



**Democratic Support**

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## AUDIT COMMITTEE

Thursday 29 June 2017  
2.00 pm  
Council House, Plymouth

**Members:**

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

**Independent Members:**

Mr R Clarke  
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. **Note the Appointment of the Chair and Vice Chair**

The Committee will be asked to note the appointment of the Chair and Vice Chair for the municipal year 2017/2018.

### 2. **Apologies**

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

### 3. **Declarations of Interest**

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

### 4. **Minutes** **(Pages 1 - 6)**

To confirm the minutes of the meeting held on 16 March 2017.

### 5. **Chair's Urgent Business**

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

### 6. **Director of Children's Services Assurance Test** **(Pages 7 - 16)**

The Committee will receive the Director of Children's Services Assurance Test.

### 7. **Statement of Accounts 2016/17 and Annual Governance Statement** **(Pages 17 - 26)**

The Committee will receive the Statement of Accounts 2016/17 and Annual Governance Statement.

### 8. **Operational Risk and Opportunity Management Update Report** **(Pages 27 - 30)**

The Committee will receive the Operational Risk and Opportunity Management Update report.

### 9. **Risk and Opportunity Management Annual Report 2016/17** **(Pages 31 - 60)**

The Committee will receive the Risk and Opportunity Management Annual report 2016/17.

- 10. Annual Governance Statement (Pages 61 - 86)**  
The Committee will receive the Annual Governance Statement.
- 11. Annual Report on Treasury Management Activities 2016/17 (Pages 87 - 104)**  
The Committee will receive the Annual Report on Treasury Management Activities 2016/17.
- 12. Corporate Fraud Annual Report (Pages 105 - 112)**  
The Committee will receive the Corporate Fraud Annual report.
- 13. Surveillance, Covert Activities and Regulation of Investigatory Powers Act 2000 (RIPA) Report (Pages 113 - 118)**  
The Committee will receive the Surveillance, Covert Activities and Regulation of Investigatory Powers Act 2000 (RIPA) report.
- 14. Internal Audit Annual Report 2016/17 (Pages 119 - 146)**  
The Committee will receive the Internal Audit Annual report 2016/17.
- 15. External Audit Progress Report (Pages 147 - 154)**  
The Committee will receive the External Audit Progress report.
- 16. Review of Work Plan 2017/18 (Pages 155 - 160)**  
The Audit Committee will review its Work Plan 2017/18.

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## Audit Committee

Thursday 16 March 2017

### PRESENT:

Councillor Sam Leaves, in the Chair.

Councillor Parker-Delaz-Ajete, Vice Chair.

Councillors Sam Davey, Dr Mahony and Mrs Pengelly Sam Davey, Dr Mahony and Mrs Pengelly.

Independent Members: Mr R Clarke and Mr I Stewart.

Also in attendance: David Curnow (Devon Audit Partnership), Brenda Davis (Devon Audit Partnership), Chris Flower (Finance Business Partner for Capital and Treasury Management), Andrew Hardingham (Interim Strategic Director for Transformation and Change – Finance), Mike Hocking (Head of Assurance Services), Julie Hosking (Corporate Risk Adviser), Rob Hutchins (Devon Audit Partnership), David Northey (Head of Integrated Finance), Greg Rubins (BDO) and Helen Wright (Democratic Adviser).

The meeting started at 2pm and finished at 3.10pm.

*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.*

#### 42. **Declarations of Interest**

Councillor Sam Leaves declared a personal interest as she was employed by the NEW Devon CCG.

#### 43. **Minutes**

The Committee agreed that the minutes of the meeting held on 8 December 2016 are a correct record subject to the following amendments –

- (1) Chair of school governors;
- (2) School governor of two schools;
- (3) it was reported that;
- (4) the Council spread the risks;
- (5) the complaint related to;
- (6) the taking of a photograph;

44. **Chair's Urgent Business**

With the permission of the Chair, Rob Hutchins (Devon Audit Partnership) advised that Torridge District Council had expressed an interest in becoming a full partner in the Devon Audit Partnership, together with Plymouth City Council, Devon County Council and Torbay Council. He confirmed that the decision to admit a new partner would need approval from the Devon Audit Partnership Committee and therefore approval would not be required by this Audit Committee.

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

45. **Treasury Management Practices, Principles and Schedules 2017/18**

Chris Flower (Finance Business Partner for Capital and Treasury Management) presented the Treasury Management Practices, Principles and Schedules 2017/18 report.

It was a requirement of the adopted CIPFA Code of Practices on Treasury Management that practices, principles and schedules were in place to ensure the Council's policy was adhered to and that working practices and controls were in place to meet the approved strategy.

The main areas of questioning related to –

- (a) a number of inconsistencies within the report (the use of capital letters);
- (b) whether the report should be amended to read approve by the Audit Committee;
- (c) the Council's exposure to risk relating to the cyber security of its on-line services;
- (d) the terminology used within the report relating to money laundering.

Andrew Hardingham (Interim Strategic Director for Transformation and Change – Finance) advised that the revised report would be circulated to Committee Members.

The Audit Committee agreed to approve the Treasury Management Practices, Principles and Schedules for 2017/18.

46. **Strategic Risk and Opportunity Register Monitoring Report and the Integrated Commissioning Risk Register Report**

Mike Hocking (Head of Assurance Services) presented the Strategic Risk and Opportunity Register Monitoring report.

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

Overall as a result of the review, the total number of risks now reported on the Strategic Risk and Opportunity Register had increased from 14 to 15 (the new risk related to the implementation of the General Data Protection Regulations 2018).

David Northey (Head of Integrated Finance) presented the Integrated Commissioning Risk Register report.

The report provided 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.

The main areas of questioning related to –

- (a) the feasibility of whether this service could be sold to other organisations;
- (b) whether this work had resulted in additional resources being required.

Andrew Hardingham (Interim Strategic Director for Transformation and Change – Finance) reported that the work undertaken on this project had been shortlisted for the Health and Social Care Integration Award by the Chartered Institute of Public Finance and Accounting (the ceremony would take place at the end of April 2017).

The Committee noted and endorsed the current position with regard to the Strategic Risk and Opportunity Register.

#### 47. **Internal Audit Charter and Strategy 2017/18**

David Curnow (Devon Audit Partnership) together with Robert Hutchins and Brenda Davis (Devon Audit Partnership) presented the Internal Audit Charter and Strategy 2017/18.

One of the requirements of the Public Sector Internal Audit Standards (PSIAS) was 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 Committee agreed the Internal Audit Charter and Strategy 2017/18.

#### 48. **Internal Audit Plan 2017/18**

David Curnow (Devon Audit Partnership) together with Rob Hutchins and Brenda Davis (Devon Audit Partnership) presented the Internal Audit Plan 2017/18.

The report provided 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.

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 was linked through the Strategic and Operational Risk Register to risks related to the achievement of the Council's strategic objectives.

The main areas of questioning related to –

- (a) the reasoning for the estimated number of days for schools relating to the core activity for the Internal Audit review;
- (b) concerns regarding the merged jurisdictions of Plymouth and West Devon Coroners service with Torbay and South Devon Service and the location of the offices;
- (c) whether Internal Audit had been involved with the negotiations for the new highways contract.

Andrew Hardingham (Interim Strategic Director for Transformation and Change – Finance) undertook to liaise with the Cabinet Member responsible for the Coroners service regarding the concerns raised.

The Committee agreed to approve the 2017/18 Internal Audit Plan.

The Committee noted the report.

#### 49. **Grant Claims and Returns Certification**

Greg Rubins (External Auditor BDO) presented the Grant Claims and Returns Certification which highlighted the following key areas –

- following 'testing' of sample claimant records (in accordance with the DWP auditor work programme) four errors relating to War Disablement Pensions had been identified; (the aggregate value of the errors amounted to less than £1000 which had no impact of on the subsidy);
- sample 'testing' had been successfully completed in relation to teachers' pensions and a limited assurance report had been issued in advance of the 30 November 2016 deadline.

The Committee noted the report.

#### 50. **Planning Report 31 March 2017**

Greg Rubins (External Auditor BDO) presented the Planning Report (31 March 2017).

The purpose of the report was to highlight and explain the key issues which the external auditor believed to be relevant to the audit of the financial statements and use of resources of the Authority for the year ending 31 March 2017.



The Committee noted the report.

51. **Planning Letter 2017/18**

Greg Rubins (External Auditor BDO) presented the Planning Letter 2017/18 which highlighted the following key areas –

- the proposed fees;
- the audit arrangements;
- audit appointments for 2018/19.

The Committee noted the report.

52. **Review of Work Plan 2016/17**

Andrew Hardingham (Interim Strategic Director for Transformation and Change – Finance) advised that the future dates of the Audit Committee for the municipal year 2017/18 had yet to be agreed. The dates would be ratified at the Full Council meeting scheduled to be held on 20 March 2017.

Helen Wright (Democratic Adviser) undertook to circulate the dates of the Committee for the forthcoming municipal year to the Independent Members.

The Committee noted the current position of its work plan.

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**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	DCS Assurance Test
<b>Committee:</b>	Audit Committee
<b>Date:</b>	29 June 2017
<b>Cabinet Member:</b>	Cllr Beer
<b>CMT Member:</b>	Tracey Lee Chief Executive
<b>Author:</b>	Alison Botham (Assistant Director, Children Young People and Families)
<b>Contact details</b>	<a href="mailto:alison.botham@plymouth.gcsx.gov.uk">alison.botham@plymouth.gcsx.gov.uk</a>
<b>Key Decision:</b>	For information and note

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**Purpose of the report:**

This report briefly explains the reason for and purpose of the Director of Children's Services (DCS) assurance test. It explains the review of the assurance test undertaken this year. This builds on work undertaken after further activity on the People Directorate review. It also takes into account the work undertaken by the current DCS who undertakes a number of strategic responsibilities across this organisation and NEW Devon CCG.

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**The Council Corporate Plan 2016 - 2019:**

The DCS assurance test being undertaken contributes to Plymouth's Caring objective within the Corporate Plan. The assurance test specifically supports the outcomes "We will prioritise prevention" and "Children, young people and adults are safe and confident in their communities" which are supported by the Children's Services Improvement Plan and the Plymouth Children's Safeguarding Improvement Plan within which this action and related activity sits.

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

None identified

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

- Child Poverty
- Community Safety
- Health and Safety
- Risk Management

The DCS assurance test is undertaken to ensure that the focus on outcomes for children and young people are not be weakened or diluted as a result of adding other responsibilities to the role of Director of Children’s Services.

The role of DCS includes ensuring a wide range of outcomes are achieved for vulnerable children and families, the majority of which relate to addressing issues of risk management, health and safety, community safety or child poverty.

**Equality and Diversity**

Has an Equality Impact Assessment been undertaken? No

**Recommendations and Reasons for recommended action:**

I. Members note the DCS Assurance Test has again been reviewed and revised using a risk assessment framework.

**Alternative options considered and rejected: None**

**Published work / information:**

The Department for Education guidance “Statutory guidance on the roles and responsibilities of the Director of Children’s Services and Lead Member for Children’s Services” (April 2013)  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/271429/directors\\_of\\_child\\_services\\_-\\_stat\\_guidance.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/271429/directors_of_child_services_-_stat_guidance.pdf)

**Background papers:**

Title	Part I	Part II	Exemption Paragraph Number							
			1	2	3	4	5	6	7	
DCS Assurance Test 17 September 2015.	x									

**Sign off:** comment must be sought from those whose area of responsibility may be affected by the decision, as follows (insert references of Finance, Legal and Monitoring Officer reps, and of HR, Corporate Property, IT and Strat. Proc. as appropriate):

Fin	pl1718.50	Leg	LT/28315	HR	DA-HR 20.06.2017
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## Introduction

The Department for Education guidance “Statutory guidance on the roles and responsibilities of the Director of Children’s Services (DCS) and Lead Member for Children’s Services” (April 2013 sets out the expectations for the local authority DCS, their appointment, role and responsibilities in relation to education and children and young people’s services.

Section 6, entitled *Additional Functions not related to Local Authority children’s services*, states that “local authorities should undertake a local assurance test so that the focus on outcomes for children and young people will not be weakened or diluted as a result of adding such other responsibilities”.

## PCC Structure

The Plymouth City Council (PCC) Senior Management structure is such that, since 2012, a single role of a Strategic Director for People encompasses the duties of Directors of Children’s and Adult’s Services. The responsibility for providing services to vulnerable adults is retained despite the transfer out of a large number of employees responsible for direct delivery of these services.

In 2014, a review of the Directorate was undertaken and it was restructured at the beginning of 2015. More recently, during 2016, further alignment of functions and responsibilities led to more restructuring. This included an end to end review of Children, Young People and Families functions.

There has been further extensive work in shaping the People Directorate to better serve the requirements of the people of Plymouth partly in response to the wider Transformation Programme, closer working with partners and the move towards an Integrated Commissioning model, This has been in addition to the constant need to address financial constraints.

Our innovative joint budget arrangement with NEW Devon Clinical Commissioning Group continues, along with a number of strategic staffing arrangements ensuring key senior people are able to hold the wider system to account and make best use of joint working for mutual benefit.

One of the impacts of this is that Carole Burgoyne, Strategic Director of People, holds the Western Locality system as Senior Responsible Officer working alongside the Chief Operating Officer of NEW Devon CCG.

## PCC DCS Assurance Test

A template for the local assurance test was previously obtained from another Local Authority and completed by the Assistant Director for Children, Young People and Families. The Local Assurance Test document is split into six sections which contain a total of 13 questions. These are designed to confirm that the role of Director of Children’s Services and its key responsibilities are being sufficiently resourced and addressed.

The assurance test was first undertaken in 2013. A review was undertaken in 2015 in light of the implementation of the People Directorate Review, as well as comments by Ofsted in their report on

the Single Inspection published in January 2015. That review was undertaken and completed in June 2015. On completion of the updated assurance test, PCC commissioned the audit partnership to audit the test. Members were updated on that review, PCC's responses and the subsequent audit at a meeting of the Audit Committee on 17 September 2015.

As a starting point for this version of the Assurance test a check has been made against the recommendations from that report.

### **Key updates since last DCS Assurance Test**

This latest DCS Assurance Test has been reviewed and, where necessary, updated to reflect changes that have occurred.

The 2015 report highlighted a number of areas where improvements had been made. These included:

- a clear structure in place to provide line management and accountability at all levels and to promote improved outcomes for children.
- a clear level of data available for review, and this is presented to a number of audiences in order to enable the service to be held to account, this included operational management and Councillors
- that there is ample opportunity for children to input into the service
- the sound basis of Supervision, Review and Learning & Development
- a high level of positivity towards the effectiveness of the CAF overall,

Some of the recommendations made at that time are now firmly embedded within the wider operating model, these include:

- A continuation of the close working with the Independent Chair of the PSCB
- Work with partner agencies continues to be monitored by the children's improvement board and the PSCB.
- Our clear model of Early Help is monitored via the CSC improvement plan.
- Since completion of the audit report, all CYPF employees have been offered an online training course on the prevention of terrorism.

### **Outcome of Review.**

We have assessed all areas within the risk assessment as good, whilst continuing to look for opportunities to further improve and promote best practice.

After Members have reviewed this report and copy of the assessment we will share the outcome with the Independent Chair of the PSCB. This allows for any Member comments to also be shared at the next available opportunity.

The DCS Assurance Test continues to be a key document in holding our services to account and ensuring that children and young people are safeguarded

## **Recommendations and Reasons for recommended action:**

Members note the DCS Assurance Test has been again been reviewed and revised using a risk assessment framework.

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**LAT Guidance:** Input evidence to key questions in column D, provide risk assessment rating by selecting from the drop down box in column E and provide action plan with timescales in column F (F must be completed if risk assessment rating evaluated at 'requires improvement' or 'inadequate')

**Risk Assessment Rating (Column E):-**  
**Inadequate** - Input urgent actions for

Assurance Parameters	Key Questions	Evidence provided in 2016/17	Risk Assessment	Remarks / Action Plan
Clarity about how senior management arrangements ensure that the safety and the educational, social and emotional needs of children and young people are given due priority and how they enable staff to help the local authority discharge its statutory duties in an integrated and coherent way.	1. Are line management and accountability arrangements for safeguarding and the promotion of improved outcomes for children and young people clear and transparent and perceived to be working well?	Senior Management arrangements are regularly reviewed and monitored to avoid inadvertent job drift and a lack of focus on safeguarding. The Assistant Director (AD) for the recently redesigned and implemented Children, Young People and Families Service (CYP&F) reports directly to the Strategic Director for People (DCS) who in turn reports to the Chief Executive. (CEX). The AD CYPF has accountability for operational matters relating to children in need, children in care child protection services, safeguarding and quality assurance. This includes services for care leavers and those offending or at risk of offending, as well as troubled families. These services focus not only on analysis of risk and safety, but, within that framework, on actively taking steps to improving outcomes for children and young people. Work within CYPF service is further supplemented by that undertaken by the AD for Education, Participation and Skills. This post holder also reports directly to the DCS. This role provides the key link through school improvement to supporting the effective deployment of safeguarding responsibilities in school settings, including operational responsibility for the virtual school. Within this department the children with disabilities social work service and other SEND services report to the AD, ensuring not only that a high profile is given, but that opportunities for identifying synergy with other services exist. Formal and appropriate social care supervision arrangements are in place for the Heads of Service (HOS). There are also opportunities for cross working further across the Directorate, organisation and wider across partners whilst the Transformation agenda continues to roll out. This is facilitated by active Hub and Gateway processes with involvement of our partners to facilitate good outcomes for children and young people. A report highlighting Plymouth's achievements in delivering services to children and young people with special educational needs and disabilities (SEND) was published in December 2016 following a joint Ofsted and Care Quality Commission (CQC) inspection. This focused on services delivered and commissioned in Plymouth for children and young people with SEND and their families by the City Council, health services, early years settings, schools and further education providers. Several strengths were praised including: Services working together with many young people and their families from an early stage to get the right support The new SEND young people's forum actively working to influence planning and the development of services Plymouth Information Advice and Support for SEND seen as valuable source of information and help for families. This showed evidence of building on good practice evidenced when the Ofsted SIF was previously undertaken in Oct/Nov 2014.	Good	All senior managers receive regular performance reviews from their line managers. This is in addition to an annual performance review and these have taken place as required, in line with Corporate arrangements. Regular 1:1 meetings are scheduled and ad hoc conversations also take place as required. Safeguarding matters are discussed at these meetings, there is the opportunity for all parties taking place to highlight concerns or report on examples of good and outstanding practice. Appropriate professional supervision arrangements are in place to complement any corporate requirements.
	2. Are staff able to understand and articulate the line of accountability and know where in the management structure to go with a concern about safeguarding, unsafe practice and 'whistleblowing'.	Accountabilities within the newly implemented CYPF service and other areas in the People directorate are clear. Employees understand their line management accountabilities, clear guidance is given on hand offs and boundaries for work. NQSWs and other new employees and workers who attend some of the NQSW learning sessions receive training from the Local Authority Designated Officer (LADO) as part of their induction. The allegations management process is discussed and it is made clear who concerns should be reported to. Information is also provided on how to access the SWCPP and PSCB websites for reference. LADO also undertakes a presentation at joint service training sessions between CSC and Early Years providers, most recently in 2016. This service specific work is supplemented by corporate information provided on joining and then available on the PCC intranet. This provides guidance on professional conduct, whistleblowing and how to raise other concerns. There have been no recent Whistleblowing incidents. All employees are required to report actual or suspected physical or sexual abuse, or other inappropriate behaviour, if they believe this is occurring. Failure to do so is highlighted, along with serious breaches of professional codes of practice as a potential reason for disciplinary action against them.  Commissioning arrangements are robust in monitoring the effectiveness of safeguarding arrangements by providers. "Whistleblowing", child protection procedures and HR policies to support this are required as part of the terms and conditions of contract and tested at tender. As part of the selection process providers have to undertake a pre-qualification process, which tests their policies and processes, including safeguarding, and safer recruitment and requirements are updated as changes in, for example, Employment Law are enacted. Non-compliant bids will not progress within a tender and providers who fail this area are not selected. As part of contract monitoring processes there is an ongoing focus on Safeguarding and swift action is taken to ensure robust improvement plans as soon as concerns are raised.  Procedures are updated and PSCB procedures and responsibilities are up to date. These are audited through the S11 audits on a regular basis. The PSCB also runs effective training and has established a new framework for evaluating the impact across all agencies. A 2014 staff survey highlighted an issue that a high proportion of staff, outside the people directorate, do not understand their safeguarding responsibilities. The corporate Safeguarding Improvement Plan has a specific section on ensuring all council staff, and members are aware of their safeguarding responsibilities. This section has been updated specifically in light of the staff survey findings. The staff survey of 2016 did not ask this question but did ask employees to provide a response to the question, <i>I feel able to report bullying, harassment or discrimination, and a high positive response was recorded across the employee group above.</i> The SIP is updated annually and monitored through quarterly Safeguarding assurance meetings.	Good	With a recent review of the management structure more capacity has been released and we continue to focus on reducing caseloads and providing a strong professional social work culture where the child is at the centre of all work carried out.
	3. Has the integrity and coherence of the structure been 'tested' to ensure fitness for purpose? Can staff confirm that the structure does not impact negatively on them performing their functions or duties?	Following the Ofsted SIF in 2014 PCC were aware of the areas where we needed to improve. No issues around this subject were highlighted in the more recent SEND inspection. As well as managing individual cases safely and appropriately, there have been a number of operations involving multiple children, and challenging situations including trafficking that have demonstrated robust responses, planning and arrangements are in place. For example operation Triage, as well as joint work with adults safeguarding that was commended in court. PCC continues to reflect on any structural matters that may be impacted by, for example, restructuring, management changes, changes in legislation and practice and then takes action to remedy these as required. During the recent restructure employees and Trade Unions were fully consulted with to ensure any points they wished to make about how the service would operate were aired and responded to.	Good	Restructure review process has begun and where appropriate actions have already been taken and will be identified when full review completed in July.

Assurance Parameters	Key Questions	Evidence provided in 2016/17	Risk Assessment	Remarks / Action Plan
Clarity about how the local authority intends to discharge its children's services functions and be held accountable for them from political, professional, legal and corporate perspectives (including where, for example, services are commissioned from external providers or mutualised in an arm's length body)	4. Are the means by which the LA intends to deliver its children's services functions clear and understood by (i) staff (ii) partners (iii) councillors? i.e. * Are delivery structures clear and coherent? * Are critical factors e.g. referral systems, equalities, threshold criteria shared and understood by staff and partners? * Are key relationships and processes around safeguarding, child protection and children in need shared; understood and effectively implemented? * Are staff in Commissioning clear about relationships and processes within CSC? * Are information sharing agreements in place and supported as necessary by multi-agency training?	Employees, partners and councillors are clear about how services deliver their functions and responsibilities. Councillors are briefed regularly and scrutiny is applied to the work of the department. There are regular formal webcast committee meetings where direct scrutiny by councillors takes place in public. Effective induction is provided for all new starters - see above. Specific induction and training is provided for councillors. This includes specific sessions in relation to safeguarding responsibilities, and their role as corporate parents. Trade Union colleagues are also briefed regularly around the structure and work of the department. The Ofsted SIF commented and recognised that corporate parenting responsibilities are well understood and embedded in Plymouth.  The service redesign and transformation has improved clarity around how referral arrangements work internally and across our partnerships via a Gateway and Multi Agency Hub approach. There has been work undertaken to counter previous concerns about how well thresholds are understood by partners with a piece of joint work through the PSCB being undertaken and the board updated. The appropriate and necessary relationships and processes are in place, and the PSCB is supporting work to improve the contributions of key partners including the police and GPs in attendance at CPCs and effective contributions to other processes such as strategy meetings and discussions. Regular reports are being provided to the PSCB, and targets have been set for key agencies. There are new practices and procedures - documented - which support the embedding of the review across PCC and our multi agency partners.	Good	Progress re work with partner agencies will be monitored by the children's improvement board and the PSCB
	5. How are children's services functions reported and accountable to (i) the corporate organisation and (ii) the democratic structure? How effective is the scrutiny process and how involved are Members?	The established performance framework ensures that there is regular consideration and analysis of service delivery outcomes and pressures. This is reported and discussed with the DCS via formal senior strategic management meetings at the highest level. The cabinet member with portfolio is also regularly briefed and, as above, the details can be scrutinised and discussed more widely. The cabinet member is active in providing responses to challenges at, for example, scrutiny panels, where questions are asked from all sides of the political spectrum around, for example, the numbers of placements, outcomes for those on care plans, departmental finances and plans to ensure safeguarding for children and young people is of the highest level. There is a Corporate Safeguarding Improvement Plan which contains actions for CYPFS, Adult Social Care and the council as a whole. In 2015-16 the Children's Services Improvement Plan from the OFSTED inspection required actions. The CSIP is led by the ADs and subject to scrutiny and challenge at a quarterly Safeguarding Assurance Meeting, attended by the DCS, Chief Exec, Portfolio Holders, and Leader of the Council.	Good	Full and active scrutiny of activities is undertaken regularly and via formal and informal mechanisms.
	6. How is the LA requirement in relation to safeguarding standards and practices articulated, evidenced and implemented in commissioned and 'arm's length' services? What early warning indicators can trigger a review?	PCC continues to meet the PSCB Safer Employment Quality Standard. PSCB Business Manager has developed safer recruitment guidance for PCC, commissioned services and other organisations. The document is available to the public on both the PCC and PSCB websites. The LADO has delivered allegations management training to prospective peninsula providers (i.e. Children's Homes, 16+ providers, foster carers etc.) The LADO meets with commissioners and providers as required to deliver bespoke training and learning around the allegations management process in direct response to contract concerns. This approach hopes to prevent issues arising in the first place but also offers a structured response and identification of next steps if problems arise.  Providers of regulated services such as residential providers, fostering providers and special schools are required to notify the commissioning team and the relevant social worker of any incidents under regulation 4 and 5 of the minimum standards. Local Authorities share information about provider performance and work closely with Ofsted Inspectors, who attend quarterly Peninsula Meetings to share intelligence on provider performance. When there are performance or safeguarding concerns, local authority officers visit sites and meet with managers to ensure robust improvement plans that are monitored by the Peninsula Board Members. If a provision fails it's Ofsted Inspection, they are automatically suspended from the provider list.	Good	We continue to work with partners to ensure commissioning activity is robust and supported to provide quality services to vulnerable people. Checks and balances exist and there is a clear structure for dealing with under performance.
The seniority of and breadth of responsibilities allocated to individual post holders and how this impacts on their ability to undertake those responsibilities (especially where a local authority is considering allocating any additional functions to the DCS and LMCS posts)	7. Does the management structure recognise and allocate capacity to the key functions of the DCS to ensure that these can be effectively discharged and are relationships working well?	The Strategic Director for People carries a range of responsibilities that include: Integrated Commissioning and the joint responsibility with the CCG for a system wide and fully pooled budget; a Director of Integrated Commissioning role is in place and reports jointly to the Strategic Director of People and the New Devon CCG, Chief Operating Officer. The DASS role, the delivery of Adult Social Care, which since April 2015 has been provided by, Livewell Southwest, a Community Interest Company, which delivers an integrated health and social care continuity service. Community Connections which cover housing responsibilities; neighbourhoods and community safety. The senior management structure is agreed at full council and members, via the Chief Officer Appointment Panel, are fully consulted on any proposed amendments, for example to the content of role profiles and responsibilities. The management structure ensures capacity is in place, there are specific working arrangements to ensure these functions are fulfilled and that a senior representative is available. These arrangements include performance monitoring arrangements and regular reports to the DCS. DCS is a full member of the PSCB, and ensures effective links within the Health and Wellbeing Board, and Children's Partnership. In addition the DCS has a programme of meetings, observations and visits, that ensure they are sighted and in touch with front line practice and practitioners. The chief executive, cabinet member and DCS meet with frontline staff at least twice a year and more if this is necessary. The oversight and understanding of how the DCS undertakes all other responsibilities, and maintains capacity to fulfil these statutory responsibilities is overseen by the chief executive through regular 1-1s, and the corporate performance review requirements that ensure regular performance discussions throughout the year and a full review annually.	Good	Management structures receive high level scrutiny where changes are proposed. There is regular oversight of workload, priorities and performance of our senior management team.
	8. Where key functions are delegated, is the scope of delegation clear and does the relevant post holder hold the appropriate level of seniority both departmentally and corporately?	It is clear where lines of responsibility lie. As cited above the DCS is a full and active member of the PSCB. The AD's for CYP&F and Education, Participation & Skills also sit on the PSCB and the AD for CYP&F has the corporate lead for children's safeguarding. Appropriate and considered decisions are made in relation to operational responsibilities, for example when there have been serious incidents requiring the triggering of silver or gold protocol operations with the police a case by case decision will be made between the AD and DCS about when it is appropriate to delegate to the AD. When appropriate and necessary there will be daily briefings, discussions, and joint agreement between the DCS and AD, communication is responsive, and swift as necessary.	Good	No actions necessary.

