look after the interests of the people of Plymouth.

- 9.3** Where information security incidents do occur, procedures have been put in place to ensure a thorough investigation takes place so that lessons can be learned and disseminated throughout the organisation.
- 9.4** Over the next 12 months ILOG will continue to focus on educating members, staff and partners about the potential pitfalls and how each of us can reduce the risk of not meeting statutory requirements.

**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	Statement of Accounts 2014/15
<b>Committee:</b>	Audit Committee
<b>Date:</b>	25 June 2015
<b>Cabinet Member:</b>	Councillor Lowry
<b>CMT Member:</b>	Andrew Hardingham (Assistant Director for Finance)
<b>Author:</b>	Chris Flower (Lead Accountant, Finance – Technical)
<b>Contact details</b>	Tel: 01752 304212 Email: <a href="mailto:chris.flower@plymouth.gov.uk">chris.flower@plymouth.gov.uk</a>
<b>Ref:</b>	FIN/CF
<b>Key Decision:</b>	No
<b>Part:</b>	I

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**Purpose of the report:**

A report on the Council's revenue and capital outturn for the financial year was reported to Cabinet on 9 June 2015. This report sets out the timetable and key issues in relation to the production of the statutory form of accounts – the 'Statement of Accounts', which the Council is required to produce for audit and publication, and reports on progress towards the requirement to prepare the pre-audited accounts by the 30 June 2015.

The Accounts and Audit Regulations require that the accounts are available for public inspection for four weeks and this year the period of inspection commences on the 22 June 2015. The external audit commenced on 15 June 2015.

The report also details progress towards completion of the action plan agreed to implement the recommendations made by the auditor following the audit of the 2013/14 Statement of Accounts.

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**Corporate Plan 2012-2015:**

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

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

The 2014/15 final accounts will have implications on the Medium Term Financial Plan. The level of Working Balance and reserves will affect the level of funding available in future years and variations in service expenditure will also need to be reviewed to assess the effects on future years.

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

N/A

**Equality and Diversity**

Has an Equality Impact Assessment been undertaken? No

**Recommendations and Reasons for recommended action:**

- I. Audit Committee note the report and the 'authorised for issue' date (1 June 2015) for the draft Statement of Accounts.

**Alternative options considered and rejected:**

None – It is a statutory requirement to produce and approve the Statement of Accounts.

**Published work / information:**

Outturn Report to Cabinet 23 June 2015

**Background papers: None**

None

**Sign off:**

Fin	CDR 1516.16	Leg	23222 DVS	Mon Off	2322 2DV S	HR		Assets		IT		Strat Proc	
Originating SMT Member – Andrew Hardingham													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

## Statement of Accounts 2014/15

### 1. Introduction

- 1.1 The financial outturn for both the Council's revenue and capital activities for 2014/15 was reported to Cabinet on the 9 June 2015. This report sets out the timetable and key issues in relation to the production of the statutory form of accounts – the 'Statement of Accounts', which the Council is required to produce for audit and publication.
- 1.2 The Accounts have to be produced in line with the relevant CIPFA Codes of Practice and with regard to relevant items of statute. Details of the changes in relation to the 2014/15 Codes and relevant legislation which need to be considered for the accounts are outlined in section 3.
- 1.3 The Accounts and Audit Regulations require that the draft Statement of Accounts is signed by the Council's Section 151 Officer, by 30 June each year. Progress towards the production of the pre-audit accounts is outlined in section 2 of this report. The pre-audited accounts will be published on the Council's website by the end of June.
- 1.4 Formal audit of the accounts for 2014/15 commenced on 15 June. The four week period in which the Council has to make the accounts available for public inspection starts on 22 June. The audited Accounts will be presented to the next committee alongside the auditor's report. An analysis of the financial position and key messages within the accounts will be reported to committee in the accompanying report as it is not possible to do so at this stage whilst the draft accounts are still being finalised.
- 1.5 The Code requires that the Council sets and discloses an 'authorised for issue' date, which reflects a cut-off date in terms of the post balance sheet period within which events have to be considered in relation to their impact on the 2014/15 accounts. The relevant date for the draft Statement of Accounts has been set as 1 June 2015.
- 1.6 Each year the Audit Committee receives the auditor's (ISA260) report on the accounts audit, which, where appropriate, will include an action plan containing issues for the Council to address for the following year's accounts. Progress against auditor recommendations resulting from the 2013/14 Statement of Accounts audit is detailed in Section 6.
- 1.7 The Annual Governance Statement (AGS) is being presented separately to this Audit Committee for approval. The AGS no longer forms part of the published Statement of Accounts document but would stand-alone to reflect that its scope is wider than just the financial transactions of the authority. However, it will be published alongside the Statement of Accounts on the Council's website as is required by the Code.

