



#plymaudit



**Democratic Support**

Plymouth City Council  
Ballard House  
West Hoe Road  
Plymouth PL1 3BJ  
Please ask for Helen Wright  
T 01752 304022  
E [helen.wright@plymouth.gov.uk](mailto:helen.wright@plymouth.gov.uk)  
[www.plymouth.gov.uk/democracy](http://www.plymouth.gov.uk/democracy)  
Published 24 November 2015

## AUDIT COMMITTEE

Thursday 3 December 2015  
2.00 pm  
Council House, 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.

For further information on attending Council meetings and how to engage in the democratic process please follow this link <http://www.plymouth.gov.uk/accesstomeetings>

**Tracey Lee**

Chief Executive

# **AUDIT COMMITTEE**

## **AGENDA**

### **PART I – PUBLIC MEETING**

#### **1. APOLOGIES**

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

#### **2. DECLARATIONS OF INTEREST**

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

#### **3. MINUTES (Pages 1 - 10)**

To confirm the minutes of the meeting held on 17 September 2015.

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

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

#### **5. OPERATIONAL RISK AND OPPORTUNITY MANAGEMENT - UPDATE REPORT (Pages 11 - 16)**

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

#### **6. ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITIES FOR 2015/16 (AND MID YEAR REPORT) (Pages 17 - 32)**

Members will be provided with the Annual Report on Treasury Management – Activities for 2015/16 (and Mid Year Report).

#### **7. AUDIT COMMITTEE UPDATE (Pages 33 - 46)**

Members will be provided with the Audit Committee Update.

#### **8. ANNUAL AUDIT LETTER 2014/15 (Pages 47 - 56)**

Members will be provided with the Annual Audit Letter 2014/15.

#### **9. CERTIFICATION WORK REPORT 2014/15 (Pages 57 - 58)**

Members will be provided with the Certification Work Report 2014/15.

**10. EXTERNAL AUDIT PROGRESS REPORT (BDO) - (Pages 59 - 64)  
DECEMBER 2015**

Members will receive the External Audit Progress Report (BDO) – December 2015.

**11. INTERNAL AUDIT - HALF YEAR REPORT (Pages 65 - 94)**

Members will be provided with the Internal Audit – Half Year Report.

**12. CCG - INTEGRATED FUND (Pages 95 - 128)**

Members will receive reports on Plymouth City Council and the Clinical Commissioning Group (NEW Devon CCG) on the Integrated Fund.

**13. REVIEW OF ROLLING WORKPLAN (Pages 129 - 132)**

Members will have the opportunity to review their work plan for 2015/16.

**14. EXEMPT BUSINESS**

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

**This page is intentionally left blank**

## Audit Committee

Thursday 17 September 2015

### PRESENT:

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

Co-opted Representatives: Mr Clarke and Mr Stewart.

Also in attendance: Alison Botham (Assistant Director for Children, Young People and Families), Carole Burgoyne (Strategic Director for People), David Bray (Grant Thornton), David Curnow (Devon Audit Partnership), Chris Flower (Lead Accountant), John Golding (Grant Thornton), Julie Hosking (Risk and Insurance Officer), David Northey (Head of Corporate Strategy), Greg Rubins (BDO) and Helen Wright (Democratic Support Officer).

The meeting started at 2.00 pm and finished at 3.30 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.*

### 18. DECLARATIONS OF INTEREST

Councillor Sam Leaves declared a private interest should any items refer to NHS information as she was employed by NEW Devon Clinical Commissioning Group.

### 19. MINUTES

The committee agreed that the minutes of the meeting held on 25 June 2015 are confirmed as a correct record.

### 20. CHAIR'S URGENT BUSINESS

There were no items of Chair's urgent business.

### 21. INDEPENDENT MEMBERS

The committee agreed to appoint Mr Clarke as an Independent Member on the Audit Committee for four years.

### 22. DIRECTOR OF CHILDREN'S SERVICES LOCAL ASSURANCE TEST REVIEW

Carole Burgoyne (Strategic Director for People) together with Alison Botham (Assistant Director for Children, Young People and Families) presented the Director of Children's Services Local Assurance Test Review report which highlighted the following key areas –

- (a) the Department for Education statutory guidance on the roles and responsibilities of the Director of Children's Services and Lead Member for Children's Services sets out the expectations for local authority Director of Children's Services (DCS), their appointment, role and responsibilities in relation to education and children and young people's services;
- (b) Section 6 of the guidance states that local authorities should undertake a local assurance test so that the focus on outcomes for children and young people would not be weakened or diluted as a result of adding other responsibilities;
- (c) the assurance test was first undertaken in 2013 and it was agreed to review it in 2015;
- (d) following completion of the updated assurance test, the Council commissioned the Devon Audit Partnership to audit the test;
- (e) the audit of the assurance test concluded that overall the responses addressed the majority of points outlined in the questions and the supporting evidence confirmed the information given;
- (f) the supporting evidence was defined and obtained in order to verify the detail within the answers; sources of evidence, including the recent Ofsted report, Council structure information and interviews/discussions with a cross section of six staff, supported a number of the management responses;
- (g) in some cases it was considered that the response could be enhanced as the supporting evidence showed more compliance than had been recorded; there were also a number of questions that would benefit from the inclusion of additional information such as data sharing, recognition of capacity issues, delegation outlined within formal role profiles and recognition of how family views were incorporated into policy and practices;
- (h) whilst there may be potential to expand the answers provided, or provide additional information, this review confirmed that the responses provided were suitably evidenced.

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

- (i) following the review all staff within the Children, Young People and Family Services department had been offered an online training course on the prevention of terrorism; staff training needs would be kept under review by agency leads in the light of the rapidly changing landscape; the Plymouth Safeguarding Children's Board had received a presentation on 'preventing people from being drawn into terrorism';

- (j) the Devon Audit Partnership was satisfied with the responses provided and the recommendations outlined within the report.

The committee noted that -

- (1) the Director of Children's Services Assurance Test had been reviewed and revised using a risk assessment framework;
- (2) the Devon Audit Partnership had audited the work and had made recommendations that officers were implementing.

The Chair thanked Carole Burgoyne and Alison Botham for attending the meeting.

23. **ANNUAL REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA260 REPORT) 2014/15 INCLUDING VALUE FOR MONEY (VFM)**

John Golding (Grant Thornton) and David Bray (Grant Thornton) presented the annual report to those charged with governance (ISA260 report) 2014/15 including value for money (VFM) which highlighted the key matters arising from Grant Thornton's audit of the Council's financial statement for the year ended 31 March 2015.

The committee was informed that –

- (a) the key issues arising from the audit included -
- the draft financial statements were not provided in accordance with the agreed timetable and both these, and the supporting working papers, were not prepared to the standard that the auditor had come to expect from the Council;
  - a number of inconsistencies had been identified within the financial statements and between the financial statements and the working papers;
  - responses to audit queries were not dealt with in a timely manner, sometimes due to the unavailability of key staff during the audit;
  - a number of key areas (eg accounting for schools, the landfill provision and the sale of the Civic Centre) did not reflect the on-going discussions the auditors had had with the Council throughout the year;
- (b) a number of adjustments had been identified which improved the presentation of the financial statements, although none of the adjustments had a material effect on the Council's reported financial position as far as its General Fund position was concerned;
- (c) it was considered that the Council should undertake a fundamental review of the process for the production of its financial statements and its subsequent audit, ensuring that there was sufficient time allowed for the completion of robust quality assurance arrangements;

- (d) based on the auditor's review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, the auditor proposed to give an unqualified value for money (VFM) conclusion;
- (e) the Council's original Whole of Government Accounts (WGA) submission to the Department for Communities and Local Government had been returned due to a number of errors and internal inconsistencies within it; following the completion of the audit, work would be undertaken on the WGA in accordance with the national timetable;
- (f) a number of control issues had been identified which included -
  - journals had not been authorised prior to processing;
  - bank reconciliations had not been performed or reviewed in a timely manner;
  - one expenditure had been authorised without the appropriate supporting documentations; (this was an isolated incident and there were no wider internal control implications for the Council);
  - a number of IT internal control issues that had been identified in the 2013/14 audit had not been addressed (the lack of formal reviews of information security policies and procedures, reviews of information security logs were not being formally, proactively and routinely reviewed and the intruder lockout settings were weak).
- (g) six recommendations had been made (as detailed in Appendix A) which had been agreed;
- (h) the auditors anticipated that the Council would be provided with an unmodified audit report;
- (i) as this had been a challenging audit the actual audit fee would need to be considered.

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

- (j) the new office accommodation for the Tamar Bridge would be reviewed within the 2016/17 audit;
- (k) the cost of replacing the Tamar Bridge had been reduced by £80m (the Council's share was £40m); the formula used for this process was different for a toll bridge;
- (l) planning work was being undertaken to ensure that the Council would be able to submit its financial statements by 31 May for the 2017/18 audit;



- (m) work was being undertaken to address the issues relating to the IT internal control issues which had first been identified in the 2014/15 audit.

The committee noted the report.

24. **STATEMENT OF ACCOUNTS 2014/15**

Chris Flower (Lead Accountant) presented the Statement of Accounts 2014/15, which highlighted the following key areas –

- (a) the Council's draft Statutory Statement of Accounts had been prepared and approved ready for audit by the Assistant Director for Finance on 25 June 2015;
- (b) the accounts had now been audited and were being presented to the Audit Committee for approval; the Accounts and Audit Regulations required the accounts to be formally approved and published by 30 September 2015;
- (c) the main amendments which had arose following the publication of the draft accounts, included –
  - the re-classification of the Civic Centre as an asset following the offer to purchase;
  - recalculation of the landfill provision (income from the sale of gas from the site);
  - updated figures for officer's remuneration;
  - cash balance (removal of a school's bank balance);
  - CIET internal recharges had been removed from schools' income and expenditure.

In response to a question raised, it was reported that the energy produced from the energy to waste plant produced steam which was fed back into the Dockyard and surrounding area; the income from this was included within the contract and was therefore not an income stream.

The committee noted -

- (1) the amendments made to the Statement of Accounts for 2014/15 (as agreed by the auditor);
- (2) the Statement of Accounts for 2014/15 (as attached to the report);

The committee agreed that the letter of representation is authorised and submitted to the auditor.

The Chair took the opportunity, on behalf of the committee, to formerly thank Grant Thornton for working with the Council.

25. **STRATEGIC RISK AND OPPORTUNITY REGISTER MONITORING REPORT**

Julie Hosking (Risk Management and Insurance Officer) presented the strategic risk and opportunity register monitoring report which summarised the latest formal monitoring exercise completed for the period of March 2015 to August 2015.

The committee was advised that –

- (a) the total number of strategic risks reported had increased from 31 to 36 with the addition of eight new risks and the deletion of three; the number of red risks had reduced from five to three;
- (b) the new risks included -
  - planning reforms;
  - History Centre Project
  - risk of judicial review in relation to deprivation of liberty claims;
  - data loss and/or compromise of connected national infrastructure or attaches via standard hacking methods, phishing email or malware infection;
  - failure to secure adequate market interest in the South Yard Marine Industries Production Campus site;
  - Failure to secure adequate funding for the South Yard Marine Industries Production Campus site;
  - highway maintenance re-procurement;
- (c) the movement in risk scores and the consequent changes to the Council's overall strategic risk profile outlined in the latest review, provided good evidence of the dynamic nature of the Strategic Risk and Opportunity Register and the maturity of the Council's approach to identification and management of strategic risk;
- (d) the inclusion of risk management considerations was a key feature in the Council's key corporate processes which featured in the Corporate Plan preparation, business planning framework, budget planning and monitoring performance management;
- (e) this embedded approach acted as an effective early warning system for the recording, monitoring and management of risks that threatened the delivery of the Council's strategic objectives and plans.

In response to a question raised by the committee, it was reported that following a recent review the capacity level within the existing secondary schools would be adequate for the number of pupils (there would be no need to build further educational facilities).

The committee agreed that –

- (1) the Head of Access and Planning is invited to attend a future meeting to provide information on the five year plan for school places;
- (2) a formal request is made to the Strategic Director for Transformation and Change and the Assistant Director for Finance for the Transformation Programme to be included within the Medium Term Financial Strategy in a simpler format and outlining how the savings are being achieved.

26. **ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITIES FOR 2014/15**

David Northey (Head of Corporate Strategy) presented the Annual Report on Treasury Management Activities for 2014/15, which highlighted the following key areas –

- (a) in order to comply with the Code of Practice for Treasury Management, the Council was required to formally report on its treasury management activities for the year which provided information on the progress and outcomes against the Treasury Management Strategy;
- (b) the report included the following –
  - details of capital financing, borrowing, debt rescheduling and investment transactions for the year 2014/15;
  - risks inherent in the portfolio and outlined action taken by the authority during the year to minimise the risk;
  - compliance with treasury limits and Prudential Indicators (PIs) and the outlined the final position on the PIs for the year;
  - details the outturn position on Treasury Management transactions in 2014/15;
- (c) the outstanding monies invested with the Glitnir Bank (Icelandic Bank) continued to earn a good interest rate; the authority continued to work in partnership with the LGA to pursue the recovery of the outstanding monies.

In response to a question raised by the committee, it reported that training would be provided prior to the December 2015 meeting of the committee by our external advisors Arlingclose.

The committee noted the report.

27. **INTERNAL AUDIT - PROGRESS REPORT**

David Curnow (Devon Audit Partnership) presented the Internal Audit – progress report which provided a positions statement on the audit work undertaken since April 2015 and was based on work performed to date during 2015/16.

Members were advised that –

- (a) overall, good progress had been made against the plan agreed with management for the 2014/15 financial year;
- (b) progress in the period up to 21 August 2015 had included the completion of work carried forward from 2014/15, undertaking follow up audits and in completing assignments in accordance with timescales agreed with management;
- (c) overall and based on work performed to date during 2015/16, Internal Audit was able to provide reasonable assurance on the adequacy and effectiveness of the authority's internal control environment.

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

- (d) further information regarding the worsening position relating to the processing of new housing benefit claims would be provided;
- (e) Delt Services had appointed its own auditors and Devon Audit Partnership would be working with them to put in place arrangements to support the process.

The committee noted the report.

### 28. **INTERNAL AUDIT - FOLLOW UP WORK**

David Curnow (Devon Audit Partnership) presented the Internal Audit follow up work.

The committee was informed that –

- (a) the Annual Internal Audit report had been submitted to the June 2015 meeting of the Audit Committee; it provided a summary of the audits undertaken during 2014/15 along with Devon Audit Partnership's assurance opinion; where a high or good standard of audit opinion was provided, it was confirmed that overall, sound controls were in place to mitigate exposure to risks identified;
- (b) where an opinion of 'improvement required' had been provided then issues had been identified during the audit process that required attention;
- (c) Devon Audit Partnership were content that management were appropriately addressing the key issues that had been identified;
- (d) the Partnership had given an opinion of 'reasonable assurance' for the audits that had been undertaken in 2014/15.

The committee noted the report.

29. **REVIEW OF ROLLING WORK PLAN 2015/16**

The committee considered and noted its rolling work programme for 2015/16.

30. **EXEMPT BUSINESS**

There were no items of exempt business.

**This page is intentionally left blank**

**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	Operational Risk & Opportunity Management Update Report
<b>Committee:</b>	Audit Committee
<b>Date:</b>	3 December 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

---

**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 reduced from 116 to 110, comprising of 53 medium (amber) risks and 57 low (green) risks. The two high (red) risks reported in June 2015 have been rebadged and reduced in score.

The report also provides an update on the partnership work being undertaken between the Council and NHS Northern, Eastern and Western Devon Clinical Commissioning Group to develop an integrated risk management framework and an integrated risk register.

---

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

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

---

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

None arising specifically from this report but control measures identified in risk and opportunity registers could have financial or resource implications.

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

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

**Equality and Diversity**

Has an Equality Impact Assessment been undertaken? Not required.

**Recommendations and Reasons for recommended action:**

The Audit Committee is recommended to:

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

**Alternative options considered and rejected:**

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

**Published work / information:**

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

**Background papers:**

None.

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

**Sign off:**

Fin	DJN151 6.50	Leg	DVS2 4407	Mon Off	DVS 244 07	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 [25 June 2015](#) and this report now provides a summary of the latest monitoring exercise covering the position as at December 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 in line with development of their Business Plans.

**4. Former Red Risks**

**4.1** The two “red” risks identified in June 2015 have been reduced in score and renamed as indicated below:-

<b>FORMER RED RISK (NOW AMBER)</b>	Police & Crime Commissioner funding cut
<b>Dept: People (Learning &amp; Communities)</b>	leading to adverse impact on vulnerable victims
<b>Comments/Mitigation:</b>	
Since his election, the Police & Crime Commissioner (PCC) has made an annual allocation of funding	

<p>to the Community Safety Partnership (CSP) and this is administered by the Council. Plymouth’s allocation of funding for 2015/16 is £417k and this is used to fund and co-commission a range of services including support for victims of domestic abuse, drug treatment, support for missing young people, therapeutic services for victims of sexual offences, the Evening &amp; Night Time Economy Coordinator and tackling emerging crime.</p> <p>Due to further impending government funding cuts to the Police, the PCC has warned that he will need to implement significant cuts to services in Devon &amp; Cornwall.</p> <p>The current funding the Council receives has a strong focus on high harm and vulnerability and if cut it could have significant consequences on our ability to support vulnerable people.</p> <p>We are lobbying and campaigning against government cuts to policing e.g. supporting the Commissioner’s campaign to revise the Police funding formula, and our “missing millions” campaign, however the risk of cuts remains.</p> <p>This risk now replaces ‘Funding for safer Plymouth’ which dealt with the risk of losing funding already allocated, whereas this new risk concerns future funding.</p>	
<p><b>FORMER RED RISK (NOW AMBER)</b> <b>Dept: Finance</b></p>	<p>Delivering Council services within the envelope of the resources provided in 2016/17</p>
<p><b>Comments/Mitigation:</b></p> <p>This risk has been renamed from Medium Term Financial Strategy (MTFS) which is now dealt with just via the Strategic Risk Register and focuses on the long term budget position for the Council. This newly named risk will concentrate on measures that are informed by the MTFS but which focus on delivering services within the in-year budget.</p> <p>There is also improved member engagement via regular meetings and workshops.</p> <p>The Corporate Management Team is working collectively to meet the challenges of funding reductions.</p>	

**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. CCG/PCC Integrated Risk Register**

- 6.1 Plymouth City Council and NHS Northern Eastern and Western Devon Clinical Commissioning Group (NEW Devon CCG) formed an integrated commissioning function on 1 April 2015, bringing together over £630 million of Plymouth City Council and NEW Devon CCG funding working towards a single commissioning approach, an integrated fund, and risk and benefit sharing agreements.
- 6.2 An Integrated Risk Management Framework is being drawn up between the partner organisations, overseen by the Finance and Assurance Review Group (FARG), to adopt an

integrated approach to the management of risk and to integrate risk into the overall arrangements of the pooled fund.

**6.3** Plymouth's Risk Management Team and the CCG's Head of Corporate Governance are working collaboratively to produce an integrated risk register in order that we can share risk and realise benefits in relation to the pooled fund.

**6.4** Integrated risk reports will be presented to the Integrated Commissioning Board whose role is to provide CCG-wide assurance in respect of quality and finance issues. The Board then reports to the CCG's Western Locality Board and the Council's Cabinet and Health and Wellbeing Board.

## **7. Strategic Risk Review**

**7.1** Work is underway to redesign a new way of reporting strategic risks to the Corporate Management Team in order to ensure the strategic risk register is aligned to corporate objectives and enable senior managers to carry out 'deep dives' on the management of those key risks.

**7.2** CMT will be reviewing the action plans provided by risk leads which provide an audit trail on the progress of a risk. Risk leads will be required to provide specific and measurable plans to enable appropriate scrutiny to take place.

**7.3** The new format risk register will be introduced with the monitoring report to next March's Audit Committee.

## **8. Conclusion**

**8.1** 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.

**8.2** 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.

**8.3** 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.

**8.4** 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.

**8.5** 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.

- 8.6** 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.
- 8.7** 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.
- 8.8** The next operational risk report will be presented to Audit Committee in June 2016.

**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	Mid-Year Treasury Management 2015/16 Report
<b>Committee:</b>	Audit Committee
<b>Date:</b>	3 December 2015
<b>Cabinet Member:</b>	Councillor Mark Lowry
<b>CMT Member:</b>	Andrew Hardingham (Assistant Director for Finance)
<b>Author:</b>	Chris Flower, Lead Accountant
<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

---

**Purpose of the report:**

The Local Government Act 2003 requires the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy. The Council's strategy for 2015/16 was approved by full Council at its budget meeting on 10 February 2015. This report provides an update on the progress and outcomes against the Treasury Management Strategy for the six month period ended 30 September 2015. It is a requirement of the CIPFA Code of Practice on Treasury Management that a mid-year report, as a minimum, should be presented to Full Council.

---

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

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

---

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

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

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

N/A

**Equality and Diversity**

Has an Equality Impact Assessment been undertaken? No

**Recommendations and Reasons for recommended action:**

1. The Mid-Year Treasury Management 2015/16 Report be noted by the Audit Committee.
2. The Audit Committee agree that approval of the Treasury Management Strategy and Annual Investment Strategy 2016/17 is delegated to the Head of Corporate Strategy in consultation with the Chair and Vice Chair of the Audit Committee to agree a final version.
3. The Audit Committee noted that the Treasury Management Strategy and Annual Investment Strategy 2016/17 will be submitted to Cabinet and Full Council for authorisation in February 2016.

**Alternative options considered and rejected:**

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

**Published work / information:**

Treasury Management Strategy and Annual Investment Strategy 2015/16 to Council 15 February 2015.

**Background papers:**

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

**Sign off:**

Fin	DJN/15 16.51	Leg	LT/DVS/ 24456	Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member – Andrew Hardingham													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

**Mid-Year Treasury Management Report 2015/16**

**1. Introduction**

- 1.1 The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end).
- 1.2 The Authority's Treasury Management Strategy for 2015/16 was approved by full Council on 10 February 2015 which can be accessed on [Treasury Management Strategy 2015/16](#).
- 1.3 The Authority has borrowed £195m and invested £58m as at the mid-year position and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.

**2. External Context**

- 2.1 As the year began, economic data was largely overshadowed by events in Greece. Markets' attention centered on the never-ending Greek issue stumbled from turmoil to crisis, running the serious risk of a disorderly exit from the Euro. The country's politicians and the representatives of the 'Troika' of its creditors - the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF) – barely saw eye to eye. Greece failed to make a scheduled repayment to the IMF on 30th June, in itself not a default until the IMF's Managing Director declares it so. Prime Minister Tsipras blindsided Greece's creditors by calling a referendum on 5th July on reform proposals which by then were off the table anyway. The European Central Bank froze liquidity assistance provided to Greek banks and capital controls within the country severely restricted individuals' and corporates' access to cash.
- 2.2 On 12th July, following a weekend European Union Summit, it was announced that the terms for a third bailout of Greece had been reached. The deal amounting to €86 billion was agreed under the terms that Greece would see tax increases, pension reforms and privatisations; the very reforms Tsipras had vowed to resist. This U-turn saw a revolt within the ruling Syriza party and on 27th August, Alexis Tsipras resigned from his post as Prime Minister of Greece after just eight months in office by calling a snap election, held on 20th September. This gamble paid off as Tsipras led his party to victory once again, although a coalition with the Independent Greeks was needed for a slim parliamentary majority. That government must now continue with the unenviable task of guiding Greece through the continuing economic crisis – the Greek saga is far from over.

2.3 The summer also saw attention shift towards China as the Shanghai composite index (representing China's main stock market), which had risen a staggering 50%+ since the beginning of 2015, dropped by 43% in less than three months with a reported \$3.2 trillion loss to investors, on the back of concerns over growth and after regulators clamped down on margin lending activity in an effort to stop investors borrowing to invest and feeding the stock market bubble. Chinese authorities intensified their intervention in the markets by halting trading in many stocks in an attempt to maintain market confidence. They surprised global markets in August as the People's Bank of China changed the way the yuan is fixed each day against the US dollar and allowed an aggressive devaluation of the currency. This sent jitters through Asian, European and US markets impacting currencies, equities, commodities, oil and metals. On 24<sup>th</sup> August, Chinese stocks suffered their steepest one-day fall on record, driving down other equity markets around the world and soon becoming known as another 'Black Monday'. Chinese stocks have recovered marginally since and are trading around the same level as the start of the year. Concerns remain about slowing growth and potential deflationary effects.

3. **UK Economy:**

3.1 The economy has remained resilient over the last six months. Although economic growth slowed in Q1 2015 to 0.4%, year/year growth to March 2015 was a relatively healthy 2.7%. Q2 2015 GDP growth bounced back and was confirmed at 0.7%, with year/year growth showing slight signs of slowing, decreasing to 2.4%. GDP has now increased for ten consecutive quarters, breaking a pattern of slow and erratic growth from 2009. The annual rate for consumer price inflation (CPI) briefly turned negative in April, falling to -0.1%, before fluctuating between 0.0% and 0.1% over the next few months. In the August Quarterly Inflation Report, the Bank of England projected that GDP growth will continue around its average rate since 2013. The Bank of England's projections for inflation remained largely unchanged from the May report with them expecting inflation to gradually increase to around 2% over the next 18 months and then remain there in the near future. Further improvement in the labour market saw the ILO unemployment rate for the three months to July fall to 5.5%. In the September report, average earnings excluding bonuses for the three months to July rose 2.9% year/year.

