



Democratic Support

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Published 08/03/17

AUDIT COMMITTEE

Thursday 16 March 2017
2pm
Council House, Plymouth

Members:

Councillor Sam Leaves, Chair
Councillor Parker Delaz-Ajete
Councillors Sam Davey, Dr Mahony and Mrs Pengelly.

Independent Members: Mr R Clarke and Mr I Stewart.

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

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Tracey Lee

Chief Executive

Audit Committee

Agenda

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 - 8)

To confirm the minutes of the meeting held on 8 December 2016.

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. Treasury Management, Practices, Principles and Schedules 2017/18 (Pages 9 - 62)

The Committee will receive the Treasury Management, Practices, Principles and Schedules 2017/18.

6. Strategic Risk and Opportunity Register Monitoring Report and the Integrated Commissioning Risk Register Report (Pages 63 - 98)

The Committee will receive the Strategic Risk and Opportunity Register Monitoring report and the Integrated Commissioning Risk Register.

7. Internal Audit Charter and Strategy 2017/18 (Pages 99 - 118)

The Committee will receive the Internal Audit Charter and Strategy 2017/18.

8. Internal Audit Plan 2017/18 (Pages 119 - 138)

The Committee will receive the Internal Audit Plan 2017/18.

9. Grant Claims and Returns Certification (Pages 139 - 144)

The Committee will receive the Grant Claims and Returns Certification.

10. Planning Report 31 March 2017 (Pages 145 - 164)

The Committee will receive the External Auditor's Planning Report 31 March 2017.

11. Planning Letter 2017/18 (Pages 165 - 168)

The Committee will receive the Planning Letter 2017/18.

12. Review of Work Plan 2016/17 (Pages 169 - 174)

The Committee will review its Work Plan 2016/17.

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Audit Committee

Thursday 8 December 2016

PRESENT:

Councillor Sam Leaves, in the Chair.
Councillor Parker-Delaz-Ajete, Vice Chair.
Councillors Clarke, Dr Mahony, Mrs Pengelly and Stewart

Independent Members: Mr R Clarke and Mr I Stewart.

Also in attendance: Also in attendance: Paul Barnard (Assistant Director for Strategic Planning and Infrastructure), Ben Chilcott (NEW Devon CCG), David Curnow (Devon Audit Partnership), Chris Flower (Lead Accountant), Peter Ford (Head of Development Management), Andrew Hardingham (Assistant Director for Finance), Robert Hutchins (Devon Audit Partnership), Matthew Hepenstal (BDO), Mike Hocking (Head of Assurance Services), Julie Hosking (Risk Management and Insurance Officer), Rob Loader (Audit South West), Dominic Measures (Devon Audit Partnership), Dave Shepperd (Head of Legal Services), and Helen Wright (Democratic Adviser).

The meeting started at 2.00 pm and finished at 4.20 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.

26. Welcome

The Chair gave a warm welcome to Councillor Philip Hackett, Alistair Ashworth and Chris Dobbs from Torridge District Council who would be observing how Plymouth City Council's Audit Committee operated.

27. Declarations of Interest

The following declarations of interest were made –

- (1) Councillor Sam Leaves declared a personal interest as she was employed by NEW Devon CCG;
- (2) Councillor Dr Mahony declared a personal interest as he was a Chair of Governors;
- (3) Mr R Clarke declared a personal interest as he was school governor in three schools.

28. **Minutes**

The committee agreed that the minutes of the meeting held on 15 September 2016 are confirmed as a correct record.

29. **Chair's Urgent Business**

There were no items of Chair's urgent business.

30. **Mid-Year Treasury Management Report 2016/17**

Chris Flower (Lead Accountant) presented the 2016/17 mid-year Treasury Management report and reported that the Local Government Act 2003 required the council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy; the Council's strategy for 2016/17 was approved by Full Council at its budget meeting on 16 February 2016; this report provided an update on the progress and outcomes against the Treasury Management Strategy for the six month period ended 30 September 2016; it was also a requirement of the Chartered Institute of public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management that a mid-year report, as a minimum, should be presented to Full Council.

In response to a question raised by the committee it was reported that the total investments (contained within the investment activity in 2016/17) should commence at £74m.

The committee noted the report.

31. **Treasury Management Strategy 2017/18**

Chris Flower (Lead Accountant) presented the Treasury Management Strategy 2017/18 and reported that the (CIPFA) Code of Practice for Treasury Management in Public Services required local authorities to set a Treasury Management Strategy on an annual basis to include the Annual Investment Statement and the Minimum Revenue Provision Statement.

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

- (a) the authority had £20m invested in the CCLA Property Fund; this was a pooled fund with other local authorities and was kept as a long term investment;
- (b) the Council spend the risks based on a maximum percentage of the funds available for investment; following the failure of the Icelandic Banks it was not prudent to invest funds in just one area;
- (c) ArlingtonClose had been appointed as the council's treasury management advisers and as such provided specific advice on investments, borrowing and capital finance issues; ultimately the Section 151 Officer was responsible for ensuring that the council's treasury management functions were discharged in the appropriate manor;

- (d) there was no impact on the Treasury Management Strategy regarding the autumn statement.

The committee agreed to recommend the Treasury Management Strategy 2017/18 (incorporating the authorised limits, operational boundaries and prudential indicators) to Cabinet for approval.

32. **Treasury Management Report - The Impact of Leaving the European Union**

Chris Flower (Lead Accountant) presented the Treasury Management report – the impact of leaving the European Union which provided a commentary on the effects on treasury management caused by the UK's decision to leave the European Union. The report also outlined the changes in the economy and markets and how these had affected the council's treasury management.

In response to a question raised by the committee, it was reported that if there was an increase in the inflation rate this would have an impact on the council's investments.

The committee noted the report.

The committee agreed to include any significant developments relating to the impact of leaving the European Union within the treasury management report (no separate report will be required).

33. **Operational Risk and Opportunity Management - Update Report**

Mike Hocking (Head of Assurance) presented the operational risk and opportunity management update report which supported the delivery of the City's vision and enabled the provision of high quality services to the residents and communities of Plymouth; it was imperative that effective risk management arrangements were in place; a fundamental element of corporate governance, risk managed approach to decision making would enable the council to achieve its objectives and deliver services more efficiently and cost effectively.

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

- (a) staff, at all levels, were actively encouraged to be involved with risk management within the organisation; there was also an online ELearning risk management package which staff were encouraged to complete;
- (b) the Finance FIT project had been launched with the objective of managing delivery of a modern, fit for purpose, cost efficient, cost effective and customer focused finance service.

The committee noted the report and endorsed the current position with regard to operational risk and opportunity management.

34. **Local Government Ombudsman Report**

Dave Shepperd (Head of Legal Services), Paul Barnard (Assistant Director for Strategic Planning and Infrastructure) and Peter Ford (Head of Development Management) presented the Local Government Ombudsman (LGO) report which reviewed the recommendations made by the Local Government Ombudsman regarding a complaint from residents of 'D street' (LGO ref 15015955 and 15015963) and to agree actions outlined in the report; the complaint related to a planning application 'xyz'; it should be noted that the LGO report did retain the confidentiality of certain details and so the council's report and background papers had followed this.

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

- (a) as this matter had been ongoing for a couple of years, the corrective actions highlighted within the report had already been implemented such as the taking a photograph of the site notice;
- (b) assurance was provided that the Audit Committee had the authority to agree the recommendations;
- (c) the soakaways had been tested by John Grimes Partners and their conclusion was that, although water formed on the pathway during a recent storm, the soakaways are working effectively;
- (d) assurance was also provided that robust planning procedures were in place and the errors identified had been promptly rectified;
- e) Although there are still outstanding disagreements between the LGO and the Council, the recommendation is to agree to all the actions proposed by the LGO.

The committee agreed that –

- (1) following the publication of the valuation report for the properties in 'D street' by the District Valuer on 21 November 2016, it is proposed that the council should pay the complainant Ms C £17,500 and the complainant Mr and Mrs B £15,000;
- (2) following the publication of the drainage report by John Grimes Partners it is proposed that no further action is required with regard to alleged deficiencies in the soakaways in the new development subject to planning application 'xyz';
- (3) following the recommendations of the LGO report it is proposed that both the complainants are each given £500 compensation and provided with an apology;
- (4) following the recommendation of the LGO report officers make arrangements for external independent training for Planning Committee members through the Planning Advisory Service;

- (5) in addition, to further improve the future resilience of future planning decisions, it is recommended that the Assistant Director of Strategic Planning and Infrastructure be instructed to review the requirement for planning officers to have Chartered Town Planner status through the Royal Town Planning Institute;
- (6) the Local Government Ombudsman report is circulated to all Cabinet members and members of the Planning Committee.

35. **Issues Arising from Local Government Ombudsman Investigation: 15015955 and 15015963**

Robert Hutchins (Devon Audit Partnership) and Dominic Measure (Devon Audit Partnership) presented the issues arising from the Local Government Ombudsman investigation (15015955 and 15015963) which considered the events that had led to the Local Government Ombudsman's findings, the recent procedural changes made and the effectiveness of these changes in reducing the risk of future occurrence of such issues.

In response to a question raised by the committee, it was reported that council officers had commissioned Devon Audit Partnership to review the internal procedures of the planning service area to ensure they were robust and effective.

The committee agreed that –

- (1) when photographing site notices planning officers should endeavour to include a date and time stamp on the image;
- (2) site notices should be photographed whenever the planning department make a further site visit;
- (3) consideration should be given to whether current quality assurance arrangements sufficiently cover all circumstances, where more thorough scrutiny may be required, for example the nature and extent of a case officer's workload;
- (4) where interested parties are informed of an application's progress via email, the communication sent should be retained;
- (5) the following wording within the site notice 'if you want to be kept up to date with the planning application's decision, please include your email address' should be amended to read 'progress' rather than 'decision', as it is considered that this is a clearer reflection of the council's process.

36. **Impact of Workforce Changes**

Dawn Auger (Assistant Director for HR and OD), Alison Mills (Head of HR and Specialist Services) and Malcolm Fieldsend (Senior Health, Safety and Wellbeing Advisor) presented the impact of workforce changes which highlighted the workforce and sickness trends and highlighted particular monitoring and measures in place in relation to work related stress.

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

- (a) the flu vaccination programme was offered to non-school members of staff; on occasion when there were spare vaccines these had been offered to school based staff;
- (b) there were measures in place to assist staff with musculoskeletal injuries such as health intervention checks which were undertaken by the council's occupational health provider IMASS;
- (c) the council benchmarked its sickness levels with other local authorities and its current average sickness of 7.01 working days per full time equivalent was under the average rate.

The committee noted the report.

37. **Internal Audit Half Year Report 2016/17**

David Curnow (Devon Audit Partnership) presented the 2016/17 Internal Audit half year report which provided the position statement on the audit work carried out since April 2016 and based on work performed to date during 2016/17; 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 –

- (a) as a result of the partnership's involvement with the School Health Check process it had identified safeguarding issues within five schools; a 'dip test' would be undertaken on the single central record to ascertain whether a wider assurance review would be required;
- (b) one school had been identified as 'a cause for concern' (there were a range of issues that had been flagged up); as the Devon Audit Partnership was involved with the School Health Check process these issues would be raised at this forum; resources would be deployed to help address these issues;
- (c) the customer survey results for April – October 2016 (audit debrief was relevant and effect) had shown as red as the debrief had not taken place.

The committee agreed that the Devon Audit Partnership feedback information to the appropriate Strategic Director, the responsible Cabinet Member and the Chair of the Corporate Parenting Group regarding the safeguarding issues.

The committee noted the report.

38. **Audit Committee Progress Report**

Matthew Hepenstal (BDO) presented the progress report which provided an update on the progress in delivering the 2015/16 audit together with an update on the initial planning that had been undertaken in connection with the 2016/17 audit.

Andrew Hardingham (Assistant Director for Finance) advised that discussions had commenced regarding bringing forward the accounts preparation work and audit for 2016/17; this would be in preparation for 2017/18 when the statutory timetable would change requiring an earlier closedown and sign off process.

In response to a question raised by the committee, it was reported that work to evaluate the highways network assets had been deferred until 2017/18.

The committee noted the report.

39. **Annual Audit Letter**

Matthew Hepenstal (BDO) presented the Annual Audit Letter which summarised the key issues arising from the work that had been undertaken in respect of the financial year ended 31 March 2016.

The committee noted the report.

40. **Integrated Commissioning - Finance and Assurance Review Group - Annual Report 2015/16 including the ASW Audit Programme for the CCG**

Ben Chilcott (NEW Devon CCG) and Rob Loader (Audit South West) presented the Integrated Commissioning – Finance and Assurance Review Group – annual report 2015/16 including the ASW Audit Programme for the CCG which highlighted the work undertaken during the financial year, the success and risks and highlighted the key tasks for the forthcoming year.

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

- (a) the co-location of Plymouth City Council and NEW Devon CCG staff was working well, although there were issues with the sharing of data;
- (b) a key financial risk was the resources required to deliver integration were not available/funding did not exist to commission external resources; it was not possible to recruit additional staff to undertake this work; new working practices would be required in order to operate more efficiently.

The committee noted the report.

41. **Review of Work Programme 2016/17**

Andrew Hardingham (Assistant Director for Finance) advised that in order to comply with future changes to the annual external audit of the statement of accounts process it would be necessary to bring forward the meeting dates of the Audit Committee.

The committee noted the current position of its work programme 2016/17 subject to the inclusion of the Director for Children's Services assurance test review for March 2017 and the merger of the 'Brexit' report with the Treasury Management report when significant developments occurred.

CITY OF PLYMOUTH

Subject:	Treasury Management Practices, Principles and Schedules 2017/18
Committee:	Audit Committee
Date:	16 March 2017
Cabinet Member:	Councillor Darcy
CMT Member:	Andrew Hardingham (Interim Joint Strategic Director Transformation and Change)
Author:	Chris Flower (Finance Business Partner – Accountant for Capital and Treasury Management)
Contact details:	Tel: 01752 304212 email: chris.flower@plymouth.gov.uk
Ref:	Fin/CAF
Key Decision	No
Part:	I

Purpose of the report:

The CIPFA Code of Practice on Treasury Management requires the Council to publish its practices, principles and schedules each year. The Treasury Management practices, principles and schedules are in place to ensure the Council's Treasury Management policy is adhered to and that working practices and controls are in place to meet the approved strategy.

The Council Corporate Plan 2016/19

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. The Treasury Management Strategy sets the authorised limits and operational boundaries within which investment and borrowing decisions are taken and risks managed. Effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

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

The current volatility and uncertainty within the global financial markets has had a substantial effect on Treasury Management activities. The risk in the Council’s investments and loans will be constantly monitored and acted upon in accordance with the principles and procedures set out in the Council’s Treasury Management Practices, Principles and Schedules.

Recommendations & Reasons for recommended action:

- I. To approve the Treasury Management Practices, Principles and Schedules for 2017/18 as set out in this report.

Alternative options considered and reasons for recommended action:

The Council has adopted the CIPFA Code of Practice for Treasury Management which requires the Treasury Management Practices, Principles and Schedules to be scrutinised and approved by the Audit Committee.

Published work/information

Treasury Management Strategy 2017/18 (Council 15 February 2017)

Background papers:

None

Sign off:

Fin	PL1617.83	Leg	DVS27 711	Mon Off	DVS2771 I	HR		Assets		IT		Strat Proc	
Originating SMT Member Andrew Hardingham, Assistant Director for Finance													
Has the Cabinet Member(s) agreed the contents of the report? Yes, but subject to any recommendations from Audit Committee.													

TREASURY MANAGEMENT PRACTICES PRINCIPLES AND SCHEDULES 2017-18



This document has been prepared in the sequence provided by CIPFA. For ease of use, the key areas for Plymouth City Council treasury operations are referenced below:

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Introduction

The CIPFA Code of Practice on Treasury Management in the public Services (the Code) was last revised in November 2011. The Code requires the setting out of the responsibilities and duties of members and officers, allowing a framework for reporting and decision making on all aspects of treasury management. This Council had adopted the original Code and has similarly adopted the revised 2011 Code. The Code recommends the creation and maintenance of:

- A Treasury Management Policy Statement, stating the policies and objectives of its treasury management activities
- Suitable Treasury Management Practices setting out the manner in which the organisation will seek to achieve those policies and objectives and prescribing how it will manage and control those activities.

The Treasury Management Practices (TMPs) comprise:

TMP 1: Risk management

TMP 2: Performance measurement

TMP 3: Decision-making and analysis

TMP 4: Approved instruments, methods and techniques

TMP 5: Organisation, clarity and segregation of responsibilities and dealing arrangements

TMP 6: Reporting requirements and management information arrangements

TMP 7: Budgeting, accounting and audit arrangements

TMP 8: Cash and cash flow management

TMP 9: Money laundering

TMP 10: Training and qualifications

TMP 11: Use of external service providers

TMP 12: Corporate governance

Schedules supporting these practices and other documents held at an operational level specify the systems and routines to be employed and the records to be maintained in fulfilling the Council's treasury functions.

I. TMP I: RISK MANAGEMENT

- 1.1 All treasury management activities involve both risk and the pursuit of reward or gain for the Council. The council's policies and practices emphasise that the effective identification, management and containment of risk are the prime objectives of treasury management activities.
- 1.2 The Section 151 Officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in **TMP6 Reporting requirements and management information arrangements**. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out as schedules below.
- 1.3 **Credit and Counterparty Risk Management:** Credit and counterparty risk is the risk of failure by a third party to meet its contractual obligations to the Council under an investment, borrowing, capital, project or partnership financing, particularly as a result of the third party's diminished creditworthiness, and the resulting detrimental effect on the Council's capital and revenue resources.
 - 1.3.1 **Principle:** *The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved instruments, methods and techniques, and listed in the schedule. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, as per the Treasury Management Strategy, or with whom it may enter into other financing arrangements.*

1.3.2 Schedule:

<p>Criteria to be used for creating/managing approved counterparty lists/limits</p>	<p>The Section 151 Officer is responsible for setting prudent criteria and the Council’s treasury advisors will also provide guidance and assistance in setting the criteria.</p> <p>The criteria will be agreed by Council.</p> <p>The current criteria is contained in the Treasury Management Strategy.</p> <p>The Council’s treasury management advisors will advise on credit policy and creditworthiness related issues. The Council’s treasury management advisors will provide a counterparty list based on its criteria and will monitor and update the credit standing of the institutions on a regular basis. This assessment will include consideration of credit ratings from all 3 ratings agencies and other alternative assessments of credit strength (for example, statements of potential government support which now includes resolution mechanisms for failing financial institutions, CDS information, the composition of an institution’s balance sheet liabilities). The Council will also take into account information on corporate developments of and market sentiment towards investment counterparties.</p> <p>The credit rating criteria will also apply to securities issued by financial and non-financial institutions, which in some instances, might be higher than that of the issuing institution.</p> <p>Higher time and cash limits may be set for secured investments (e.g. those with underlying collateral or which are by regulation excluded from being bailed-in/restructured in the event of financial distress.)</p> <ul style="list-style-type: none"> - Where there is no investment-specific rating, but collateral upon which the investment secured is rated, then the higher of the collateral and counterparty rating will be used to determine time and cash limits.
<p>Approved methodology for changing limits and adding/removing counterparties</p> <p>Risk management : creditworthiness deteriorates below the minimum criteria</p> <p>(a) ratings are placed on review for downgrade</p>	<p>The Section 151 Officer has delegated responsibility to add or delete counterparties and to review limits to the Council’s treasury management advisors as detailed above.</p> <p>Where an entity’s credit rating is downgraded so that it fails to meet the minimum criteria, then</p> <ul style="list-style-type: none"> - No new investments will be made, - Any existing investments that can be recalled or sold at no cost will be, and - Full consideration will be given to the recall or sale of other existing investments with the affected counterparty. <p>Where a credit rating is placed on ‘review’ for possible downgrade (also termed ‘rating watch negative’ or ‘credit watch negative’) so that it may fall below the minimum approved credit criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the rating review has been completed and its outcome known.</p> <p>The policy will not apply for ‘negative outlooks’ which indicate a long-term direction of travel rather than a possibility of an imminent downgrade.</p>

<p>Counterparty list and limits</p>	<p>A full individual listing of banking counterparties based on the criteria will be provided by the Council's treasury management advisors. As credit ratings etc. are subject to change without notice, any changes will be advised by the Council's treasury management advisors.</p> <p>*It may be impractical to determine a specific list of non-financial counterparties in whose securities investments might be made. The minimum credit rating criteria and whether the security is secured or unsecured will determine its selection for investment.</p>
<p>Details of credit rating agencies' services and their application</p>	<p>The Council considers the ratings of all 3 ratings agencies (Standard & Poor's, Moody's and Fitch) when making investment decisions. Credit rating agency information is just one of a range of instruments used to assess creditworthiness of institutions.</p> <p>No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the minimum credit rating criteria.</p>
<p>Description of the general approach to collecting/using information other than credit ratings for counterparty risk assessment</p>	<p>The Council's Treasury Advisor, Arlingclose, provides timely information on counterparties, in terms of credit rating updates and economic summaries. Credit default swap information is received monthly, as well as information on share price.</p> <p>The Council's Treasury Advisor also undertakes analysis on the balance sheet structure of key banking institutions to help inform the potential restructure (i.e. bail-in) of a bank's unsecured liabilities should this be required by the regulatory authorities.</p> <p>In addition, Arlingclose reads quality financial press for information on counterparties.</p>
<p>Country, sector and group listings of counterparties and overall limits applied to each, where appropriate</p>	<p>Investments will be displayed so as to show total group exposure, total country exposure and total sector exposure.</p> <p>Group limits will be set for the above, in terms of monetary value/percentage of overall portfolio, where appropriate. Group limits for organisations under the same ownership will be set at the same level as the lead institution in that group.</p>

1.4 **Liquidity Risk Management:** Liquidity risk is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the Council's business/service objectives will be thereby compromised.

1.4.1 **Principle:** *The Section 151 Officer will ensure the Council has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.*

The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to fund future debt maturities.

1.4.2 **Schedule:**

<p>Cash flow and cash Balances</p>	<p>The Council will aim for effective cash flow forecasting and monitoring of cash balances and will maintain a single spreadsheet for each year and this is rolled forward each quarter for the 12-month cash flow forecast.</p> <p>The Treasury Team shall seek to optimise the balance held in the Council's main bank accounts at the close of each working day in order to minimise the amount of bank overdraft interest payable or maximise the amount of interest that can be earned.</p> <p>In order to achieve the maximum return from investments, a daily cash balance of +/- £100,000 is the objective for the Council's bank account.</p>
<p>Short term investments</p>	<p>The Council uses various Reserve Accounts, Call Accounts and Money Market Funds to manage its liquidity requirements These Accounts/Funds are named on the Council's approved counterparty list. The maximum balance on each of these accounts is reviewed and set as part of the Council's investment strategy.</p>
<p>Temporary Borrowing</p>	<p>Temporary borrowing up to 364 days through the money market is available should there be a cash flow deficit at any point during the year.</p> <p>At no time will the outstanding total of temporary and long-term borrowing together with any bank overdraft exceed the Prudential Indicator for the Authorised Borrowing Limit agreed by the Council before the start of each financial year.</p>
<p>Bank Overdraft and standby facilities</p>	<p>The Council has an authorised overdraft limit with its bankers Barclays of £100,000 at an agreed rate of 1% above base rate. The facility is used as a contingency.</p>

1.5 **Interest Rate Risk Management:** Interest Rate risk is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

1.5.1 **Principle:** *The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.*

1.5.2 Schedule:

<p>Minimum/ maximum proportions of fixed/variable rate debt/interest</p>	<p>Borrowing/investments may be at a fixed or variable rate.</p> <p>The Prudential Code requires the Council to determine each year the maximum proportion of interest payable on net borrowing which is subject to fixed and variable interest rates. This is set each year as part of the annual budget setting process.</p> <p>In setting its forward Treasury Strategy on an annual basis, the Council will determine the necessary degree of certainty required for its plans and budgets but will, at the same time, allow sufficient flexibility enable it to benefit from potentially advantageous changes in market conditions and level of interest rates and also to mitigate the effects of potentially disadvantageous changes.</p> <p>The Council will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility.</p>
<p>Managing changes to interest rate levels</p>	<p>The main impact of changes in interest rate levels is to monies borrowed and invested at variable rates of interest.</p> <p>The Council will consider matching borrowing at variable rates with investments similarly exposed to changes in interest rates as a way of mitigating any adverse budgetary impact.</p> <p>The Council may determine it is more cost effect in the short-term to fund its borrowing requirement through the use of internal resources ('internal borrowing') or through borrowing short-term loans. The benefits of such borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing or refinancing in future years when interest rates are expected to be higher.</p> <p>Interest rate forecasts are provided by the Council's advisors and are closely monitored by the Treasury Management Team. Variations from original estimates and their impact on the Council's debt and investments are notified to the Strategic Treasury Management Board as necessary.</p> <p>For its investments, the Council also considers dealing from forward periods dependent upon market conditions. The Council's counterparty term limits will apply and will include the forward period of the investment.</p>
<p>Details of approved interest rate exposure limits</p>	<p>The upper limits on net fixed interest rate and net variable interest rate exposures are determined each year as part of the Treasury Management Indicators now included in the annual Treasury Management Strategy Statement.</p>

<p>Details of hedging tools used to manage risk (if applicable)</p>	<p>The Council will only use standalone financial derivatives (such as. swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to.</p> <p>The use of derivatives is outlined in TMP 4 - Approved Instruments, Methods and Techniques and the Council will seek proper advice <u>before</u> entering into arrangements for such products and will ensure it has the necessary knowledge and understanding of them before doing so.</p>
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1.6 Exchange Rate Risk Management: The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Council's finances against which the Council has failed to protect itself adequately.

1.6.1 Principle: *The Council will ensure that it protects itself adequately against the risk of fluctuations in foreign exchange rates creating an unexpected or unbudgeted burden on the Council's finances. It will manage any exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.*

1.6.2 Schedule:

<p>Exchange rate risk management</p>	<p>This Council does not, on a day to day basis, have foreign currency transactions or receipts. Unexpected receipt of foreign currency will be converted to sterling at the earliest opportunity.</p> <p>If the Council has a contractual obligation to make a payment in a currency other than sterling then forward foreign exchange transactions will be considered, with professional advice.</p> <p>At the present time statute prevents the Council borrowing in currencies other than Sterling.</p>
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1.7 Refinancing Risk Management: The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancing, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

1.7.1 Principle: *The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.*

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.

1.7.2 **Schedule:**

<p>Projected capital investment requirements</p>	<p>4 year projections are in place for capital expenditure and it's financing or funding. Financing will be from capital receipts, reserves and any grants or contributions awarded revenue resources or reserves. Funding will be from internal or external borrowing, as decided.</p> <p>As required by the Prudential Code, the Council will undertake Options Appraisal to evaluate the best capital expenditure financing route.</p> <p>The Council's projected long-term borrowing requirement will be linked to the projected Capital Financing Requirement.</p>
<p>Debt profiling, policies and practices</p>	<p>Any longer term borrowing will be undertaken in accordance with the Prudential Code and will comply with the Council's Prudential Indicators and the Annual Treasury Management Strategy.</p> <p>The Council will maintain through its treasury system Logotech reliable records of the terms and maturities of its borrowings, capital, project and partnership funding and, where appropriate, plan and successfully negotiate terms for its refinancing.</p> <p>Where the lender to the Council is a commercial body the Council will aim for diversification in order to spread risk and avoid over-reliance on a small number of counterparties.</p>
<p>Policy on LOBO call options</p>	<p>The Council's debt portfolio includes loans borrowed on a LOBO (Lender's Option Borrower's Option) basis.</p> <p>The call dates for each LOBO loan are denoted within the Operations Folder and are referenced to the LOBO documentation.</p> <p>Prior to each call date, the Council will evaluate alternative funding sources for comparable interest rates/maturities. This will be discussed at the regular treasury meeting.</p> <p>If the Lender exercises the call option (directly or via the broker) for a revision to the terms of the loan, the Council will thoroughly evaluate the new terms and additionally seek advice from the Council's advisor.</p> <p>It is important to remain within the timescale for the Council to exercise its option should the call be made, but not be rushed into a decision.</p>
<p>Policy concerning limits on revenue consequences of capital financings</p>	<p>The revenue consequences of financing the capital programme are included in cash flow models, annual revenue estimates and medium term forecasts.</p>

1.8 **Legal and Regulatory Risk Management:** The risk that the Council itself, or a third party with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.

1.8.1 **Principle:** *The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1(1) Credit and counterparty risk management, it will ensure that there is evidence of counterparties’ powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and fees charged.*

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

1.8.2 **Schedule:**

References to relevant statutes and regulations	<p>The treasury management activities of the Council shall comply fully with legal statute and the regulations of the Council such as:</p> <ul style="list-style-type: none"> ▪ CIPFA’s Treasury Management Code of Practice 2001 and subsequent amendments ▪ CIPFA Prudential Code for Capital Finance in Local Authorities and subsequent amendments ▪ The CLG’s statutory Guidance on Minimum revenue Provision (MRP) ▪ Council’s Constitution including:- <ul style="list-style-type: none"> ○ Standing Order relating to Contracts ○ Financial Regulations ○ Scheme of Delegation
Procedures for evidencing the organisation’s powers/ authorities to counterparties	<p>The Council’s Financial Regulations contain evidence of the power/ authority to act as required by section 151 of the Local Government Act 1972, under the general direction of the Audit Committee.</p> <p>The Council will confirm, if requested to do so by counterparties, the powers and authorities under which the Council effects transactions with them.</p> <p>Where required, the Council will also establish the powers of those with whom they enter into transactions, including any compliance requirements in respect of a duty of care and best practice.</p>
Required information from counterparties concerning their powers/ authorities	<p>Investments shall only be made with institutions on the Council’s authorised lending list or in securities which meet the Council’s approved credit criteria.</p> <p>The Council will only undertake borrowing from approved sources listed in TMP 4.</p>
Statement on political risks and management of the same	<p>Political risk is managed by:</p> <ul style="list-style-type: none"> • adoption of the CIPFA Treasury Management Code of Practice • adherence to Corporate Governance (<u>TMP 12 – Corporate Governance</u>) • adherence to the Statement of Professional Practice by the Section 151 Officer • the roles of the Audit Committee.