Assurance Parameters	Key Questions	Evidence provided in 2016/17	Risk Assessment	Remarks / Action Plan
The involvement and experiences of children and young people in relation to local services	9. How do the voices of children, young people and families inform and influence policy making and priorities for CYP and families.	<p>All children and young people over 4 years old involved in the Child Protection process or in care have access to advocacy services. Feedback from the Advocacy and Independent Visiting services is considered at the quarterly contract monitoring meeting and informs service development. From April 2015, the Independent Chairs have provided quarterly reporting to the AD on themes and issues, with the expectation that this influences service planning, and this feedback reflects a strong focus on their IRO role in promoting the views and wishes of children and young people. The recent (2016/17) restructure of the CYPF department has not diminished this role. A young Safeguarders group has direct access to the PSCB. Alongside this, there is a strong commitment to ensuring that children and young people's voices influence planning and commissioning of services. This input is regularly sought through the Listening and Care Council, via young carers participation and through the commissioning of bespoke participation projects. These have included reports produced on alcohol and substance misuse and domestic abuse and are the provision of a key worker role for children with special educational needs. Information provided by these groups and projects has been utilised to influence the Children and Young People's Commissioning Strategy and the future commissioning intentions. It has also led to active consideration of the way that the structure of the department is shaped to ensure that services interact in the most effective way with children and young people.</p> <p>Young Inspectors continue to work with other young people who have experienced child protection services. Their work is fed back directly to senior managers and actions agreed in response. A recent example is the redesign of reception and meeting areas within PCC reception for young people to a design and specification created and agreed by them to ensure their experience within the system was improved.</p> <p>The PSCB has established a Shadow Children &amp; Young People's Board facilitated by PCC Youth Service. This group has become a formal sub group of the Full Board and the Chair of the PSCB will determine with young people the best mechanism for input and dialogue between the parties. Children &amp; young people were asked to identify their '10 Wishes' for working more positively in partnership with professionals in order to better support their needs and help ensure they are safeguarded and protected from potential harm. The '10 Wishes' and agency commitments are published on the PSCB website. In addition to the identification and support around the '10 Wishes', the Shadow Children &amp; Young People's Board developed a DVD to support the PSCB multi-agency training programme. The DVD, produced and performed by young people, contains the thoughts, views, ideas and experiences of C&amp;YP around the '10 Wishes', child sexual exploitation, sexual abuse, on line safety etc. These experiences help practitioners to improve safeguarding practice and ensure safer outcomes for C&amp;YP. Supporting documents, eg leaflets, are produced to explain processes and procedures appropriately. CIC and LAC are regularly consulted with, for example on the production of the IRO report and various strategies to ensure their voice is properly heard.</p>	Good	No specific actions.
Clarity about child protection systems, ensuring that professional leadership and practice is robust and can be challenged on a regular basis, including an appropriate focus on offering early help and working with other agencies in doing so.	<p>10. Are the operational management and practice systems clear, understood and implemented? i.e.</p> <ul style="list-style-type: none"> <li>* Are timescales managed/adhered to?</li> <li>* Is there a culture of effective supervision?</li> <li>* Is there a culture of continuous learning &amp; development?</li> <li>* Is there a system of routine line management QA of practice and decisions?</li> <li>* Are there effective offline assurance and audit systems in place?</li> <li>* What arrangements are in place to ensure that any allegations about those who work with children are passed to the designated officer(s)?</li> <li>* What arrangements are in place to protect vulnerable children from being drawn into terrorism?</li> </ul>	<p>Following the implementation of the new structure and ways of working, operational management arrangements and practice systems are clear. Actions identified by the previous Ofsted SIF have been undertaken in relation to the recording of some management oversight, work to embed a culture of continuous improvement in the quality of practice and supervision is supported by a decision to include a dedicated Head of Service for safeguarding and quality assurance. Additional capacity has been released back into the system to give this area the support needed.</p> <p>QA of children's cases is well supported via the Independent Chairs and individual team managers. There is a quality assurance framework in place, which includes participation in multi-agency systems audits (MASAs) and the s11 audit undertaken by the PSCB. There is a well embedded system of monthly case audits undertaken by senior managers with partner agencies. Frameworks include a regular audit of supervision records by service managers, audits of quality of assessments in line with a bespoke audit tool, and themed audits commissioned via CSCMT in response to emerging issues. The framework includes a focus on ensuring learning is disseminated, and practice and service improvements are monitored via CSCMT.</p> <p>Prevent training has been offered across the staff team and messages relating to the Prevent agenda are contained within the PSCB safeguarding training. The Safeguarding Service Manager attends the quarterly Channel Meeting and ensures that key staff, including foster carers, contribute to planning for any vulnerable children/young people identified. The IROs are vigilant in this area and ensure they seek young people's views, using interpreters as appropriate, and referring up any concerns.</p> <p>Operational management and practice systems are provided via Tri-x online procedures and the Plymouth Children's Safeguarding Board online procedures. These are supplemented by a comprehensive programme of single and multi agency training.</p> <p>Effective supervision is being driven by the newly developed framework "Quality Assuring Supervision in Children's Social Care" with key milestones as detailed in the Service Improvement Plan (area 2).</p> <p>There is a culture of continuous Learning and Development and this is evidenced by the joint quality assurance of supervision files by the author of the supervision notes and their direct line manager which feeds into a conversation around learning and development needs of the author's own supervision session. The collation of overall judgements by the Professional Development Service will ensure the service stays alert to any need for ongoing supervision training requirements.</p> <p>There is a named Local Authority Designated Officer (LADO) who is based in the Children, Young People and Families Service. The LADO works closely with the Advice &amp; Assessment Team (based with them for three days per week) and the Independent Reviewing Officers who chair allegations management strategy meetings (AMSTRATS). Allegations Management Procedures are explained clearly in the South West Child Protection Procedures and the LADO has developed a series of leaflets to explain the process to organisations and individuals subject to concerns. The leaflets are published on the PSCB website and can be downloaded for distribution. The PSCB website contains a detailed flowchart explaining the allegations management process in easy to follow steps. The LADO has developed a model allegations management policy for schools within the city. The LADO provides advice, guidance, challenge and direction to agencies at AMSTRAT meetings, via a telephone helpline and face to face meetings. The LADO has delivered training to agencies and individuals around the allegations management process and general safeguarding practice - this includes schools (including governing bodies) nurseries, foster carers, sports groups, church groups, care providers etc.</p> <p>The agreed arrangements to protect children from being drawn into Terrorism include, the Channel Panel, all referrals are dealt with through the MAH as Child Protection. All schools have received training on their mandatory reporting responsibilities. Prevent training for CYPFS is currently being updated. There is a designated lead Service Manager.</p>	Good	There is a clear plan for continuous transformation, efficiency and improvement. Accountabilities are clear.



Assurance Parameters	Key Questions	Evidence provided in 2016/17	Risk Assessment	Remarks / Action Plan
	<p>11. Is there a clear model for and offer of 'early help'? i.e.</p> <ul style="list-style-type: none"> <li>* Is the CAF effectively implemented?</li> <li>* How do other services contribute to early help and do they understand the relevant systems and operate those?</li> </ul>	<p>An Early Help Operating Model has been implemented and the Early Help Gateway is now in place and operating well. This has provided the better join up of the system required to mitigate and avoid different services planning in isolation without appropriate sharing of information and resources. Data reporting does present some challenges despite good buy in from partners, but more accurately reflects the multi agency work being undertaken now and there is good oversight to activities in this area. Our Commissioning Strategy continues to sets an ambition for integrating a graduated service offer to enable improved support planning, meeting need at the differing thresholds through a clear assessment of risk and protective facts influencing decisions for intervention. A system design group highlights where improvements can be used to optimise opportunities with oversight from the AD and DCS. It is recognised that there will always be a need for better co-ordination of services, particularly as resources reduce, much good and impactful provision in place can be evidenced across a number of delivery options.</p>	Good	<p>Early Help continues to receive a high priority. The CAF is implemented and monitored to ensure effectiveness. Where practical and appropriate we are active in undertaking a multi agency approach. Systems continue to be reviewed and issues identified and dealt with.</p>
<p>The adequacy and effectiveness of local partnership arrangements (e.g. the local authority's relationship with schools, the Plymouth Safeguarding Children Board (PSCB), the courts, children's trust co-operation arrangements, Community Safety Partnerships, health and wellbeing boards, Young Offending Team partnerships, police, probation, Multi-Agency Public Protection arrangements and Multi-Agency Risk Assessment Conferences) and their respective accountabilities</p>	<p>12. Is the PSCB effective and authoritative?</p> <ul style="list-style-type: none"> <li>* Is its structures and processes 'fit for purpose'? (i.e. does it have effective sub-committees to undertake detailed work. Are there effective Performance Management and Audit/Assurance systems?)</li> <li>* Do statutory and relevant voluntary agencies contribute sufficient professional time and resource to the PSCB and its sub-committees.</li> <li>* How does the PSCB report on its work and findings to the LA and other statutory agencies?</li> <li>* Are there other multi-agency partnerships, if yes, how does the PSCB formally link into these and to what effect?</li> <li>* What arrangements are in place to ensure schools and colleges fulfill their duties?</li> <li>* What opportunities are being sought to streamline processes and identify shared areas of concern to influence joint policy development and joint commissioning?</li> </ul>	<p>Ofsted undertook a review of the effectiveness of the PSCB during October/November 2014. The PSCB was judged to be meeting the requirements of 'Working Together 2013' but requires improvement to be a good functioning board. The PSCB drew up a 'Safeguarding Improvement Plan' for 2015/16 in response to the Ofsted review. The PSCB reviewed its working structure for 2015/16 and beyond with strategic work around CSE and the Shadow C&amp;YP Board now integrated into formal sub groups of the Full Board. The PSCB has an agreed working protocol with the Children's Partnership and the H&amp;WBB with representatives of both these bodies attending PSCB Full Board meetings. New arrangements have now been implemented following the Wood Review, which include a LSCB Board, Scrutiny arrangements and Participation and Engagement regular sessions.</p> <p>A full review of the safeguarding business support area was undertaken, upgrading and enhancing the work of the Business Manager and creating a stronger focus on improved structures for the board. Performance monitoring and quality assurance are managed through the Learning &amp; Professional Practice Sub Group (LPP) of the PSCB. A full data set of performance indicators around multi agency practice are analysed and the subject of intense scrutiny at regular dedicated meetings of the LPP Sub Group with formal reporting to the Full Board. A quality assurance framework is currently being developed by the LPP Sub Group and will dovetail with the PSCB Learning &amp; Improvement Framework.</p> <p>Meeting minutes of the PSCB Full Board are published on the PSCB website and a 'highlights' document is produced and distributed to agencies within one week of each Full Board meeting. This document is cascaded to staff in all agencies.</p> <p>The Chair of the PSCB attends each Children's Partnership Board meeting and presents a brief report on national/local safeguarding issues/developments together with a range of challenges for the Partnership to consider. The Chair of the PSCB will provide in future a regular report to the Council Scrutiny Committee for information and each agency member to the PSCB should provide similar information through their own governance arrangements. Schools are represented on the PSCB Full Board by Headteacher representatives from a number of groups. Schools, Colleges and Academies have a duty under Section 175/157 of the Education Act 2002 to ensure they undertake their statutory role with regard to the safeguarding and welfare of children and are aware of this.</p> <p>Schools, Colleges and Academies were asked to complete a self assurance Section 175/157 audit in 2015 and to provide the PSCB with an electronic return. The audit identified a number of areas of best practice and also enabled the PSCB to identify areas to focus support and resources in order to improve safer outcomes for children. PCC continues to work with schools directly where this is needed and this work is supported by the AD Education, Learning and Skills.</p>	Good	<p>A PSCB Safeguarding Improvement Plan was monitored by the Executive Group and a report on progress was reported to the Full Board. A review of structural arrangements and operation has improved the format, mechanism and timing for PSCB reporting to the Children's Partnership and Council Scrutiny Committee. The relevant partners and individuals take an active part in the operation of the PSCB.</p>
	<p>13. What other multi-agency partnerships are in place that are relevant to the wellbeing of Children and Young People?</p> <ul style="list-style-type: none"> <li>* How are Children's Services involved in MAPPA and MARAC structures?</li> <li>* How is the YOT Management Board integrated into the broader work of the Children's Service and PSCB?</li> <li>* How are partnership arrangements led and developed to ensure effective focus and coherence?</li> <li>* Are the health priorities for looked after children reflected in the CYPP and monitored by the Children's Trust Board?</li> <li>* Are the needs of vulnerable children a key part of the Joint Strategic Needs Assessment?</li> </ul>	<p>A number of multi agency partnerships are in place. CYPFS are represented at management level at the MAPPA meetings, and there is a well-developed process in place to ensure CSC information is gathered in advance to inform the MAPPA, and that outcomes are followed up. MARAC arrangements have been reviewed and there is effective involvement of all partners including children's services.</p> <p>The YOT management board is now chaired by the AD for CYP&amp;F's and there is good integration with broader children's services. The HOS is also an active member of the PSCB.</p> <p>From April 2014 Plymouth City Council and NEW Devon CCG formed an innovative integrated commissioning function and joint budget. Integrated commissioning is achieved through the delivery of four clear commissioning strategies. The Children and Young People's Strategy had a clear ambition to co-commission early help with schools and this work is now well underway and supporting the delivery of this agenda. A strategic systems design group with good buy in from partners ensures effective oversight.</p> <p>As has been noted in the previous Ofsted SIF, strategic commissioning is informed by a well-developed joint strategic needs assessment, which includes key information on safeguarding issues and vulnerability. There are effective arrangements to ensure that the Health and Well Being Board, the Children's Partnership and Safer Plymouth provide good governance. The Children and Young People's Plan has agreed the four priorities across the partnership, and these are: Raise Aspiration, Ensure that all children and young people are provided with opportunities that inspire them to learn and develop skills for future employment; Keep our Children and Young People Safe, Ensure effective safeguarding and provide excellent services for children in care; Deliver Prevention and Early Help, Intervene early to meet the needs of children, young people and their families who vulnerable to poor outcomes; Integrated Education, Health and Care Offer, ensure the delivery of integrated assessment and care planning for our children with additional needs.</p>	Good	<p>A PSCB Safeguarding Improvement Plan was monitored by the Executive Group and a report on progress was reported to the Full Board. A review of structural arrangements and operation has improved the format, mechanism and timing for PSCB reporting to the Children's Partnership and Council Scrutiny Committee. The relevant partners and individuals take an active part in the operation of the PSCB.</p>

**PLYMOUTH CITY COUNCIL**

**Subject:** Statement of Accounts 2016/17  
**Committee:** Audit Committee  
**Date:** 29 June 2017  
**Cabinet Member:** Councillor Darcy  
**CMT Member:** Andrew Hardingham, Interim Joint Strategic Director for Transformation and Change  
**Author:** Carolyn Haynes (Financial Controller)  
**Contact details** Tel: 01752 398927  
Email: [carolyn.haynes@plymouth.gov.uk](mailto:carolyn.haynes@plymouth.gov.uk)  
**Ref:** FIN/CH  
**Key Decision:** No  
**Part:** I

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**Purpose of the report:**

A report on the Council's revenue and capital outturn for the financial year was reported to Cabinet on 30 May 2017. This report sets out the timetable and key issues in relation to the production of the statutory form of accounts – the 'Statement of Accounts', which the Council is required to produce for audit and publication, and reports on progress towards the requirement to prepare the pre-audited accounts by the 30 June 2017.

The Accounts and Audit Regulations require that the accounts are available for public inspection for six weeks and this year the period of inspection commences on the 30 June 2017. The external audit commenced on 12 June 2017.

The report also details progress towards completion of the action plan agreed to implement the recommendations made by the auditor following the completion of the 2015/16 audit.

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**The Corporate Plan 2016/17-2018/19:**

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

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

The 2016/17 final accounts will have implications on the Medium Term Financial Plan. The level of Working Balance and reserves will affect the level of funding available in future years and variations in service expenditure will also need to be reviewed to assess the effects on future years.

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

N/A

**Equality and Diversity**

Has an Equality Impact Assessment been undertaken? No

**I) Recommendations and Reasons for recommended action:**

- I. Audit Committee note the report and the 'authorised for issue' date (1 June 2017) for the draft Statement of Accounts.

**Alternative options considered and rejected:**

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

**Published work / information:**

Outturn Report to Cabinet 30 May 2017

**Background papers: None**

None

**Sign off:**

Fin	pl1718 .44	Leg	DVS2 8376	Mon Off	DVS 2837 6	HR		Assets		IT		Strat Proc	
Originating SMT Member – Andrew Hardingham													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

## Statement of Accounts 2016/17

### 1. Introduction

- 1.1 The financial outturn for both the Council's revenue and capital activities for 2016/17 was reported to Cabinet on the 30 May 2017. This report sets out the timetable and key issues in relation to the production of the statutory form of accounts – the 'Statement of Accounts', which the Council is required to produce for audit and publication.
- 1.2 The Accounts have to be produced in line with the relevant CIPFA Codes of Practice and with regard to relevant items of statute. Details of the changes in relation to the 2016/17 Codes and relevant legislation which need to be considered for the accounts are outlined in section 3.
- 1.3 The Accounts and Audit Regulations require that the draft Statement of Accounts is signed by the Council's Section 151 Officer by 30 June each year. Progress towards the production of the pre-audit accounts is outlined in section 2 of this report. The pre-audited accounts will be published on the Council's website by the end of June.
- 1.4 Formal audit of the accounts for 2016/17 commenced on 12 June. The 30 working days period in which the Council has to make the draft accounts available for public inspection starts on 30 June. The audited Accounts will be presented to the next committee (14 September 2017) alongside the external auditor's report prepared by BDO. An analysis of the financial position and key messages within the accounts will be reported to committee in the accompanying report as it is not possible to do so at this stage whilst the draft accounts are still being finalised.
- 1.5 The Code requires that the Council sets and discloses an 'authorised for issue' date, which reflects a cut-off date in terms of the post balance sheet period within which events have to be considered in relation to their impact on the 2016/17 accounts. The relevant date for the draft Statement of Accounts has been set as 1 June 2016.
- 1.6 Each year the Audit Committee receives the external auditor's (ISA260) report on the accounts audit, which, where appropriate, will include an action plan containing issues for the Council to address for the following year's accounts. Progress against auditor recommendations resulting from the 2015/16 financial audit is detailed in Section 6 and **Appendix A**.
- 1.7 The Annual Governance Statement (AGS) is being presented separately to this Audit Committee for approval. The AGS no longer forms part of the published Statement of Accounts document but would stand-alone to reflect that its scope is wider than just the financial transactions of the authority. However, it will be published alongside the Statement of Accounts on the Council's website as is required by the Code.

### 2. Key Dates for 2016/17 and progress to date

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

in order to facilitate informed decision-making. The timetable for monthly budget monitoring reporting has been shortened over the past year in order to allow finances to be controlled and achievement of budget delivery plans to be closely monitored.

- 2.3 There are other drivers which give rise to the decision to reduce the overall timetable for the production of the draft Statement of Accounts document. Firstly, there is a need to continuously review and improve financial management processes; a shorter timescale will both challenge current working practices and promote efficiencies. In addition, timelier completion of year-end activities will free up resources for other work at an earlier stage of the year. Other advantages which arise include cost effectiveness, staff benefits (such as improved morale via a sense of achievement and opportunities to develop the technical expertise within the service) and an enhanced profile for the Finance Service.
- 2.4 However, there is a risk that a faster timescale could compromise the quality of the draft statements. The Finance team are working to minimise the likelihood of this having a detrimental impact on the accounts by ensuring that progress is closely managed, staff involved are appropriately trained and there is close liaison with the external auditor throughout the year.
- 2.5 The year-end timetable for both internal and external reporting (via the Statement of Accounts) of the 2016/17 financial results has been set as follows:-

Milestone	Key Date
Provisional Outturn report to CMT	11 April
Draft Outturn Report to Cabinet Members	25 April
Draft Statement of Accounts prepared	5 June
Final Accounts Audit Commences	12 June
Statutory deadline for Section 151 Officer to 'sign off' of draft Statement of Accounts	30 June
Period of Public Inspection	30 June –10 August
Auditor's ISA260 report received and audited Statement of Accounts approved by Audit Committee	14 September
Statutory deadline for Section 151 Officer and Audit Committee to approve the audited Statement of Accounts	30 Sept

- 2.6 As the agenda for this committee was published, the Finance team were finalising the draft Statement of Accounts for review by Senior Management. We are on course to have the work on the accounts completed by the 5 June deadline, but Officers will provide a verbal update on progress at the meeting.
- 2.7 The achievement of this deadline has always partly been reliant on receiving finalised accounts in relation to the Tamar Bridge and Torpoint Ferry Joint Committee (TBTFJC) from Cornwall Council. Cornwall Council has also brought forward the preparation of their accounts and has provided the Council with the (TBTFJC) accounts in time to include them in the draft accounts. This year we have also had to consider the timelines for Delt and CaterEd and the Energy from Waste Partnership.



- 2.8 The Finance team will continue to strive to further improve the above timescales, with the ultimate aim of delivering the draft Statement of Accounts by the end of May. This has been reflected with a work-stream within the Finance Fit programme. During the last financial year the Finance team have been reviewing the current working practices and timelines, preparing working papers earlier (where possible), refining quality assurance techniques and widening both project management and technical expertise throughout the service.
- 2.9 The Code requires that events occurring after the balance sheet date, i.e. 31 March 2017, are considered in terms of their relevance to the Council's financial position for 2016/17. There is an obligation to ensure that any such events are properly reflected in the Statement of Accounts up to the date that the statement is 'authorised for issue' – the authorised for issue date. The authorised for issue date marks the point beyond which there can be no reasonable expectation that events could have been taken into consideration in the preparation of the Statement of Accounts. The Council has to disclose this date within the accounts and it has been decided that post balance sheet events up to and including the 1 June 2017 be considered for the draft accounts submitted for audit.

### **3. Key Changes to the Local Authority Accounting Code of Practice that affect the Statement of Accounts**

- 3.1 CIPFA publish the Codes of Practice on an annual basis and following the "Telling the Story" review of the presentation of local authority financial statements, the 2016/17 Code changed the segmental reporting arrangements for the Comprehensive Income and Expenditure Statement (CIES) and introduced a new statement called the 'Expenditure and Funding Analysis (EFA)'.
- 3.2 The change is presentational and does not have any financial impact on the Council.
- 3.3 The new statement will effectively replace the current note to the accounts relating to the previous 2015/16 Statement of Accounts, note 19 – 'Amounts Reported For Resources Allocation Decisions' and will have a more prominent position in the accounts (note 7).
- 3.4 The purpose of the new EFA statement is to show the differences between the amounts reported in the (CIES) and the amounts reported internally during the year and at the year-end in the Council's budget monitoring reports or management accounts.
- 3.5 One of the effects of the changes is that the service costs shown in the CIES will no longer be on a Service Code of Practice (SerCOP) basis. They will be shown by directorate on the same basis used in the management accounts.
- 3.6 The exact layout and presentation for the changes have been reviewed and updated and will be subject to approval by the Council's external auditors.
- 3.7 There are also changes to the code regarding what should be included in the Narrative Report. Further guidance is expected in the 2017/18 Code.

### **4. Post Balance Sheet Events (PBSE)**

- 4.1 Although the Statement of Accounts shows the financial outturn position for 2016/17 and Balance Sheet position as at 31 March 2017, the Council is required to take into account items occurring after 31 March 2017 if they would have a material impact on the accounts.
- 4.2 No post balance sheet events have been identified to date or included in the draft Statement of Accounts.
- 4.3 As the draft accounts were still being finalised at the time of publishing this report, it may not reflect the final PBSE position when the accounts are published at the end of June.

### **5. Progress against the 2015/16 ISA260 Report Action Plan**

- 5.1 The External Auditor's annual Governance Report (ISA260 Report), includes the findings on the annual accounts audit and an action plan to address key audit issues. **Appendix A** sets out the auditor's recommendations following the 2015/16 accounts audit and reports on the progress made to date regarding the related action plan.
- 5.2 Eight issues were reported in the action plan and these are shown below in **Appendix A**.

### **6. Conclusions**

- 6.1 The 2016/17 financial results for the authority have been established and reported significantly earlier than when compared to previous years.
- 6.2 Work is in-hand to produce the draft Statement of Account well in advance of the statutory deadline and this also represents a year on year reduction in timescales taken to undertake this year-end work. The Finance team have prepared a detailed work plan for the Statement of Accounts, have worked hard to bring forward key actions and deadlines and are committed to making further improvements to ensure that they achieve the earlier statutory deadlines for the 2017/18 Statement of Accounts.
- 6.3 The annual external audit is being carried out by BDO our external auditors and it commenced on the 12 June 2017; the period of public inspection of the accounts commences on 30 June 2017. The audited Statement of Accounts will be submitted to Audit Committee for approval at the 14 September meeting.
- 6.4 Officers are working to ensure that the auditor's action plan resulting from the 2015/16 final accounts audit is addressed where applicable.

## Progress against the 2015/16 ISA260 Auditor's Report Action Plan

## APPENDIX A

	<b>Recommendation</b>	<b>Priority</b>	<b>Management response</b>	<b>Implementation date &amp; responsibility</b>
<b>1.</b>	Review disclosure notes in the financial statements prior to publishing the draft statements on the website. Ensure that the review is performed by an individual who is not responsible for the production of the note. Ensure there are sufficient resources within the finance team for the final audit.	Significant Deficiency	We have already held two debrief sessions with senior finance management and finance staff to download what went well, what could have gone better and started the planning process for 2016/17 accounts. We recognise the need for improved QA. We have also discussed with you about PCC setting an internal publication date on which we will hand over the final draft set of accounts to BDO, this will ensure there are no movements or room for balances to change after the start of the audit We will start early discussions and engagement with BDO.	December 2016 Financial Controller
<b>2.</b>	A monthly reconciliation confirming payroll costs should be produced.	Significant Deficiency	It is not clear what this recommendation refers to. A detailed reconciliation is performed each month on Payroll transactions interfaced to the general ledger.	Ongoing 2017 BDO & Financial Controller
<b>3.</b>	Although this related to an immaterial lease, this does raise a concern over the maintenance of the lease information and therefore the accuracy of disclosures in the financial statements. Lease information should be reviewed periodically against supporting documentation to ensure that the list is complete and that there is supporting documentation for all leases included in the list.	Deficiency	The lease in question was for £50. Documentation available was supplied. We will ensure that all service areas undertake a complete review of the leases held.	January 2017 Financial Controller

4.	The policy for reviewing new contracts as they are entered onto the contracts register should be communicated to staff involved and there should be a review of the schedule periodically to ensure that it has been completed fully. Also, a test of this procedure on these contracts by IA (Internal Audit?) would also confirm appropriateness of the control.	Deficiency	The Procurement Team are responsible for reviewing new contracts for embedded leases. The Contracts Register is currently being reviewed and as part of this process we will highlight the importance of identifying embedded leases in the contract information we hold.	September 2016 Head of Procurement
5.	Update the fixed asset register to reflect the correct treatment of assets in the accounts so as to avoid the requirement to rely on memory and avoid potential complications.	Deficiency	We will be thoroughly reviewing the data provided for fixed assets as part of our closedown project for next year.	December 2016 Business Partner, Capital and Treasury Management
6.	Review issues raised by the BDO specialist and check that Council procedures address the point raised.	Deficiency	PCC Finance become aware of this report at our Director meeting mid August – we had no knowledge this work was commissioned. Having seen the report, we are working through the recommendations.	Ongoing HR Business Services Manager
7.	Access controls should be reviewed and leaver procedures updated to ensure that access rights are terminated promptly after a member of staff leaves the organisation.	Deficiency	We are currently working with HR to improve the information provided relating to staff changes and will be using this to update access controls regularly.	December 2016 Financial Controller
8.	When the Council is committing to underwriting an event or activity, a detailed risk assessment should be performed and a summary of this presented to Members who will approve the decision, with an appropriate reference in the decision minute. Following the event, where there has been a significant financial adverse variance, a paper explaining the reasons for the	Deficiency	This has been noted and financial risks will feature more prominently in future reports.	April 2016 Committee Services

	variance should be presented to Members.			
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**PLYMOUTH CITY COUNCIL**

**Subject:** Operational Risk & Opportunity Management Update Report  
**Committee:** Audit Committee  
**Date:** 29 June 2017  
**Cabinet Member:** Councillor Darcy  
**CMT Member:** Andrew Hardingham, Interim Joint Strategic Director for Transformation & Change  
**Author:** Mike Hocking, Head of Assurance  
**Contact details** Tel: 01752 304967  
mike.hocking@plymouth.gov.uk  
**Ref:** CRM/MJH  
**Key Decision:** No  
**Part:** I

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**Purpose of the report:**

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

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

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

The total number of operational risks now reported has increased from 104 to 112, comprising of 1 high (red) risk, 69 medium (amber) risks and 42 low (green) risks.

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**The Councils Corporate Plan 2016/19:**

Operational Risk and Opportunity Registers are aligned to Corporate Plan Performance Framework Outcomes. This ensures that appropriate links are identified with individual risks where control action contributes to delivery of a key corporate objective.

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

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

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

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

**Equality and Diversity**

Has an Equality Impact Assessment been undertaken? Not required.

**Recommendations and Reasons for recommended action:**

The Audit Committee is recommended to:

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

**Alternative options considered and rejected:**

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

**Published work / information:**

Plymouth City Council’s Risk & Opportunity Management Strategy

**Background papers:**

None.

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

**Sign off:**

Fin	PI1718.4 7	Leg	DVS2 8366	Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member: Interim Joint Strategic Director for Transformation & Change													
Has the Cabinet Member(s) agreed the contents of the report? Yes													



**1.0 Introduction**

1.1 The position with regard to Operational Risk Register monitoring was last reported to this Committee on [8 December 2016](#) and this report now provides a summary of the latest monitoring exercise covering the position as at May 2017.

**2.0 Background**

2.1 Plymouth City Council’s Risk and Opportunity Management Strategy is continuously reviewed each year and updated to ensure it remains fit for purpose.

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

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

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

**3.0 Operational Risk and Opportunity Registers and Analysis of Risks Identified**

3.1 The corporate risk management process to enable service level Operational Risk and Opportunity Registers to be linked to the Corporate Plan is now embedded across the Council.

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

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

**4.0 Red Risk**

4.1 One red risk is being reported for this risk monitoring period, details are shown below:-

<b>NEW RED RISK (formerly amber)</b> <b>Dept: Finance (Procurement)</b>	Procurement resource capacity (supply) falls short of organisational demand and reduces the ability to drive value for money from new and existing contracts; stifles delivery of category management impacting delivery of Transformation Projects, Capital Programme and proactive retendering of Revenue contracts
<b>Comments/Mitigation:</b> The Procurement Team have suffered a high turnover of staff. Attempts to find sufficiently skilled and qualified Agency staff has proved fruitless and the volume of vacancies in the team and the duration of the capacity constraint have meant that some projects have had to be delayed. The Procurement Services Manager has drafted an Options Appraisal to scope alternative recruitment options and is prioritising demand for procurement resource verses supply.	

## **5.0 Risk and Opportunity Register Information**

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

## **6.0 Conclusion**

- 6.1** The Council's success in dealing with the risks it faces can have a major impact on the achievement of key promises and objectives and ultimately, therefore, on the level of service to the community.
- 6.2** The Council recognises that it is operating in a climate of unprecedented financial pressure and that it needs to substantially reduce operating costs and ensure maximum possible investment in achieving its objectives and therefore needs to be innovative, resourceful, customer focused and provide greater value for money. The achievement of delivery plan actions to deliver budget savings continues to be closely monitored by Services with regular reporting on a risk rated basis to the Corporate Management Team.
- 6.3** The Council's approach to operational risk and opportunity management supports the implementation of the council-wide transformation programme, and is focussed on improving the ability of Services to manage those risks that may prevent them from delivery of their Business and Delivery Plans – this in turn should in time impact positively on outcomes for service users.
- 6.4** One of the responsibilities of the Audit Committee is to seek and receive assurances that the Council has an effective internal control framework in place which includes arrangements for the management of risk at both strategic and operational level.
- 6.5** This update report confirms that operational risks are now being identified across Services with clear links to corporate objectives and also confirms the good progress in embedding risk and opportunity management in the Council's other core business processes.
- 6.6** The Risk and Opportunity Management Strategy will provide staff with a process for identifying threats or risks that includes becoming more outcome focussed to be able to manage the upside of risk.
- 6.7** The Operational Risk Management Group is continuing to work with departmental Risk Champions to maintain the good progress to date and to further develop consistent application of risk management considerations across all operations of the Council.
- 6.8** The next operational risk report will be presented to Audit Committee in December 2017.