3.2 The outcome of the UK general election, largely fought over the parties' approach to dealing with the consequences of the structural deficit and the pace of its removal, saw some very big shifts in the political landscape and put the key issue of the UK's relationship with the EU at the heart of future politics.

3.3 The US economy slowed to 0.6% in Q1 2015 due to bad weather, spending cuts by energy firms and the effects of a strong dollar. However, Q2 GDP showed a large improvement at a twice-revised 3.9% (annualised). This was largely due to a broad



recovery in corporate investment alongside a stronger performance from consumer and government spending and construction and exports. With the Fed's decision on US interest rate dependent upon data, GDP is clearly supportive. However it is not as simple as that and the Fed are keen to see inflation rise alongside its headline economic growth and also its labour markets. The Committee decided not to act at its September meeting as many had been anticipating but have signalled rates rising before the end of the year.

#### **4. Market reaction:**

- 4.1 Equity markets initially reacted positively to the pickup in the expectations of global economic conditions, but were tempered by the breakdown of creditor negotiations in Greece. China led stock market turmoil around the globe in August, with the FTSE 100 falling by around 8% overnight on 'Black Monday'. Indices have not recovered to their previous levels but some improvement has been seen. Government bond markets were quite volatile with yields rising (i.e. prices falling) initially as the risks of deflation seemingly abated. Thereafter yields fell on the outcome of the UK general election and assisted by reappraisal of deflationary factors, before rising again. Concerns around China saw bond yields dropping again through August and September. Bond markets were also distorted by the size of the European Central Bank's QE programme, so large that it created illiquidity in the very markets in which it needed to acquire these bonds, notably German government bonds (bunds) where yields were in negative territory.

#### **5. Local Context**

- 5.1 At 31/3/2015 the Authority's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £263m, while usable reserves and working capital which are the underlying resources available for investment were £96m, currently £58m. Due to the changes in the timing of payments received from Central Government we are likely to take short term borrowing of circa £90m between now and the year end to meet our working capital requirements.

#### **6. Borrowing Strategy**

- 6.1 At 30/9/2015 the Authority held £195m of loans, (a decrease of £21m from 31/3/2015), as part of its strategy for funding previous years' capital programmes. The Authority does not expect to exceed its authorised borrowing limit of £295m in 2015/16.

The Authority's chief objective when borrowing continues to be striking an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to

renegotiate loans should the Authority's long-term plans change being a secondary objective.

- 6.2 Affordability and the "cost of carry" remained important influences on the Authority's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained, and are likely to remain at least over the forthcoming two years, lower than long-term rates, the Authority determined it was more cost effective in the short-term to use internal resources and borrow short-term loans instead.
- 6.3 The benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose assists the Authority with this 'cost of carry' and breakeven analysis.
- 6.4 Temporary and short-dated loans borrowed from the markets, predominantly from other local authorities, has also remained affordable and attractive. £51m of such loans were borrowed at an average rate of 0.38% and an average life of 3 months which includes the replacement of maturing loans where appropriate.

#### Borrowing Activity in 2015/16

	Balance on 01/04/2015 £m	Maturing Debt £m	Debt Prematurely Repaid £m	New Borrowing £m	Balance on 30/09/2015 £m
CFR					
Short Term Borrowing <sup>1</sup>	70	60	0	41	51
Long Term Borrowing	146	(2)	0	0	144
<b>TOTAL BORROWING</b>	216	58	0	41	195
Other Long Term Liabilities	67	0	0	0	67
<b>TOTAL EXTERNAL DEBT</b>	283	58	0	41	262
Increase/ (Decrease) in Borrowing £m					(21)

#### **7. PWLB Certainty Rate and Project Rate Update:**

- 7.1 The Authority qualifies for borrowing at the 'Certainty Rate' (0.20% below the PWLB standard rate) for a 12 month period from 01/11/2014. In April the Authority submitted its application to the CLG along with the 2015/16 Capital Estimates Return to access this reduced rate for a further 12 month period from 01/11/2015.

#### **8. LOBOs:**

8.1 The Authority holds £100m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. None of these LOBOS had options available during 2015/16.

## 9. Investment Activity

9.1 The Authority holds a small amount of invested funds, representing income received in advance of expenditure plus balances and reserves held.

The Guidance on Local Government Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles. The authority's average rate of return on investments over the period was 4.25%.

### Investment Activity in 2015/16

Investments	Balance on 01/04/2015 £m	Investments Made £m	Maturities/ Investments Sold £m	Balance on 30/09/2015 £m
Short term Investments (call accounts, deposits)				
- Banks and Building Societies with ratings of [A-] or higher	67	2	(31)	38
- Local Authorities				
Long term Investments				
- Banks and Building Societies with ratings of [A+] or higher	29	5	(14)	20
- Local Authorities				
<b>TOTAL INVESTMENTS</b>	<b>96</b>			<b>58</b>
Increase/ (Decrease) in Investments £m				(38)

Security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement for 2015/16.

Counterparty credit quality was assessed and monitored with reference to credit ratings (the Authority's minimum long-term counterparty rating is A- across rating agencies Fitch, S&P and Moody's); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

Given the increasing risk and continued low returns from short-term unsecured bank investments, and having estimated that £5m is available for longer-term investment, the Authority diversified into a pooled fund which is a higher yielding asset class.

## 10. Credit Risk

10.1 Counterparty credit quality as measured by credit ratings is summarised below:

Date	Value Weighted Average – Credit Risk Score	Value Weighted Average – Credit Rating	Time Weighted Average – Credit Risk Score	Time Weighted Average – Credit Rating
31/03/2015	5.61	A	6.44	A
30/06/2015	4.70	A+	1.79	AA+
30/09/2015	4.03	AA-	2.30	AA+

Scoring:

-Value weighted average reflects the credit quality of investments according to the size of the deposit

-Time weighted average reflects the credit quality of investments according to the maturity of the deposit

-AAA = highest credit quality = 1 - D = lowest credit quality = 26

-Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

During the period the Authority has continued to monitor its short term investment opportunities but with rates remaining low there have been few investments made. However, in September 2015 the Property Fund had a further £5m investment made taking it to a total of £20m which is the maximum advised by Arlingclose.

## 11 Counterparty Update

11.1 All three credit ratings agencies have reviewed their ratings in the six months to reflect the loss of government support for most financial institutions and the potential for varying loss given defaults as a result of new bail-in regimes in many countries. Despite reductions in government support many institutions have seen upgrades due to an improvement in their underlying strength and an assessment that that the level of loss given default is low.

11.2 Fitch reviewed the credit ratings of multiple institutions in May. Most UK banks had their support rating revised from 1 (denoting an extremely high probability of support) to 5 (denoting external support cannot be relied upon). This resulted in the downgrade of the long-term ratings of Royal Bank of Scotland (RBS) to BBB+ from A, Deutsche Bank to A from A+, Bank Nederlandse Gemeeten to AA+ from AAA and ING to A from A+. JP Morgan Chase and the Lloyds Banking Group however both received one notch upgrades.

11.3 Moody's concluded its review in June and upgraded the long-term ratings of Close Brothers, Standard Chartered Bank, ING Bank, Goldman Sachs International, HSBC, RBS, Coventry Building Society, Leeds Building Society, Nationwide Building Society, Svenska Handelsbanken and Landesbank Hessen-Thuringen.

11.4 S&P reviewed UK and German banks in June downgrading Barclays' long-term rating to A- from A, RBS to BBB+ from A- and Deutsche Bank to BBB+ from A. As a result of this the Authority has made the decision to temporarily suspend

Deutsche Bank as a counterparty for new unsecured investments. S&P has also revised the outlook of the UK as a whole to negative from stable, citing concerns around a planned referendum on EU membership and its effect on the economy.

- 11.5 National Australia Bank (NAB) announced its plans to divest Clydesdale Bank, its UK subsidiary. NAB is looking to list Clydesdale on the London Stock Exchange and transfer ownership to NAB's current shareholders. Fitch placed the long- and short-term ratings of the bank on rating watch negative which the agency is expected to resolve once the transaction has been completed. S&P has also placed the long-term rating of Clydesdale Bank on CreditWatch negative following the announcement.
- 11.6 At the end of July, the council's treasury advisors Arlingclose advised an extension of recommended durations for unsecured investments in certain UK and European institutions following improvements in the global economic situation and the receding threat of another Eurozone crisis. A similar extension was advised for some non-European banks in September, with the Danish Danske Bank being added as a new recommended counterparty and certain non-rated UK building societies also being extended.
- 11.7 In September, Volkswagen was found to have been cheating emissions test over several years in many of their diesel vehicles. This scandal is still playing out and the full extent of the financial implications yet to become clear. Arlingclose recommended suspending VW (as a non-financial corporate bond counterparty) for new investments whilst the situation is monitored. The ratings of the VW group were placed on Rating Watch Negative by Fitch, CreditWatch with negative implications by S&P and the outlook revised to negative by Moody's. Moody's also revised the outlook on VW Financial Services to negative.

## 12 **Budgeted Income and Outturn**

- 12.1 The average cash balances were £16.8m during the period. The UK Bank Rate has been maintained at 0.5% since March 2009. Short-term money market rates have remained at relatively low levels (see Table I in Appendix I). This has had a detrimental effect to our own short term investments and deposits. Our new deposits were made at a range of 0.1% and 0.5. Investments in Money Market Funds continue to generate less than 0.5% interest.

The Authority's budgeted investment income for the year is estimated at £1m. The Authority is currently anticipating to deliver this by the year end.

## 13 **Update on Investments with Icelandic Banks**

- 13.1 On 10 September 2015, £125k was received from Heritable bank, leaving a balance of £60k still due from this bank. A total of £1.3m is still outstanding from Glitnir

Bank. These funds are still held in Iceland and are accruing interest but no clear date is available as to when these funds will be released. We continue to work in association with LGA.

#### 14 **Compliance with Prudential Indicators**

14.1 The Authority confirms compliance with its Prudential Indicators for 2015/16, which were set in 28 January 2015 as part of the Authority's Treasury Management Strategy Statement.

#### 15 **Treasury Management Indicators**

15.1 The Authority measures and manages its exposures to treasury management risks using the following indicators.

##### 15.2 **Interest Rate Exposures:**

This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

	2015/16	2016/17	2017/18
Upper limit on fixed interest rate exposure	210%	210%	210%
Actual	£288.3m		
Upper limit on variable interest rate exposure	60%	60%	60%
Actual	£82.4m		

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

15.3 **Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower	Actual
Under 12 months	50%	0%	26%
12 months and within 24 months	60%	0%	0%
24 months and within 5 years	60%	0%	2%
5 years and within 10 years	50%	0%	2%
10 years and above	50%	0%	70%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

We are exceeding our limit on long term borrowing over 10 years as at 30 September 2015 but this will change as we increase our short term borrowing to meet our working capital requirement by the year end.

*Note: treat LOBO option dates as potential repayment dates, but exclude variable rate borrowing.*

- 15.4 **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Authority’s exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2015/16	2016/17	2017/18
Limit on principal invested beyond year end	£45m	£40m	£40m
Actual	£0m	£0m	£0m

The authority does, however, have £20m invested in the CCLA Pooled Property Fund which although can be call upon at any point it is planned to remain invested for up to five years. This is currently providing a return in excess of 5%.

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

	Target	Actual
Portfolio average credit rating	A	A

- 15.6 **Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	Target	Actual
Total cash available within 3 months	£15m	£32m

## 15.7 Other Prudential Indicators

The following three prudential indicators are relevant to the treasury function as they concern limits on borrowing and the adoption of the CIPFA Treasury Management Code.

- 15.8 **Operational Boundary for External Debt:** The operational boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt.

<b>Operational Boundary</b>	<b>2014/15 £m</b>	<b>2015/16 Estimate £m</b>	<b>2016/17 Estimate £m</b>	<b>2017/18 Estimate £m</b>
Borrowing	249.55	274.51	274.51	274.51
Other long-term liabilities	40.27	39.62	38.02	36.42
<b>Total Debt</b>	<b>289.82</b>	<b>314.13</b>	<b>312.53</b>	<b>310.93</b>

- 15.9 **Authorised Limit for External Debt:** The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

<b>Authorised Limit</b>	<b>2014/15 £m</b>	<b>2015/16 Estimate £m</b>	<b>2016/17 Estimate £m</b>	<b>2017/18 Estimate £m</b>
Borrowing	268.97	295.87	325.45	358.00
Other long-term liabilities	40.27	39.62	38.02	36.42
<b>Total Debt</b>	<b>309.24</b>	<b>335.49</b>	<b>363.47</b>	<b>394.42</b>

- 15.10 **Adoption of the CIPFA Treasury Management Code:** The Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* in April 2002.

## 16 Investment Training

- 16.1 In-House Treasury Management Training for PCC senior finance staff provided by Arlingclose  
 Arlingclose Investment Workshop – Responding to Bail-in  
 Arlingclose Workshops - Principles of Treasury Management  
 Arlingclose Workshop - Treasury Management Decision Making & Treasury Management Practices  
 CIPFA - Treasury Management Training for Technical Accounting Issues



**17 Outlook for Q3 and Q4 2015/16**

17.1 Arlingclose’s expectation for the first rise in the Bank Rate (base rate) remains the second calendar quarter of 2016. The pace of interest rate rises will be gradual and the extent of rises limited. The appropriate level for Bank Rate for the post-crisis UK economy is likely to be lower than the previous norm. We would suggest this is between 2.0% and 3.0%. There is also sufficient momentum in the US economy for the Federal Reserve to raise interest rates in 2015, although risks of issues from China could possibly push this back.

17.2 The weak global environment and resulting low inflation expectations are likely to dampen long term interest rates. We project gilt yields will follow a shallow upward path in the medium term, with continuing concerns about the Eurozone, and other geo-political events, weighing on risk appetite, while inflation expectations remain subdued. The uncertainties surrounding the timing of UK and US interest rate rises, and the Chinese stock market-led turmoil, are likely to prompt short term volatility in gilt yields.

	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Average
Official Bank Rate														
Upside risk			0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.32
Arlingclose Central Case	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75	1.08
Downside risk				-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-1.00	-1.00	-1.00	-1.00	-0.70

**Appendix I****Money Market Data and PWLB Rates**

The average, low and high rates correspond to the rates during the financial year rather than those in the tables below.

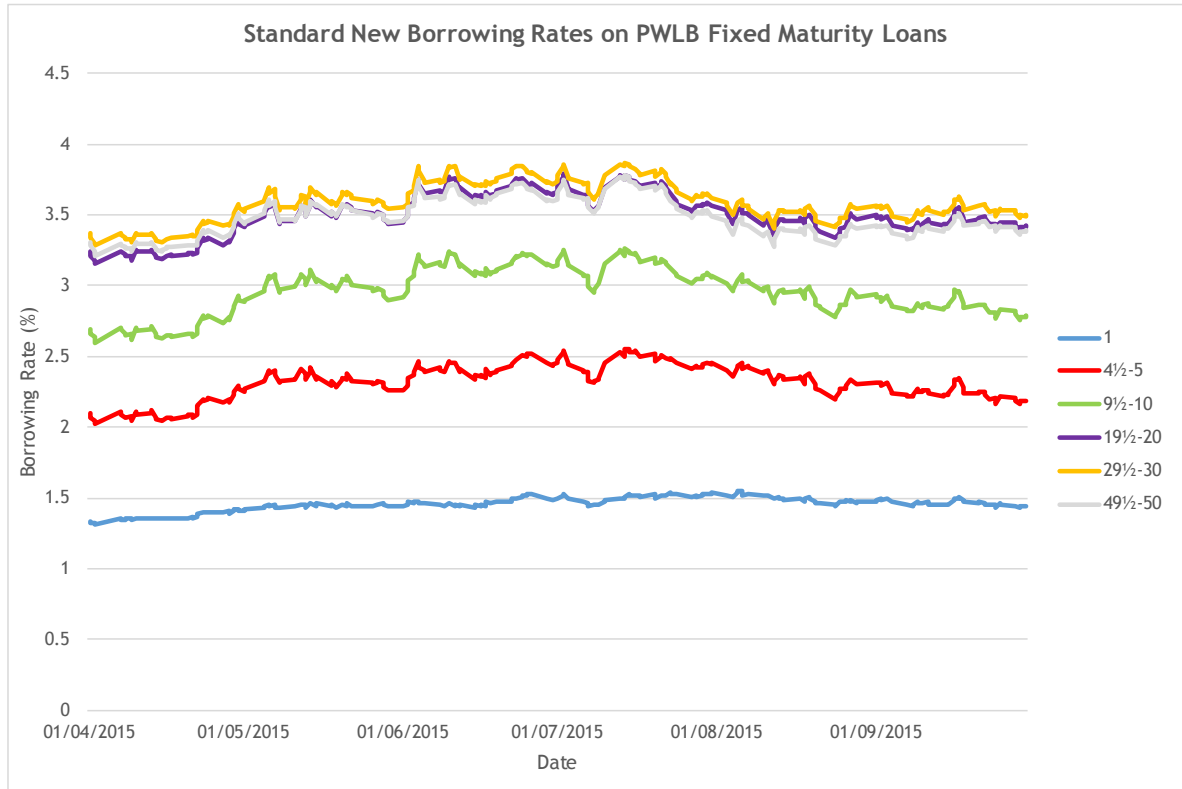
Please note that the PWLB rates below are Standard Rates. Authorities eligible for the Certainty Rate can borrow at a 0.20% reduction.

**Table 1: Bank Rate, Money Market Rates**

Date	Bank Rate	O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID	2-yr SWAP Bid	3-yr SWAP Bid	5-yr SWAP Bid
01/04/2015	0.50	0.35	0.46	0.43	0.51	0.76	0.97	0.87	1.05	1.32
30/04/2015	0.50	0.35	0.48	0.43	0.52	0.74	0.98	1.00	1.21	1.51
31/05/2015	0.50	0.43	0.50	0.43	0.52	0.75	0.98	0.97	1.18	1.49
30/06/2015	0.50	0.35	0.45	0.43	0.52	0.79	0.99	1.09	1.35	1.68
31/07/2015	0.50	0.32	0.43	0.43	0.53	0.79	1.01	1.10	1.33	1.66
31/08/2015	0.50	0.42	0.40	0.43	0.54	0.82	1.02	1.03	1.24	1.61
30/09/2015	0.50	0.37	0.41	0.43	0.54	0.74	1.00	0.93	1.11	1.41
<b>Average</b>	<b>0.50</b>	<b>0.40</b>	<b>0.46</b>	<b>0.43</b>	<b>0.53</b>	<b>0.76</b>	<b>0.99</b>	<b>1.03</b>	<b>1.25</b>	<b>1.58</b>
<b>Maximum</b>	<b>0.50</b>	<b>0.48</b>	<b>0.58</b>	<b>0.56</b>	<b>0.65</b>	<b>0.86</b>	<b>1.02</b>	<b>1.17</b>	<b>1.44</b>	<b>1.82</b>
<b>Minimum</b>	<b>0.50</b>	<b>0.17</b>	<b>0.40</b>	<b>0.43</b>	<b>0.51</b>	<b>0.55</b>	<b>0.97</b>	<b>0.87</b>	<b>1.04</b>	<b>1.29</b>
<b>Spread</b>	<b>--</b>	<b>0.31</b>	<b>0.18</b>	<b>0.13</b>	<b>0.14</b>	<b>0.31</b>	<b>0.05</b>	<b>0.30</b>	<b>0.40</b>	<b>0.53</b>

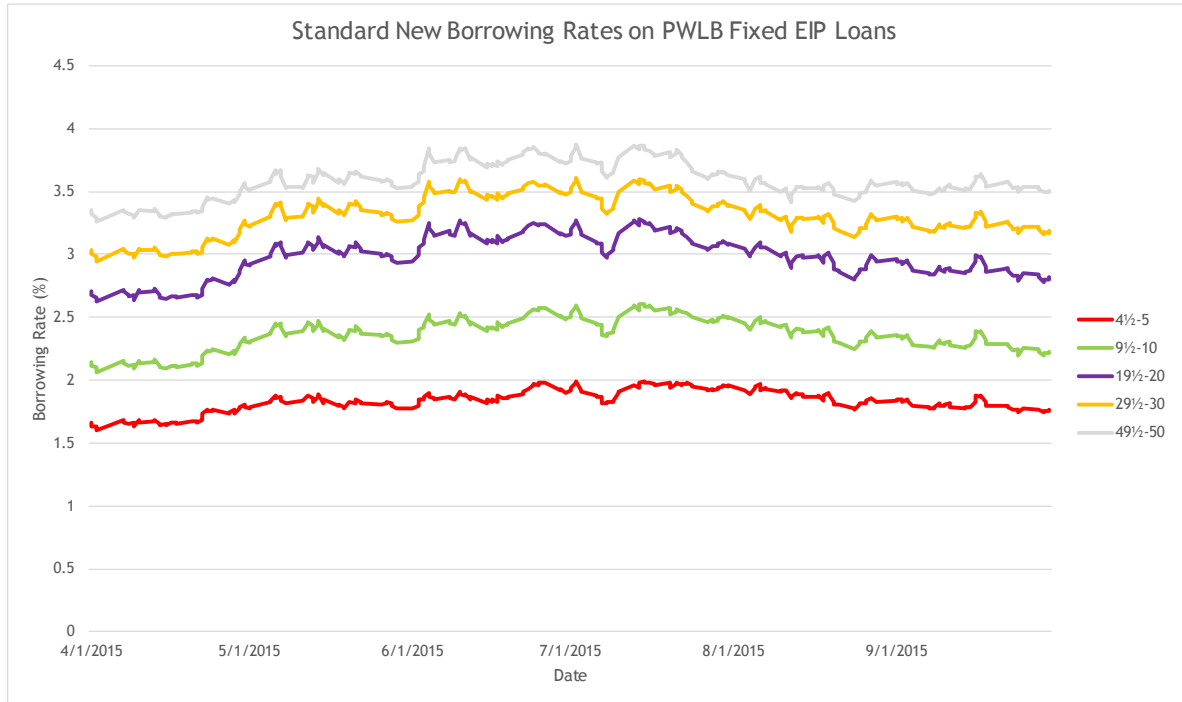
**Table 2: PWLB Borrowing Rates – Fixed Rate, Maturity Loans**

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2015	128/15	1.32	2.07	2.66	3.21	3.34	3.30	3.28
30/04/2015	166/15	1.41	2.27	2.90	3.44	3.55	3.50	3.48
29/05/2015	204/15	1.44	2.26	2.90	3.44	3.54	3.48	3.45
30/06/2015	248/15	1.48	2.44	3.13	3.65	3.72	3.64	3.60
31/07/2015	294/15	1.54	2.45	3.07	3.56	3.62	3.54	3.49
28/08/2015	334/15	1.47	2.30	2.92	3.47	3.54	3.44	3.40
30/09/2015	379/15	1.44	2.19	2.79	3.42	3.50	3.42	3.39
	<b>Low</b>	1.31	2.02	2.60	3.16	3.28	3.23	3.21
	<b>Average</b>	1.46	2.32	2.96	3.51	3.59	3.52	3.49
	<b>High</b>	1.55	2.55	3.26	3.79	3.87	3.80	3.78



**Table 3: PWLB Borrowing Rates – Fixed Rate, Equal Instalment of Principal (EIP) Loans**

Change Date	Notice No	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2014	127/15	1.63	2.11	2.68	3.00	3.22	3.32
30/04/2014	166/15	1.79	2.31	2.92	3.24	3.45	3.54
29/05/2014	204/15	1.78	2.30	2.93	3.26	3.45	3.53
30/06/2014	248/15	1.90	2.49	3.15	3.47	3.65	3.72
31/07/2014	294/15	1.96	2.50	3.09	3.39	3.57	3.63
28/08/2014	334/15	1.83	2.34	2.94	3.27	3.48	3.55
30/09/2014	379/15	1.76	2.23	2.82	3.19	3.43	3.51
	<b>Low</b>	1.60	2.06	2.62	2.94	3.16	3.26
	<b>Average</b>	1.84	2.37	2.99	3.31	3.51	3.59
	<b>High</b>	1.99	2.60	3.28	3.61	3.79	3.87



**Table 4: PWLB Variable Rates**

	<b>1-M Rate</b>	<b>3-M Rate</b>	<b>6-M Rate</b>	<b>1-M Rate</b>	<b>3-M Rate</b>	<b>6-M Rate</b>
	<b>Pre-CSR</b>	<b>Pre-CSR</b>	<b>Pre-CSR</b>	<b>Post-CSR</b>	<b>Post-CSR</b>	<b>Post-CSR</b>
01/04/2015	0.62	0.63	0.66	1.52	1.53	1.56
30/04/2015	0.62	0.64	0.67	1.52	1.54	1.57
29/05/2015	0.62	0.65	0.68	1.52	1.55	1.58
30/06/2015	0.62	0.66	0.70	1.52	1.56	1.60
31/07/2015	0.62	0.66	0.72	1.52	1.56	1.62
28/08/2015	0.62	0.66	0.70	1.52	1.56	1.60
30/09/2015	0.66	0.67	0.76	1.56	1.57	1.66
<b>Low</b>	0.62	0.61	0.66	1.52	1.51	1.56
<b>Average</b>	0.63	0.65	0.70	1.53	1.55	1.60
<b>High</b>	0.66	0.69	0.78	1.56	1.59	1.68

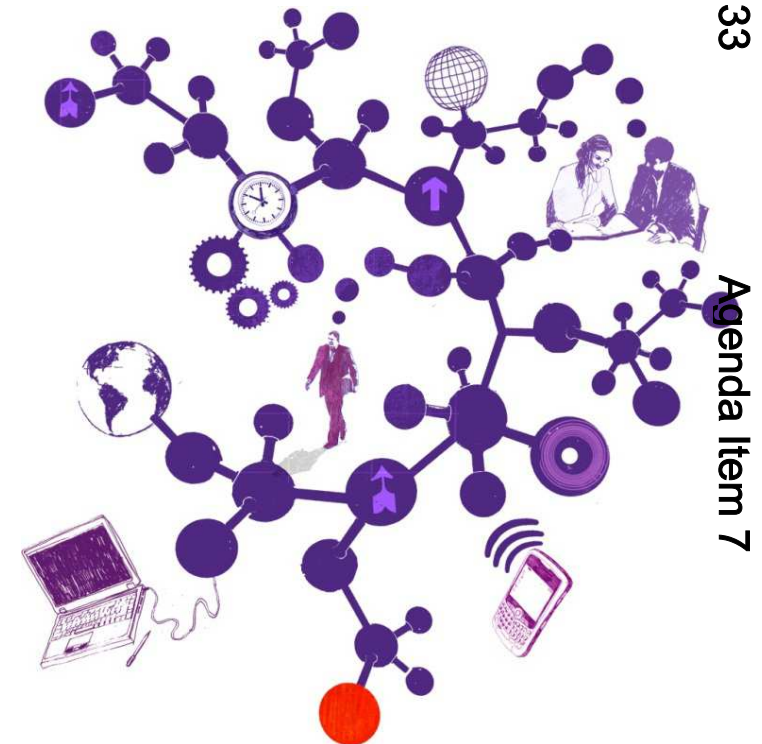
# Audit Committee Update for Plymouth City Council

**Year ended 31 March 2015**

Committee Date: 3 December 2015

**John Golding**  
Partner and Engagement Lead  
T 0117 305 7802  
E [john.golding@uk.gt.com](mailto:john.golding@uk.gt.com)

**David Bray**  
Senior Audit Manager  
T 07880 456 126  
E [david.bray@uk.gt.com](mailto:david.bray@uk.gt.com)



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.