- 1.9 **Fraud, Error and Corruption, and Contingency Management:** This is the risk that the Council fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk referred to as operational risk.
- 1.9.1 **Principle:** *The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.*

<p>Details of systems and procedures to be followed, including Internet services</p>	<p>Segregation of duties minimises the possibility of fraud and loss due to error, and is detailed in TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements.</p> <p>I. <u>Electronic Banking and Dealing</u></p> <p>(a) <u>Banking</u>: The Council's online banking service provided by Barclays is subject to separate log-on and password control allowing varying levels of access. Details of transactions and balances are available as required, and the system also holds historic data. Officers having access to the bank's online system are as follows:</p> <ul style="list-style-type: none"> • Within the Treasury Management Department <ul style="list-style-type: none"> ○ Finance Business Partner ○ Principal Technical Accountant ○ Technical Accounting Officers ○ Apprentice <p>Officer access is reviewed at least 6 monthly or as necessary.</p> <p>(b) Access to the Council's <u>treasury management system</u>, Logotech is limited to those officers listed below, each having a separate log-on and password.</p> <ul style="list-style-type: none"> • Within the Treasury Management Department <ul style="list-style-type: none"> ○ Finance Business Partner ○ Principal Technical Accountant ○ Technical Accounting Officers ○ Apprentice <p>These also are reviewed at least 6 monthly or as necessary.</p> <p>(c) <i>Access and use of the online ICD Portal, for our Money Market Funds, is listed below:</i></p> <ul style="list-style-type: none"> • For Fund Selection <ul style="list-style-type: none"> ○ Head of Financial Planning & Reporting ○ Finance Business Partner • For Trading, the following members of the Treasury Management team <ul style="list-style-type: none"> ○ Principal Technical Accountant ○ Technical Accounting Officers <p>Full procedure notes covering the day to day operation of the on-line banking system and the treasury management system are documented.</p> <p>2. <u>Standard Settlement Instructions (SSI) list</u> : a list is maintained of named officers who have the authority to transact loans and investments</p> <ul style="list-style-type: none"> • Brokers and counterparties with whom the Council deals direct are provided a copy of the SSI list. • A list of named officers with authority to borrow from the PWLB and invest with the Debt Management Agency Deposit Facility is also maintained with the PWLB/DMADF. • <u>Payment Authorisation</u>: • Payments can only be authorised by an agreed cheque signatory(ies) of the Council, the list of signatories having previously been agreed with the Council's bank. • Other payments made using online banking system and BACS payments can be authorised by an approved list of signatories. • Inflow and outflow of monies borrowed and invested will only be from the counterparty's bank accounts.
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<p>Verification</p>	<p>Loans and investments will be maintained in treasury management system which will include fees and brokerage paid.</p> <p>Transactions will be cross-checked against broker notes, counterparty confirmations and PWLB loan schedules by verifying dates, amounts, interest rates, maturity, interest payment dates etc.</p> <p>When receiving requests for change of payment details, due care will be exercised to ascertain the bona fide of the request and avoid potential fraud. Additional checks will be made through pre-existing contact details for the payee before altering payment details.</p>
<p>Substantiation</p>	<ol style="list-style-type: none"> 1. The Treasury Management system balances are reconciled with financial ledger codes at the end of each quarter and at the financial year end. 2. Working papers are retained for audit inspection. 3. The bank reconciliation is carried out monthly from the bank statement to Civica.
<p>Internal Audit</p>	<p>Internal Audit carry out an annual regulatory review of the treasury management function including probity testing. See <u>TMP7 Budgeting, accounting and audit arrangements</u>.</p>
<p>Contingency Management</p>	<ol style="list-style-type: none"> 1. All treasury systems are retained on the Council’s network. Daily back-ups are taken and maintained and network back-ups can be used by the service provider, DELT, to restore files, if necessary. 2. Temporary off-site working facility: The officers who can avail of this facility following an emergency are The Treasury Management Officers who will individually be made aware of the procedures to follow. 3. Electronic Banking System Failure: The Council’s bank including the mode of obtaining balance details and information on inflow/outflow of monies and instructions for CHAPS payments can be made over the phone. Hard copies of contact details and account numbers are held onsite, and work mobile phones will be made available. 4. A Disaster Recovery Policy is held by Plymouth City Council.
<p>Insurance Cover details</p>	<p>The Council has Fidelity Guarantee cover. Details of the provider and cover are held by the Corporate Risk and Insurance Team.</p>

1.10 **Market Risk Management:** This is the risk that, through adverse market fluctuations in the value of the principal sums the Council borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

1.9.2 **Principle:** *This Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.*

1.9.3 **Schedule:**

<p>Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (gilts, CDs etc)</p>	<p>Investment instruments used by the external fund managers are subject to fluctuation in capital movements and exposed to interest rate risk. In order to minimise these risks capital preservation is set as the primary objective and pursuit of investment performance should be commensurate with this objective.</p> <p>Additionally the following risk control guidelines are set for each fund as part of the fund management agreement to control market risk:</p> <ul style="list-style-type: none"> (a) Maximum weighted average duration of the fund; (b) Maximum permitted exposure to gilts/bonds; (c) Maximum maturity of any instrument. <p>Pooled Funds with a Variable Net Asset Value (VNAV) – The council may consider VNAV funds, as appropriate, in line with its TMSS and on advice from its treasury advisors.</p>
<p>Accounting for unrealised gains/losses</p>	<p>The method of accounting for unrealised gains or losses on the valuation of financial assets will comply with the Accounting Code of Practice.</p> <p>VNAV pooled funds will be treated as Available for Sale Assets. Segregated fund with external managers will be treated as Fair Value through Profit or Loss.</p>

2. TMP 2: PERFORMANCE MEASUREMENT

2.1 **Principle:** *The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.*

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council’s stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, or the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out below.

2.2 Schedule:

<p>Policy concerning methods for testing value for money</p>	<p>Best value reviews will include the production of plans to review the way services are provided by</p> <ul style="list-style-type: none"> ▪ Challenging ▪ Comparing performance ▪ Consulting with other users and interested parties ▪ Applying competition principles <p>in order to pursue continuous improvement in the way the Council’s functions are exercised, having regard to a combination of value for money, efficiency and effectiveness.</p>
<p>Policy concerning methods for performance measurement</p>	<ul style="list-style-type: none"> • Performance measurement at this Council is intended to calculate the effectiveness of treasury activity in delivering the strategic objectives set through the Treasury Management Strategy and the Council’s Prudential Indicators and to enhance accountability. • Prudential Indicators are local to the Council and are not intended as a comparator between authorities. • The performance review will be made in the light of general trends in interest rates during the year and how the decisions made corresponded with these trends and the Council’s agreed strategy, i.e. the Council will avoid hindsight analysis. <p>Any comparison of the Council’s treasury portfolio against recognised industry standards, market indices and other portfolios is intended to</p> <ul style="list-style-type: none"> (i) allow the Council the opportunity to assess the potential to add value through changes to the existing ways in which its portfolio is managed and (ii) permit an informed judgement about the merits or otherwise of using new treasury management techniques or instruments. <p>In drawing any conclusions the Council will bear in mind that the characteristics of its treasury operations may differ from those of other councils, particularly with regard to the position on risk.</p>

<p>Methodology to be applied for evaluating the impact of treasury management decisions</p>	<p>Monitoring of the outcome of treasury management activity against Prudential Indicators approved by the Council will be carried out as part of the budget monitoring reports to the Treasury Management Meetings throughout the year.</p> <p>The year-end Annual Treasury Report will also include, as a matter of course, the outturn against the Pls set prior to the commencement of the financial year and any in-year amendments.</p> <p>The Council's Treasury Management advisers review the existing borrowing and investments and they produce a quarterly report to review the Council's position and benchmark this against other local authorities..</p>
<p>Methodology to be employed for measuring the performance of the Council's treasury management activities</p>	<p>Treasury management activity is reviewed half yearly against strategy and prevailing economic and market conditions through the treasury monitoring report to Strategic Treasury Board.</p> <p>The report will include:</p> <ul style="list-style-type: none"> a) Total debt including average rate and maturity profile b) The effect of new borrowing and/or maturities on the above c) The effect of any debt restructuring on the debt portfolio d) An analysis of any risks inherent within the debt portfolio (e.g. exposure to variable rate; LOBOs in their call period) e) Total investments including average rate, credit and maturity profile f) The effect of new investments/redemptions/maturities on the above g) The rate of return on investments against their indices for internally and externally managed funds h) An analysis of any risks inherent within the investment portfolio (e.g. exposure to market movements in the value of CDs, gilts/bonds, callable deposits in their call period) i) A statement whether the treasury management activity resulted in a breach of the Prudential Indicators and other limits set within treasury strategy. j) Daily bank balances: any major deviations from the target bank balances

<p>Benchmarks and calculation methodology with regard to risk and return</p>	<p>Treasury Management Costs – Costs are split into Debt Management, Investment Management and Other. Investment Management is then shown as cost per £m invested, and Debt Management Costs per £m value of debt.</p> <p>Investment returns are compared to 7-day LIBID Internally Managed Investment Returns - total interest accruing during the month or year on average daily balances invested during the calendar month.</p> <ul style="list-style-type: none"> • Externally Managed Investment Returns - the growth (i.e. increase in value of the fund) in respect of the monthly average value of the fund. <p>Debt Management</p> <ul style="list-style-type: none"> ▪ Average Rate on external debt borrowed in financial year ▪ Average period to maturity of external debt ▪ Average period to maturity of new loans in financial year ▪ Ratio of PWLB and market debt (beginning and end of period) ▪ Ratio of fixed and variable rate debt (beginning and end of period)
<p>Best value</p>	<p>The treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council’s stated corporate and service objectives.</p> <p>When tendering for treasury-related or banking services, the Council adheres to its Financial Regulations. These require that :</p> <ol style="list-style-type: none"> a) For placing a contract with a value below £100k, at least 3 quotes are required, for contracts between £100k - £150k 5 quotes are required. Above this a formal tender is required. b) When placing a contract with a value in excess of £172.5k, a tendering process that meets the requirements of the EU procurement procedures (OJEU) is undertaken. c) If necessary, the Council will also consult with other users of similar services as well as with interested parties. d) The Council will also evaluate alternative methods service delivery.

3. TMP 3: DECISION-MAKING AND ANALYSIS

3.1 **Principle:** *The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issued relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed below.*

3.2 Schedule:

Major treasury decisions	<p>As a public service organisation, there is a requirement to demonstrate openness and accountability in treasury management activities. Accordingly, the Council will create and maintain an audit trail of major treasury management decisions which comprise either:</p> <ul style="list-style-type: none"> a) Changes to Prudential Indicator(s) during the course of the financial year b) Options Appraisal to determine a funding decision c) raising a new long-term loan / long-term source of finance d) prematurely restructuring/redeeming an existing long-term loan(s) d) investing longer-term (i.e. in excess of 1 year) f) utilisation of investment instruments which constitute capital expenditure (i.e. loan capital/share capital in a body corporate) g) leasing h) change in banking arrangements i) appointing/replacing a treasury advisor j) appointing/replacing a fund manager
Process	<p>The Council's strategy for the application of its treasury policy is set out in the annual Treasury Management Strategy.</p> <p>A rolling monthly cashflow forecast will be prepared for the ensuing 12 months and will include the financing, borrowing and surplus cash requirements of the Council, for the purpose of:</p> <ul style="list-style-type: none"> • applying the strategy on a day to day basis • monitoring the results of the strategy • recommending amendments to the strategy to the Council where applicable during the course of the year.
Delegated powers for treasury management	<p>The Section 151 Officer has delegated powers to carry out the Council's strategy for debt management, capital finance and borrowing, depositing surplus funds and managing the cash flows of the Council.</p>

<p>Issues to be addressed, evaluation, authorisation</p>	<p>In exercising these powers, the Section 151 Officer and those to whom the treasury activity have been delegated will</p> <ul style="list-style-type: none"> • have regard to the nature and extent of any associated risks to which the Council may become exposed; • be certain about the legality of the decision reached and that the necessary authority to proceed has been obtained; • be satisfied that the documentation is adequate to deliver the Council's objectives, protect the Council's interests, and to maintain an effective audit trail; • ensure that the perceived credit risk associated with the approved counterparties parties is judged satisfactory and is within agreed limits; • be satisfied that the terms of any transactions have been fully checked against the market, and have been found to be competitive; is this being carried out. • follow best practice in implementing the treasury transaction. <p>In exercising Borrowing and Funding decisions, the Section 151 Officer will with advice from the council's Treasury Management Advisors:</p> <ul style="list-style-type: none"> • evaluate economic and market factors that may influence the manner and timing of any decision to fund; • consider alternative forms of funding, including use of revenue resources, leasing and private partnerships; • consider the use of internal resources and/or the most appropriate periods to fund and repayment profiles to use; • consider ongoing revenue liabilities created; • where applicable, monitor regularly the benefits of internal borrowing against the potential for incurring additional costs by deferring borrowing into future years. <p>In exercising Investment decisions, the Section 151 Officer will:</p> <ul style="list-style-type: none"> • Determine that the investment is within the Council's strategy and pre-determined instruments and criteria; • consider the optimum period, in the light of core balances and reserves, cash flow availability and prevailing market conditions; • the credit risk associated with unsecured investments with banks and building societies • consider the alternative investment products and techniques available if appropriate.
<p>Processes to be followed</p>	<p>The processes to be followed will be in keeping with TMP 4: The Council's Approved, Instruments, Methods and Techniques.</p>
<p>Evidence and records to be kept</p>	<p>The Council will maintain a record of all major treasury management decisions, the processes undertaken and the rationale for reaching the decision made. These will allow for an historical assessment of decisions made and verification that any checks and safeguards are indeed in place and operating correctly.</p> <p>Records and working papers will be maintained by the Council electronically.</p>

<p>Other</p>	<p>The Council will maintain in its Operating Folder for the call dates for all LOBOs. The Council's Treasury Strategy will also state the maximum exposure to LOBOs being called in that financial year.</p> <p>A LOBO is called; the new interest rate will be reviewed against other borrowing rates, and will be redeemed if necessary.</p>
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4. TMP 4: APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 **Principle:** *The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in **TMPI Risk Management**.*

4.2 Schedule:

<p>Approved treasury management activities</p>	<p>The Council is permitted to undertake the following activities:</p> <ul style="list-style-type: none"> ▪ Managing cashflow ▪ Capital financing ▪ Borrowing including debt restructuring and debt repayment ▪ Lending including redemption of investments ▪ Banking ▪ Leasing ▪ Managing the underlying risk associated with the Council’s capital financing and surplus funds activities. <p>The above list is not finite and the Council would, from time to time, consider and determine new financial instruments and treasury management techniques; however, the Council will consider carefully whether the officers have the skills and experience to identify and manage the advantages and risks associated with using the instruments/techniques before undertaking them, more so as some risks may not be wholly or immediately transparent.</p>
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<p>Approved capital financing methods and types/sources of funding</p>	<ul style="list-style-type: none"> • Public Works Loans Board (PWLB) or its successor • long term money market loans including LOBOs • temporary money market loans (up to 364 days). • bank overdraft • loans from bodies such as the European Investment Bank (EIB) • Stock issues • Deferred Purchase • Government and EU Capital Grants • Plymouth Bond • Lottery monies • Other Capital Grants and Contributions <ul style="list-style-type: none"> ▪ Private Finance Initiative ▪ Operating and finance leases ▪ Hire purchase ▪ Sale and leaseback <p><u>Internal Resources</u></p> <ul style="list-style-type: none"> • Capital Receipts • Revenue Balances • Use of Reserves <p><u>Approved sources of long-term and short-term borrowing include</u></p> <ul style="list-style-type: none"> • Public Works Loan Board (PWLB) and its successor body • Any institution approved for investments • Any other bank or building society authorised to operate in the UK • UK public and private sector pension funds (except PCC Pension Fund) • Local Capital Finance Company and other special purpose vehicles created to enable local authority bond issues <p>The level of debt will be consistent with the Treasury Management Strategy and the Prudential Indicators.</p>
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<p>Approved investment instruments</p>	<p>The Council will determine through its Annual Investment Strategy (AIS) which instruments it will use, giving priority to the security and liquidity (in that order) of its invested monies. The investments will be categorised as ‘Specified’ or ‘Non Specified’ based on the criteria set out by the ODPM (now CLG) in its Investment Guidance March 2004 (as amended).</p> <p>The Council will, where applicable, use the Council’s credit criteria.</p> <p><i>examples</i></p> <ul style="list-style-type: none"> ▪ Deposits with the UK government, the Debt Management Agency Deposit Facility (DMADF), and UK local authorities ▪ Term deposits with banks and building societies ▪ Certificates of deposit ▪ Callable deposits ▪ Investments in Money Market Funds , i.e. ‘AAA’ liquidity funds with a 60-day Weighted Average Maturity (WAM) ▪ Treasury Bills ▪ Gilts ▪ Bonds issued by multilateral development banks ▪ Sterling denominated bonds by non-UK sovereign governments ▪ Covered bonds (i.e. those with underlying collateral) ▪ Unsecured corporate bonds ▪ Reverse Repurchase Agreements (‘reverse repos’) ▪ Investments with Registered Providers of Social Housing (i.e. housing associations) ▪ Commercial paper ▪ Floating Rate Notes
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<p>Use of Derivatives</p>	<p>The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).</p> <p>As the Council is unlikely to use derivatives, it is a requirement of the CIPFA Code to clearly detail our policy on their in the annual treasury strategy.</p> <p>The Council will only use the following standalone financial derivatives: Swaps, forwards, futures and options as these can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to.</p> <p>Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk.</p> <p>Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.</p> <p>Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.</p>
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5. TMP 5: ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

- 5.1 **Principle:** *The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.*

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the Section 151 Officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

The Section 151 Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The Section 151 Officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule below.

The Section 151 Officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule below.

The delegations to the Section 151 Officer in respect of treasury management are set out in the schedule below. The Section 151 Officer will fulfil all such responsibilities in accordance with the organisation's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

5.2 Schedule:

See Appendix I for Organisation Charts

5.3 Schedule:

<p>Limits to responsibilities at Executive levels</p>	<p>Full Council:</p> <ul style="list-style-type: none"> • receiving and reviewing Prudential Indicators as part of the budget setting process (following receipt by Cabinet) • receiving and reviewing reports on treasury management policies, practices and activities (following receipt by Audit Committee) <p>The Cabinet:</p> <ul style="list-style-type: none"> • approval of amendments to adopted clauses, treasury management policy statement • budget consideration and approval • receiving and reviewing external audit reports and acting on recommendations • approving the selection of external service providers and agreeing terms of appointment
<p>Principles and practices concerning segregation of duties</p>	<p>The segregation of duties will be determined by the Treasury Management Finance Business Partner.</p> <p>Segregation of duties exists in that:</p> <ul style="list-style-type: none"> • the officers responsible for negotiating and closing treasury management deals also record the transactions in the cash book and completing cheque and bank reconciliations but are completely separate from the officer(s) who authorise the deals and any payments. • all borrowing/investments decisions must be authorised by the Section 151 officer or other nominated authorised officers (see below), depending on authorisation levels.

<p>Statement of duties/ responsibilities of each treasury post Including absence cover arrangements</p>	<p>The Section 151 Officer</p> <ul style="list-style-type: none"> • Submit budgets and budget variations in accordance with Financial Regulations and guidance. • Recommend clauses, treasury management policy / practices for approval, reviewing the same on a regular basis, and monitoring compliance • Determine Prudential Indicators and Treasury Management Strategy including the Annual Investment Strategy. • In setting the prudential indicators, be responsible for ensuring that all matters are taken into account and reported to the Council so as to ensure the Council’s financial plans are affordable, prudent and sustainable in the long term. • Establish a measurement and reporting process that highlights significant variations from expectations. • Submit regular treasury management reports as required to the council/cabinet/audit committee. • Receiving and reviewing management information reports. • Review the performance of the treasury management function and promote best value reviews. • Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function. • Ensure the adequacy of internal audit, and liaising with external audit. • Recommend on appointment of external service providers in accordance with council standing orders. • Provide regular updates to relevant Cabinet Members. • Delegated authority to approve loans over 1 year and investments up to 10 years. • Delegated authority to approve loan repayments/rescheduling. • The Section 151 Officer may delegate his power to borrow and invest to the Head of Financial Planning & Reporting, Finance Business Partners and relevant Senior Technical Accountants and Technical Accounting Officers as appropriate.
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	<p>Head of Financial Planning & Reporting</p> <ul style="list-style-type: none"> • The responsibilities of this post will include covering the full responsibilities of the Section 151 Officer in their absence. • Delegated authority to approve loans over 1 year and investments up to 50 years. • Delegated authority to approve loan repayments/rescheduling. • Submit budgets and budget variations in accordance with Financial Regulations and guidance. • Establish a measurement and reporting process that highlights significant variations from expectations. <p>Finance Business Partner</p> <ul style="list-style-type: none"> • Prepare draft Treasury Management Policy, Treasury Management strategy and investment strategy, mid-year and annual Treasury Management report and Treasury Management Practices. • Recommend early repayment of debt over one year and subject to the approval of the Section 151 Officer, or the Head of Financial Planning & Reporting arrange the repayment of these loans. • Prepare budget for capital financing including all treasury management loan and investment activities including MTFs. • Submitting management information reports to the Treasury Management Board, Section 151 Officer and Head of Financial Planning & Reporting. <p>Finance Business Partner and Principal Technical Accountant</p> <ul style="list-style-type: none"> • To provide cover in the absence of the Technical Accounting Officer and to cover the full responsibilities of this post. • Maintaining relationships with third parties and external service providers and reviewing their performance. • Adherence to agreed policies and practices on a day-to-day basis. • Identifying and recommending opportunities for improved practices. • Authority to borrow for periods up to 1 year and lending up to 1 month. Lending in excess of 1 month subject to the agreement of the Treasury Management Board and/or the approval of the Section 151 Officer or Head of Financial Planning & Reporting. • Following approval by the Section 151 Officer undertake all borrowing over 1 year and deposits/investments up to 10 year maturity. • Make recommendations on all lending up to 10 years and borrowing over 1 year maturity. • Updating the Treasury Management Board with information on credit ratings, share prices, economic and press news impacting on the credit quality of the Council's deposits. <p>Technical Accounting Officer</p> <ul style="list-style-type: none"> • Negotiates and closes treasury management deals and records the transaction and payments obtaining authorisation as described above. • Carrying out the execution of transactions • Monitoring performance on a day-to-day basis. • Identifying and recommending opportunities for improved practices. • Using the counterparties list provided by the Council's Treasury Management advisers. • Maintaining the Council's cash flow forecast ensuring funds are available to meet the Council's financial commitments. <p>Cover is reviewed at least every 12 months, or as necessary.</p>
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	Cover in the absence of the relevant treasury management officer is provided by (depending on authorisation levels:
Description of the relationships between the chief finance officer, the monitoring officer and the head of paid service.	The Section 151 Officer (Chief Finance Officer) and the Head of Legal Services (Monitoring Officer), report into the Strategic Director for Transformation and Change, who in turn reports into the Chief Executive (Head of Paid Services).

5.4 Dealing

Authorised officers	<p>Responsible officer for borrowing/investment decisions :</p> <p>Borrowing activity:</p> <ul style="list-style-type: none"> • Section 151 Officer • Head of Financial Planning & Reporting • Senior Finance Analyst • Finance Business Partner <p>Lending activity:</p> <ul style="list-style-type: none"> • Section 151 Officer • Head of Financial Planning & Reporting • Senior Finance Analyst • Finance Business Partner <p>Authorising payments for borrowing/lending</p> <ul style="list-style-type: none"> • Overnight; <ul style="list-style-type: none"> ○ Technical Accounting Officer • Under 1 year <ul style="list-style-type: none"> ○ Finance Business Partner • Over 1 year <ul style="list-style-type: none"> ○ Section 151 Officer ○ Head of Financial Planning & Reporting <p>Transaction recording:</p> <ul style="list-style-type: none"> • Principal Technical Accountant • Technical Accounting Officer
Dealing limits	<p>Internally Managed Investments:</p> <ul style="list-style-type: none"> • Deposits up to 3 months with unlimited value with the Debt Management Office or £10m with an approved Local Authority or £20m with an approved bank or building society subject to the limits detailed in the Council’s Annual Investment strategy and the approved lending list.
List of approved brokers	Brokers used by the Council are named in TMP 11: External Service Providers

Policy on brokers' services	It is the Council's policy to utilise the services between at least two brokers. The Council will maintain a spread of business between them in order to avoid relying on the services of any one broker.
Policy on taping of conversations	Conversations with brokers are taped by the brokers, but not by the Council.
Direct dealing practices	<p>Direct dealing is carried out with institutions and with external pooled funds identified in the Operational Schedule subject to counterparty and maturity limits and dealing limits.</p> <p>Prior to undertaking direct dealing, the Council will ensure that each counterparty / fund has been provided with the Council's list of authorised dealers and the Council's Standard Settlement Procedures.</p> <p>The template for the Council's Standard Settlement Procedures is included in the Operational Schedule.</p>
Deal Ticket proforma	Deals will be recorded as per the deal ticket proforma (proforma maintained at operational level)
Settlement transmission procedures	<ul style="list-style-type: none"> • settlements are made by CHAPS. • all CHAPS payments relating to settlement transactions require authorisation by the Finance Business Partners in Finance. • all CHAPS payments require 1 bank signatures • the details are transmitted online to the Council's bankers.
Documentation requirements	<p>For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payments date(s), broker.</p> <p>Investments</p> <ul style="list-style-type: none"> • deal ticket authorising the investment • confirmation from the broker • confirmation from the counterparty • Contract notes for purchase and sale of shares/units in pooled funds from the fund's manager/administrator • Chaps payment transmission document <p>Loans:</p> <ul style="list-style-type: none"> • deal ticket with signature to agree loan • confirmation from the broker • confirmation from PWLB/market counterparty • Chaps payment transmission document for repayment of loan.
Arrangements concerning the management of counterparty funds	<ul style="list-style-type: none"> • The Treasury Management Finance Business Partner has responsibility for updating the Council's records with any credit developments. • The Treasury Management Finance Business Partner is tasked with the responsibility for checking that records have been correctly updated to reflect any credit developments.

6. TMP 6: REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

6.1 **Principle:** *The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.*

As a minimum, the Council and Audit Committee will receive:

- *An annual report on the strategy and plan to be pursued in the coming year*
- *A mid-year review*
- *An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation’s treasury management policy statement and TMPs.*

The Strategic Treasury Management Board will receive regular monitoring reports on treasury management activities and risks.

The audit committee will have responsibility for the scrutiny of treasury management policies and practices.

The present arrangements and the form of these reports are outlined below.

6.2 Schedule:

<p>Frequency of executive reporting requirements</p>	<p>The Section 151 Officer will annually submit budgets and will report on budget variations as appropriate.</p> <p>The Section 151 Officer will submit the Prudential Indicators and the Treasury Strategy Statement (including Annual Investment Strategy) and report on the projected borrowing and investment strategy and activity for the forthcoming financial year to the Council before the start of the year.</p> <p>The Annual Treasury Report will be prepared as soon as practicable after the financial year end and, in all cases, before the end of September.</p> <p>A Mid-Year Treasury Report will be prepared by the Section 151 Officer, which will report on treasury management activities for the first part of the financial year. The report will also provide a forecast for the current year. The Mid-Year Report will be submitted to Council during the year.</p>
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<p>Content of Reporting: I. Prudential Indicators</p>	<p>The Council will set the following Prudential Indicators, revise if necessary, and in its annual / semi-annual reports publish 34actual outturn (where appropriate) in respect of:</p> <ul style="list-style-type: none"> ▪ Financing costs as a proportion of net revenue stream (estimate; actual) ▪ Capital expenditure (estimate; actual) ▪ Incremental impact of capital financing decisions (estimate) ▪ Capital Financing Requirement (estimates; actual) ▪ Authorised limit for external debt ▪ Operational boundary for external debt ▪ Actual external debt <p>Treasury indicators</p> <ul style="list-style-type: none"> ▪ Upper limits on fixed and variable rate interest exposures ▪ Upper and lower limits to maturity structure of fixed rate borrowing ▪ Upper limit to total of principal sums invested longer than 364 days. <p>The Prudential Indicators are approved and revised by Council and are integrated into the Council’s overall financial planning and budget process.</p> <p>The Audit Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.</p>
<p>2. Treasury Strategy Statement including the Annual Investment Strategy</p>	<p>The Treasury Strategy Statement integrates with the Prudential Indicators being set and will include the following:</p> <ul style="list-style-type: none"> • Link to Capital Financing and Treasury Management Prudential Indicators for the current and ensuing three years • Strategy for financing new borrowing requirements (if any) and refinancing maturing borrowing (if any) over the next three years and for restructuring of debt • the extent to which surplus funds are earmarked for short term requirements • the investment strategy for the forthcoming year(s) (see below*) • the minimum to be held in short term/specified investment during the coming year • the interest rate outlook against which the treasury activities are likely to be undertaken. <p>*Based on the ODPM’s (now CLG’s) Guidance on Investments, the Council will produce an Annual Investment Strategy (AIS) which sets out</p> <ul style="list-style-type: none"> ▪ the objectives, policies and strategy for managing its investments; ▪ the determination of which Specified and Non Specified Investments the Council will utilise during the forthcoming financial year(s) based on the Council’s economic and investment outlook and the expected level of investment balances; ▪ the limits for the use of Non-Specified Investments. <p>The AIS will be integrated into the Treasury Strategy Statement.</p> <p>The audit committee will also receive a copy of this report to carry out its scrutiny role of treasury management.</p>

<p>3. Annual Treasury Report</p>	<p>The Section 151 Officer will produce an annual report for the Audit Committee on all activities of the treasury management function (including the performance of fund managers) as soon as practicable after year end and in all cases no later than 30 September of the succeeding financial year.</p> <p>The main contents of the report will comprise:</p> <ul style="list-style-type: none"> ▪ confirmation that the Council calculated its budget requirements and set a balanced budget for the Financial Year; ▪ the prevailing economic environment ▪ a commentary on treasury operations for the year, including their revenue effects; ▪ commentary on the risk implications of treasury activities undertaken and the future impact on treasury activities of the Council ▪ compliance with agreed policies/practices and statutory/regulatory requirements ▪ compliance with Prudential Indicators; ▪ performance measures. <p>The audit committee will also receive a copy of this report to carry out its scrutiny role of treasury management.</p>
<p>4. Mid-Year Treasury Report</p>	<p>The Section 151 Officer will produce a mid-year report for Council on the borrowing and investment activities of the treasury management function (including performance of fund managers) for the first six months of the financial year.</p> <p>The main contents of the report will comprise:</p> <ul style="list-style-type: none"> • Economic background • Economic forecast (including interest rates forecast) • Treasury Management Strategy Statement update • Performance versus benchmarks • Borrowing information (including premature repayment, new loans information) • Information on investments, including current lending list • Prudential indicators relating to treasury management • Governance framework and scrutiny arrangements <p>The Audit Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.</p>

<p>Content and frequency of management information reports</p>	<p>The Treasury Management Finance Business Partner provides information for the council's Treasury Management advisors who then provide a quarterly monitoring report to the Strategic Treasury Management Board.</p> <p>This report includes details of:</p> <ul style="list-style-type: none">• borrowing and investment activity undertaken including forward deals• performance of internal and external investments against benchmark• cash flow monitoring• extent of compliance with the treasury strategy and reasons for variance (if any)• Prudential Indicator monitoring and compliance
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7. TMP 7: BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 **Principle:** *The Section 151 Officer will prepare, and the Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with **TMP1 Risk management, TMP2 Performance measurement, and TMP4 Approved instruments, methods and techniques.** The form which the Council’s budget will take is set out in the schedule below.*

*The Section 151 Officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with **TMP6 Reporting requirements and management information arrangements.***

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being. The present form of the Council’s accounts is set out in the schedule.

The Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices. The information made available under present arrangements is detailed below.

7.2 Schedule:

<p>Statutory/regulatory requirements</p>	<p>Balanced Budget Requirement: The provisions of S32 and S43 of the Local Government Finance Act 1992 require this Council to calculate its budget requirement for each financial year including, among other aspects,;</p> <p>(a) the expenditure which is estimated to be incurred in the year in performing its functions and which will be charged to a revenue account and</p> <p>(b) revenue costs which flow from capital financing decisions.</p> <p>S33 of the Act requires the Council to set a council tax sufficient to meet expenditure after taking into account other sources of income.</p>
<p>Proper accounting practice</p>	<p>CIPFA’s Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (the local authority SORP) constitutes “proper accounting practice under the terms of S21 (2) of the Local Government Act 2003”.</p>

<p>Financial Statements</p>	<p>The Financial Statements comprise:</p> <ul style="list-style-type: none"> ▪ An explanatory foreword ▪ Accounting policies, changes in accounting estimates and errors ▪ Presentation of financial statements ▪ Movement in reserves statement ▪ Comprehensive income and expenditure statement ▪ Balance sheet ▪ Cash flow statement ▪ Housing revenue account ▪ Collection Fund (England) ▪ Statement of Responsibilities ▪ The Accounting Statements ▪ Additional Financial Statements (Housing Revenue Account, Collection Fund) ▪ Notes to the financial statements ▪ Statements reporting reviews of internal controls or internal financial controls ▪ Events after the reporting period ▪ Related party disclosures
<p>Format of the Council's accounts</p>	<p>The current form of the Council's accounts is available within the Finance Department.</p>
<p>Disclosures relating to treasury management</p>	<p>Due regard will be given to the disclosure requirements under CIPFA's Accounting Code of Practice.</p>

<p>Treasury-related information requirements of external auditors</p>	<p>The following information is specifically requested by the external auditor and should be considered an initial request for information. It is usually followed by more detailed audit testing work which often requires further information and/or explanations from the Council's officers.</p> <p>Information in this context includes internally generated documents including those from the Council's Treasury Management System, externally generated documents, observation of treasury management practices which support and explain the operation and activities of the treasury management function.</p> <ul style="list-style-type: none"> ▪ Determination of Affordable Borrowing Limit under Section 3 of the Local Government Act 2003. ▪ Prudential Indicators. ▪ Treasury Management Strategy including Annual Investment Strategy. <p><u>External borrowing:</u></p> <ul style="list-style-type: none"> • New loans borrowed during the year : PWLB certificates / documentation in relation to market loans borrowed (including copy of agreements, schedule of commitments) • Loan maturities. • Compliance with proper accounting practice, regulations and determinations for the amortisation of premiums and discounts arising on loans restructured during the year and previous years. • Analysis of loans outstanding at year end including maturity analysis. • Analysis of borrowing between long- and short-term • Debt management and financing costs <ul style="list-style-type: none"> ▪ calculation of (i) interest paid (ii) accrued interest ▪ interest paid • MRP calculation and analysis of movement in the CFR. • Bank overdraft position. • Brokerage/commissions/transaction related costs.
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	<p><u>Investments:</u></p> <ul style="list-style-type: none"> • Investment transactions during the year including any transaction-related costs • cash and bank balances at year end • Short-term investments at year end • Long-term investments at year end (including investments in associates and joint ventures) by asset type, including unrealised gains or losses at year end • calculation of (i) interest received (ii) accrued interest • actual interest received • External fund manager valuations including investment income schedule and movement in capital values, transaction confirmations received (if any) • Basis of valuation of investments • Evidence of existence and title to investments (e.g. Custodian's Reports. Schedule of any investments in companies together with their latest financial statements); statement of transactions between the company and the Council.
	<p><u>Cash Flow</u></p> <ul style="list-style-type: none"> ▪ Reconciliation of the movement in cash to the movement in net debt ▪ Cash inflows and outflows (in respect of long-term financing) ▪ Cash inflows and outflows (in respect of purchase/sale of long-term investments) ▪ Net increase/decrease in (i) short-term loans (ii) short-term deposits (iii) other liquid resources <p><u>Other</u></p> <ul style="list-style-type: none"> ▪ Amounts which are held on behalf of schools, amounts which are held by schools under delegated schemes ▪ Details of (treasury-related) material events after balance sheet date not reflected in the financial statements. ▪ External advisors'/consultants' charges
Internal Audit	<p>Internal Audit conducts a review of the treasury management function and probity testing, as per their annual plan. The internal auditors will be given access to treasury management information/documentation as required by them.</p>
Compliance with CIPFA Treasury Management and Prudential Codes	<p>Auditors may require evidence/demonstration of compliance with external and internal treasury management policies and strategy.</p> <p>Any serious breach of the TM Code's recommendations or Prudential Indicators should be brought to the attention of the external auditor.</p>
Costs for treasury management	<p>The budget for treasury management forms part of the Corporate Items budget.</p>

8. TMP 8: CASH AND CASH FLOW MANAGEMENT

8.1 **Principle:** *Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Section 151 Officer and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Section 151 Officer will ensure that these are adequate for the purposes of monitoring compliance with **TMPI [2] liquidity risk management**. The present arrangements for preparing cash flow projections and their form are set out in the schedule below.*

8.2 Schedule:

<p>Arrangements for preparing /submitting cash flow statements</p>	<p>Cash flow forecasts will be viewed over one time horizons and will be used to formulate the Council’s borrowing and investment strategy by identifying periods of surplus or shortfall of cash balances.</p> <p>The cash flow forecasts and statements are held at operational level.</p> <p>The accuracy and effectiveness of the Council’s cash flows are dependent on the accuracy of estimating expenditure, income and their corresponding time periods.</p> <p>An outline medium-term cash flow model is prepared as part of the budget process, with projections for 2 further years. It is highly summarised and looks mainly at cash flows arising from the capital programme, the in-year capital financing requirement, scheduled loan repayments and long-term investment maturities, and anticipated movements in reserves.</p> <p>A detailed annual cash flow is prepared for the financial year once the budget for the ensuing year has been agreed, which is monitored and updated on a monthly basis. It identifies the major inflows and outflows on a month by month basis.</p> <p>It is prepared using the agreed revenue budget and capital programme for the financial year and based on the knowledge obtained from the Council’s various service sections incurring the expenditure /receiving the income and can be supplemented by the experience from previous years.</p> <p>Daily cash flows show forecast and planned movements of cash on a daily basis, including the matching of known inflows and payments. This is recorded in the excel cashflow document.</p>
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<p>Content and frequency of cash flow projections</p>	<p>The detailed annual cash flow model includes the following:</p> <ul style="list-style-type: none"> • revenue income and expenditure based on the budget. • profiled capital income and expenditure as per the capital programme. <p>Revenue activities:</p> <p><u>Inflows:</u></p> <ul style="list-style-type: none"> ▪ Revenue Support Grant ▪ Precepts received ▪ Non domestic rates receipts ▪ NNDR receipts from national pool ▪ Council tax receipts ▪ DSS / other government grants ▪ Cash for goods and services ▪ Other operating cash receipts <p><u>Outflows:</u></p> <ul style="list-style-type: none"> ▪ Salaries and payments on behalf of employees ▪ Operating cash payments ▪ Housing Benefit paid ▪ Precepts paid ▪ NNDR payments to national pool ▪ Payments to the capital receipts pool <p>Capital activities including financing</p> <p><u>Inflows:</u></p> <ul style="list-style-type: none"> ▪ Capital grants received ▪ Sale of fixed assets ▪ Other capital cash receipts <p><u>Outflows:</u></p> <ul style="list-style-type: none"> ▪ Purchase of fixed assets ▪ Purchase of long-term investments ▪ Other capital cash payments <p>Financing, Servicing of Finance/Returns on Investments</p> <p><u>Inflows:</u></p> <ul style="list-style-type: none"> ▪ New long-term loans raised ▪ New short-term loans raised ▪ Interest received ▪ Discount on premature repayment of loan <p><u>Outflows:</u></p> <ul style="list-style-type: none"> ▪ Loan repayments ▪ Premia on premature repayment of loan ▪ Short-term investments ▪ Capital element of finance lease rental payments ▪ Interest paid ▪ Interest element of finance lease rental payments
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<p>Monitoring, frequency of cash flow updates</p>	<p>The annual cash flow statement is updated monthly with the actual cash inflows and outflows after taking account of any revisions including those relating to grant income and capital expenditure and will be reconciled with:</p> <ul style="list-style-type: none"> • net RSG and NNDR payments as notified; • actual salaries and other employee costs paid from account bank statements; • actual payments to Inland Revenue from general account bank statements; • actual council tax received; • actual housing benefit; • actual capital programme expenditure and receipts. 												
<p>Bank statements procedures</p>	<p>The Council receives online bank statements uploaded on a daily basis. These are posted independent of the treasury function and are reconciled to the general ledger on a monthly basis.</p>												
<p>Payment scheduling</p>	<p>The Council has a policy of paying suppliers in line with agreed terms of trade and the following service standards:</p> <ul style="list-style-type: none"> • Small and medium enterprises (SME's – business employing up to 250 people) to be paid within 15 days of receipt of invoice. • All other creditors to be paid within 30 days of receipt of invoice. 												
<p>Monitoring debtor/ creditor levels</p>	<p>Debtor levels are monitored by a monthly Sundry Debtors Monitoring Report which will include an analysis of debt by age and details and details of recovery status.</p> <p>The level of Creditor invoices being processed / remaining unpaid is monitored on a daily basis by the Transaction Centre. A report is produced within three days of the BACS run with details all BACS and cheque payments for the next day in advance and recorded in the cashflow spreadsheet.</p>												
<p>Banking of funds</p>	<p>Instructions for the banking of income are set out in the Financial Regulations. Cash and cheques received in the cashiers section are banked weekly.</p> <p>All the Council's sections are advised of the requirement to bank on a regular basis in order to comply with recommended best practice and also remain within the particular insurance limits for the Council's premises.</p>												
<p>Listing of sources of information</p>	<p>The treasury function receives cash flow information from the following persons/departments:</p> <table border="1" data-bbox="491 1742 1339 1955"> <thead> <tr> <th>Type of Information</th> <th>Source</th> </tr> </thead> <tbody> <tr> <td>Capital Spend and Receipts</td> <td>Capital Accounting Team</td> </tr> <tr> <td>Government Grants</td> <td>Logasnet</td> </tr> <tr> <td>Payroll</td> <td>HR payroll department</td> </tr> <tr> <td>Debtors and Creditors</td> <td>Transaction Centre</td> </tr> <tr> <td>Loans and Deposits</td> <td>Treasury Management Team</td> </tr> </tbody> </table>	Type of Information	Source	Capital Spend and Receipts	Capital Accounting Team	Government Grants	Logasnet	Payroll	HR payroll department	Debtors and Creditors	Transaction Centre	Loans and Deposits	Treasury Management Team
Type of Information	Source												
Capital Spend and Receipts	Capital Accounting Team												
Government Grants	Logasnet												
Payroll	HR payroll department												
Debtors and Creditors	Transaction Centre												
Loans and Deposits	Treasury Management Team												

<p>Practices concerning prepayments to obtain benefits</p>	<p>The following practices concerning prepayments are followed to obtain benefits:</p> <p>All prepayments must be authorised by the approved signatory in the respective department.</p>
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9. TMP 9: MONEY LAUNDERING

9.1 **Background:** The Proceeds of Crime Act (POCA) 2002 consolidated, updated and reformed criminal law in the UK in relation to money laundering. The principal offences relating to money laundering are:

- Concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland
- Being concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention use or control of criminal property
- Acquiring, using or possessing criminal property.

Other offences include failure to disclose money laundering offences, tipping off a suspect either directly or indirectly, and doing something that might prejudice an investigation.

Organisations pursuing relevant businesses were required to appoint a nominated officer and implement internal reporting procedures; train relevant staff in the subject; establish internal procedures with respect to money laundering; obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken and report their suspicions.

In December 2007, the UK Government published the Money Laundering Regulations 2007, which replaced the 2003 Regulations.

CIPFA believes that public sector organisations should “embrace the underlying principles behind the money laundering legislation and regulations and put in place anti money laundering policies, procedures and reporting arrangements appropriate and proportionate to their activities”.

9.2 **Principle:** *The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff members involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the schedule below.*

9.3 Schedule:

<p>Anti money laundering policy</p>	<p>This Council’s policy is to prevent, wherever possible, the organisation and its staff being exposed to money laundering, to identify the potential areas where it may occur and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases.</p> <p>The Council has accepted responsibility to ensure that those of its staff who are most likely to be exposed to money laundering can make themselves fully aware of the law and, where necessary, are suitably trained.</p>
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<p>Treasury documentation</p>	<p>The Authority will reflect the anti-laundering measures it has in place as part of its treasury documentation. Such measures include:</p> <ul style="list-style-type: none"> — Awareness of what constitutes money laundering; — The obligation to report knowledge of/having reasonable grounds to believe an offence might be committed; — Maintaining up-to-date direct dealing and SSI mandates with counterparties
<p>Nomination of Responsible Officer(s)</p>	<p>(a) The Council has nominated the Section 151 Officer to be the responsible officer(s) to whom any suspicions relating to transactions involving the Council will be communicated.</p> <p>(b) The responsible officer(s) will be conversant with the requirements of the Proceeds of Crime Act 2002 and will ensure relevant staff are appropriately trained and informed so they are alert for suspicious transactions.</p> <p>(c) The responsible officer(s) will make arrangements to receive and manage the concerns of staff about money laundering and their suspicion of it, to make internal enquiries and to make reports, where necessary, to National Criminal Intelligence Services (NCIS).</p>

<p>Procedures for establishing the Identity of Lenders and Borrowers</p>	<ul style="list-style-type: none">(a) In the course of its treasury activities, the Council will only borrow from permitted sources identified in TMP 4.(b) The Council will not accept loans from individuals.(c) In the course of its treasury activities, the Council will only invest with those counterparties which are on its approved lending list.(d) The identity and authenticity of commercial institutions (banks, building societies and other financial institutions) authorised to carry out borrowing and lending activity in the UK will be checked via the Bank of England/ Prudential Regulation Authority's website.(e) All receipts/disbursements of funds will be undertaken by BACS or CHAPS settlement.(f) Direct Dealing mandates: The Council will provide (in the case of lending) / obtain (in the case of borrowing) and maintain on file dealing mandates with any new money market counterparty. The mandates should be on letter-headed paper, dated and signed.(g) All banking transactions will only be undertaken by the personnel authorised to operate the Council's banks accounts.(h) If the Authority takes/provides loans from individuals, it will establish robust procedures for verifying and recording the appropriate financial and personal information of such individuals.(i) When receiving requests for change of payment details, due care will be exercised to ascertain the bona fide of the request and avoid potential fraud. Additional checks will be made through pre-existing contact details for the payee before altering payment details.
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10. TMP 10: TRAINING AND QUALIFICATIONS

10.1 **Principle:** *The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Section 151 Officer will recommend and implement the necessary arrangements.*

The Section 151 Officer will ensure that council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

The present arrangements are detailed in the schedule below.

10.2 Schedule:

Qualifications/ experience for treasury staff	Part or fully qualified or training towards qualification of one of the accepted accountancy bodies, i.e. CIPFA, ACA, ACCA, CIMA. Member of the Association of Accounting Technicians (AAT) part or fully qualified. Attend treasury training as provided by our Treasury Advisors.
Details of approved training courses	The courses/events the Council would expect its treasury personnel to consider are: <ul style="list-style-type: none"> ▪ Training courses for Accounting, Auditing, Best Value/Competition, Budgeting, Capital Finance & Borrowing, Financial Management run by CIPFA and IPF ▪ Any courses/seminars run by Treasury Management Consultants. ▪ Attending CIPFA seminars and workshops ▪ Training attended by those responsible for scrutiny of the treasury function The Council participates in a CIPFA Employer Accreditation Scheme for CPD purposes which is based on planning, recording and evaluating development.
Records of training received by treasury staff	Treasury-related training records are maintained.
Records of training received by those charged with governance	Training records are maintained of those people/committees responsible for governance of treasury management.

11. TMP 11: USE OF EXTERNAL SERVICE PROVIDERS

11.1 **Principle:** *The Council recognises that responsibility for the treasury management decisions remains with the organisation at all times. It recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Section 151 Officer, and details of the current arrangements are set out in the schedule below.*

11.2 Schedule:

Contract threshold	The Council’s Financial Regulations require that a formal contract is in place with external service providers where the contract value is £200k and above. The contract will clearly state the services to be provided and the terms on which they will be provided.
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<p>Details of service providers and procedures and frequency for tendering services</p>	<p>(a) Bankers to the Council: Barclays Bank, 140-146 Armada Way, Plymouth, PL1 1LA. Tel: 0345 7 345 345 Contract period: Commenced 1st April 2014</p> <p>(b) Treasury advisor Arlingclose Limited, 60 Moorgate, London, EC2R 6EL. Tel: 08448 808 200 Contract period: Commenced 1st January 2015</p> <p>(c) External Fund Manager King & Shaxson, 6th Floor, Candlewick House, 120 Cannon Street, London, EC4N 6AS</p> <p>(d) Brokers: It is considered good practice for the Council to have at least two brokers and to spread business between them. Tullett Prebon Limited, Level 3, 155 Bishopsgate, London, EC2M 3TQ. Tel: 020 7200 7000</p> <p>Tradition (UK), Beaufort House, 15 St. Botolph Street, London, EC3A 7QX. Tel: 020 7198 1500</p> <p>London Currency Brokers, LCB House, 8A The Broadway, Pitsca, Essex, SS13 3AY.</p> <p>Martin Brokers (UK) Plc, One Churchikk Place, Canary Wharf, London, E14 5RD. Tel: 020 7469 9000</p> <p>Sterling International Brokers Limited One Churchill Place, 18th Floor, London, EC4 5RD. Tel: 020 7962 9960</p>
<p>Regulatory status of services provided</p>	<p>The Council's external service providers are listed below, along with their regulatory status:</p> <p>All financial services providers are regulated by the Financial Services authority (FSA).</p>
<p>Details of service provided by Treasury Advisor</p>	<p>The Council will seek to take expert advice on interest rate forecasts, annual treasury management strategy, debt rescheduling and use of various borrowing and investment instruments.</p>

Bribery Act	The Council is mindful of the requirements of the Bribery Act 2011 in its dealings with external providers
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12. TMP 12: CORPORATE GOVERNANCE

12.1 *Principle: The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.*

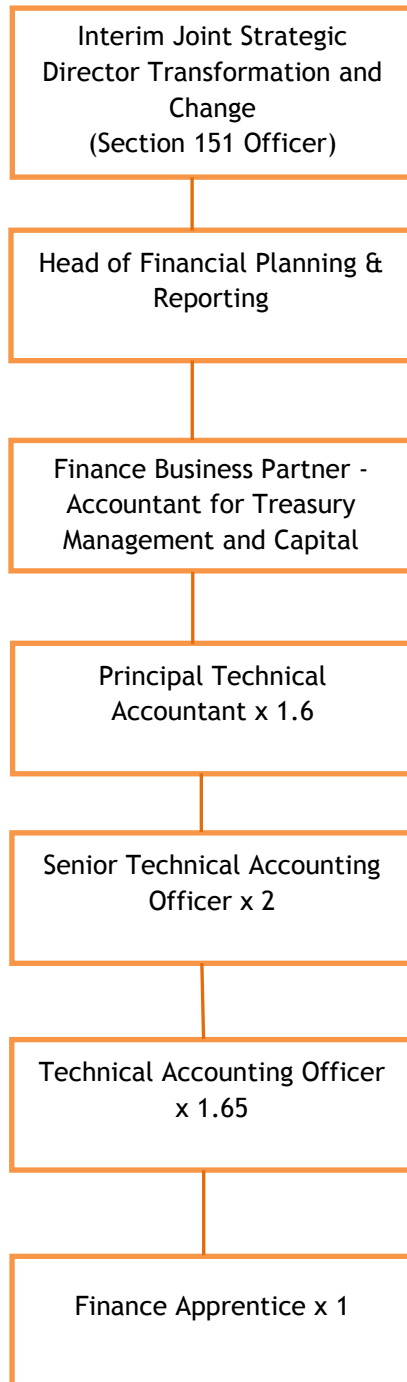
The Council has adopted and has implemented the key recommendations of the Treasury Management Code of Practice (Revised 2009). This, together with the other arrangements detailed in the schedule below, are considered vital to the achievement of proper corporate governance in treasury management, and the Section 151 Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

12.2 Schedule:

Stewardship responsibilities	The S151 Officer ensures that systems exist to deliver proper financial administration and control and maintaining a framework for overseeing and reviewing the treasury management function.
List of documents to be made available for public inspection.	The following documents are freely available for public inspection: <ul style="list-style-type: none"> ▪ Annual Statement of Accounts ▪ Budget Book ▪ 5 Year Capital Plan ▪ Treasury Management Policy ▪ Treasury Management Strategy ▪ Budget Monitoring Reports ▪ Annual Treasury Report
Council’s website.	Financial information is additionally available on the Council’s website.
Procedures for consultation with stakeholders.	Members and senior officers of the Council are consulted via reports to the Audit Committee and officer/member briefing sessions.

Appendix I

Organisation Chart for Capital and Treasury Management (FTE)



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PLYMOUTH CITY COUNCIL

Subject:	Strategic Risk and Opportunity Register – Monitoring Report
Committee:	Audit Committee
Date:	16 March 2017
Cabinet Member:	Councillor Darcy
CMT Member:	Andrew Hardingham (Interim Joint Strategic Director Transformation and Change)
Author:	Mike Hocking, Head of Assurance Services
Contact details	Tel: 01752 304967 email: mike.hocking@plymouth.gov.uk
Ref:	CRM/MJH
Key Decision:	No
Part:	I

Purpose of the report:

This report provides a summary of the latest formal monitoring exercise completed for the Strategic Risk and Opportunity Register for the period September 2016 to February 2017.

Appendix A to the report provides the revised risk and opportunity register showing the current status of each risk and the movement in risk score compared with the previous monitoring period.

Overall, as a result of the review, the total number of risks now reported on the strategic risk and opportunity register has increased from 14 to 15.

The Corporate Plan 2016 - 19:

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

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

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

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

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

Equality and Diversity

Has an Equality Impact Assessment been undertaken? Not required.

Recommendations and Reasons for recommended action:

The Audit Committee is recommended to:
 Note and endorse the current position with regard to the Strategic Risk and Opportunity Register.

Alternative options considered and rejected:

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

Published work / information:

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

Background papers:

None.

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

Sign off:

Fin	akh161 7.82	Leg	DVS2 7658	Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member: Andrew Hardingham, Interim Joint Strategic Director Transformation and Change													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

1.0 Introduction

- 1.1 The position with regard to the Strategic Risk and Opportunity Risk Register was last reported to this Committee on [15 September 2016](#) and this report now provides a summary of the latest monitoring exercise covering the position as at 28 February 2017.

2.0 Strategic Risk and Opportunity Register – Monitoring Summary

- 2.1 In accordance with the strategy requirement for twice-yearly monitoring, the latest review and monitoring exercise was completed in February 2017 with the results discussed and agreed by CMT on 21 February 2017 and Cabinet Planning on 28 February 2017.
- 2.2 Attached to this report at Appendix A is the revised strategic risk and opportunity register showing the current status of each risk and any movement in risk score compared with previous monitoring periods together with explanatory commentary on the key issues for each risk.

3.0 Headline Issues

3.1 Risk Score Unchanged

Red Risk 95 – Medium Term Financial Strategy 2016-2020 (Row No. 1)

The Council is expected to approve a balanced 2017-18 budget following the identification of additional efficiencies. Finance and People Directorate senior management team are working in collaboration with the NHS Success Regime to ensure the Plymouth Integrated Fund is not compromised. Corporate Management Team and Cabinet will continue to receive monthly monitoring reports identifying risks and pressures leading to the consideration of proposals for corrective action.

Amber Risk 21 - Being unable to deliver Council services within the envelope of the resources provided in 2016/17 – (Row No. 2)

The Council has embarked on a large Transformation Programme in order to achieve significant savings. Cabinet members and scrutiny board receive monthly finance progress reports and regular project accounting reports are presented to the Transformation Review Board.

Amber Risk 83 – Failure to reduce health inequalities (Row No. 3)

The Thrive Plymouth framework has been adopted by full council and links to the Plymouth and South West Devon Joint Local Plan and Integrated Commissioning Strategies. This provides a good foundation to achieve prevention in all services and decision making processes. During the past 2 years work with employers and schools has taken place to embed an understanding and focus to reduce health inequalities. Whilst this work continues, the focus for Thrive Plymouth Year 3 is localising the national ONE YOU campaign to help adults in middle life adopt healthy behaviours. To enable this, the commissioned health improvement service has re-branded to be One You Plymouth.

3.2 New Risk

Amber Risk – Failing to adhere to the General Data Protection Regulation (GDPR) (Row No. 7)

The GDPR replaces the Data Protection Act from May 2018. Failure to adhere to the new regulation may lead to a fine from the Information Commissioner's Office (ICO). The ICO has produced an action plan to help organisation's prepare for implementation and progress of this plan will be monitored via the Management of Information Security Forum and Information Lead Officer Group.

3.3 Risk Score Decreased

Green Risk 93 – Risk of failing to deliver the range of housing to meet Plymouth's need — Decreased from 12 to 9 (Row No. 12)

New homes delivery for first two years of monitoring the Plan for Homes (14/15-15/16) is 2,215 homes which is on target to meet the council's 5,000 commitment.

Green Risk 113 – Risk of data loss and/or compromise of connected national infrastructure or attacks via standard hacking methods, phishing emails and malware infection – Decreased from 16 to 8 (Row No. 15)

The 2016 IT health check has been completed and all vulnerabilities are being addressed in order to meet compliance requirements.

4.0 Leaving the EU

4.1 Following the UK referendum vote to leave the EU on 23 June a Leaving the EU working group was formed, chaired by the Assistant Chief Executive.

4.2 The working group meets on a bi-monthly basis to support the Council in understanding, interpreting, and engaging in the process of Britain leaving the EU. Being informed, prepared and proactive will ensure that Plymouth City Council is in the best possible position to take advantage of opportunities that arise as well as being able to respond to potential risks.

4.3 The working group will also provide the link to other organisations such as the LGA, Local Enterprise Partnership, the Growth Hub and business representative bodies such as Chambers of Commerce to gather some initial views from local businesses on the impact of the referendum.

4.4 The Working Group Chair will provide CMT and Cabinet with regular updates.

5.0 Finance Fit Risk Management Review

5.1 As reported to this Committee in December, a review of our risk management arrangements took place during last year as a joint working collaboration between the Corporate Risk Team and Devon Audit Partnership.

5.2 Two of the common themes raised by participants of the review were the need for 'real time' risk information and alignment with other corporate governance functions such as performance and financial management.

- 5.3** As a result of this a risk software scoping exercise was undertaken and the most favourable option considered was the use of the Project Server + system which is to be used within the Portfolio Team to record project management risks once a system upgrade has taken place.
- 5.4** A trail of the system to record corporate risks was due to be undertaken during January 2017 however, implementation of the upgrade has been delayed and the system will not be available until March/April 2017.
- 5.5** Providing the upgrade is successful we will trial the system within one area of business during the next monitoring period for operational risks in May and June 2017. The results of this trial will be fed back to this committee.

6.0 Integrated Assurance

- 6.1** The creation of the new Integrated Assurance Service will result in risk management being formally aligned and working alongside other compliance functions and other corporate governance processes to promote a joined-up approach to all aspects of governance.
- 6.2** The attached briefing paper at Appendix B describes “The Three Lines of Defence” model which is being proposed to be the framework to demonstrate and structure roles, responsibilities and accountabilities for decision making, risk and control in order to achieve effective governance and assurance.
- 6.3** Colleagues from other compliance functions have been consulted on the draft framework which aims to enhance communications on risk management and control by clarifying essential roles and duties.
- 6.4** Progress will continue to be reported to future meetings of this Committee.

7.0 Summary and Conclusion





- 7.1** The Council’s success in dealing with the risks that it faces can have a major impact on the achievement of key promises, objectives and ultimately therefore, the level of service to the community.
- 7.2** The movement in risk scores and the consequent changes to the Council’s overall strategic risk profile outlined in this latest review provides good evidence of the dynamic nature of the Strategic Risk and Opportunity Register and the maturity of the Council’s approach to the identification and management of strategic risk.
- 7.3** The inclusion of risk management considerations is a key feature in the Council’s key corporate processes featuring in the Corporate Plan preparation, Change Plans, Budget Planning and Monitoring and Performance Management.
- 7.4** This embedded approach acts as an effective early warning system for the recording, monitoring and management of risks that threaten the delivery of the Council’s strategic objectives and plans.

- 7.5** The next formal review of the Strategic Risk and Opportunity Register will take place in August 2017.