### 2. Key Dates for 2014/15 and progress to date

- 2.1 Although there has been no change to the statutory timetable relating to the production and publication of the final accounts, internal deadlines and targets have been set which reflect earlier timescales for both the reporting of departmental financial results against budgets and the production of the draft Statement of Accounts.
- 2.2 The financial challenges that the authority is facing make it imperative that both Officers and Members are provided with accurate and up-to-date financial information in a timely manner in order to facilitate informed decision-making. The timetable for monthly budget monitoring

reporting has been shortened over the past year in order to allow finances to be controlled and achievement of budget delivery plans to be closely monitored.

- 2.3 Similarly, as well as the issues outlined above, there are other drivers which give rise to the decision to reduce the overall timetable for the production of the draft Statement of Accounts document. Firstly, there is a need to continuously review and improve financial management processes; a shorter timescale will both challenge current working practices and promote efficiencies. In addition, timelier completion of year-end activities will free up resources for other work at an earlier stage of the year. Other advantages which arise include cost effectiveness, staff benefits (such as improved morale via a sense of achievement and opportunities to develop the technical expertise within the service) and an enhanced profile for the Finance Service.
- 2.4 However, there is a risk that a faster timescale will compromise the quality of the draft statements. The Finance team are working to minimise the likelihood of this having a detrimental impact on the accounts by ensuring that progress is closely managed, staff involved are appropriately trained and there is close liaison with the external auditor throughout the year.
- 2.5 The year-end timetable for both internal and external reporting (via the Statement of Accounts) of the 2014/15 financial results has been set as follows:-

Milestone	Key Date
Directorate Outturn position for Capital and Revenue Accounts finalised	13 April
Provisional Outturn report to CMT	14 April
Draft Outturn Report to Cabinet Members	12 May
Draft Statement of Accounts prepared	15 June
Statutory deadline for Section 151 Officer to 'sign off' of draft Statement of Accounts	30 June
Final Accounts Audit Commences	15 June
Period of Public Inspection	22 June - 20 July
Auditor's ISA260 report received and audited Statement of Accounts approved by Audit Committee	17 September

- 2.6 As the agenda for this committee was published, the Finance team were finalising the draft Statement of Accounts for review by Senior Management. It is anticipated that the majority of the work on the accounts will be completed by the 15 June deadline, but Officers will provide a verbal update on progress at the meeting. The achievement of this deadline has always partly been reliant on receiving finalised accounts in relation to the Tamar Bridge and Torpoint Ferry Joint Committee (TBTFJC) from Cornwall Council. Cornwall Council has also brought forward the preparation of their accounts and has provided the Council with the (TBTFJC) accounts in time to include them in the draft accounts.
- 2.7 The Finance team will continue to strive to further improve the above timescales, with the ultimate aim of delivering the draft Statement of Accounts by the end of May. This is reflected by a project within the Finance Business Plan which will involve further work on challenging



current working practices and timelines, refining quality assurance techniques and widening both project management and technical expertise throughout the service.

**2.8 Authorised for Issue date**

The Code requires that events occurring after the balance sheet date, i.e. 31 March 2015, are considered in terms of their relevance to the Council's financial position for 2014/15. There is an obligation to ensure that any such events are properly reflected in the Statement of Accounts up to the date that the statement is 'authorised for issue'. The authorised for issue date marks the point beyond which there can be no reasonable expectation that events could have been taken into consideration in the preparation of the Statement of Accounts. The Council has to disclose this date within the accounts and it has been decided that post balance sheet events up to and including the 1 June 2015 be considered for the draft accounts submitted for audit.

**3. The 2014/15 Codes of Practice and relevant legislation**

3.1 There are two main Codes of Practice relevant to the production of the Statement of Accounts which CIPFA publish on an annual basis:-

- The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code)
- The Service Reporting Code of Practice for Local Authorities (SeRCOP)

3.2 There were no significant changes to the Codes for 2014/15. Further details on the minor changes to the Codes will be included in the report to committee in September, when the accounts are formally presented for approval, where their impact will be more easily demonstrated.