---

# Contents

<b>Section</b>	<b>Page</b>
Introduction	4
Progress at 20 November 2015	5
Emerging issues and developments	
Grant Thornton	8

---

# 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 20 November 2015

Work	Due By	Complete	Comments
<p><b>2014-15 final accounts audit</b></p> <p>Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2014-15 financial statements</li> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion</li> </ul>	30 September 2015	Yes	<p>We reported our findings to the Council's Audit Committee on 17 September 2015.</p> <p>We issued an unqualified audit opinion on the Council's financial statements for the year ended 31 March 2015 on 30 September 2015 in line with the national deadline.</p>
<p><b>2014-15 VFM Conclusion</b></p> <p>We are required to assess whether Plymouth City Council has proper arrangements in place for:</p> <ul style="list-style-type: none"> <li>• securing financial resilience</li> <li>• challenging how it secures economy, efficiency and effectiveness</li> </ul>	30 September 2015	Yes	<p>We reported our findings to the Council's Audit Committee on 17 September 2015.</p> <p>We issued an unqualified VFM conclusion for the year ended 31 March 2015 on 30 September 2015 in line with the national deadline.</p>

# Progress at 20 November 2015

Work	Due By	Complete	Comments
<b>2014-15 Annual Audit Letter</b>	31 October 2015	Yes	Our Annual Audit Letter summarises the findings of our audit work in the year. This is a separate agenda item for the Council's Audit Committee on 3 December 2015.
<b>2014-15 certification work</b>  This work is expected to cover: <ul style="list-style-type: none"> <li>• Housing benefits (mandated by the Audit Commission)</li> <li>• Teachers Pensions return (audit related additional work)</li> </ul>	30 November 2015	Yes	We have issued unqualified reports on the Council's Housing Benefits and Teachers Pensions returns.  The Housing Benefits return was qualified in 2013/14.
<b>Other activities</b> <ul style="list-style-type: none"> <li>• We have provided the Council's incoming External Auditors, BDO, with copies of our audit reports for the last two financial years (i.e. 2013/14 and 2014/15)</li> <li>• In order to help facilitate the change of External Auditors, we have provided BDO with access to our audit files</li> </ul>			

# Knowing the Ropes – Audit Committee Effectiveness Review

## Grant Thornton

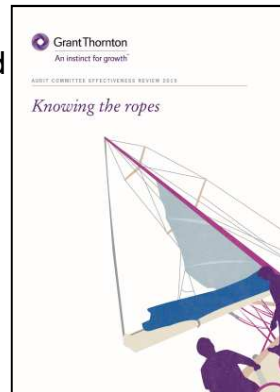
This is our first cross-sector review of audit committee effectiveness encompassing the corporate, not for profit and public sectors. It provides insight into the ways in which audit committees can create an effective role within an organisation’s governance structure and understand how they are perceived more widely. It is available at <http://www.grantthornton.co.uk/en/insights/knowning-the-ropes--audit-committee-effectiveness-review-2015/>

The report is structured around four key issues:

- What is the status of the audit committee within the organisation?
- How should the audit committee be organised and operated?
- What skills and qualities are required in the audit committee members?
- How should the effectiveness of the audit committee be evaluated?

It raises key questions that audit committees, board members and senior management should ask themselves to challenge the effectiveness of their audit committee.

Our key messages are summarised opposite.



**Size:** 3-5 members is an ideal size for an audit committee

**Frequency:** meetings should be regular and the length should adapt to content

**Relevance:** audit committee members should be selected based on the skills and experience they bring

**Clarity:** the role of the audit committee and its relationship with other committees, should be clearly defined

**Communication:** papers should strike the balance between detail and length

**Ability:** training should be provided for audit committee members

**Evolution:** audit committees should continually develop

*The two key things that audit committee members should be asking are:*

- 1 What is expected of the audit committee and does it reflect the specific nature of the industry in which the organisation sits?
- 2 Does the audit committee have clear terms of reference in place? Audit committees should set themselves targets for what they want to achieve and define how these will be measured to ensure they are operating effectively.

# Making devolution work: A practical guide for local leaders

## Grant Thornton market insight

Our latest report on English devolution is intended as a practical guide for areas and partnerships making a case for devolved powers or budgets.

The recent round of devolution proposals has generated a huge amount of interest and discussion and much progress has been made in a short period of time. However, it is very unlikely that all proposals will be accepted and we believe that this the start of an iterative process extending across the current Parliament and potentially beyond.

With research partner Localis we have spent recent months speaking to senior figures across local and central government to get under the bonnet of devolution negotiations and understand best practice from both local and national perspectives. We have also directly supported the development of devolution proposals. In our view there are some clear lessons to learn about how local leaders can pitch successfully in the future.

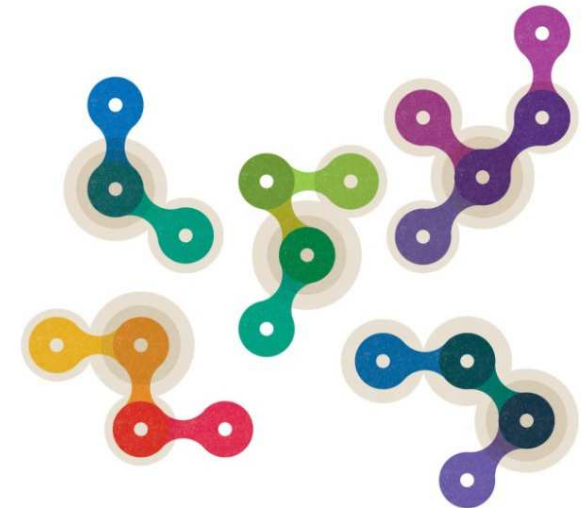
In particular, our report seeks to help local leaders think through the fundamental questions involved:

- what can we do differently and better?
- what precise powers are needed and what economic geography will be most effective?
- what governance do we need to give confidence to central government

The report 'Making devolution work: A practical guide for local leaders' can be downloaded from our website:

<http://www.grantthornton.co.uk/en/insights/making-devolution-work/>

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



# Turning up the volume: The Business Location Index

## Grant Thornton market insight

Inward investment is a major component of delivering growth, helping to drive GDP, foster innovation, enhance productivity and create jobs, yet the amount of inward investment across England is starkly unequal.

The Business Location Index has been created to help local authorities, local enterprise partnerships, central government departments and other stakeholders understand more about, and ultimately redress, this imbalance. It will also contribute to the decision-making of foreign owners and investors and UK firms looking to relocate.

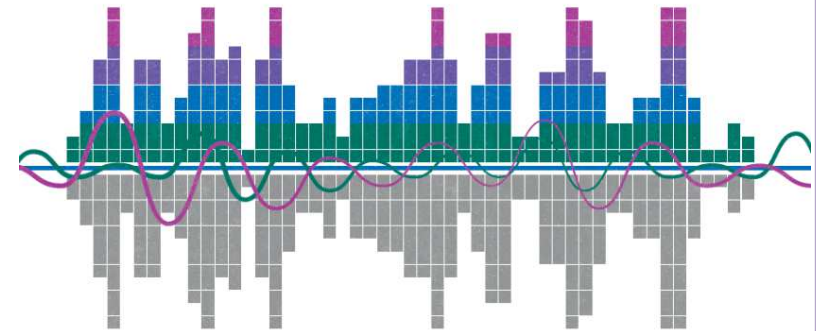
Based on in-depth research and consultation to identify the key factors that influence business location decisions around economic performance, access to people and skills and the environmental/infrastructure characteristics of an area, the Business Location Index ranks the overall quality of an area as a business location. Alongside this we have also undertaken an analysis of the costs of operating a business from each location. Together this analysis provides an interesting insight to the varied geography that exists across England, raising a number of significant implications for national and local policy makers.

At the more local level, the index helps local authorities and local enterprise partnerships better understand their strengths and assets as business locations. Armed with this analysis, they will be better equipped to turn up the volume on their inward investment strategy, promote their places and inform their devolution discussions.

The report 'Turning up the volume: The Business Location Index' can be downloaded from our website:

<http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2015/business-location-index-turning-up-the-volume.pdf>

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



# Improving efficiency of council tax collection

## Local government issues

The Department for Communities and Local Government (DCLG) have published "Improving Efficiency for Council Tax Collection", calling for consultation on the proposals to facilitate improvements in the collection and enforcement processes in business rates and council tax.

The consultation is aimed at local authorities, as well as other government departments, businesses and any other interested parties. The consultation document states that council tax collection rates in 2014-15 are generally high (at 97 per cent), however the government wishes to explore further tools for use by local authorities and therefore seeks consultation from local authorities on DCLG's proposals. The consultation closed on 18 November 2015.

The Government proposes to extend the data-sharing gateway which currently exists between HM Revenue and Customs (HMRC) and local authorities. Where a liability order has been obtained, the council taxpayer will have 14 days to voluntarily share employment information with the council to enable the council to make an attachment to earnings. If this does not happen, the Government proposes to allow HMRC to share employment information with councils. This would help to avoid further court action, would provide quicker access to reliable information, and would not impose any additional costs on the debtor.

The principle of this data-sharing is already well-established for council taxpayers covered by the Local Council Tax Support scheme, and it would make the powers applying to all council tax debtors consistent. Based on the results of the Manchester/HMRC pilot, Manchester estimate that £2.5m of debt could potentially be recouped in their area alone.

# Code of Audit Practice

## National Audit Office

Under the Local Audit and Accountability Act 2014 the National Audit Office are responsible for setting the Code of Audit Practice which prescribes how local auditors undertake their functions for public bodies, including local authorities.

The NAO have published the Code of Audit Practice which applies for the audit of the 2015/16 financial year onwards. This is available at <https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Final-Code-of-Audit-Practice.pdf>

The Code is principles based and will continue to require auditors to issue:

- Opinion on the financial statements
- Opinion on other matters
- Opinion on whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the "VFM conclusion".)

The NAO plan to supplement the new Code with detailed auditor guidance in specific areas. The published draft audit guidance for consultation on the auditor's work on value for money arrangements in August 2015, which is due to be finalised in November 2015. The draft guidance includes the following.

- Definition of the nature of the opinion to be given – i.e. a "reasonable assurance" opinion as defined by ISAE 300 (revised)
- Definitions of what could constitute "proper arrangements" for securing economy, efficiency and effectiveness in the use of resources
- Guidance on the approach to be followed by auditors in relation to risk assessment, with auditors only required to carry out detailed work in areas where significant risks have been identified
- Evaluation criteria to be applied
- Reporting requirements.

Grant Thornton submitted a response to the consultation which closed on 30 September 2015.

# Supporting members in governance

## Grant Thornton and the Centre for Public Scrutiny

We have teamed up with the Centre for Public Scrutiny to produce a member training programme on governance. Elected members are at the forefront of an era of unprecedented change, both within their own authority and increasingly as part of a wider local public sector agenda. The rising challenge of funding reductions, the increase of alternative delivery models, wider collaboration with other organisations and new devolution arrangements mean that there is a dramatic increase in the complexity of the governance landscape.

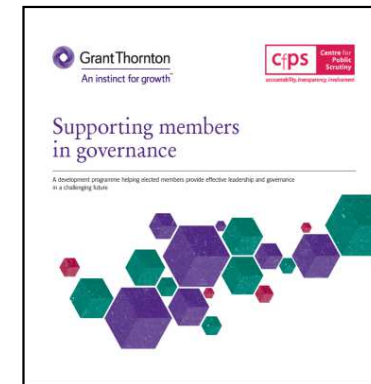
Members at local authorities – whether long-serving or newly elected – need the necessary support to develop their knowledge so that they achieve the right balance in their dual role of providing good governance while reflecting the needs and concerns of constituents.

To create an effective and on-going learning environment, our development programme is based around workshops and on-going coaching. The exact format and content is developed with you, by drawing from three broad modules to provide an affordable solution that matches the culture and the specific development requirements of your members.

- Module 1 – supporting members to meet future challenges
- Module 2 – supporting members in governance roles
- Module 3 – supporting leaders, committee chairs and portfolio holders

The development programme can begin with a baseline needs assessment, or be built on your own understanding of the situation.

Further details are available from your Engagement Lead and Audit Manager







© 2013 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

**[grant.thornton.co.uk](http://grant.thornton.co.uk)**

**This page is intentionally left blank**

# The Annual Audit Letter for Plymouth City Council

**Year ended 31 March 2015**

October 2015

**John Golding**

Partner

T 0117 305 7802

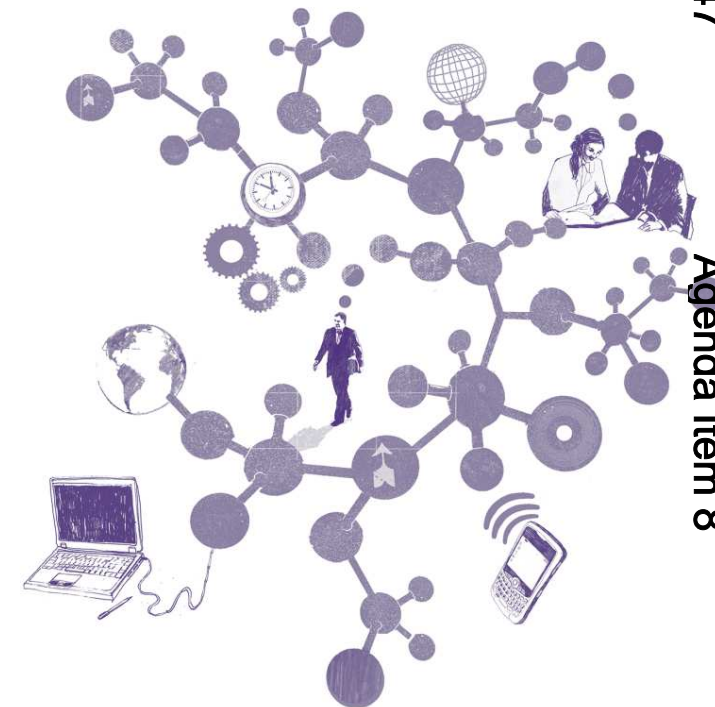
E [john.golding@uk.gt.com](mailto:john.golding@uk.gt.com)

**David Bray**

Senior Manager

T 0117 305 7889

E [david.bray@uk.gt.com](mailto:david.bray@uk.gt.com)



---

# Contents

## **Section**

1. Key messages

## **Page**

3

## **Appendices**

A Key issues and recommendations

B Summary of reports and audit fees

# Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Plymouth City Council ('the Council') for the year ended 31 March 2015.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued in March 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and Public Sector Audit Appointments Limited.

## **Financial statements audit (including audit opinion)**

We issued an unqualified opinion on the Council's 2014/15 financial statements on 30 September 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

We reported the findings arising from the audit of the financial statements to the Audit Committee on 17 September 2015. The draft financial statements and working papers were not provided in accordance with the agreed timetable. We were therefore unable to complete our fieldwork as planned and needed to finalise our testing in September 2015.

However, the Council still met the Audit Committee publication date and we were able to issue an unqualified opinion by the statutory publication date of 30 September.

We have been advised that the Council is undertaking a fundamental review of the process for producing its financial statements, ensuring that there is sufficient time allowed for the completion of robust quality assurance arrangements, particularly given the reducing deadlines in future years.

# Key messages continued

## Value for Money (VfM) conclusion

We issued an unqualified VfM conclusion for 2014/15 on 30 September 2015.

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

The key messages reported were:

### **Securing financial resilience**

The Council has produced a four year revenue budget covering 2015/16 to 2018/19 and a three year capital budget covering 2015/16 to 2017/18. Whilst there remain some uncertainties regarding the levels of future financing, the four year revenue budget includes a savings target of nearly £48m over the period.

These savings will be achieved in a number of ways, but the largest area is the Council's Transformation Programme which will invest £14.7m to deliver more than £55m of savings.

This represents a significant challenge and will require careful and diligent management.

### **Challenging economy, efficiency and effectiveness**

Overall our work highlighted that the Council set out its future direction in its Corporate Plan and it continues to build on this. It focuses on co-operative values which inform the way that the Council goes about its business and helps to shape its future service delivery.

# Key messages continued

<b>Whole of Government Accounts</b>	<p>The slippage in the completion of the financial statements audit referred to earlier meant that the Council was not in a position to provide us with the information necessary for us to complete our WGA work by the deadline of 2 October 2015. Rather than qualifying our assurance statement, we suggested that the Council should seek an extension from the Department for Communities and Local Government (DCLG). This was granted.</p> <p>We subsequently reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts and reported that this was consistent with the Council's audited financial statements. We completed our work ahead of the revised deadline.</p>
<b>Certification of housing benefit grant claim</b>	<p>Our work on the certification of the Housing Benefits claim is on-going. The key messages from our certification work will be reported in our certification report, once all work has been completed.</p>
<b>Audit fee</b>	<p>The fee set by the Audit Commission for 2014/15 was £182,498 excluding VAT. As noted earlier, this has been a challenging audit and we will need to consider the impact of this on the final audit fee. Further information on our fees is included at Appendix B.</p>

# Appendix A: Key issues and recommendations

This appendix summarises the significant recommendations identified during the 2014/15 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	<p><b>Financial Statements Production</b></p> <p><b>Recommendation:</b> The Council should undertake a fundamental review the process for the production of its financial statements and their subsequent audit, ensuring that there is sufficient time allowed for the completion of robust quality assurance arrangements.</p>	High	<p>Agreed. We are developing new procedures in association with our new auditors (BDO) to confirm strict deadlines and format of reports and downloads. We are talking to other leading Local Authorities to establish best practice. We have reassigned the Lead Accountant, with emphasis on a more technical background plus responsibility for our finance systems team.</p> <p><b>Responsible officer:</b> Head of Corporate Strategy</p> <p><b>Due date:</b> Started, with completion in December 2015</p>
2.	<p><b>Bank Reconciliations</b></p> <p><b>Recommendation:</b> The Council should simplify its bank reconciliation process so that there is a clear and transparent link between the balance on the bank statements and that in its main accounting system.</p>	Medium	<p>Agreed We have already introduced a simplified bank reconciliation with monthly management sign off plus assigned a new Lead Accountant to take overall responsibility for the bank transactions.</p> <p><b>Responsible officer:</b> Lead Accountant – Treasury Management &amp; Capital</p> <p><b>Due date:</b> Started, with completion in November 2015</p>
3.	<p><b>Information Security Policies</b></p> <p><b>Recommendation:</b> Information Security Policies should be reviewed at planned intervals or when significant changes occur to ensure their continued suitability, adequacy and effectiveness.</p>	Medium	<p>Agreed Finance will discuss this issue with our Information Security Officer and ensure new procedures are included in the Finance Systems Team’s workplan.</p> <p><b>Responsible officer:</b> Lead Accountant Strategic Finance</p> <p><b>Due date:</b> December 2015</p>



## Appendix A: Key issues and recommendations (cont'd)

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
4.	<p><b>Systems Access</b></p> <p><b>Recommendations:</b>            Logs relating to information security events on each system and the network should be to detect inappropriate or anomalous activity.            The policy regarding intruder lockout should be reviewed to ensure that controls are in place to detect repeated attempts at gaining access to the Network Accounts. This should include the requirement for regular reporting and review of failed attempts to log into the Network.</p>	Medium	<p>Agreed            The Finance Systems team will ensure robust controls and procedures are put in place</p> <p><b>Responsible officer:</b> Lead Accountant Corporate Finance</p> <p><b>Due date:</b> November 2015</p>

The following recommendation was included within our Audit Plan. The Council's response was that this would be addressed in the next financial year (i.e. 2015/16) and we have therefore not followed this up as part of our 2014/15 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
5.	<p><b>Journal Authorisation</b></p> <p><b>Recommendation:</b>            Sample testing of journals should be undertaken by management in order to ensure that they are appropriate for the Council.</p>	Medium	<p>Sample testing of journals will be carried out from 1 May 2015. The Finance Systems Team will set up a new procedure to sample journals every month and get them signed off by a manager.</p> <p><b>Responsible officer:</b> Lead Accountant</p> <p><b>Due date:</b> May 2015</p>

# Appendix B: Reports issued and fees

We confirm below the fees charged for the audit and non-audit services.

## Fees for audit services

	Per Audit plan £	Actual fees £
Council audit	182,498	*TBC
Housing benefit grant certification fee	17,720	**TBC
Delt	4,650	4,650
<b>Total audit fees</b>	<b>204,868</b>	<b>TBC</b>

\*As set out above, this has been a challenging audit and we will need to consider the audit fee. We discussed this with the Council's Head of Corporate Strategy on 7 September 2015 and will advise the Audit Committee of any amount payable in due course.

\*\*The indicative fee published by the Audit Commission for grant certification work required in 2014/15 for the Council is £10,890. As the work has not yet been completed on the grant certification, we cannot confirm the final fee.

## Reports issued

Report	Date issued
Audit Plan	March 2015
Audit Findings Report	September 2015
Annual Audit Letter	October 2015
Certification Report	Expected November 2015

## Fees for other services

Service	Fees £
<b>Audit related services</b>	
Teachers Pensions end of year return (outside of the Audit Commission regime)	4,200
<b>Non-audit related services</b>	
VAT advisory services	5,135
Trading Company Advice	3,750
Tax compliance services (Delt)	3,950
VAT advisory services (Delt)	3,800



© 2015 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

**[grant-thornton.co.uk](http://grant-thornton.co.uk)**

**This page is intentionally left blank**



# Grant Thornton

David Northey  
Head of Corporate Strategy  
Finance, Efficiencies, Technology & Asset  
Plymouth City Council  
Civic Centre  
Plymouth  
PL1 2AA

Grant Thornton UK LLP  
Hartwell House  
55 – 61 Victoria Street  
Bristol  
BS16FT  
[www.grant-thornton.co.uk](http://www.grant-thornton.co.uk)

20 November 2015

Dear David

### **Certification work for year ended 31 March 2015**

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

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

We were only required to certify one claim / return for the financial year 2014/15 relating to the Housing Benefits Subsidy return to the Department for Work and Pensions (DWP).

There are no issues arising from our certification work which we wish to highlight for your attention. Based on the work undertaken, we are satisfied that the Council has appropriate arrangements to compile complete, accurate and timely claims/returns for audit certification.