ROW NO	RISK REF	DESCRIPTION OF RISK (Risk description should include cause / risk event / consequence and risk category)	LINK TO CORPORATE PLAN PERFORMANCE FRAMEWORK OR BUSINESS PLAN (must be vital to the Council's success / benefit the Council as a whole / Be synonymous with a high-level goal / link directly to the corporate strategy)	CURRENT EXISTING MITIGATION	RESIDUAL RISK RATING			CURRENT RESIDUAL RISK RATING			RAG RATING /CHANGE IN RISK RATING	ACTION PLAN / FUTURE MITIGATION	HOW WILL PROGRESS BE MEASURED (LIST MEASURABLE BENEFITS AND NON-QUANTIFIABLE BENEFITS)	TARGET DATES (or review date if target unknown)	RESPONSIBLE OFFICER(S)	DIRECTOR / ASSISTANT DIRECTOR	RISK CHAMPION
					*P	*I	20	*P	*I	20							
1	95	Inability to meet the longer term target budgets given the size of the resource reductions and increasing cost pressures as detailed in our Medium Term Financial Strategy 2016-2020 . This would result in a negative impact on budgets, loss of reputation, negative impact on front line services and a negative VFM opinion from external audit Risk Category: FINANCIAL	<i>Corporate Plan Performance Framework Outcome - Pioneering</i> <i>Enable quality services that are recognised as innovative; achieve value for money and exhibit an embedded customer focus</i> The Medium Term Financial Strategy (MTFS) for the financial years 2016/17 to 2019/20 sets out how we will finance the priorities for the Council, having regard to the Plymouth Plan, the Corporate Plan and the uncertainties around a number of issues including the level of reductions in future funding from Central Government and the consequent changes required of the Council	The Council is expected to approve a balanced 2017-18 budget in February following the identification of additional efficiencies. The MTFS will be updated at CMT quarterly. PCC Finance and People Directorate SMT are working in collaboration with the NHS Success Regime to ensure the Plymouth Integrated Fund is not compromised. CMT and Cabinet will continue to receive monthly monitoring reports identifying risks and pressures leading to the consideration of proposals for corrective action.	4	5	20	4	5	20	R	Work will commence in Autumn 2017 to roll forward the MTFS for 2016-19 to 2021-22. The position under 100% business rates retention will be modelled in detail. The Council is monitoring the impact of (1) Business Rates revaluation taking effect April 2017 (2) The impact of new business rates appeals rules (3) The business rates impact of Brexit (4) Responding to DCLG consultations Fair Funding and 100% business rates retention. Work with Arlingclose (our treasury management advisors) to fully understand the treasury management impact of Britain's exit from the European Union.	Raised awareness and ownership by SMT Savings have been identified and developed Protect PCC's funding entitlements and maximise its position under 100% business rates retention Develop countermeasures and alternative investments	Ongoing Ongoing Ongoing	Paul Looby	Andrew Hardingham	Aaron Perrin
2	21	Being unable to deliver Council services within the envelope of the resources provided in 2016/17 leading to negative impact on budgets, loss of reputation, negative impact on front line services and a negative opinion from external audit. Risk Category: STRATEGIC TRANSFORMATIONAL CHANGE	<i>Corporate Plan Performance Framework Outcome - Pioneering</i> <i>Enable quality services that are recognised as innovative; achieve value for money and exhibit an embedded customer focus</i> The Council is embarking on a large Transformation Programme. The scale of change and the benefit realisation required to achieve the Council's plan as a Co-operative Council and address funding/income shortfall by 2016/17 carries significant risk on its capability to achieve this result.	Progress reported within monthly finance reporting to cabinet members and scrutiny board. Improved Member engagement in Budget process and earlier in MTFP setting process buy having regular Member briefings. Budget presented to senior officers and members in scoreboard format, delivering greater transparency and challenge. Higher profile of Council's finances at both CMT and cabinet. Regular project accounting reports to the Transformation Portfolio Board and the Transformation Portfolio Review Group. Budget sessions at DMTs.	4	4	16	4	4	16	A	Treasury Management diversification of portfolio to increase income. Investment in income earning assets. Cross-departmental strategy on grant maximisation. Working with Local Government Partnership to change regional contract and procurement opportunities to achieve cost efficiencies. Continue the Transformation Programme which is improving efficiency and reducing costs whilst still delivering benefits to customer. Significant savings are focussed in the following key programmes:- Growth, Assets & Municipal Enterprise (GAME2) One System One Aim / Integrated Health & Wellbeing Transforming the Corporate Centre	Better return on the investment portfolio Improved efficiency and reduced costs Increase in successful bids Reduced contract costs Improved efficiency and reduced costs	Ongoing Qtly MTFS updates Ongoing Qtly Reviews Ongoing	Paul Looby / Helen Cocks	Andrew Hardingham / Dawn Aunger	Aaron Perrin / Freya Edwards
3	83	Failure to reduce Health Inequalities will mean our poorest residents continue to live shorter lives as well as more years in ill health. This risk impacts the city's growth ambitions as well as the sustainability of the health and social care system through increased demands on welfare care, support and health services. Further risk of failing to achieve the city's vision where "an outstanding quality of life is enjoyed by everyone" and the key Caring Plymouth objective to reduce health and social inequalities. Risk Category: COMPLIANCE, REGULATION & SAFEGUARDING	<i>Corporate Plan Performance Framework Outcome - Caring</i> <i>Children, young people and adults live in healthy, safe and aspiring communities and are supported by high quality health and care services for those who need it when they need it</i> Reducing inequalities particularly in health and between communities is a long term priority for the City Council to support the delivery of the vision for Plymouth where an outstanding quality of life is enjoyed by everyone	Thrive Plymouth framework adopted by full council and reading across in Plymouth Plan and Integrated Commissioning Strategies provides good foundation to achieve prevention in all services and decision making processes. Work with major employers in 2014/15 and in 2015/16 seeks to embed an understanding and focus to reduce health inequalities reaching thousands of employees and children and young people. Whilst this work continues, the focus for Thrive Plymouth Year 3 is localizing the national ONE YOU campaign to help adults in middle life adopt healthy behaviours. To enable this the commissioned health improvement service has re-branded to be One You Plymouth.	4	4	16	4	4	16	A	Persistent action across the Council required at many levels to tackle inequalities. Continue to work with employers and schools to influence healthier lifestyles. This year there will be partnership working with Plymouth Community Homes and Livewell Southwest to train housing staff to be able to "make every contact count" by being confident and competent in having health-related conversations with their 800+ new tenants and signposting them to any support they may need. Planned continued partnership working with Livewell Southwest and the Herald to on the I Love Life campaign and ensuring it is fully linked to the One You Plymouth work. The public health team will continue to work with the University of Plymouth to evaluate the impact of Thrive Plymouth on the health and wellbeing of local people	Data from 2010-2012 demonstrated a life expectancy gap of 12.2 years between neighbourhoods in Plymouth. Closing that gap is crucial to the city thriving and an outstanding quality of life being enjoyed by everyone. Data from 2012-2014 demonstrates a life expectancy gap of 11.5 years between neighbourhoods.	Ongoing	Sarah Lees	Ruth Harrell	Scott Senior

ROW NO	RISK REF	DESCRIPTION OF RISK (Risk description should include cause / risk event / consequence and risk category)	LINK TO CORPORATE PLAN PERFORMANCE FRAMEWORK OR BUSINESS PLAN (must be vital to the Council's success / benefit the Council as a whole / Be synonymous with a high-level goal / link directly to the corporate strategy)	CURRENT EXISTING MITIGATION	RESIDUAL RISK RATING		CURRENT RESIDUAL RISK RATING		RAG RATING /CHANGE IN RISK RATING	ACTION PLAN / FUTURE MITIGATION	HOW WILL PROGRESS BE MEASURED (LIST MEASURABLE BENEFITS AND NON-QUANTIFIABLE BENEFITS)	TARGET DATES (or review date if target unknown)	RESPONSIBLE OFFICER(S)	DIRECTOR / ASSISTANT DIRECTOR	RISK CHAMPION
					*P	*I	*P	*I							
					Aug-16	Feb-17									
4	84 On IRR	Risk of increased poverty/hardship as a result of the impact of Welfare Reform and reduced funding for discretionary welfare funds Risk Category: FINANCIAL	<i>Corporate Plan Performance Framework Outcome - Caring - Respecting people's wishes; Confident - Council decisions driven by citizen need</i> The government's welfare reform agenda continues to present significant risk, placing additional pressures on customers including the most vulnerable, and requiring significant partnership work with the voluntary sector to provide face to face advice to support customers affected	Welfare Reform Framework adopted. Impact of welfare reform continues to be monitored and discretionary welfare schemes reviewed. Plans implemented and strategies in place to create jobs. Support continues to Credit Unions and other financial inclusion initiatives. Commissioning advice services. Local support agreement for Universal Credit claimants Adoption of the Child Poverty Action Plan in October 2016 Review of Emergency Welfare Fund	4	4	16	4	4	16	A		Darin Halifax Rachel Silcock Emma Rose Rachel Silcock Judith Harwood	Giles Perritt	Maddie Halifax
5	46 On IRR	The Council not meeting its obligations to keep citizen data secure , or provide and display information in line with statutory requirements. The consequence can be a financial penalty and/or reputational damage resulting in loss of trust in the Council which will affect the ability of the Council to work efficiently and effectively with the public, contractors or partner organisations (formerly Information Governance) Risk Category: COMPLIANCE, REGULATION & SAFEGUARDING	<i>Corporate Plan Performance Framework Outcome - Pioneering Enable quality services that are recognised as innovative; achieve value for money and exhibit an embedded customer focus</i> Information is the raw material used by the Council to plan for and deliver all its services and reducing the risk that describes the availability and quality of information for staff, decision makers and citizen use, as well as the protection of sensitive information is a continuing process.	Staff awareness training has been rolled out to staff Incident reporting and management in place Escalation of breaches to MISF and SIRO	4	4	16	4	4	16	A		John Finch	Andrew Hardingham	Aaron Perrin
6	94 On IRR	Risk to vulnerable children, young people and families by not delivering early intervention and prevention and responding as soon as possible to their needs and promote better long term life outcomes. Risk Category: COMPLIANCE, REGULATION & SAFEGUARDING	<i>Corporate Plan Performance Framework Outcome - Caring Children, young people and adults live in healthy, safe and aspiring communities and are supported by high quality health and care services for those who need it when they need it</i> Early intervention aims to promote better long term life outcomes for families, and in doing so, also prevent them needing more intensive and higher cost services in the future, such as children's social care or the criminal justice system.	Children & Young People Service Transformation Project implemented and seen impact of the Gateway; Plan for Child Poverty 2016-2019 The Children and Young People's Commissioning Plan which is being overseen by the CYP System Design group.	4	4	16	4	4	16	A		Anne Osborne	Alison Botham / Judith Harwood	Maddie Halifax
7	117	Failing to adhere to the General Data Protection Regulation (GDPR) which will replace the Data Protection Act from May 2018. Failure to adhere to these Regulations may lead to a fine from the ICO and damage to reputation. There will also be a resource cost to the council in implementing actions to manage the new regulations. Risk Category: FINANCIAL	<i>Pioneering - A Council that uses resources wisely</i>	Devon Information Security Partnership (DISP) / ICO action plan. ILOG to raise awareness within departments	New			4	4	16		May-18	John Finch	Andrew Hardingham	Aaron Perrin

ROW NO	RISK REF	DESCRIPTION OF RISK (Risk description should include cause / risk event / consequence and risk category)	LINK TO CORPORATE PLAN PERFORMANCE FRAMEWORK OR BUSINESS PLAN (must be vital to the Council's success / benefit the Council as a whole / Be synonymous with a high-level goal / link directly to the corporate strategy)	CURRENT EXISTING MITIGATION	RESIDUAL RISK RATING			CURRENT RESIDUAL RISK RATING			RAG RATING /CHANGE IN RISK RATING	ACTION PLAN / FUTURE MITIGATION	HOW WILL PROGRESS BE MEASURED (LIST MEASURABLE BENEFITS AND NON-QUANTIFIABLE BENEFITS)	TARGET DATES (or review date if target unknown)	RESPONSIBLE OFFICER(S)	DIRECTOR / ASSISTANT DIRECTOR	RISK CHAMPION
					Aug-16	Aug-16	Aug-16	Feb-17	Feb-17	Feb-17							
8	114 On ORR	The organisation's ability to meet performance and delivery expectations in relation to statutory duties and deadlines are reduced. This is due to operational service pressures arising from a combination of: 1. Growing volume and complexity of demand across services; 2. Reduced staff and staffing resilience in a time of significant and rapid change to the design and delivery of services. Examples of where such pressures potentially create this risk include product safety, food borne illness and contaminated land. Risk Category: COMPLIANCE & REGULATION & SAFEGUARDING	<i>Corporate Plan Performance Framework Outcome - Caring Children, young people and adults live in healthy, safe and aspiring communities and are supported by high quality health and care services for those who need it when they need it</i> Public Protection Service is an upstream service, that is highly preventative in protecting health, safety and wellbeing	Key areas of work in directorates have been risk assessed and prioritised in order to focus attention on those areas of highest need. In addition, where relevant, services deploy triage systems to focus resources in areas of greatest risk. Finally, services keep a close eye on performance and delivery and extra resources are deployed if necessary	*P 3	*I 5	15	*P 3	*I 5	15	— A	Continual reassessment of prioritisation system to ensure our targeting of resources is correct. Constant review of intelligence and information to identify trends and emerging risks and to identify efficiencies in ways of working	Customer satisfaction, balanced budgets, monitoring demand. Staff wellbeing and stress surveys. Benchmarking with other local authorities or providers	Ongoing	Alex Fry, Rachael Hind, Nicola Horne, Katherine O'Connor	Ruth Harrell	Scott Senior
9	116	Risk of non delivery of a plan for waste that delivers increased recycling levels in Plymouth and ensures it meets the PFI targets agreed in the SW Devon Waste Partnership Risk Category: DEVELOPMENT & REGENERATION	<i>Corporate Plan Performance Framework Outcome - Confident A city with an outstanding reputation where people choose to live, work and visit</i> The city's recycling targets are achieved and the service is modernised and fit for purpose so that the increase in demand on the service in accordance with the Plymouth Plan Housing Growth can be met	Modernisation of the Street Scene and Waste Department - implementation of alternate weekly collection	3	5	15	3	5	15	— A	Delivery AWC against adopted business case - monthly monitoring with SWDWP partners with regard to disposal tonnages. Utilisation of commissioned participation survey to target areas that have lower rates of recycling. Investment in recycling campaigns across the city. Introduction of recycling on the go pods.	Modernisation measured against benefits listed on business plan. Delivery against adopted Plan for Waste. Monitoring of tonnages against forecasted disposal amounts	Initial implementation April/May 2017	Lou Hayward	Lou Hayward	Gill Peele
10	109	Failure to secure adequate market interest and funding in the South Yard Marine Industries Production Campus (MIPC) site, slows or prevents site occupation such that economic growth and funding projections are not achieved and/or the Council has to provide financial revenue support to run and maintain the site Risk Category: DEVELOPMENT & REGENERATION	<i>Corporate Plan Performance Framework Outcome - Confident A city with an outstanding reputation where people choose to live, work and visit</i> The city's Local Economic Strategy seeks to concentrate efforts on the things that will generate the greatest returns to our economy. It recognises the opportunity presented by Mayflower 2020 as a major milestone in the reinvention of Plymouth as Britain's Ocean City and as a catalyst for business growth in marine and related industries, the visitor economy, the culture of the city in its broadest sense, and raising the city's profile and reputation in global markets.	The council has the flexibility in its legal agreement with the MOD to slow down the legal transfer of the final phases of South Yard and has done so for Area 5 to enable sufficient income to be generated to pay for running costs. The Council is continually exploring opportunities for grant funding and other income to develop the site	3	4	12	3	4	12	— A	Secure sufficient funding to develop Phase 1 and 2 at South Yard; Council has secured a grant for Growth Deal 2 grant and Growing Places Funding as a loan which will cover Phase 1 development but will not contribute to wider site running costs. A Growth Deal 3 grant bid has not been successful hence alternative Phase 2 funding is being sought. Continue to explore ways of reducing or covering exceptional site running costs: Council has engaged positively with senior MoD and Navy officers to review and challenge future security requirements but at present no confirmed reduction of annual security costs. Eol's being sought for Phase 3 Area 5	When external grant funding is secured to assist with development and income can cover all site running costs. Number of businesses landing in South Yard.	Ongoing Next review Sept 2017	Patrick Hartop	David Draffan	Gill Peele
11	107	Failure to deliver the HM17 Programme of change. The Amey Partnership will cease on 31 March 2017. Plymouth are working with Somerset and Devon to procure a new contractor for term maintenance and to bring back in house some functions. Risk Category: DEVELOPMENT & REGENERATION	<i>Corporate Plan Performance Framework Outcome - Confident A city with an outstanding reputation where people choose to live, work and visit</i> A contract is awarded with a successful bidder to commence April 2017 and improvements and efficiencies in the strategic design and maintenance of the highways network are delivered.	Cross Party Project Board in place and meeting regularly. Delivery team in place. Gateway review validation undertaken. Tender evaluation, moderation is resourced and on schedule. 9 workstreams established with lead officers. Programme Risk Register developed from risk workshop and monitored.	3	4	12	3	4	12	— A	Implementation of Gateway Review recommendations. Mitigation measures in place for key risks.	There is a Programme Plan in place with milestones reviewed by the Project Board which comprises of Members and Senior Officers. In addition, critical milestones will be 'Gated' as part of the project management process and externally reviewed. Currently 3 months into agreed plans for the mobilisation of SWH and demobilisation of Amey. Gateway 4 due Feb 2017, current project status Amber/Green, expected to be on track and similar status post review.	BID Award - Sept 16 Mobilisation - Oct 16 New contract - Mar 17	Adrian Trim	Lou Hayward	Gill Peele

ROW NO	RISK REF	DESCRIPTION OF RISK (Risk description should include cause / risk event / consequence and risk category)	LINK TO CORPORATE PLAN PERFORMANCE FRAMEWORK OR BUSINESS PLAN (must be vital to the Council's success / benefit the Council as a whole / Be synonymous with a high-level goal / link directly to the corporate strategy)	CURRENT EXISTING MITIGATION	RESIDUAL RISK RATING			CURRENT RESIDUAL RISK RATING			RAG RATING /CHANGE IN RISK RATING	ACTION PLAN / FUTURE MITIGATION	HOW WILL PROGRESS BE MEASURED (LIST MEASURABLE BENEFITS AND NON-QUANTIFIABLE BENEFITS)	TARGET DATES (or review date if target unknown)	RESPONSIBLE OFFICER(S)	DIRECTOR / ASSISTANT DIRECTOR	RISK CHAMPION
					*P	*I	12	*P	*I	9							
12	93	Risk of failing to deliver the range of housing to meet Plymouth's need via The Plan for Homes and not realise the ambition to deliver 5,000 new homes over the next 5 years Risk Category: DEVELOPMENT & REGENERATION	<i>Corporate Plan Performance Framework Outcome - Growing</i> <i>We realise our full economic potential; outperforming the region by creating quality houses and jobs with a better educated and skilled population</i> The Plan for Homes was launched in November 2013 to speed up housing supply by delivering a range and mix of well-designed greener homes to meet the city's needs	Plan for Homes regularly reviewed. Plan for Homes refresh 2016-2021 completed through the Housing Needs Working Group and approved by Cabinet in February 2016. Review of partnerships and partners to manage delivery and ensure capability.	3	4	12	3	3	9	 G	Plan for Homes refresh 2016 to 2021 with 20 initiatives to further support housing delivery. This includes a more direct intervention approach to housing delivery for establishing a fund for acquiring sites; tackling stalled and lapsed sites; creating a new housing company directly to deliver new homes. Ensuring the modernisation of Government funding opportunities to support new homes e.g. Starter Homes and Care and Support funding. To develop further innovation to improve upon the proactive and fast track approach to planning. Starter Homes Land Fund Partnership Authority to work with HCA to bring forward a portfolio of stalled, lapsed and brownfield sites to unlock delivery and accelerate new homes	Regular reports to Housing Needs Working Group and Portfolio Holders. New homes delivery for first two years of monitoring Plan for Homes (14/15 - 15/16) are 2,215 homes; currently on target to meet 5,000 commitment.	Annual delivery monitoring year end and on going	Paul Barnard	Paul Barnard	Gill Peele
13	51	Risk of not delivering sustained and accelerated economic and population growth in line with the Council's Corporate Plan and vision for the City which could lead to higher unemployment and lack of the right labour skills to match the needs of businesses. Risk Category: DEVELOPMENT & REGENERATION	<i>Corporate Plan Performance Framework Outcome - Growing</i> <i>We realise our full economic potential; outperforming the region by creating quality houses and jobs with a better educated and skilled population</i> The city's Local Economic Strategy seeks to concentrate efforts on the things that will generate the greatest returns to our economy. It recognises the opportunity presented by Mayflower 2020 as a major milestone in the reinvention of Plymouth as Britain's Ocean City and as a catalyst for business growth in marine and related industries, the visitor economy, the culture of the city in its broadest sense, and raising the city's profile and reputation in global markets.	We have put in place a series of economic development measures. These include for People - 1000 Club, Building Plymouth, Urban Enterprise Programme, Manufacturers Challenge. Place regeneration we have undertaken direct development (Headerd Court), started on-site at Oceansgate, signed a City Deal, embarked on Plymouth Science Park phase 5 now open. Inward investment - continued support, two new landings in the city - the Ship (Sittel) and at Turnchapel. Supporting Babcock to grow. Business Support we have set out a 2.5 million social enterprise investment fund, supported the Gain Growth Fund, attended business trade shows (MIPIM San Diego, Mets Amsterdam) and reworked the inward investment guide/website.	3	3	9	3	3	9	 G	Future plans include: Place - development of the History Centre and Quality Hotel site. Exploring development of Colin Campbell Court. Further direct development of South Yard. Business Support - development of the marine/blue tech sector, co-ordinating inward investment, levering off the LEP to improve connectivity and exploiting the Mayflower to reposition the city at the centre of celebrations. Brexit element of this risk will be considered in line with corporate Brexit risk template. Series of business support projects (growth hubs, start up and advice) commissioned. Launched new STEM strategy	Monitor:- Weekly wage rates, Gross Value Added per hour worked. Job Seeker Allowance claimants. Youth Job Seeker Allowance claimants	Ongoing	Paul Barnard	Paul Barnard	Gill Peele
14	108	Failure to secure funding for the Plymouth History Centre - Reputational and financial implications if full funding not received to complete the project led by Plymouth City Council, to transform the existing museum and art gallery on North Hill into the Plymouth History Centre. Risk Category: DEVELOPMENT & REGENERATION	<i>Corporate Plan Performance Framework Outcome - Growing</i> <i>We realise our full economic potential; outperforming the region by creating quality houses and jobs with a better educated and skilled population</i> The vision to build a unique visitor attraction, three times the size of the existing site, which will open as the flagship building for the Mayflower 400 commemorations in 2020	The Project remains on track, with very successful assembling of funding over 2016. The project has successfully procured the contractor and sub-contractor pricing is on-going; enabling works have started. The risk remains similar as funding secured has reduced risk whilst costs in the construction market have increased	2	4	8	2	4	8	 G	Funding streams being sought include Coastal Communities, Arts Council bidding for NPO. Value engineering in tender process	When appropriate funding is in place and final tenders are agreed at financial close in April 2017	Spring 2017	Paul Brookes	David Draffan	Gill Peele
15	113	Risk of data loss and/or compromise of connected national infrastructure due to vulnerable infrastructure or attacks via standard hacking methods, phishing emails or malware infection. Risk Category: OPERATIONAL/SERVICE DELIVERY	<i>Corporate Plan Performance Framework Outcome - Pioneering</i> <i>Enable quality services that are recognised as innovative; achieve value for money and exhibit an embedded customer focus</i> An information security incident occurs when there is a compromise, potential compromise or unauthorised use of Plymouth City Council data or physical assets. Poor education and training, misuse, and breach of security controls of information systems may result in data and information being put at risk, may be used to misrepresent the Council and result in the ineffective use of Council resources	Annual IT Health Check Regular vulnerability scans carried out IT Infrastructure patching policy in place Pro-active protective monitoring by Babcock External compliance assessment	4	4	16	2	4	8	 G	Implement compliance requirements into Delt business as usual - This is a workstream of the information management project Ensure vulnerability scans are conducted and reported to PCC The 2016 IT Health Check has been completed and all vulnerabilities will be addressed by February 2017 in order to meet compliance requirements	Transformation programme monitoring Build into service level reporting	Ongoing Ongoing	John Finch	Andrew Hardingham	Aaron Perrin

INTEGRATED ASSURANCE

Three lines of defence model



Background

The Finance Fit project has been launched with the objective of managing delivery of a modern, fit for purpose, cost efficient, cost effective and customer focused Finance Service.

The project is managing a number of workstreams, one of which under the Assurance Workstream is a review of risk management activities and processes in order to improve the use of risk management as a business driver.

As part of the review, the Corporate Risk Team, working in collaboration with Devon Audit Partnership developed a risk perception questionnaire which was sent out to all 3rd tier managers in July 2016. Assistant Directors were also interviewed to get their views on the current risk management strategy and any areas they would like to see develop.

One of the key areas for improvement that came out of this review was the lack of integration of risk information with other corporate processes such as performance and finance monitoring.

It also became apparent that the collaboration work with DAP could be expanded upon to map sources of assurance over key risks and controls and streamline activities which will also help to ease the burden of lengthy mandatory agenda items at Audit Committee.

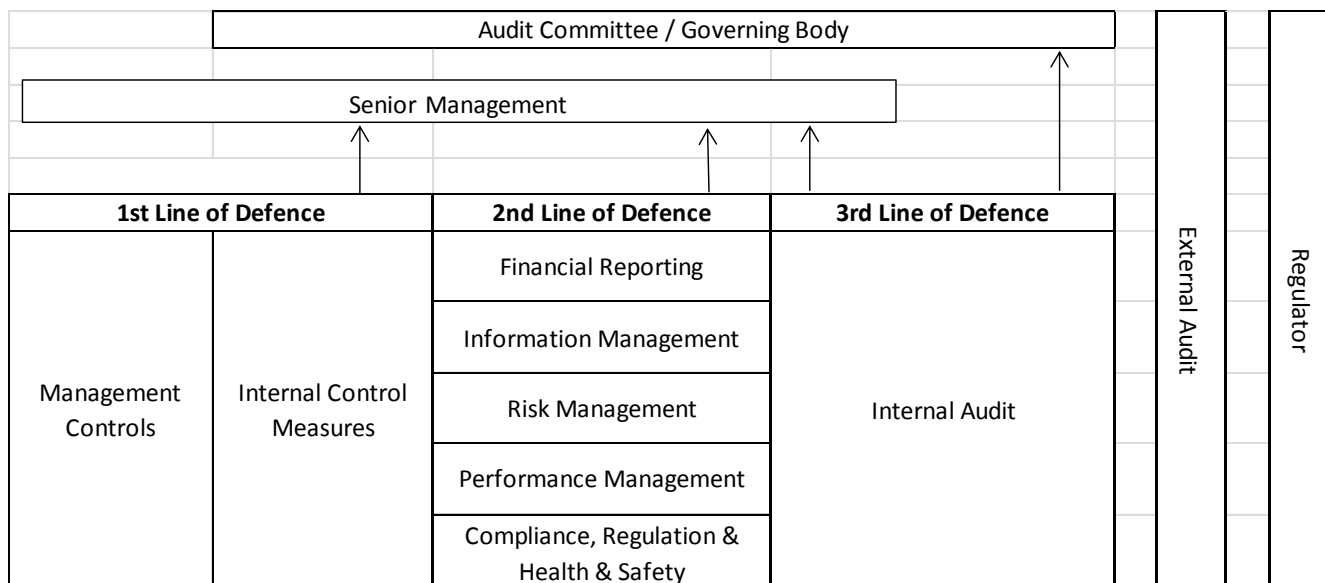
Integrated Assurance

The creation of the new Integrated Assurance Service will result in risk management being formally aligned and working alongside other compliance functions to promote a joined-up approach to all aspects of governance.

The Institute of Internal Auditors released a position paper in 2013 stating that the “Three Lines of Defence” model provides a simple and effective way to enhance communications on risk management and control by clarifying roles and responsibilities.

The Three Lines of Defence

The three lines of defence model can be used as the primary means to demonstrate and structure roles, responsibilities and accountabilities for decision making, risk and control to achieve effective governance and assurance. The diagram below shows the relationship between these functions:-



First Line of Defence – Management Controls and Internal Control Measures

Line management are responsible for ensuring that a risk and control environment is established as part of day to day operations. Line management should be adequately skilled to create risk definitions and make risk assessments. The risk profile needs to be proactively reviewed, updated and modified for changes to the business environment and emerging risk changes. Active risk management and periodic reporting on risk is crucial to quick identification and response.

The first line of defence provides management assurance by identifying risks and business improvement actions, implementing controls and reporting on progress.

Second Line of Defence – Oversight Functions

The second line of defence consists of activities covered by several components of internal governance. This line of defence monitors and facilitates the implementation of effective risk management practices by operational management and assists the risk owners in reporting adequate risk related information up and down the organisation. These are usually management functions that may have some degree of objectivity, but are not entirely independent from the first line. More detail is provided below:-

Financial Reporting

Financial Regulations provide the framework for managing the Council's financial affairs. They apply to every member, committee, school governing body, department, officer, partner, employee of the Council, and anyone acting on behalf of the Council. The Responsible Finance Officer (Section 151 Officer) carries out the statutory duties in relation to the financial administration and stewardship of the Council. Departmental finance managers are required to bring the Responsible Finance Officer's attention to any section 151 issue they are unable to resolve.

Information Management

Like its people, information is a key Council asset. Information management is how our information is collected, used, evaluated, protected and distributed. Information must be obtained, handled, retained and disposed of in line with organisation guidelines.

Information practices must help to improve the efficiency of the services offered by the Council.

Risk Management

Risk and Opportunity Management can be defined as the culture, processes and structures that are key to the effective management of potential opportunities or threats to an organisation in achieving its objectives and delivering services to the community. Good risk management and the actual taking of risks in some cases are critical for a council with an ambitious vision and a difficult financial terrain to negotiate. All members, managers, employees and partners must understand the nature of risk and accept responsibility for managing those risks associated with their area of activity in line with the Risk and Opportunity Management Strategy.