**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	Risk and Opportunity Management – Annual Report
<b>Committee:</b>	Audit Committee
<b>Date:</b>	29 June 2017
<b>Cabinet Member:</b>	Councillor Darcy
<b>CMT Member:</b>	Andrew Hardingham (Interim Joint Strategic Director for Transformation & Change)
<b>Author:</b>	Mike Hocking, Head of Assurance
<b>Contact details</b>	Tel: 01752 304967 email: mike.hocking@plymouth.gov.uk
<b>Ref:</b>	CRM/MJH
<b>Key Decision:</b>	No
<b>Part:</b>	I

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**Purpose of the report:**

This report summarises the work carried out during 2016/17 to develop the Council's approach to risk and opportunity management and covers:

- Corporate and Operational Risk Management Groups
  - Risk & Opportunity Management Strategy
  - Plymouth City Council/NEW Devon CCG Joint Risk Register
  - Finance Fit Project
  - Alarm/CIPFA Benchmarking Club 2016
  - Focus for 2017/2018
- 

**The Corporate Plan 2016 - 19:**

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

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

None arising specifically from this report.

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

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

**Equality and Diversity**

Has an Equality Impact Assessment been undertaken? Not required.

**Recommendations and Reasons for recommended action:**

The Audit Committee is recommended to note the Annual Report.

**Alternative options considered and rejected:**

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

**Published work / information:**

**Background papers:**

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

**Sign off:** Councillor Darcy

Fin	PI1718. 46	Leg	DVS2 8365	Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member , Interim Joint Strategic Director for Transformation & Change													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

## **1.0 Introduction**

**1.1** This report summarises the work carried out during 2016/17 to further develop the Council's approach to risk and opportunity management.

**1.2** The review covers:

- Corporate and Operational Risk Management Groups
- Risk & Opportunity Management Strategy
- Plymouth City Council/NEW Devon CCG Joint Risk Register
- Finance Fit Project
- Alarm/CIPFA Benchmarking Club 2016
- Focus for 2017/2018

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

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

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

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

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

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

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

**2.7** A list of those projects supported by the fund in 2016/17 is attached for information at Appendix A.

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

**3.1** The Risk and Opportunity Management Strategy provides a comprehensive framework and process designed to support Members and officers in ensuring that the Council is able to discharge its risk management responsibilities fully.

**3.2** The strategy is reviewed annually to ensure it remains current and fit for purpose. A copy of the latest version is attached at Appendix B.

#### **4.0 Plymouth City Council/NEW Devon CCG Joint Risk Register**

- 4.1** The Head of Integrated Finance presented the first joint integrated risk register to this Committee in March 2017.
- 4.2** The joint integrated framework is the first of its kind in the country and is the result of 18 months collaboration between both partners. The framework provides a common infrastructure for delivering, maintaining and governing risk management within the integrated commissioning function.
- 4.3** Future updates of the integrated risk register will be brought to this Committee together with the Strategic Risk Register update.

#### **5.0 Finance Fit Project**

- 5.1** The Finance FIT project was launched with the objective of managing delivery of a modern, fit for purpose, cost efficient, cost effective and customer focused Finance Service. The Assurance work stream formed part of the project and included the following two outcomes:
- Improve assurance processes that meet business objectives effectively and deliver efficiency improvements.
  - Review of risk approach to drive better value from risk management activities.
- 5.2** A review of risk management activities and processes was undertaken during the summer in collaboration with Devon Audit Partnership. A risk management questionnaire was developed to assess the perceived risk culture within the organisation, followed by Directors interviews.
- 5.3** Two of the common themes raised by participants of the review were the need for 'real time' risk information and alignment with other corporate functions such as performance and financial management.
- 5.4** A project plan is being drafted by Delt to implement Office 365 which is a Microsoft service that consists of a number of products and services which can be managed through an online portal. One of the services supported by Office 365 is Sharepoint which is a highly configurable document management and storage system.
- 5.5** Sharepoint allows for storage, retrieval, searching, archiving, tracking, management and reporting on of electronic documents and records and will allow for real-time editing.
- 5.6** A trial of the system to record risk information will take place once the project plan has been agreed. If the trial is successful, training will be rolled out across the organisation.
- 5.7** A Risk Management eLearning course has also been developed as part of the Finance Fit work package and this was launched on 24 May 2016.

#### **6.0 Alarm/CIPFA Benchmarking Club 2016**

- 6.1** The benchmarking club is collaboration between Alarm (Association of Local Authority Risk Managers) and CIPFA (The Chartered Institute of Public Finance and Accountancy). The question set is based on Alarm's National Performance Model for Risk Management in Public Services and developed by a steering group of club members.

- 6.2** The questionnaire was completed during August and September 2016 and was largely informed by the Directors interview responses that were undertaken as part of the risk management review described in paragraph 5.2 above.
- 6.3** The Council's overall comparison results were evaluated at 'Embedded and Integrated' which is the second highest score. We also had the fourth highest results score out of nineteen comparator organisations.
- 6.4** Development of a risk software solution will help to increase our results in the future.
- 7.0 Focus for 2017/18**
- 7.1** Develop and roll out risk management software across the organisation.
- 7.2** Continue to support the Integrated Assurance Service which will see risk management formally aligned and working alongside other compliance functions to promote a joined-up approach to all aspects of governance as per the three lines of defence model.
- 8.0 Conclusion**
- 8.1** There is good evidence of the development of a risk management culture within the Council with proactive engagement of Members, Directors and Heads of Service, and senior operational managers.
- 8.2** The Council has well-developed and proven risk management processes in place which have been integrated into business planning, budget, transformation and project management.
- 8.3** The Annual Report should therefore give Audit Committee members assurance as to the adequacy and effectiveness of the internal control arrangements and, in particular, the contribution of risk and opportunity management to the overall governance framework.

**RISK MANAGEMENT BIDS APPROVED 2016/17**

- 1. HROD (Health, Safety & Wellbeing) – Audit and review of schools health and safety compliance**  
 Audit to determine the level of compliance with statutory health & safety obligations including recommendations for future action/input required

**£7,500**
- 2. HROD (Health, Safety & Wellbeing) – Development and review of policies for facilities management and health and safety**  
 Review and update the Council's current policies and procedures to ensure they are compatible with the future introduction of an electronic Health, Safety & Wellbeing system.

**£7,500**
- 3. ODPH (Public Protection Service) – CCTV at 4a Derriford Business Park**  
 Replace outdated CCTV cameras to meet current standards and link to a secure digital storage with downloadable format.

**£5,000**
- 4. Environmental Services (Bereavement) – Development of welfare facilities at Weston Mill Cemetery**  
 Provision of new showers , toilets and a drying area for the Bereavment Service outdoor workers.

**£7,500**
- 5. Finance (Facilities Management) – Survey of West Hoe cliffs**  
 Cost of rope access survey of West Hoe Cliffs to ensure the safety of members of the public using the park area and playground facilities in West Hoe Park.

**£7,500**
- 6. Customer Services (Libraries) – Panic alarms for staff at Tothill & Ernesettle Libraries**  
 Mobile panic alarms for lone working staff.

**£530**
- 7. Finance (Facilities Management) – Lockable console bins**  
 Purchase of secure console bins to hold sensitive documents prior to shredding.

**£3,713**
- 8. Customer Services (Register Office) – Heating/cooling unit in ceremony room**  
 Installation of heating/cooling units in one of the ceremony rooms to regulate the temperature.

**£7,500**
- 9. HROD (Health, Safety & Wellbeing) – Licence for HSE Climate Tool**  
 Purchase of HSE Safety Climate Tool which is an on-line web-based questionnaire which anonymously explores employee's attitudes and perceptions to health and safety then generates a report with guidance and allows development and maintenance of a regular survey and reporting on continuous improvement.

**£7,500**



**10. HROD (Health, Safety & Wellbeing) – Purchase of hand-arm vibration wear (HAVWEAR)**

Purchase of a fully electronic system which accurately records operator’s exposure to vibration when operating vibrating machinery via a watch-like monitor from which data can be extracted to a cloud based reporting platform.

**£7,500**

**Total £61,743**

(Total includes amount carried over from the previous year)

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# RISK AND OPPORTUNITY MANAGEMENT STRATEGY 2017-2019



## CONTENTS

Title	Page
Executive Summary	2
Outline of the Risk and Opportunity Management Strategy	3
Risk and Opportunity Management Policy Statement and Framework	6
Risk description and analysis guidance	9
Risk appetite statement	12
Roles and responsibilities	17
Management of Risk and Opportunity Management Framework diagram	20
Checklist for Risk and Opportunity identification	21

## EXECUTIVE SUMMARY

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

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

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

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

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

CLlr Ian Bowyer  
Leader of the Council

Tracey Lee  
Chief Executive

Andrew Hardingham  
Interim Joint Strategic Director for  
and Transformation & Change

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

### **I. DEFINITIONS**

What is a Risk?

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

What is Risk and Opportunity Management?

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

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

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

Strategic risks affect or are created by our business strategy and strategic objectives. They can be defined as the uncertainties and untapped opportunities embedded in strategic intent and how well they are executed. As such, they are key matters for our Corporate Management Team and impinge on the whole organisation, rather than just an isolated department. Inclusion of a risk in the strategic risk and opportunity register indicates that it is one of a number of risks that the Council (particularly elected members and senior managers) need to be aware of and ensure appropriate management arrangements are in place to manage/mitigate them.

Operational risk is defined as the risk of loss resulting from inadequate or failed processes, people and systems or from external events. Operational risks should link to each service area’s Business Plan/Performance Framework or Partnership Plan - high level documents that bring key information together in one place and demonstrates the service’s focus on council and city priorities. All major risks facing the service and to other services and partners resulting from the consequences of a service’s plans should be recorded with brief mitigation and potential outcome.

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

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

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

#### **4. PERFORMANCE MANAGEMENT**

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

#### **5. CORPORATE GOVERNANCE**

Risk and Opportunity Management is essential to effective corporate governance and the diagram at page 20 illustrates the central role it plays in relation to other key systems and processes. Key risks are included in the Annual Governance Statement which is published alongside the Statement of Accounts.

#### **6. BUSINESS CONTINUITY**

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

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

#### **7. INFORMATION SECURITY**

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

This group is supported by the Information Governance Manager, Records Manager and the Operational Risk Management Group (ORMG) which assists with raising awareness within departments.

#### **8. HEALTH & SAFETY**

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

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

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

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

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

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

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

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

### **11. CULTURE**

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

## **12. GUIDANCE AND ASSISTANCE**

The Transformation and Change Directorate, through the Head of Assurance, will promote and monitor good practice, provide guidance, support, advice and information and organise training. There is also a Risk Management eLearning module available on the Staffroom Page of the intranet within the Learning Zone.

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

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

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

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

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

The objectives of the Risk and Opportunity Management Strategy are:

- To embed Risk and Opportunity Management as part of the Council's culture of governance
- To provide a robust and systematic framework for identifying, managing and responding to risk
- To provide a robust and transparent track record of managing, communicating and responding to risk
- To encourage staff to think creatively about ways to work better, simpler and more effectively

## **14. FRAMEWORK**

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



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

Both registers detail the following:-

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

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

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

Before we can identify our risks and opportunities we need to establish the context by looking at what we are trying to achieve and what our proposed outcomes are. Depending on the area under review, the relevant objectives and outcomes will usually be detailed in existing documents such as department business plans, project plans or partnership agreements. There are a number of different types of risks that an organisation may face including financial loss, failure of service delivery, physical risks to people and damage to reputation. To act as a prompt, a Risk Identification Checklist can be found at page 21.

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

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

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

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

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

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

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

### **16. TRANSFORMATION PORTFOLIO**

The Transformation Portfolio will manage risk in accordance with the Council's Risk and Opportunity Management Strategy with some additional layers at programme and project level.

## **Logging Process**

### Assessment Phase (Pre-Mandate as per the Change Pipeline Process)

The Portfolio Office, as part of its governance and assurance, will measure and review all requests for change. A Risk Potential Assessment (RPA) is used to measure the level of benefit or risk the change poses to the organisation which in turn determines the level of governance that needs to be put in place for the delivery phase. The RPA is undertaken when a request for change is submitted and is continually reviewed throughout the lifecycle of the project as new or more detailed information could change the level of governance.

### Delivery Phase – Programme and Project

Format – Risk log in TPS.

How often? As a risk is identified.

By whom? Programme and Project Managers are responsible for this task.

### Other Transformation Teams

Format – Risk log in TPS.

How often? As a risk is identified.

By whom? Portfolio Office Manager, Transformation Architecture Manager, Business Analysis Manager, Senior Business Change Advisor are responsible for this task for their relevant teams.

## **Reporting Process**

- Monthly reporting

Format – Portfolio/Programme/Project Highlight Report from TPS.

By whom? Portfolio Reporting Specialist/Programme Manager/Project Manager

## **Monitoring Process**

Format – Any Red/Red Amber Risks from risk logs will be reported on Project/Programme Highlight Report to Project/Programme Board.

Project risks will be reported to Project Board. The Project Executive is responsible for making the decision on risk mitigation. If the project cannot mitigate the risk it is escalated by the Project Executive to the Programme Board.

Programme risks will be reported to Programme Board. The SRO is responsible for making the decision on risk mitigation. If the programme cannot mitigate the risk it is escalated by the SRO to the Portfolio Office.

Portfolio risks will be reported to TPB. TPB are responsible for decision on mitigation. If Portfolio cannot mitigate the risk it is escalated by TPB to the corporate Operational or Strategic Risk Register.

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

Please note: escalation should be the last resort and every attempt to mitigate should be made before undertaking an escalation.

In addition, on a quarterly basis, the Portfolio Office will review the Council's Operational and Strategic Risk Registers and disseminate any risks that are deemed to impact a programme /programmes within the portfolio by direct communication with the relevant Programme Manager(s). It is the Programme Managers responsibility to disseminate any risks that affect

projects within the programme and to ensure that these risks are incorporated within the project risk registers managed by Project Managers.

### 17. RISK DESCRIPTION

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

Cause	Event	Effect
Because of .... As a result of .... Due to ....	<an uncertain event i.e. Risk or opportunity> may occur	which would lead to <effect on objective(s)>
Event	Cause	Effect
Risk of .... Failure to .... Failure of .... Lack of .... Loss of .... Uncertainty of .... Delay in .... Inability to .... Inadequate .... Partnership with .... Development of / Opportunity to ....	.... due to ....	.... leads to .... and/or .... result in ....

### 18. RISK ANALYSIS

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

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

Score	Likelihood	Threat / Risk
5	Almost Certain (80-100%)	Is expected to occur in most circumstances Will undoubtedly happen, possibly frequently e.g. Annually or more frequently Imminent/near miss
4	Likely (50-80%)	Will probably occur in many circumstances Will probably happen, but not a persistent issue e.g. Once in 3 years Has happened in the past
3	Possible (25-50%)	Could occur in certain circumstances May happen occasionally, e.g. Once in 10 years Has happened elsewhere
2	Unlikely (10-25%)	May occur only in exceptional circumstances Not expected to happen, but is possible e.g. Once in 25 years Not known in this activity
1	Rare (0-10%)	Is never likely to occur Very unlikely this will ever happen e.g. Once in 100 years

Score	Impact	Threat / Risk
5	Catastrophic Risk	<p>Risks which can have a catastrophic effect on the operation of the Council or service. This may result in critical financial loss, severe service disruption or a severe impact on the public. Examples:-</p> <p>Unable to function without aid of Government or other external Agency</p> <p>Inability to fulfil obligations</p> <p>Medium – long term damage to service capability</p> <p>Severe financial loss – supplementary estimate needed which will have a catastrophic impact on the Council's financial plan and resources are unlikely to be available</p> <p>Death</p> <p>Adverse national publicity – highly damaging, severe loss of public confidence</p> <p>Significant public interest</p> <p>Litigation certain and difficult to defend</p> <p>Breaches of law punishable by imprisonment</p> <p>Very significant exposure of public funds with funding being managed across organisations and complex reporting</p> <p>Total project budget in excess of £5,000,000</p> <p>Very complex stakeholder community with new partnerships, collaborations and suppliers / Stakeholder environment volatile or with significant external change factors</p> <p>Extensive use of leading edge, novel or innovative technology which requires specialist management and external audit</p>
4	Major Risk	<p>Risks which can have a major effect on the operation of the Council or service. This may result in major financial loss, major service disruption or a significant impact on the public. Examples:-</p> <p>Significant impact on service objectives</p> <p>Short – medium term impairment to service capability</p> <p>Major financial loss – supplementary estimate needed which will have a major impact on the Council's financial plan</p> <p>Extensive injuries, major permanent harm, long term sick</p> <p>Major adverse local publicity, major loss of confidence</p> <p>Litigation likely and may be difficult to defend</p> <p>Breaches of law punishable by fines or possible imprisonment</p> <p>Relatively large budget £1M - £5M</p>
3	Moderate Risk	<p>Risks which have a noticeable effect on the services provided. Each one will cause a degree of disruption to service provision and impinge on the budget. Examples:-</p> <p>Service objectives partially achievable</p> <p>Short term disruption to service capability</p>

		<p>Significant financial loss – supplementary estimate needed which will have an impact on the Council’s financial plan</p> <p>Medical treatment required, semi-permanent harm up to 1 year</p> <p>Some adverse publicity, needs careful public relations</p> <p>High potential for complaint, litigation possible</p> <p>Breaches of law punishable by fines only</p> <p>Budget between £500k - £1M</p>
2	Minor Risk	<p>Risks where the consequences will not be severe and any associated losses will be minor. As individual occurrences they will have a negligible effect on service provision. However, if action is not taken, then such risks may have a more significant cumulative effect.</p> <p>Examples:-</p> <p>Minor impact on service objectives</p> <p>No significant disruption to service capability</p> <p>Moderate financial loss – can be accommodated at HOS level</p> <p>First aid treatment, non-permanent harm up to 1 month</p> <p>Some public embarrassment, no damage to reputation</p> <p>May result in complaints/litigation</p> <p>Breaches of regulations/standards</p> <p>Budget within delegation</p>
1	Insignificant Risk	<p>Risks where the consequences will not be severe and any associated losses will be relatively small. As individual occurrences they will have a negligible effect on service provision. However, if action is not taken, then such risks may have a more significant cumulative effect.</p> <p>Examples:-</p> <p>Minimal impact, no service disruption</p> <p>Negligible impact on service capability</p> <p>Minimal loss – can be accommodated at SAC level</p> <p>No obvious harm/injury</p> <p>Unlikely to cause any adverse publicity, internal only</p> <p>Breaches of local procedures/standards</p> <p>Budget within delegation and relatively small or within operational costs</p>

The risk ratings for each part of the assessment are then combined to give an overall ranking for each risk. The ratings can be plotted onto the risk matrix, see para 19, which assists in determining the risk priority and the amount of attention it deserves.

## 19. RISK RANKING TABLE

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

Risk Tolerance		
Red (High Risk)	20 - 25	Must be managed down urgently
Amber (Medium Risk)	12 - 16	Seek to influence medium term/monitor
Green (Low Risk)	6 - 10	Acceptable – continue to monitor if circumstances are subject to change, if not, remove from register
Yellow (No risk)	1 - 5	Remove from register

## 20. RISK APPETITE

Risk appetite is the amount of risk, on a broad level that Plymouth City Council is willing to accept in pursuit of value. It is strategic and reflects the organisations risk management philosophy, and in turn influences the 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:-

		Lower Risk			Higher Risk	
Residual Risk Score		6-10	12-15	16	20	25
<b>Risk Category</b>	Compliance, Regulation & Safeguarding	Accept but monitor	Manage & monitor	Management effort required	Considerable management required	Extensive management essential
	Operational/Service Delivery	Accept	Accept but monitor	Manage & monitor	Management effort worthwhile	Considerable management required
	Financial	Accept but monitor	Manage & monitor	Management effort worthwhile	Considerable management required	Extensive management essential
	Reputation	Accept but monitor	Manage & monitor	Management effort worthwhile	Considerable management required	Extensive management essential
	Strategic Transformational Change <small>(Project/Programme/Portfolio risks are monitored via a Change Pipeline Process – Risk Potential Assessment scores shown below. The Transformation Portfolio Board (TPB) are responsible for escalation to corporate risk registers)</small>	Accept but monitor	Accept but monitor	Accept but monitor	Management effort worthwhile (TPB to consider escalation to Operational Risk Register)	Considerable management required (TPB to consider escalation to Strategic Risk Register)
	RPA score	00 - 24		25 - 37		38 - 50
	Development & Regeneration	Accept	Accept but monitor	Manage & monitor	Management effort worthwhile	Considerable management required
People & Culture	Accept	Accept but monitor	Manage & monitor	Management effort worthwhile	Considerable management required	

	Lower Risk				Higher Risk		
Risk Appetite Scale	Accept	Accept but monitor	Manage & monitor	Management effort worthwhile	Management effort required	Considerable management required	Extensive management essential

Risk Appetite Scale Definitions	
Extensive management essential	Escalate to Strategic Risk Register – Monthly review at Senior Management Team level – formal review at Corporate Management Team level every 6 months.
Considerable management required	Consider escalation to Strategic Risk Register – Monthly review at Department Management Team level – formal review at Corporate Management Team level every 6 months; Project/Programme/Portfolio Risks – Monthly review at Portfolio Office level and consider escalation to Strategic Risk Register.
Management effort required	Add to Operational Risk Register and review at least quarterly at Department Management Team level (consider escalation to Strategic Risk Register if risk cannot be mitigated at department

	level) – formal review at Corporate Management Team level every 6 months.
Management effort worthwhile	Add to operational risk register and review quarterly at Department Management Team level – formal review at Corporate Management Team level every 6 months; Project/Programme/Portfolio Risks – Monthly review at Portfolio Office level and consider escalation to Operational Risk Register.
Manage and monitor	Add to operational risk register - formal review every 6 months.
Accept but monitor	Can be managed locally within Team but consider adding to risk register if controls are likely to change; Project/Programme/Portfolio Risks – Project/Programme Manager manage risk.
Accept	Can be managed locally within Team.

### Risk Classifications

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

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

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

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

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

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



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

The Council’s Risk Appetite statement will be continually monitored to ensure it supports the organisation’s risk and opportunity management strategy. Risk appetite is an important tool for effective risk monitoring and provides the following benefits:-

- Forms an integral part of corporate governance
- Guides the allocation of resources
- Guides an organisations infrastructure, supporting its activities related to identifying, assessing, responding to and monitoring risks in pursuit of organisational objectives
- Is multi-dimensional, including when applied to the pursuit of value in the short term and the longer term of the strategic planning cycle
- Requires effective monitoring of the risk itself

## 21. RISK AND OPPORTUNITY RESPONSE

<b>Response</b>	<b>Risk Examples (not exhaustive list)</b>
Terminate/Avoid – The risk is avoided by process changes which bypass the risk or deciding where possible not to continue with the activity in view of the level of risk involved.	Some political risks e.g. adverse public opinion. Some technical/operational/infrastructure risks e.g. maintenance problems.  Legal and regulatory risks e.g. regulatory controls, licensing requirements.
Transfer – Some or all of the risk is transferred to a third party e.g. insurance.	Some strategic/commercial risks e.g. theft insolvency can be insured against.  Environmental risks e.g. natural disasters, storms, flooding may also be insured against.
Treat/Reduce – Action is taken to reduce either the likelihood of the risk occurring or the impact that it will have, if cost effective.	The most frequently used response to risk. Widely applicable –  Technical/Operational/Infrastructure e.g. negligence, performance failure, scope creep, unclear expectations.  Organisational/management/human factors e.g. personality clashes, poor leadership and poor staff selection.
Tolerate/Accept – The risk may be accepted perhaps because there is a low impact or likelihood. A contingency plan will be identified should it occur.	Some political, legal and regulatory and economic/financial risks may need to be accepted with a contingency plan in place e.g. civil disorder, exchange rate fluctuation.

<b>Description/Example</b>	<b>Opportunity Types (not exhaustive list)</b>
Share – An opportunity is shared with a partner or supplier to	Shared resource/technology/infrastructure,

maximise the benefits	Improved designs
Exploit – A project could be adjusted to take advantage of a change in technology or a new market	Economic/financial/market e.g. new and emerging markets, positive changes in exchange rates or interest rates
Enhance – Action is taken to increase the likelihood of the opportunity occurring or the positive impact it could have	Strategic/commercial opportunities such as new partnerships, new capital investment, new promoters
Reject – Here no action is taken and the chance to gain from the opportunity is rejected	Contingency plans may be put in place should the opportunity occur. Political or environmental e.g. new transport links, change of government bringing positive changes in policy/opportunities for lobbying etc.
<b>Note:</b> Contingency plans should identify the actions that will be taken if a risk occurs. Contingent actions will often have an associated costs and a budget should be set aside in the business case to cover this.	

## 22. MONITORING ARRANGEMENTS FOR KEY RISKS

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

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

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

The questions asked during monitoring are:-

- Is the risk still relevant?
- Is there any movement in the risk score?
- Are the controls still in place and operating effectively?
- Has anything occurred which might change its impact and/or likelihood?
- Have potential opportunities been considered and maximised?
- Have any significant control failures or weaknesses occurred since the last monitoring exercise?
- If so, does this indicate whether the risk is increasing or decreasing?
- If the risk is increasing do I need to devise more controls or think of other ways of mitigating the risk?

- If the risk is decreasing can I relax some existing controls?
- Are controls / actions built into appropriate documented action plans?
- Are there any new or emerging risks?
- Have any of the existing risks ceased to be an issue (and can therefore be archived?)

### **23. ROLES AND RESPONSIBILITIES**

#### Cabinet Members

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

#### Corporate Risk Management Group/CMT

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

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

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

#### Head of Assurance

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

- Support the Corporate Risk Management Group
- Lead and direct the work of the Operational Risk Management Group

### Operational Risk Management Group (ORMG)

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

### Audit Committee

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

### Directors

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

### Managers

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

### Risk Champions

- Attend Operational Risk Management Group meetings
- Co-ordinate, present and monitor bids against the Risk Management Fund
- Promote, maintain and monitor risk and opportunity registers in line with risk and opportunity management/business planning guidance
- Support and provide guidance on the risk and opportunity management process in their department
- Promote and advise on the risk and opportunity management strategy
- Integrate and raise awareness of risk and opportunity management within their Directorate

### Employees

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

### Devon Audit Partnership

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

### Insurance

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

### Health & Safety

- Provide independent health and safety advice to the Operational Risk Management Group
- Ensure that risks threatening the health, safety and wellbeing of employees and other people using Council premises and services are escalated in real time via the HSW Steering Group
- Support the Council in managing and monitoring health and safety performance

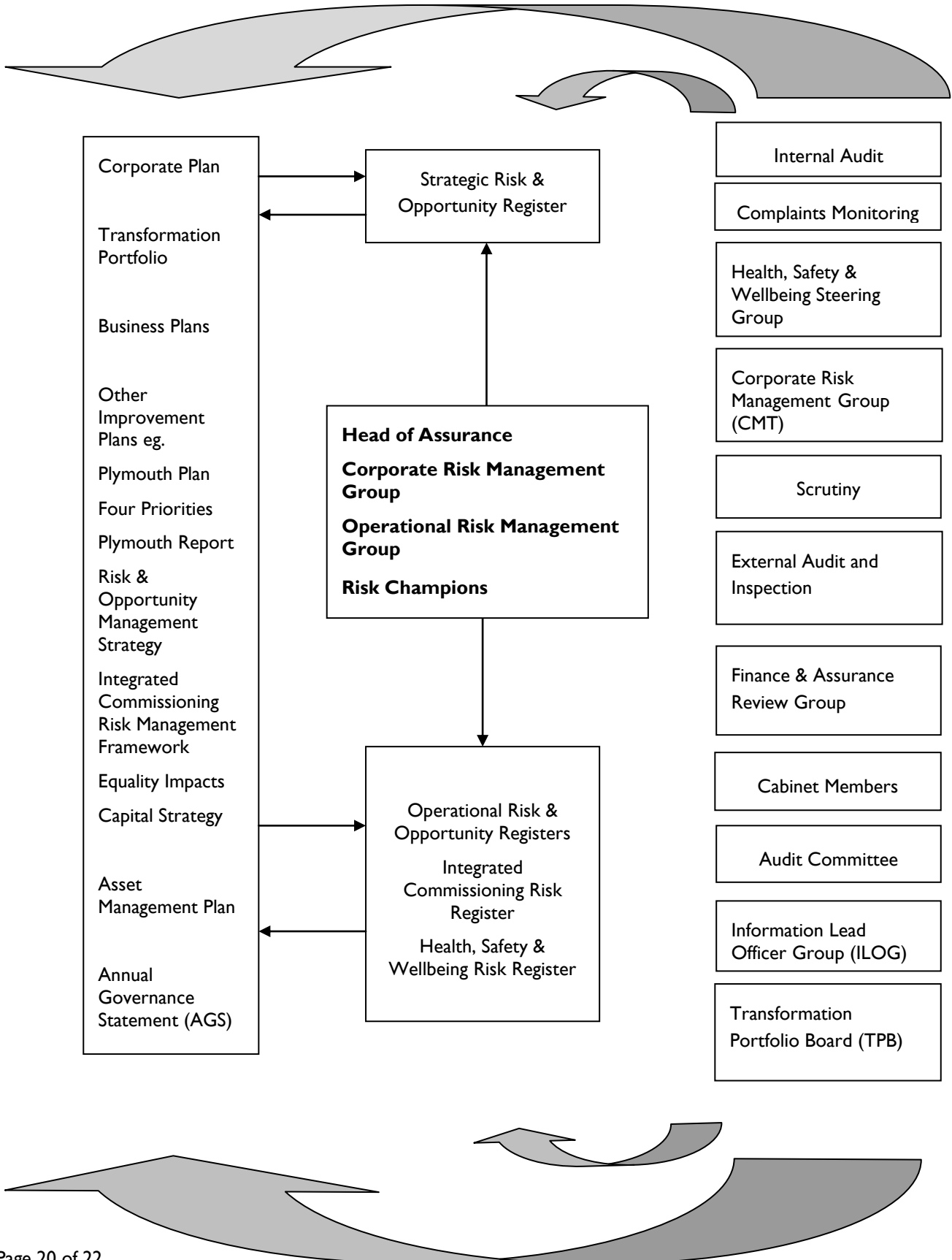
### Civil Protection Team

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

## 24. THE MANAGEMENT OF RISK AND OPPORTUNITY

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

Monitoring and Review process



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

<p>Compliance, Regulation and Safeguarding</p>	<ul style="list-style-type: none"> <li>• Legislation and internal policies/regulations</li> <li>• Grant funding conditions</li> <li>• Legal challenges, legal powers, judicial reviews or public interest reports</li> <li>• Change in government policy</li> </ul>
<p>Operational/Service Delivery</p>	<ul style="list-style-type: none"> <li>• Emergency preparedness/business continuity</li> <li>• Poor quality/reduced service delivery</li> <li>• Health &amp; Safety</li> <li>• Information security, retention accuracy</li> <li>• ICT integrity, availability</li> <li>• Damage to physical assets</li> <li>• Changing needs and expectations of customers – poor communication/consultation</li> </ul>
<p>Financial</p>	<ul style="list-style-type: none"> <li>• Budgetary pressures</li> <li>• Loss of/reduction in income/funding, increase in energy costs</li> <li>• Cost of living, interest rates, inflation etc.</li> <li>• Financial management arrangements</li> <li>• Investment decisions, sustainable economic growth</li> <li>• Affordability models and financial checks</li> <li>• Inadequate insurance cover</li> <li>• System/procedure weaknesses that could lead to fraud</li> </ul>
<p>Reputation</p>	<ul style="list-style-type: none"> <li>• Negative publicity (local and national)</li> <li>• Image</li> <li>• Increase in complaints</li> <li>• Brand building</li> <li>• Fines</li> </ul>
<p>Strategic Transformational Change</p>	<ul style="list-style-type: none"> <li>• New initiatives, new ways of working, new policies and procedures</li> <li>• New relationships – accountability issues / unclear roles and responsibilities</li> <li>• Monitoring arrangements</li> <li>• Managing change</li> <li>• Add value or improve customer experience/satisfaction</li> <li>• Reduce waste and inefficiency</li> </ul>

	<ul style="list-style-type: none"> <li>• Improve staff skills/morale</li> <li>• Business alignment</li> <li>• New operating models and revenue streams</li> <li>• Market needs/growing competition</li> <li>• New technologies</li> </ul>
<p>Development &amp; Regeneration</p>	<ul style="list-style-type: none"> <li>• Demographics</li> <li>• Economic downturn – prosperity of local businesses/local communities</li> <li>• Impact of planning or transportation policies</li> <li>• Environmental, landscape, countryside, historic environment, open space</li> <li>• Property, land, buildings and equipment</li> </ul>
<p>People &amp; Culture</p>	<ul style="list-style-type: none"> <li>• Political personalities</li> <li>• Member support/approval</li> <li>• New political arrangements</li> <li>• Loss of key staff, recruitment and retention issues</li> <li>• Training issues</li> <li>• Lack of/or inadequate management support</li> <li>• Poor communication/consultation</li> <li>• Capacity issues – availability, sickness and absence etc.</li> </ul>



**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	Annual Governance Statement 2016/17
<b>Committee:</b>	Audit Committee
<b>Date:</b>	29 June 2017
<b>Cabinet Member:</b>	Councillor Darcy
<b>CMT Member:</b>	Andrew Hardingham (Interim Joint Strategic Director for Transformation & Change)
<b>Author:</b>	Mike Hocking, Head of Assurance
<b>Contact details</b>	Tel: 01752 304967 email: mike.hocking@plymouth.gov.uk
<b>Ref:</b>	CRM/MJH
<b>Key Decision:</b>	No
<b>Part:</b>	I

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**Purpose of the report:**

Regulation 6(1) of the Local Government, England and Wales Accounts and Audit Regulations 2015 requires all relevant bodies to prepare an Annual Governance Statement (AGS).