The indicative fee for 2014/15 for the Council set by the Audit Commission is £17,720 and there is no requirement for us to seek a variation to this.

Yours sincerely

John Golding

For Grant Thornton UK LLP

**This page is intentionally left blank**



# PLYMOUTH CITY COUNCIL

## External Audit Progress Report

December 2015



# INTRODUCTION

This report is intended to provide the Audit Committee with an update of our audit work for 2015/16.




Auditors' principal objectives are to review and report on, to the extent required by the relevant legislation and the requirements of the Code of Audit Practice for Local Government, the audited body's:

- financial statements
- arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are also required to certify specified grant claims and returns as directed by Public Sector Audit Appointments Ltd.

We will assess whether the arrangements put in place by the Council will allow us to complete our work by the expected deadlines and whether there are any issues that are likely to have a significant impact on our ability to provide unmodified audit reports and opinions.





This will be included as a "RAG" assessment in the report. We have yet to perform any substantive work at the Council and therefore the green rating against each area is an initial assumption that will need to be confirmed as part of our interim work.

ASSESSMENT		EXPLANATION
RED		Unlikely to be able to meet reporting deadlines, significant concerns over governance or finance, or expected modification of audit report or opinion.
AMBER		Some concerns around meeting reporting deadlines, some concerns over governance or finance, or potential risk of modification of audit report or opinion.
GREEN		On target to meet deadlines and no current concerns over governance or finance.




We have also included for your information references to recent publications and emerging issues relating to local government as an attachment to this report.



# AUDIT PROGRESS

AUDIT AREA	SCOPE	PROGRESS	OUTPUTS / DATE	RAG
<b>PLANNING</b>				
Audit plan	We are required to report to you the results of our audit planning, our risk assessment and the proposed audit response to significant audit risks ahead of commencement of the audit work.	We have had meetings with the Director of Finance and the Finance Team. We have discussed audit deliverables and timetables. We expect to undertake detailed planning work in December and provide a draft audit plan in January.	<p><b>Planning Letter 2015/16</b></p> <p>Issued April 2015 and reported to the Audit Committee on 25 June 2015. This set out our audit fees for the year</p> <p><b>Audit Plan 2015/16</b></p> <p>To be reported to the Audit Committee on 24 March 2016.</p>	
<b>ACCOUNTS</b>				
Review of internal controls	Audit of the significant financial systems that support the financial statements to be completed before draft accounts are prepared.	This will be covered as part of our planning work in December and interim work in January. Testing will be carried out on the controls to confirm they are operating in line with expectations. The Audit Plan to be issued in January 2016.	<p>The results of this work will be taken into account in directing our audit strategy for the audit of the financial statements.</p> <p>If required, recommendations will be included in our annual governance report to the Audit Committee.</p>	
Financial statements audit	<p>Audit of the draft financial statements to determine whether they give a true and fair view of the Council's financial affairs and the income and expenditure for the year.</p> <p>Deadline for issue of audit opinion and publication of the statement of accounts is 30 September 2016, although we are working towards a deadline of 31 August 2016.</p>	The scope of the audit and risk assessment will be revisited following our review of the effectiveness of internal controls and review of the draft financial statements. Start date proposed as 13 June 2016.	<p><b>Audit findings and conclusions being reported in the Final Report to the Audit Committee on 17 September.</b></p> <p>Target issue date August 2016.</p> <p><b>Opinion on the financial statements</b></p> <p>Target issue date August 2016.</p>	
Whole of government accounts audit	<p>Audit of the consolidation pack for consistency with the audited statement of accounts.</p> <p>Consolidation pack opinion - deadline 2 October 2016.</p>	To be completed in August 2016.	<p><b>Opinion on the WGA Consolidation Pack</b></p> <p>Target date 2 October 2016.</p>	

# AUDIT PROGRESS

AUDIT AREA	SCOPE	PROGRESS	OUTPUTS / DATE	RAG
<b>USE OF RESOURCES</b>				
Review of arrangements to secure economy, efficiency and effectiveness	<p>Review of use of resources based on:</p> <ul style="list-style-type: none"> <li>proper arrangements in place for securing financial resilience</li> <li>proper arrangements for challenging how the Council secures economy, efficiency and effectiveness.</li> </ul> <p>Conclusion to be given alongside the accounts opinion by the deadline of 30 September 2016 (target end August 2016)</p>	<p>Throughout the year we will have regular liaison meetings with management to discuss any significant concerns in relation to the use of resources. We will also review and take in to consideration results of inspections and reviews carried out by other regulators.</p> <p>We have received a query from an elector on the partnership between the Council and MTV Crashes. We are considering whether this is significant enough to be investigated.</p>	<p>Audit findings and conclusions will be reported in the Final Report to the Audit Committee on 17 September.</p> <p>Target issue date August 2016.</p> <p>VFM conclusion</p> <p>Target issue date August 2016.</p>	
<b>REPORTING</b>				
Annual Audit Letter	Public-facing summary of audit work and key conclusions for the year. To be finalised by 31 October 2016.	This will follow completion of the Audit.	<p><b>Annual Audit Letter</b></p> <p>Target issue date October 2016.</p>	
<b>GRANTS CERTIFICATION</b>				
Grants and returns	To audit and submit grant claims and returns by the relevant deadlines.	Work in progress.	All <b>grants claims and returns</b> to be audited in line with the agreed timetable and deadlines.	
Grants Report	Summary of our certification work completed on 31 March 2016 claims, to be issued by December 2016	To be drafted after certification work concluded.	<b>Grants Report</b> to those charged with governance to be issued by December 2016.	

# SECTOR UPDATE

- The following articles have recently been published:

- Faster closedown - meeting the challenge: <http://www.cipfa.org/policy-and-guidance/articles/faster-closedown-meeting-the-challenge>
- English devolution - an opportunity to realign public services: <http://www.cipfa.org/policy-and-guidance/articles/devolution-in-england>
- Treasury and Capital Management bulletin issued April 2015: <http://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/treasury-and-capital-management-panel/newsletters-and-bulletins>

- The Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015: the Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015 has been made which preserves the relevant parts of the Audit Commission Act 1998 for 2014/15 audits. Further details can be found here: [http://www.legislation.gov.uk/uksi/2015/841/pdfs/uksi\\_20150841\\_en.pdf](http://www.legislation.gov.uk/uksi/2015/841/pdfs/uksi_20150841_en.pdf)
- From 31 March 2015 the Audit Commission ceased to exist. Public Sector Audit Appointments Limited (PSAA) has replaced the Audit Commission. Their website can be found here: [www.psa.co.uk](http://www.psa.co.uk)


- The following CIPFA publications have recently been issued:

- **Council Tax Demands and Precepts 2015/16:** This publication describes the local levies made by authorities to fund expenditure following the implementation of the Local Government Finance Act 1992. It includes the number of chargeable dwellings by band; the average council tax per dwelling; the average Band D equivalent council tax; authorities' budget requirements and levels of precepts.  
<http://www.cipfa.org/policy-and-guidance/publications/c/council-tax-demands-and-precepts-201516-estimates-pdf>
- **Benefits for Persons from Abroad:** This is a detailed guide aimed at practitioners, providing comprehensive and technical information on the complex rules on claims for Housing Benefit (HB) and Council Tax Support (CTS) from persons from abroad.  
<http://www.cipfa.org/policy-and-guidance/publications/b/benefits-for-persons-from-abroad-online>
- **A Practical Guide to Outsourcing in the Public Sector:** This guide sets out the key issues that public sector organisations need to consider at each stage of the outsourcing process. It also provides an up-to-date summary of recent developments, including key provisions of the revised EU procurement rules, which came into effect in the UK on 26 February 2015.  
<http://www.cipfa.org/policy-and-guidance/publications/a/a-practical-guide-to-outsourcing-in-the-public-sector-book>
- **A Practical Guide for Local Authorities on Income Generation :** As government funding support falls away, this revised guide can offer practical help to authorities to retain service funding.  
<http://www.cipfa.org/policy-and-guidance/publications/a/a-practical-guide-for-local-authorities-on-income-generation-2015-edition-online>
- **Transforming Services : Approaches, Examples, Lessons:** This publication draws together a number of examples of transformation and change in the public sector. Some of the examples suggest new sources for delivery and resourcing, while others are more about rethinking existing services and resources to deliver something new or with a better outcome.  
<http://www.cipfa.org/policy-and-guidance/publications/t/transforming-services-approaches-examples-lessons-online>

For more information on what our Local Government Advisory team are working on please visit:

Twitter: <https://twitter.com/bdolocalgov>

blog: <http://bdolocalgov.wordpress.com/>



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.

BDO LLP is a corporate establishment under the Limited Liability Partnership Act 2000 and a UK Member Firm of BDO International. BDO LLP is separately authorised and regulated by the Financial Conduct Authority to conduct investment business.

Copyright ©2013 BDO LLP. All rights reserved.

[www.bdo.co.uk](http://www.bdo.co.uk)



## PLYMOUTH CITY COUNCIL

<b>Subject:</b>	Internal Audit – Half Year Report
<b>Committee:</b>	Audit Committee
<b>Date:</b>	3 December 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>	Tel: 01752 306710
<b>Ref:</b>	AUD/RH
<b>Key Decision:</b>	No
<b>Part:</b>	1

---

**Purpose of the report:**

This report provides Members of the Audit Committee with a position statement on the audit work carried out since April 2015 and based on work performed to date during 2015/16, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control environment.

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

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

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

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

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

None.

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

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

**Equality and Diversity:**

Has an Equality Impact Assessment been undertaken? No

---

**Recommendations and Reasons for recommended action:**

It is recommended that:-

1. The report be noted.
- 

**Alternative options considered and rejected:**

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

---

**Published work / information:**

Internal Audit Annual Plan 2015/16 – June 2015

**Background papers:**

None

---

**Sign off:**

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



devon **audit** partnership

Internal Audit

Half Year Report 2015/16

Plymouth City Council  
Audit Committee

December 2015

Not Protectively Marked

Page 67

Robert Hutchins  
Head of Audit Partnership

CUSTOMER  
SERVICE  
EXCELLENCE



Auditing for achievement

# Contents

<b>INTRODUCTION</b>	<b>1</b>
<b>ASSURANCE STATEMENT</b>	<b>2</b>
<b>PROGRESS AGAINST PLAN</b>	<b>3</b>
<b>PROGRESS IMPACT ASSESSMENT</b>	<b>4</b>
<b>VALUE ADDED</b>	<b>5</b>
<b>EXECUTIVE SUMMARY - AUDIT FINDINGS</b>	<b>6</b>
TRANSFORMATION AND CHANGE	6
PLACE	7
PEOPLE	8
SCHOOLS	9
<b>FRAUD PREVENTION AND DETECTION</b>	<b>10</b>
<b>CUSTOMER VALUE</b>	<b>11</b>
PERFORMANCE INDICATORS - RESOURCES	11
CUSTOMER SERVICE EXCELLENCE (CSE)	11
WHAT OUR CUSTOMERS SAID	11
ADDED VALUE	11
<b>APPENDIX 1 – SUMMARY OF AUDIT REPORTS AND FINDINGS FOR 2015/16</b>	<b>12</b>
<b>APPENDIX 2 – PERFORMANCE INDICATORS</b>	<b>24</b>
<b>APPENDIX 3 - CUSTOMER SERVICE EXCELLENCE</b>	<b>25</b>
<b>APPENDIX 4 – DEFINITIONS</b>	<b>26</b>

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



## Introduction

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

The Accounts and Audit (Amendment) (England) Regulations 2015 require 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 2015/16 was presented to and approved by the Audit Committee in March 2015. The following report and appendices set out the current position of the audit service provision; reviews work undertaken to date in 2015/16 and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

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

### Expectations of the Audit Committee from this half year report

Audit Committee members are requested to consider:

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

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

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

## Assurance Statement

**Overall, based on work performed during 2015/16 and our experience from the current year progress and previous years audit, the Head of Internal Audit’s Opinion is of “Significant Assurance” on the adequacy and effectiveness of the Authority’s internal control framework.**

*This assurance statement is in line with the definitions below and will provide Members with an indication of the direction of travel for their consideration for the Annual Governance Statement.*

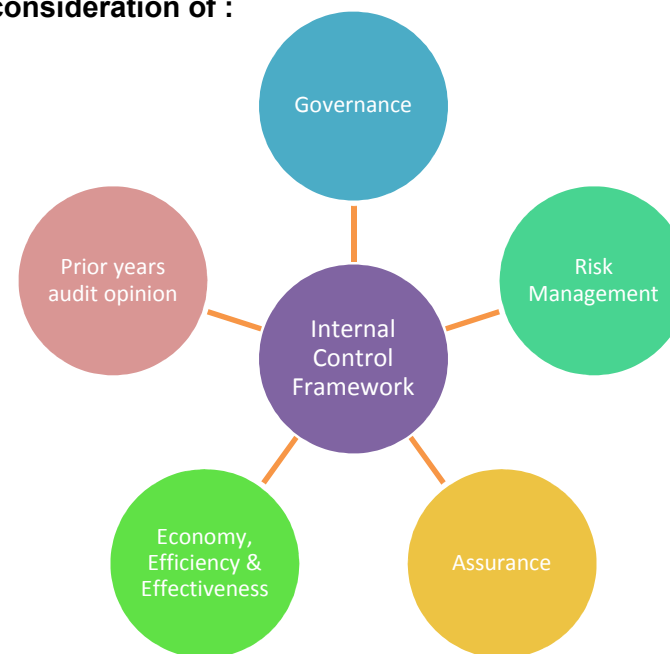
The Authority’s internal audit plan for the current year includes specific assurance, risk, governance and value added reviews which, together with prior years audit work, provide a framework and background within which we are able to assess the Authority’s control environment. These reviews have informed the Head of Internal Audit’s Opinion on the internal control framework.

Directors have been provided with details of Internal Audit’s opinion on each audit review carried out in 2015/16. Where significant weaknesses have been identified in a specific area, these will need to be considered by the Authority in preparing its Annual Governance Statement later in the year when preparing the Statement of Accounts for 2015/16.

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 rests with management and these are reviewed during subsequent audits or as part of a specific follow-up process.

We continue to be flexible in our approach and with the timetabling of audits to ensure that resources are assigned to specific areas of the plan to enable our work to be delivered at the most effective time for the organisation.

This statement of opinion is underpinned by our consideration of :



<b>Full Assurance</b>	Risk management arrangements are properly established, effective and fully embedded, aligned to the risk appetite of the organisation. The systems and control framework mitigate exposure to risks identified & are being consistently applied in the areas reviewed.
<b>Significant Assurance</b>	Risk management and the system of internal control are generally sound and designed to meet the organisation’s objectives. However, some weaknesses in design and / or inconsistent application of controls do not mitigate all risks identified, putting the achievement of particular objectives at risk.
<b>Limited Assurance</b>	Inadequate risk management arrangements and weaknesses in design, and / or inconsistent application of controls put the achievement of the organisation’s objectives at risk in a number of areas reviewed.
<b>No Assurance</b>	Risks are not mitigated and weaknesses in control, and /or consistent non-compliance with controls could result / has resulted in failure to achieve the organisation’s objectives in the areas reviewed, to the extent that the resources of the Council may be at risk, and the ability to deliver the services may be adversely affected.

## Progress Against Plan

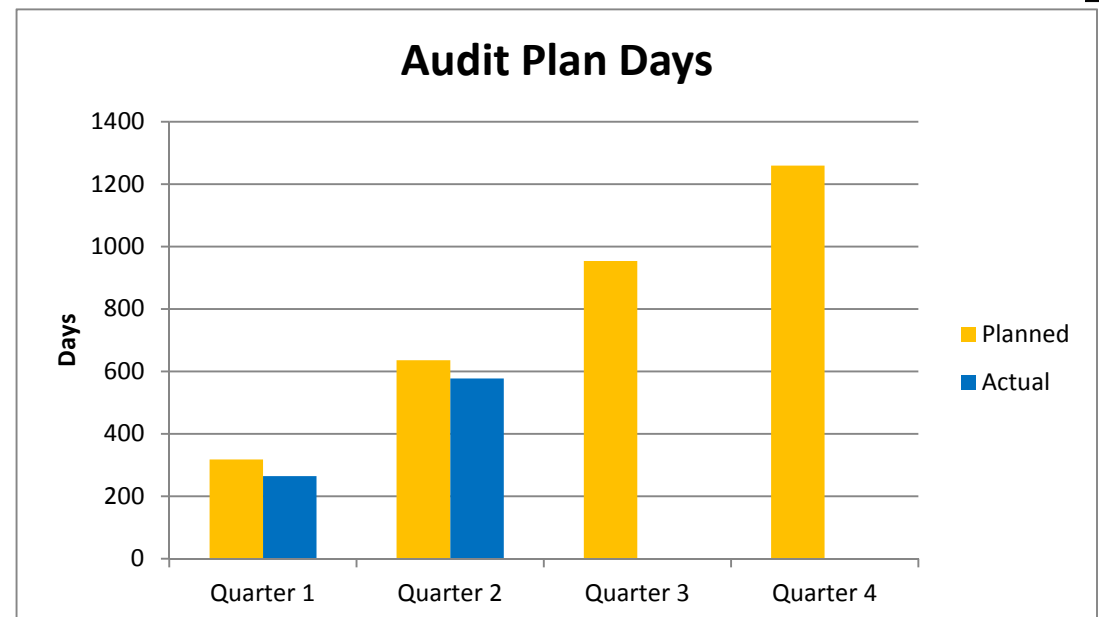
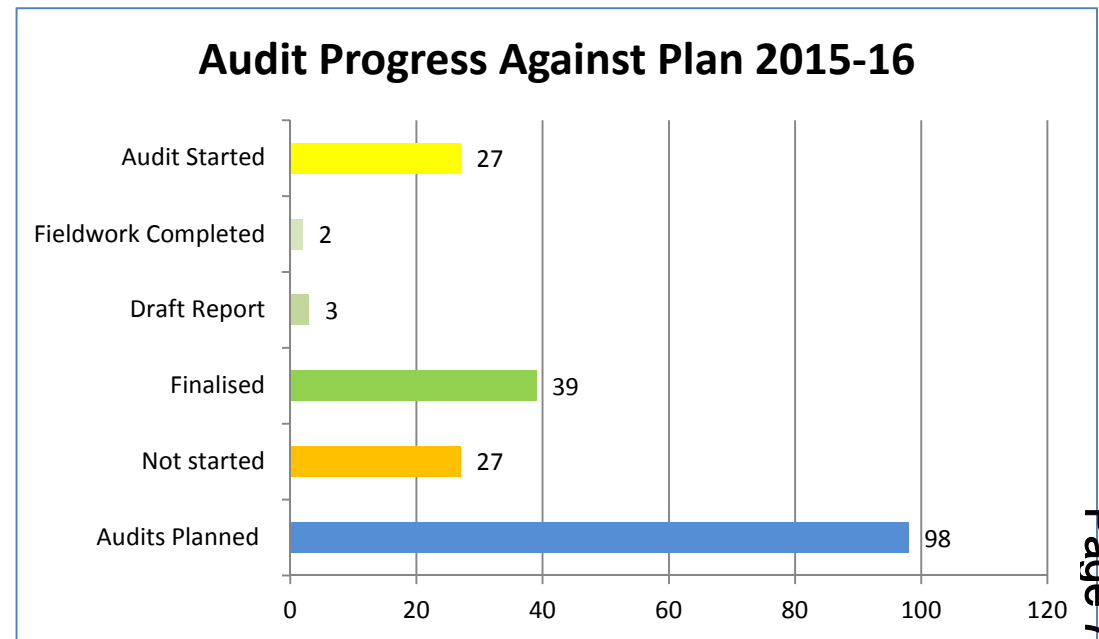
This report compares the work carried out with the work that was planned through risk assessment, presents a summary of the audit work undertaken, includes an opinion on the adequacy and effectiveness of the Authority's internal control environment and summarises the performance of the Internal Audit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

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

The extent to which our work has been affected by changes to audit plans has not been notable during the first six months of the year.

The bar charts right show the status of audit progress against plan and audit the days delivered against target planned. The charts demonstrate that progress is largely in line with expectations for the first six months of 2015/16.

Appendix 2 provides further performance information for the first six months of 2015/16.



## Progress Impact Assessment

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

### Transformation and Change

Several areas within the Plan support key elements within transformational change and as our work progresses over the coming months, synergies may be identified with other projects. For example, our mapping of existing and future “missed bins” processes has been shared with the Customer Services Transformation programme to inform aspects of the Digital Services project in terms of intelligence gathering and sharing.

The Council’s review of how it engages with its customers in terms of receiving feedback and using this to drive service improvement continues to progress. Audit will both support the project and, as part of its routine audit work, will obtain an insight into how services currently handle and use the views of their customers and pass this onto the project.

With the first anniversary of DELT providing ICT services and the Council’s retained client function being in place for a number of months, an independent audit review of the function, its role and operation, is due to take place in the near future. The principles, in terms of lessons learnt around contract management, in particular with regard to the level of resourcing of a retained client function, need to be taken forward by the Council as a whole and by teams/officers responsible for managing contracts in the future.

### Place

The original plan allowed 70 days for GAME Transformation. Audit has undertaken work on waste collection and tree services and will shortly commence work on integrated transport programme.

Following our review of the service responsible for Tree Preservation Orders, a similar review has been undertaken of Tree Management within Street Services. This is identifying opportunities for closer working between the two teams especially how to better utilise the professional knowledge of Tree Officers and with partners, sharing tree asset information and strategy.

We will continue to provide challenge, advice and best practice guidance on the schedule of rates, the evaluation model and general procurement and contract controls associated with the tender process for a new Highways Maintenance contract due to commence in 2017.

Audit will continue to work with the team overseeing the PFI Waste contract to ensure that robust contract monitoring and assurance plans are in place.

### People

Of the audits completed to date this year, in most cases assurance can be provided that identified risks are being minimised or mitigated where appropriate. However, there are instances where swift action has been required to mitigate risks identified as a result of our work.

Changes made by Central Government to the implementation of Care Act Part 2 (deferring most aspects until 2020) have resulted in less support being required for Care Act implementation in year. However, work was undertaken to review and support the ongoing compliance with Care Act Part 1. We are continuing to support the ongoing implementation of deferred payments through the CareFirst system.

The Integrated Health and Wellbeing Programme continues to be supported through both ad hoc dialogue with programme and operational staff, along with more formal pieces of work. This, along with the work linked to the Integrated Fund, is one of the high risk areas where audit resource continues to be focused.

The work carried out to review Domiciliary Care Payments consumed a greater level of resource than initially planned but this is borne out by the resulting findings, as summarised later in this report. It is likely that this will have an impact on the completion of the planned work for 2015/16 but at this stage specific detail is not known.

Work is also underway to clarify the situation regarding restricting access to CareFirst records following receipt of a query related to a staff member having access to CareFirst, where they are also a client. This review was unplanned and may also impact on the planned work that can be completed during 2015/16.

## 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.

Officers have found our engagement and 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;
- drawing attention to areas where development of the iTrent HR solution could support the Payroll Service in growing the business.

## Place

- continued support, advice and challenge on the contract management arrangements relating to the South West Devon Waste Partnership, to ensure that the City Council’s interests are protected;
- review and mapping of existing “Missed Bins” process, working with management and DELT to develop reports that provide better intelligence to assist in understanding the issues within this service. Our work is being used as part of a Street Services review, under Transformation.

- Identification of opportunities for closer working and sharing of knowledge and information between officers with responsibility for tree management, within Street Services and Planning.

## People

- identification of weaknesses within the Domiciliary Care payment process with regard to overpayments and lack of service package authorisation;
- benchmarking / analytical review comparing Plymouth’s fostering allowances with other relevant local authorities will be used by Fostering Services when reviewing the fostering allowance policy;
- carrying out an independent review of the evidence supporting the Council’s self assessment of its ability to carry out the Director of Children’s Services role in accordance with Department for Education (DFE) requirements.

## Schools

The Partnership informs and attends 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 those schools causing concern in the wider control environment. The result of our input was:

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

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

## Executive Summary - Audit findings

### Transformation and Change

In our opinion, based upon the audit work completed, 'watching briefs' and direct advice provided for on-going projects so far in 2015/16, we are able to report that, in the main, internal controls continue to operate effectively. The key exception to this is that of domiciliary care payments.

Audit identified key risks with payments to Domiciliary Care providers. Existing processes and contracts have led to the Council overpaying some providers, payments that do not reflect actual levels of provision. In addition, we identified that some key management reports were showing incorrect information. In response to this, some contracts have been amended whilst negotiations continue with remaining providers and report parameters are being reviewed.

Based on audits completed and on indications from previous and on-going work, we are able to report that key financial system controls are well maintained and where weaknesses have been identified, management have responded positively to our recommendations. Issues identified in our previous report on the main accounting system will be addressed in the forthcoming audit where we will review proposed new procedures for balancing, reconciliation and review.

There were no concerns identified from our work on grants and we were able to sign off the small bodies return for Mount Edgumbe.

The continued reductions in government funding have meant that the Council has had to review the provision of services and how they are delivered. As service areas look to review and transform, Audit are providing an independent review of ways to streamline service delivery and processes, for example Street Services, Integrated Health and project management.