Performance Management

Managing employee or system performance and aligning their objectives facilitates the effective delivery of strategic and operational goals and maintains transparency. Effective performance management can also provide an early warning indicator so that issues can be resolved before they become a risk to the achievement of objectives.

Compliance, Regulation & Health and Safety

Adequate compliance monitoring is required in order to ensure we are working within applicable laws and regulations in areas such as health and safety, supply chain, business continuity, civil protection, statutory complaints, environmental, anti-fraud, legal, safeguarding, HR and equalities.

Third Line of Defence

Internal audit forms the third line of defence. An independent internal audit function will, through a risk-based approach to its work, provide assurance to the organisation's senior management. This assurance will cover how effectively the organisation assesses and manages its risks and will include assurance on the effectiveness of the first and second lines of defence. It encompasses all elements of the council's risk management framework (from risk identification, risk assessment and response, to communication of risk related information) and all categories of organisational objectives.

External Auditors and Regulators

External auditors and regulators reside outside the council structure but have an important role in the overall governance and control structure by providing an independent and objective function to assess the whole, or some part of the first, second or third line of defence.

Audit Committee's Role

All three lines of defence have specific tasks in the internal control governance framework. It is the Audit Committee's role to maintain oversight and to monitor the effectiveness of internal controls and risk management processes, as well as internal audit activities.

Assurance Maturity

The following 5 key areas of assurance can be used to map assurance maturity:-

1. Internal Control Environment

Ensure there are defined policies and practices in place in relation to staff integrity and the ethical values of the council and that they are reviewed, communicated and adhered to. Monitor management philosophy and operating style. Ensure there is defined organisational structure and assignment of authority and responsibility and that staff are adequately trained to fulfil their role.

2. Risk Management & Assessment

Monitor strategic, operational and project risk registers to ensure risks to key objectives have been adequately identified, analysed, ranked and understood either through dedicated risk assessment or continuous program analysis.

3. Control Activities

Monitor the policies, procedures, techniques and mechanisms that help ensure that management response to reduce risks to achievement of objectives is carried out

4. Information & Communication

Ensure all information is accurate, valid, reliable, timely, relevant, comprehensive and complete in delivering, managing, planning and monitoring high quality, safe services.

5. Monitoring Activities

Determine that processes, activities and resources are complicit with standards and procedures that are delivered by the council.

Monitor management procedures which, through information and evidence, provide feedback on performance. Monitor arrangements for assessment of lessons learnt and any subsequent policy changes. Monitor procedures that provide information about the impact of changes in one area on the wider governance arrangements of the council.

The Next Steps

A risk management software scoping exercise has been undertaken as part of the risk management review. The system currently used within the Portfolio Team to record project management risks – Project Server + was considered a viable solution as it can be adapted to store corporate risks which will provide 'one version of the truth', streamline the risk monitoring process and make reporting easier.

A trial of Project Server + will take place once the ICT platform has been enabled.

Further collaboration work will take place with colleagues within DAP to begin gathering information to enable an operating model to be planned to implement the Three Lines of Defence model.

Conclusion

The challenges arising from the current economic situation and potential changes in legislation will increase the pressure on organisations to adopt a robust governance framework and the need to sustain a good relationship and communication between management, internal audit and the audit committee.

The Three Lines of Defence model provides an effective way to enhance communications on risk management and control by clarifying essential roles and duties. It provides a fresh look at operations helping to assure the ongoing success of risk management activities. The key benefits of integrated assurance are:-

- Combined reporting
- Overview of key risks and core assurance providers
- Refocused internal audit plan on the right areas
- Improved relationships with other assurance providers
- Avoidance of duplication of effort through separate audit / controls testing
- Less management time investment through liaising with multiple teams
- Cost synergies
- Improved reporting

PLYMOUTH CITY COUNCIL

Subject: Integrated Commissioning Risk Register Report

Committee: Audit Committee

Date: 16 March 2017

Cabinet Member: Councillor Darcy

CMT Member: Andrew Hardingham (Interim Joint Strategic Director Transformation and Change, PCC)
Hugh Groves (Chief Finance Officer, CCG)

Authors: David Northey, Head of Integrated Finance, PCC
Ben Chilcott, Chief Finance Officer, NEW Devon CCG

Contact details: david.northey@plymouth.gov.uk Tel: 01752 305428
ben.chilcott@nhs.net Tel: 01752 398765

Ref: CRM/MJH

Key Decision: No

Part: I

Purpose of the report:

This report provides a summary of the Integrated Risk Management Framework between Plymouth City Council and NHS Northern Eastern and Western Devon Clinical Commissioning Group (NEW Devon CCG) to adopt an integrated approach to the management of risk.

Appendix A to the report provides the latest integrated commissioning risk register.

The Corporate Plan 2016 - 19:

The Integrated Commissioning Risk Register includes links to the Corporate Plan objectives – monitoring of control action for risks therefore contributes to the delivery of both organisations core objectives.

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

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

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

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

Equality and Diversity

Has an Equality Impact Assessment been undertaken? Not required.

Recommendations and Reasons for recommended action:

The Audit Committee is recommended to:
 Note and endorse the current position with regard to the integrated commissioning risk register.

Alternative options considered and rejected:

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

Published work / information:

Plymouth City Council Risk and Opportunity Management [Strategy](#).
 Commissioning an Integrated System for population Health & [Wellbeing](#).

Background papers:

None.

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

Sign off:

Fin	DnI6 17.71	Leg	DVS2 7658	Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member: Andrew Hardingham, Interim Joint Strategic Director Transformation and Change													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

1.0 Introduction

- 1.1** As part of the Integrated Health and Wellbeing Programme, 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, working towards a single commissioning approach, an integrated fund, and risk and benefit sharing agreements.
- 1.2** The vision for the Integrated Health and Wellbeing programme is to establish a collaborative, integrated and strategic approach to how NEW Devon CCG and Plymouth City Council commission and deliver services, with the aim of improving patient/service user experience and improving outcomes for residents in Plymouth from the resources available.

2.0 Background

- 2.1** A key component to the governance of the integrated health and wellbeing programme and the integrated fund has been the implementation of a formal Finance and Assurance Review Group (FARG) which meets on a monthly basis working to the terms of reference, as approved by the Integrated Commissioning Board.
- 2.2** An Integrated Risk Management Framework has been drawn up between the partner organisations, which is to be overseen by FARG, to adopt an integrated approach to the management of risk and to integrate risk into the overall arrangements of the pooled fund.
- 2.3** The framework document is attached at Appendix B.

3.0 Integrated Commissioning Risk Register

- 3.1** NEW Devon CCG's Head of Corporate Governance and Plymouth City Council's Corporate Risk Advisor have carried out a review of the risks contained within their respective organisational risk registers which is shown at Appendix A.
- 3.2** The risk register was reviewed by the FARG joint working technical group on 17 January 2017 where the format for monitoring joint risks was agreed as outlined on pages 6 and 7 of the framework document.
- 3.3** Any risk relating to integrated health and wellbeing commissioning strategy with a risk appetite score in the amber and red category from either organisation's risk register will be included in the integrated risk register for review by FARG.
- 3.4** FARG will then consider whether further assurance is required as part of their formal governance role which has been approved by the Integrated Commissioning Board.
- 3.5** The integrated risk register will be reviewed by FARG on a quarterly basis.

4.0 Conclusion

- 4.1** 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.
- 4.2** 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.

ROW	CATEGORY	DESCRIPTION OF RISK (Risk description should include cause/risk event/consequence)	LINK TO CORPORATE / SHARED OBJECTIVES	CONTROLS	PROBABILITY	IMPACT	S R C O R I O N S R K E	ACTION PLAN / FUTURE MITIGATION / OPPORTUNITIES TO BE EXPLORED	HOW WILL PROGRESS BE MEASURED / ASSURANCE GIVEN	TARGET DATE (or review date if target unknown)	RESPONSIBLE OFFICER / RISK OWNER	DIRECTOR / ASSISTANT DIRECTOR / EXECUTIVE LEAD
1	PCC SRR	Inability to meet the longer term target budgets given the size of the resource reductions and increasing cost pressures as detailed in our Medium Term Financial Strategy 2016-2020. This would result in a negative impact on budgets, loss of reputation, negative impact on front line services and a negative VFM opinion from external audit Risk Category: FINANCIAL	Corporate Plan Performance Framework Outcome - Pioneering - Enable quality services that are recognised as innovative; achieve value for money and exhibit an embedded customer focus. One Budget - Adapt a single system financial control total and apply our shared resources in the most effective and efficient way	The Council is expected to approve a balanced 2017-18 budget in February following the identification of additional efficiencies. The MTFs will be updated at CMT quarterly. PCC Finance and People Directorate SMT are working in collaboration with the NHS Success Regime to ensure the Plymouth Integrated Fund is not compromised. CMT and Cabinet will continue to receive monthly monitoring reports identifying risks and pressures leading to the consideration of proposals for corrective action.	4	5	20	Work will commence in Autumn 2017 to roll forward the MTFs for 2016-19 to 2021-22. The position under 100% business rates retention will be modelled in detail. The Council is monitoring the impact of (1) Business Rates revaluation taking effect April 2017 (2) The impact of new business rates appeals rules (3) The business rates impact of Brexit (4) Responding to DCLG consultations Fair Funding and 100% business rates retention. Work with Arlingclose (our Treasury Management advisors) to fully understand the treasury management impact of Britain's exit from the European Union	Raised awareness and ownership by SMT Savings have been identified and developed Protect PCC's funding entitlements and maximise its position under 100% business rates retention Develop countermeasures and alternative investments	Ongoing Ongoing Ongoing	Paul Looby	Andrew Hardingham
1.1	NEW Devon CCG	There is a risk that the CCG will breach its control total for 16/17 if the success regime do not deliver on the set budget allocations for the provision of services in the CCG, as well as budget allocations to deliver its commissioning intentions, which will impact on the CCG's financial plan and assurance status. Risk Category: FINANCIAL	Objective: 1. Be financially sustainable Develop and deliver its approved financial plan for 2016/17 (CCG lives within its approved control total); Through the Devon Sustainability and Transformation Plan (STP) develop more detailed proposals to deliver safe, financially sustainable and integrated services provided to the population of NEW Devon between 16/17 and 20/21	The CCG is forecasting an in year deficit of £34m in line with the CCG share of the system wide control total for the NEW Devon Health Community. The provider element of the control total has yet to be finalised and signed off by NHSE & NHSI. As a result this leaves a potential risk of adding to an unmitigated risk at month 9 of £11m if this matter is not resolved and approved by NHS regulators	4	4	16	1) Detailed enhanced 2016/17 CCG internal planning process to ensure robust assessment of expenditure requirements. 2) Joined up system ways of working - system wide savings plan 3) Intention to agree block contracts to bring certainty to in year expectation with risk management process to be agreed as a system	CCG agreed operational plan 16/17 in place and clear action plans with NHSE quarterly assurance meetings. Main risk due to the contractual movement of deficit between organisation agreed locally but still waiting for NHS Improvement signoff as an agreed change to control total therefore not affecting Sustainability and Transformation Fund (STF). This issue has now been escalated by NHSE and is expected to be resolved as part of the close of Month 10 reporting.	Mar 17 (qtrly reviews)	Angela Hibbard	Hugh Groves
1.2	NEW Devon CCG	There is a risk that the CCG will breach delivery of the 2020 Sustainability and Transformation Plan (STP) if agreement cannot be reached on the budget allocations which will impact on the CCG's financial plan and assurance status. Risk Category: FINANCIAL	Objective: Be financially sustainable Develop and deliver its approved financial plan for 2016/17 (CCG lives within its approved control total); Through the Devon Sustainability and Transformation Plan (STP) develop more detailed proposals to deliver safe, financially sustainable and integrated services provided to the population of NEW Devon between 16/17 and 20/21	Final signed off plan for 2016/17 and STP plan. STP governance structure being developed (interim SR structure being utilised) clear delivery change from individual QIPP/CIP to joined up reporting and monitoring on system wide plan	4	4	16	1) Plan being developed and maintained through STP framework utilising existing success regime interim governance structure. 2) Agreed ways of working signed up to by 5 main organisations within the sub-system as part of 16/17 planning. 3) Case for change published through success regime identifying opportunities, although further work needed to validate and develop.	Devon wide STP submitted through governing body to NHS England - 21st October over 5 year planning period demonstrating CCG return to breakeven over period.	Mar 17 (qtrly reviews)	Angela Hibbard	Hugh Groves
2	PCC Op and SRR	Being unable to deliver Council services within the envelope of the resources provided in 2016/17 leading to negative impact on budgets, loss of reputation, negative impact on front line services and a negative opinion from external audit. Risk Category: CHANGE	Corporate Plan Performance Framework Outcome - Pioneering - Enable quality services that are recognised as innovative; achieve value for money and exhibit an embedded customer focus. One Budget - Adapt a single system financial control total and apply our shared resources in the most effective and efficient way	Progress reported within monthly finance reporting to cabinet members and scrutiny board. Improve Member engagement in Budget process and earlier in MTFP setting process by having regular member briefings. Budget presented to senior officers and members in a different format delivering greater transparency and challenge. Higher profile of Council's finances at both CMT and Cabinet. Regular project accounting reports to the Transformation Portfolio Board and Transformation Portfolio Review Group. Budget sessions at DMTs	4	4	16	Cross departmental strategy on grant maximisation, with the policy being finalised by March 2016. Treasury Management diversification of portfolio to increase income. Working with Local Government Partnership to change regional contract and procurement opportunities to achieve cost efficiencies. Continue the Transformation Programme which is improving efficiency and reducing costs whilst still delivering benefits to customer. Significant savings are focused in the following key programmes:- Growth, Assets & Municipal Enterprise (GAME2) One System, One Aim / Integrated Health & Wellbeing Transforming the Corporate Centre	Increase in successful bids Better return on the investment portfolio to increase income. Reduced contract costs Improved efficiency and reduced costs	Ongoing Qtrly MTFs updates Qtrly reviews Ongoing	Paul Looby / Helen Cocks	Andrew Hardingham / Dawn Aunger

ROW	CATEGORY	DESCRIPTION OF RISK (Risk description should include cause/risk event/consequence)	LINK TO CORPORATE / SHARED OBJECTIVES	CONTROLS	PROBABILITY	IMPACT	S R C O R I O S R K E	ACTION PLAN / FUTURE MITIGATION / OPPORTUNITIES TO BE EXPLORED	HOW WILL PROGRESS BE MEASURED / ASSURANCE GIVEN	TARGET DATE (or review date if target unknown)	RESPONSIBLE OFFICER / RISK OWNER	DIRECTOR / ASSISTANT DIRECTOR / EXECUTIVE LEAD
3	OSOA (DAP Report)	Failure to identify/implement efficiency gains due to fragmented decision making process resulting from the overall complexity between the One System One Aim Programme and the Integrated Fund Risk Category: CHANGE	Corporate Plan Performance Framework Outcome - Pioneering - Enable quality services that are recognised as innovative; achieve value for money and exhibit an embedded customer focus One Budget - Adapt a single system financial control total and apply our shared resources in the most effective and efficient way	One System One Aim Temporary post Director of Integrated Commissioning	4	5	20	Embedding of roles listed in controls Development of systems delivery programme group Commission Action Plans	Audit feedback Improved information flow and decision making Audit attendance at SDPG and FARG Audit liaise with Commissioning function to understand changes and progress	Quarterly review	Nicola Jones (CCG) / Anna Coles (PCC) /	Craig McArdle
3.1	NEW Devon CCG	As the CCG increase its level of collaborative working within the success regimes and as part of the wider Devon sustainability & transformation plan governance arrangements, there is a risk that it may fail to adhere appropriately to one or more of its statutory duties or internal governance requirements, thus potentially failing in one or more of its legal duties. Risk Category: CHANGE	Objective 2: Match resources explicitly to local need - 'Strategic Systems Leadership'	The CCG will contribute to the discussion and design of system wide governance arrangements and appropriately represent its interests and statutory requirements. The CCG, led by the director of governance, will review the impact of the evolving changes to system governance ahead of their implementation, testing these against CCG internal governance arrangements and statutory requirements. We will take appropriate informal and / or legal advice as appropriate before agreeing to any changes that impact on the CCG.	3	4	12	Embedding of roles. Development of systems delivery programme group Commission action plans. Audit feedback Improved information flow and decision making Audit attendance at SDPG and FARG Audit liaise with Commissioning function to understand changes and progress	System wide governance arrangements and proposed changes will be considered by the director of governance, debated by the CCG audit and/or executive committees, including assessing the specific impact on the CCG and developing an appropriate course of action to mitigate any material risk. Where such changes impact on or require changes to the CCGs internal governance, approval will be sought from the governing body ahead of any changes being agreed to.	Quarterly review	Paul O'Sullivan	Laura Nicholas
4	OSOA (DAP Report)	Failure to properly communicate with stakeholders related to One System One Aim causes confusion, resentment, delays and failure to achieve improvements to service delivery and savings Risk Category: CHANGE	Corporate Plan Performance Framework Outcome - Pioneering - Enable quality services that are recognised as innovative; achieve value for money and exhibit an embedded customer focus One Workforce - Maximise the utilisation and motivation of the people working within the health and wellbeing community	Public consultation in line with statute Joint senior leadership team meetings System design groups Regular Big Events	4	5	20	Use and promotion of logo and lead commissioner arrangements Internal updates to staff via Corp communication methods Improving committee governance	More use of logo More updates to staff and increased understanding	Quarterly review	Nicola Jones (CCG) / Anna Coles (PCC) /	Craig McArdle
5	OSOA (DAP Report)	Risk of not sharing valuable knowledge at all levels and between organisations in a formal manner causes detachment and lack of understanding within the business area Risk Category: OPERATIONS	Corporate Plan Performance Framework Outcome - Pioneering - Enable quality services that are recognised as innovative; achieve value for money and exhibit an embedded customer focus One Workforce - Maximise the utilisation and motivation of the people working within the health and wellbeing community	Review of CCG action and decision logs Across organisation communication at all levels	4	5	20	Visibility of governance structures and accountabilities Ensuring correct delegation applies and working within terms of reference	Better staff engagement Effective delivery of services Committee effectiveness review	Quarterly review	Nicola Jones (CCG) / Anna Coles (PCC) /	Craig McArdle
6	PCC Op	Failure to protect Vulnerable Adults or Children from risk of harm, resulting in a significant incident Risk Category: LEGAL, COMPLIANCE & SAFEGUARDING	Corporate Plan Performance Framework Outcome - Caring - Children, young people and adults live in healthy, safe and aspiring communities and are supported by high quality health and care services for those who need it when they need it Integrated Commissioning System Design Group - Children & Young People / Community One Standard - Deliver safe, effective, caring, responsive and well led services across the whole of the system	Quality Standards built into contracts. Learning from Serious Case Reviews. Plymouth Safeguarding Adults Board (PSAB) Action Plan, Safeguarding training	4	4	16	Annual PSAB Action Plan to be updated	Performance Reporting (Quarterly) at PSAB	Quarterly	Craig McArdle / Gary Walbridge	Carole Burgoyne
6.1	NEW Devon CCG	Lack of resources for vulnerable services. There is a risk that the CCG will not deliver the appropriate level of resources for vulnerable services for mental health and other related conditions, which will impact on the CCGs statutory obligations to meet the national targets. Risk Category: LEGAL, COMPLIANCE & SAFEGUARDING	Objective 4: Be focussed on quality of outcomes - namely care that is safe, that is clinically and cost effective and provides a positive experience for individuals accessing services - 'Improve Performance'.	Contract review and commissioning plans in place. National adverts for compliance for vacancy designated doctor position	3	3	9	Contract review and procurement of services	Performance reporting (bi-monthly) at quality committee	Bi-monthly review	Sue Baldwin	Lorna Collingwood-Burke

ROW	CATEGORY	DESCRIPTION OF RISK (Risk description should include cause/risk event/consequence)	LINK TO CORPORATE / SHARED OBJECTIVES	CONTROLS	PROBABILITY	IMPACT	S R C O S R K E	ACTION PLAN / FUTURE MITIGATION / OPPORTUNITIES TO BE EXPLORED	HOW WILL PROGRESS BE MEASURED / ASSURANCE GIVEN	TARGET DATE (or review date if target unknown)	RESPONSIBLE OFFICER / RISK OWNER	DIRECTOR / ASSISTANT DIRECTOR / EXECUTIVE LEAD
7	PCC Op	Failure to support people made homeless as a direct result of the Local Housing Allowance and Welfare Reform changes leads to distress of those affected. Risk Category: LEGAL, COMPLIANCE & SAFEGUARDING	Corporate Plan Performance Framework Outcome - Caring - Children, young people and adults live in healthy, safe and aspiring communities and are supported by high quality health and care services for those who need it when they need it One Budget - Adapt a single system financial control total and apply our shared resources in the most effective and efficient way Integrated Commissioning System Design Group - Wellbeing	Continue to work with partners to supply services to customers in Housing Options. Temporary accommodation action plan. Use of Homelessness prevention fund to mitigate changes	4	4	16	Temporary Accommodation Plan. Housing Service Delivery Plan to provide further mitigation. Working with rough sleep strategy group to explore additional work to support rough sleepers off the streets	Delivery Performance Financial Results. Budget monitoring Scorecard	Ongoing	Matt Garrett	Carole Burgoyne
8	PCC SRR and NEW Devon CCG	The organisation not meeting its obligations to keep citizen data secure, or provide and display information in line with statutory requirements. The consequence can be a financial penalty and/or reputational damage resulting in loss of trust in the organisation which will affect the ability of the organisation to work efficiently and effectively with the public, contractors or partner organisations Risk Category: LEGAL, COMPLIANCE & SAFEGUARDING	Corporate Plan Performance Framework Outcome - Pioneering Enable quality services that are recognised as innovative; achieve value for money and exhibit an embedded customer focus One Standard - Deliver safe, effective, caring, responsive and well led	Staff awareness training has been rolled out to staff Incident reporting and management in place Escalation of breaches to MISF and SIRO	4	4	16	Roll out staff awareness training to all staff. Implement greater reporting consistency within directorates. Implement improved incident analysis within the Service Desk Ensure full corporate attendance for MISF Improved contract management with partners Implement greater reporting consistency within directorates Implement improved incident analysis within the Service Desk Ensure full corporate attendance for MISF. 2016 has seen an increase in breaches, however this improved significantly in the 2nd half of the year.	Reports from HR training detailing completion statistics Improved breach reports distributed to directorates Detailed breach reports for partners and escalation at contract management meetings Reporting of non-attendance to directors	Ongoing	John Finch	Andrew Hardingham
9	PCC Strategic	Failure to reduce Health Inequalities will mean our poorest residents continue to live shorter lives as well as more years in ill health. This risk impacts the city's growth ambitions as well as the sustainability of the health and social care system through increased demands on welfare care, support and health services. Further risk of failing to achieve the city's vision where "an outstanding quality of life is enjoyed by everyone" and the key Caring Plymouth objective to reduce health and social inequalities. Risk Category: LEGAL, COMPLIANCE & SAFEGUARDING	Corporate Plan Performance Framework Outcome - Caring Children, young people and adults live in healthy, safe and aspiring communities and are supported by high quality health and care services for those who need it when they need it Integrated Commissioning System Design Group - Wellbeing One Standard - Deliver safe, effective, caring, responsive and well led services across the whole of the system	Thrive Plymouth framework adopted by full council and reading across in Plymouth Plan and Integrated Commissioning Strategies provides good foundation to achieve prevention in all services and decision making processes. Work with major employers in 2014/15 and in 2015/16 seeks to embed an understanding and focus to reduce health inequalities reaching thousands of employees and children and young people. Whilst this work continues, the focus for Thrive Plymouth Year 3 is localizing the national ONE YOU campaign to help adults in middle life adopt healthy behaviours. To enable this the commissioned health improvement service has re-branded to be One You Plymouth.	4	4	16	Persistent action across the Council required at many levels to tackle inequalities. Continue to work with employers and schools to influence healthier lifestyles. This year there will be partnership working with Plymouth Community Homes and Livewell Southwest to train housing staff to be able to "make every contact count" by being confident and competent in having health-related conversations with their 800+ new tenants and signposting them to any support they may need. Planned continued partnership working with Livewell Southwest and the Herald to the I Love Life campaign and ensuring it is fully linked to the One You Plymouth work. The public health team will continue to work with the University of Plymouth to evaluate the impact of Thrive Plymouth on the health and wellbeing of local people	Data from 2010-2012 demonstrated a life expectancy gap of 12.2 years between neighbourhoods in Plymouth. Closing that gap is crucial to the city thriving and an outstanding quality of life being enjoyed by everyone. Data from 2012-2014 demonstrates a life expectancy gap of 11.5 years between neighbourhoods	Ongoing	Sarah Lees	Ruth Harrell
10	PCC Op	Increase in the number of looked after children and those subject to a Child Protection Plan leading to cost pressures on independent placements, staffing and resources Risk Category: LEGAL, COMPLIANCE & SAFEGUARDING	Corporate Plan Performance Framework Outcome - Caring - Children, young people and adults live in healthy, safe and aspiring communities and are supported by high quality health and care services for those who need it when they need it Integrated Commissioning System Design Group - Children & Young People One Standard - Deliver safe, effective, caring, responsive and well led services across the whole of the system	Implementation of service redesign should see improvement in quality assurance and practice	4	4	16	Improvement Plan and priorities are informed by self assessment	Delivery Performance		Alison Botham	Carole Burgoyne

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11	PCC Strategic and NEW Devon CCG (operational risk)	Risk to vulnerable children, young people and families by not delivering early intervention and prevention and responding as soon as possible to their needs and promote better long term life outcomes. Risk Category: LEGAL, COMPLIANCE & SAFEGUARDING	Corporate Plan Performance Framework Outcome - Caring Children, young people and adults live in healthy, safe and aspiring communities and are supported by high quality health and care services for those who need it when they need it Integrated Commissioning System Design Group - Children and Young People One Standard - Deliver safe, effective, caring, responsive and well led services across the whole of the system	Children & Young People Service Transformation Project implemented and seen impact of the gateway; Plan for Child Poverty 2016-2019 The Children and Young People's Commissioning Plan which is being overseen by the CYP System Design Group	4	4	16	Children and Young People Action Plan Transformation including the Gateway and Targeted Support Workstreams, implementation plans being completed following the formal consultation Child Poverty Action Plan 2016-2019 aims to provide a renewed focus for where the city's attention and resources should be directed to ensure we have the most impact on our most vulnerable families, who are most likely to be experiencing child poverty	A reduction in offending, re-offending and anti-social behaviour; Improvement in children's school attendance and attainment; Children remaining safe from harm, including a reduction in risk from domestic abuse; Reduction in child poverty; Improved family health and wellbeing	Ongoing	Anne Osborne	Alison Botham / Judith Harwood
12	PCC SRR	Risk of increased poverty/hardship as a result of the impact of Welfare Reform and reduced funding for discretionary welfare funds Risk Category: FINANCIAL	Corporate Plan Performance Framework Outcome - Caring - Respecting people's wishes; Confident - Council decisions driven by citizen need One Budget - Adapt a single system financial control total and apply our shared resources in the most effective and efficient way Integrated Commissioning System Design Group - Wellbeing	Welfare Reform Framework adopted. Impact of welfare reform continues to be monitored and discretionary welfare schemes reviewed. Plans implemented and strategies in place to create jobs. Support continues to Credit Unions and other financial inclusion initiatives. Local support agreement for Universal Credit claimants Adoption of the Child Poverty Action Plan in October 2016 Review of Emergency Welfare Fund	4	4	16	Officers working group across depts to measure impact, consider response and coordinate actions. Review advice services. Review local Council Tax Support Scheme. Review future of Emergency & Welfare Fund (EWF). Support for implementation of Universal Credit and those affected by the benefit cap. Create jobs and widening access to employment market. Reduce use of costly loans. Review and implementation of the Child Poverty action plan.	Welfare Response Group performance managing implementation of action plan. Contract monitoring of commissioned Advice Services. Revise Emergency Welfare Fund. Review advice services. Monitoring progress of the Child Poverty Action Plan Outcomes	April 17 (Annual review) Ongoing Sept 16 April 17 April 17	Darin Halifax Rachel Silcock Emma Rose Rachel Silcock Judith Harwood	Giles Perritt
13	PCC Op	Increased and sustained pressure on Adult Social Care budget due to increased numbers of people or increased complexity of need. As this is a statutory service and largest single budget it could have a significant impact on the Authorities overall financial position Risk Category: FINANCIAL	Corporate Plan Performance Framework Outcome - Caring - Children, young people and adults live in healthy, safe and aspiring communities and are supported by high quality health and care services for those who need it when they need it Integrated Commissioning System Design Group - Community / Enhanced & Specialised Care One Budget - Adopt a single system financial control total and apply our shared resources in the most effective and efficient way	2016/17 Measures in place with actions built into PCH contract. Budget containment Action Plan	4	4	16	Risk to be continued to be monitored and additional measures to be brought forward in year if risk materialises	Financial reporting (Monthly)	Monthly	Craig McArdle / Gary Walbridge	Carole Burgoyne
14	PCC Op	Failure to deliver public health commissioned services within the reduced public health grant allocation requiring a £1,293 millions savings plan in year for 2016/17 Risk Category: FINANCIAL	Corporate Plan Performance Framework Outcome - Pioneering - Enable quality services that are recognised as innovative; achieve value for money and exhibit an embedded customer focus One Budget - Adapt a single system financial control total and apply our shared resources in the most effective and efficient way	Close contract and budget monitoring	4	4	16	Negotiating reduced contract values with current service providers and working collaboratively to co-design services to move forward to deliver prioritised outcomes. Majority of budget savings have been contractualised. Outstanding risk of £142,000 due to non-delivery of savings originally allocated against substance misuse/complex needs. Meet in current year from reserve and look to contractualise in 17/18. Not pursued in year due to increased drug related deaths and vulnerability of primary care services	Reduced contract costs. Maintained improvement in health of population. Monthly reviews.	Ongoing	Sarah Lees	Ruth Harrell

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15	PCC Op	No clear sustainable funding some of Targeted Family Support. Targeted Family Support has core funding but relies upon troubled family government funding for 7 FTE posts. The FIP team also has an income target of £83,500 Risk Category: FINANCIAL	Corporate Plan Performance Framework Outcome - Caring - Children, young people and adults live in healthy, safe and aspiring communities and are supported by high quality health and care services for those who need it when they need it Integrated Commissioning System Design Group - Children & Young People / Community One Budget - Adopt a single system financial control total and apply our shared resources in the most effective and efficient way	The Transformation Service Design. Commissioning linking commissioned services to plan around meeting outcomes for troubled families. A business case has been put forward to build a system that will assist our Targeted Family (TF) targets as it will be able to link our partners work (integrated working), however the system design is for wider than TF - it is a transformation of how we will work up to and including 2020.	4	4	16	This would depend on outcome of transformation service design moving forward and how well we are able to evidence outcomes of PBR up to 2020	Financial Results Delivery Performance	Nov-20	Tracey Green	Carole Burgoyne

Residual Risk Level	Low	Low/Med	Medium	High	Very High
Plymouth City Council Residual Risk Score	1-10	12	15-16	20	25
NEW Devon CCG Residual Risk Score	1-3	4-6	8-12	15-20	25
Strategic	Green	Yellow	Orange	Red	Red
Change	Green	Green	Yellow	Orange	Red
Legal, Compliance & Safeguarding	Green	Yellow	Orange	Red	Red
Financial	Green	Yellow	Orange	Red	Red
Operations	Green	Green	Yellow	Orange	Red
Information & Technology	Green	Green	Yellow	Orange	Red
People	Green	Green	Yellow	Orange	Red
Reputational	Green	Yellow	Orange	Red	Red

	Lower Risk/Higher Appetite	Higher Risk/Lower Appetite		
Risk Appetite Scale	Acceptable but continue to monitor (manage at departmental/operational level)	Seek to influence medium term/monitor (manage at departmental/operational level – consider escalation to Integrated Risk Register if cannot be managed at Dept. level)	Escalate to Integrated Risk Register – FARG to review quarterly to consider whether further assurance is required	Escalate to Integrated Risk Register – FARG to ensure a detailed review is undertaken at Executive level

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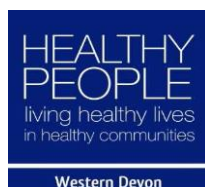


Plymouth City Council & Northern, Eastern and Western Devon Clinical Commissioning Group

Integrated Risk Management Framework

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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 £462 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 or clinicians 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 One System, One Aim.