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

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

This report outlines the process followed in order to produce the AGS for 2016/17 and recommends approval of the Statement prior to signature by the Leader, the Chief Executive and the Assistant Director for Finance (S.151 Officer).

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

The proposed Statement for 2016/17 is attached to the report.

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**The Corporate Plan 2016 - 19:**

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

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

None arising specifically from this report.

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

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

**Equality and Diversity**

Has an Equality Impact Assessment been undertaken? No.

**Recommendations and Reasons for recommended action:**

The Audit Committee is recommended to:

- a) Note the processes adopted for the production of the 2016/17 Annual Governance Statement.
- b) Endorse the adequacy and effectiveness of the system of internal audit.
- c) Approve the Annual Governance Statement prior to signature by the Leader, Chief Executive and Assistant Director for Finance (S.151 Officer).

**Alternative options considered and rejected:**

Not applicable.

**Published work / information:**

**Background papers:**

Strategic Risk & Opportunity Register

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

**Sign off:** Councillor Darcy

Fin	PI1718.45	Leg	DVS28364	Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member, Interim Joint Strategic Director for Transformation and Change													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

## **1.0 Introduction**

**1.1** This report outlines the background to the statutory requirement to produce an Annual Governance Statement (AGS) and describes the process followed in producing the AGS for 2016/17 for publication alongside the Annual Statement of Accounts.

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

**2.1** Plymouth City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. Regulation 6(1) of the Local Government, England and Wales Accounts and Audit Regulations 2015 requires all relevant bodies to prepare an Annual Governance Statement.

**2.2** There is also a requirement under regulation 5(1) that relevant authorities 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.

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

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

**2.5** The proposed Annual Governance Statement for 2016/17 is attached to this report.

## **3.0 Scope of the AGS**

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

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

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

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

- 3.4** The AGS has been compiled by carrying out an annual review of the control environment which has involved researching and formally recognising and recording the processes already in place across the Authority.
- 3.5** Recognising that preparation of the AGS is a wide-ranging and corporate issue that should not be owned by any one department, a Working Group of key officers was established to oversee the process. This Group comprised:
- Head of Assurance
  - Audit Manager, Devon Audit Partnership
  - Head of Integrated Finance
  - Head of Financial Planning & Reporting
  - Senior Policy Advisor
  - Corporate Risk Advisor
- 3.6** The Working Group is responsible for producing the AGS which is then approved by the Corporate Management Team and Cabinet Planning prior to ratification by the Audit Committee.
- 3.7** The Council's external auditors will consider the arrangements in place to enable preparation of the AGS, including the degree to which the Council recognises and can demonstrate corporate ownership of its governance arrangements.
- 4.0 The Assurance Gathering Process**
- 4.1** Those with responsibility for signing the AGS need to feel confident that the information used to review the control environment is complete and accurate. The AGS is therefore required to be signed by the most senior officer and most senior member (i.e. the Chief Executive and the Council Leader). It is also signed by the Assistant Director for Finance (S.151 Officer) as the officer responsible for overseeing the production of the AGS.
- 4.2** Although the production of the AGS is required by the Accounts and Audit Regulations, the responsibility for securing effective internal control does not rest solely with Finance staff.
- 4.3** Preparation of the AGS has therefore involved a variety of people charged with delivering corporate governance:
- Directors, Heads of Service and managers assigned with the ownership of risk and the delivery of services
  - The Chief Financial Officer who is responsible for the accounting control systems and records and the preparation of the statement of accounts
  - The Monitoring Officer in meeting his statutory responsibilities
  - Elected Members (e.g. through Audit or Scrutiny Committees)
  - Others responsible for providing assurance (e.g. Internal Audit and Risk Management)
- 4.4** The primary source of information which informs the content of the AGS comes from Assurance Questionnaires completed by Directors, Head of Service and other senior managers covering key questions around the internal control and governance framework.
- 4.5** When completing these questionnaires respondents are asked to review a number of sources where internal control/governance weaknesses may be identified:

- Risks identified in Strategic and Operational Risk Registers
- Issues arising from Internal Audit Reviews completed in 2016/17
- Issues arising from external inspections

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

- 5.1** The Council's Corporate Governance Framework is consistent with the principles of the CIPFA/SOLACE 2016 Framework Delivering Good Governance in Local Government.
- 5.2** The framework recommends that the Council carries out annually a self-assessment of the extent to which it complies with seven core principles of good governance.
- 5.3** The format provides in one document a review of both the Code of Corporate Governance and the framework the Council adopts to comply with its key principles, as well as identifying the significant governance issues arising from the review and an accompanying assurance statement. It also captures our unique priorities, challenges and achievements, in order to allow the reader to recognise their individual council.

### **6.0 Review of Internal Audit System**

- 6.1** Continuous review of the effectiveness of the Council's internal audit system is conducted by the Audit Committee whose terms of reference include:
- To agree the annual Internal Audit Plan
  - To monitor the progress and performance of Internal Audit
  - To consider the Chief Auditor's annual report, and comment annually on the adequacy and effectiveness of internal control systems within the Council
- 6.2** The Chief Auditor's annual report is being considered at the same time as this report and invites Members to endorse the adequacy and effectiveness of the system of internal audit for the year ending 31 March 2017.
- 6.3** It is recommended that this endorsement forms part of the Annual Governance Statement for 2016/17.

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

- 7.1** Whilst there is no absolute definition of the term, the following indicators (provided by CIPFA) have been used to help in considering whether or not an issue is significant enough to be reported on in the AGS:
- The issue has the potential to seriously prejudice or prevent achievement of a principal objective;
  - The issue may result in a need to seek additional funding to allow it to be resolved;
  - The issue has the potential to result in significant diversion of resources from another aspect of the business;
  - The issue may lead to a material impact on the accounts;
  - The issue, or its impact, may attract significant interest or seriously damage the reputation of the Council;
  - The issue may result in formal action being taken by the Section 151 Officer and/or the Monitoring Officer;

- The audit committee, or equivalent, has advised that it should be considered significant for this purpose, or
- The Head of Internal Audit has reported on it as significant in the annual opinion on the internal control environment.

### **8.0 Conclusion**

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

## 1. Scope of Responsibility

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

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

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

This Annual Governance Statement explains how the Council has complied with the requirements of Regulation 6(1) of the Local Government, England and Wales Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

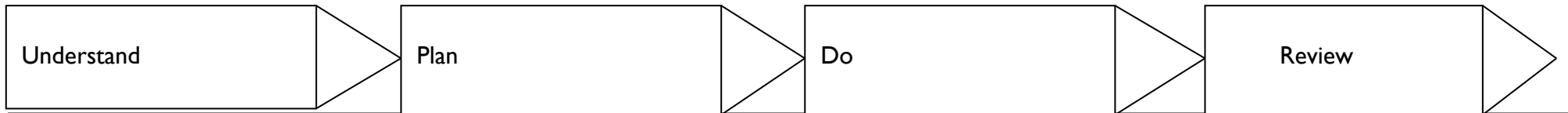
## 2. The Purpose of the Governance Framework

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

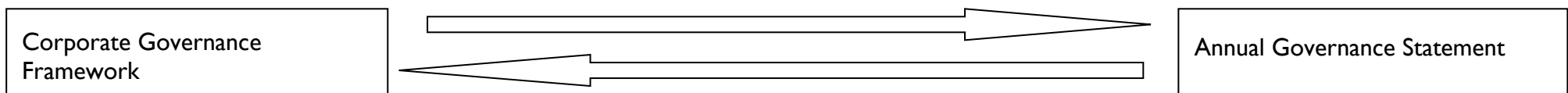
The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The governance framework has been in place at Plymouth City Council for the year ended 31 March 2017 and up to the date of the approval of the Annual Report and Statement of Accounts.

### 3. Assurance Cycle



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





#### 4. The Governance Framework

The Council’s Corporate Governance Framework is consistent with the principles of the CIPFA/SOLACE 2016 Framework Delivering Good Governance in Local Government. Included within this framework are seven core principles of governance:

<b>Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law:-</b>	<b>Examples of assurances received:-</b>
<p>Local government organisations are accountable not only for how much they spend, but also how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values to respect the rule of law. Behaviours and actions that demonstrate good governance in practice:-</p> <p><b>Behaving with integrity</b></p> <ul style="list-style-type: none"> <li>▪ Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.</li> <li>▪ Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles).</li> <li>▪ Leading by example and using these standard operating principles or values as a framework for decision making and other actions.</li> <li>▪ Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.</li> </ul> <p><b>Demonstrating strong commitment to ethical values</b></p> <ul style="list-style-type: none"> <li>▪ Seeking to establish, monitor and maintain the organisation’s ethical standards and performance.</li> <li>▪ Underpinning personal behaviours with ethical values and ensuring they permeate all aspects of the organisation’s culture and operation.</li> <li>▪ Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.</li> </ul>	<p><b>Behaving with integrity</b></p> <ul style="list-style-type: none"> <li>▪ Elected Members are collectively responsible for the governance of the Council. Decision making and scrutiny of these decisions has been separated through the executive arrangements introduced by the Local Government Act 2003.</li> <li>▪ The Constitution includes a statement on the roles of the Executive, Code of Conduct and Scheme of Delegation in place.</li> <li>▪ Statutory Officers are also documented within the Constitution. The Chief Executive (Head of Paid Service) is documented within the Constitution and works with Members and Strategic Directors to deliver the council’s themes.</li> <li>▪ Policies, procedures and guides provided on the staffroom intranet page.</li> </ul> <p><b>Demonstrating strong commitment to ethical values</b></p> <ul style="list-style-type: none"> <li>▪ Arrangements are in place for Members and Officers to register interest and manage conflicts of interest.</li> <li>▪ The Council recognises that good governance is underpinned by shared values demonstrated in the behaviour of its Members, staff and partners.</li> <li>▪ Equalities Policy in place.</li> <li>▪ The Chief Auditor has overall responsibility for the maintenance and operation of the whistleblowing policy. This includes monitoring the policy and maintaining a record of the concerns raised and the outcomes, which will be reported to the audit committee as necessary in an anonymised format.</li> </ul>

<ul style="list-style-type: none"> <li>▪ Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation.</li> </ul> <p><b>Respecting the rule of law</b></p> <ul style="list-style-type: none"> <li>▪ Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations</li> <li>▪ Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.</li> <li>▪ Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders.</li> <li>▪ Dealing with breaches of legal and regulatory provisions effectively.</li> <li>▪ Ensuring corruption and misuse of power are dealt with effectively.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Members Code of Conduct and Protocol on Member/Officer Relations forms part of the Constitution.</li> </ul> <p><b>Respecting the rule of law</b></p> <ul style="list-style-type: none"> <li>▪ The Assistant Director and Head of Legal Services is the Monitoring Officer responsible for ensuring that decisions are made in accordance with the Constitution.</li> <li>▪ Directors have the primary responsibility for ensuring that decisions are properly made in line with the Scheme of Delegation. Standards of conduct and behaviour expected of Members and Officers exist and are communicated. Training programmes were in operation during the year to support good governance.</li> <li>▪ The Corporate Fraud Team fulfils the Council’s statutory obligation to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption.</li> <li>▪ HR Policy Team in place.</li> </ul>
<p><b>Principle B – Ensuring openness and comprehensive stakeholder engagement:-</b></p>	<p><b>Examples of assurances received:-</b></p>
<p>Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders. Behaviours and actions that demonstrate good governance in practice:-</p> <p><b>Openness</b></p> <ul style="list-style-type: none"> <li>▪ Ensuring an open culture through demonstrating, documenting and communicating the organisation’s commitment to openness.</li> <li>▪ Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided.</li> </ul>	<p><b>Openness</b></p> <ul style="list-style-type: none"> <li>▪ The Council has processes in place to demonstrate that decision makers followed due process, the decisions were properly documented and were taken having regard to all relevant considerations.</li> <li>▪ Council staff were invited to give their views on proposals to reduce spending in an online survey which the Cabinet used to help inform decisions.</li> <li>▪ Overview and Scrutiny Annual Report.</li> <li>▪ The Council’s Cabinet set out pledges that link to its Corporate Plan – progress on delivery is updated on the Council’s website</li> </ul>

- Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.
- Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.

#### **Engaging comprehensively with institutional stakeholders**

- Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.
- Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively.
- Ensuring that partnerships are based on:
  - Trust
  - a shared commitment to change
  - a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit.

#### **Engaging stakeholders effectively, including individual citizens and service users**

- Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.
- Ensuring that communication methods are effective and members and officers are clear about their roles with regard to community engagement.
- Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.
- Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account.
- Balancing feedback from more stakeholder groups with other stakeholder groups to ensure inclusivity.
- Taking account of the interests of future generations of tax payers and service users.

as they are delivered.

#### **Engaging comprehensively with institutional stakeholders**

- Staffroom Page on Intranet
- Regular Team meetings
- Annual and regular staff performance discussions take place to enable line managers to help individuals see the connection between their contribution and the wider goals of the organisation and city.
- Plymouth City Council and NHS Northern Eastern and Western Devon Clinical Commissioning Group (NEW Devon CCG) integrated commissioning strategies.
- The Children and Young People's Plan (CYPP) is a strategic framework and describes the joint agency approach in the local authority area for services to children and young people, and sets out the vision and key priorities agreed by those agencies in helping children and young people to achieve the best outcome.
- The South West Devon Waste Partnership holds quarterly committee meetings, which rotate around the three areas of Plymouth, Devon and Torbay.
- The Heart of the South West Local Enterprise Partnership (HotSW LEP) was formed under the leadership of the private sector, supported by the local authorities from Devon, Plymouth, Somerset and Torbay, to create a powerful economic alliance.

#### **Engaging stakeholders effectively, including individual citizens and service users**

- The 'Framework for Working with Citizens and Communities' has been adopted as an approach to be taken by the Council, and was developed with input from the Plymouth Fairness Commission.
- Most Committee meetings including Full Council and Cabinet

	<p>are webcast as part of our drive to make our decision making more open and transparent.</p> <ul style="list-style-type: none"> <li>▪ The Plymouth &amp; South West Devon Joint Local Plan early engagement processes and many different ways to capture people’s views and opinions across the City</li> <li>▪ The Health and Wellbeing Board framework has been informed by engaging with the public through surveys and visiting communities.</li> <li>▪ Plymouth residents were asked to give their views about plans to address budget shortfall in the Big Decisions survey.</li> <li>▪ There is a formal process for corporate complaints as well as Children’s and Adults Statutory complaints.</li> <li>▪ Feedback and complaint web pages.</li> </ul>
<p><b>Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits:-</b></p>	<p><b>Examples of assurances received:-</b></p>
<p>The long-term nature and impact of many of local government’s responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority’s purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available. Behaviours and actions that demonstrate good governance in practice:-</p> <p><b>Defining outcomes</b></p> <ul style="list-style-type: none"> <li>▪ Having a clear vision which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation’s overall strategy, planning and other decisions.</li> <li>▪ Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer.</li> <li>▪ Delivering defined outcomes on a sustainable basis within the resources that will be available.</li> </ul>	<p><b>Defining outcomes</b></p> <ul style="list-style-type: none"> <li>▪ Members, working with officers, have developed a clear vision of their purpose and intended outcomes for citizens and service users.</li> <li>▪ The Medium Term Financial Strategy (MTFS) sets out how the Council will finance the priorities for the Council, having regard to the Plymouth &amp; South West Devon Joint Local Plan and the Corporate Plan.</li> <li>▪ Corporate Risk &amp; Opportunity Management framework in place.</li> <li>▪ The Plymouth &amp; South West Devon Joint Local Plan which looks ahead to 2031.</li> <li>▪ The Corporate Plan 2016/19 sets out the administration’s vision for the next three years.</li> <li>▪ Plymouth &amp; South West Devon Joint Local Plan Working</li> </ul>

<ul style="list-style-type: none"> <li>▪ Identifying and managing risks to the achievement of outcomes.</li> <li>▪ Managing service user’s expectations effectively with regard to determining priorities and making the best use of the resources available.</li> </ul> <p><b>Sustainable economic, social and environmental benefits</b></p> <ul style="list-style-type: none"> <li>▪ Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision.</li> <li>▪ Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation’s intended outcomes and short-term factors such as the political cycle or financial constraints.</li> <li>▪ Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.</li> <li>▪ Ensuring fair access to services.</li> </ul>	<p>Group.</p> <ul style="list-style-type: none"> <li>▪ Housing Needs Working Group.</li> <li>▪ Corporate Parenting Working Group.</li> <li>▪ Constitution, Civic and Member Development Working Group.</li> <li>▪ Transformation Advisory Group.</li> <li>▪ Child Poverty Working Group.</li> <li>▪ Leaving the EU Working Group.</li> </ul> <p><b>Sustainable economic, social and environmental benefits</b></p> <ul style="list-style-type: none"> <li>▪ The Council has commissioned a local voluntary and community provider to facilitate and support the development of time banks.</li> <li>▪ Plymouth libraries have been commissioned to provide health and social care information hubs.</li> <li>▪ Quality Assurance Improvement Team (QAIT) working with ‘Healthwatch’ Plymouth in order to gain independent feedback from residents and relatives of care homes.</li> <li>▪ Extended opening hours at the First Stop Shop in New George Street, Register Office, four main libraries and the Contact Centre.</li> </ul>
<p><b>Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes:-</b></p>	<p><b>Examples of assurances received:-</b></p>
<p>Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised. Behaviours and actions that demonstrate good governance in</p>	<p><b>Determining interventions</b></p> <ul style="list-style-type: none"> <li>▪ Alternative options considered and rejected section within Committee Reports.</li> <li>▪ The work of scrutiny in Plymouth is coordinated by Scrutiny Committees. To ensure that scrutiny is an independent process, this board has cross party representation and is chaired by a member from a different political group to the Leader of the Council</li> </ul>

practice:-

#### **Determining interventions**

- Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided.
- Consider feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills and assets and bearing in mind future impacts.

#### **Planning interventions**

- Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.
- Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.
- Considering and monitoring risks facing each partner when working collaboratively including shared risks.
- Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances.
- Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured.
- Ensuring capacity exists to generate the information required to review service quality regularly.
- Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan.
- Informing medium and long term resource planning by drawing up realistic estimates of revenues and capital expenditure aimed at developing a sustainable funding strategy.

#### **Optimising achievement of intended outcomes**

- Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints.
- Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.
- Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues of responses to changes in the external environment that may

- 'Have your say' promotions
- Customer comments procedure
- Plymouth & South West Devon Joint Local Plan Facebook page.
- Planning eNewsletter.

#### **Planning interventions**

- Plymouth City Council/NEW Devon CCG joint risk register.
- Risk & Opportunity Management Strategy and Policy in place.
- Collaborative working with community and voluntary sector to develop funding bids drawing in external funding to the City.
- Complaints process is managed and tracked and enables regular reporting on performance to senior management.
- Corporate Plan Performance Framework

#### **Optimising achievement of intended outcomes**

- The Medium Term Financial Strategy (MTFS) sets out how we 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 Wider Devon Sustainability and Transformation Plan sets out ambitious plans to improve health and care services for people across Devon in a way that is clinically and financially sustainable. Health and care organisations as well as Local Authorities across Devon have been working together to create the shared five-year vision to meet the increasing health and care needs of the population.
- Plymouth and South West Devon Joint Local Plan which will cover Plymouth City, South Hams District and West Devon Borough. The plan brings together work that has already been

<p>arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.</p> <ul style="list-style-type: none"> <li>Ensuring the achievement of ‘social value’ through service planning and commissioning.</li> </ul>	<p>carried out separately by the three councils on the Plymouth Plan, South Ham’s ‘Our Plan’ and West Devon’s ‘Our Plan’. The three plans will be integrated to create a single strategy.</p> <ul style="list-style-type: none"> <li>Plymouth City Centre Master plan.</li> <li>Plymouth Waterfront Master Plan.</li> </ul>
<p><b>Principle E – Developing the entity’s capacity, including the capability of its leadership and the individuals within it:-</b></p>	<p><b>Examples of assurances received:-</b></p>
<p>Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind set, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities. Behaviours and actions that demonstrate good governance in practice:-</p> <p><b>Developing the entity’s capacity</b></p> <ul style="list-style-type: none"> <li>Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness.</li> <li>Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority’s resources are allocated so that outcomes are achieved effectively and efficiently.</li> <li>Recognising the benefits of partnerships and collaborative working where added value can be achieved.</li> <li>Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.</li> </ul> <p><b>Developing the capability of the entity’s leadership and other individuals</b></p> <ul style="list-style-type: none"> <li>Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared</li> </ul>	<p><b>Developing the entity’s capacity</b></p> <ul style="list-style-type: none"> <li>We sold the Civic Centre and moved into more cost-effective accommodation.</li> <li>Benchmarking undertaken.</li> <li>There is an annual process to review and agree the Pay Policy in accordance with the Localism Act Section 38(1).</li> <li>Internal/External Audits</li> <li>Local Assurance Test</li> <li>The Council actively engages in partnership working to help deliver priorities - Partners and Partnerships are listed on the Council website.</li> <li>All services are being thoroughly reviewed and modernised, looking for efficiency savings.</li> </ul> <p><b>Developing the capability of the entity’s leadership and other individuals</b></p> <ul style="list-style-type: none"> <li>Our People Strategy 2016-2020.</li> <li>Annual staff survey undertaken to gauge employee satisfaction and assist in improving the organisation for employees as a place to work and consequently improve how the organisation performs.</li> <li>Annual staff ‘Star’ awards.</li> </ul>

<p>understanding of roles and objectives is maintained.</p> <ul style="list-style-type: none"> <li>▪ Publishing a statement that specifies the type of decisions that are delegated and those reserved for the collective decision making of the governing body.</li> <li>▪ Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority.</li> <li>▪ Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by;             <ul style="list-style-type: none"> <li>• Ensuring members and staff have access to appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis.</li> <li>• Ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis.</li> <li>• Ensuring personal, organisational and system wide development through shared learning, including lessons learned from governance weaknesses both internal and external.</li> </ul> </li> <li>▪ Ensuring that there are structures in place to encourage public participation.</li> <li>▪ Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.</li> <li>▪ Holding staff to account through regular performance reviews which take account of training or development needs.</li> <li>▪ Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Six council-wide workforce development priorities - management development; commercial finance; political awareness; customer focus; ICT and projects.</li> <li>▪ £1m investment in workforce capability for 2016/17.</li> <li>▪ Induction training is carried out for new Members and employees.</li> <li>▪ eLearning training is utilized.</li> <li>▪ Councillor training programme.</li> <li>▪ Apprenticeship Programme in place.</li> </ul>
<p><b>Principle F – Managing risks and performance through robust internal control and strong public financial management:-</b></p>	<p><b>Examples of assurances received:-</b></p>
<p>Local government needs to ensure that the organisation and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of</p>	<p><b>Managing risk</b></p> <ul style="list-style-type: none"> <li>▪ Risk and Opportunity Management Strategy – risks are monitored quarterly and monitoring results ratified by Audit Committee.</li> <li>▪ Decision making is supported by embedded risk management arrangements, with the Risk and Opportunity Management</li> </ul>



all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority. Behaviours and actions that demonstrate good governance in practice:-

#### **Managing risk**

- Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.
- Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.
- Ensuring that responsibilities for managing individual risks are clearly allocated.

#### **Managing performance**

- Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.
- Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook.
- Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible (or, for a committee system). Encouraging effective and constructive challenge and debate on policies and objectives to support balance and effective decision making.
- Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement.
- Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).

#### **Robust internal control**

- Aligning the risk management strategy and policies on internal control with achieving the

Strategy and Policy Statement reviewed annually.

- Risks are considered quarterly by Corporate Management Team, Cabinet and Audit Committee.
- Risk and Opportunity Management Annual Report.
- Risk Management eLearning for staff.
- The internal audit plan is based on the high risks reported within the risk and opportunity registers.
- Joint integrated risk management framework between Plymouth City Council and NEW Devon CCG.
- Health, Safety & Wellbeing Steering Group.

#### **Managing performance**

- Key performance indicators.
- Staff appraisal system.
- Monitor pledges.
- Corporate Plan Performance Framework.

#### **Robust internal control**

- The Constitution makes it clear that management have the responsibility for operating a sound system of internal control. Internal Audit collaboratively works with services to make recommendations around improvement to the control environment.
- The Council's arrangements for providing economy, efficiency and effectiveness are reviewed by the external auditors on an annual basis. Their Annual Report provides a summary of the activity undertaken during the year.
- An effective Audit Committee is in place whose purpose is to provide independent assurance of the adequacy of the internal control environment, and to oversee the financial reporting process. The Audit Committee has two independent members.

<p>objectives.</p> <ul style="list-style-type: none"> <li>▪ Evaluating and monitoring the authority’s risk management and internal control on a regular basis. <ul style="list-style-type: none"> <li>▪ Ensuring effective counter fraud and anti-corruption arrangements are in place.</li> <li>▪ Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.</li> <li>▪ Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body;</li> </ul> </li> <li>▪ Provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment.</li> <li>▪ That is recommendations are listened to and acted upon.</li> </ul> <p><b>Managing data</b></p> <ul style="list-style-type: none"> <li>▪ Ensuring effective arrangements are in place for the safe collection, storage, and use and sharing of data, including processes to safeguard personal data.</li> <li>▪ Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.</li> <li>▪ Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.</li> </ul> <p><b>Strong public financial management</b></p> <ul style="list-style-type: none"> <li>▪ Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance.</li> </ul> <p>Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.</p>	<ul style="list-style-type: none"> <li>▪ The Chief Internal Auditor supports the Audit Committee and reviews its effectiveness on an annual basis.</li> </ul> <p><b>Managing data</b></p> <ul style="list-style-type: none"> <li>▪ Information Lead Officer Group in place to direct work streams within the overall governance of information assets.</li> <li>▪ Information Governance Manager and Corporate Records Manager in post.</li> <li>▪ Management of Information Security Forum in place to ensure there is clear direction and visible management support for security initiatives.</li> <li>▪ Information Security eLearning for staff.</li> </ul> <p><b>Strong public financial management</b></p> <ul style="list-style-type: none"> <li>▪ The system of internal financial control is based upon a framework of regular management information, financial regulations, administrative procedures and a structure of delegation and accountability. The Medium Term Financial Strategy is updated each year and includes a risk assessment of budget option; the Medium Term Financial Strategy is agreed by Full Council.</li> <li>▪ Medium Term Financial Strategy focuses on taking a view to 2019/20 of the range of major issues affecting the resources of Plymouth City Council.</li> <li>▪ The Chief Finance Officer (s.151 officer), as documented in the Constitution, has responsibility for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and maintaining an effective system of internal financial control.</li> </ul>
<p><b>Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability:-</b></p>	<p><b>Examples of assurances received:-</b></p>
<p>Accountability is about ensuring that those making decisions and delivering</p>	<p><b>Implementing good practice in transparency</b></p>

services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability. Behaviours and actions that demonstrate good governance in practice:-

#### **Implementing good practice in transparency**

- Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.
- Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.

#### **Implementing good practices in reporting**

- Reporting at least annually on performance, value for money and the stewardship of its resources.
- Ensuring members and senior management own the results reported
- Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an evidence to demonstrate good governance (annual governance statement).
- Ensuring that the framework is applied to jointly managed or shared service organisations as appropriate.
- Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations.

#### **Assurance and effective accountability**

- Ensuring that recommendations for corrective action made by external audit are acted upon.
- Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon.
- Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations.
- Gaining assurance on risks associated with delivering services through third parties and that

- The Local Safeguarding of Children Board has full partner engagement and its work and records are published and accessible.
- The Adult Safeguarding Board has full partner engagement and its work and records are published and accessible.
- Committee agendas and minutes (Part I) are published on the Council's website.

#### **Implementing good practices in reporting**

- The Annual Report communicates Council's activities and achievements, its financial position and performance.
- Every year the Scrutiny Board publishes a report on the achievements of the scrutiny function. The report is approved by the board and seen by the Council.
- Corporate Plan Performance Framework in place.