**5. Post Balance Sheet Events (PBSE)**

5.1 Although the Statement of Accounts shows the financial outturn position for 2014/15 and Balance Sheet position as at 31 March 2015, the Council is required to take into account items occurring after 31 March 2015 if they would have a material impact on the accounts.

5.2 The PBSEs identified to date and included in the draft Statement of Accounts are:

5.3 Adult Social Care and Clinical Commissioning Group

On the 1 April 2015 the Authority entered into an agreement with the North East & West Devon Clinical Commissioning Group under Section 75 of the National Health Services Act 2006.

On 1 April 2015 Plymouth City Council adult social care delivery staff transferred to Plymouth Community Healthcare (PCH), a community interest company (CIC), to transform the way these services are delivered.

5.4 School's Catering

On 1 April 2015 the school meals service transferred to CATERed Limited which is a company jointly owned by Plymouth City Council and PSSC Plymouth Schools Shareholding Company Limited (representing the Plymouth Schools).

5.5 Energy from Waste Plant

Commissioning of the plant commenced in April 2015 when the plant received waste from Plymouth City Council. In order to complete a commissioning period the plant now receives waste from all the three authorities and this is expected to be completed in 2015/16. Payments to the German company MVV are made in accordance with the contract and are set at a reduced rate until the commissioning period is completed when the full gate fees will be chargeable for tonnages delivered.

- 5.6 As the draft accounts were still being finalised at the time of publishing this report, the above list may not reflect the final PBSE position when the accounts are published towards the end of June.

## **6. Progress against the 2013/14 ISA260 Report Action Plan**

- 6.1 The External Auditor's annual Governance Report (ISA260 Report), includes the findings on the annual accounts audit and an action plan to address key audit issues. Appendix A sets out the auditor's recommendations following the 2013/14 accounts audit and reports on the progress made to date regarding the related action plan.
- 6.2 Three issues were reported in the action plan:-
- 6.2.1 Once the draft financial statements have been prepared, no amendments should be made until the audit has been completed
- 6.2.2 The Council should introduce a sample-based approach to journal review and authorisation, covering all journals.
- 6.2.3 Information Security Policies should be reviewed at planned intervals or when significant changes occur to ensure their continued suitability, adequacy and effectiveness.

## **7. Conclusions**

- 7.1 The 2014/15 financial results for the authority have been established and reported significantly earlier than when compared to previous years.
- 7.2 Work is in-hand to produce the draft Statement of Account well in advance of the statutory deadline and this also represents a year on year reduction in timescales taken to undertake this year-end work. The Finance team has committed to making further improvements going forward by including a project to review working practices and expertise in this area within the 2014/15 Finance Business Plan.
- 7.3 2014/15 represents a 'light' year in relation to changes in the accounting codes of practice and legislation relevant to account production. Further details on this and the relevant changes requiring consideration for 2014/15 will be included in the September Statement of Accounts report to committee.
- 7.4 The annual external audit commences on 15 June 2015 and period of public inspection of the accounts commences on 29 June 2015. The audited Statement of Accounts will be submitted to Audit Committee for approval in September.
- 7.5 Officers are working to ensure that the auditor action plan resulting from the 2013/14 final accounts audit is addressed where applicable.

## Progress against the 2014/15 ISA260 Auditor's Report Action Plan

## APPENDIX A

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1.	Once the draft financial statements have been prepared, no amendments should be made until the audit has been completed.	Deficiency	Agreed	April 2015 Lead Accountant – Technical Finance
2.	The Council should introduce a sample-based approach to journal review and authorisation, covering all journals.	Deficiency	Internal Audit carry out an annual testing of a sample of journals as part of their internal audit. Finance will introduce its own random sample of journals to test accuracy, plus any individual journal entry >£500k will be authorised by Head of Corporate Strategy or Head of Finance Operations The Council are upgrading Civica Financials programme which should incorporate an alert system that automatically identifies unusual journals that fall outside prescribed parameters. These alerts will then be reviewed by finance management.	Agreed April 2015 Head of Corporate Strategy / Lead Accountant – Technical Finance
3.	Information Security Policies should be reviewed at planned intervals or when significant changes occur to ensure their continued suitability, adequacy and effectiveness.	Deficiency	The new IT support team are undertaking a review as part of their new remit of all systems. There is planned to be an annual review of these policies.	January 2015 Head of Corporate Strategy / ICT System Support Team Manager