The One System, One Aim Programme is utilising a cooperative commissioning approach and this Integrated 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 integrated 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 provides 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 One System, One Aim Programme is intended to develop an integrated whole system of health and care based around the following elements:

Wellbeing

- Sustain the improvement in healthy life expectancy and health inequality and reduce both all age all cause deaths due to cancer, stroke, heart disease, and respiratory disease.
- Commission only from providers who have a clear and proactive approach to health improvement, prevention of ill health, whole person wellbeing and working within the wider community in which they operate.
- Place health improvement and the prevention of ill health at the core of our planned care system, demonstrably reducing the demand for urgent and complex interventions and yielding improvements in health and the behavioural determinants of health in Plymouth.

Children and Young People

- Deliver prevention and early help; intervene early to meet the needs of children, young people and their families who are 'vulnerable' to poor life outcomes.
- Deliver an integrated education, health and care offer; ensure the delivery of integrated assessment and care planning for our children.
- Keep our children and young people safe; ensure effective safeguarding and provide excellent services for children in care.

Community

- Provide integrated services that meet the whole needs of the person.
- Reduce emergency attendances and admissions to hospital for all ages.
- Provide person centred, flexible and enabling services for people who need on-going support to help them to live independently.

Enhanced and Specialised Care

- Create Centres of Excellence for enhanced and specialist services.
- Ensure people are able to access care as close to their preferred network of support as possible.
- Provide high quality, safe and effective care, preventing escalating need and intervention.

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 and strategic priorities
- 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 One System, One Aim programme
- Approve commissioning and contracting process for Livewell Southwest

- 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 prevention and the health and wellbeing agenda.

Definition of 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.

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 Plymouth & West Devon Integrated Commissioning Board (PWICB) to provide oversight and leadership for delivery of the integrated commissioning function to include ownership of the integrated commissioning risk register.

PWICB 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 PWICB and must ensure appropriate oversight by PWICB and the Health and Wellbeing Board and compliance with the Financial Framework.

Integrated Commissioning Finance and Assurance Review Group (FARG)

To support the cooperative commissioning approach. The Finance and Assurance Review Group was formed in May 2015 with membership from both organisations. The purpose of the group is to provide oversight, scrutiny and assurance of the Integrated Fund on behalf of the Plymouth & West Devon Integrated Commissioning Board and contribute to the overall process of financial planning, control and review. The group will also monitor compliance with each organisation's published standards and controls and review risks on the Integrated Commissioning Risk Register.

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 commissioning risk management approach.

NEW Devon CCG's Head of Governance and Plymouth City Council's Head of Assurance will perform an overview of the risks contained within the integrated commissioning 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.

Risk Appetite

Risk appetite is the amount of risk, on a broad level that both Partners are willing to accept in pursuit of value. It is strategic and reflects both organisations risk management philosophy, and in turn influences both organisations culture and operating style. Risk appetite guides resource allocation and provides the infrastructure necessary to effectively respond to and monitor risks. Our aim is to consider all options to respond to risk appropriately and make informed decisions that are most likely to result in successful delivery of benefits whilst also providing an acceptable level of value for money.

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

Residual Risk Level		Low	Low/Med	Medium	High	Very High
Plymouth City Council Residual Risk Score		1-10	12	15-16	20	25
NEW Devon CCG Residual Risk Score		1-3	4-6	8-12	15-20	25
Risk Category	Strategic					
	Change					
	Legal, Compliance & Safeguarding					
	Financial					
	Operations					
	Information & Technology					
	People					
	Reputational					

Lower Risk/Higher Appetite		Higher Risk/Lower Appetite		
Risk Appetite Scale	Acceptable but continue to monitor (manage at departmental/operational level)	Seek to influence medium term/monitor (manage at departmental/operational level – consider escalation to Integrated Commissioning Risk Register if cannot be managed at Dept. level)	Escalate to Integrated Commissioning Risk Register – FARG to review quarterly to consider whether further assurance is required	Escalate to Integrated Commissioning Risk Register – FARG to ensure a detailed review is undertaken at Executive level

Risk Categories

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 & Safeguarding

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.

Financial

The CCG and Plymouth City Council acknowledge the responsibility they have for administration of public funds, and wish to emphasise to both the public and employees the importance placed upon probity, financial control and honest administration. Financial Regulations provide the framework for managing financial affairs and should be adhered to at all times.

Operations

These relate to the day to day concerns the CCG/Plymouth City Council is confronted with when striving to deliver 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 or budget 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 both 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.

Project Risks

Risks relating to the One System, One Budget Project will be escalated to the integrated commissioning risk register on the decision of the Programme Board who is responsible for providing approvals and decisions affecting programme progress and delivery throughout the programme.

Risk Monitoring and Review

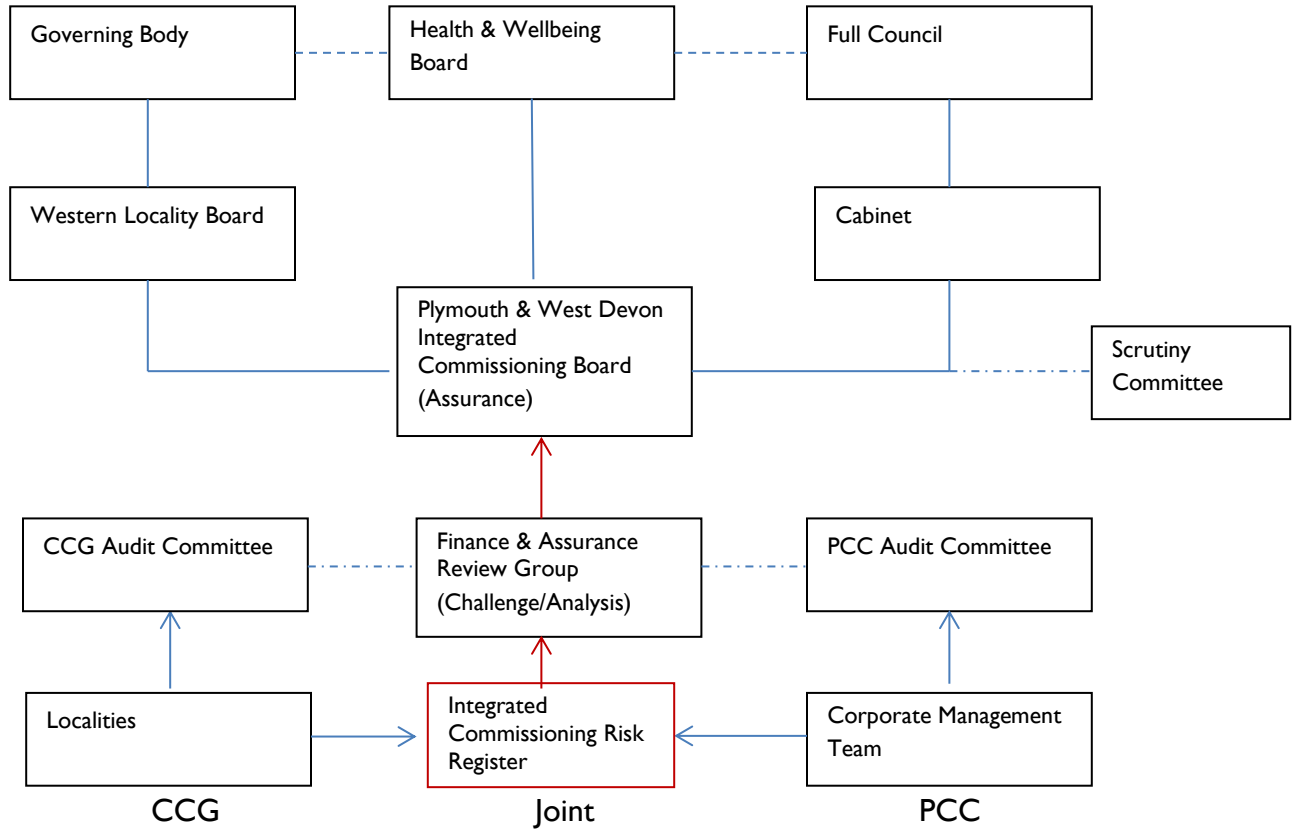
For purposes of integration all risks from both partners scoring in the High Risk category and above will be presented to FARG.

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 collectively <i>responsibility lies with individual risk holders where stated.</i>
FARG	Quarterly Audit representation present on FARG through DAP and ASW	COO Western Locality PCC Head of Integrated Finance

Senior management team will present risks to FARG as above. Members of FARG will make the decision to present risks in Part I or Part II Committee Reports depending on the commercial sensitivity of each risk. Committee Reports shall be formally recorded and submitted to the PWICB.

INTEGRATED COMMISSIONING 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.

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 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.

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PLYMOUTH CITY COUNCIL

Subject: Internal Audit Charter and Strategy 2017/18
Committee: Audit Committee
Date: 16 March 2017
Cabinet Member: Councillor Darcy
CMT Member: Andrew Hardingham Interim Joint Strategic Director
Transformation & Change - Finance
Author: Robert Hutchins, Head of Devon Audit Partnership
Contact details robert.hutchins@devonaudit.gov.uk T: 01752 306710
Ref: AUD/RH
Key Decision: No
Part: I

Purpose of the report:

1. One of the requirements of the Public Sector Internal Audit Standards (PSIAS) is that the purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter and strategy, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards. The internal audit charter and strategy for the financial year 2017/18 are described in detail in the accompanying report.
 2. The PSIAS sets additional Public Sector requirements where the internal audit charter and strategy must also:
 - define the terms 'board' and 'senior management' for the purposes of internal audit activity;
 - cover the arrangements for appropriate resourcing;
 - define the role of internal audit in any fraud-related work; and
 - include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.
 3. The Audit Strategy:
 - is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities;
 - will communicate the contribution that Internal Audit makes to the organisation and should include:
 - internal audit objectives and outcomes;
 - how the Head of Devon Audit Partnership will form and evidence his opinion on the governance, risk and control framework to support the Annual Governance Statement;
 - how Internal Audit's work will identify and address significant local and national issues and risks;
 - how the service will be provided, and
 - the resources and skills required to deliver the Strategy;
 - should be approved, but not directed, by the Audit Committee.
 4. The Charter and Strategy complies with the mandatory requirements of the Public Sector Internal Audit Standards.
 5. Delivery of the Internal Audit Service will be by the Devon Audit Partnership, a shared services arrangement between Devon County Council, Plymouth City and Torbay Councils in accordance with the agreed internal audit plan.
-

The Corporate Plan 2016 - 19:

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:

That the Committee agrees the Internal Audit Charter & Strategy for the year 2017/17

Alternative options considered and rejected:

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

Published work / information:

None

Background papers:

None

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

Sign off:

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

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PLYMOUTH CITY COUNCIL

INTERNAL AUDIT CHARTER (March 2017)

TERMS OF REFERENCE

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

DEFINITIONS

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

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

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

STATUTORY REQUIREMENTS

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

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

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

THE PURPOSE AND AIM OF INTERNAL AUDIT

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

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

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

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

PROFESSIONALISM, ETHICS AND INDEPENDENCE

Being Professional

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

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

Our Ethics

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

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

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

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

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

Being Independent

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

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

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

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

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

Auditors should be mindful of being independent. They;

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

AUTHORITY

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

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

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

(2) (a) make available such documents and records; and
(b) supply such information and explanations;
as are considered necessary by those conducting the internal audit.

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

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

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

ACCOUNTABILITY

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

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

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

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

The Interim Joint Strategic Director Transformation & Change - Finance ‘Section 151 Officer’ will liaise with the Head of Devon Audit Partnership and is therefore responsible for monitoring performance and ensuring independence.

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

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

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

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

RESPONSIBILITIES

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

The Head of Devon Audit Partnership will provide assurance to the Interim Joint Strategic Director Transformation & Change - Finance 'Section 151 Officer' regarding the adequacy and effectiveness of the Council's financial framework, helping meet obligations under the LGA 1972 Section 151.

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

Internal Audit responsibilities include but are not limited to:

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

INTERNAL AUDIT MANAGEMENT

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

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

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

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

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

INTERNAL AUDIT PLAN AND RESOURCES

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

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

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

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

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

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

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

REPORTING

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

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

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

The aim of every Internal Audit report should be:

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

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

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

The Head of the Devon Audit Partnership will

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

RELATIONSHIP WITH THE AUDIT COMMITTEE

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

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

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

- attend meetings, and contribute to the agenda;
- ensure that it receives, and understands, documents that describe how Internal Audit will fulfil its objectives (e.g. the Audit Strategy, annual work programmes, progress reports);

- report the outcomes of internal audit work, in sufficient detail to allow the committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address;
- establish if anything arising from the work of the committee requires consideration of changes to the audit plan, and vice versa;
- present an annual report on the effectiveness of the system of internal audit; and
- present an annual internal audit report including an overall opinion on the governance, risk and control framework

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

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

An external assessment must be conducted at least once in five years by a suitably qualified, independent assessor.

In December 2016 Terry Barnett, Head of Assurance for Hertfordshire Shared Internal Audit Service who completed an external validation of the Partnership. Terry concluded that;

“It is our overall opinion that the Devon Audit Partnership **generally conforms*** to the Public Sector Internal Audit Standards, including the Definition of Internal Auditing, the Code of Ethics and the Standards.

* **Generally Conforms** – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards

CHARTER – NON CONFORMANCE AND REVIEW

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

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

Devon Audit Partnership

March 2017



Auditing for achievement

PLYMOUTH CITY COUNCIL

INTERNAL AUDIT STRATEGY (March 2017)

1 INTRODUCTION

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

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

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

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

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

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

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

2 INTERNAL AUDIT OBJECTIVES AND OUTCOMES

The primary objective of Internal Audit is to provide an independent and objective opinion to the Council on the governance, risk and control framework by evaluating its effectiveness in achieving the organisation's objectives through examining, evaluating and reporting on their adequacy as a contribution to the proper, economic, efficient use of resources.

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

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

3 OPINION ON THE GOVERNANCE, RISK AND CONTROL FRAMEWORK

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

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

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

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

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

- (a) include an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework;
- (b) disclose any qualifications to that opinion, together with the reasons for the qualification;
- (c) present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance streams;
- (d) draw attention to any issues the Head of Devon Audit Partnership judges particularly relevant to the preparation of the Annual Governance Statement;

- (e) compare the audit work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and targets; and
- (f) comment on compliance with the Public Sector Internal Audit Standards and communicate the results of the internal audit quality assurance programme.

4 PLANNING, INCLUDING LOCAL AND NATIONAL ISSUES AND RISKS

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

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

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

Assignment planning

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

5 PROVISION OF INTERNAL AUDIT

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

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

Internal Audit Performance Management and Quality Assurance

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

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

Performance Measures and targets

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

Plymouth City Council - Internal Audit Performance Monitoring Targets 2017/18.

Performance Indicator	Full year target 2017/18
Percentage of Audit Plan completed	90%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%
Draft reports produced with target number of days (currently 15 days)	90%
Final reports produced within target number of days (currently 10 days)	90%

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

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

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

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

Customer (user) feedback

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

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

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

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

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

Internal quality reviews

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

In December 2016 Devon Audit Partnership welcomed Terry Barnett, Head of Assurance for Hertfordshire Shared Internal Audit Service and his colleague Chris Wood, Audit Manager, who completed an external validation of the Partnership.

Terry and Chris concluded that;

“It is our overall opinion that the Devon Audit Partnership **generally conforms*** to the Public Sector Internal Audit Standards, including the Definition of Internal Auditing, the Code of Ethics and the Standards.

* **Generally Conforms** – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards

6 RESOURCES AND SKILLS

Resources

The PSIAS and the Audit Manual states that:

- Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its responsibilities and objectives, or have access to the appropriate resources;
- The Internal Audit service shall be managed by an appropriately qualified professional with wide experience of internal audit and of its management; and
- The Chief Internal Auditor (Head of Devon Audit Partnership) should be of the calibre reflecting the responsibilities arising from the need to liaise with members, senior management and other professionals, and be suitably experienced.

Devon Audit Partnership currently has c.26 staff who operate from any one of our three main locations (Plymouth, Torquay and Exeter). The Partnership employs a number of specialists in areas such as Computer Audit and Contracts Audit as well as a mix of experienced, professionally qualified and non-qualified staff.

The Partnership draws on a range of skilled staff to meet the audit needs. Our current staff (as at January 2017) includes:-

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

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

Staff Development and Training

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

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

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

Devon Audit Partnership

March 2017

Auditing for achievement

PLYMOUTH CITY COUNCIL

Subject:	Internal Audit Plan 2017-18
Committee:	Audit Committee
Date:	16 March 2017
Cabinet Member:	Councillor Darcy
CMT Member:	Andrew Hardingham - Interim Joint Strategic Director for Transformation & Change (Finance)
Author:	Robert Hutchins (Head of Devon Audit Partnership)
Contact details	Tel: 01752 306710 Email: robert.hutchins@devonaudit.gov.uk
Ref:	AUD/RH
Key Decision:	No
Part:	I

Purpose of the report:

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

Delivery of the Internal Audit Service will be by the Devon Audit Partnership (DAP), a shared services arrangement between Plymouth City Council, Devon County Council and Torbay Council.

The planning process takes place with clients towards the end of each financial year, resulting in an updated risk-based annual plan for the coming year. The risk-based audit work planned for 2017-18 is linked through the strategic and operational risk registers to risks related to the achievement of the Council's strategic objectives.

This report comments on the IA resources available to carry out the 2017/18 plan, and details the specific audits to be undertaken.

The Corporate Plan 2016 - 19:

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 and assets are used wisely so that the books balance and the services delivered focus on the needs of the customer;

- Confident Plymouth - citizens, the private sector, 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
2. The proposed Internal Audit Plan for 2017/18 be approved.

Alternative options considered and rejected:

None, as failure to maintain an adequate and effective system of internal audit would contravene the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards.

Published work / information:

None

Background papers:

None

Sign off:

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



devon **audit** partnership

Internal Audit

Internal Audit Plan 2017-18

Plymouth City Council Audit Committee

March 2017

Not Protectively Marked

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Robert Hutchins
Head of Audit Partnership



Auditing for achievement

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<p>Devon Audit Partnership</p> <p>The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay and Devon councils. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.</p> <p>The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at robert.hutchins@devonaudit.gov.uk .</p>	<p>Confidentiality and Disclosure Clause</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>
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Introduction

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) which set out the requirements of a 'Board' and of 'senior management'. For the purposes of the internal audit activity within The Council the role of the Board within the Standards is taken by the Council's Audit Committee and senior management is the Council's Corporate Management Team. The Audit Committee, under its Terms of Reference contained in the Council's Constitution, is required to review and approve the Internal Audit Plan to provide assurance to support the governance framework (see appendix 2).

This Council's Internal Audit Charter formally describes the purpose, authority, and principal responsibilities of the Council's Internal Audit Service, which is provided by the Devon Audit Partnership (DAP) as represented in the audit framework at appendix 1, and the scope of Internal Audit work. The PSIAS make reference to the role of "Chief Audit Executive". For The Council this role is fulfilled by the Head of Devon Audit Partnership.

The chief audit executive is responsible for developing a risk-based plan which takes into account the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation as represented in appendix 3.

The audit plan represents the proposed internal audit activity for the year and an outline scope of coverage. At the start of each audit the scope is discussed and agreed with management with the view to providing management, the Chief Finance Officer (Section 151) and members with assurance on the control framework to manage the risks identified. The plan will remain flexible and any changes will be agreed formally with management and reported to Audit Committee.

Expectations of the Audit Committee for this annual plan

Audit to Committee members are requested to consider:

- the annual governance framework requirements;
- the basis of assessment of the audit work in the proposed plan;
- the resources allocated to meet the plan;
- proposed areas of internal audit coverage for 2017/18.

In review of the above the Audit Committee are required to approve the proposed audit plan.

Robert Hutchins
Head of Audit Partnership

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

Transformation & Change

Assurance work will be undertaken on the key financial systems that process the majority of income and expenditure of the Authority, and which have a significant impact on the reliability and accuracy of the annual accounts.

The Plymouth and West Devon Coroners service has merged jurisdictions with the Torbay and South Devon service to form a greater Plymouth, Torbay and South Devon Coroners area. Plymouth City Council is the lead authority and the administrative systems for the recharging and payment of accounts will be reviewed to ensure that they are adequately controlled and effective.

In addition, Internal Audit liaise with the Authority's ILOG and will work with the Information Management Project regarding the activities needed to ensure compliance with the EU General Data Protection Regulations which come into force in May 2018. An example of change is the new "Right to be Forgotten".

Place

To enable the Council to deliver a sustainable financial plan over the next three years, transformational savings and income targets have been identified to bridge the budget gap. The Council's commercial property portfolio has been valued at £88m which generates over £6.7m in rental income annually. Internal Audit will act as "trusted advisor" to work alongside the service as they review and streamline systems and processes to drive efficiency.

Following the award of the new highways contract, Audit will provide support and challenge to officers in the early management of the contract. Personnel from the current provider will be "in-sourced" to the Council and a new highways management system implemented. A period of time will be allowed for the new arrangements to "bed in" before we carry out an audit review of the systems and works ordering processes in place.

As "trusted advisor and audit partner" we will work with Street Services as they develop a suite of meaningful key performance indicators to provide robust management information and support growth.

People

The People Directorate is under considerable pressure due to demand arising from demographic changes and ever increasing costs due to more complex needs. Work in this area will include core assurance such as:

- Carefirst – Care Leavers Payments; and
- Direct Payments (Pre-Paid Cards).

The Early Years Gateway and the Multi Agency Hub went live in December 2015 and June 2016 respectively. Our work will provide assurance around the effectiveness of the systems in place and if they are helping to achieve the long term aims of early intervention and a more informed and joined up approach to service delivery for children and young people.

An audit review of Legal Care Proceedings has also been requested by both Devon County Council and Torbay Council and it is hoped a joint piece of work can be undertaken allowing best practice between authorities to be shared.

Audit will continue to work collaboratively with Audit South West, the CCG internal auditors, through joint working arrangements covering audit planning, delivery and reporting.

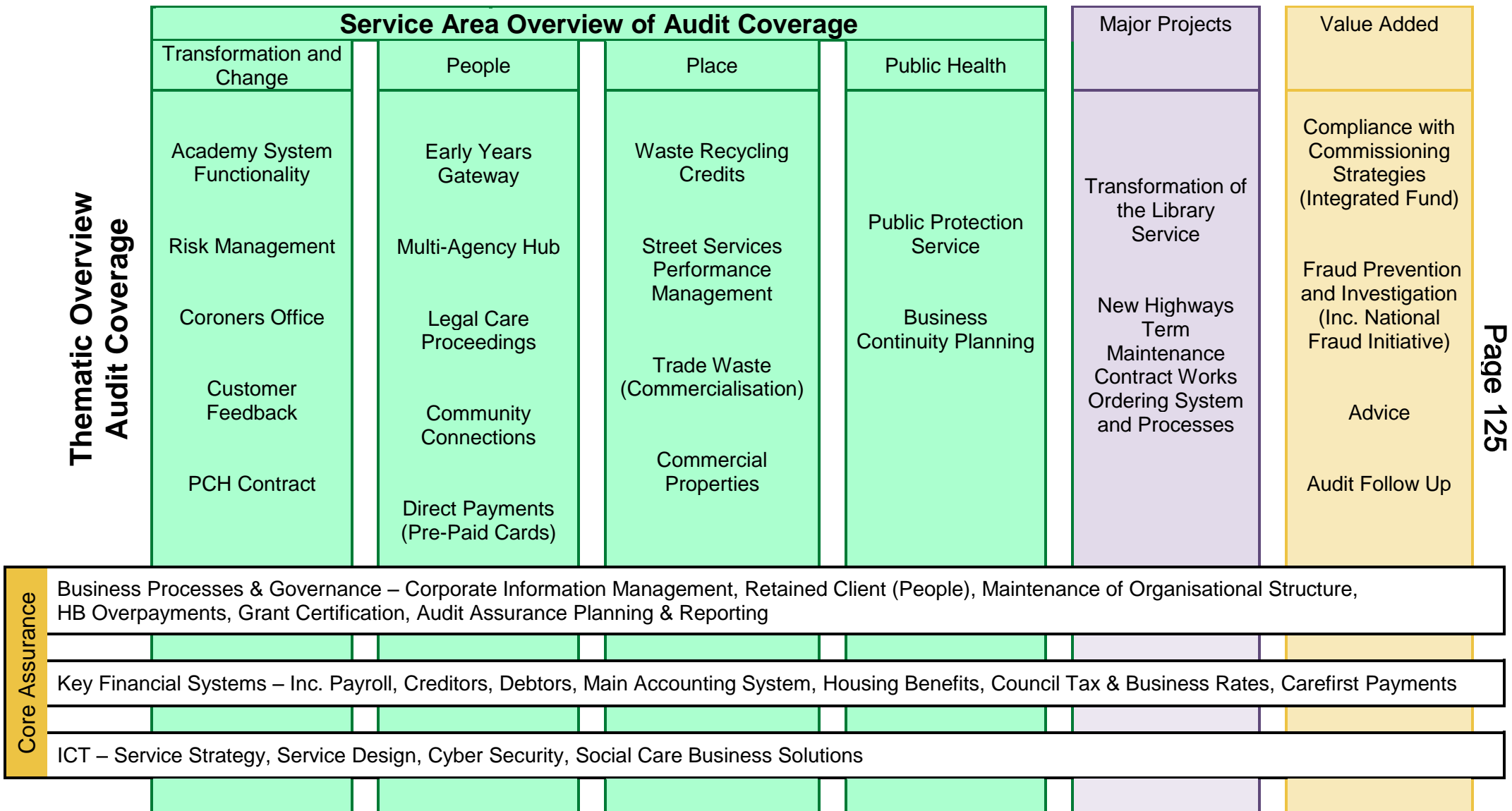
Public Health

As the Council continues to transform its customer services, Internal Audit will consider the impact on the Public Protection Service in relation to calls and other interventions to test whether the planned business model of an 'intervention triangle' is likely to work for the service.

Our work on Business Continuity will focus on the arrangements to ensure the resilience of council partners and contractors in the supply chain for critical services.

Value Added

Follow-up reviews on all audit areas identified as 'Improvements Required' or 'Fundamental Weaknesses' in 2016/17 will be undertaken. We will also work with Council departments to ensure that the data matches received at the end of January 2017 from the Authority's participation in the National Fraud Initiative are reviewed and action taken where necessary.



The diagram shows the thematic approach to the elements proposed for audit coverage in the coming year as identified through risk assessment and discussion with Senior Management. This overview is supported by the proposed audit reviews and associated risks.

High Level Audit Plan

This table shows a summary of planned audit coverage for the year totalling 1,139 direct days. It should be borne in mind that, in accordance with the Public Sector Internal Audit Standards, the plan needs to be flexible to be able to reflect and respond to the changing risks and priorities of the Authority and, to this end, it will be regularly reviewed with directorates, and updated as necessary, to ensure it remains valid and appropriate. As a minimum, the plan will be reviewed in six months to ensure it continues to reflect the key risks and priorities of the Council given the significant changes across the public sector. In order to allow greater flexibility, the Internal Audit Plan includes a contingency to allow for unplanned work.

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

A detailed analysis of proposed audit reviews is provided in the following schedule.