#### **Assurance and effective accountability**

- Internal and External Audit findings are reported to Audit Committee.
- Annual Governance Statement reviewed by External Auditors
- The Audit Committee monitor and review the council's corporate governance arrangements, financial reporting, internal control system, risk management system and internal and external audit functions.

this is evidenced in the annual governance statement.

- Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.

## 5. Review of Effectiveness

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

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

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

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

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

## 6. Risk Management

The Council records the significant risks identified as potential threats to the delivery of its objectives within Strategic and Operational risk and opportunity registers and incorporate mitigation controls within action plans. Risks are formally monitored alternately every six months and reported to Corporate Management Team, Cabinet (for Strategic risks) and Audit Committee.

## 7. Areas of Significant Governance

A key element of the annual governance review process is also to identify any significant internal control issues. The Council has adopted the approach recommended by CIPFA which has identified what may be considered generally as a significant issue. These criteria are:

- The issue has the potential to seriously prejudice or prevent achievement of a principal objective;
- The issue may result in a need to seek additional funding to allow it to be resolved;
- The issue has the potential to result in significant diversion of resources from another aspect of the business;
- The issue may lead to a material impact on the accounts;
- The issue, or its impact, may attract significant interest or seriously damage the reputation of the Council;

- The issue may result in formal action being taken by the Section 151 Officer and/or the Monitoring Officer;
- The audit committee, or equivalent, has advised that it should be considered significant for this purpose, or
- The Head of Internal Audit has reported on it as significant in the annual opinion on the internal control environment.

This table describes the areas where significant governance is required for matters carried forward from 2015/16 and identified during 2016/17:

Key Governance Area	Lead Officer	Description	Reporting Through
Delivery of The Plymouth and South West Devon Joint Local Plan and Plymouth Plan	Strategic Director for Place	The concept of a single strategic plan for Plymouth was conceived in September 2012, when Cabinet approved a report setting out an innovative approach to the review of the City Council's adopted Core Strategy, taking the city's statutory development plan forward within the context of the government's new Local Plan system. This established the foundations for preparing the new Plymouth and South West Devon Joint Local Plan and explained how it will provide an integrated and holistic long term plan as to how the city and surrounding area will change between 2012 and 2031. The Joint Local Plan (JLP) covers the local authority areas of Plymouth City Council, South Hams District Council and West Devon Borough Council. The JLP and the Plymouth Plan provides a strategic policy framework for both people and place. The creation of sustainable communities, and the theme of providing quality of life for everyone in the city, runs through the heart of the plans, providing an effective and integrated strategic framework for addressing and responding to issues such as community safety, community cohesion, child poverty and equalities and diversity.	Cabinet
<p><b>Assurance Statement:</b> Given that the Plan contains the Council's emerging Local Plan it must follow the statutory process for producing a Local Plan, including further consultation processes and eventually being considered by an independent Planning Inspector at an examination. The Plan will be considered against national regulations and guidance contained in the National Planning Policy Framework (NPPF) and National Planning Practice Guidance (NPPG). A Joint Member Steering Group is in place to ensure that key decisions needing to be made are taken back to the individual local authorities. The decision to move to a joint local plan (JLP) for Plymouth, South Hams and West Devon means that some consequential amendments will be required to the Plymouth Plan. The need to amend the Plymouth Plan also presents an opportunity to update the policies, reflecting new and updated evidence / data (where this is available), together with emerging priorities for the City Council and its partners.</p>			
Delivering Council services within the envelope of the resources provided in 2017-19 Medium Term Financial Strategy (MTFS) - The Council needs to deliver £37m of efficiencies over the next three financial years to 2019-2020	Interim Joint Strategic Director for Transformation & Change	The Council continues the Transformation Programme which is improving efficiency and reducing costs whilst still delivering benefits to the customer. Significant savings are focused in three key programmes:- • Growth, Assets and Municipal Enterprise (GAME2) – This programme is investing in accelerating Plymouth's economic growth, which will raise	Transformation Portfolio Board; Scrutiny Panels and Cabinet

Key Governance Area	Lead Officer	Description	Reporting Through
		<p>income through business rates and Council tax. It includes a wide range of initiatives to create more jobs and deliver more homes in Plymouth, guided by the Plymouth Plan and the Plan for Homes. We are also maximising the opportunities to increase income by making best use of our assets and taking a more commercial approach to the way we commission and run services.</p> <ul style="list-style-type: none"> <li>• One System, One Aim - This programme emphasises the need for preventative and early intervention services to improve health, thus reducing demand for services in the longer term to develop a sustainable system.</li> <li>• Transforming the Corporate Centre - This programme has been established to define and deliver an organisational service centre to deliver universal services and transactions with consistency and commonality, including delivery of digital service transformation across the entire organisation to enable channel shift and process.</li> </ul>	
<p><b>Assurance Statement:</b> The Council adopted a Medium Term Financial Strategy for 2017/18 to 2019/20 in November 2016, with requirements and resources based on delivering against the vision and themes set out in the Corporate Plan. The MTFs links the revenue budget, capital programme and treasury management strategy and is based on a set of financial principles and objectives and is refreshed and updated on a regular basis. The Council work with treasury management advisors to fully understand the treasury management impact of Britain's exit from the EU. The Corporate Plan allows the council to continue to manage its commitments within the revenue and capital envelope agreed. Due to transformation savings the Council has overcome the £65m gap identified in 2013.</p>			
<p>Reducing Health Inequalities to prevent our poorest residents continuing to live shorter lives as well as more years in ill health.</p>	<p>Director of Public Health</p>	<p>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 was adopted by full council with links to the Plymouth Plan and Integrated Commissioning Strategies which provides a good foundation to achieve prevention in all services and decision making processes. We are working with major employers to embed an understanding and focus to reduce health inequalities reaching thousands of employees and children and young people via schools.</p>	<p>Health &amp; Wellbeing Board</p>
<p><b>Assurance Statement:</b> The Sustainability and Transformation Plan (STP) is a strategic plan that covers the whole of wider Devon, including Plymouth, Devon and Torbay. The three top tier Local Authorities, two Clinical Commissioning groups (NEW Devon CCG and South Devon and Torbay CCG) and all the organisations covered by these CCGs are included in this footprint. The Collaborative Board supports the STP Board and is attended by the Leader and Chief Executive and there have been a number of meetings across wider Devon involving Overview and Scrutiny.</p>			

Key Governance Area	Lead Officer	Description	Reporting Through
Safeguarding children and protecting them from the risk of harm	Strategic Director for People	Every council has to set up a Safeguarding Children Board responsible for improving the wellbeing of children in the area. The boards are multi-agency and include representatives from partner organisations.	Plymouth Safeguarding Children Board
<p><b>Assurance Statement:</b> Plymouth Safeguarding Children Board (PSCB) coordinates the work of everyone on the board to safeguard and promote the welfare of children in Plymouth and publishes policies and procedures for child protection. The Board has an independent Chair, (someone who doesn't work for social services) who works closely with the Director of Children's Services. The corporate Safeguarding Children Improvement Plan will be informed by self-assessment to include an assurance test. The Transformation Programme has risk registers for each work stream.</p>			
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. 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'.	Strategic Director for People	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 in order to deliver health and wellbeing services across the city. An integrated risk management framework is in place and the risk register aligns risks to the corporate objectives arising from the One System One Aim transformation project.	Health & Wellbeing Board and Cabinet
<p><b>Assurance Statement:</b> A Section 75 agreement is in place across Plymouth City Council and NEW Devon CCG which covers the integrated fund of £462m, this includes the whole of the People Directorate budget and the Public Health commissioning budget. The Partners have established the Plymouth &amp; West Devon Integrated Commissioning Board (PWICB) to provide oversight and leadership for delivery of the integrated commissioning function. 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. 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.</p>			
Potential negative impact of the various elements of Welfare Reform changes on addressing our priorities. Overall the changes will result in a significant financial loss to individuals and families across the Peninsula, with associated impacts on	Strategic Director for People	One of the main opportunities created by welfare reform impacts is the amount of prospects and openings for joint and co-operative working – many agencies and departments have come together to work with the Council including DWP and Crime Prevention Officers. Working towards minimising impacts of welfare reform helps the Council understand its	

Key Governance Area	Lead Officer	Description	Reporting Through
communities and services, particularly those that provide support to vulnerable people.		customer base and the issues they face. The Safer Plymouth Partnership will ensure close monitoring of ongoing work to minimise the impact of welfare reform, and consider what further support it can offer to mitigate any negative effects that may result in/lead to increases in criminal activity, for example serious acquisitive crime, domestic abuse, violent crime and substance misuse and develop and implement interventions to mitigate the impact.	
<p><b>Assurance Statement:</b> The Safer Plymouth Partnership operates within a statutory framework with responsible authorities expected to work with other local agencies and organisations to develop and implement strategies to tackle crime, disorder, misuse of drugs and other substances and anti-social behaviour. Members that make up Safer Plymouth Partnership are representatives of Plymouth City Council, Devon and Cornwall Police, NHS Clinical Commissioning Group, Devon and Somerset Fire and Rescue, Devon and Cornwall Probation Trust and The Police and Crime Commissioner.</p>			
The Council not meeting its statutory duty for the completion of assessments within the deadlines in relation to Deprivation of Liberty (DoLs) referrals.	Strategic Director for People	All health and social care staff have a duty to be aware of and comply with the Mental Capacity Act 2005 (MCA) when working with anyone who might struggle to make a decision for themselves about their health or social care needs. This can include dementia, learning disabilities, brain injuries suffered from a stroke or any mental illness which might impair a person's ability to make decisions. Due to an increase in demand resulting from a legal judgement in 2014 which had a national impact, the Council (alongside the majority of authorities) is not meeting its statutory duty for the completion of assessments within the deadlines.	Plymouth Safeguarding Adults Board
<p><b>Assurance Statement:</b> Risks are tracked via the risk register and a DoLs action plan is in place to deploy additional resource when required.</p>			
The Council meeting its obligations to keep citizen data secure and provide and display information in line with statutory requirements.	Interim Joint Strategic Director for Transformation and Change	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. An Information Lead Officer working group comprising of Information Lead Officers from each directorate are responsible for delivery of actions. The group report to a Senior Information Risk Owner who is a member of the senior management team.	Audit Committee
<p><b>Assurance Statement:</b> The Information Lead Officer working group meet on a bi-monthly basis and will form part of a Project Board to progress the Information Management project which aims to modernise and streamline information management processes. Interim paper storage solutions have been implemented following the appointment of a Corporate Records Manager.</p>			



Key Governance Area	Lead Officer	Description	Reporting Through
Councils across Devon and Somerset are working with the Local Enterprise Partnership, the National Parks and health partners to develop proposals for Devolution to boost the prosperity of the whole area, referred to as the 'Heart of the South West'.	Assistant Chief Executive	In the Summer of 2015, Plymouth City Council, together with all the councils across Devon and Somerset worked together to submit a Statement of Intent to Government expressing the desire to explore a Devolution Deal that would transfer powers and funding from central Government, and enable greater influence over a wide range of public service areas. On 25 May 2016, a meeting was held between the leaders of Plymouth City Council, Somerset and Devon County Councils and the Mayor of Torbay Council, with the Secretary of State for Communities and Local Government. At that meeting, the Secretary of State offered to support and open up negotiations for a Devolution Deal, if each council, and the respective MPs covering the area were able to provide evidence of an 'in principle' agreement for the creation of a new Combined Authority to administer any Devolution Deal. Negotiations are expected to progress with a draft deal and business case being developed.	Cabinet
<p><b>Assurance Statement:</b> The Heart of the South West (HotSW) comprises of 17 local authorities, two National Parks, the Local Enterprise Partnership and all three Clinical Commissioning Groups who have given their in-principle approval to set up a Combined Authority to support our devolution deal. A governance review is underway which will set out the powers, roles, functions, and operational arrangements for the Combined Authority and propose its relationships with and to key delivery partners nationally, locally and with neighbours. This review will form part of the Productivity Plan.</p>			
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	Strategic Director for Place	The Council has started to reshape waste services with the optimisation of collection routes early in 2015. The next phase of the transformation of waste management aims to increase household recycling rates to 40% in the short term, improve performance levels, and meet the targets in the Energy from Waste partnership contract and to reduce the overall ongoing costs of the service in partnership with our residents. Modernisation of the service will be achieved through a range of interventions that will require changes in attitudes and other adjustments. Good engagement and communications are vital to ensure that the Council brings residents and staff along through this transition. The communications and engagement strategy has been developed and approved by the Project Board.	South West Devon Waste Partnership and Cabinet
<p><b>Assurance Statement:</b> Whilst the majority of recycling initiatives have been delivered they have not achieved desired recycling rates which have recently decreased. New measures are being determined to improve recycling rates and we are engaging with Defra to deliver recycling improvements and monitor ongoing compliance. The modernisation of Waste and Street Services incorporates the citywide roll out of alternate weekly collections of household waste, and associated interventions to support the increase in recycling across the city.</p>			

## 8. Certification

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

Cllr Ian Bowyer  
Leader of the Council  
Dated

Tracey Lee  
Chief Executive  
Dated:

Andrew Hardingham  
Interim Joint Strategic Director  
Transformation & Change (Section 151 Officer)  
Dated:

**CITY OF PLYMOUTH**

<b>Subject:</b>	Annual Report on Treasury Management Activities for 2016/17
<b>Committee:</b>	Audit Committee
<b>Date:</b>	29 <sup>th</sup> June 2017
<b>Cabinet Member:</b>	Councillor Darcy
<b>CMT Member:</b>	Andrew Hardingham (Interim Joint Strategic Director Transformation and Change)
<b>Author:</b>	Chris Flower (Finance Business Partner – Accountant for Capital and Treasury Management)
<b>Contact:</b>	Tel: 01752 304212 Email: <a href="mailto:chris.flower@plymouth.gov.uk">chris.flower@plymouth.gov.uk</a>
<b>Ref:</b>	Fin/CF
<b>Key Decision</b>	No
<b>Part:</b>	I

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**Purpose of the report:**

In order to comply with the Code of Practice for Treasury Management, the Council is required to formally report on its treasury management activities for the year, providing information on the progress and outcomes against the Treasury Management Strategy. This report covers the treasury management activities for financial year 2016/17 including the final position on the statutory Prudential Indicators.

This report:

- a) is prepared in accordance with the CIPFA Treasury Management Code and the Prudential Code;
- b) confirms capital financing, borrowing, debt rescheduling and investment transactions for the year 2016/17;
- c) provides an update on the risk inherent in the portfolio and outlines actions taken by the Council during the year to minimise risk;
- d) gives details of the outturn position on Treasury Management transactions in 2016/17;
- e) confirms compliance with treasury limits and Prudential Indicators (PIs) and the outlines the final position on the PI's for the year.

In line with the recommendations in the Code of Practice, this report is submitted to Audit Committee as the committee responsible for scrutiny of the treasury management function.

In accordance with Treasury Management Practices note 6, this report is required to be submitted to Full Council.

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**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.

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

Into the medium and longer term the Council is facing significant pressures due to the national economic situation, which has led to a reduction in resources for local authorities over the Government’s latest spending period. Effective Treasury Management will be essential in ensuring the Council’s cash flows are used to effectively support the challenges ahead.

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

There is an inherent risk to any Treasury Management activity. The Council continues to manage this risk by ensuring all investments are undertaken in accordance with the approved investment strategy, and keeping the counterparty list under constant review.

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**Recommendations & Reasons for recommended action:**

1. To note the Treasury Management Annual Report 2016/17.
2. To refer the Treasury Management Annual Report 2016/17 to Full Council for approval.

*This is to comply with the CIPFA Code of Practice and discharge our statutory requirement.*

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**Alternative options considered and reasons for recommended action:**

None - it is requirement to report to Council on the treasury management activities for the year.

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**Background papers:**

- Treasury Management Strategy report to Council 27 February 2017
- Mid-Year Review report to Audit Committee 8 December 2016

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**Sign off:**

Fin	AKH17 18.29	Leg/ Dem& Gov	DVS28 241	HR	n/a	Corp Prop	n/a	IT	n/a	Strat Proc	n/a
Originating SMT Member: Andrew Hardingham, Interim Joint Strategic Director Transformation and Change											
Has the Cabinet Member(s) agreed the content of the report? Yes											

## **Annual Report on Treasury Management Activities for 2016/17**

### **Introduction**

The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice a year (mid-year and at year end).

The Council's Treasury Management Strategy for 2016/17 was approved by Council on 16 February 2016. The Council has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury management activity and the associated monitoring and control of risk.

### **External Context**

**Economic background:** Politically, 2016/17 was an extraordinary twelve month period which defied expectations when the UK voted to leave the European Union and Donald Trump was elected the 45th President of the USA. Uncertainty over the outcome of the US presidential election, the UK's future relationship with the EU and the slowdown witnessed in the Chinese economy in early 2016 all resulted in significant market volatility during the year. Article 50 of the Lisbon Treaty, which sets in motion the 2-year exit period from the EU, was triggered on 29th March 2017.

UK inflation had been subdued in the first half of 2016 as a consequence of weak global price pressures, past movements in sterling and restrained domestic price growth. However the sharp fall in the Sterling exchange rate following the referendum had an impact on import prices which, together with rising energy prices, resulted in CPI rising from 0.3% year/year in April 2016 to 2.3% year/year in March 2017.

In addition to the political fallout, the referendum's outcome also prompted a decline in household, business and investor sentiment. The repercussions on economic growth were judged by the Bank of England to be sufficiently severe to prompt its Monetary Policy Committee (MPC) to cut the Bank Rate to 0.25% in August and embark on further gilt and corporate bond purchases as well as provide cheap funding for banks via the Term Funding Scheme to maintain the supply of credit to the economy.

Despite growth forecasts being downgraded, economic activity was fairly buoyant and GDP grew 0.6%, 0.5% and 0.7% in the second, third and fourth calendar quarters of 2016. The labour market also proved resilient, with the ILO (International Labour Organisation) unemployment rate dropping to 4.7% in February, its lowest level in 11 years.

Following a strengthening labour market, in moves that were largely anticipated, the US Federal Reserve increased rates at its meetings in December 2016 and March 2017, taking the target range for official interest rates to between 0.75% and 1.00%.

**Financial markets:** Following the referendum result, gilt yields fell sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future. After September there was a reversal in longer-dated gilt yields which moved higher, largely due to the MPC revising its earlier forecast that Bank Rate would be dropping to near 0% by the end of 2016. The yield on the 10-year gilt rose from 0.75% at the end of September to 1.24% at the end of December, almost back at pre-referendum levels of 1.37% on 23rd June. 20- and 50-year gilt yields also rose in Q3 2017 to 1.76% and 1.70% respectively, however in Q4 yields remained flat at around 1.62% and 1.58% respectively.

After recovering from an initial sharp drop in Q2, equity markets rallied, although displaying some volatility at the beginning of November following the US presidential election result. The FTSE-100 and FTSE All Share indices closed at 7342 and 3996 respectively on 31st March, both up 18% over the year. Commercial property values fell around 5% after the referendum, but had mostly recovered by the end of March.

Money market rates for overnight and one week periods remained low since Bank Rate was cut in August. 1- and 3-month LIBID rates averaged 0.36% and 0.47% respectively during 2016-17. Rates for 6- and 12-months increased between August and November, only to gradually fall back to August levels in March, they averaged 0.6% and 0.79% respectively during 2016-17.

**Credit background:** Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union. UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing the largest falls. Non-UK bank share prices were not immune, although the fall in their share prices was less pronounced.

Fitch and Standard & Poor's downgraded the UK's sovereign rating to AA. Fitch, S&P and Moody's have a negative outlook on the UK. Moody's has a negative outlook on those banks and building societies that it perceives to be exposed to a more challenging operating environment arising from the 'leave' outcome.

None of the banks on the Council's lending list failed the stress tests conducted by the European Banking Authority in July and by the Bank of England in November, the latter being designed with more challenging stress scenarios, although Royal Bank of Scotland was one of the weaker banks in both tests. The tests were based on banks' financials as at 31st December 2015, 11 months out of date for most. As part of its creditworthiness research and advice, the Council's treasury advisor Arlingclose regularly undertakes analysis of relevant ratios - "total loss absorbing capacity" (TLAC) or "minimum

requirement for eligible liabilities" (MREL) - to determine whether there would be a bail-in of senior investors, such as local authority unsecured investments, in a stressed scenario.

### **Local Context**

On 31<sup>st</sup> March 2017, the Council had net borrowing of £265m arising from its revenue and capital income and expenditure, an increase on 2016 of £60m. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors and the year-on-year change are summarised in table I below.

Table I: Balance Sheet Summary

	<b>31.3.16 Actual £m</b>	<b>2016/17 Movement £m</b>	<b>31.3.17 Actual £m</b>
General Fund CFR	306	51	357
Less: Other debt liabilities *	-125	12	-113
<b>Borrowing CFR</b>	<b>181</b>	<b>63</b>	<b>244</b>
Less: Usable reserves	-51	-1	-50
Less: Working capital	-27	-2	-29
<b>Net borrowing</b>	<b>203</b>	<b>60</b>	<b>265</b>

\* *finance leases, PFI liabilities and transferred debt that form part of the Council's total debt*

Net borrowing has increased due to a rise in the CFR as new capital expenditure was higher than the financing applied including minimum revenue provision; together with a small decrease in usable reserves and a fall in working capital due to the timing of receipts and payments.

### **Borrowing Activity**

At 31<sup>st</sup> March 2017, the Council held £287m of loans, (an increase of £44m on 31/03/2016) as part of its strategy for funding previous years' capital programmes. See table 2 below.

The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.

Affordability and the "cost of carry" remained important influences on the Council's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained

and are likely to remain at least over the forthcoming two years, lower than long-term rates, the Council determined it was more cost effective in the short-term to borrow short-term loans instead.

The benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose assists the Council with this 'cost of carry' and breakeven analysis. Temporary and short-dated loans borrowed from the markets, predominantly from other local authorities, also remained affordable and attractive.

Table 2: Borrowing Activity

	Balance on 01/04/2016 £m	Movement £m	Balance on 31/03/2017 £m	Avg Rate %
Public Works Loan Board	44	0	44	5.76%
Banks - LOBOs	100	(18)	82	4.38%
Banks - Fixed Long Term	0	18	18	4.37%
Short Term Borrowing	99	44	143	0.05%
<b>TOTAL BORROWING</b>	243	44	287	4.85%
Other Long Term Liabilities	125	(12)	113	-
<b>TOTAL EXTERNAL DEBT</b>	368	32	400	-
Increase/ (Decrease) in Borrowing £m			32	

### LOBOs

The Council holds £82m (£100m in 2016) of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates. The Council then has the option to either accept the new rate or to repay the loan at no additional cost. During the year £26m of our LOBOs had options, none of which were exercised by the lender.

During 2016 Barclays Bank informed the Council that it had revoked its rights to exercise their options in future and £18m of LOBOs has therefore been reclassified as fixed rate long term loans.



## **LGA Bond Agency**

UK Municipal Bonds Agency (MBA) plc. was established in 2014 by the Local Government Association as an alternative to the PWLB with plans to issue bonds on the capital markets and lend the proceeds to local authorities. In early 2016 the Agency declared itself open for business, initially only to English local authorities. The Council has analysed the potential rewards and risks of borrowing from the MBA and has approved and signed the Municipal Bond Agencies framework agreement which sets out the terms upon which local authorities will borrow, including details of the joint and several guarantee.

As at 31<sup>st</sup> March 2017 no bonds have been issued by the Municipal Bonds Agency.

## **Debt Rescheduling**

The PWLB continued to operate a spread of approximately 1% between “premature repayment rate” and “new loan” rates so the premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Council’s portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

## **Other Debt Activities**

Although not classified as borrowing, the Council has capital finance from Private Finance Initiatives and Finance Leases and as at 31<sup>st</sup> March 2017 this amounted to £113m.

The liability for the PFI scheme has increased our requirement for finance and therefore we increased our Operational Boundary and Authorised limit to allow for this.

## **Minimum Revenue Provision (MRP)**

Under regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 SI 2003/146, as amended, local authorities are required to charge to their revenue account, for each financial year, MRP for the cost of their unfinanced capital expenditure.

There have been recent changes to the advice from CIPFA on MRP calculations and the use of the annuity method. Prior years involved detailed calculations which were very perspective but these have been replaced with a requirement that local authorities calculate an amount or MRP which they consider to be prudent.

During 2015/16 the Council carried out a review of its MRP calculation method and accounting assumptions. The Council’s calculations were driven by a very complex methodology that needed a full overhaul. The Council therefore engaged its TM advisors, Arlingclose to review and advise practice. The main conclusions were that, due to the way

we were calculating our annual MRP charge has resulted in an over-provision for many years and it also recommended a change in the calculation method.

The Council wanted to match the economic benefits from its assets with the life of those assets. Therefore the Council change its calculation method to the annuity method which not only spreads the cost of the borrowing over the life of the assets but it also takes into account the time value of money.

The Council's previous method of calculating MRP was to spread the cost of borrowing in a straight line over a maximum of 25 years. The current council tax payers would therefore pay a relative higher charge than council tax payers in the future. For example if an asset cost of £20m to build and has a life of 20 years then there would have been a £1m charged each year on the straight line basis. The annuity method takes into account the time of value because £1m today has a higher value (NPV) than £1m in 20 years' time.

The resulting change from the over provision of MRP in prior years reduced the MRP charge in 2015/16 by £5.960m and £3.652m in 2016/17.

To assist the Council in keeping a balance budget for 2016/17 the Council used £0.267m of capital receipt towards the MRP charge for 2016/17.

### Investment Activity

The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2016/17, the Council's investment and cash balances ranged between £70 and £100 million due to timing differences between income and expenditure. The year-end investment position and the year-on-year change in show in table 3 below.

The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

Table 3: Investment Activity in 2016/17

Investments	Balance on 01/04/2016 £m	Movement £m	Balance on 30/03/2017 £m	Avg Rate/Yield (%)
Short term Investments (call accounts etc.)	13	3	16	0.01%
Covered Bonds and Loans	13	(2)	11	1.35%
Money Market Funds	14	(1)	13	0.28%
Other Pooled Funds	22	0	22	3.25%
Other Deposits	13	4	17	0.94%
<b>TOTAL INVESTMENTS</b>	<b>75</b>	<b>4</b>	<b>79</b>	
Increase/ (Decrease) in Investments £m			4	

Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

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

Counterparty credit quality was assessed and monitored with reference to credit ratings (the Council's minimum long-term counterparty rating is A across rating agencies Fitch, S&P and Moody's); for financial institutions analysis of funding structure and susceptibility

to bail-in, credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

Given the increasing risk and falling returns from short-term unsecured bank investments, the Council wants to diversify into higher yielding long term asset classes.

## Treasury Management Outturn 2016/17

## Budget Income and Expenditure

## Treasury Management Outturn Position 2016/17

	2016/17 Budget	2016/17 Outturn	Year End Variance
	£m	£m	£m
Interest Payable	3.060		
LOBO (Lender Option, Borrower Option)		4.378	
PWLB (Public Works Loan Board)		2.550	
Temporary loans		0.409	
Internal Interest		0.119	
Recharge to Departments for Unsupported Borrowing (in accordance with business cases)		(5.025)	
<b>Total Interest Payable</b>	<b>3.060</b>	<b>2.431</b>	<b>(0.629)</b>
Interest Receivable	(1.257)		
CCLA Property Fund		(1.006)	
Money Market Fund		(0.089)	
Deposits		(0.061)	
Other Accounts		(0.105)	
Other External Interest		(0.176)	
<b>Total Interest Receivable</b>	<b>(1.257)</b>	<b>(1.437)</b>	<b>(0.180)</b>
Other Charges			
Debt Management	0.126	0.295	0.169
Amortised Premiums	(0.096)	0.117	0.213
<b>Total Other Charges</b>	<b>0.030</b>	<b>0.412</b>	<b>0.382</b>
<b>Minimum Revenue Provision</b>	<b>2.574</b>	<b>1.853</b>	<b>(0.721)</b>
<b>TOTAL</b>	<b>4.407</b>	<b>3.259</b>	<b>(1.148)</b>

The UK Bank Rate which has been maintained at 0.5% since March 2009 fell in August 2016 to 0.25%. Short-term money market rates have fallen to lower levels. Investments in Money Market Funds generated an average rate of 0.28%. The average cash balances were £19.8m during the year.

The Council's budgeted investment income for the year was £1.257m. The Council's investment outturn for the year was £1.437m.

The Treasury Management budget is held as a subset of the Corporate Items budget with the Council's General Fund. Whilst interest costs are slightly less than the budget there are a number of factors that contribute to the final position. Whilst the Council not only borrows to finance capital expenditure, it also has to maintain a daily net cash surplus position. The costs of borrowing to finance investment to save capital schemes is charged to departments. The figures above include the borrowing implications of decisions to utilise the Asset Investment Fund to acquire assets to earn a revenue return which is accounted for in directorate's budgets.

The MRP differential derived as a consequence of the changes to the MRP financing policy agreed in 2016/17 has been used to offset amortised premiums and the increase in the PFI financing requirements and factored into the overall revenue outturn position to enable the Council to break even at year end.

The TM budget has also benefited from repayment of loans enabling service departments to release back to revenue provisions previously created as the risk of default was considered high.

### **Externally Managed Funds**

The Council also has investments in cash plus bond and property funds which allow the Council to diversify into asset classes other than cash with the need to own and manage the underlying investments. The funds which are operated on a variable net asset value (VNAV) basis offer diversification of investment risk, coupled with the services of a professional fund manager; they also offer enhanced returns over the longer term but are more volatile in the short-term. All of the Council's pooled fund investments are in the respective fund's distributing share class which pay out the income generated.

Although money can be redeemed from the pooled funds at short notice, the Council's intention is to hold them for the medium-term. Their performance and suitability in meeting the Council's investment objectives are monitored regularly and discussed with Arlingclose.

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

In March 2017 the Iceland authorities lifted the restriction of movement of monies from the country. It is hoped that the balances held in Icelandic Krona can be withdrawn in 2017/18 and this is being pursued in partnership with the LGA.

The latest position on the recoveries of monies invested in the Icelandic banks is as follows:

Bank	Original Deposit £m	Balance March 2017 £m
Heritable Bank	3.000	0.060
Glitnir	6.000	1.400
Landsbanki	4.000	0.000
<b>Total</b>	<b>13.000</b>	<b>1.460</b>

### **Compliance with Prudential Indicators**

The Council confirms compliance with its Prudential Indicators for 2016/17, which were set in February 2017.

The Following indicators are set and monitored each year:

- Estimates of Capital Expenditure;
- Estimates of Capital Financing Requirement;
- Gross Debt and the Capital Financing Requirement;
- Operation Boundary for External Debt;
- Authorised Limit for External Debt;
- Ratio of Financing Costs to Net Revenue Stream ;
- Incremental Impact of Capital Investment Decisions.