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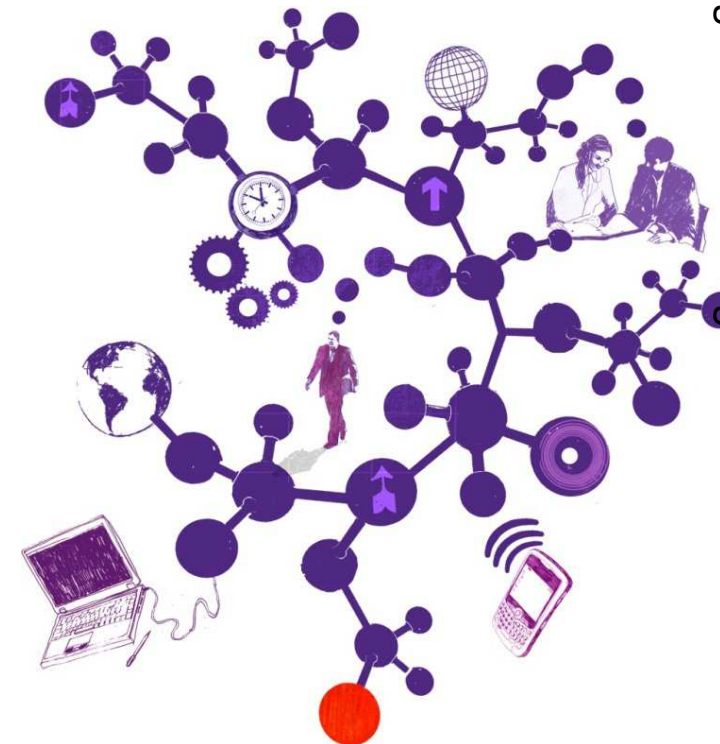
# Audit Committee Update for Plymouth City Council

Year ended 31 March 2015

Committee Date: 25 June 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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# Contents

<b>Section</b>	<b>Page</b>
Introduction	4
Progress at 11 June 2015	5
Emerging issues and developments	
Grant Thornton	8

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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.

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 11 June 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>We presented our audit plan to the Audit Committee on 26 March 2015.</p> <p>This plan sets out our understanding of the risks affecting our opinion on your financial statements and our VfM conclusion together with an outline of the work we will do to address these.</p>

# Progress at 11 June 2015

Work	Planned date	Complete?	Comments
<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 were summarised in our audit plan.</p> <p>There were no issues we wish to draw to the Audit Committee's attention.</p>
<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>	<p>30 September 2015</p>	<p>Not yet due</p>	<p>We are planning to commence our fieldwork on 15 June 2015 and aim to have this completed by the end of July.</p> <p>We will report our findings to the Council's Audit Committee on 17 September 2015.</p>

# Progress at 11 June 2015

Work	Planned date	Complete?	Comments
<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>	<p>30 September 2015</p>	<p>Not yet due</p>	<p>Our initial risk assessment has been undertaken and further information on the work to underpin our VfM conclusion was included within our audit plan.</p> <p>Our work will focus on:</p> <ul style="list-style-type: none"> <li>• Review of your medium term financial planning</li> <li>• Assessment of your future savings plans and how these impact on the Council's medium term financial planning</li> <li>• Review the Council's performance against the 2014/15 budget, including consideration of performance against the savings plan</li> <li>• On-going consideration whether the Better Care Fund is a risk in the context of our VfM conclusion</li> </ul>
<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>	<p>30 November 2015</p>	<p>Not yet due</p>	<p>We have made an early start on our certification work in 2014/15.</p> <p>Based on the work undertaken to date, there are no issues we wish to draw to the attention of the Audit Committee.</p>

# Developing Local Authority Trading Companies

## Grant Thornton Publications

Austerity has made a significant impact on local government. Our report *'Responding to the challenge: alternative delivery models in local government'* looked at the increased use of alternative delivery models to protect and develop services. This trend has continued over the last year.

Whilst some councils have always had a commercial approach, many traditionally avoided commercial considerations. This is no longer the case.

As councils continue to confront financial pressure, many have considered how to reduce costs, generate income and improve efficiency by introducing commercial structures. For many councils, the use of Local Authority Trading Companies (LATCs) is a step towards becoming self-financing.

Over the last five years, we have seen a significant increase in the use of different service delivery models by local government. The introduction of LATCs has been a key part of this innovation. While restricted initially to areas such as entertainment or airports – for example Birmingham's NEC and Manchester Airport – they have grown into new areas such as highways, housing and education.

More recently, LATCs dedicated to the delivery of social care services have emerged.