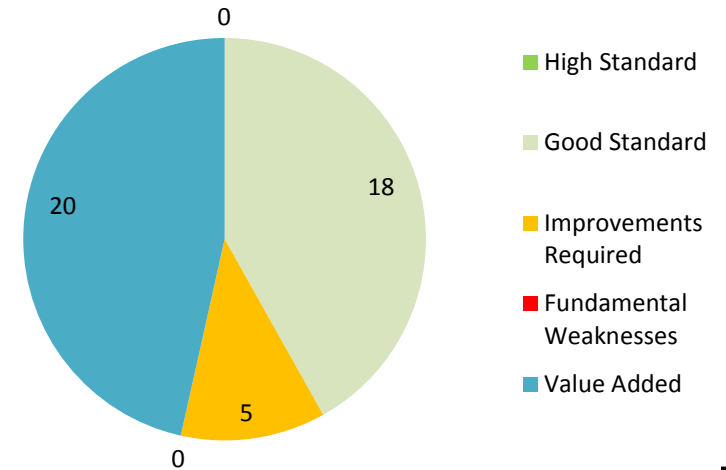
The Appendix 1 details the assurance opinions for individual audits for which the definitions of the assurance opinion ratings are given in Appendix 2.

### Key Risks / Issues

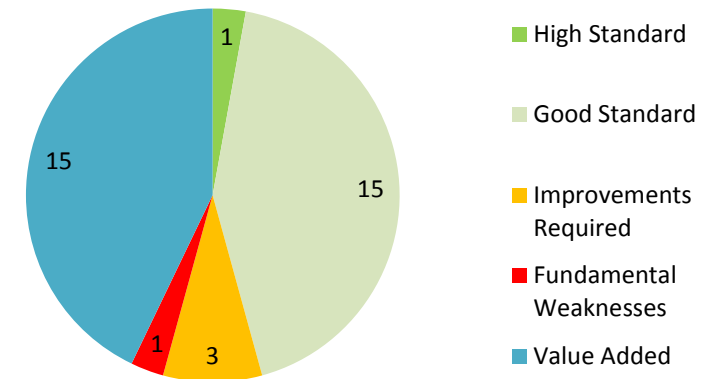
Audit has been liaising with the Intelligent Client Function with particular emphasis on DELT as well as other future service providers. Audit will be reviewing the function to ensure that it is appropriately resourced, fit for purpose and is "future proof" to meet the ever changing needs of the Council.

With continued development of an integrated and pooled budget/funding arrangement with NEW Devon CCG, exceeding £460m, Audit will be working with CCG and their auditors to examine and comment on various aspects of the programme, including the reporting of financial information and governance.

### Assurance Opinions 2014/15



### Assurance Opinions Apr - Sept 2015/16 (inc GAME & IHWB Transformation Programmes )



## Place

In our opinion, and based upon our audit work completed during 2015/16, 'watching briefs' and direct advice provided for on-going projects, we are able to report that internal controls continue to operate effectively and where recommendations for improvements have been made, action plans have been agreed with management.

The Energy from Waste plant in North Yard officially became operational in September and Internal Audit have continued to work with the Project Executive and Contract team, providing support and challenge on contract management arrangements and the development of an audit and assurance plan.

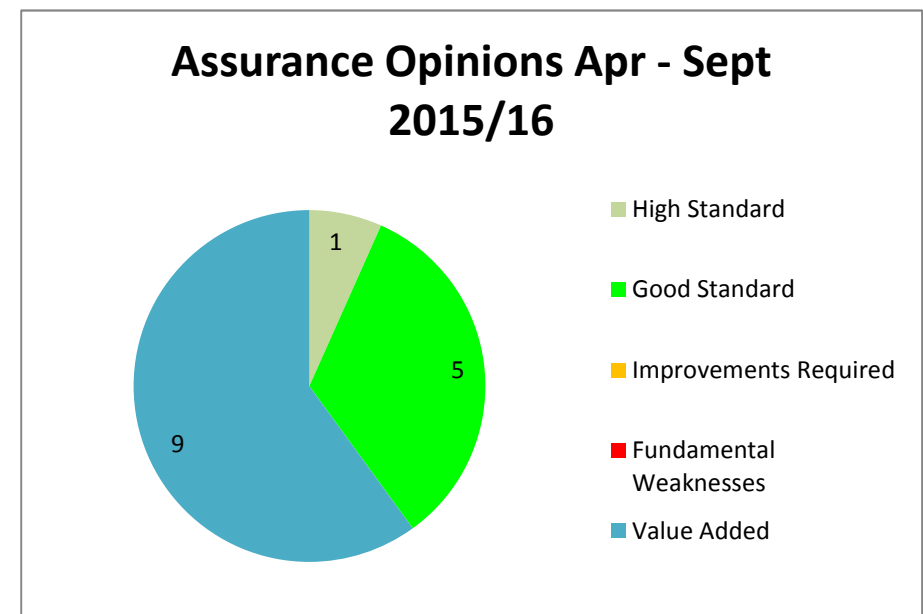
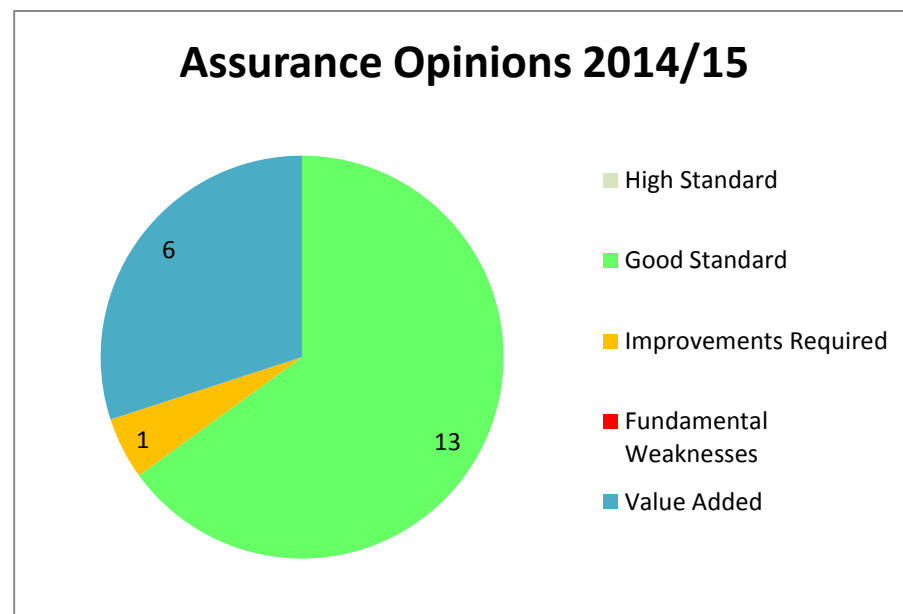
DAP is providing support and challenge to those tasked with procuring the future Highways Maintenance contract jointly with Devon and Somerset County Councils.

No significant concerns have been identified from our work and management have responded positively to any recommendations for improvement. Appendix 1 details the assurance opinions for individual audits, for which the definitions of the assurance opinion ratings are given in Appendix 4.

## Key Risks / Issues

DAP will assist in ensuring an effective, fair and as-simple-as-possible tendering procedure for the joint Devon, Somerset and Plymouth Highways contract, which attracts tenders from a strong range of contractors and that will ultimately provide enhanced value for money for the Authority.

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



## People

In our opinion and based upon our audit work completed which also includes watching briefs and direct advice, we are able to report that suitable internal controls are in place, or where internal controls have required update, corrective actions have been designed. If the planned actions are implemented, effective controls will be in place in the majority of cases. We can also confirm that any concerns identified through the on-going work leading to recommendations for improvement are responded to positively and swiftly by management.

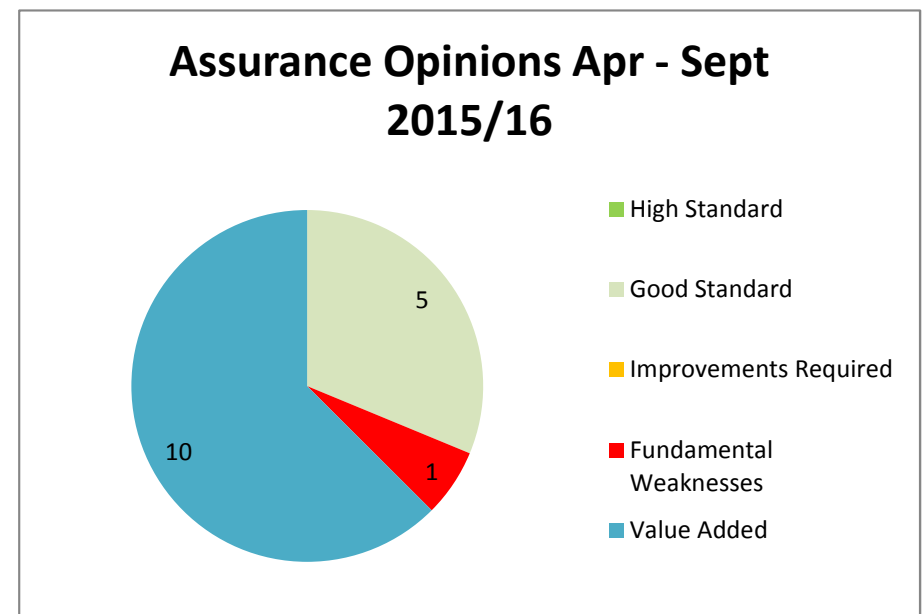
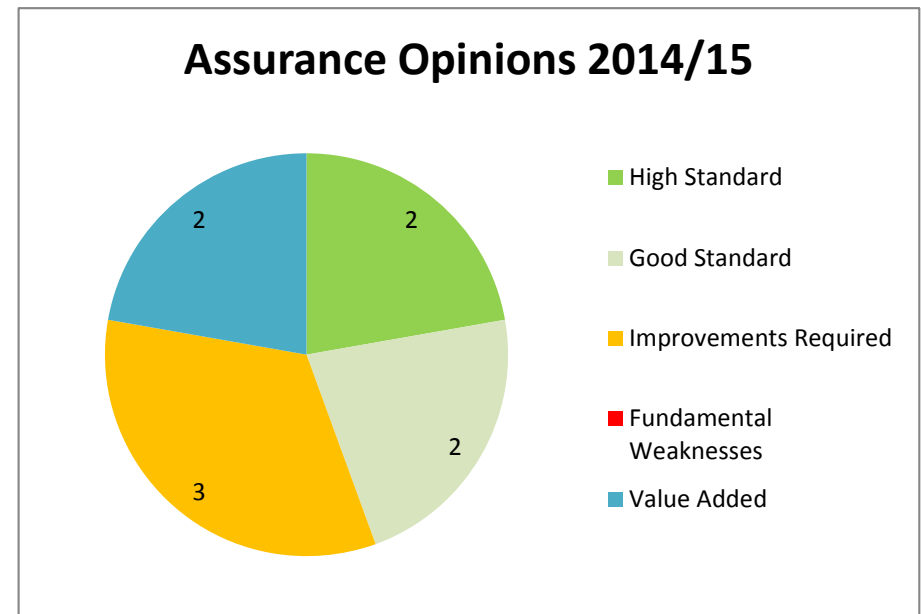
Appendix 1 details the assurance opinions for individual audits which includes 2014/15 audits finalised within the current financial year, and a number of pieces of work from the 2015/16 plan. Definitions of the assurance opinion ratings are given in Appendix 4.

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

## Key Risks / Issues

The Domiciliary Care Payments Audit was rated as Fundamental Weakness in the main due to overpayments being made to providers and lack of evidence of care package authorisation. Changes to payment processes and contract terms are being implemented which, once in place, should mitigate the risks.

The ASC Client Billing situation report, issued in April 2015, detailed issues with the Fairer Charging Policy, including the inability to carry out Client Financial Assessments due to a lack of resources. Following on from this, a memo was issued to the CareFirst Deferred Payments Implementation Team, highlighting some of the lessons learnt from the Client Billing review which are relevant to Deferred Payments, such as the availability of Client Finance Staff (who are now part of the Transaction Centre), and the risk of delayed billing of clients and interruption of service provision.





## Schools

Good progress is being made against plan with six schools being visited to date and the chart shows that we forecast completion of the plan by year end. We have completed one additional audit at the request of the Principal Leadership Adviser under Schools Intervention. Visit arrangements have been made with a further eight schools with the remainder being planned for the spring term 2016.

The key objectives for Devon Audit Partnership (DAP) are to provide assurance to the Director for People and the Assistant Director for Finance, as the Council's S151 Officer, on the adequacy and security of the financial systems and controls operating within the maintained schools and to provide advice and assurance to governors, head teachers and the Local Authority.

**Good Standard** - our opinion is that the systems and controls in schools mitigate the risks identified in many areas. Although specific risks are identified in the core element of the audit review, for some schools, recommendations have been made to mitigate risks in other areas with the aim of strengthening what are mainly reliable procedures. To date we have not reported any issues relating to the Annual Governance Statement.

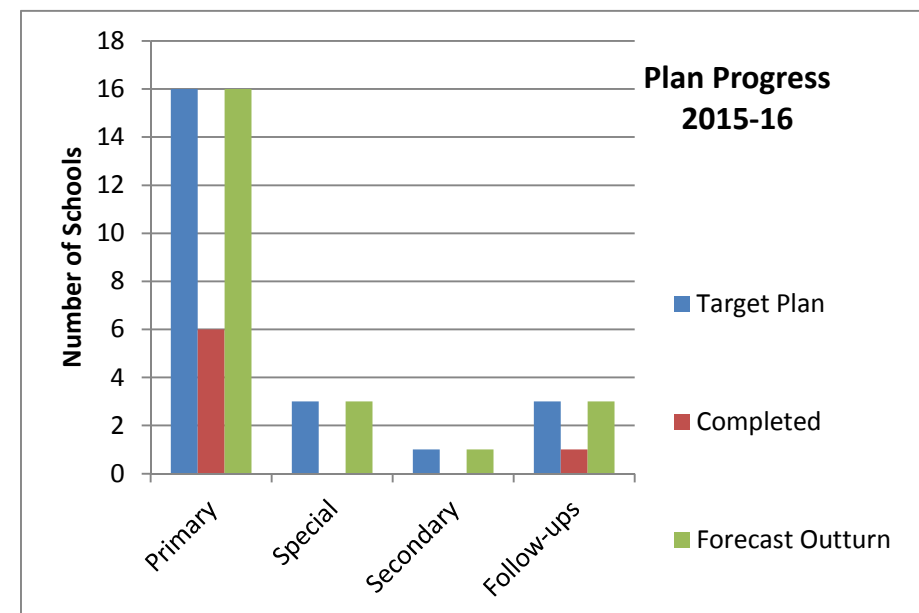
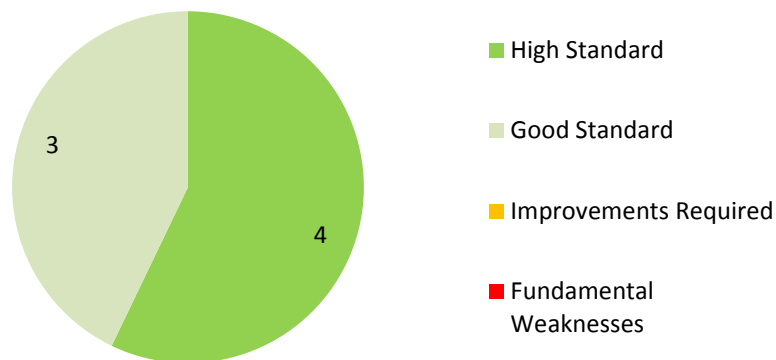
## Key Risks / Issues across schools

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

These risks will be addressed in coming audits this year.

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

### Assurance Opinions Apr - Sept 2015/16



## 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 Cabinet Office runs a national data matching exercise (The National Fraud Initiative - NFI) every two years and the Council are in the process of concluding its review of the data matches that were received as part of the 2014/15 exercise. DAP are currently collating the results obtained across the various departments that have participated in this exercise, identifying potentially erroneous or fraudulent payments in areas such as housing benefits, awards of council tax single persons discounts, personal budgets, private residential care home costs, blue badge parking permits and concessionary bus travel passes.

**Irregularities** - During 15/16, Internal Audit have carried out, or assisted in a total of eight new irregularity investigations within the Authority, including schools. Analysis of the types of investigation and the number undertaken shows the following:-

Issue	Number
Employee Conduct	4
IT Misuse	2
Financial Irregularity	1
Conflict of Interest	1

DAP have assisted an investigation into alleged misappropriation of Council and staff property. DAP's initial enquiries has led to the commissioning of a formal disciplinary investigation.

A member of staff failed to declare a personal relationship relevant to their work and subsequently resigned when informed that this was under consideration.

An agency member of staff failed to declare a previous criminal conviction. The individual concerned was removed from his position and a subsequent audit review of the Council's recruitment procedures has commenced.

Audit investigations into potential misuse of the Council's internet and email facilities have taken place with management being provided with any relevant evidence found.

DAP investigated an alleged financial irregularity involving the potential of falsely claiming on insurance. It was concluded that there was insufficient evidence to suggest that there had been intent to pursue such a claim.

An investigation into a potential conflict of interest concerning the personal circumstances of an officer which should have necessitated restrictions being placed on their access to a Council I.T. system lead to an audit review of the procedures governing access to the system and will be reported upon shortly.

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

## Customer Value

### Performance Indicators - Resources

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

### Customer Service Excellence (CSE)

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

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

### What Our Customers Said

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

*"The auditors were professional, courteous and respectful at all times. They showed an excellent understanding our current position."*

*"We value the assistance that the audit provides and particularly appreciate the auditor's relaxed yet very thorough and perceptive approach which promotes a culture to enable best practice to be established."*

*"The response to my request for support was immediate and pro-active."*

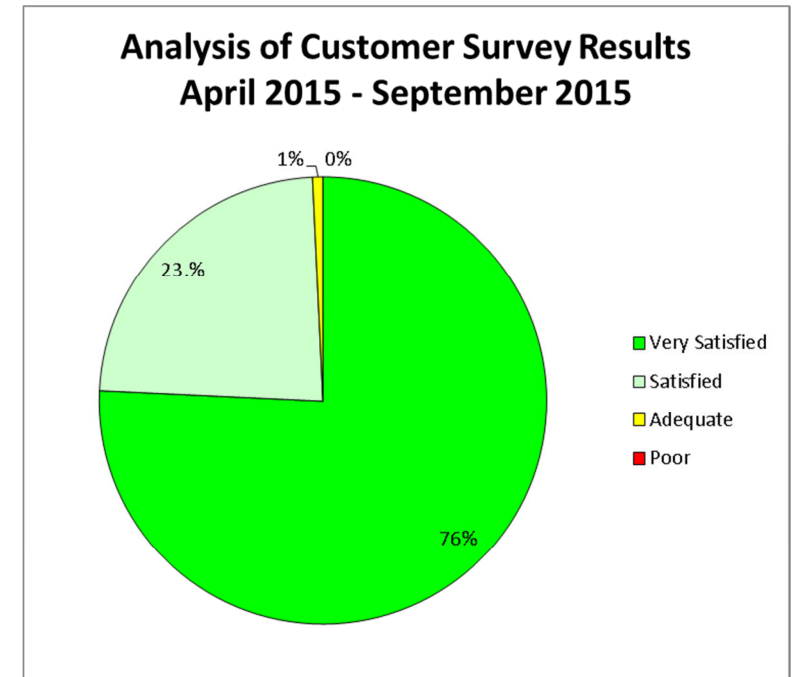
### Added Value

We aim to provide a cost effective, efficient and professional internal audit service that takes the opportunity to add value whenever possible. Some of the specific examples of where our team have been able to add value to the Council in the first six months of 2015/16 include:-

*"The audit drew attention to Value Adding Activities beyond the aspects of the material payroll system audit which will assist the service in making improvements."*

*"The audit added value by providing an independent element to the process with the outside organisation, these enabled agreement to be obtained. Also recommendations contained in the report were very helpful."*

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



## Appendix 1 – Summary of audit reports and findings for 2015/16

### 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 Boards	SRR – Red ANA - High	On-Going		See below under specific programmes where attendance at programme boards is reported.	
<b>Transformation - Co-operative Centre of Operations (CCO)</b>					
Strategic Centre	SRR – Red ANA - High			The allocated resource in the original audit plan are being utilised on audit areas as shown below, in agreement with officers. Further areas could be identified as the year progresses.	Page 80
Assure Project		Complete	N/A	The strategic design for Integrated Assurance has been put on hold with resources focussed on Corporate Fraud commercialisation business case. DAP have fed into this process providing information and recommendations regarding: <ul style="list-style-type: none"> <li>• corporate debt recovery;</li> <li>• industry standards;</li> <li>• reporting lines.</li> </ul>	
Service Integration and Management inc. Intelligent Client, Commissioning and Procurement, Category Management and Contract Management	SRR – Red ANA - High	On-going	Value Added	DAP have offered our knowledge and experience to the Commercial Services Team through support and challenge as strategies and procedures are reviewed and developed.	




Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Civica Financials Project	ANA - High	Not Started		The Civica Fweb project forms part of the Finance Transformation project which is now scheduled to commence in quarter 3 &4 of 2015/16. DAP input will be required at this stage to support successful implementation and robust controls in place.	
<b>Transformation – Customer &amp; Service</b>					
Co-operative Reviewing of Service Areas	SRR – Red ANA - High	Not Started		The allocated resource in the original audit plan are being utilised on audit areas as shown below, in agreement with officers. Further areas could be identified as the year progresses.	
Customer Feedback		In Progress	Value Added	In liaison with the Project Manager, Internal Audit has provided support to the Customer Feedback Focus Group, part of the project to improve customer engagement in respect of comments, compliments and complaints. A draft policy has been produced and Audit will continue its support as business, process, system and reporting requirements are captured to inform the re-engineering of customer engagement end-to-end solutions.	<b>Page 81</b>
<b>Transformation – Growth, Assets &amp; Municipal Enterprise (GAME)</b>					
Street Services Review – See Below	SRR – Red ANA - High	N/A	N/A	The allocated resource in the original audit plan are being utilised on audit areas as shown below, in agreement with officers. Further areas could be identified as the year progresses.	
Street Services – Missed Bins		Ongoing	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>	**










Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				This work is being made use of as part of the CST led Street Services Review to which Internal Audit are continuing to provide support and advice. Work has also been undertaken to assist with the improvement of key reports on the existing Dynamics CRM platform.	
Street Services – Tree Management		Draft	Value Added	<p>The objective of this review was to ensure the best possible service provision from the Street Services Tree Team. Current working arrangements and procedures were determined and evaluated and the following areas highlighted to improve efficiency, reduce costs and release capacity to develop proactive work, adding value to the overall service:</p> <ul style="list-style-type: none"> <li>• improve customer information available through the Council website and develop a specific clear route for reporting tree related problems;</li> <li>• implementation of a stricter risk based approach to tree inspection and maintenance;</li> <li>• development of a single complete, accurate and up to date record of tree asset information and maintenance activity;</li> <li>• manual, resource intensive processes and procedures;</li> <li>• consider how to better utilise the professional knowledge of Tree Officers across the Council and with partners through shared ownership of tree asset information and strategy.</li> </ul>	
Fleet Management	SRR – Red ANA – Medium Client Request	Not Started		Audit will undertake a gateway review of the Integrated Transport Programme.	
<b>Transformation – Integrated Approach to Health &amp; Wellbeing</b>					
Integrated Community Health and Social Care Service Delivery	SRR – Red ANA - High	N/A	N/A	The allocated resources in the original audit plan are being utilised on the Integrated Health and Wellbeing Board, in agreement with officers.	
Integrated Commissioning	SRR – Red ANA – High	N/A	N/A	The allocated resources in the original audit plan are being utilised on the Integrated Health and Wellbeing Board, in agreement with officers.	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Integrated Health & Wellbeing Board	SRR – Red ANA - High	In Progress	Value Added	<p>Work to support the IHWB Programme has included attendance at the IHWB Programme Board. Through this we have been able to keep informed of, challenge and support the key aspects of IHWB. Specific audit reviews which are being planned and scoped include:</p> <ul style="list-style-type: none"> <li>Financial Framework update review;</li> <li>Review of the PCC Retained Client Functions (following transfer of Adult Social Care to Plymouth Community Healthcare).</li> </ul>	
IHWB Governance & Risk Management	SRR – Red ANA - High	In Progress	Value Added	<p>We have commenced our work to map the governance structures associated with IHWB and the integrated Fund. We are also doing the same with the processes for the management of the associated risks, with a view to ensuring that there is clear, efficient and accountable governance and risk management in place.</p>	<b>Page 83</b>
Implementing the Care Act	SRR – Red ANA – High	N/A	N/A	<p>The allocated resources in the original audit plan are being utilised on Phases 1 &amp; 2 of the Care Act implementation, as agreed with officers; see below.</p>	
Implementing the Care Act (Phase 1)	SRR – Red ANA - High	Draft	Value Added – Situation Report Issued	<p>Phase 1 of the Care Act was implemented on 1 April 2015. We carried out a specific review of the key aspects and resulting Council compliance and issued a situation report in July 2015. This commented on areas including Care Act Training, Client Finance Services workloads, invoicing and Safeguarding Adult Board (SAB) requirements. Areas for improvement included:</p> <ul style="list-style-type: none"> <li>Ensuring that eLearning packages are suitable and accredited;</li> <li>Ensuring that project documentation is stored centrally and available for all related persons;</li> <li>The need to improve the way invoices are produced so that there is clear information on charges applied for services billed;</li> <li>Arranging final sign off for the SAB Strategic Plan and evidencing the agreement to formally share information.</li> </ul>	
Implementing the Care Act (Phase 2)	SRR – Red ANA - High	In Progress	Value Added	<p>Work commenced in April 2015 on the implementation of Phase 2 of the Care Act with a deadline of April 2016. Phase 2 included:</p> <ul style="list-style-type: none"> <li>Introducing a cap on Care Costs;</li> </ul>	**




Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				<ul style="list-style-type: none"> <li>• Providing a Statement which outlines eligible costs for the cap, accrued for those not receiving their care through the Council;</li> <li>• Care Accounts for recording costs;</li> <li>• A system of appeals linked to the implementation of Part 1.</li> </ul> <p>In July 2015, the Government announced the delay of Phase 2 until 2020 to allow further consideration of the impacts. In light of this, the Care Act Part 2 Project has been refined to look at implementation of the Deferred Payments module to CareFirst and actions required to ensure ongoing Part 1 compliance. Audit have provided the Project Manager with guidance on project governance.</p>	
Co-operative Children, Young People and Family Services	SRR – Red ANA - High	In Progress	Value Added	The Co-operative Children, Young People and Family Services (CYPF) project within the IHWB Programme contains a number of strands. Work was undertaken by the project to identify these and audit support provided through the Project Board. Due to the completion of work streams and scheduled phased implementation of the Early Help Gateway, the project board has been reformed to outline the next phases and review its operation e.g. by reducing the number of meetings being attended by the same people.	
<b>Transformation – People &amp; Organisation Development</b>					
DAP provided support and challenge to the workstreams that come under the responsibility of the People and Organisation Development Transformation programme, in particular Accommodation and Infrastructure as officers worked to ensure that remaining services were decanted from the Civic Centre in line with the agreement with Urban Splash. This was achieved in October.					
<b>Major Infrastructure &amp; Investment Projects</b>					
Waste PFI	SRR – Green ANA - High	On-Going	Value Added	DAP has continued its presence on the Project Executive Board and working with the Contract Manager to establish Audit and Assurance Plans.	 **
History Centre (Record Office)	ORR – Amber ANA - High	On-Going	Value Added	DAP have provided support, advice and assurance to the Project as it progresses through the design stages.	 **




Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
<b>Value Added</b>					
People – Completion of Fostering Review	ANA – High Client Request	Complete	Value Added	Further to a request from management, DAP has undertaken benchmarking / analytical review comparing Plymouth’s fostering allowances with those of its ‘nearest neighbours’ (as defined by CIPFA / Audit Commission), with other relevant local authorities in the South West and “South Coast” unitary authorities. The findings from this review will be used by Fostering Services in future consultation with Plymouth’s in-house foster carers when developing a revised fostering allowance policy.	
Early Intervention (Families With a Future)	Statutory Client Request	Ongoing	Part - Certified	Advice and support has continued to be provided as systems have been developed to evidence and track outcomes under Phase 2 of the Families With a Future programme. The robustness of the new recording, monitoring and reporting tool developed in house has been evaluated and the first claim under the extended programme was signed off by DAP at the end of September.	 <b>Page 85</b>
Highways Contract Procurement	ANA – High Client Request	In Progress	Value Added	DAP attends the Highways Project Board, set up to oversee the re-tendering of the City’s Highways maintenance contract, a joint procurement with Devon and Somerset Councils, to ensure that risks and issues are identified and mitigated. Challenge, advice and best practice guidance has been provided to officers on the evaluation model and general procurement and contract controls.	 **
Pension Advice	Client Request	Complete	Value Added	A briefing note was prepared outlining key points such as legal requirements, guarantees, valuations and the information needed to be included in any tender documentation, that finance officers should consider when dealing with pension arrangements associated with the introduction of new service delivery vehicles.	N/A
The following value added reviews will be commenced in the second half of 15/16:					
<ul style="list-style-type: none"> <li>➤ Management of DELT Contract</li> <li>➤ Plymouth Community Homes Contract</li> </ul>		ANA – High (Client Request) ANA – Medium (Client Request)		<ul style="list-style-type: none"> <li>➤ Capital Programme Governance</li> <li>➤ Financial Regulations</li> <li>➤ Historic Environment Advice</li> </ul> ANA - High (Client Request) ANA – Medium (Client Request) ANA – Low (Client Request)	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
<b>Core Assurance – Key Financial System</b>					
Civica Financials – Debtors	ANA - Low	Final	Good Standard	Assurance for these key financial system audit reviews was reported in the 2014-15 annual report; please refer to that report for details.	
Civica Financials – Creditors	ANA - High	Final	Good Standard		
Civica Financials - Main Accounting	ANA - Medium	Final	Improvements Required		
Academy – NNDR (Business Rates)	ANA - Low	Final	Good Standard		
Academy - Council Tax	ANA - Medium	Final	Good Standard		
Academy - Housing Benefits	ANA - High	Final	Improvements Required		
iTrent - Payroll	ANA - High	Final	Good Standard		
Fixed Asset Register	ANA - Medium	Final	Good Standard		
Domiciliary Care Payments (originally Residential Care Payments)	ANA – High Client Request	Final	Fundamental Weaknesses	<p>Block providers have been paid monthly in advance which has resulted in overpayments being made. Providers were not being invoiced for the outstanding funds, instead they are requested to submit credit notes which were offset against future payments. Some providers have queried the figures owed, causing delays of up to several months for credit notes to be submitted. This leaves the Council at risk of non-recovery of overpayments if the provider ceases trading.</p> <p>Additionally, due to the way the accounts for block providers were set up within the payments system, periodic payments continued to be made in line with the contract despite there being outstanding credit notes.</p> <p>These issues were highlighted during the audit and management put steps in place to change the process from September 2015, after which providers would be paid in arrears. Some periodical payments were reduced in the meantime but</p>	







Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				<p>contract terms prevent this happening in all cases as a reduction in payment would result in a need to renegotiate the rates charged for service provision. The new arrangements and changes have not been fully implemented for three of the eight block providers and therefore Internal Audit has not been able to test that they work effectively.</p> <p>The reconciliation of Domiciliary Care payments for 2014/15 was completed using estimated figures, as providers queried the figures presented to them. Also, there has been no reconciliation to date of payments made to providers on behalf of Health for 2015/16.</p> <p>A report used to support the review and authorisation of care packages was found to give inaccurate data, in particular, for support plan authorisation. The parameters of the report were reviewed but issues still remained. Prior to identifying issues with accuracy, there was no evidence to suggest it was being used or reviewed.</p> <p>The Weekly Service Usage report shows that Dom Care block, spot and health payments are below the contracted spend figures. The report also identifies how many clients are over/under their planned hours but when not used correctly or regularly, could have a financial impact for the Council and service users.</p> <p>The original processes are considered flawed but the steps outlined for improving processes in the departments action / implementation plan will reduce the risks to both the Council and service users. The overpayments and lack of adequate evidence of authorisation of packages are significant factors in the overall assurance rating of Fundamental Weaknesses, but these risks will be mitigated by the plan being put in place.</p>	Page 87
Academy - System Parameters	ANA - High	In Progress		Work is underway to check the accuracy of system parameters for Housing Benefits, Council Tax & NNDR and that figures carried forward from 2014/15	
The following core assurance / key financial systems will be commenced in the second half of 15/16:					
Civica Financials:		ANA – High / Medium / Low		Academy Revs & Bens: ANA – High / Medium / Low	
<ul style="list-style-type: none"> <li>• Creditors</li> <li>• Main Accounting</li> </ul>				<ul style="list-style-type: none"> <li>➤ Housing Benefits</li> </ul>	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
<ul style="list-style-type: none"> <li>Debtors</li> </ul> Retained Client (People) Client Billing Direct Payments	ANA - High Follow Up Review ANA - High			<ul style="list-style-type: none"> <li>Sys Parameters</li> <li>Council Tax</li> <li>Business Rates</li> </ul> Treasury Management Payroll	ANA – Low ANA – High
<b>Core Assurance - Other</b>					
People – Director of Children’s Service’s Local Assurance Test Review	ANA – High Client Request	Complete	Good Standard	The Strategic Director for People holds the dual role of Director of Children’s Services (DCS) and Director of Adult Services (DAS) and in accordance with Department for Education (DFE) requirements the Council is required to review its ability to carry out the DCS role. Following completion of the self-assessment known as the Local Assurance Test (LAT), DAP carried out an independent review of the responses to and the evidence supporting the LAT. Our review concluded that overall the responses addressed the majority of points included in the self assessment and these were suitably evidenced.	
Barclays “Spend Management”	ANA – High	Final	Good Standard	The design of the system contains inbuilt controls which prevent users from exceeding their monthly credit and transaction limits. Purchases can only be made against merchant codes allocated to each specific cardholder in accordance with their role and service needs.  Areas highlighted which would further strengthen the system include:-  <ul style="list-style-type: none"> <li>documenting the roles and responsibilities which are split between the Transaction Centre and the Financial Systems Team to ensure clarity and understanding;</li> <li>developing a short VAT training session to ensure cardholders/ approvers:-               <ul style="list-style-type: none"> <li>gain a better understanding of the complexities of VAT and how it applies in their specific areas of spend; and</li> <li>understand the rules around VAT recovery and how this is needed by the Authority to help minimise expenditure.</li> </ul> </li> </ul>	
Mount Edgcumbe Joint Committee – Small Bodies Return	Statutory	Complete	High Standard	Mount Edgcumbe Joint Committee's focus for 2014/15 was to drive forward the transformational change of Mount Edgcumbe Park.	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				Cornwall Council and Plymouth City Council made a total annual contribution of £284k for 2014/15, a reduction of £30k from 2013/14. As part of on-going business planning, budget monitoring and transformation projects, risks to objectives are considered and a formal risk register was developed and presented to the Joint Committee in July 2015.	
Schools Financial Value Standards (SFVS)	ANA - Low	Final	Good Standard	SFVS Dedicated Schools Grant Chief Finance Office assurance statement for 2014/15 submitted to the Department for Education.	
Print & Document Services (PADS)	ANA - High	Draft	Improvements Required	<p>Procedures for the processing of print runs have recently been reviewed by the service area, with additional controls introduced to enable reconciliation of the print files to actual output. Documented working practices now need to be updated to accurately reflect current procedures.</p> <p>Issues were also identified relating to the physical security of the service accommodation and recommendations included:</p> <ul style="list-style-type: none"> <li>consideration of the security options available, together with the resultant cost(s), versus the risk of a malicious incident which, due to some of the personal information handled by the service, could in the event of a reported security breach, result in a financial penalty from the Information Commissioner and damage the reputation of the Council; and</li> <li>print runs containing personal data which are not packed and dispatched the same day are held overnight in a locked cabinet.</li> </ul> <p>We can confirm that immediate action has been taken by management to secure print runs which are not dispatched the same day.</p>	 * Page 89
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	DAP continues to attend and support the Information Lead Officers Group (ILOG) and has regular contact with the Council's Corporate Information Manager regarding matters concerning data / information management and security for example information handling within Print and Document Services (see above)	
Business Continuity	SRR – Green ANA - Medium	On-Going	Value Added	DAP continues to be a member of the Council's Business Continuity Strategy Group. In addition, Audit give consideration to issues relating to Business Continuity plans within individual service reviews and projects that it has	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				involvement in.	
ICT <ul style="list-style-type: none"> <li>• Service Strategy</li> <li>• Service Design</li> </ul>	ANA - High	On-Going		<p>Internal Audit have performed a watching brief in respect of the developing retained client functions and controls that have been put in place since ICT service provision moved from 'in-house' to Delt Services. Both management and operational processes continue to develop as the business relationship between the Council and Delt Services evolves. Internal Audit is to commence a review of arrangements in the near future.</p> <p>As planned, ICT audit resources are being focused on new business solutions, system development and potential areas of service improvement that will deliver better value for money. Service areas being supported include Waste and Customer Services, where process re-engineering and information technologies are fundamental to the transformational change process.</p> <p>No work has been undertaken in respect of the Service Strategy process itself as strategic direction is being defined by the Transformation Programme.</p>	 **
Travel and Subsistence	ANA - Medium Client Request	In Progress		<p>Following the roll-out of HR self-service earlier this year for mileage and expense claims, it was agreed that we would:-</p> <ul style="list-style-type: none"> <li>• review a random sample of employees from various departments to check that all receipts are retained, as required by HM Revenues &amp; Customs and in line with the published process, and</li> <li>• capture any feedback in respect of the new system.</li> </ul>	
Commissioning of Events	ANA - Medium	In Progress		<p>In isolation the budget and associated spend of the Events team is not material. However, events are high-profile and attract interest and scrutiny from the media, members and the public. The focus of this review is to evaluate and report on the adequacy of controls, process and management practice in connection with the planning and staging of public events involving the Council.</p>	

The following Core Assurance reviews will be commenced in the second half of 15/16:

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
<ul style="list-style-type: none"> <li>➤ Capital Programme Governance</li> <li>➤ Planning Application Conditions Compliance</li> <li>➤ Highways Act – Section 38 and Section 278</li> </ul>			ANA – High (Client Request) ANA – Low (Client Request) ANA – Low (Client Request)		
<b>Grants</b>					
Rogue Landlord Funding	Regulatory Requirement	Complete	Certified	No issues identified	
Autism Innovation Capital Grant 31/2424	Regulatory Requirement	Complete	Certified	No issues identified	
Community Capacity Grant 31/2393	Regulatory Requirement	Complete	Certified	No issues identified	
Local Sustainable Transport Fund	Regulatory Requirement	Complete	Certified	No issues identified	
Local Transport Capital Block	Regulatory Requirement	Complete	Certified	No issues identified	
Pinch Point Funding	Regulatory Requirement	Complete	Certified	No issues identified	

## Appendix 2 – Performance Indicators

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

<i>Annual Local Performance Indicators (LPI)</i>	<b>2012/13</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2015/16</b>
	Target	Actual	Target	Actual	Target	Actual	Full Year Target	Six month Actual
Percentage of Audit plan Commenced (Inc. Schools)	95%	97.75%	100%	96.5%	100%	98%	100%	68%
Percentage of Audit plan Completed (Inc. Schools)	90%	94.3%	93%	94.6%	93%	94%	93%	44%
Actual Audit Days as percentage of planned (Inc. Schools)	90%	99.7%	95%	97.5%	95%	96%	95%	42%
Percentage of fundamental / material systems reviewed annually	100%	100%	100%	100%	100%	100%	100%	On target
Percentage of chargeable time	65%	66.1%	65%	69.3	65%	67.8%	65%	67.3
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	94.5%	90%	98%	90%	99%	90%	99%
Draft Reports produced within target number of days (currently 15 days)	90%	79.7%	90%	80.1%	90%	94%	90%	88%
Final reports produced within target number of days (currently 10 days)	90%	86.4%	90%	89.1%	90%	99%	90%	96%
Average level of sickness absence (DAP as a whole)	2%	2.9%	2%	3%	2%	5.5%	2%	2.1%
Percentage of staff turnover (DAP as a whole)	5%	8.5% (3 people)	5%	3%	5%	16.6%	5%	6%*
Out-turn within budget	Yes	Yes	Yes	Yes	Yes	Yes	Yes	On Target

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

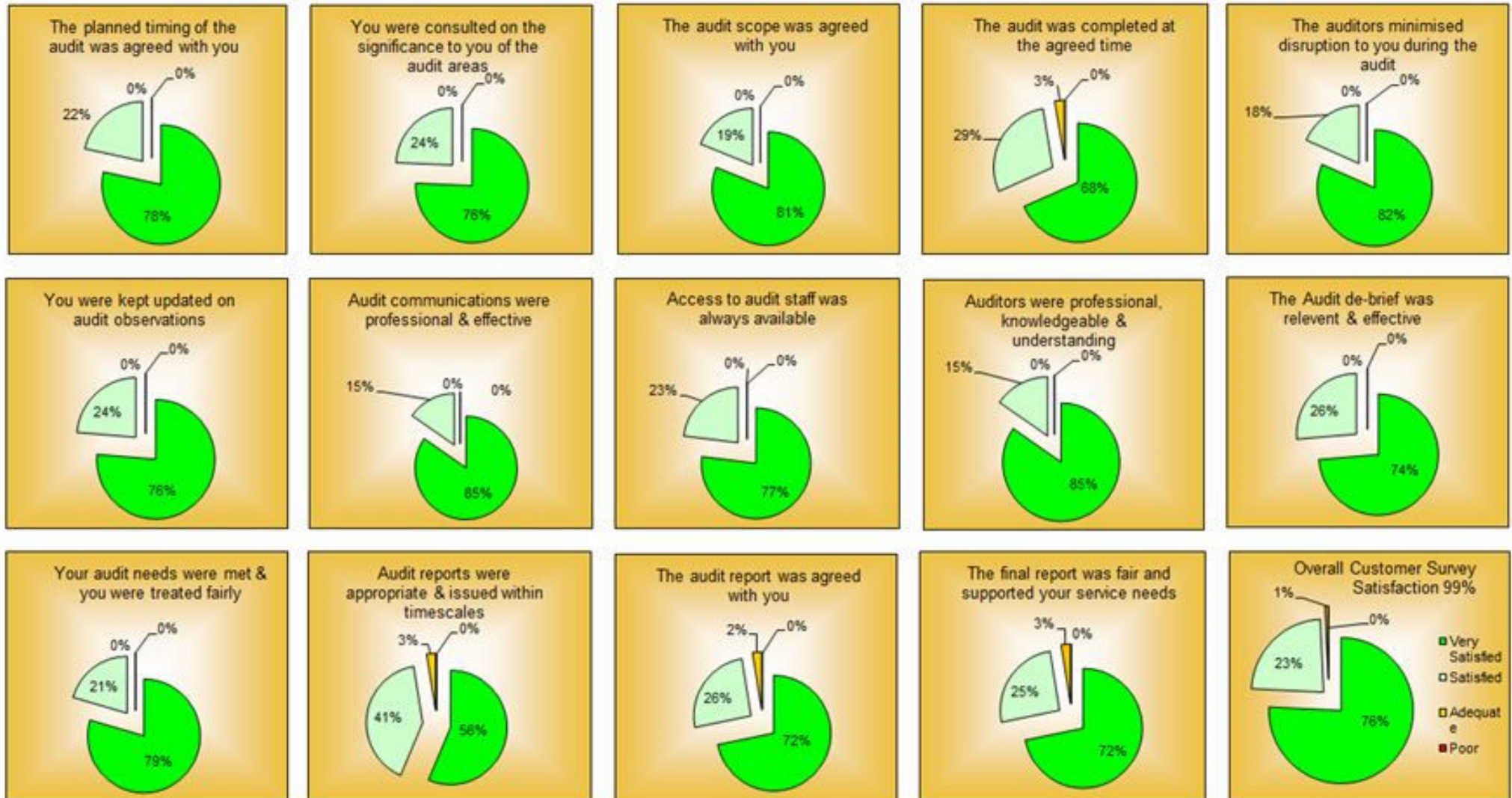
**Note \*** - 2 staff on secondment to other services



# Appendix 3 - Customer Service Excellence

## Customer Survey Results April 2015 - Sept 2015

The charts below show a summary of 39 responses received.



## Appendix 4 – Definitions

### Definitions of Audit Assurance Opinion Levels

Assurance	Definition
High Standard.	The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place. We have made only minor recommendations aimed at further enhancing already sound procedures.
Good Standard.	The systems and controls generally mitigate the risk identified but a few weaknesses have been identified and / or mitigating controls may not be fully applied. There are no significant matters arising from the audit and the recommendations made serve to strengthen what are mainly reliable procedures.
Improvements required.	In our opinion there are a number of instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved in order to ensure that they are fully reliable. Recommendations have been made to ensure that organisational objectives are not put at risk.
Fundamental Weaknesses Identified.	The risks identified are not being controlled and there is an increased likelihood that risks could occur. The matters arising from the audit are sufficiently significant to place doubt on the reliability of the procedures reviewed, to an extent that the objectives and / or resources of the Council may be at risk, and the ability to deliver the service may be adversely affected. Implementation of the recommendations made is a priority.

### Confidentiality under the Government Security Classifications

Marking	Definition
Official	The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.
Secret	Very sensitive information that justifies heightened protective measures to defend against determined and highly capable threat actors. For example, where compromise could seriously damage military capabilities, international relations or the investigation of serious organised crime.
Top Secret	The most sensitive information requiring the highest levels of protection from the most serious threats. For example, where compromise could cause widespread loss of life or else threaten the security or economic wellbeing of the country or friendly nations.

**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	Internal Audit – Integrated Health and Wellbeing, Joint Assurance
<b>Committee:</b>	Audit Committee
<b>Date:</b>	3 December 2015
<b>Cabinet Member:</b>	Councillor Lowry
<b>CMT Member:</b>	Lesla Annear (Strategic Director for Transformation and Change)
<b>Author:</b>	Robert Hutchins, Head of Devon Audit Partnership
<b>Contact details:</b>	Tel: 01752 306710
<b>Ref:</b>	AUD/RH
<b>Key Decision:</b>	No
<b>Part:</b>	I

---

**Purpose of the report:**

The Northern, Eastern and Western Devon Clinical Commissioning Group (NEW Devon CCG) and Plymouth City Council (PCC) formed an integrated commissioning function on 01 April 2015, bringing together funds for 2015/16 of circa £460m, to be used to jointly commission Health and Wellbeing services in the locality. This report outlines to the Audit Committee the informal partnership arrangements which have been agreed between Devon Audit Partnership and Audit South West for the delivery of an agile, efficient and effective audit service. This relationship has been developed to ensure the suitable assurance can be provided to both partners for the £460m of combined funds.

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

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

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

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

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

None

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

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

**Equality and Diversity:**

Has an Equality Impact Assessment been undertaken? No

---

**Recommendations and Reasons for recommended action:**

It is recommended that:-

- I. 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 and 2015.

---

**Published work / information:**

Internal Audit Annual Report 2014/15 – June 2015

**Background papers:**

None

---

**Sign off:**

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



**Audit South West**  
Internal Audit, Counter Fraud and Consultancy Services

***Integrated Health and Wellbeing***

**Joint Working and the Need for  
Independent Assurance**

**December 2015**

## Introduction

### Integrated Commissioning

As of 1 April 2015 Plymouth City Council (PCC) and the Northern Eastern and Western Devon Clinical Commissioning Group (the CCG) have been working in partnership to undertake the Integrated Commissioning of Health and Wellbeing services. This commissioning activity is based around four jointly agreed commissioning strategies:

- Community Based Care;
- Enhanced & Specialist Care;
- Wellbeing;
- Children and Young People.

### Purpose of this Paper

This paper sets out the framework in which the respective internal audit providers of PCC and the CCG, Devon Audit Partnership (DAP) and Audit South West (ASW) respectively, agreed to work together to deliver on-going internal audit assurance and counter fraud work within the framework of the integrated commissioning service, in order to meet the assurance needs of both partners.

### Expectations

This framework recognises that each partner will have their own specific assurance needs, particularly in year one, and their own expectations in terms of the level of input from their own internal auditors. Both DAP and ASW are committed to working together to deliver these assurance needs within a structured framework.

## The Requirements

### What is required?

An annual Internal Audit plan is required focussing on key risks and providing guidance, advice, and assurance that the arrangements are sound and effective, and that controls in operation mitigate the exposure to risk.

Both the CCG and PCC internal audit plans for 2015/16 recognise the need for assurance in this area.

However, to complement the annual plan a three year audit programme should be developed aiming to provide assurance on the key areas of business risk. This can be achieved by aligning the longer term audit programme with the strategic plans of the partner organisations and Integrated Commissioning Function.

### Plymouth City Council 2015/16 IA Plan

Audit involvement within the PCC People Directorate is both historical and on-going; as a consequence the PCC 2015/16 audit plan already includes an allocation of days to provide continued assurance to the City Council and in turn the CCG.

This PCC internal audit resource allocation is expected to continue due to the values involved as a percentage of the overall funds managed by PCC, and the impact of possible failure or inadequate management of risks. There is a need for the internal audit service to be proactive as well as reactive to the needs and requirements of the service area, especially in these early days.

### Reporting

Appropriate reporting arrangements will need to be developed to meet the requirements of each partner organisation. Formal reporting to partners will typically include:

- Reports on each specific assignment/audit;
- Periodic Summaries to align with Audit Committee cycles;
- Annual Audit Assurance Opinion.