### **Treasury Management Indicators**

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

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

	2016/17 Limit	2016/17 Actual	Complied
Upper limit on fixed interest rate exposure	210%	69%	✓
Upper limit on variable interest rate exposure	80%	69%	✓

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

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

	Upper Limit	Lower Limit	31.03.2017 Actual	Complied
Under 12 months	100%	0%	50%	✓
12 months and within 24 months	100%	0%	1%	✓
24 months and within 5 years	100%	0%	0%	✓
5 years and within 10 years	100%	0%	0%	✓
10 years and above	100%	0%	49%	✓

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

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

	2016/17	2017/18	2018/19
Limit on principal invested beyond year end	£40m	£35m	£35m
Actual	£0m	£0m	£0m
Complied	✓	✓	✓

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

	Target	Actual	Complied
Portfolio average credit rating	A	AA-	✓

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

	Target	Actual	Complied
Total cash available within 3 months	£15 m	£15m	✓



**Investment Training**

Officers have undergone the following training during the year:

Arlingclose – Review of Minimum Revenue Provision.

Arlingclose – Principles of Treasury Management Workshop.

CCLA – Investments Seminar

CIPFA – Interest rates after Brexit

Arlingclose – Review of Borrowing and Investments.

Arlingclose - Accounts closedown 2016/17.

Grant Thornton - Accounts Workshops for Local Authority Accountants

**Prudential Indicators 2016/17**

The Local Government Act 2003 requires the Council to have regard to CIPFA's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

This report compares the approved indicators with the outturn position for 2016/17. Actual figures have been taken from or prepared on a basis consistent with, the Authority's statement of accounts.

**Capital Expenditure:** The Council's capital expenditure and financing may be summarised as follows.

Capital Expenditure and Financing	2016/17 Estimate £m	2016/17 Actual £m	Difference £m
General Fund	104.910	90.423	14.487
<b>Total Expenditure</b>	<b>104.910</b>	<b>90.423</b>	<b>14.487</b>
Capital Receipts	8.510	1.216	-7.294
Grants & Contributions	48.080	38.428	-9.652
Reserves	0.0	0	0
Revenue	2.590	0.340	-2.250
Borrowing	45.730	50.439	4.709
Leasing and PFI	0	0	0
<b>Total Financing</b>	<b>104.910</b>	<b>90.423</b>	<b>14.487</b>

**Capital Financing Requirement:** The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.17 Estimate £m	31.03.17 Actual £m	Difference £m
General Fund	329.230	357.065	27.835
<b>Total CFR</b>	<b>329.230</b>	<b>357.065</b>	<b>27.835</b>

The CFR rose by £28m capital expenditure financed by debt outweighs resources put aside for debt repayment.

The increase in CFR shows that the Council is increasing its borrowing to pay for capital expenditure in the city.

**Gross Debt and the Capital Financing Requirement:** In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Actual Debt: The Council's actual debt at 31 March 2017 was as follows:

Debt	31.03.16 Estimate £m	31.03.17 Actual £m	Difference £m
Borrowing	288	287	(1)
PFI liabilities & other Finance leases	125	113	(12)
<b>Total Debt</b>	<b>413</b>	<b>400</b>	<b>(13)</b>

Total debt is expected to remain below the CFR during the forecast period.

The actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt, below.

**Operational Boundary for External Debt:** The operational boundary is based on the Council's estimate of most likely (i.e. prudent, but not worst case) scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Council's debt.

Operational Boundary	31.03.17 Boundary £m	31.03.17 Actual Debt £m	Complied
Borrowing	350	287	✓
Other long-term liabilities	140	113	✓
<b>Total Debt</b>	<b>490</b>	<b>400</b>	✓

**Authorised Limit for External Debt:** The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003

It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	31.03.17 Boundary £m	31.03.17 Actual Debt £m	Complied
Borrowing	400	287	✓
Other long-term liabilities	160	113	✓
<b>Total Debt</b>	<b>560</b>	<b>400</b>	✓

**Ratio of Financing Costs to Net Revenue Stream:** This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2016/17 Estimate %	2017/18 Actual %	Difference %
General Fund	<b>4.95%</b>	1.75%	3.20%

#### Recommendations

1. To note the Treasury Management Annual Report 2016/17.
2. To refer the Treasury Management Annual Report 2016/17 to Council for approval.

**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	Corporate Fraud Team – Annual Report
<b>Committee:</b>	Audit Committee
<b>Date:</b>	29 June 2017
<b>Cabinet Member:</b>	Councillor Darcy
<b>CMT Member:</b>	Andrew Hardingham (Interim Joint Strategic Director for Transformation & Change)
<b>Author:</b>	Ken Johnson, Corporate Fraud Team Manager
<b>Contact details</b>	Tel: 01752 307625 email: ken.johnson@plymouth.gov.uk
<b>Ref:</b>	AS/CFT
<b>Key Decision:</b>	No
<b>Part:</b>	I

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**Purpose of the report:**

This report summarises the work carried out since 2015 of the Corporate Fraud Team in order to counter fraudulent threats to the Council's budget and reputation.

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**The Corporate Plan 2016 - 19:**

Maintaining sound systems of internal control and protecting the public purse ensures that those who legitimately need the support and services of the Council get it and therefore benefits achievement of corporate and service objectives.

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

None arising specifically from this report.

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

The Corporate Fraud Team specifically support the council's overall governance arrangements

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**Equality and Diversity**

Has an Equality Impact Assessment been undertaken? Not required.

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**Recommendations and Reasons for recommended action:**

The Audit Committee is recommended to note the Annual Report.

**Alternative options considered and rejected:**

Effective counter fraud 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:**

Protecting the English Public Purse 2016 published by The European Institute for Combatting Corruption and Fraud (TEICCF).

**Background papers:**

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

**Sign off:** Councillor Darcy

Fin	PI1718. 48	Leg	DVS2 8369	Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member , Interim Joint Strategic Director for Transformation & Change													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

## **1.0 Introduction**

- 1.1** Fraud encompasses an array of irregularities and illegal acts characterised by intentional deception with intent to make a gain or cause a loss, or to expose another to a risk of loss. It can be perpetrated for the benefit of an individual or to the detriment of Plymouth City Council and by persons outside as well as inside the Council.
- 1.2** Plymouth City Council's Corporate Fraud Team is the only fully qualified investigation team left in the Devon area.

## **2.0 Background**

- 2.1** Plymouth City Council's Corporate Fraud Team was established in June 2014 and consisted of individuals who were previously the Benefit Fraud Team situated within Revenues and Benefits in the Customer Services Department.
- 2.2** It was felt by senior managers that the Corporate Fraud function was of value in protecting other areas of the Council's business and this decision was made easier as the Benefit Fraud Team had already started diversifying into other areas such as Blue Badge and Social Housing fraud.

## **3.0 Areas of Fraud Investigation**

- 3.1** As part of its ongoing commitment to countering fraud in the Plymouth and surrounding area, the Corporate Fraud Team has undertaken investigations in the following areas:
- Council Tax Support
  - Blue Badge misuse
  - Social Housing Fraud (involving our partner Registered Social Landlords)
  - Insurance fraud
  - Bus pass misuse
  - Parking Permit selling
  - Direct Payment Scheme in Adult Social Care
  - Non-domestic rates
  - Internal cases

- 3.2** Counter fraud work is notoriously difficult to effectively and accurately quantify due to the nature of the offences. We may never know exactly how much money the detection of fraud has saved the Authority as many of the fraudulent activities listed above could have continued over a period of time.

- 3.3** The Corporate Fraud Team will continue to work closely with all departments to ensure that fraud risks are minimised and wherever possible those found committing offences are dealt with.

## **4.0 Achievements**

- 4.1** We have had some positive prosecution results which are detailed in Appendix A of this report.
- 4.2** The Team organised and ran a very successful Devon Social Housing Fraud project from start to finish in December 2015, quadrupling the initial investment of £200k obtained from the Department for Communities and Local Government in non-cashable savings.

- 4.3** The Corporate Fraud Team are in the process of commercialisation and are offering their professional services to other Local Authorities and partners in an attempt to generate income for the Council as well as achieving savings along the way.
- 4.4** In order to market our services and showcase our capability a fraud awareness event “Being Honest About Fraud” took place on 18 July 2016. This event was organised to highlight the following:
- Size and the potential fraud issues in the Public Sector in the South West;
  - Progress the proposal of setting up a “South West Peninsula Fraud Hub”, by involving all interested parties from around the region;
  - Showcase our capability in being able to deal with Devon’s issues around combatting fraud;
  - Highlight the lack of counter fraud capability in the rest of Devon;
  - Offer our commercial services for a complete “Anti-Fraud Service” to our fellow Local; Authorities and their partners in Devon at a cheaper rate than they can do it for themselves.
- 4.5** Delegates were present from Cornwall Council, East Devon District Council, Devon Audit Partnership, NHS Fraud Team SW, Torbay Council, Exeter City Council, Teignbridge District Council, South Hams and West Devon District Council, Devon and Cornwall Police, Plymouth Community Homes, Westward Housing Association, Teign Housing Association and Devon and Cornwall Housing Association.
- 4.6** The formal feedback response was very encouraging with the overwhelming majority of delegates marking the event as ‘good or ‘very good’. Most have also declared that they would like to be involved in setting up the ‘South West Peninsula Fraud Hub’ with us and would be interested in finding out more about the services that we can offer.
- 5.0 Focus for 2017/18**
- 5.1** The following areas of work will be the focus for the coming year:
- Creation of a compulsory eLearning package to raise fraud awareness throughout the Council to be included in the induction process for new staff;
  - Implementation of new Counter Fraud Policy and Strategy;
  - Presentation for Team Plymouth to maximise awareness of fraud issues to senior management;
  - Pursue commercial opportunities to sell fraud investigation services to other public bodies;
  - Work towards formal accreditation of the Corporate Fraud Team (ISO9002);
  - Undertake formal risk assessment of all Council business to establish high risk areas and areas of quick win, cost savings in conjunction with Devon Audit Partnership;
  - Maximise ongoing publicity.
- 6.0 Conclusion**
- 6.1** Organisational reputational damage should not be overlooked nor the effect on public confidence when attempting to measure the effectiveness of a counter fraud capability.



- 6.2** Plymouth City Council can take pride in the fact that the majority of its citizens fully support the use of a Corporate Fraud Team, this has been evident in all contact that the team have had with the public, even with the majority of those being investigated.
- 6.3** The problem of fraud is a large one, which is constantly changing and evolving. The Corporate Fraud Team is committed to the challenge and will endeavour to ensure that Plymouth City Council's services are given to those who genuinely need them.
- 6.4** The Corporate Fraud Team will continue to adapt flexibly to any and all future fraudulent threats and look to lead the South West Peninsula in combatting fraud.
- 6.5** A full report will be presented to the next meeting of this Committee giving more detailed information on the type and costs of fraud investigated, including information on the scale and cost of fraud nationally.
- 7. Recommendation**
- 7.1** It is recommended that the Audit Committee note the Annual Report.

**PLYMOUTH CORPORATE FRAUD TEAM PROSECUTION CASE STUDIES****1. Taunton Crown Court 06.07.15**

Our part in this case was for over £4k Council Tax Support overpayment and was a small part in a very large picture of dishonesty and crime. Due to the Council's and DWP's co-operation with Devon and Cornwall Police, the individuals concerned have criminal offences on their record. The lead investigators in this case all showed great cross working ability between stakeholders.

Sentencing:

Mr M was sentenced to 22 months imprisonment (to run concurrently with a drugs conviction of 18 years);

Ms B was sentenced to 12 months imprisonment (suspended for 18 months) and home curfew on tag for 4 months.

**2. Plymouth Magistrates Court 28.08.15**

This case involved the Social Housing Fraud Team who forms part of the Corporate Fraud Team in Plymouth. On this occasion Plymouth brought the prosecution as part of its work with the Devon Social Housing Fraud Forum which is made up of other local authorities and social landlords in Devon to tackle tenancy fraud. Although this particular case involves a defendant and offences in Exeter who illegally sublet his local authority council flat when he was living elsewhere, Plymouth takes the lead in prosecuting housing fraud in Devon.

Sentencing:

Mr R was fined £100 per offence, a victim surcharge of £20 and prosecution costs of £450, making £610 in total.

**3. Plymouth Magistrates Court 18.09.15**

Miss N committed an offence on 01.10.14 by using a disabled persons blue badge to obtain free parking in Tavistock Place. The blue badge belonged to her father in law who had died 12 months previously.

Sentencing:

Miss N pleaded guilty to the Fraud Act offence and was given a 12 month conditional discharge and ordered to pay £200 towards costs.

**4. Plymouth Magistrates Court 11.12.15**

Ms H received an overpayment of housing benefit totalling £18,704.93 by dishonestly failing to report a change in her household which she knew affected her benefit entitlement over 10 years.

Sentencing:

Ms H admitted the offences and was sentenced to 16 weeks imprisonment, suspended for 12 months, a £80 victim surcharge and the Council were awarded £450 costs.

### **5. Plymouth Magistrates Court 22.01.16**

As part of our ongoing casework for the Devon Social Housing Fraud Group, we received an allegation that Mrs A was subletting her home in connection with the boyfriend's bed and breakfast business in the Teign area of Devon.

Sentencing:

Mrs A pleaded guilty and was prosecuted for 2 charges contrary to the Housing Act Section 171 and sentenced to a fine of £800, Council court costs of £450 and victim surcharge of £40 totalling a fine of £1,290. The property has been returned to Teign Housing and will be re-let.

### **6. Plymouth Magistrates Court 12.02.16**

Mr S lied by stating that he had no recent criminal convictions in order to obtain a Social Housing property when, amongst others, he had a string of recent criminal convictions for possession of drugs

Sentencing:

Mr S pleaded guilty and was sentenced to 120 hours unpaid work to be completed within 12 months, £450 costs and £60 victim surcharge.

### **7. Plymouth Magistrates Court 10.06.16.**

Mr T, Concessionary Bus Travel misuse.

This person used a vulnerable elderly ladies concessionary bus pass to obtain free bus travel on at least 5 occasions. Although the cost to PCC was not large, the nature of the offence required serious action. PCC spends millions of pounds every year to enable some of the most vulnerable in our society to be able to maintain their independence and mobility and this was a flagrant attack on this initiative. This case has also resulted in many more cases being highlighted and actioned. This sort of prosecution is a first outside of London to our knowledge.

Sentencing:

Fine £40, costs: £50 and victim surcharge £20.

### **8. Plymouth Magistrates Court 29.11.16.**

Mr R, Blue Badge Fraud

The offender in this case used his father Blue Badge in order to park in the centre of Plymouth to go to when his father had died 12 months prior. He admitted to misusing his late father's Blue Badge in this way on previous occasions. He admitted that he had acted dishonestly and knew that what he was doing was wrong.

Sentencing:

£80 fine, £20 victim surcharge and prosecution costs of £450 for PCC making a total of £550. It was also confirmed in the court that Mr R would be dismissed from his employment in a professional firm in Plymouth and that he would also have to stand down as a Scout Leader in Dartmouth where he lived.

### **9. Plymouth Magistrates Court 04.01.17**

Mr K, Social Housing Fraud – Illegal sublet.

Lived and worked in Manchester for 3 years whilst subletting a local social housing property to more than one acquaintance during that time.

Mr K had even applied for 'Right to Buy' which was stopped as a result of the investigation. He stood to get a £50k plus discount in line with his application.

He had been dishonest in his multiple approaches to PCC and Manchester CC and had stated that he didn't understand, however, the inaccuracies only occurred when the situation benefited him and not at any other time.

Sentencing:

A fine of £440 a victim surcharge of £44 and prosecution costs of £100 for PCC, making £584 in total.

### **10. Plymouth Magistrates Court 20.02.17.**

Miss S, Social Housing Fraud – Withholding information and making false statements in order to obtain a property when she was not entitled.

She failed to declare to Plymouth City Council when making a homeless application that she was being evicted for rent arrears in excess of £500 at her previous address, she was given emergency accommodation when she knew that she was clearly not entitled to this assistance which eventually cost PCC around £7,500. She also stopped someone else with a legitimate entitlement being housed. Miss S maintained until the court date that it was everyone else fault, however pleaded guilty on the day and was sentenced.

The magistrate stated "You have defrauded PCC a significant amount of money- clearly with this intention from the start."

Sentencing:

Fine of £255 a victim surcharge of £25 and prosecution costs for PCC of £450, making £730 in total.

**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	Surveillance, Covert Activities, and the Regulation of Investigatory Powers Act 2000 (RIPA)
<b>Committee:</b>	Audit Committee
<b>Date:</b>	29 June 2017
<b>Cabinet Member:</b>	Cllr Patrick Nicholson
<b>CMT Member:</b>	Andrew Hardingham Interim Joint Strategic Director for Transformation and Change
<b>Author:</b>	Alex Fry Trading Standards Manager
<b>Contact details</b>	Tel: 01752 304147 email: alex.fry@plymouth.gov.uk
<b>Ref:</b>	RIPA Annual Report 2016/17
<b>Key Decision:</b>	No
<b>Part:</b>	I

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**Purpose of the report:**

Surveillance is a tool that may be required for the Council to fulfil its obligations to investigate crime, prevent disorder, recover debt, protect the public and establish the facts about situations for which the Council has responsibility.

Staff may consider that it is appropriate to undertake covert activities that result in the subject of enquires being unaware that their actions are being monitored, or enquires are being undertaken without their knowledge. However, covert activities compromise an individual's 'right to privacy', so the use of a covert activity must be lawful, necessary and proportionate in order to comply with the Human Rights Act. Examples of the Council's use of covert surveillance are listed in Appendix A.

This report informs Members about the steps being taken to ensure that the Council is compliant in respect of covert activities.

Audit Committee are requested to accept the Surveillance and Covert Activities Policy.

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**The Corporate Plan 2016 - 19:**

This report is relevant to the Corporate Plan Values of being democratic, responsible and fair. Undertaking covert activities contributes to the corporate vision by reducing crime, helping to ensure residents are happy and healthy and helping to ensure economic growth is not jeopardised through unfair or illegal activity.

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

There are no significant implications for the medium term financial plan as the undertaking of surveillance and covert activities is a departmental casework related process. There is not a specific budget cost code and all costs are subsumed within service team budgets. Thus any equipment that is required is obtained through current budgets.

However in order to ensure compliance with the requirements of the HRA and other relevant legislation; sufficient trained managers and staff are required to be available and the resourcing of specialist staff role profiles must be incorporated into Directorate action plans.

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

- Child Poverty - none.
  - Community Safety - the purpose of the surveillance tool is to promote community safety, prevent crime and disorder, undertake fraud investigation and provide environmental protection.
  - Health and Safety - in particular the use of CCTV can promote safety, but officers undertaking surveillance are potentially at risk.
  - Risk Management - there is the possibility of loss of reputation and monetary penalties for the Council, through surveillance breaching privacy and that evidence obtained for an investigation will not be accepted. However, complying with RIPA prevents the Council breaching its obligations under the Human Rights Act and associated legislation; as well as enabling the product of surveillance to be used in accordance with the requirements of legislation and good practice.
- 

### **Equality and Diversity**

Has an Equality Impact Assessment been undertaken? No, due to the low use of surveillance.

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### **Recommendations and Reasons for recommended action:**

Council are required to be informed about the use of covert surveillance by staff when conducting investigations and to agree a policy.

Members are requested to acknowledge that covert activities can be a necessary and proportionate response for achieving the Council's objectives through approval of the Surveillance and Covert Activities Policy; which allows covert activities to be deployed where necessary and proportionate, under the control of a good practice process based on the Regulation of Investigatory Powers Act requirements.

The report informs members about covert surveillance that has taken place, changes to legislation since the last report and the steps being taken to ensure that the Council is compliant in respect of covert activities.

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### **Alternative options considered and rejected:**

The alternative option is for Members to limit the option for Officers to use surveillance as an investigatory tool by:

- a) deciding that Officers will not undertake surveillance or covert activities on behalf of the Council, or
- b) Officers may only use covert activities when a serious crime is being investigated.

This option is rejected as the oversight Commissioners have not found Officers to be irresponsible, the Council has only initiated necessary investigations and has always been proportionate in its use of covert activities.

Thus Officers have been found to have the expertise to deploy the available powers appropriately and to now limit the use of surveillance would have a detrimental impact on Officers ability to undertake investigations in order to fulfil responsibilities of the Council.

**Published work / information:**

Home Office explanation to Local Authorities of the current arrangements for using directed covert surveillance to obtain evidence for an investigation of a serious crime, the underage sale of alcohol and tobacco and the acquisition of the less intrusive types of communications data: service use and subscriber information.

Statutory codes of practice which staff must implement are available

The OSC and IOCCO inspection reports are available on the Council's RIPA webpage.

**Background papers:**

Title	Part I	Part II	Exemption Paragraph Number							
			1	2	3	4	5	6	7	
RIPA Authorising Managers List (not for public distribution) <a href="http://documentlibrary.plymcc.local/documents/RIPA_Authorising_Managers_internal_list.pdf">http://documentlibrary.plymcc.local/documents/RIPA_Authorising_Managers_internal_list.pdf</a>										
Surveillance & Covert Activities Policy <a href="http://documentlibrary.plymcc.local/documents/Covert_Activities_and_Surveillance_Policy.pdf">http://documentlibrary.plymcc.local/documents/Covert_Activities_and_Surveillance_Policy.pdf</a>										

**Sign off:**

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

## **I Introduction**

- 1.1 The last annual report was submitted in June 2016.
- 1.2 There have been no Interception of Communication Commissioner (ICC) or Office of Surveillance Commissioners (OSC) Inspections since the last report.
- 1.3 All the recommendations from the last OSC 2015 Inspection report were implemented and detailed in the last Audit Committee Report.
- 1.4 The 2015 OCS report has since been published on the PCC RIPA webpage.
- 1.5 The Surveillance & Covert Activities policy is submitted for approval.
- 1.4 Neither the ICC or OSC have notified the Council of any future inspection.

## **2.0 Use of Surveillance and covert activity since last report**

- 2.1 The Policy provides for staff to undertake authorised investigations to enforce legislation. These authorised covert activities are intended to confirm or identify who has been involved in a crime, what has taken place and when events have taken place.
- 2.2 Legislative changes in 2012 introduced a judicial approval process for all Local Authority RIPA applications. Since then after internal authorisation, the Local Authority must seek judicial approval for their RIPA Authorisation. Approval will only be given if the statutory tests have been met and the application is necessary and proportionate. Further, Local Authorities can now only apply for authorisation for directed surveillance under RIPA in connection with investigating offences that are punishable by a maximum term of 6 months imprisonment or are related to the underage sale of alcohol or tobacco.
- 2.2 There have been no applications or authorisations under RIPA since the last report.

## **3.0 Legislative changes**

- 3.1 There have been no changes in the relevant RIPA legislation since the last report.

## **4.0 Training**

- 4.1 Since the last report there have been a number of changes in Authorising Officers and the Senior Responsible Officer. The Authorising Managers List has been amended to reflect that.
- 4.2 On-Line RIPA Introduction training has been provided for the new authorising managers, Public Protection Service Managers and officers from Legal Services. Face to Face RIPA training in conjunction with Devon County Council is currently being arranged for relevant officers.



## **Appendix A: Examples of Surveillance in operation:**

RIPA was enacted to provide an accredited process to follow by any crime investigating agency (including the Council) when there was likely to be an interference with a person's 'right to privacy' under Human Rights Act Article 8 (HRA).

An authorisation made in accordance with RIPA is a statutory defence against an allegation that the Council has contravened the HRA.

### **Fraud Investigation:**

Sometimes facts about a claim for benefit payments are called into question and to assist the gathering of evidence about a person's relationships or activities, the Investigating Officer may need to covertly observe a person's contacts and work activities.

### **Public Protection:**

Investigating whether goods or services are being obtained or sold within the relevant legislation, may involve obtaining details about traders and their activities, which they have not made public.

- The Trading Standards service is currently the only Council service team who seek authorisations under RIPA to progress criminal investigations.

### **Anti-Social Behaviour Unit:**

In order to obtain evidence of any person engaging in activities that disrupt other individuals, when witnesses are reluctant to come forward, there may be a need to undertake covert filming of the anti-social behaviour, to provide evidence for a Court.

- However all evidence gathering is currently covert, due to cooperation from local communities and the use of BWV is verbally announced.
- Any video or CCTV held by the Council can be requested by the person who has been filmed in line with the Data Protection Act.

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**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	Internal Audit – Annual Report
<b>Committee:</b>	Audit Committee
<b>Date:</b>	29 June 2017
<b>Cabinet Member:</b>	Councillor Darcy
<b>CMT Member:</b>	Andrew Hardingham (Interim Joint Strategic Director Transformation & Change)
<b>Author:</b>	Robert Hutchins, Head of Devon Audit Partnership
<b>Contact details:</b>	Tel: 01752 306710
<b>Ref:</b>	AUD/RH
<b>Key Decision:</b>	No
<b>Part:</b>	1

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**Purpose of the report:**

This report summarises the work undertaken by Devon Audit Partnership during 2016/17, reviews the performance and effectiveness of the Internal Audit service, and provides an audit opinion on the adequacy of internal control. Our work has provided objective and relevant assurance and contributed to the effectiveness and efficiency of the governance, risk management and internal control processes.

Our Annual report is particularly relevant, to the preparation of the Authority's Annual Governance Statement which is required under the Accounts and Audit (England) Regulation 2015.

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**The 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.

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

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

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**Equality and Diversity:**

Has an Equality Impact Assessment been undertaken? Not required.

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**Recommendations and Reasons for recommended action:**

It is recommended that:-

1. The Audit Committee note that overall and based on work performed during 2016/17, and that of our experience from previous year's audit, the Head of Internal Audit's Opinion is of "Significant Assurance" on the adequacy and effectiveness of the Authority's internal control framework.
  2. Members note the performance and achievements of the Internal Audit Team during 2016/17.
- 

**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.

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**Published work / information:**

Internal Audit Annual Plan 2016/17 – March 2016

**Background papers:**

None

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**Sign off:**

Fin	CMT 13.3.17	Leg		Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member: Andrew Hardingham, Interim Joint Strategic Director Transformation & Change													
Has the Cabinet Member(s) agreed the content of the report?													



devon **audit** partnership

Internal Audit

Annual Audit Report 2016-17

Plymouth City Council  
Audit Committee

June 2017

Page 121

Robert Hutchins  
Head of Audit Partnership



Auditing for achievement

## Introduction

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

The Accounts and Audit (Amendment) (England) Regulations 2015 introduced the requirement that all Authorities need to carry out an annual review of the effectiveness of their internal audit system, and need to incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The Internal Audit plan for 2016/17 was presented and approved by the Audit Committee in March 2016. The following report and appendices set out the background to audit service provision; a review of work undertaken in 2016/17, and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

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

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

Audit Committee members are requested to consider:

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

In review of the above the Audit Committee are required to consider the assurance provided alongside that of the Executive, Corporate Risk Management and external assurance including that of the External Auditor as part of the Governance Framework (see appendix 1) and satisfy themselves from this assurance for signing the Annual Governance Statement.

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

Contents	Page
Introduction	1
Opinion Statement	2
Value Added	3
Audit Coverage & Progress Against Plan	4
Summary Audit Results	5
Fraud	7
Audit Standards & Customer Delivery	8
<b>Appendices</b>	
1 – AGS Assurance Framework	9
2 – Basis for Opinion	10
3 – Audit Authority	11
4 – Summary of Audit Reports & Findings	12
5 – Performance Indicators	23
6 – Customer Service Excellence	24

# Opinion Statement

This statement of opinion is underpinned by :

**Overall, based on work performed during 2016/17 and our experience from the current year progress and previous years' audit, the Head of Internal Audit's Opinion is of "Significant Assurance" on the adequacy and effectiveness of the Authority's internal control framework.**

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

Internal Audit assesses whether key, and other, controls are operating satisfactorily within audit reviews, and an opinion on the adequacy of controls is provided to management as part of the audit report. All final audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified. Implementation of action plans is the responsibility of management yet may be reviewed during subsequent audits or as part of a specific follow-up process.

Directors have been provided with details of Internal Audit's opinion on each audit review to assist them with compilation of their individual annual governance assurance statements. If significant weaknesses have been identified in specific areas, these have been considered by the Authority in preparing its Annual Governance Statement which will be accompany the published Statement of Accounts for 2016/17.

Performance against plan is generally as expected. Changes have been agreed with management, with resources targeted to support the changes in a continually evolving organisation. Further explanation is provided in the sections on Basis for Opinion, see appendix 2.

## Internal Control Framework

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

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

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

## Risk Management

Risk management is utilised widely across the Council and monitored by officers & through to members. The creation of the new Integrated Assurance Service will result in risk management being more formally aligned and working alongside other compliance functions and corporate governance processes to promote a joined-up approach to all aspects of governance.

## Governance Arrangements

Work continued within Social Care / Health integration with Audit being a member of the Finance & Assurance Review Group (FARG), focussed around governance, finance and risk framework. We have considered governance in several areas inc. that of an Intelligent Client Function for commissioned services including the new Highways Maintenance contract.

## Performance Management

The strategy is key to the successful delivery of services and is established for 'business as usual' and transformation programmes. Regular reporting to management, leadership team and the Council should ensure effective performance management. This is of particular importance as the Council develops new ways of working.

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

## Value Added

We know that it is important that the internal audit service seeks to "add value" whenever it can and we believe internal audit activity has added value to the organisation and its stakeholders by:

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

We trust that officers have found our engagement, support as a "trusted advisor" effective and constructive in these significantly changing times.

Detailed below is some of the feedback received from those audited during 2016/17.

## Transformation and Change

The Corporate Information Management review was delivered with complete professionalism backed by a high level of subject knowledge and an evident passion and commitment to improving our information governance resilience. The findings of the audit and delivery of the resultant action plans will be key to the achievement of improved information governance resilience for the Council.

Audit worked with the Treasury Management team so that it did not disrupt the daily cash transactions. Talking through some of the processes and looking at ways to change things was a good way to take a step back and review some of the processes. Audit also looked at stopping doing some things if it did not add to the process or if the information was not being used.

Audit's involvement in system improvements within HR attracted the following comments "there are huge benefits getting Audit involved, challenging us on why we do things the way we do. We are looking to streamline and simplify our processes to improve customer satisfaction. The work being done now will help us resolve some technical problems which are on our risk register. Resolving those issues will enable us to move forward confidently with the knowledge that we have undertaken all reasonable steps to manage those risks."

## Place

The Planning Service found the audit review helpful and rewarding and that it "identified key issues and made relevant recommendations which were likely to secure the greatest benefits to the Council and its customers in terms of

planning compliance activities." They felt that it would help them to be "better organised and work more systematically, with improved performance monitoring built in, to secure improved services."