Core Activity for Internal Audit Review	Coverage in Days
Transformation and Change - Includes core assurance Key Financial Systems 126 days -	369
People - Includes core assurance Key Financial Systems 45 days	291
Place	126
Public Health	45
Anti-Fraud and Corruption	150
Grant Certification	43
Other Chargeable Activities	115
Total internal audit plan for Plymouth City Council	1139
Schools (estimated)	110

Proposed audit reviews and associated risks

Risk Assessment Key

SRR / ORR – Local Authority Strategic or Operational Risk Register reference

ANA - Audit Needs Assessment risk level

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Transformation and Change				
Core Assurance – Key Financial System				
I.T. Systems	ANA - High	Delt are in the process of reviewing and revising certain core processes that are common to all the Council's Key Financial Systems. The review will include a walk through of key controls with risk based testing being undertaken as appropriate where changes have been implemented. Relevant findings from the 16/17 review will be follow-up.	Q3 – Q4	10
Civica Financials: <ul style="list-style-type: none"> • Creditors • Main Accounting • Debtors 	ANA <ul style="list-style-type: none"> - High - High - Medium 	System walkthrough, focused risk based sample testing and follow-up of 16/17 reviews for each service area.	Q3 – Q4	45
Academy Revs & Bens: <ul style="list-style-type: none"> • Housing Benefits • Council Tax • Business Rates NNDR 	ANA <ul style="list-style-type: none"> - High - Medium - Medium 	System walkthrough, focused risk based sample testing and follow-up of 16/17 reviews for each service area. The 2017 business rate revaluation and the application of transitional relief will be included in the review of business rates.	Q3 – Q4	46
Treasury Management	ANA - Medium	System walkthrough, focused risk based sample testing and follow-up of 16/17 review.	Q3	10
iTrent - Payroll	ANA - Medium	System walkthrough, focused risk based sample testing and follow-up of 16/17 review.	Q3	15
Core Assurance - Other				
Corp Information Management <ul style="list-style-type: none"> • ILOG, FoI, DPA, Policies & P's, EDRMS, End User Computing 	SRR - Amber ANA – High	Audit support the Authority's ILOG and examine policies and processes relating to the management of information held throughout the organisation. Work will support the Information Management Project and any activities to educate and inform regarding the EU GDPR revisions. DAP will continue to be a Trusted Advisor within the Authority's MISF, ensuring that information	Q1 – Q4	20

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
		security activities and functions are effective.		
ICT – Cyber Security	SRR – Amber ANA - High	Follow-up of 2016/17 review & consideration of changes made by Delt in respect of ongoing service improvements. To be conducted alongside ICT Material System review.	Q3 – Q4	10
HR/Payroll (iTrent)	ANA – High	Time has been allocated to support a number of work streams that have been set up to improve system functionality and enable new ways of working.	Q1 – Q4	5
Retained Functions - IT Service Strategy & Design	ANA - Medium	Trusted advisor role with Authority’s Strategy Group and ensuring that continuity plans are maintained and tested. 27001, PSN, PCI, Policies, Education	Q1 – Q4	8
Transformation & Change – Strategic and Operational				
Contract Management	ORR – Amber ANA - High	Consideration of the effectiveness of contract management arrangements to ensure good service delivery and VFM.	Q2 – Q3	15
Housing Benefits Overpayments	ORR – Amber ANA – High Client Request	Review of the effectiveness of the pilot scheme set up by the Transaction Centre to recover overpaid housing benefit payment.	Q1	10
Organisational Structure	ORR – Amber ANA – High Client Request	Review of controls and processes relating to the maintenance of the organisational structure on the HR now that Firmstep has been rolled out.	Q1	15
Libraries Transformation	ANA – High Client Request	The public consultation on the future of the libraries service opened on 25 January and closes on 19 April. Independent review of the consultation process has been requested to check that it is being run done correctly, with risks and resources identified and all delivery models explored.	Q1	15
Risk Management	ANA - High	Follow-up of the 2016/17 risk management review.	Q3 – Q4	10
Academy System (Revenues & Benefits)	ANA – Medium Client Request	Trusted advisor support will be provided as the service looks to deploy more automated functionality in delivery of the services within Revenues and Benefits.	Q1 – Q2	10
Purchasing Cards	ANA – Medium Client Request	Spot checks to ensure compliance with the Council’s requirements on the use of corporate purchasing cards.	Q2	5

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Customer Feedback	ANA – Medium Client Request	Review of the systems in place for responding to and learning lessons from customer feedback and complaints.	Q2 – Q3	20
Plymouth Community Homes Contract	ANA – Medium	Clauses in the PCH contract place certain financial responsibilities on the Council in the event of asbestos liability. The audit will seek to establish the risk and likelihood of the potential liability actually occurring.	Q2 – Q3	15
Coroners Office	ANA – Low Client Request	The Plymouth and West Devon Coroners service has merged jurisdictions with the Torbay and South Devon service. A review will be undertaken to ensure that the systems in place for the recharging and payment of accounts are working effectively.	Q2 – Q3	10
Finance Fit	ORR – Amber ANA – Medium Client Request	To work co-operatively with officers involved in the Finance Fit work stream as they continue to develop finance and procurement systems to streamline processes and deliver efficiencies.	Q2 – Q4	20
Schools Financial Value Standards (SFVS)	Statutory ANA - Low	Collection of SFVS self assessments completed by schools. Preparation of the Direct Schools Grant (DSG) Chief Financial Officer (CFO) Assurance Statement for 16/17, to be returned to DfE by 31 st May 2017	Q1 & Q4	5
Audit Advice to Transformation & Change	n/a		n/a	20
Transformation & Change – Audit planning, monitoring and performance reporting	n/a		n/a	30
People				
Core Assurance – Key Financial System				
CareFirst				
<ul style="list-style-type: none"> Care Leavers (Payments) Fostering (Payments) 	ANA – Medium ANA – Medium	Identify and review the systems in operation and undertake a programme of testing designed to measure compliance and to evaluate the effectiveness of system controls.	Q2 - Q3	40
<ul style="list-style-type: none"> Follow-Up of 2016/17 Children Independent Placements (Payments) 	ANA – Medium	Following an opinion of “improvements required”, work will be undertaken to determine progress in implementing the action plan agreed in response to the 2016/17 report.		5

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Core Assurance - Other				
Social Care Business Solutions	ANA – High Client Request	OLM (CareFirst) contract coming up for renewal and there is a need to rationalise a number of other systems currently in use. Work to include a "sense check" across People systems, considering broader ICT links across the Council.	Q1 – Q4	30
Community Connections	ORR – Amber ANA - High	The service has recently been reorganised and a risk workshop will be held with senior management, mid year once the new ways of working have been rolled out. This will determine where audit resource can add most value.	Q3 – Q4	20
Legal Care Proceedings (Children's)	SRR – Amber ANA – High Client Request	Ensure threshold for proceedings are met, with adherence to 10 day timescale & interface with Legal Process. Corresponding reviews have been requested by Devon County Council & Torbay Council.	Q3	15
Pre-Paid Cards - Direct Payments Delivery Method	SRR – Amber ANA – High Client Request	Review of the effectiveness of controls, processes and procedures, including written guidance for Social Workers and Business Support and the documents sent to clients or 3rd party representatives once the contract for payment cards has been retendered. In the interim, we will continue to provide support and challenge to the Direct Payments Project Group.	Q3	15
Lessons Learned From Schools in Deficit	ANA – Medium Client Request	A look at the history linked to the deficit budget to identify "lessons learned".	Q1 – Q2	8
Deprivation of Liberty Safeguards (DOLS)	ANA - Medium	Following an opinion of "improvements required", work will be undertaken to determine progress in implementing the action plan agreed in response to the 2016/17 report.	Q2	5
Integrated Fund				
Finance & Assurance Review Group (FARG)	SRR - Red ANA – High Client Request	The purpose of FARG is to provide oversight, scrutiny and assurance of the integrated fund and under the membership requirements laid down in the terms of reference, internal audit will continue to have a seat on FARG to providing real time support and challenge through their attendance.	Q1 – Q4	10
One System One Aim				
Plymouth & Western System Development Board	SRR - Red ANA - High	The Council and New Devon CCG have pooled and aligned budgets for health integration of circa £460m. A small allocation of days have been identified to attend the board with the knowledge gained, used to inform	Q1 – Q4	5

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
		strategic audit work within People.		
One System One Aim, The Seven Priorities		Review of the terms of reference and action plans for the seven priorities within OSOA to inform the focus of audit work.	Q1 – Q4	20
Multi-Agency Hub	SRR - Amber ANA – High Client Request	A review of the multi-agency hub which went 'live' in June 2016 and determines if there is a need to carry out a child in need assessment or child protection enquiry where it is believed that a child or young person is at risk of, or is being hurt, abused or suffering neglect.	Q2 – Q3	15
Early Help Gateway (CSC)	SRR - Amber ANA – High Client Request	This initiative went "live" in Dec 2015, and we will review the processes in place and feedback on how these are helping to fulfil the goals set.	Q2 – Q3	15
Livewell South West	ANA – High Client Request	Review of systems, controls and processes relating to the services commissioned through the Integrated Fund from Livewell South West.	Q3 – Q4	18
Audit Advice to People	n/a		n/a	20
People – Audit planning, monitoring and performance reporting	n/a		n/a	30
Public Health				
Business Continuity Planning	SRR - Amber ANA – High Client Request	Resilience of Council Partners / Contractors in the supply chain for critical services e.g. ICT delivery, social care	Q2	15
Public Protection Service	SRR - Amber ANA – Medium Client Request	Review impact of customer services transformation on PPS in relation to calls & other interventions to test whether the current business model of an 'intervention triangle' is likely to work for the service.	Q3 - 4	15
Audit Advice to Public Health	n/a		n/a	5
Public Health – Audit planning, monitoring and performance reporting	n/a		n/a	10

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Place				
Review of Major Contracts	SRR - Amber ANA - High	Supporting officers in the early management of new Highways Term Maintenance contract and a mid-year review of the works ordering processes around the new highways management system.	Q1 – Q4	20
Commercial Properties	SRR95 - Red ANA - High	The commercial portfolio is worth £88m and generates more than £6m of rental income. Internal Audit will act as “trusted advisor” to work alongside the service as they review and streamline systems and processes, including the development of revised proformas.	Q1 – Q4	20
Street Services	ANA – High Client Request	Support the service in developing robust and meaningful key performance indicators to manage systems and drive growth.	Q1 – Q4	15
Trade Waste	ANA – Medium Client Request	Follow-up of 15/16 review and due diligence work around the business model and finances.	Q1 – Q4	15
Waste PFI	ORR - Amber ANA – Medium Client Request	Processes around contract management including recycling credits and Internal Audit presence on Project Executive.	Q1 – Q4	5
Modernisation of Garage	ANA – Medium Client Request	Internal Audit will act as “trusted advisor” to work alongside officers as the Council explores additional commercial opportunities in this area.	Q1 – Q4	16
Audit Advice to Place	n/a		n/a	15
Place – Audit planning, monitoring and performance reporting	n/a		n/a	20
Grants				
Early intervention – Families with a Future	Regulatory Requirement ORR - Amber	Audit review and certification for each monthly claim. Support for the service as they develop new system.	Q1 – Q4	25
Local Transport Capital Block Funding (Integrated Transport & Highways Maintenance)	Regulatory Requirement	Grant determination requires independent certification of expenditure by		3

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Pothole Action Fund	Regulatory Requirement	Grant determination requires independent certification of expenditure by Internal Audit.		3
Highways Maintenance Challenge Fund	Regulatory Requirement	Grant determination requires independent certification of expenditure by Internal Audit.		3
GD18 Norther Corridor Junction Improvements	Regulatory Requirement	Grant determination requires independent certification of expenditure by Internal Audit.		3
GD19 Plymouth Eastern Corridor Cycle Route	Regulatory Requirement	Grant determination requires independent certification of expenditure by Internal Audit.		3
DCLG Plymouth City Deal (South Yard)	Regulatory Requirement	Grant determination requires independent certification of expenditure by Internal Audit.		3
Other Chargeable Activities (not incorporated above)				
Corporate Governance	n/a	Support for Audit Committee, annual follow up for Audit Committee, corporate governance, internal audit standards, customer service excellence, audit development, liaison with external audit etc.	Q1 – Q4	85
Completion of 2016/17 Audit Plan	n/a		Q1	20
Contingency	n/a		n/a	10

Fraud Prevention and Detection and Internal Audit Governance

Fraud Prevention and Detection and the National Fraud Initiative

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. Internal Audit will continue to investigate instances of potential fraud and irregularities referred to it by managers, and will also carry out pro-active anti-fraud and corruption testing of systems considered to be most at risk to fraud. In recognition of the guidance in the Fraud Strategy for Local Government “Fighting Fraud Locally” and the TEICCAF (The European Institute for Combatting Crime and Fraud) publication “Protecting the English Public Purse 2016”. Internal Audit will liaise with the Council’s Corporate Fraud Team to enable resource to be focussed on identifying and preventing fraud before it happens. Nationally these areas include Procurement, Payroll, Blue Badges and Direct Payments.

The Cabinet Office runs a national data matching exercise (National Fraud Initiative - NFI) every two years. Work on the 2016/17 exercise commenced last October with various datasets uploaded to the NFI website and resulting data matches received at the end of January 2017. We will work with Council departments to ensure that the matches are reviewed and action taken as may be necessary.

Internal Audit Governance

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

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

Partnership working with other auditors

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

We have developed sound working arrangements with BDO, the authority’s external auditors and have liaison meetings to understanding their requirements and to provide the information they require, maximising the benefits of close working. We will continue to work closely with colleagues from Audit South West, the internal auditors for Health, as the Council’s integration with Health continues to develop. Joint working arrangements have been agreed through both PCC and CCG Audit Committees supported by detailed arrangements around audit planning, delivery and reporting in a shared arrangement.

Appendix 1 - Audit Framework

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state: “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards (PSIAS) or guidance”.

DAP, through external assessment, demonstrates that it meets the Public Sector Internal Audit Standards (PSIAS).

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

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



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

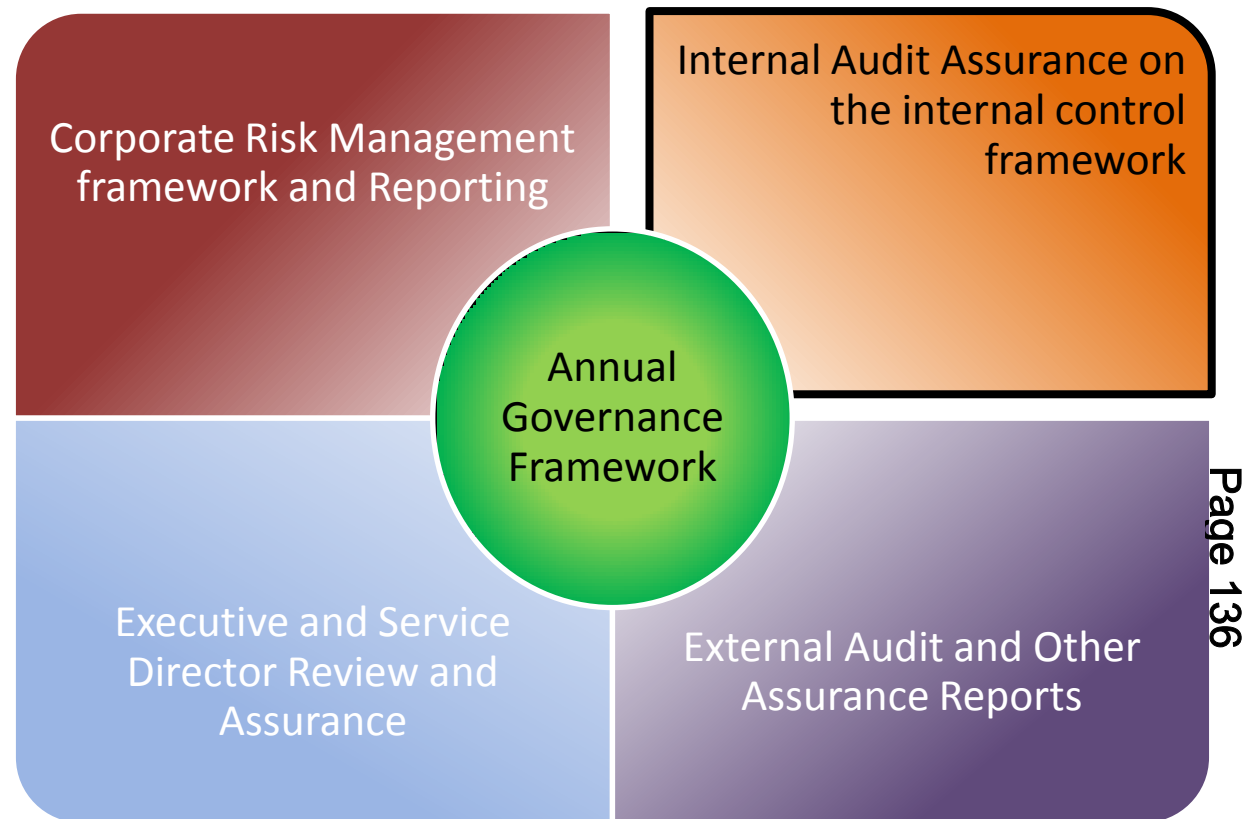
Appendix 2 - Annual Governance Framework Assurance

The Annual Governance Statement provides assurance that

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

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

- be prepared by senior management and signed by the Chief Executive and Leader of the Council;
- highlight significant events or developments in the year;
- acknowledge the responsibility on management to ensure good governance;
- indicate the level of assurance that systems and processes can provide;
- provide a narrative on the process that is followed to ensure that the governance arrangements remain effective. This will include comment upon;
 - The Authority;
 - Audit Committee;
 - Risk Management;
 - Internal Audit
 - Other reviews / assurance
- Provide confirmation that the Authority complies with CIPFA Framework *Delivering Good Governance in Local Government 2016*.



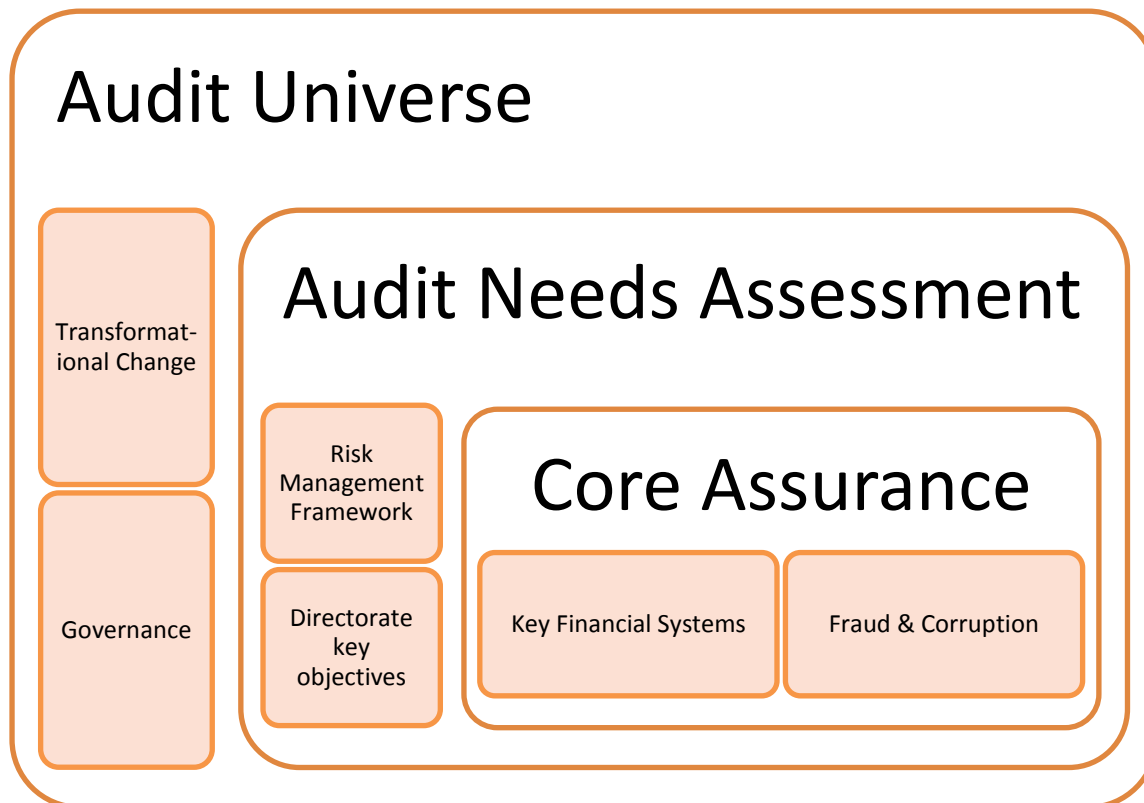
The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

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

Appendix 3 - Audit Needs Assessment

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

The result is the Internal Audit Plan set out earlier in this report.



The audit plan for the year plan has been created by:

Consideration of risks identified in the Authority’s strategic and operational risk registers

Review and update of the audit universe

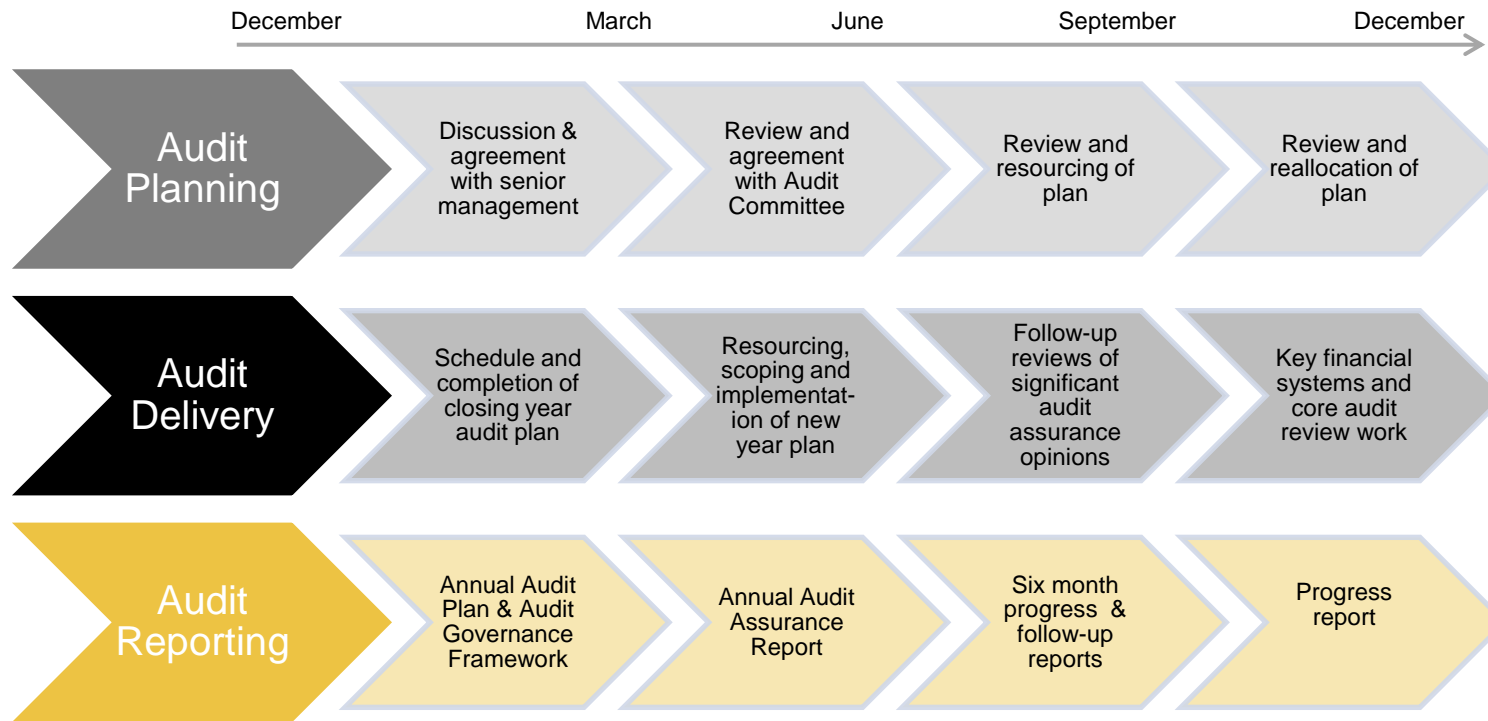
Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, and corporate initiatives

Taking into account results of previous internal audit reviews

Taking into account Internal Audit’s knowledge and experience of the risks facing the Authority, including factors and systems that are key to successful achievement of the Council’s delivery plans

Requirements to provide a “collaborative audit” approach with the external auditors

Appendix 4 - Our Audit Team and the Audit Delivery Cycle



Date	Activity
Dec / Jan 2017	Directorate planning meetings
March 2017	Internal Audit Plan presented to Audit Committee
	Internal Audit Governance Arrangements reviewed by Audit Committee
	Year end field work completed
Apr / May 2017	Annual Performance reports written
June 2017	Annual Internal Audit Report presented to Audit Committee
	Follow –up work of previous year’s audit work commences
Sept 2017	Follow-up and progress reports presented to Audit Committee
Dec 2017	Six month progress reports presented to Audit Committee
	2018 Internal Audit Plan preparation commences

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	Dominic Measures Audit Manager – Specialist Services and Schools T 01752 306722 E dominic.measures@devonaudit.gov.uk	



PLYMOUTH CITY COUNCIL

GRANT CLAIMS AND RETURNS CERTIFICATION

Audit for the year ended 31 March 2016



INTRODUCTION

Purpose of the report

This report summarises the main issues arising from our certification of grant claims and returns for the financial year ended 31 March 2016.

Public Sector Audit Appointments Ltd (PSAA) regime

PSAA has a statutory duty to make arrangements for certification by the appointed auditor of the annual housing benefit subsidy claim.

We undertake the grant claim certification as an agent of PSAA, in accordance with the Certification Instruction (CI) issued by them after consultation with the Department for Work and Pensions (DWP).

After completion of the tests contained within the CI the grant claim can be certified with or without amendment or, where the correct figure cannot be determined, may be qualified as a result of the testing completed.

Other certification work

A number of grant claims and returns that were once included within the scope of the audit have now been removed. Funders may still seek external assurance over the accuracy of the claim or return and this work is now undertaken outside of our appointment by PSAA and performed under separate terms.

In 2015/16 this “other” certification work included work in connection with pension contributions for teachers employed by the Council and paid over to the Teachers’ Pensions Scheme for the year ended 31 March 2016.

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during our certification work.

Fees

We reported our original fee proposals in our Audit Plan and the fees charged were in-line with our estimate and the details are set out below.

AUDIT AREA	PLANNED FEES (£)	FINAL FEES (£)
Housing Benefit Subsidy	17,477	17,477
Other certification work		
Teachers’ pensions return	4,500	4,500
Total certification fees	21,977	21,977

KEY FINDINGS

Set out below are the details of the grant claims that have been subject to certification by us for the financial year ended 31 March 2016 as follows:

- Housing Benefit Subsidy with a value of approximately £103 million; and
- Teachers’ Pensions contributions return with a value of approximately £9.6 million.

HOUSING BENEFIT SUBSIDY	FINDINGS AND IMPACT ON RETURN
<p>Local authorities responsible for managing housing benefit claim a subsidy towards the cost of these benefits from central government.</p> <p>The final value of subsidy to be claimed by the Council for the financial year is submitted to central government on form MPF720A, which is subject to certification.</p> <p>Our work programme includes testing a sample of claimant records to underlying records for each benefit type to confirm that benefit has been awarded in accordance with the relevant legislation and is shown in the correct cell on form MPF720A.</p> <p>The methodology and sample sizes are prescribed by PSAA and DWP.</p> <p>We have no discretion over how this methodology is applied.</p> <p>The draft subsidy return provided for audit recorded amounts claimed as subsidy of £102,956,285.</p>	<p>We completed our testing in accordance with the DWP auditor work programme and identified four errors in connection with adjustments made in connection with War Disablement Pensions. The total value of the amounts claimed in this area amounted to less than £400,000 (against a total claim of more than £100 million) and the aggregate value of the errors amounted to less than £1,000.</p> <p>As required by the auditor guidance we are required to report the details of the errors within our qualification letter.</p> <p>We submitted the Form MPF720A to the Department for Work and pensions (DWP) in advance of the 30 November 2016 deadline together with our qualification letter.</p> <p>The Council has received confirmation that the DWP has no outstanding issues and confirmed the amount of £102,956,285 as the amount that is properly payable as Housing Benefit subsidy to the Council for 2015/16.</p>

DETAILED FINDINGS

TEACHERS' PENSIONS	FINDINGS AND IMPACT ON RETURN
<p>Local authorities which employ teachers are required to deduct pension contributions and send them, along with employer's contributions, to the Teachers' Pensions office (the body which administers the Teachers' Pension Scheme on behalf of the Department for Education).</p> <p>Individual teachers pay a contribution rate that is dependent upon actual salary and the contribution rates range from 7.4% for teachers earning less than £26,000 per annum to 11.7% for any teacher earning in excess of £75,000. In addition to the contributions made by individual teachers that are members of the scheme, the employer pays a further contribution and in 2015/16 this amounted to 14.1% for the period to 31 August 2015 and was increased to 16.48% on 1 September 2015. The aggregate pay for teachers in Plymouth schools amounted to approximately £39 million in 2015/16 and total contributions to Teachers Pensions made by the Council amounted to approximately £9.6 million for the year.</p> <p>These contributions are summarised on form EOYCa, which the Council is required to submit to Teachers' Pensions.</p> <p>The Department for Education requires that Form EOYC is certified but the work is not part of PSAA's certification regime. We therefore agreed separate terms of engagement for this work and provided a limited assurance report.</p>	<p>We completed our sample testing satisfactorily and issued our report on 23 November and in advance of the 30 November 2016 deadline.</p>

The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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PLYMOUTH CITY COUNCIL

PLANNING REPORT TO THE AUDIT COMMITTEE
Audit for the year ending 31 March 2017

Date of issue: 7 March 2017



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INTRODUCTION

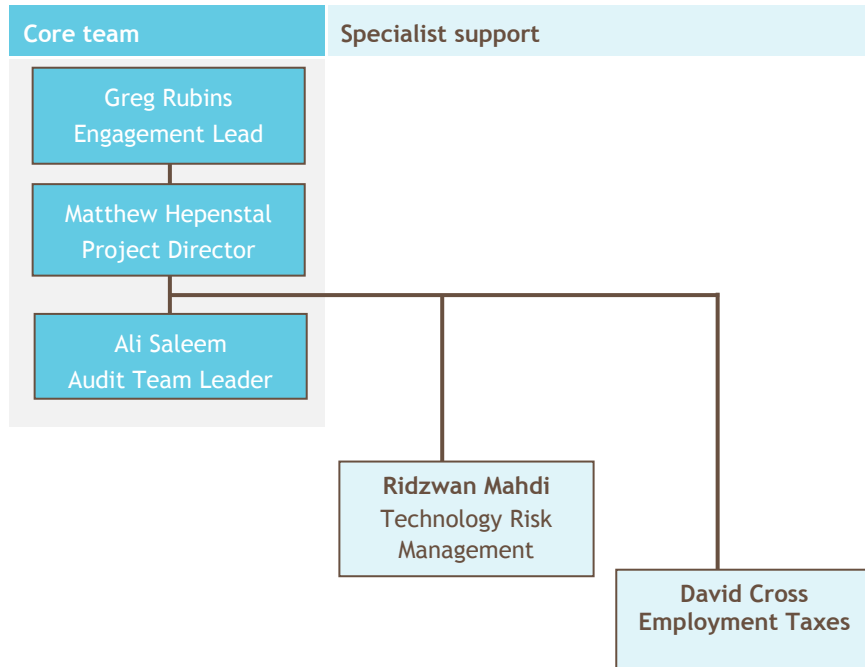
PURPOSE AND USE OF OUR REPORT

The purpose of this report is to highlight and explain the key issues which we believe to be relevant to the audit of the financial statements and use of resources of the Authority for the year ending 31 March 2017. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two-way communication throughout the audit process. Planning is an iterative process and our plans, reflected in this report, will be reviewed and updated as our audit progresses.