Report recipients are expected to be as follows:

- Assignment/Audit Reports – In the first instance these should be provided to the Service Managers for the area reviewed to agree the detail of the report and obtain responses to recommendations. Once agreed the report will be shared with Integrated Commissioning Finance and Assurance Review Group as requested or agreed.
- An annual report issued to the Integrated Governance Senior Management Team, and partner Senior Leadership Teams and Audit Committees as appropriate.

The work undertaken will feed into the respective annual Head of Internal Audit Opinion Statements.

## **Proposed Approach**

Audit South West and Devon Audit Partnership propose to work together to develop and deliver a suitable audit service. Alternative arrangements have been considered, including whether one of the partner audit teams could assume full audit responsibility. The proposed joint approach has the following advantages:

- A flexible approach, with the ability of either partner to adequately and quickly increase the resource available to deliver the full audit plan;
- Retention of specialist knowledge and experience in both audit teams to benefit both partners;
- Opportunities to further enhance the skills of both audit teams to the benefit of the partners through joint working.

This will involve:

- Consolidation of 2015/16 internal audit plans to avoid duplication and share assurance;
- Production of a higher level internal audit programme covering a three year period (2016/17, 2017/18 and 2018/19) which will inform the detailed annual audit plans;
- The use of the “best placed” resource from both teams to deliver the work. Factors for consideration include the skills and knowledge needed as well as location;
- Agreement of report layout which recognises the input of both teams and satisfies the requirements of the partners.

It is anticipated that the overall lead for assignment work will be reflective of the decision made in respect of the host partner of the integrated funds. Each internal audit provider will nominate a named person to act as the overall lead for joint working on a day to day basis. For DAP this will be Chris Elliott, Audit Manager for People and for ASW this will be Sam Gingell, Assistant Audit Manager.

Both ASW and DAP are committed to regular and on-going liaison and sharing of knowledge to ensure the most appropriate service to both partners. This will be achieved through quarterly update meetings of the above mentioned leads or nominated deputies, supported by ad hoc meetings as required.

In most instances joint working on assignments is expected – Each team will use their own systems and review process, whilst working together to produce the report which would aim to contain key components, requirements and information required by the partner organisations.

However, where one provider is undertaking the majority of work, then work will be undertaken on the basis of a “Lead Provider” (for example, 60% ASW and 40% DAP would result in ASW taking the lead). The lead provider’s systems would be used to record work and review would flow through them. Reports will be co-ordinated across both audit teams to ensure that any final comments can be actioned.

### Fraud

Counter Fraud work within the CCG is prescribed by Secretary of State’s Directions on Counter Fraud and by the NHS Protect Standards for Commissioners 2015-16 on Fraud, Bribery and Corruption. These Standards require a prescribed approach to the prevention of fraud through four key strands:

- Strategic Governance
- Inform and Involve
- Prevent and Deter
- Hold to Account

Given that the CCG is the Host body, in order to comply with these requirements ASW will act as the overall lead in all counter fraud matters, but will work with DAP in the delivery of specific preventive, detective and investigative work.

Both ASW and DAP will ensure that there is suitably skilled resource available to conduct investigation work if needed.

### Advice and Guidance

Advice and guidance will be required on an on-going basis and the best placed team should respond. Where a request routes through one audit team this should not preclude the transfer of information to the other, if the other team is best placed to provide advice or guidance. In order to avoid providing conflicting advice both audit teams will consult to ensure consistency of message.

### Review of Arrangements

These arrangements will be reviewed regularly, at least on an annual basis to ensure that they continue to meet the requirements of both partners.



## **APPENDIX 1**

### **Independent Assurance**

The Institute of Internal Auditors (IIA) definition of Internal Audit starts with “Internal Auditing is an independent, objective assurance and consulting activity”.

#### What is Assurance?

Assurance is a positive declaration intended to give confidence through the objective assessment of evidence with a view to providing an independent opinion or conclusion regarding an entity, an operation, a function, a process, system or other subject matter.

The independence of those giving assurance is key to providing confidence to those receiving it that it is truly objective. Internal management will give their views on outputs and challenge information and processes, whilst this is to be highly valued, it is not independent.

#### Why is there a need for Independent Assurance?

In 2015/16 Plymouth City Council is committing £131m of public funds and the CCG are committing circa £331m, providing an alignment of public funds in excess of £460m.

Internal Audit work will be aimed at providing both partners with independent assurance on the on-going effectiveness of business critical systems and processes, governance structures and risk management as well as assurance that appropriate progress is being made on the development of integrated systems, in line with the overall strategic direction of the commissioning function.

#### Who needs Independent Assurance?

Those charged with governance need independent assurance and for the City Council this includes the Cabinet and Audit Committee. For the CCG, this is via the Audit and Assurance Committee. Senior Management within each of the partners will also require assurance, most likely at a greater level of detail than those charged with Governance.

The Senior Management Team within the Integrated Commissioning Function will require assurance on a variety of issues, ranging from financial performance to administrative functions to enable any weaknesses identified to be addressed before they become problems, and to independently highlight successes and good practice. This is delegated to the Integrated Commissioning Finance Assurance Review Group.

### **Areas for Assurance**

There are a number of areas where assurance will be required which will in the main fall into one of the following categories.

#### Risks

Partnership working brings its own challenges and when combined with the sums of money involved the impact, should a risk occur are higher. There is a need for confirmation that effective risk management arrangements are in place, that risks are identified, assessed in a consistent manner, are known to those charged with managing them and that suitable mitigating actions are agreed and reviewed on an on-going basis to manage these risks.

#### Controls

Assurance on the management actions and controls necessary to mitigate the risks is as important as the confirmation of their identification. Assurance work should look to provide

an opinion on the suitability, effectiveness and efficiency of controls and actions. In addition there is a need to confirm that they are working in practice and are consistently applied.

#### Threats and Opportunities

Whilst undertaking assurance work, threats and opportunities will be highlighted along with the existence, or not, of a sound system that enables opportunities to be maximised with minimal or accepted risk.

#### Implementation of Actions

A further area of assurance will be the confirmation that any actions identified through the assurance work are being addressed in a suitable and timely manner or where the risk is accepted the possible implications are clearly understood.

## **Assurance Delivery**

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

In order to have suitable credibility and meet Local Authority and NHS requirements the internal audit work needs to be delivered by a PSIAS accredited/compliant provider which both DAP and ASW are. The standards published in April 2013 have the objectives of:

- Defining the nature of internal auditing within the UK public sector;
- Setting basic principles for carrying out internal audit in the UK public sector;
- Establishing a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

#### Knowledge

Internal Audit assurance delivery needs to be undertaken by those who understand the issues affecting the Integrated Health and Wellbeing activities. The value of experienced Internal Audit along with the knowledge gained from past experience and work with both partner organisations should not be underestimated.

#### Advice

Assurance work takes many forms and aside from the more formal audit assignments (both planned and unplanned) there will be a need to provide advice to the integrated commissioning function and the partners on an ad hoc basis as required.

#### Value for Money / High Quality

Given the underlying theme of greater efficiency and achievement of budget savings inherent in the Integrated Commissioning Function, there is a need for the assurance delivery to meet the partner's needs for value for money and high quality service. This is reflective of the ethos of both Devon Audit Partnership and Audit South West.

#### Locally Based

As well as knowledge of the areas requiring assurance there is a real benefit to having locally based audit. A general awareness of the locality will help to feed the understanding of the goals of the integrated commissioning function. Being locally based also offers more flexibility for interaction as travel time is not an issue and helps to keep costs low.



# **Plymouth City Council & NEW Devon Clinical Commissioning Group**

## **Internal Audit Briefing – Integration**

Prepared By

Robert Loader  
Deputy Director of Audit  
Audit South West

David Curnow  
Deputy Head of Partnership  
Devon Audit Partnership

November 2015

## 1 Introduction

This report provides an initial briefing to members of the Audit and Assurance Committees of Plymouth City Council and NEW Devon Clinical Commissioning Group on the audit approach being taken by the respective Internal Audit services around the integration of health and social care services and other areas of joint interest.

This is intended to provide initial awareness of the joint working approach and help stimulate discussion between the two committees around specific assurances they may require for current and future years.

## 2 Partnership Agreement

Both sets of internal auditors have committed to the principles of partnership working.

We have agreed a framework setting out how we propose to support the on-going audit assurance to both partner organisations.

The framework sets out how we will work together to deliver on-going internal audit assurance and counter fraud work within the framework of the integrated commissioning service to meet the assurance needs of the integrated commissioner and both partners. This framework will be reviewed annually to ensure it continues to meet these needs.

This framework is based on a joint approach with audit work delivered by the most appropriate internal auditors. The framework recognises that each partner will have their own specific assurance needs, particularly in year one, and their own expectations in terms of the level of input from their own internal auditors. We are committed to working together to deliver these assurance needs within this framework.

A copy of this framework has been provided for information.

## 3 Audit Work

Agreed Internal Audit Plans are in place for each partner. The delivery of these plans and the assurances on each specific audit is reported to the respective audit committee.

There are areas of joint interest contained in these plans:

- Audits specifically around the development and operation of the integrated commissioner;
- Other audits of common interest to each organisation;
- Audits of underpinning governance arrangements.

**Specific Audits** – the table below sets out specific audit work being undertaken this year:

CCG Plan	PCC Plan
Review of Financial Framework.	IHWB Governance and Risk Management. Reporting of spend and budget monitoring - within PCC and the Integrated Fund.
Input into PCC audit work on Governance & Risk Management and Financial & Budgetary control from a CCG perspective.	Input into CCG audit work on review of financial framework from a PCC perspective.
Limited attendance at bodies including IHWB Programme Board, Finance and Assurance Review Group along with support and live feedback.	Attendance at bodies including IHWB Programme Board, Finance and Assurance Review Group along with support and live feedback.

**Audits of Common Interest** – There is one audit area in this category this year. Audit South West has undertaken a review of overall governance at the shared IT Provider, DELT. This has been undertaken through the CCG audit plan and is currently at draft report stage. We agreed up front to share the report with PCC and a copy of the draft has been shared with the PCC auditors.

We expect there to be further areas of common interest in future.

**Audits of Underpinning Governance Systems** – These cover the systems that underpin the key annual governance statements of each organisation, the Head of Audit Opinion for the CCG and the Head of Audit Partnership Opinion for Plymouth City Council.

Given the nature of the partnership each partner will have an interest in the overall assurances provided by each internal auditor on core governance systems. This will include, for example:

- Core financial systems.
- Risk management.
- Financial Planning.
- Performance Management.
- Information Governance and core IT provision.

Subject to committee agreement, we propose that these assurances are provided through a specific tailored annual assurance statement for each partner. This would be prepared by the respective internal auditor.

#### 4 Counter Fraud Work

Counter Fraud activity in the NHS is specifically mandated by Secretary of State's Directions and the NHS Protect Standards on Counter Fraud in CCGs.

We have agreed the key principle behind the delivery of counter fraud work, whereby Audit South West will act as the overall lead in order to meet the NHS Protect requirements on counter fraud work. This is important as the CCG is acting as the Pooled Fund Holder. Devon Audit Partnership will support as and when necessary.

Further work is required to undertake an initial fraud risk assessment to help direct specific counter fraud work.

#### 5 Reporting

The reporting requirements for the respective Audit Committees are different where PCC's is public and summary and CCG's is private and more detailed.

Because the partnership arrangements are new the reporting lines to each audit committee will need to be clarified and agreed with key relevant stakeholders. We anticipate that assignment audit reports for both PCC and CCG may be considered by the Finance and Assurance Review Group who may refer key risks to Audit Committees. An Annual report will be issued to Integrated Governance Senior Management and the Audit Committees.

**This page is intentionally left blank**



**Audit South West**  
Internal Audit, Counter Fraud and Consultancy Services

## ***Integrated Health and Wellbeing***

### **Joint Working and the Need for Independent Assurance**

**December 2015**

## Introduction

### Integrated Commissioning

As of 1 April 2015 Plymouth City Council (PCC) and the Northern Eastern and Western Devon Clinical Commissioning Group (the CCG) have been working in partnership to undertake the Integrated Commissioning of Health and Wellbeing services. This commissioning activity is based around four jointly agreed commissioning strategies:

- Community Based Care;
- Enhanced & Specialist Care;
- Wellbeing;
- Children and Young People.

### Purpose of this Paper

This paper sets out the framework in which the respective internal audit providers of PCC and the CCG, Devon Audit Partnership (DAP) and Audit South West (ASW) respectively, agreed to work together to deliver on-going internal audit assurance and counter fraud work within the framework of the integrated commissioning service, in order to meet the assurance needs of both partners.

### Expectations

This framework recognises that each partner will have their own specific assurance needs, particularly in year one, and their own expectations in terms of the level of input from their own internal auditors. Both DAP and ASW are committed to working together to deliver these assurance needs within a structured framework.

## The Requirements

### What is required?

An annual Internal Audit plan is required focussing on key risks and providing guidance, advice, and assurance that the arrangements are sound and effective, and that controls in operation mitigate the exposure to risk.

Both the CCG and PCC internal audit plans for 2015/16 recognise the need for assurance in this area.

However, to complement the annual plan a three year audit programme should be developed aiming to provide assurance on the key areas of business risk. This can be achieved by aligning the longer term audit programme with the strategic plans of the partner organisations and Integrated Commissioning Function.

### Plymouth City Council 2015/16 IA Plan

Audit involvement within the PCC People Directorate is both historical and on-going; as a consequence the PCC 2015/16 audit plan already includes an allocation of days to provide continued assurance to the City Council and in turn the CCG.

This PCC internal audit resource allocation is expected to continue due to the values involved as a percentage of the overall funds managed by PCC, and the impact of possible failure or inadequate management of risks. There is a need for the internal audit service to be proactive as well as reactive to the needs and requirements of the service area, especially in these early days.



### Reporting

Appropriate reporting arrangements will need to be developed to meet the requirements of each partner organisation. Formal reporting to partners will typically include:

- Reports on each specific assignment/audit;
- Periodic Summaries to align with Audit Committee cycles;
- Annual Audit Assurance Opinion.

Report recipients are expected to be as follows:

- Assignment/Audit Reports – In the first instance these should be provided to the Service Managers for the area reviewed to agree the detail of the report and obtain responses to recommendations. Once agreed the report will be shared with Integrated Commissioning Finance and Assurance Review Group as requested or agreed.
- An annual report issued to the Integrated Governance Senior Management Team, and partner Senior Leadership Teams and Audit Committees as appropriate.

The work undertaken will feed into the respective annual Head of Internal Audit Opinion Statements.

## **Proposed Approach**

Audit South West and Devon Audit Partnership propose to work together to develop and deliver a suitable audit service. Alternative arrangements have been considered, including whether one of the partner audit teams could assume full audit responsibility. The proposed joint approach has the following advantages:

- A flexible approach, with the ability of either partner to adequately and quickly increase the resource available to deliver the full audit plan;
- Retention of specialist knowledge and experience in both audit teams to benefit both partners;
- Opportunities to further enhance the skills of both audit teams to the benefit of the partners through joint working.

This will involve:

- Consolidation of 2015/16 internal audit plans to avoid duplication and share assurance;
- Production of a higher level internal audit programme covering a three year period (2016/17, 2017/18 and 2018/19) which will inform the detailed annual audit plans;
- The use of the “best placed” resource from both teams to deliver the work. Factors for consideration include the skills and knowledge needed as well as location;
- Agreement of report layout which recognises the input of both teams and satisfies the requirements of the partners.

It is anticipated that the overall lead for assignment work will be reflective of the decision made in respect of the host partner of the integrated funds. Each internal audit provider will nominate a named person to act as the overall lead for joint working on a day to day basis. For DAP this will be Chris Elliott, Audit Manager for People and for ASW this will be Sam Gingell, Assistant Audit Manager.

Both ASW and DAP are committed to regular and on-going liaison and sharing of knowledge to ensure the most appropriate service to both partners. This will be achieved through quarterly update meetings of the above mentioned leads or nominated deputies, supported by ad hoc meetings as required.

In most instances joint working on assignments is expected – Each team will use their own systems and review process, whilst working together to produce the report which would aim to contain key components, requirements and information required by the partner organisations.

However, where one provider is undertaking the majority of work, then work will be undertaken on the basis of a “Lead Provider” (for example, 60% ASW and 40% DAP would result in ASW taking the lead). The lead provider’s systems would be used to record work and review would flow through them. Reports will be co-ordinated across both audit teams to ensure that any final comments can be actioned.

### Fraud

Counter Fraud work within the CCG is prescribed by Secretary of State’s Directions on Counter Fraud and by the NHS Protect Standards for Commissioners 2015-16 on Fraud, Bribery and Corruption. These Standards require a prescribed approach to the prevention of fraud through four key strands:

- Strategic Governance
- Inform and Involve
- Prevent and Deter
- Hold to Account

Given that the CCG is the Host body, in order to comply with these requirements ASW will act as the overall lead in all counter fraud matters, but will work with DAP in the delivery of specific preventive, detective and investigative work.

Both ASW and DAP will ensure that there is suitably skilled resource available to conduct investigation work if needed.

### Advice and Guidance

Advice and guidance will be required on an on-going basis and the best placed team should respond. Where a request routes through one audit team this should not preclude the transfer of information to the other, if the other team is best placed to provide advice or guidance. In order to avoid providing conflicting advice both audit teams will consult to ensure consistency of message.

### Review of Arrangements

These arrangements will be reviewed regularly, at least on an annual basis to ensure that they continue to meet the requirements of both partners.

## **APPENDIX 1**

### **Independent Assurance**

The Institute of Internal Auditors (IIA) definition of Internal Audit starts with “Internal Auditing is an independent, objective assurance and consulting activity”.

#### What is Assurance?

Assurance is a positive declaration intended to give confidence through the objective assessment of evidence with a view to providing an independent opinion or conclusion regarding an entity, an operation, a function, a process, system or other subject matter.

The independence of those giving assurance is key to providing confidence to those receiving it that it is truly objective. Internal management will give their views on outputs and challenge information and processes, whilst this is to be highly valued, it is not independent.

#### Why is there a need for Independent Assurance?

In 2015/16 Plymouth City Council is committing £131m of public funds and the CCG are committing circa £331m, providing an alignment of public funds in excess of £460m.

Internal Audit work will be aimed at providing both partners with independent assurance on the on-going effectiveness of business critical systems and processes, governance structures and risk management as well as assurance that appropriate progress is being made on the development of integrated systems, in line with the overall strategic direction of the commissioning function.

#### Who needs Independent Assurance?

Those charged with governance need independent assurance and for the City Council this includes the Cabinet and Audit Committee. For the CCG, this is via the Audit and Assurance Committee. Senior Management within each of the partners will also require assurance, most likely at a greater level of detail than those charged with Governance.

The Senior Management Team within the Integrated Commissioning Function will require assurance on a variety of issues, ranging from financial performance to administrative functions to enable any weaknesses identified to be addressed before they become problems, and to independently highlight successes and good practice. This is delegated to the Integrated Commissioning Finance Assurance Review Group.

### **Areas for Assurance**

There are a number of areas where assurance will be required which will in the main fall into one of the following categories.

#### Risks

Partnership working brings its own challenges and when combined with the sums of money involved the impact, should a risk occur are higher. There is a need for confirmation that effective risk management arrangements are in place, that risks are identified, assessed in a consistent manner, are known to those charged with managing them and that suitable mitigating actions are agreed and reviewed on an on-going basis to manage these risks.

#### Controls

Assurance on the management actions and controls necessary to mitigate the risks is as important as the confirmation of their identification. Assurance work should look to provide

an opinion on the suitability, effectiveness and efficiency of controls and actions. In addition there is a need to confirm that they are working in practice and are consistently applied.

#### Threats and Opportunities

Whilst undertaking assurance work, threats and opportunities will be highlighted along with the existence, or not, of a sound system that enables opportunities to be maximised with minimal or accepted risk.

#### Implementation of Actions

A further area of assurance will be the confirmation that any actions identified through the assurance work are being addressed in a suitable and timely manner or where the risk is accepted the possible implications are clearly understood.

## **Assurance Delivery**

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

In order to have suitable credibility and meet Local Authority and NHS requirements the internal audit work needs to be delivered by a PSIAS accredited/compliant provider which both DAP and ASW are. The standards published in April 2013 have the objectives of:

- Defining the nature of internal auditing within the UK public sector;
- Setting basic principles for carrying out internal audit in the UK public sector;
- Establishing a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

#### Knowledge

Internal Audit assurance delivery needs to be undertaken by those who understand the issues affecting the Integrated Health and Wellbeing activities. The value of experienced Internal Audit along with the knowledge gained from past experience and work with both partner organisations should not be underestimated.

#### Advice

Assurance work takes many forms and aside from the more formal audit assignments (both planned and unplanned) there will be a need to provide advice to the integrated commissioning function and the partners on an ad hoc basis as required.

#### Value for Money / High Quality

Given the underlying theme of greater efficiency and achievement of budget savings inherent in the Integrated Commissioning Function, there is a need for the assurance delivery to meet the partner's needs for value for money and high quality service. This is reflective of the ethos of both Devon Audit Partnership and Audit South West.

#### Locally Based

As well as knowledge of the areas requiring assurance there is a real benefit to having locally based audit. A general awareness of the locality will help to feed the understanding of the goals of the integrated commissioning function. Being locally based also offers more flexibility for interaction as travel time is not an issue and helps to keep costs low.

**PLYMOUTH CITY COUNCIL**

**Subject:** Plymouth Integrated Commissioning Risk Register Framework  
Update Report

**Committee:** Audit Committee

**Date:** 3 December 2015

**Cabinet Member:** Councillor Lowry

**CMT Member:** Lesa Annear, Director for Transformation & Change

**Author:** Mike Hocking, Head of Corporate Risk and Insurance

**Contact details** Tel: 01752 304967  
mike.hocking@plymouth.gov.uk

**Ref:** CRM/MJH

**Key Decision:** No

**Part:** I

---

**Purpose of the report:**

The Better Care Fund has been established by the Government to provide funds to local areas to support the integration of health and social care and to seek to achieve the National Conditions and Local Objectives. It is a requirement of the Better Care Fund that the CCG and the Council establish a pooled fund for this purpose.

The Integrated Health & Wellbeing Programme is utilising a cooperative commissioning approach and the Risk Management Framework is designed to demonstrate the approach to, and ensure there is a system for monitoring the application of risk management, and that integrated risks to the pooled fund are actioned in accordance with the framework guidance.

Risk Management is a framework for the systematic identification, assessment, treatment and monitoring of risks. Its purpose is to prevent or minimise the possibility of recurrence of risks and their associated consequences, which have potentially adverse effects on stakeholders.

---

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

An integrated approach to the management of risk into the overall arrangements for clinical commissioning links directly to delivering the Council's Health priorities within the Corporate Plan.

---

**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 the integrated risk register 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 the integrated risk register.

**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 Integrated Risk Register Framework.

**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](#)  
 NEW Devon Clinical Commissioning Group Risk Management [Strategy](#)

**Background papers:**

None.

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

**Sign off:**

Fin	djn1516.51	Leg	DVS2 4434	Mon Off	DVS 244 34	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 Plymouth City Council and NHS Northern Eastern and Western Devon Clinical Commissioning Group (NEW Devon CCG) formed an integrated commissioning function on 1 April 2015, bringing together over £630 million of Plymouth City Council and NEW Devon CCG funding working towards a single commissioning approach, an integrated fund, and risk and benefit sharing agreements.

## **2. Background**

- 2.1 Public Sector organisations across the country are facing unprecedented challenges and pressures due to an aging population, increasing complexity of need and the requirement to deliver better services with less public resource. Plymouth and Devon also face a particular financial challenge because of the historic pattern of provision and pockets of deprivation and entrenched health inequalities.
- 2.2 Section 75 of the National Health Service Act (2006) provides the framework for health bodies and local authorities to pool money, delegate functions and integrate resources and management structures. The framework allows for the commissioning of existing or new services and provide for arrangements for working together. A pooled fund is a single, common fund set up by partner organisations in order to meet an agreed list of partnership objectives.
- 2.3 An Integrated Risk Management Framework is being drawn up between the partner organisations, overseen by the Finance and Assurance Review Group (FARG), to adopt an integrated approach to the management of risk and to integrate risk into the overall arrangements of the pooled fund.
- 2.4 Plymouth's Risk Management Team and the CCG's Head of Corporate Governance are working collaboratively to produce an integrated risk register in order that we can share risk and realise benefits in relation to the pooled fund.

## **3. Risk Management Framework Process**

- 3.1 Both Partners will identify and monitor risks in line with their respective risk management strategy arrangements. Risks to identifying NHS NEW Devon CCG's commissioning intentions and annual plan and risks to delivering Plymouth City Council's health and wellbeing priorities will be identified as part of the integrated risk management approach.
- 3.2 Each risk will be assigned a risk owner and it will be the responsibility of that individual to ensure that the risk is appropriately described and scored, that appropriate action plans are in place to manage or reduce the level of risk and that timely accurate updates are processed through the risk register to facilitate robust reporting.
- 3.3 NEW Devon CCG's Head of Corporate Governance and Plymouth City Council's Head of Corporate Risk and Insurance will perform an overview of the risks contained within their respective organisational risk registers using the risk matrix shown on page 7 of the draft framework document.
- 3.4 Risks scored 12 and above will be presented to FARG for review prior to proceeding through the Assurance Framework process.