Continued support, advice and challenge on the contract management arrangements relating to the South West Devon Waste Partnership, to ensure that the City Council's interests are protected;

Audit's participation in the Highways Maintenance (HM17) project has contributed to ensuring that the final outcome was reached correctly by following best practice and the processes published in the tender documentation. This included involvement in the design of the evaluation process, the checking of key documents and the monitoring of the moderation process.

## People

The auditor involved is "always great to work with and has a way of getting to the heart of issues but also being very solution focussed. She does a great job in holding us to account in a way that doesn't feel confrontational."

"Very helpful report" and the auditor "helped with brokering the final action plan between ourselves and commissioning."

"The team provided us with support with an external provider when we raised a concern and requested input. Their expertise, approach and support were extremely helpful."

Audit have "provided additional capacity in terms of our skill set and made positive suggestions for service improvement."

"I always value the input from DAP as partners working to ensure we meet our goals and provide the best value for money."

"I value the input throughout a project and the strategic support."

## Schools

The Partnership has supported the School Health Check process through the provision of internal audit performance data providing a greater focus on schools causing concern in the wider control environment. The result of our input has been the intervention and review of schools by internal audit follow-up audits, governor support and school improvement to raise standards. The culmination of this work has lifted the performance of these schools with the exception of our DBS dip test on the single central record which, for the sample, showed insufficient checks and evidence maintained.

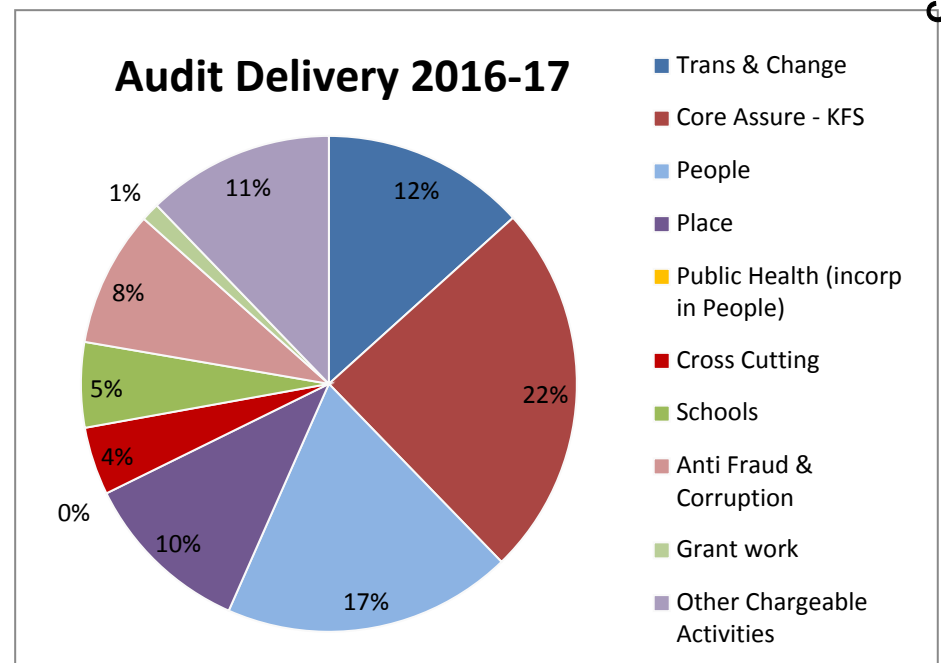
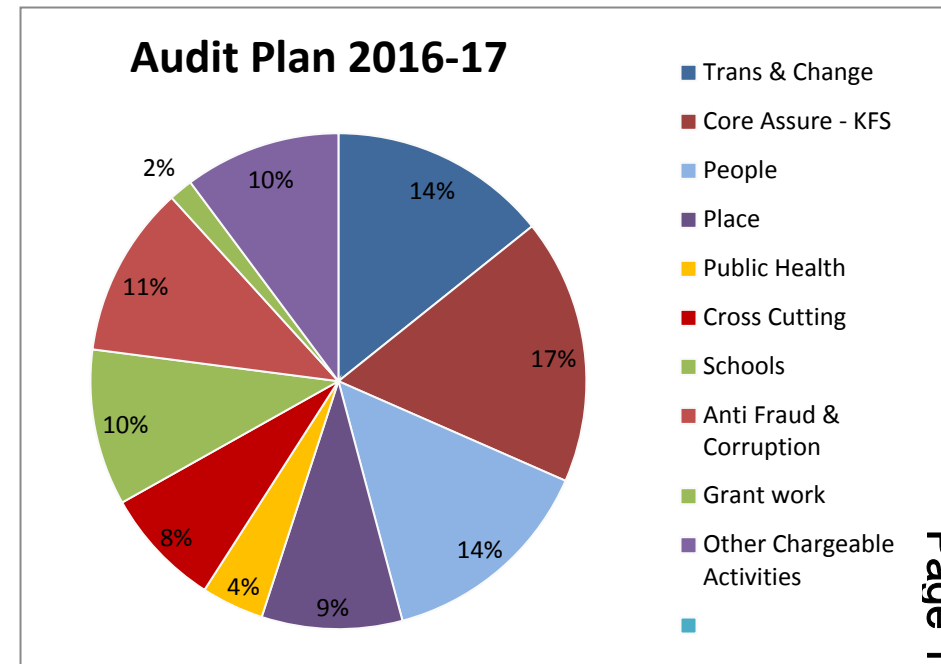


## Audit Coverage and Performance Against Plan

The pie charts right shows the breakdown of audit days planned by service area / type of audit support provided. The balance of work has varied during the year as can be seen from comparison with the second chart. Variations have been with the agreement of the client.

Appendix 4 to this report provides a summary of the audits undertaken during 2016/17, along with our assurance opinion. Where a “high” or “good” standard of audit opinion has been provided we can confirm that, overall, sound controls are in place to mitigate exposure to risks identified; where an opinion of “improvement required” has been provided then issues were identified during the audit process that required attention. We have provided a summary of some of the key issues reported that are being addressed by management. It should be pointed out that we are content that management are appropriately addressing these issues.

Appendix 5 shows the performance indicators for audit delivery in 2016/17 against the revised audit plan. It will be noticed that there was a small variation in the total number of audit days provided during the year. When we prepare our plans we make an educated assessment of the number of days that an audit is likely to take. When the fieldwork is actually completed there is inevitably a variance from the planned days. In addition we provide an allowance for work on areas such as fraud and corruption; in some years the requirement will exceed the planned budget and in others the need for our resource will be less than planned. It should also be noted that some audits required a richer mix of staff resource due to the complexity / sensitivity of the area under review.



## Summary audit results

### Transformation and Change

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

We had previously highlighted that “system ownership and control roles” for the Business Rates system were unclear and are pleased to report that the Service Improvement team within Customer Services now have responsibility for system administration processes, including daily income reconciliations. Business Rates income collection for 2016/17 is 99.1%.

More robust quality assurance (QA) procedures have been developed within Housing Benefits and where errors are identified, the service now instigates training to address individual gaps in knowledge. In order to continue to improve, the service should utilise the information arising from the QA procedures to formally identify possible trends across the service and deliver a co-ordinated awareness programme.

The ICT processes common to all key financial systems were reviewed for the first time since the foundation of Delt Shared Services and found to be of a good standard.

‘Cyber Security’ is currently receiving a high level of exposure from the Government and mainstream media. It is pleasing to report that the first audit review of the Council’s cyber security found controls were of a good standard when measured against the Government’s Cyber Essentials scheme.

### People & Public Health

The processes and guidance in place for Residential Care Payments were found to be effective with recovery action being taken in respect of any overpayment; work is being undertaken to improve links between CareFirst Dashboard and General Ledger to enhance reporting.

The Council has taken substantial steps in respect of its ability to ensure that clients receiving adult social care are financially assessed, and in turn made aware of their responsibility to contribute to their care. Financial assessments are underpinned by the Council's Fairer Charging Policy which was found to conform to national legislation and guidance. Full Council has enacted the 2% Council Tax levy as announced by the Government in November 2015.

Domiciliary care providers are effectively monitored via quarterly contract meetings and the weekly review of dashboards by the Commissioning Officer. The use by Brokerage of the “new services” report, rather than creating paper lists to record changes to packages, would further strengthen and streamline the system

The key risks within this area are linked to the ongoing evolution of the integration with health and social care partners, as success in this area will continue to improve services, drive efficiency and allow more controlled management of reductions in funding levels.

Direct Payments continues to be highlighted as an area where, despite the progress made, improvements are still required, and these requirements have been identified and recorded in an updated action plan.

## People & Public Health (continued)

Our review of the “Wellbeing” commissioning strategy concluded that the creation process had been robust, was based on sound assessments of need and the resulting actions appeared feasible and realistic. Systems and processes have been developed to deliver the actions, with monitoring taking place at a number of levels and to a cross section of audiences; the hierarchy of information included a System Performance Scorecard and Highlight Report. Whilst a number of measures have been identified which will show movement within the system over the long term, there was scope to introduce and report more short term measures to support decision making. The use of the Integrated Commissioning System Design Group (SDG) to feed into and shape the delivery of Strategy actions is considered a strength within the overall process.

## Place

The Council is fortunate to have well qualified and experienced staff involved in organising Council events. However, the demands placed upon them, particularly during the lead up to, and during major events, does pose a risk in respect of the team’s resilience. This risk has been acknowledged by the team who are keen to explore a potential solution which could see the Events team utilise existing skillsets and knowledge from staff across the Council.

Exemptions to Contract Standing Orders raised late by those responsible for delivering major Council events also pose a risk in respect of the delay in confirmation of costs and afford approving officers little time for challenge and scrutiny. The Events team are working closely with Procurement to reduce such occurrences.

DAP provided support and challenge to those tasked with procuring the new Highways Maintenance contract jointly with Devon County Council. This involved the review of tender documentation, evaluation and pricing models and presence at bid evaluation moderation sessions. Audit then validated evaluation scores, pricing models and “relative merits” prior to the selection of a preferred bidder and contract award, to ensure that a consistent and fair approach was followed throughout. Audit continued to support the project during the subsequent mobilisation phase.

## Place (continued)

Following the commencement of the new Highways Maintenance contract with South West Highways, Audit have been asked to continue to provide “Trusted Advisor” support and assurance during its first year of operation.

## Schools

Our overall opinion is one of ‘Good Standard’. In general, the systems and controls in schools mitigate the risks identified in many areas. However, there are risks exposed in key areas which reduce overall assurance.

The key matters arising from the audits are the:

- Single Central Record
- Publication of information on the governing body
- Publication of Pupil Premium information
- Business Continuity / Disaster Recovery Plan

The key matters on the single central record (Disclosure and Baring) is that of insufficient records of checks and supporting evidence, in the sample review, to conform with DfE guidance Keeping Children Safe in Education.

The recommendations made, in other areas, serve to strengthen what are reasonably reliable procedures.

The Schools Financial Value Standard (SFVS) is an established tool for maintained schools to self-assess their financial management. The responsibility for it’s preparation lies with the Headteacher and financial support staff, though formal responsibility rests with school governors.

Of the 41 maintained Plymouth schools (as at 31 March 2017), 40 submitted their 2016/17 signed self-assessment by the due date. The one school that did not make a submission was exempted because an Academy Order was in place.

Internal audit arrangements for Plymouth maintained schools are for a planned visit every three years. All of the 2016-17 school audits included a review of their latest SFVS submission and assurance can be provided that we were able to agree with the judgements made by each of those schools in their self-assessments.

## Fraud Prevention and Detection

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. The Cabinet Office runs a national data matching exercise, The National Fraud Initiative (NFI), every two years. For the 2016/17 exercise, DAP co-ordinated the extract of relevant datasets, as defined by the Cabinet Office, from a range of Council systems. Departments supplied their datasets and these were uploaded onto the NFI secure website. The subsequent matching reports were received back from the Cabinet Office in February 2017 and these are currently being reviewed, either by DAP, or provided to relevant departments for their investigation.

DAP have continued to liaise with the Council's Corporate Fraud Team, to exchange information and knowledge.

**Irregularities** - During 2016/17, DAP has carried out or assisted in five investigations within the Authority. Analysis of the types of investigation and the number undertaken shows the following:-

Issue	Number
IT Misuse	2
Poor Procedures	3

Four of these 5 reviews were reported in our half year report to Audit Committee in December 2016.

DAP were also asked to review the Council's response to an LGO investigation and report with a view to assessing how effectively the response addressed the concerns raised by the LGO and the extent to which the risk of a reoccurrence was reduced. DAP were able to report that following the LGO investigation the Council had improved its procedures and that these improvements would provide some mitigation against the risks of similar occurrences. However, it was also noted that to fully mitigate the risks, reliance would continue to be placed upon the professionalism of Council officers and the relevant department's quality assurance procedures.

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

## Audit Standards and Customer Delivery

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

**Conformance** - Devon Audit Partnership conforms to the requirements of the PSIAS for its internal audit activity. The purpose, authority and responsibility of the internal audit activity is defined in our internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. Our internal audit charter was approved by senior management and the Audit Committee in March 2017. This is supported through DAP self-assessment of conformance with Public Sector Internal Audit Standards & Local Government Application note.

**Quality Assessment** – through external assessment December 2016 “DAP is considered to be operating in conformance with the standards” External Assessment provides independent assurance against the Institute of Internal Auditors (IIA) Quality Assessment & Public Sector Internal Audit Standards (PSIAS). The Head of Devon Audit Partnership also maintains a quality assessment process which includes review by audit managers of all audit work. The quality assessment process and improvement is supported by a development programme.

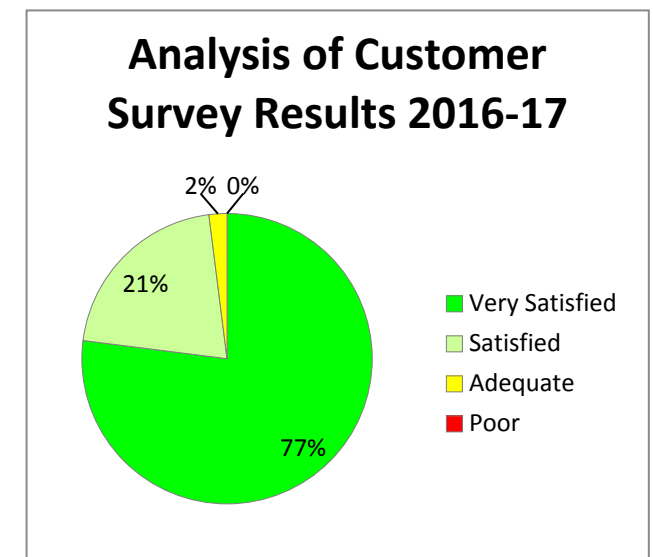
**Improvement Programme** – DAP maintains a rolling development plan of improvements to the service and customers. All recommendations of the external assessment of PSIAS and quality assurance were included in this development plan and have been completed. This will be further embedded with revision of our internal quality process through peer review. Our development plan is regularly updated and a status report was reported to the Management Board in October 2016.

### Performance Indicators

Overall, performance against the indicators has been very good with improvements made on the previous year (see appendix 5). Our draft and final reports have been issued to the customer within the agreed timeframes (15 working days for draft report and 10 working days for final report). We continue to review areas where performance in this area can be improved.

### Customer Service Excellence

DAP has been successful in re-accreditation by G4S Assessment Services of the CSE standard during the year. During the period we issued client survey forms with our final reports. The results of the surveys returned are, although low in number, very good and again are very positive. The overall result is very pleasing, with near 98% being "satisfied" or better across our services, see appendix 6. It is very pleasing to report that our clients continue to rate the overall usefulness of the audit and the helpfulness of our auditors highly.



## Appendix 1 - Annual Governance Framework Assurance

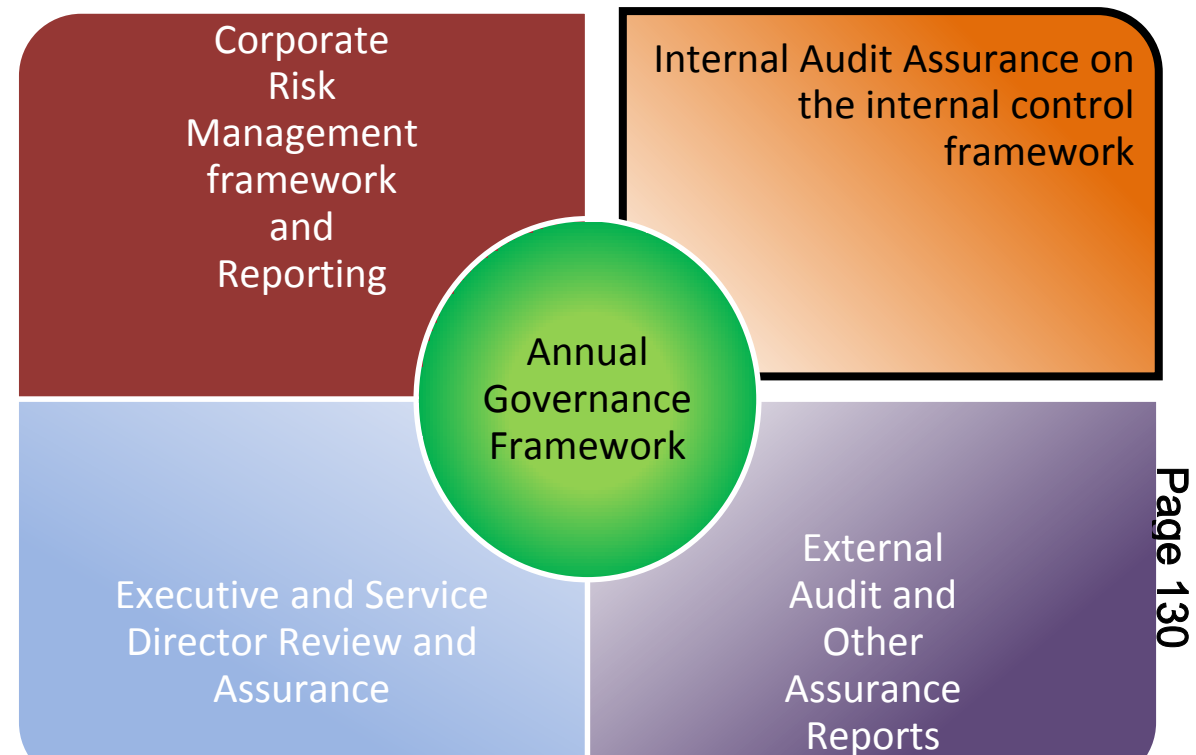
**The conclusions of this report provide the internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.**

The Annual Governance Statement provides assurance that

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

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

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



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

The Committee should satisfy themselves, from the assurances provided by the Corporate Risk Management Group, Executive and Internal Audit that the statement meets statutory requirements and that the management team endorse the content.



## Appendix 2 - Basis for Opinion

The Chief Internal Auditor is required to provide the Council with an opinion on the adequacy and effectiveness of its accounting records and its system of internal control in the Council. In giving our opinion, it should be noted that this assurance can never be absolute. The most that the internal audit service can do is to provide reasonable assurance, formed from risk-based reviews and sample testing, of the framework of governance, risk management and control.

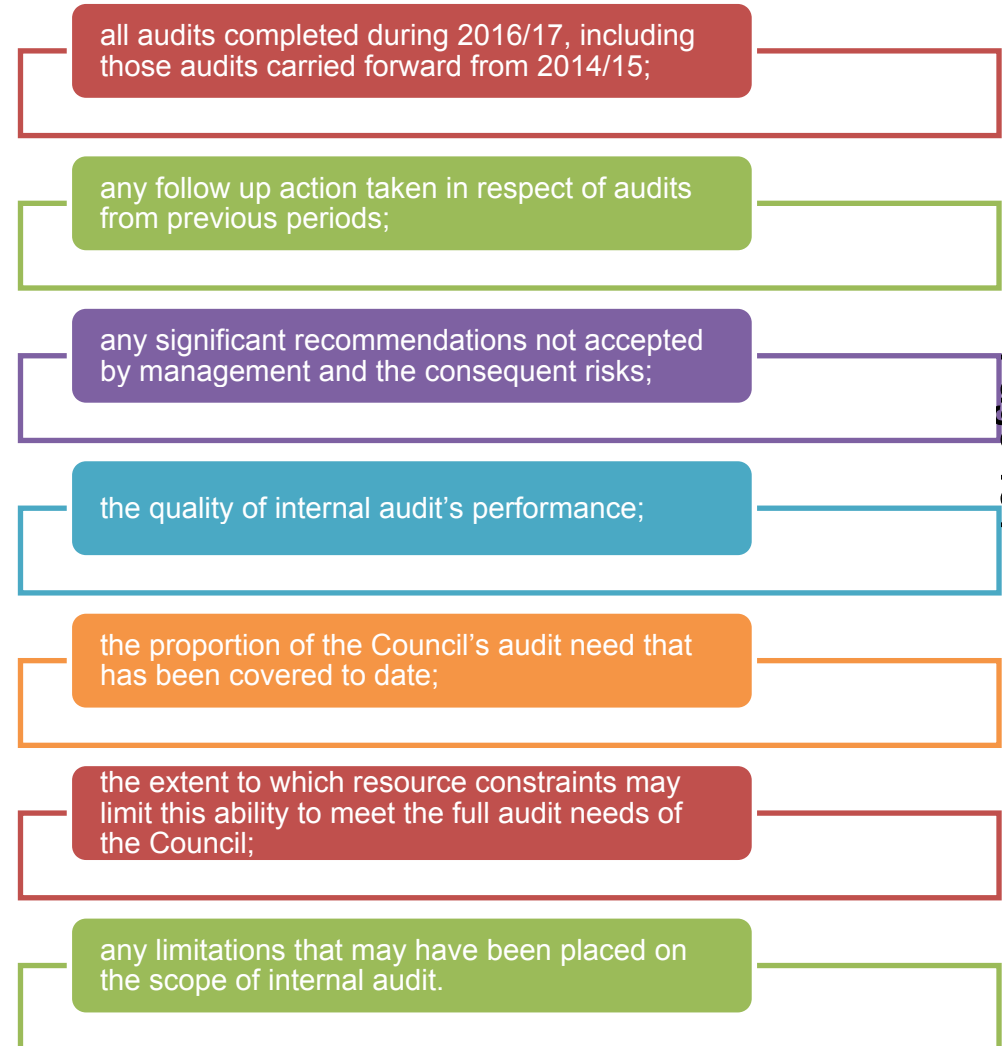
This report compares the work carried out with the work that was planned through risk assessment; presents a summary of the audit work undertaken; includes an opinion on the adequacy and effectiveness of the Authority's internal control environment; and summarises the performance of the Internal Audit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

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

In its' drive to deliver quality services within an environment of reducing budgets, increasing costs and changing demand, the Council continues to develop new and innovative models of service delivery. As a result the 2016/17 Audit Plan has been subject to some change, with audit resources being targeted in response to the far reaching changes that are being delivered.

As a result some work originally included within the audit plan was no longer relevant or has been deferred to a later date to fit with client needs and current objectives. These changes to do limit the overall audit assurance opinion.

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



## Appendix 3 - Audit Authority

### Service Provision

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

### Regulatory Role

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

- **Section 5 of the Accounts and Audit Regulations (England) Regulations 2015** which states that ".....a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance....."
- **Section 151 of the Local Government Act 1972**, which requires every local authority to make arrangements for the proper administration of its financial affairs.

### Professional Guidelines

We work to professional guidelines which govern the scope, standards and conduct of Internal Audit as set down in the Public Sector Internal Audit Standards.

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

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



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



## Appendix 4 – Summary of audit reports and findings for 2016/17





### Risk Assessment Key

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




### Direction of Travel Assurance Key






Green – action plan agreed with client for delivery over an appropriate timescale;  
 Amber – agreement of action plan delayed or we are aware progress is hindered;  
 Red – action plan not agreed or we are aware progress on key risks is not being made.  
 \* report recently issued, assurance progress is of managers feedback at debrief meeting.

## TRANSFORMATION AND CHANGE





Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
<b>Core Assurance – Key Financial System</b>			
<b>Creditors</b> Risk / ANA: ANA - Medium	Good Standard Status: Draft	<p>The Creditors system continues to ensure that the Council's financial data is appropriate, complete and accurate. The in-house development of duplicate payments software has proved successful in identifying potential duplicate payments in advance of the payment run, effectively taking out one whole stage in the payment process.</p> <p>Civica Intelligent Scanning was implemented in December 2016 but the perceived benefits have not yet been realised due to the manual intervention currently required. The number of non-order invoices was found to be on the increase. Whilst this is a corporate issue and cannot be controlled by the Creditors Team, the importance of having the commitment on the financial systems needs to be communicated and will in turn improve the efficiency of the Intelligent Scanning process.</p>	
<b>Main Accounting System</b> Risk / ANA: ANA - High	Good Standard Status: Final	<p>Main accounting system processes are operating effectively within an overall sound control environment with most processes operating as expected and as required by the organisation. There are some areas where consideration and implementation of additional measures would further enhance the existing control framework and will be considered as part of the Finance Fit transformation programme.</p>	
<b>Debtors</b> Risk / ANA: ANA - Medium	High Standard Status: Final	<p>The systems and internal controls within the Debtors system continue to operate effectively. The drive to improve overall operational efficiency continues, with training being delivered to staff to enable working across other areas within the Transaction Centre. Debt recovery performance is subject to regular monitoring by both Operational and Senior Management.</p>	
<b>Payroll – iTrent</b> Risk / ANA: ANA - Medium	High Standard Status: Final	<p>Consistent application of internal controls has ensured that staff are paid accurately, on time and in accordance with their contract of employment.</p> <p>Self-service is now in operation across the Council with responsibility for the accuracy, completeness and validity of all authorised amendments to payroll data resting with Managers.</p>	

**TRANSFORMATION AND CHANGE**


Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		<p>Payroll Operations have implemented a robust process of control and agreement to ensure the accuracy and completeness of payroll expenditure.</p> <p>System performance issues continue to cause concern as these impact the Payroll service's ability to develop capacity, create efficiencies and generate savings, management are working with Midland iTrent to maximise system functionality.</p>	
<b>Housing Benefits</b> Risk / ANA: ANA - High	Improvements Required Status: Final	<p>Performance is being closely monitored with weekly performance meetings focussed on productivity and outstanding workloads. In-year performance of new claims processing has improved significantly but due to the ongoing challenge of managing resources against competing work demands, there has been a minor drop in processing times for changes in circumstances.</p> <p>The “refreshed” Quality Assurance procedures are identifying errors and training and mentoring is being provided with a view to reducing the error rate. It is important for the service to track the success of the interventions.</p> <p>Risk based verification (RBV) of claims has been reinstated, but evidence is not currently available to show if RBV is having a positive impact upon the identification of fraud and error. In accordance with Department for Works &amp; Pensions guidance the RBV Policy should be formally approved by the Section 151 Officer and Members.</p>	
<b>Council Tax</b> Risk / ANA: ANA - Medium	Good Standard Status: Final	<p>Overall, the level of internal control within the Council Tax system continues to operate at a good standard with the collection rate increasing slightly from the previous year to 96.9%.</p> <p>Discounts and exemptions are supported by appropriate evidence and subject to a satisfactory level of review. With the assistance of a credit reference agency, a Single Persons Discount (SPD) review was undertaken during 2016/17. The value of the SPD's removed was £224,000 and the service plan to repeat the exercise during 2017/18.</p>	
<b>Business Rates - NNDR</b> Risk / ANA: ANA - Low	Good Standard Status: Final	<p>There are no significant matters arising from the audit which found the overall system and control environment to be operating to a good standard. Effective debt recovery procedures are reflected in the collection rate, which increased from 98.66% in 2015/16 to 99.1% in 2016/17.</p> <p>An updated Income and Credit Management Policy has received approval at Assistant Director and Portfolio Holder level but now requires Cabinet approval before publication.</p>	

TRANSFORMATION AND CHANGE			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
<b>Treasury Management</b> Risk / ANA: ANA - Medium	High Standard Status: Final	Testing of the overall control environment found that it is sufficiently robust in relation to the inherent risks present. Approved procedures are in place, and our review found that these had been adhered to in terms of both investment and borrowing and performance is monitored.	
<b>ICT Material Systems</b> Risk / ANA: ANA - High	Good Standard Status: Draft	The first Material Systems review conducted since Delt Shared Services Ltd was launched in October 2014 identified that the core IT processes that are common to the Council's key financial systems are of a good standard. Whilst some activities are conducted by Council staff, the vast majority of controls examined are owned by Delt and the review, therefore, focusses on Delt organisational and operational controls. As with the Cyber Security review, a revisit will be made in the first quarter of 2017/18 to confirm that all new processes are effective.	 *
<b>Grants x 7</b> Risk / ANA: n/a	Certified Status: Complete	Grants certified without amendment – Rogue Landlord, Derriford Transport Scheme, DFT Local Transport Capital Block, DFT Challenge Fund, DECC Green Deal Communities Fund, DCLG Plymouth City Deal (South Yard), LGF - Derriford Hospital Interchange	
<b>Core Assurance - Other</b>			
<b>Corp Information Management</b> (ILOG, FoI, DPA, Policies & P's, EDRMS, End User Computing) Risk : SRR46 Amber	Value Added Status Final	DAP continues to provide “trusted advisor” support to the Information Lead Officers Group (ILOG) and has regular contact with the Council's Corporate Information Manager regarding matters concerning data / information management and security. DAP continue to monitor progress against recommendations made in its 2016/17 Information Management report and supports the Information Management project, as appropriate.  The Council is facing many challenges in the form of ever increasing cyber security threats, managing its data effectively and compliantly and, the pending General Data Protection Regulation (GDPR). It is pleasing to report that excellent work has been conducted by ILOG, the Information Governance Manager and the Corporate Records Manager in helping the Council meet these challenges. However, it is essential that the Information Management Project is successfully delivered. Management should support the cultural change required to embed effective information asset ownership within the Council, without which the benefits of the technical and procedural improvements will not be fully realised.	
<b>ICT Active Directory</b> Risk: SRR46 - Amber	Value Added Status: Ongoing	A review of the Council's Active Directory (system that governs access to the Council's ICT network and logical assets) was recommended within our Information Management report. Working with the Information Governance Manager, an initial assessment has been completed. It is considered that improvements can be made to strengthen user administration processes. The Delt Operations Director recognises our concerns and issues raised.	