However, the delivery of a successful company is not easy.

Our report *'Spreading their wings'* is the first in a series looking at alternative service delivery models in more detail. The report provides practical guidance – drawn from interviews with councils and from the successful companies we have worked with – on the steps that need to be followed in:

- deciding to set up a local authority trading company
- setting up a local authority trading company
- building a successful local authority trading company

Copies can be obtained via your Engagement Lead or Audit Manager.



# Understanding your accounts – Member guidance

## Grant Thornton Publications

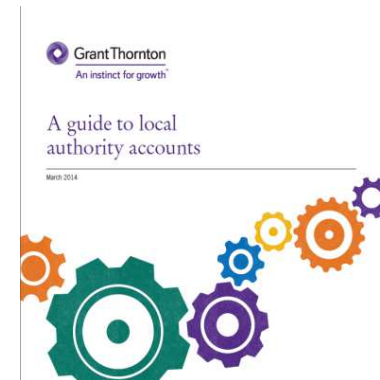
Local authority Audit Committee members are not expected to be financial experts, but they are responsible for approving and issuing the authority's financial statements. However, local authority financial statements are complex and can be difficult to understand.

In 2014 we prepared a guide for Members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help Members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position. Any new members to the Audit Committee may find this guide helpful.

The guide considers the :

- explanatory foreword – which should include an explanation of key events and their effect on the financial statements
- annual governance statement – providing a clear sense of the risks facing the authority and the controls in place to manage them
- movement in reserves statement – showing the authority's net worth and spending power
- comprehensive income and expenditure statement – reporting on the year's financial performance and whether operations resulted in a surplus or deficit
- balance sheet – a 'snapshot' of the authority's financial position at the year end; and
- other statements and additional disclosures

We have provided copies of the guide to Local Authority accounts to the Council for distribution to the Audit Committee.



# Welfare Reform Review: Easing the burden

## Grant Thornton market insight

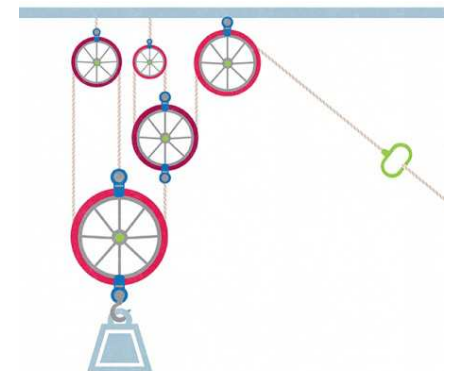
Our second welfare reform report, 'Easing the burden', followed on from 'Reaping the benefits?' to provide insight into the impact of welfare reform on English local authority and social housing organisations over the past two years.

It focused on the governance and management arrangements being put in place in England across the two sectors to deliver reform, the early signs of how successful the reforms have been and the upcoming issues and risks on the reform agenda in the wider context of social impact.

### Key messages:

- The cumulative effect of various welfare reforms is putting a significant financial strain on those people needing welfare support
- The majority of local authorities and housing associations surveyed had seen a rise in average council tax and rent arrears since 2012/13, which they attributed at least in part to welfare reform
- There had been limited movement to smaller properties as a result of the spare room subsidy (also known as the bedroom tax) and benefit cap reforms, with generally less than 10% of those affected having moved according to our survey. The shortage of smaller properties for people to move into played a key role in this
- Local authorities are becoming reliant on Discretionary Housing Payments (DHP) to plug the gap for those unable to pay. Ninety-five per cent of local authorities surveyed think that recipients of DHP allocations are either wholly or partly dependent on DHP to avoid homelessness in the longer-term. Any reduction in DHP funding from central government is therefore likely to result in further increases to rent arrears and homelessness in the next two years, unless mitigated by other means
- The withdrawal of ring-fenced hardship funding (formerly the Social Fund) will result in a reduction of provision, as the majority of local authorities told us that they are not in a position to fund this from their own revenue
- Reductions in DHP and hardship funding, in addition to general funding reductions will inhibit the ability of local authorities and housing associations to pursue early intervention policies that avoid people falling into long-term benefit dependency. This will have cost implications for the medium- to long-term
- The cost of administering housing benefit has risen as a result of welfare reform and now 47% of local authorities and 51% of housing associations surveyed said housing benefit is becoming significantly more costly to administer. This is partly due to the increased complexity of cases

The report 'Easing the burden: The impacts of welfare reform on local government and social housing sector' can be found on our website.





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