## **4. Integrated Risk Register**

- 4.1 The register will eventually contain financial risks as well as shared operational and commissioning risks although more work is required between Partners to establish the criteria for inclusion due to their commercially sensitive nature.
- 4.2 Further work is also required on the future integrated risk reporting structure so as to avoid duplication of effort and streamline the process.

### 5. **Conclusion**

- 5.1 Both Partners have embedded risk management strategies in place that support the integrated approach to managing risks to the shared fund and will ultimately include risks to the wider commissioning and operational areas.
- 5.2 Risk sharing principles for health integration have been agreed between Partners as part of the Section 75 agreement. These principles will be revisited on an annual basis at the same time the Section 75 agreement is reviewed to ensure there have not been any significant changes.
- 5.3 Risk management is an integral part of good corporate governance. This framework provides the foundation and a common infrastructure for delivering, maintaining and governing risk management within the integrated commissioning function.





# **Plymouth City Council & Northern, Eastern and Western Devon Clinical Commissioning Group Integrated Risk Management Framework**

## **Contents**

1	Introduction & Background	Page 2
2	Scope	Page 3
3	Definitions of Risk	Page 4
4	Risk Management Controls	Page 5
5	Culture	Page 6
6	Risk Governance Structure	Page 6
7	Risk Management Process	Page 7
8	Risk Monitoring & Review	Page 8
9	Appendix	Page 11



Northern, Eastern and Western Devon  
Clinical Commissioning Group



## **Introduction**

Plymouth City Council and NHS Northern Eastern and Western Devon Clinical Commissioning Group (NEW Devon CCG) formed an integrated commissioning function on 1 April 2015, bringing together over £630 million of Plymouth City Council and NEW Devon CCG funding working towards a single commissioning approach, an integrated fund, and risk and benefit sharing agreements.

Clinical Commissioning Groups (CCGs) were established on 1 April 2013 under the National Health Services Act 2006 as amended by the National Health Service Act 2012. CCGs are statutory bodies which have the function of commissioning services for the purposes of the health service in England and are NHS Bodies for the purposes of the National Health Services Act 2006. CCGs are clinically led membership organisations, members being GP's in local general practices. The members of the CCG are responsible for determining the governing arrangements for their organisations, which they are required to set out in a Constitution. Plymouth City Council is a unitary authority, which means it is responsible for all local services including transport, social care and education. Many of the services provided are statutory responsibilities and others have been identified as priorities. In order to meet the challenges facing Plymouth and support the wider challenged health economy work, New Devon CCG and Plymouth City Council have established a joint programme of work known as the Integrated Health and Wellbeing Programme (IHWB).

The IHWB Programme is utilising a cooperative commissioning approach and this Risk Management Framework is designed to demonstrate the approach to, and ensure there is a system for monitoring the application of risk management, and that integrated risks to the pooled fund are actioned in accordance with the risk framework guidance.

Risk Management is a framework for the systematic identification, assessment, treatment and monitoring of risks. Its purpose is to prevent or minimise the possibility of recurrence of risks and their associated consequences, which have potentially adverse effects on stakeholders. Both Partners recognise that effective and proportionate risk management is the collective responsibility of all its staff and members. The aim of this risk management framework is to provide a systematic and consistent framework through which NEW Devon CCG and Plymouth City Council's strategic commissioning objectives are realised.

## **Background**

Public Sector organisations across the country are facing unprecedented challenges and pressures due to an aging population, increasing complexity of need and the requirement to deliver better services with less public resource. Plymouth and Devon also face a particular financial challenge because of the historic pattern of provision and pockets of deprivation and entrenched health inequalities.

Section 75 of the National Health Service Act (2006) provides the framework for health bodies and local authorities to pool money, delegate functions and integrate resources

and management structures. The framework allows for the commissioning of existing or new services and provide for arrangements for working together. A pooled fund is a single, common fund set up by partner organisations in order to meet an agreed list of partnership objectives.

The Integrated Health and Wellbeing Programme (IHWB) aims to develop an integrated whole system of health and care by 2016 based around the following elements:

**Integrated Commissioning:** Building on co-location and existing joint commissioning arrangements, the focus will be to establish a single commissioning function.

**Integrated Health and Care Services:** To focus on developing an integrated provider function stretching across health and social care providing the right care at the right time in the right place; and an emphasis on those who would benefit most from person centred care such as intensive users of services and those who cross organisational boundaries.

**Integrated system of health and wellbeing:** A focus on developing joined up population based, public health, preventative and early intervention strategies, and based on an asset based approach focusing on increasing the capacity and assets of people and place.

This integrated framework for PCC and NEW Devon CCG has been developed primarily as a tool to set out both Partners key aims and objectives for the management of those integrated risks that would impact upon the achievement of the integrated commissioning strategies and pooling of budgets. It has also been developed for the following specific reasons:-

- To comply with legal and statutory requirements,
- To assist compliance with national guidance,
- To encourage proactive risk management,
- To ensure a joined up approach is taken on risk between NEW Devon CCG and Plymouth City Council,
- To meet the CCG's commissioning responsibilities for risk management through the contracting process.

### Scope

This framework applies to NEW Devon CCG, and to all staff employed by it and Plymouth City Council staff with Health and wellbeing, Social Care, Commissioning and Financial responsibilities.

The CCG's key strategic risk management aims as a commissioner of health services are as follows:-

- To adopt an integrated approach to the management of risk and to integrate risk into the overall arrangements for clinical and corporate governance
- To support the achievement of the CCG's objectives
- To comply with national standards
- To have clearly defined roles and responsibilities for the management of risk
- To commission a high quality service for patients and continuously strive to improve patient safety
- To ensure that risks are continuously identified and assessed, and that they are treated, either by avoidance (by discontinuing a specific activity), taking or increasing

the risk in order to pursue an opportunity, removing the risk source, changing either the likelihood or consequence, sharing or transferring the risk, or retaining the risk by informed decision.

- To use risk assessments in informing the overall business planning/investment process in the CCG
- To encourage open and honest reporting of incidents
- To establish clear and effective communication that enables information sharing
- To foster an open culture that allows organisation wide learning

Plymouth City Council's key strategic risk management aims to help deliver improved lives for all of our citizens are as follows:-

- Support the IHWB vision "Happy, Health, Aspiring Communities"
- Approve commissioning and contracting process for Plymouth Community Healthcare
- Work together with those they serve to take joint ownership of the sustainability agenda
- Ensure systems and processes will be developed and used to make the best use of limited resources, every time
- Ensure partners move resources – both fiscal and human to the prevention and, health and wellbeing agenda.

### **Definitions of Risk**

#### Risk

Risk is defined as "Uncertainty of outcome, whether positive opportunity or negative threat of actions and events". It is measured in terms of the likelihood and consequence of risk occurrence.

#### Clinical Risks

Clinical risks are defined as "those risks which have a cause or effect which is primarily clinical or medical". Examples include clinical care activities, safeguarding, healthcare associated infection, consent issues and medicines management.

#### Financial Risks

These are defined as those whose principal effect would be a "financial loss or a lost opportunity to deliver a financial gain". Examples include poor financial control, fraud and ineffective insurance arrangements.

#### Principal Risks

These are CCG risks that have a risk rating of 15 or above and have a direct impact on a corporate objective or combined risks aggregated to affect a corporate objective that will impact more than one locality, team, department or function.

### **Specific Risk Areas**

Behind the comprehensive areas of risk above there are more clearly identified risk areas that the partners may encounter and need to manage:-

#### Strategic Risks

Strategic risks can be defined as the uncertainties and untapped opportunities embedded in strategic intent and how well they are executed. As such, they can impinge on the whole organisation, rather than just an isolated department or locality.

## Change

These concern risks that programmes and projects do not deliver agreed benefits and within agreed budget and/or introduce new or changed risks that are not effectively identified and managed.

## Legal & Compliance

These include health and safety, data protection, employment practices, employment legislation, the NHS Constitution, Freedom of Information Act, Civil Contingencies Act, Deprivation of Liberty and regulatory issues.

## Operations

These concern the day to day concerns the CCG/Plymouth City Council is confronted with when striving to delivery strategic objectives. They can be anything from loss of key staff to process failure. Risk events such as failure by a third party to deliver a service for the operation, breakdown in partnership with third party, failure to manage internal change etc. Operational risks are largely short to medium term where frequency is high/medium likelihood and low to high impact.

## Information & Technology

These can be anything from loss of data to failure of a key IT system. Risk events such as a technological breakdown, loss of hard or soft copy data, failure by a third party to deliver a service, failure to manage internal change etc.

## People

These concern insufficient staff resources (capacity and capability). These risks can have a significant impact on the performance and reputation of the CCG.

## Reputational Risk

It is important that the reputations of the CCG and Plymouth City Council are protected through robust systems of communication with stakeholders. Systems of communication with external stakeholders that contribute to minimise risk need to be in place, including regular meetings, patient surveys, publications and public meetings.

## **Risk Management Controls**

The risk management controls are to:

- Maintain business continuity through integrated governance arrangements, in order to commission and deliver required services.
- Achieve specific, measureable, achievable, realistic, timed (SMART) corporate objectives.
- Improve the quality of care through a robust review and evaluation programme.
- Avoid damage to reputation, as a result of litigation or from failures in organisations from which services have been commissioned by having a process of effective corporate and clinical governance.
- Minimise avoidable financial loss, or the cost of risk transfer through a robust financial strategy.
- Minimise chances of adverse incident, risks, complaints and claims (clinical and non-clinical).
- Learn lessons and implement change.

**Culture**

NEW Devon CCG and Plymouth City Council support an open, fair and positive learning culture. A culture of openness is central to improving patient safety and the quality of healthcare systems. Encouraging openness and honesty about how and why things have gone wrong will help improve the safety of NHS Services. Discussion on risk in any context will be conducted in an open and honest manner. All employees should be familiar with their respective whistle-blowing, bullying and harassment policies and procedures.

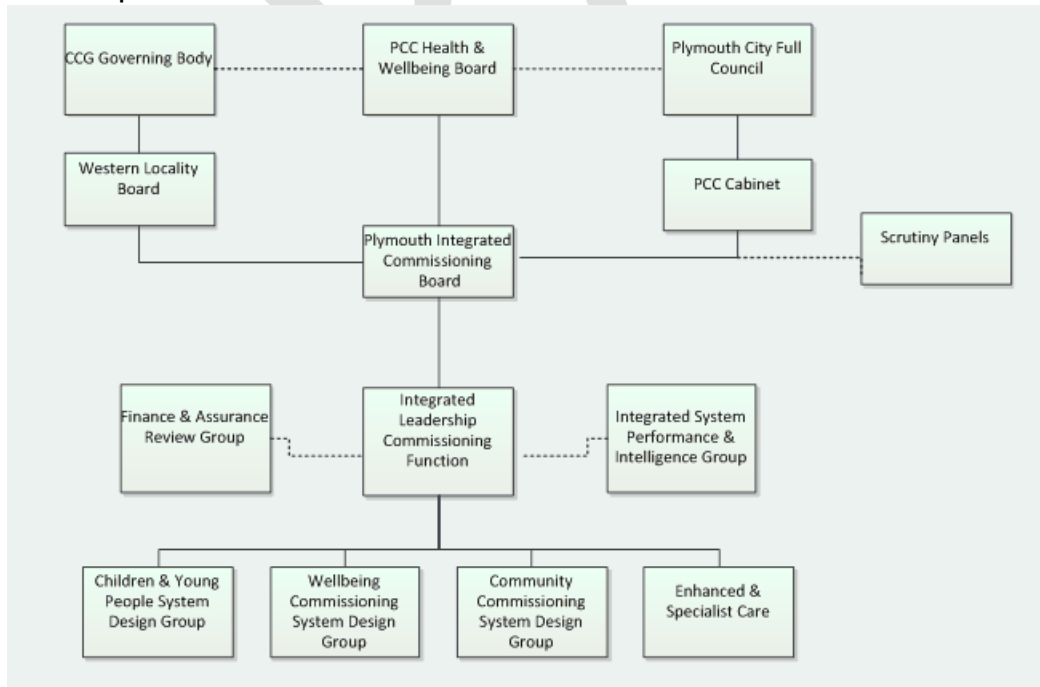
**Risk Governance Structure**

Overall strategic oversight of the development of Integrated Commissioning is vested in the CCG Governing Body and Plymouth City Council’s Cabinet, who shall remain the statutory and most senior decision making bodies. The Western Locality Board of the CCG will provide the oversight and direction on behalf of the CCG Governing Body. The Health and Well Being Board will provide strategic oversight of partnership working between the Partners and shall make recommendations to the Partners as to any actions it considers necessary.

The Partners have established the Integrated Commissioning Board to provide oversight and leadership for delivery of the integrated commissioning function to include ownership of the integrated risk register.

The Integrated Commissioning Board is based on a joint working group structure and will ensure compliance with each Partner’s Constitutions, standards of clinical and corporate governance and management and behavioural standards expected.

Any Service specific variation to these governance arrangements must be agreed in advance in writing by Integrated Commissioning Board and must ensure appropriate oversight by the Integrated Commissioning Board and the Health and Wellbeing Board and compliance with the Financial Framework.



**Regulatory powers of Care Quality Commission and Monitor**

The Care Quality Commission and Monitor (Foundations Trusts) are responsible for reviewing the performance of each provider organisation. The registration process and respective regulatory powers are a key source of assurance for the Governing Body. The Governing Body will develop robust monitoring processes of commissioned services to ensure compliance with these standards.

**Ofsted**

Early years and childcare provisions are regulated by the Office for Standards in Education, Children's Services and Skills (Ofsted). Strategic commissioning is informed by a well-developed joint strategic needs assessment (JSNA). JSNAs are assessments of the current and future health and social care needs of the local community and include key information on child safeguarding issues and vulnerability.

**Internal Auditors**

The Devon Audit Partnership and Audit South West (PCC and CCG internal auditors) have agreed and formalised a framework for joint working in relation to the Integrated Fund.

**Risk Management Process**

Both Partners will identify and monitor risks in line with their respective risk management strategy arrangements. Risks to delivering NHS NEW Devon CCG's commissioning intentions and annual plan and risks to delivering Plymouth City Council's health and well-being priorities will be identified as part of the integrated risk management approach. The diagram at appendix A highlights the areas of common interest.

NEW Devon CCG's Head of Corporate Governance and Plymouth City Council's Head of Corporate Risk and Insurance will perform an overview of the risks contained within the integrated risk register.

Each risk will be assigned a risk owner and it will be the responsibility of that individual to ensure that the risk is appropriately described and scored, that appropriate action plans are in place to manage or reduce the level of risk, and that timely accurate updates are processed through the risk register to facilitate robust reporting.

Risks will be escalated to the integrated risk register based on the following criteria, this matrix will be reviewed annually and revised according to risk appetite:-

The following local risk matrices apply for NEW Devon CCG and PCC

	CCG Overall Score (Likelihood/consequence)	PCC Overall Score (Likelihood/consequence)	Risk Tolerance
1 Rare (Less than annual)	1-3 (Low Risk)	1-10 (Low Risk)	Acceptable but continue to monitor (manage at departmental /operational level)
2 Unlikely (Annual)	4-6 (Medium Risk)	12 (Medium Risk)	Seek to influence medium term/monitor (manage at departmental/operational

			level) Escalate report to FARG – monthly
3 Possible (Monthly)	8-12 (High Risk)	15-16 (High Risk)	PCC Escalate to Assurance Framework NEW Devon CCG Detailed governance report review required at score 12 (review at SMT/locality level)
4 Likely (Weekly)	15-25 (Very High Risk)	25 (Very High Risk)	NEW Devon CCG Escalate to Assurance Framework Detailed review required (review at Executive Committee level)
5 Almost Certain (Daily)			

### Risk Monitoring and Review

For purposes of integration all risks from both partners scoring 12 and above will be presented to FARG.

Risks should be reviewed by each owner as a matter of good practice as frequently as necessary as defined in the initial risk assessment or following the impact of actions assigned. However, at the very least as follows:-

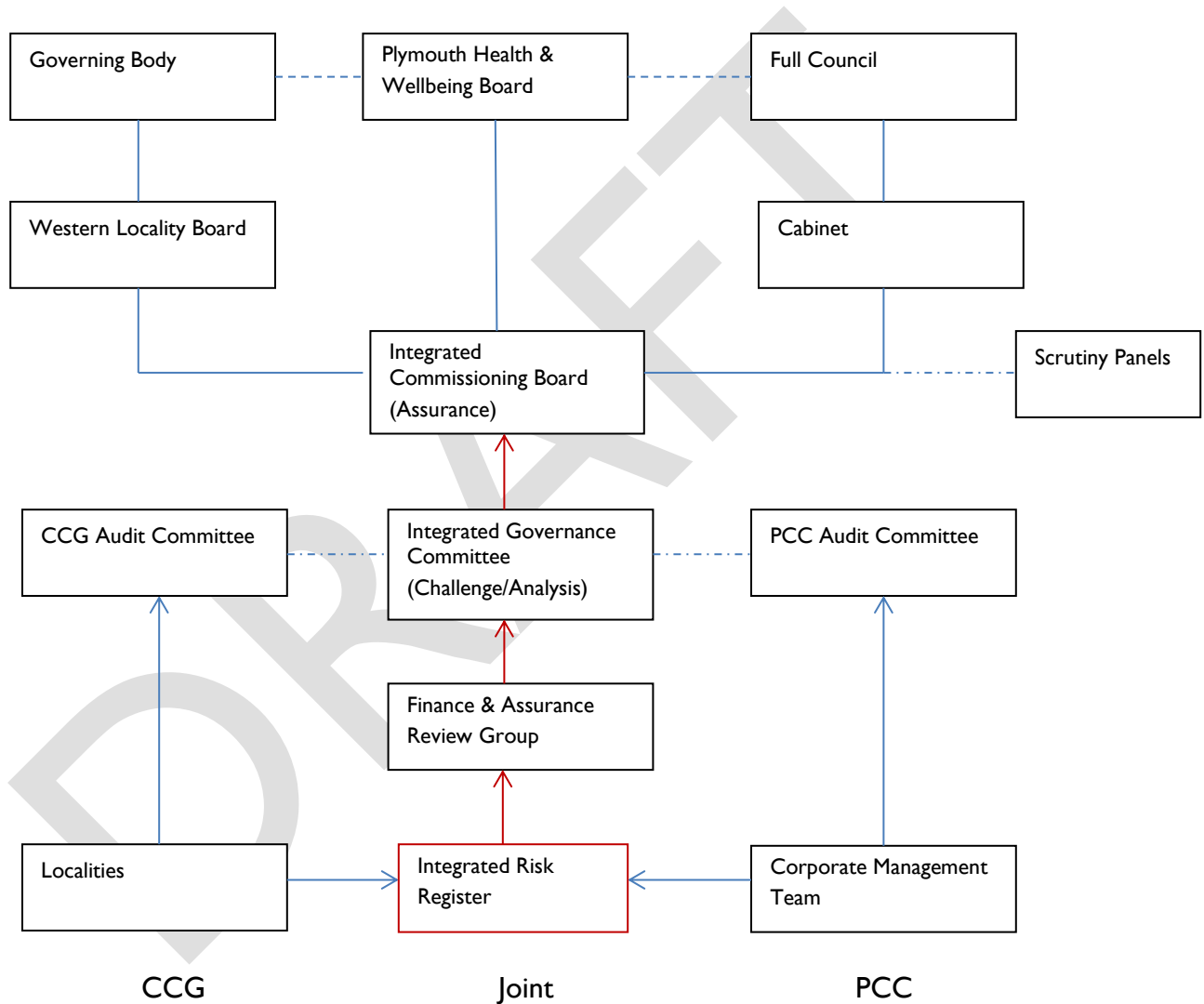
Risk register level	Review frequency	Responsibility at risk level
Team/Department	Monthly	Head of Department
Locality	Quarterly (but available to view monthly as per ToR)	Clinical Locality Chair /Senior Management Team*
Corporate	No less than Quarterly (monthly where agenda allows)	Executive Committee
Assurance framework	Quarterly	Audit and Assurance Committee report to Governing Body <i>collectively responsibility lies with individual risk holders where stated.</i>
FARG	Monthly until such time that FARG are confident that risk management for integration is robust. Then Quarterly Audit representation present on FARG through DAP and ASW	COO Western Locality PCC Head of Finance



Senior management team will present risk to FARG as above.

Risks should be reviewed to understand if the profile of each risk has altered across its constituent parts.

**INTEGRATED RISK REPORTING STRUCTURE**



**Information sharing and data protection**

In all instances where the CCG and Plymouth City Council share information with each other, and in the functioning of the Integrated Commissioning Board, both Partners will adhere to the relevant policies and information governance protocols of each Partner to ensure compliance with Law, in particular the 1998 Data Protection Act. Partners shall work together to establish effective arrangements to permit and control the exchange

of information to support the Integrated Commissioning arrangements. Both Partners will ensure compliance with the Information Governance (IG) Toolkit which is a Department of Health (DH) Policy delivery vehicle, and carry out self-assessments on compliance against the IG requirements.

**Assurance Framework**

The Assurance Framework provides evidence that the Partners have systematically identified the risks to the integrated commissioning strategies and shared fund and systematically provides a vehicle for the identification of assurances and controls to the risks identified and their effectiveness.

**Risk Strategy Review**

The Risk Management Strategies for both Partners will be reviewed and approved on an annual basis or sooner if there is a national or local requirement to do so and any changes will result in corresponding adjustments to the Integrated Risk Management Framework.

DRAFT

	NEW Devon CCG strategic ambitions					Plymouth Health and Well-Being priorities				
	Preventing people from dying prematurely	Enhancing quality of life for people with long-term conditions	Helping people to recover from episodes of ill health or following injury	Ensuring people have a positive experience of care	Treating and caring for people in a safe environment and protect them from avoidable harm	To explicitly address health and well-being related inequalities	To shift the focus of investment to prevention and health promotion	Mental health promotion	To directly address identified issues of access and take-up of specified services	To further develop services to promote independence
Commissioning Intentions										
Right care - targeting resources to best effect										
Targeted/follow-up care - targeting resources to best effect										
Elective orthopaedic care - focussing on conservative management and evidence based practice										
Non-elective care - transforming our urgent care system with a real emphasis on services for frail older people										
Individual patient placements - ensuring that individuals are cared for in the best setting to improve their outcomes and longer term goals										
Diagnostics - standardising our approach to diagnosis and										

**This page is intentionally left blank**

### Audit Committee Work Plan 2015/16

Item	Cabinet Member / Lead Officer	2015							2016					
		J	J	A	S	O	N	D	J	F	M	A	M	J
Internal Audit Annual Report (including six month Internal Audit Progress Report - Dec)	Cllrs Lowry and Peter Smith (Rob Hutchings/ Brenda Davis)	25						3						
Statement of Accounts 2014/15	Cllrs Lowry and Peter Smith	25			17									
Operational Risk & Opportunity Management - Update Report	Cllrs Lowry and Peter Smith (Mike Hocking)	25						3						
Risk & Opportunity Management Annual Report	Cllrs Lowry and Peter Smith (Mike Hocking)	25												
Annual Governance Statement	Cllrs Lowry and Peter Smith (Mike Hocking)	25												
Annual Report on Treasury Management Activities for 2015/16 (and mid-year report)	David Northey	25			17			3	*					

### Audit Committee Work Plan 2015/16

		2015							2016					
Item	Cabinet Member / Lead Officer	J	J	A	S	O	N	D	J	F	M	A	M	J
Strategic Risk and Opportunity Management Register Monitoring Report	Cllrs Lowry and Peter Smith (Mike Hocking)				17						24			
Internal Audit Annual Plan	Cllrs Lowry and Peter Smith										24			
Internal Audit – Progress Report	Brenda Davis/ Dominic Measures/ Robert Hutchins				17									
Internal Audit – Follow Up Work	Brenda Davis/ Dominic Measures/ Robert Hutchins				17									
Audit Plan 2014/2015 – progress report	External Auditor Grant Thornton				17									
Audit Committee Update	External Auditor Grant Thornton							3			24			

**Audit Committee Work Plan 2015/16**

Item	Cabinet Member / Lead Officer	2015							2016					
		J	J	A	S	O	N	D	J	F	M	A	M	J
Annual Report to Those Charged with Governance (ISA260 Report) 2014/2015 including Value for Money (VFM)	External Auditor Grant Thornton				17									
Annual Audit Letter 2014/2015	External Auditor Grant Thornton							3						
Certification Plan	External Auditor Grant Thornton				-									
Certification Work Report 2014/2015	External Auditor Grant Thornton							3						
Audit Plan 2015/2016	External Auditor Grant Thornton										24			
Audit Fee Letter 2016/2017	External Auditor Grant Thornton										24			

**Audit Committee Work Plan 2015/16**

		2015							2016					
Item	Cabinet Member / Lead Officer	J	J	A	S	O	N	D	J	F	M	A	M	J
Review of rolling workplan	Lead Officer/DSO	25			17			3			24			
Information Commissioners Audit	Mike Hocking				-						24			