This report has been prepared solely for the use of the Plymouth City Council Audit Committee.

In preparing this report, we do not accept or assume responsibility for any other purpose, or to any other person to whom it is shown or into whose hands it may come, except when expressly agreed by our prior written consent. If others choose to rely on the contents of this report, they do so entirely at their own risk.

YOUR BDO TEAM



Name	Contact details	Key responsibilities
Greg Rubins Engagement Lead	Tel: 0238 088 1892 Greg.rubins@bdo.co.uk	Oversee the audit and sign the audit report
Matthew Hepenstal Project Director	Tel: 023 8088 1888 matthew.x.hepenstal@bdo.co.uk	Overall management of the audit and delivery of the use of resources work
Ali Saleem Audit Team Leader	Tel: 0117 930 1601 ali.saleem@bdo.co.uk	Day to day management and supervision of the audit of the financial statements
Ridzwan Mahdi Technology Risk Manager	Tel: 0758 318 9359 ridzwan.mahdi@bdo.co.uk	Manage IT review for audit purposes
David Cross Tax Manager	Tel: 0117 930 1517 David.cross@bdo.co.uk	Follow up of tax work performed in 2015/16

Greg Rubins is the engagement lead and has the primary responsibility to ensure that the appropriate audit opinion is given on the financial statements.

In meeting this responsibility, he will ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that:

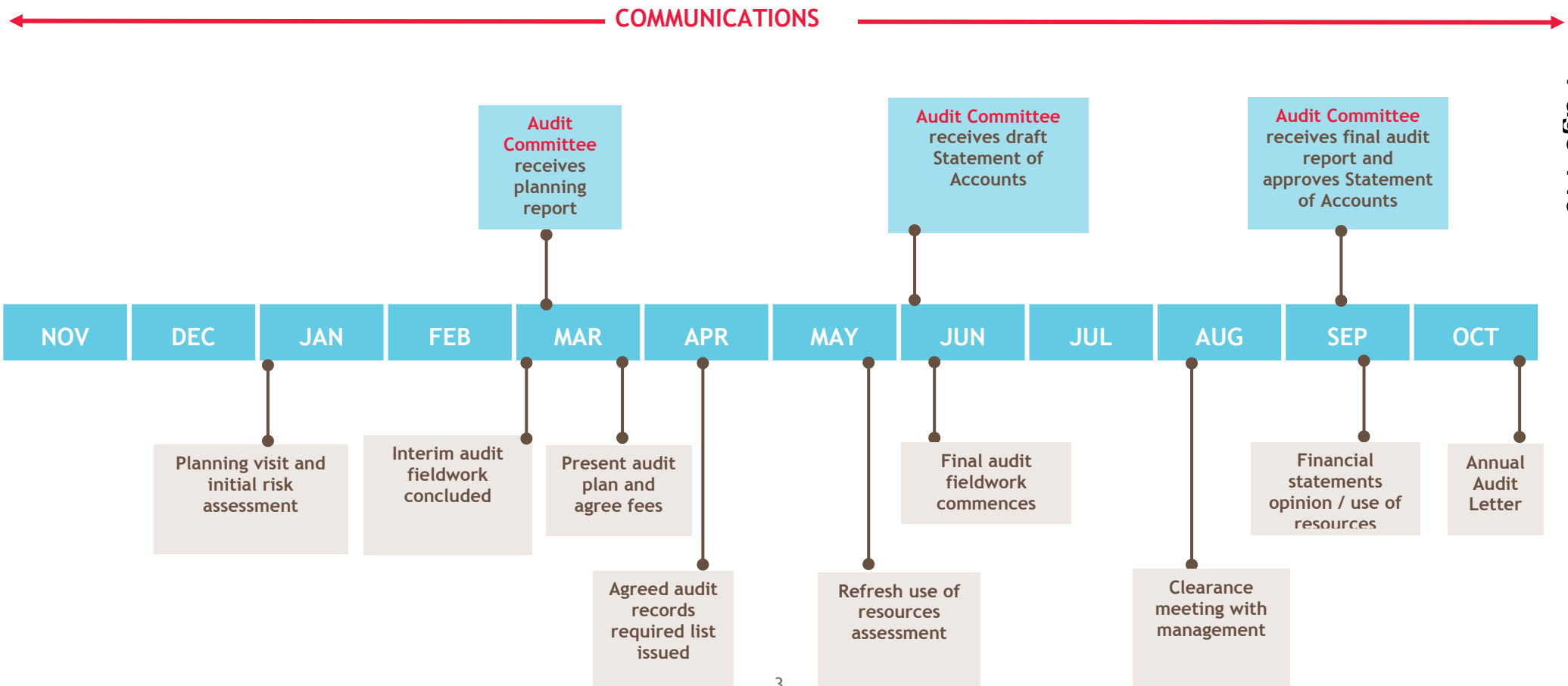
- the financial statements are free from material misstatement, whether due to fraud or error
- the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Greg Rubins is responsible for the overall quality of the engagement.

ENGAGEMENT TIMETABLE

TIMETABLE

The timeline below identifies the key dates and anticipated meetings for the production and approval of the audited financial statements and completion of the use of resources audit.



AUDIT SCOPE AND OBJECTIVES

SCOPE AND OBJECTIVES

Our audit scope covers the audit in accordance with the NAO Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the NAO.

To form an opinion on whether:

FINANCIAL STATEMENTS		OTHER INFORMATION	WGA CONSOLIDATION	USE OF RESOURCES
<p>1 The financial statements give a true and fair view of the financial position of the authority and its expenditure and income for the period in question.</p>	<p>2 The financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.</p>	<p>3 Other information published together with the audited financial statements is consistent with the financial statements (including the governance statement).</p>	<p>4 The return required to facilitate the preparation of WGA consolidated accounts is consistent with the audited financial statements.</p>	<p>5 The Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.</p>

ADDITIONAL POWERS AND DUTIES

<p>6 To consider the issue of a report in the public interest. To make a written recommendation to the authority.</p>	<p>7 To allow electors to raise questions about the accounts and consider objections. To apply to the court for a declaration that an item of account is contrary to law. To consider whether to issue an advisory notice or to make an application for judicial review.</p>
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MATERIALITY

AUTHORITY MATERIALITY

	MATERIALITY	CLEARLY TRIVIAL THRESHOLD
Plymouth City Council	£9.3 million	£186,000

Please see Appendix I for detailed definitions of materiality and triviality.

Materiality for the Council has been based on 1.75% of forecast gross expenditure for 2016/17.

At this stage, the figure for materiality is based on the Council's forecast outturn gross expenditure based on the first nine months of 2016/17 and estimated at £531.6 million.

This will be reconsidered when the draft financial statements for the full year are received for audit.

The clearly trivial amount is based on 2% of the materiality level.

OVERALL AUDIT STRATEGY

We will perform a risk based audit on the authority's financial statements and use of resources

This enables us to focus our work on key audit areas.

Our starting point is to document our understanding of the authority's business and the specific risks it faces. We discussed the changes to the business and management's own view of potential audit risk during our planning visit in order to gain an understanding of the authority's activities and to determine which risks impact on our audit. We will continue to update this assessment throughout the audit.

For the financial statements audit, we also confirm our understanding of the accounting systems in order to ensure their adequacy as a basis for the preparation of the financial statements and that proper accounting records have been maintained.

For the use of resources audit, we consider the significance of business and operational risks insofar as they relate to 'proper arrangements', including risks at both sector and authority-specific level, and draw on relevant cost and performance information as appropriate.

We then carry out our audit procedures in response to risks.

Risks and planned audit responses

For the financial statements audit, under International Standard on Auditing 315 "Identifying and assessing the risks of material misstatement through understanding the entity and its environment", we are required to consider significant risks that require special audit attention.

In assessing a risk as significant, we exclude the effects of identified controls related to the risk. The ISA requires us at least to consider:

- Whether the risk is a risk of fraud
- Whether the risk is related to recent significant economic, accounting or other developments and, therefore, requires specific attention
- The complexity of transactions
- Whether the risk involves significant transactions with related parties
- The degree of subjectivity in the measurement of financial information related to

the risk, especially those measurements involving a wide range of measurement uncertainty

- Whether the risk involves significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.

For the use of resources audit, the NAO has provided information on potential significant risks such as:

- Organisational change and transformation
- Significant funding gaps in financial planning
- Legislative or policy changes
- Repeated financial difficulties or persistently poor performance
- Information from other inspectorates and review agencies suggesting governance issues or poor service performance.

We consider the relevance of these risks to the authority in forming our risk assessment and audit strategy.

Internal audit

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We understand that internal audit reviews have been undertaken across a range of accounting systems and governance subjects. We will consider these reports as part of our audit planning and consider whether we are able to place any reliance on internal audit work as evidence of the soundness of the control environment.

KEY AUDIT RISKS AND OTHER MATTERS

Key: ■ Significant risk ■ Normal risk ■ Significant estimates

AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Management override	<p>The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud.</p> <p>Under International Standards on Auditing (UK and Ireland) 240, there is a presumed significant risk of management override of the system of internal controls.</p>	<p>We will:</p> <ul style="list-style-type: none"> Utilise our IT based journal testing software to identify any journal transactions that appear unusual in the context of the Council's operations and test the appropriateness of a sample of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. Review accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. Obtain an understanding of the business rationale for significant transactions that are outside the normal course of business for the Council or that otherwise appear to be unusual. 	Not applicable.
Revenue recognition	<p>Under auditing Standards there is a presumption that income recognition presents a fraud risk. For local authorities, the risks can be identified as affecting the completeness, accuracy and existence of income.</p> <p>In particular, we consider there to be a significant risk in respect of the existence (recognition) and accuracy of the revenue and capital grants where these are subject to performance conditions before these may be recognised as income in the comprehensive income and expenditure statement (CIES).</p> <p>We also consider there to be a significant risk in relation to the completeness and existence of certain types of fees and charges including income from Adult Social Care services provided by the Council.</p>	<p>We will test a sample of grants subject to performance conditions to confirm that the conditions of the grant have been met before the income is recognised in the CIES.</p> <p>We will test a sample of fees and charges and investment rental income to ensure income has been recorded in the correct period and that all income that should have been recorded has been recorded.</p> <p>For each material source of income generated in 2016/17 we will compare against the prior year comparative and outturn and obtain explanations to confirm the outturn is in line with our understanding.</p>	Government grant funding will be agreed to information published by the sponsoring Department.

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS			
RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Property, plant and equipment valuations	<p>Local authorities are required to ensure that the carrying value of property, plant and equipment (PPE) is not materially different to the fair value at the balance sheet date.</p> <p>The Council operates a rolling valuation programme to ensure that all properties are valued at least every five years. We found no issues with the valuation last year but this is a risk for all authorities due to the level of judgement involved.</p>	<p>We will review the instructions provided to the Council's valuer and review the valuer's skills and expertise in order to determine if we can rely on the management expert.</p> <p>We will review the valuation performed and test a sample of assets to confirm the valuation has been correctly accounted for.</p> <p>We will also review the valuation of the Council's 50% share of the Tamar Bridge and assess the disclosures made by the Council in connection with the assets and liabilities of the Tamar Bridge and Tor Point Ferry operation that it jointly owns with Cornwall CC.</p>	<p>We will review independent data that shows indices and price movements for classes of assets against the percentage movement applied by the Council.</p>
Changes in presentation of the financial statements	<p>The Code requires a change to the presentation of some areas of the financial statements. This includes:</p> <ul style="list-style-type: none"> • Change to the format of the Comprehensive Income and Expenditure Statement (CIES) • Change to the format of the Movement in Reserves Statement (MIRS) • New Expenditure and Funding Analysis (EFA) note • Change to the Segmental Reporting note • New Expenditure and Income analysis note. <p>These changes will require a restatement to the 2015/16 CIES. There is a risk that these presentational changes are not correctly applied in the financial statements.</p>	<p>We will review the draft financial statements and check these against the CIPFA Disclosure Checklist to ensure that all of the required presentational changes have been correctly reflected within the financial statements.</p> <p>We will review and test the restated prior year figures where there is a revised form of presentation.</p>	<p>Not applicable.</p>

AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Consideration of related party transactions	<p>We need to consider if the disclosures in the financial statements concerning related party transactions are complete and adequate and in line with the requirements of the accounting standards.</p>	<p>We will document the related party transactions identification procedures in place and review relevant information concerning any such identified transactions. We will discuss with management and review councillors and Senior Management declarations to ensure there are no potential related party transactions which have not been disclosed. This is something we will require you to include in your management representation letter to us.</p>	<p>Review of the Council’s register of members interests for undisclosed interests.</p>
Highways Network Asset (HNA)	<p>It is possible that the Code may be revised and new rules covering the basis for calculating the balance sheet value of the highways network asset (HNA) introduced. These changes are potentially going to take effect from 1 April 2017.</p> <p>If this proposed change is approved, it will require the Council to calculate the value of its Highways assets including its roads, bridges, street furniture and traffic lights etc. on a “depreciated replacement cost” (DRC) rather than the currently used “depreciated historic cost” basis. This will represent a substantial task.</p>	<p>If the proposed change of moving to valuing the HNA on a DRC basis is approved, we will review the “Accounting Standards that have been issued but have not yet been adopted” disclosure and discuss with management the plan for implementing the changes.</p> <p>In the event that the Code is changed, we will also seek to agree early any technical aspects that emerge in connection with the HNA to help ensure that any changes are managed successfully.</p>	<p>CIPFA and NAO technical guidance.</p>
Pension liability assumptions	<p>The Council’s pension liability comprises the Council’s share of the market value of assets and liabilities held in the Devon Pension Fund.</p> <p>An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation.</p> <p>There is a risk the valuation is not based on accurate membership data or uses inappropriate assumptions to value the assets and liabilities.</p>	<p>We will agree the disclosures to the information provided by the pension fund actuary.</p> <p>We will contact the auditors of the Devon Pension Fund and request confirmation of the controls in place for providing accurate membership data to the actuary.</p> <p>We will review the reasonableness of the assumptions used in the calculation.</p>	<p>We will agree the disclosures to the report received from the actuary.</p> <p>We will use the NAO commissioned consulting actuary report for the review of the methodology of the actuary and reasonableness of the assumptions.</p> <p>Letter to BDO from the Devon Pension Fund auditor.</p>

AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Group Accounts considerations	<p>The Council has a range of interests in various entities including DELT (a company the Council owns with NEW Devon CCG) and CaterEd, a company providing catering services to schools. These were not considered material last year and therefore group accounts were not necessary but this needs to be reviewed each year.</p>	<p>We will review the paper prepared by management and challenge the approach adopted by the Council to accounting for the entities within which the Council has an interest.</p>	<p>Draft accounts in connection with the entities within which the Council has an interest.</p>
Non-domestic rates appeals provision	<p>Billing authorities are required to estimate the value of potential refund of business rates arising from rate appeals, including backdated appeals. The Valuation Office Agency (VOA) provides information regarding the appeals currently being assessed and settled. Management use this information to calculate a success rate for specific business types for settled appeals, and applies an appropriate rate to each type of business appeal still outstanding at year end.</p> <p>We consider there to be a risk for all authorities in relation to the estimation of the provision due to potential incomplete data and assumptions used in calculating the likely success rate of appeals. We are aware that some NHS organisations may appeal their business rate charge and seek charitable status to claim mandatory rate relief.</p>	<p>We will review the accuracy of the appeals data to confirm that it is complete based on the VAO list, and that settled appeals are removed.</p> <p>We will review the assumptions used in the preparation of the estimate including the historic success rates to confirm if the rates applied are appropriate.</p> <p>We will monitor progress with the potential rate relief claims from NHS organisations and the potential impact on the collection fund account.</p>	<p>We will compare the listing of current appeals to listings from the VOA.</p>

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - USE OF RESOURCES

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Sustainable finances	<p>In February 2016, the Council agreed a budget for 2016/17 comprising net spending (i.e. expenditure net of income) of £186.7 million for the year. At 31 December 2016, the Council was forecasting spending of approximately £188 million for 2016/17 and if this reflects the outturn, would result in a budget overspend of approximately £1.3 million.</p> <p>The Council's Medium Term Financial Strategy (MTFS) which was prepared in 2016 and covered the period to 31 March 2020 identified that financial resources will reduce in 2017/18 with further reductions in subsequent years.</p> <p>To illustrate, the MTFS identified a need to reduce costs by nearly £24 million in 2016/17 to achieve the £186.7 million budget for 2016/17. In future years, the MTFS identified a need for further reductions in net expenditure of £19.1 million in 2017/18 with lesser reductions in the two years to 31 March 2020. Delivering the savings in the early years of the MTFS will be very important in creating a financially sustainable Council and meeting the MTFS target.</p>	<p>We will review the assumptions used in the Medium Term Financial Strategy.</p> <p>We will monitor the delivery of the budgeted savings in 2016/17 and review the outline plans to achieve further savings in the period to 31 March 2020 and comment on their achievability.</p>	Not applicable.
Partnership arrangements	<p>The Council has a range of partnership arrangements in place including an "Integrated Fund" which is managed in partnership with NEW Devon CCG. This is a significant partnership involving total annual spending of more than £350 million in 2016/17. We reported last year that these arrangements were working well.</p> <p>The Council also works with several other entities including Cornwall CC in respect of Tamar Bridge as well as on other projects. As with any partnership arrangement, there are risks around governance and control.</p>	We will update our knowledge of the Council's significant partnership arrangements and assess the governance arrangements in place.	Not applicable.

INDEPENDENCE

INDEPENDENCE

Under Auditing and Ethical Standards, we are required as auditors to confirm our independence to ‘those charged with governance’. In our opinion, and as confirmed by you, we consider that for these purposes it is appropriate to designate the Audit Committee as those charged with governance.

Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to have a bearing on our objectivity and independence as auditors. The principal statements of policies are set out in our firm-wide guidance. In addition, we have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. The procedures require that engagement leads are made aware of any matters which may reasonably be thought to bear on the firm’s independence and the objectivity of the engagement lead and the audit staff. This document considers such matters in the context of our audit for the period ended 31 March 2017.

On the following page, we have recorded details of any non-audit services and we anticipate needing to undertake specific procedures on the Council’s Housing Benefit Subsidy claim and the return to the Teachers Pensions’ Agency in respect of pension contributions. Should work in other areas be required, we will report this to the Audit Committee.

We confirm that the firm complies with the Financial Reporting Council’s Ethical Standards for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement partner and audit staff is not impaired. These policies include partner and manager rotation. The table in appendix II sets out the length of involvement of key members of the audit team.

Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

FEES

FEES SUMMARY

Our proposed fees, excluding VAT, for the year ending 31 March 2017 are:

	£
Audit fee	136,874
Certification fee (Housing benefits subsidy)	13,290
Total audit and certification fees:	150,164
Fees for non audit services - audit related (see below)	4,600
Fees for non audit services - other (see below)	Nil
TOTAL FEES	154,664

NON AUDIT SERVICES FEES ANALYSIS

Audit related services:

Teachers Pensions certification fee	4,600
Total	4,600

Non audit services:

Not applicable	Nil
Total	Nil

Our fee is based on the following assumptions

The complete draft financial statements and supporting work papers will be prepared to a standard suitable for audit. All balances will be reconciled to underlying accounting records.

Key dates will be met, including receipt of draft accounts and working papers prior to commencement of the final audit fieldwork.

We will receive only one draft of the Statement of Accounts prior to receiving the final versions for signing.

Within reason, personnel we require to hold discussions with will be available during the period of our on-site work (we will set up meetings with key staff in advance).

APPENDIX I: MATERIALITY

CONCEPT AND DEFINITION

- The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.
- We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.
- Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):
 - Narrative disclosure e.g. accounting policies, going concern
 - Instances when greater precision is required (e.g. senior management remuneration disclosures).
- International Standards on Auditing (UK & Ireland) also allow the auditor to set a lower level of materiality for particular classes of transaction, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

CALCULATION AND DETERMINATION

- We have determined materiality based on professional judgement in the context of our knowledge of the Council, including consideration of factors such as sector developments, financial stability and reporting requirements for the financial statements.
- We determine materiality in order to:
 - Assist in establishing the scope of our audit engagement and audit tests
 - Calculate sample sizes
 - Assist in evaluating the effect of known and likely misstatements on the financial statements.

APPENDIX I: MATERIALITY

Continued

REASSESSMENT OF MATERIALITY


- We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.
- Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope. If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.
- You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

UNADJUSTED ERRORS

- In accordance with auditing standards, we will communicate to the Audit Committee all uncorrected misstatements identified during our audit, other than those which we believe are 'clearly trivial'.
- Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.
- We will obtain written representations from the Audit Committee confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.
- We would request any misstatements identified during the audit process to be adjusted in a range of circumstances including:
 - Clear cut errors where correction would cause non-compliance with statutory requirements, management remuneration, other contractual obligations or governmental regulations that we consider are significant.
 - Other misstatements that we believe are material or clearly wrong.

APPENDIX II: INDEPENDENCE

INDEPENDENCE - ENGAGEMENT TEAM ROTATION	
SENIOR TEAM MEMBERS	NUMBER OF YEARS INVOLVED
Greg Rubins - Engagement lead	2 nd
Russell Field - Engagement Quality Control Reviewer (EQCR)	1 st
Matthew Hepenstal - Project director	2 nd
Ali Saleem - Audit Team Leader	1 st



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

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PLYMOUTH CITY COUNCIL

PLANNING LETTER 2017/18

9 March 2017



PROPOSED FEES

Scope of the audit

We are required to report to you our proposed fees and programme of work for the 2017/18 financial year.

Code audit fee

The Code audit fee is based on the work required under the Code of Audit Practice issued by the National Audit Office (NAO) and covers the audit of the financial statements and value for money conclusion. Public Sector Audit Appointments Limited (PSAA) is responsible for setting the scale fees for local authorities and consulted on the proposed work programme and scale of fees in October 2016. The consultation closed in January 2017 and no changes have been made to the overall work programme or scale fees for 2017/18 compared to 2016/17.

It is, however, acknowledged that for councils with highways network assets (HNA) a change in accounting requirements will require additional audit work in 2017/18. We have increased the proposed fee by £10,000 for this (subject to approval from PSAA). PSAA has the power to determine the fee above or below the scale fee where there has been a change that requires substantially more or less work than envisaged by the scale fee. In addition, if the proposal to change the basis of valuing the HNA is withdrawn, there will be no additional fee.

Certification of housing benefits subsidy claim

PSAA makes arrangements for certification of housing benefit subsidy claims. An indicative fee is set based on the latest actual certification fees available.

Audit related services

Audit related services are those non-audit services that are largely carried out by members of the engagement team where the work involved is closely related to the work performed in the audit and the threats to auditor independence are clearly insignificant and, as a consequence, safeguards need not be applied. For example, grants and returns that require certification by the auditor will be covered by separate engagement letters with the Council.

Other non-audit services

Other non-audit services are those services not closely related to the work performed in the audit that could be provided by a number of firms. Auditors are prevented from undertaking such work if it would present a threat to independence for which no adequate safeguards are available. Independence concerns may arise due to the nature of the work or from the value of fees derived.

Fees

AUDIT AREA	PROPOSED 2017/18 (£)	SCALE 2017/18 (£)	PROPOSED 2016/17 (£)
Code audit fee	136,874	136,874	136,874
Highways Network Asset work	* 10,000	tbc	-
Housing benefits subsidy claim	13,290	13,290	13,290
Total PSAA regime fees	160,164	150,164	150,164
Audit of Teacher's Pensions Scheme Return	4,700	n/a	4,600
Total fees	164,864	150,164	154,764

* If the proposal to implement the new highways network asset is withdrawn, no additional fee will be payable.

Amendments to the proposed fees

If we need to propose any amendments to the fees during the course of the audit, where our assessment of risk and complexity are significantly different from those reflected in the proposed fee or where we are required to carry out work in exercising our additional powers and duties, we will first discuss this with the Council's Section 151 Officer. Where this requires a variation to the scale fee we will seek approval from PSAA. If necessary, we will also prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Committee.

Billing arrangements

We will raise invoices for the Code audit fee in agreement with the Council's Section 151 Officer.

Fee invoices for other services will be raised as the work is completed.

AUDIT ARRANGEMENTS

Planned outputs

We plan to issue the following reports and opinions over the course of the 2017/18 audit:

REPORT	DATE
Progress reports to the Audit Committee	Throughout
Audit plan	March 2018
Report on any significant deficiencies in internal controls	June 2018
Audit completion report	July 2018
Independent auditor's report including: <ul style="list-style-type: none"> Opinion on the financial statements Use of resources conclusion Certificate of audit closure 	July 2018
Whole of Government Accounts assurance statement and report to the NAO	Tbc
Annual audit letter	Tbc
Grant claims and returns certification report	Tbc

Client satisfaction

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact Greg Rubins in the first instance. Alternatively, you may wish to contact our Managing Partner, Paul Eagland. Any complaint will be investigated carefully and promptly. If you are not satisfied you may take up the matter with the Institute of Chartered Accountants in England and Wales ("ICAEW"). In addition, the PSAA complaints handling procedure is detailed on their website <http://www.psaa.co.uk/about-us/contact-us/complaints/>.

Audit team

The key members of the audit team will be:

Engagement Lead - Greg Rubins

Email: greg.rubins@bdo.co.uk

Tel: 0238 088 1892

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

Project Director - Matthew Hepenstal

Email: matthew.x.hepenstal@bdo.co.uk

Tel: 023 8088 1888

Mathew will manage and co-ordinate each aspect of the audit and will be the key contact with the finance team.

Audit Team Leader - Ali Saleem

Email: ali.saleem@bdo.co.uk

Tel: 0117 930 1601

Ali will work with Matthew in delivering the audit of the financial statements.

Audit appointments for 2018/19 and beyond

Our current contract negotiated by the Audit Commission in April 2014 will end after the 2017/18 audit.

PSAA has been specified as an appointing person under the provisions of the Local Audit and Accountability Act 2014 and regulation 3 of the Local Audit (Appointing Person) Regulations 2015. For external audits from 2018/19, PSAA will appoint an auditor to relevant principal local government authorities that have opted into its national scheme.

Those authorities that have not opted into this national scheme are required to make local appointments for external audit services for 2018/19 and beyond, in accordance with the Local Audit and Accountability Act 2014.

Audit appointments for 2018/19 must be made by 31 December 2017.

The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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Audit Committee Work Plan 2016/17

Item	Lead Officer	2016							2017					
		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)	Rob Hutchings/ Dominic Measures	30						8						
Statement of Accounts 2015/16	Carolyn Haynes	30			15									
Operational Risk and Opportunity Register- Update Report	Mike Hocking	30						8						
Risk and Opportunity Management Annual Report 2015/16	Mike Hocking	30												
Annual Governance Statement 2015/16	Mike Hocking	30												
Annual Report on Treasury Management Activities for 2015/16	Chris Flower	30						8	❖					

Audit Committee Work Plan 2016/17

Item	Lead Officer	2016							2017					
		J	J	A	S	O	N	D	J	F	M	A	M	J
Strategic Risk and Opportunity Register Monitoring Report (including the Integrated Commissioning Risk Register)	Mike Hocking				15						16			
Internal Audit Plan 2017/18	Robert Hutchins / Dominic Measures										16			
Internal Audit – Progress Report	Robert Hutchins / Dominic Measures				15									
Internal Audit – Follow Up Work	Robert Hutchins / Dominic Measures				15									
External Audit Plan Progress Report 2015/2016	External Auditor BDO	30			15									
External Audit Planning Report	External Auditor BDO							8			16			

Audit Committee Work Plan 2016/17

Item	Lead Officer	2016							2017					
		J	J	A	S	O	N	D	J	F	M	A	M	J
Annual Report to Those Charged with Governance (ISA260 Report) 2015/2016 including Value for Money (VFM)	External Auditor BDO				15									
Annual Audit Letter 2015/2016	External Auditor BDO							8						
Certification Plan	External Auditor BDO							8						
Certification Work Report 2015/2016	External Auditor BDO							8						
External Audit Planning Letter 2017/18	External Auditor BDO										16			
Grant Claims and Returns Certification	External Auditor BDO										16			
Review of Rolling Work Plan	Lead Officer/DSO	30			15			8			16			

Audit Committee Work Plan 2016/17

Audit Committee Work Plan 2016/17														
Item	Lead Officer	2016							2017					
		J	J	A	S	O	N	D	J	F	M	A	M	J
NEW Devon CCG Audit Committee	David Northey							8						TBC
Treasury Management Practices, Principles and Schedules 2017/18	Chris Flower										16			
Treasury Management Strategy	Chris Flower							8						
Internal Audit Charter and Strategy 2016/17	Robert Hutchins / Dominic Measures										16			
Information Governance Annual Report	John Finch	30												
Surveillance, Covert Activities and the Regulation of Investigatory Powers Act 2000 (RIPA)	John Finch	30												
Treasury Management – Impact of Leaving the EU	Chris Flower				15			8*						
Staff Sickness Report	Dawn Aunger							8						

Audit Committee Work Plan 2016/17

Item	Lead Officer	2016							2017					
		J	J	A	S	O	N	D	J	F	M	A	M	J
Update on Lender Option, Borrower Option (LOBO)	Chris Flower													
Protecting the Public Purse – Counter Fraud Annual Report	Mike Hocking / Ken Johnson													TBC
Director of Children’s Services Local Assurant Test Review	Carole Burgoyne													TBC

* 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.

*Impact of leaving the EU to be included in the mid-year Treasury Management report (only if there was any significant changes to report).

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