**TRANSFORMATION AND CHANGE**








Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		DAP are currently reviewing the Council's Human Resources and Organisational Development (HROD) starters and leavers process and will highlight any opportunities to strengthen end-to-end user management process, including processes that are owned by Delt. DAP will liaise with ILOG and feed into the Transformation Corporate Centre (TCC) programme as appropriate.	
<b>ICT Retained Client</b> Risk / ANA: ANA – High	Opportunity Status: Final	<p>A formal review of the 'retained client' function has been completed which assessed key retained functions and controls and the effectiveness of the Council's ability to meet transformational requirements and operate on a more commercial basis. Nine potential opportunities for continual service improvements were identified within the report and these were discussed with senior management who are considering them whilst defining the Retained Client activity going forward. The function now needs development to enable the ability to optimise the value of the retained client through more "intelligent" and performance related activities and these are now being introduced.</p> <p>Ongoing findings identify that the all-important relationship between Delt and those undertaking retained activities within the Council are becoming increasingly effective.</p>	
<b>Cyber Security</b> Risk: SRR113 - Amber	Good Standard Status: Final	Our 'high level' review found that the ICT service provided by Delt Shared Services (Delt) appropriately satisfies many of the baselines included within the Government's "Cyber Essentials" scheme. Investment has been made to commission specialist companies to identify and rectify potential historic weaknesses in infrastructure, backup processes and the primary data centre located at Windsor House, Plymouth. Whilst the audit was not able to assess the effectiveness of changes recommended within these reviews, DAP are to conduct a further review during the first quarter of 2017/18 so that appropriate assurance can be given with regard to the new processes.	
<b>Transformation &amp; Change – Strategic and Operational</b>			
<b>Risk Management</b> Risk / ANA: ANA - High	Opportunity Status "Working"	Reported to Audit Committee December 2016	
Recruitment - Pre Employment Checks	Good Standard Status: Final	The Council has an established process governing pre-employment screening and this is supported by a recruitment policy and guidance for recruiting managers. Existing procedures cover all recruitment risk areas including the requirements relating to posts working with children, young people or vulnerable adults, in accordance with the Warner Report 'Choosing with Care'.	

## TRANSFORMATION AND CHANGE








Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		In addition, the pre-employment procedures in operation at the Council's temporary recruitment agency were found to be consistent with the Council's and in all of the cases tested, were found to have satisfactory levels of pre-employment screening.	
<b>Registrars Office</b> Client Request	Good Standard Status: Final	A good system of internal control was found to be operating in respect of the collection, recording, banking and reconciliation of income received for Registration Service. Some recommendations were made which if implemented, could further enhance current arrangements.	
The following audits have either been cancelled by the client as they are no longer required due to organisational change or deferred until 2017-18 The Management of Delt Transformation Process Risk ANA: ANA – High Risk / ANA: SRR95 – Red ANA – High			

## PEOPLE

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
<b>Core Assurance – Key Financial System</b>			
<b>CareFirst - Residential Care Payments (Adults) Independent</b> Risk / ANA: ANA - High	Good Standard Status: Final	Processes and guidance are in place for the input, checking and batching of Residential Care Payments and the approved Scheme of Delegation is adhered to. Budgets are monitored and work is being undertaken to improve links between CareFirst Dashboard and General Ledger to enhance reporting. Whilst reconciliation of payments made on behalf of the NEW Devon Clinical Commissioning Group (CCG) are performed on a regular basis, delays were identified in the subsequent raising of the invoices to the CCG.	
<b>CareFirst - Income Collection (Adults – Deferred Payments)</b> Risk / ANA: ANA – High	In Progress	From April 2015 a new Deferred Payments system was implemented under the Care Act 2014. Prior to this date the Council was already offering the facility to defer payments for people in residential care and therefore there are currently two separate systems in operation. The review is in progress and we are: <ul style="list-style-type: none"> <li>Considering the adequacy of the systems and controls in operation for the historic Deferred Payments to ensure the Council, in the appropriate circumstances, can effectively recover the monies due;</li> <li>Gaining an understanding of the new system for Deferred Payments to enable us to evaluate the design and effectiveness of the controls and procedures in operation.</li> </ul>	N/A

PEOPLE			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
<b>Domiciliary Care Payments (Detailed Follow-Up to 2015/16 Review)</b>	Good Standard Status: Final	The key issue of provider pre-payment was addressed promptly after the original audit review. The more detailed follow-up review has confirmed that the systems and controls put in place are effective with providers being monitored via quarterly contract meetings and the Commissioning Officer reviewing the dashboards for each provider on a weekly basis. Adoption by Brokerage of the “new services” report rather than creating paper lists to record changes to packages would further strengthen and streamline the system.	
<b>Independent Placements (Children)</b> Risk / ANA: ANA - Medium	Improvements Required Status: Final	Reported to Audit Committee December 2016 - to be followed-up 2017/18.	
<b>Direct Payments (Pre-Paid Cards)</b> Risk / ANA: ANA - High	Improvements Required Status: Final	Reported to Audit Committee December 2016 - to be followed-up 2017/18.	
<b>Core Assurance – Other</b>			
<b>Income Collection Strategy / Maximisation</b> Risk / ANA: ANA – Critical	Good Standard Status: Final	Reported to Audit Committee December 2016	
<b>Retained Client, Deprivation of Liberty Safeguards (DoLS) – Internal Processes</b> Risk / ANA: ANA – High	High Standard Status: Final	Reported to Audit Committee December 2016	
<b>Retained Client, Deprivation of Liberty Safeguards (DoLS) – Statutory Compliance</b> Risk / ANA: ANA – High	Improvements Required Status: Final	Reported to Audit Committee December 2016 - to be followed-up in 2017/18.	
<b>Early intervention – Families with a Future</b> Risk / ANA: ANA - High	Certified Status: Complete	DAP have verified and certified nine claims across the year with 106 families having achieved significant and sustained progress and 36 families having achieved continuous employment. This has realised income of £174k. We continue to work with the Families with a Future Team to ensure the accuracy and completeness of key data and that demonstrable evidence of intervention is maintained.	





PEOPLE			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
<b>Schools Financial Value Standard</b> Risk / ANA: n/a	Good Standard Status: Final	SFVS Dedicated Schools Grant Chief Finance Office assurance statement for 2016/17 submitted to the Department for Education.	
<b>Grammar School Admissions</b> Client Request	Value Added Status: Final	The systems for the administration and handling of grammar school admissions papers have been reviewed and there are no significant matters arising from our work. The recommendations which were made serve to strengthen current procedures and highlight some areas for possible consideration going forward.	
<b>Integrated Health and Wellbeing (Integrated Fund)</b>			
<b>Compliance with - Delivery of Commissioning Strategies</b> Risk / ANA: ANA - Critical	Good Standard Status: Final	The review concluded that the creation process for the Wellbeing Strategy was robust and inclusive of a variety of stakeholders from across the system and is based on sound assessment of need. Monitoring takes place at a number of levels to a cross section of audiences and there is a hierarchy of information. There is scope to introduce and report more short term measures to support decision making and provide more relevant timely feedback. The use of the System Design Group to feed into and shape the delivery of the Strategy actions is a real strength within the overall process. There is a solid base from which to move forward and continue to deliver and evolve.	
<b>CCG Success Regime</b> Risk / ANA: ANA – High	Value Added Status: Ongoing	The Success Regime Case for Change has been incorporated into the Sustainability and Transformation Plan (STP) that was published in November 2016. The STP provides direction to work towards over the next five years and local health and care partner organisations will develop delivery plans within that framework. Where delivery plans are linked to areas in the 2017/18 audit plan they will be examined as part of that review.	
<b>Plymouth and Western System Development Board</b> Risk / ANA: ANA – High	N/A	The Council and New Devon CCG have pooled and aligned budgets for health integration of circa £460m and it has been agreed that DAP have a presence at board meetings, the knowledge gained is used to inform strategic audit work within People.	N/A
<b>Governance and Risk Management</b> Risk / ANA: ANA – High	Good Standard Status: Final	Reported to Audit Committee December 2016	
<b>Integrated Fund Financial Reporting</b> Risk / ANA: ANA – High	Good Standard Status: Final	Reported to Audit Committee December 2016	
<b>Integrated Fund</b> Risk / ANA: SRR83 – Amber	Value Added Status:	DAP has continued to monitor and support the actions of the Integrated Fund (IF). Assurance has been sought, and support provided through attendance and input at the IF Finance and	

## PEOPLE

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
	Complete	<p>Assurance Review Group which is tasked with coordinating assurance, financial reporting and risk management for the Integrated Commissioning Board.</p> <p>In addition, more formal input has been provided through the provision of an advisory paper on the role of the Pooled Fund Manager and presentation of Audit Report Summaries which are relevant to the IF.</p>	


### Integrated Health and Wellbeing (Transformation Programme)

<b>Transformation Programme Board (IHWB)</b> Risk / ANA: ANA - Medium	Value Added  Status: Complete	<p>During 2016/17, DAP has observed the Integrated Health and Wellbeing Programme Board to gain assurance on the processes and transformation actions, along with using the opportunity to provide audit input to those with operational responsibility. Additionally we have provided summaries of the work undertaken which is relevant to IHWB Transformation and the ongoing work with the CCG and other partners.</p> <p>The IHWB Board was formally closed on 19<sup>th</sup> August 2016 and realigned with the One System One Aim priorities through the Plymouth and Western System Development Board.</p>	
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<b>System Enablers</b> Risk / ANA: ANA - High	Value Added  Status: Complete	<p>The System Enablers Board is a subgroup of the IHWB Programme, tasked with ensuring that IT requirements are identified and addressed. DAP has worked closely with the Project Manager to challenge and support ongoing work and provide an independent view on the longer term projects such as the 2020 Digital Partnership.</p>	
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The following audit has been incorporated into the 2017-18 audit plan.  
 Adult Social Care Retained Client Function  
 Risk / ANA: ANA – High

## PUBLIC HEALTH





Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
<b>Joint IHWB Commissioning - Design of Future Service Delivery</b> Risk / ANA: ANA – High	Good Standard  Status: Final	<p>The review concluded that the creation process for the Wellbeing Strategy was robust and inclusive of a variety of stakeholders from across the system and is based on sound assessment of need. Monitoring takes place at a number of levels to a cross section of audiences and there is a hierarchy of information. There is scope to introduce and report more short term measures to support decision making and provide more relevant timely feedback. The use of the System Design Group to feed into and shape the delivery of the Strategy actions is a real strength within the overall process. There is a solid base from which to move forward and continue to deliver and evolve.</p>	











## PEOPLE

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Due to organisational change the review detailed below was no longer required as a “stand alone” audit and the planned work around the around performance was incorporated into the “Design of Future Service Delivery” detailed above. Joint IHWB Commissioning – Service Delivery Performance Frameworks Risk / ANA - High			

## PLACE

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
<b>Highways Maintenance Contract – letting and mobilisation</b> Risk / ANA: SRR107 - Amber ANA - Critical	Value Added  Status: Complete	Throughout 2016/17, Audit continued its involvement in the letting of a new Highways Maintenance Contract, providing support and challenge to both Devon and Plymouth Councils at the various stages of the procurement, in particular the receipt and evaluation of final bids in August 2016. Audit provided independent assurance in the lead up to bid submission, attending meetings of the Programme Board and training sessions given to evaluators, and during the evaluation of these bids. Audit supported moderation sessions and validated evaluation scores, pricing models and “relative merits”, to ensure that a consistent and fair approach was followed throughout.  Audit provided assurance and support to officers through the project’s mobilisation phase which culminated in the contract with South West Highways going live at the beginning of April.	
<b>Highways Act 1980 – Section 38 and Section 278 Agreements</b> Risk / ANA: ANA – Low Client Request	Good Standard  Status: Final	The processes and procedures in operation to manage the adoption of new roads and improvements and changes to existing highways undertaken by developers are effective. With the revision of the agreement fees following a review of fees charged by neighbouring authorities at the start of 2016 calendar year, the Council has endeavoured to maximise its income whilst at the same time being mindful of charges being applied by other local authorities.	
<b>History Centre</b> Risk / ANA: SRR108 Red - ANA – Medium	Value Added  Status: Complete	Audit monitored the Project Board’s activity through board papers providing “trusted advisor” challenge and insight on decisions and actions.	
<b>Plymouth City Market - Income Collection</b> Risk / ANA: ANA – Medium Client Request	Good Standard  Status: Draft	Controls around cash collection were found to be quite robust but there may be opportunity to realise efficiencies in the longer term.	 *

PEOPLE			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
<b>Events Planning and Delivery</b> Risk / ANA: ANA – Low Client Request	Good Standard Status: Final	<p>Within the Council's Events Programme MTV concerts pose the greatest risk due to the financial success of the event being largely reliant upon ticket sales. The 2016 MTV event saw improved financial performance due, in part, to greater income generation in respect of bar arrangements during the concerts.</p> <p>The Council has a well qualified and experienced events team. However, the demands placed upon those officers, particularly in the lead up to, and during major events, do pose a risk in respect of the team's resilience. This has been acknowledged by management who are keen to explore a potential solution which could see the Events team utilise existing skillsets and knowledge from staff across the Council.</p> <p>The review highlighted some instances where exemptions to Contract Standing Orders were raised late in the event delivery process. The Events team are working closely with Procurement to reduce such occurrences.</p>	
<b>Fleet Management inc Tranman and Operators Licences</b> Risk / ANA: ANA - Medium	Status: In Progress	There are acknowledged issues with the ICT system from a financial reporting perspective which makes budget forecasting and the identification of potential overspends difficult. Audit work is ongoing to identify the root cause of these issues with a view to escalating with the system provider and learning from system users at other sites.	N/A
<b>Waste PFI</b> Risk / ANA: ANA - Medium	Value Added Status: Complete	Audit continued its participation with the South West Devon Waste Partnership, attending meetings of the Project Executive, providing support and advice on contract management issues and the annual reconciliation process.	
<b>Planning Compliance</b> Risk / ANA: ANA – Low Client Request	Good Standard Status: Final	Reported to Audit Committee December 2016	
<b>On-Call Service</b> Risk / ANA: Client Request	Good Standard Status: Final	Reported to Audit Committee December 2016	
<b>Trade Waste</b> Risk / ANA: Client Request	Improvement Required Status: Final	Reported to Audit Committee December 2016 - to be followed-up 2017	
The following audit was not required by the client. Environmental Projects Risk ANA: ANA - Medium			

Cross Cutting			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
<b>Review of Major Contracts</b> Risk / ANA: ANA - High	Status: In Progress	The former Plymouth Adults & Community Learning Service (PACLS) is a “spun out” company funded by a contract held by the City Council to deliver learning opportunities to adults. The focus of this review is delivery against the contract.	N/A
<b>Firmstep Digital Platform</b> Risk / ANA: ANA – High	Status: Ongoing	The Firmstep Platform is a single, centralised interface through which customer interactions can be managed. When undertaking audits within service areas, we consider how Firmstep (if not already in use) could support channel shift, create efficiencies and improve service delivery.	
<b>Civica Financials Project</b> Risk / ANA: ORR F7, ANA - High	Value Added  Status: Complete	The work to improve the Civica systems has been included within the scope of the technology workstream within the Finance FIT project. Any enhancements to system functionality and the resulting changes to practices and procedures have been incorporated into our work on Creditors, Debtors and the Main Accounting System.	
<b>Business Continuity</b> Risk / ANA: SRR08 – Green ORRCS5 – Amber, ANA - High	Value Added  Status: Complete	DAP continued to be a member of the Council’s Business Continuity Strategy Group as Trusted Advisor. In addition, Audit gave consideration to issues relating to Business Continuity plans within individual service reviews and projects that it had involvement in.	
The following audits have either been cancelled by the client as they are no longer required / circumstances have changed, or deferred until 2017-18			
Alternative Service Delivery Vehicles (ASDV) Risk / ANA: ANA – High	Co- operative Review of Services Risk / ANA: ANA – High		
Contract Management Strategy / Retained Client Function Risk / ANA: ANA – High	Commercialisation Risk / ANA: ANA – High		

## Appendix 5 – Performance Indicators

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

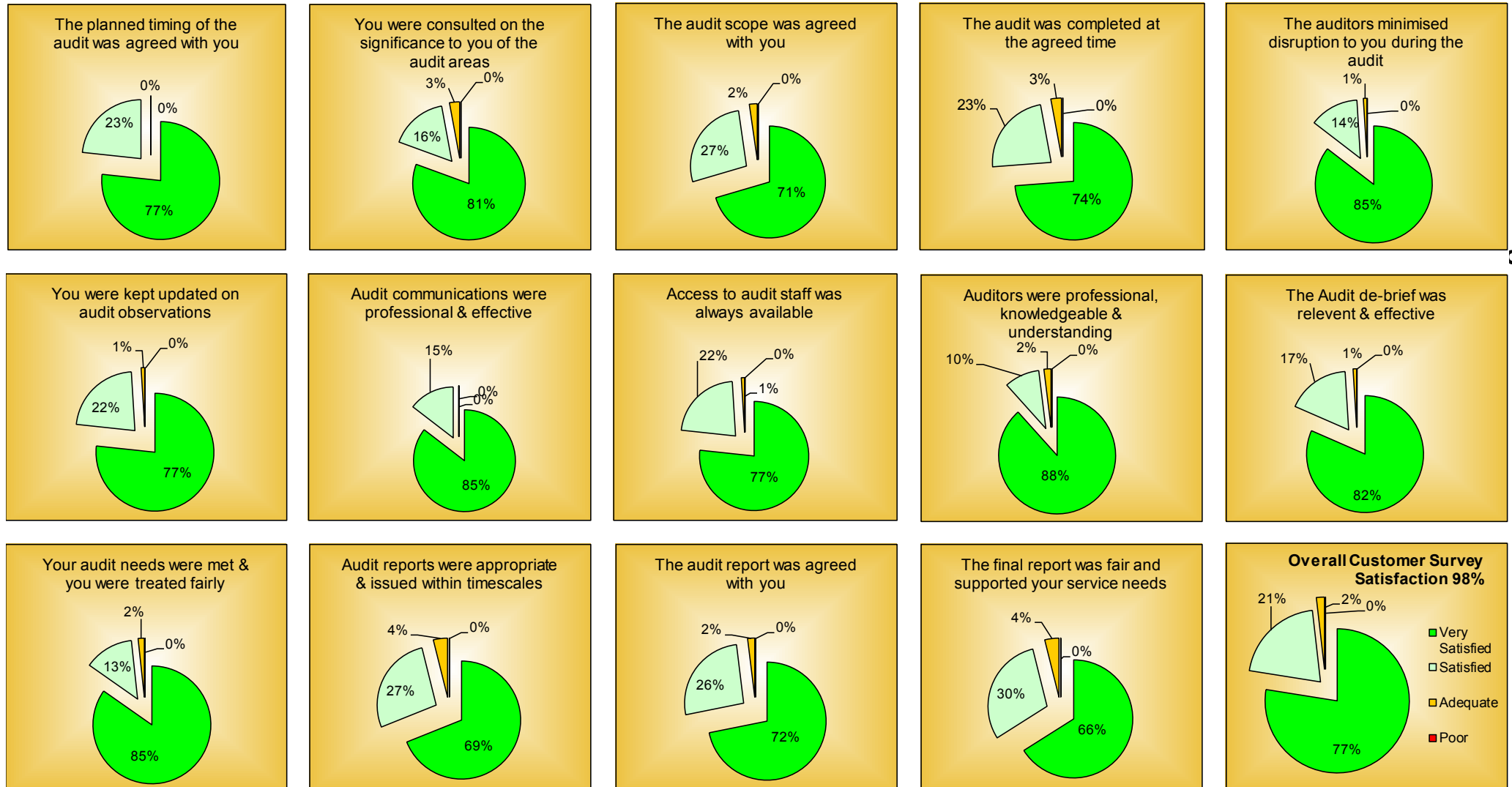
<b>Local Performance Indicator (LPI)</b>	<b>2015/16</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2016/17</b>
	<b>Target</b>	<b>Actual</b>	<b>Target</b>	<b>Actual</b>
Percentage of Audit plan Commenced (Inc. Schools)	100%	100%	100%	99%
Percentage of Audit plan Completed (Inc. Schools)	93%	97%	93%	95%
Actual Audit Days as percentage of planned (Inc. Schools)	95%	101%	95%	82%
Percentage of fundamental / material systems reviewed annually	100%	100%	100%	100%
Percentage of chargeable time	65%	69%	65%	71.4%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	99%	90%	98%
Draft Reports produced within target number of days (currently 15 days)	90%	87%	90%	95%
Final reports produced within target number of days (currently 10 days)	90%	94%	90%	98%
Average level of sickness absence (DAP as a whole)	2%	2%	2%	3.2%
Percentage of staff turnover (DAP as a whole)	5%	5%	5%	21%
Out-turn within budget	Yes	Yes	Yes	Yes

Overall, performance against the indicators has been very good and has maintained improvement on 2015/16 in relation to the issue of draft and final reports to the customer within the agreed timeframes.

# Appendix 6 - Customer Service Excellence

## Customer Survey Results April - March 2017

The charts below show a summary of 103 responses received.



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## Devon Audit Partnership

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.

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](mailto:robert.hutchins@devonaudit.gov.uk) .

**PLYMOUTH CITY COUNCIL**

**External Audit Progress report prepared for the Audit Committee**

Meeting scheduled for 29 June 2017

## **INTRODUCTION**

In March earlier this year we presented our 2016/17 Audit Planning Document to the Audit Committee. One of the key reasons for making this presentation is to highlight and explain to the Audit Committee the key issues which we believe are relevant to the audit of the financial statements and the Council's use of resources for the year ending 31 March 2017.

The Audit Planning Document therefore forms a key part of our communication strategy with the Audit Committee and which is designed to promote effective two-way communication throughout the audit process.

Planning is an iterative process and our audit plan is routinely updated as our audit progresses. This update report has been prepared to communicate the changes that have occurred since March and also to set out the key dates for completing the significant elements of our work.

We have therefore provided an update to the risks and, in Appendix 1 we have provided updated timings for when we expect to complete the different elements of our work.

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



**UPDATE ON THE 2016/17 AUDIT PLAN**

Since preparing our audit plan, we have reconsidered the risks identified to respond to the Council’s circumstances and reflecting findings from the external quality review of our 2015/16 work.

The first two areas that have been subject to change relate to the financial statements and the valuation of property, plant and equipment (PPE) and to the valuation of the net pension liability in connection with the local government pensions scheme (LGPS).

We have not changed the nature of the risk from when we issued our planning document in March. However, since issuing the plan, we have revised the level of significance of two financial statement related risks that were previously classified as “Normal” risks to that of a “Significant” risk due to the level of estimation that both areas contain.

**Financial Statement Risks**

Details of the amended audit risk areas relating to our financial statements work are set out below:

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA
Property, plant and equipment valuations	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.	We will review the instructions provided to the valuer and review the valuer’s qualifications in order to confirm we can rely on the management expert.	We will review independent data that shows indices and price movements for classes of assets against the percentage movement applied by the Council.
	The Council operates a rolling valuation programme to ensure that all properties are valued at least every five years.	We will review the valuation performed and test a sample of assets to confirm the valuation has been correctly accounted for.	
Pensions liability	The Council’s pension liability comprises the Council’s share of the market value of assets held in the Devon Pension Fund less the estimated future liability to pay pensions.	We will agree the disclosures to the information provided by the pension fund actuary.	We will agree the disclosures to the report received from the actuary.
	The pension fund liability is calculated by actuaries with specialist knowledge and experience. The calculation uses membership data held by the pension fund and uses factors such as mortality rates and expected future pay rises to calculate the liability.	We will contact the Devon Pension Fund auditor and request confirmation of the controls in place for providing accurate information to the actuary.	We will use the NAO commissioned consulting actuary report to review the actuary’s methodology and reasonableness of the assumptions.
	There is a risk the valuation is not based on accurate membership data or uses inappropriate assumptions.	We will review the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data. (See note below following issue of the NAO commissioned expert’s report).	We will obtain a confirmation from the Pension Fund auditor about aspects of the valuation of the pension fund assets and liabilities.

### **Assumptions underpinning the Local Government Pensions Scheme disclosures**

To support auditors in undertaking their work, the NAO has commissioned its own pensions expert to complete a programme of work which was then made available to local government auditors. The NAO commissioned work was performed by PwC and covered a range of areas including assessing the reasonableness of the assumptions used by the different firms of actuaries working for the different local authority pension funds. These assumptions are then utilised in calculating the figures that will be included in the financial statements of individual local authority members.

The Council is a member of the Devon Pension Fund for whom the actuary is Barnett Waddingham. PwC concluded in their report (and issued in May 2017) that Barnett Waddingham had used assumptions that were not in line with the PwC expected range. Specifically, PwC reported:

*“For employers advised by Barnett Waddingham, the discount rates proposed fall outside of our expected ranges as the methodology is not as robust as we would expect, particularly under market conditions at 31 March 2017.”*

The total value of pension fund liabilities at 31 March 2016 amounted to more than £1,000 million and therefore even small variations in the discount rate could potentially produce a material error. Therefore, the high value of the pension fund liabilities means that even a small error in the discount rate introduces the risk of a material error in the Council's accounts.

To address this issue, we will need to undertake additional audit work to assess the potential impact of the issue raised by PwC. Much of the work will be highly specialist and need to be performed by specialist actuaries who will need to assess the potential error that the use of the discount rates used by Barnett Waddingham could potentially produce when compared to discount rates that are within the expected range.

In accordance with the PSAA framework we will need to communicate with Public Sector Audit Appointments (PSAA) to discuss the fee implication and the recovery of our additional costs associated with this work.

### **Use of Resources**

We have also considered the use of resources element of our work but have concluded that there are no variations necessary to the risks identified earlier in our planning and outlined in our audit planning document presented to the Audit Committee in March 2017. These risk areas related to sustainable finances and working with partner organisations and both of these risk areas remain valid for our audit.

## **Update to audit timings**

We have set out above the changes to our risk assessment that affect the financial statements and which will impact upon our approach. The changes are relatively minor and as the two areas relating to valuations were already within our audit plan and represent an increased focus on an area already identified as a risk rather than a substantive change to our plan.

The issue regarding the assumptions used by Barnett Waddingham and identified by PwC in their report will need to be addressed and we will notify the Audit Committee of the outcome of our discussions with PSAA.

We have begun the task of setting out in detail when we will perform our audit procedures and when we plan to complete our work and report to the Audit Committee.

An updated schedule of the key elements of our audit and when we expect to complete our work is set out in Appendix 1.

## Appendix 1

## 2016/17 Annual Audit Plan - key dates

Area of work	Scope / Associated deadlines	Status	Outputs / Date
<b>Planning</b>	<p>Risk assessment and formulation of the audit plan.</p> <p>The detailed audit plan was presented to the Audit Committee in March 2017 and an update provided in this report.</p>	Complete	<p><b>Audit Plan 2016/17</b></p> <p>The plan was issued and presented to the Audit Committee in March 2017 and an update will be provided at the June 2017 meeting.</p>
<b>Financial Statements and use of resources audit</b>	<p>Audit of the draft financial statements to determine whether they give a true and fair view of the Council's financial affairs and the income and expenditure for the year.</p> <p>The deadline for the Council to prepare its draft accounts for audit is 30 June 2017. However, in preparing for the "faster close" deadline date that will be applicable in 2018 of May 2018, the Council has planned to be in the position to provide us with the draft accounts by early June.</p> <p>The deadline for issue of our audit opinion is 30 September 2017.</p>	Main audit visit to commence on-site on 19 June following receipt of the draft financial statements on 8 June 2017.	<p><b>Final Report (ISA 260) to the Audit Committee</b></p> <p>Our report will be presented to the Audit Committee at a date to be agreed but by 30 September 2017.</p> <p><b>Opinion on the financial statements and use of resources</b></p> <p>Deadline for issuing the audit opinion is 30 September 2017.</p>
<b>Whole of government accounts audit</b>	<p>Audit of the consolidation pack for consistency with the audited statement of accounts.</p> <p>Initial guidance has identified a 29 September 2017 deadline for submission.</p>	To be completed after the main fieldwork is complete.	<b>Opinion on the WGA Consolidation Pack by the deadline.</b>
<b>Annual Audit Letter</b>	Public-facing summary of audit work and key conclusions for the year.	To be prepared after ISA 260 report has been presented to the Audit Committee.	<b>Annual Audit Letter</b> Annual Audit letter to be issued in October 2017.

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### Audit Committee Work Plan 2017/18

		2017							2018					
Item	Lead Officer	J	J	A	S	O	N	D	J	F	M	A	M	J
Draft Statement of Accounts 2016/17 and Annual Governance Statement	Carolyn Haynes	29												
Strategic Risk and Opportunity Register Monitoring Report and the Integrated Commissioning Risk Register	Mike Hocking				14						15			
Operational Risk and Opportunity Management - Update Report	Mike Hocking	29						7						
Risk and Opportunity Management Annual Report 2016/17	Mike Hocking	29												
Information Annual Governance Report	Mike Hocking / John Finch	29												
Annual Report on Treasury Management Activities for 2016/17	Chris Flower	29												

### Audit Committee Work Plan 2017/18

Item	Lead Officer	2017							2018					
		J	J	A	S	O	N	D	J	F	M	A	M	J
Treasury Management Practices, Principles and Schedules 2018/19	Chris Flower										15			
Mid-Year Treasury Management Report 2017/18	Chris Flower							7						
Treasury Management Strategy 2018/19	Chris Flower							7						
Counter Fraud Annual Report	Mike Hocking / Ken Johnson	29												
Health and Safety Annual Report	Clare Cotter	29												
Internal Audit Annual Report 2016/17	David Curnow / Brenda Davis	29												



### Audit Committee Work Plan 2017/18

		2017							2018					
Item	Lead Officer	J	J	A	S	O	N	D	J	F	M	A	M	J
Internal Audit Half Year Report 2017/18	David Curnow / Brenda Davis							7						
Internal Audit – Progress Report	David Curnow / Brenda Davis				14									
Internal Audit Follow Up Report 2016/17	David Curnow / Brenda Davis				14									
Internal Audit Charter and Strategy 2018/19	David Curnow / Brenda Davis										15			
Internal Audit Plan 2018/19	David Curnow / Brenda Davis										15			
Annual Report to Those Charged with Governance (ISA260 Report) 2016/2017 including Value for Money (VFM) (External Auditor)	External Auditor BDO				14									

### Audit Committee Work Plan 2017/18

		2017							2018					
Item	Lead Officer	J	J	A	S	O	N	D	J	F	M	A	M	J
External Audit Progress Report	External Auditor BDO	29						7						
Planning Report (March 2018) (External Auditor)	External Auditor BCO										15			
Annual Audit Letter	External Auditor BDO							7						
Planning Letter (External Auditor)	External Auditor BDO	29									15			
Grant Claims and Returns Certification (External Auditor)	External Auditor BDO										15			
Integrated Commissioning – Finance Assurance Review Group – Annual Report 2016/17 including ASW Audit Programme for CCG	David Northey							7						

**Audit Committee Work Plan 2017/18**

Item	Lead Officer	2017							2018					
		J	J	A	S	O	N	D	J	F	M	A	M	J
Surveillance, Covert Activities and the Regulation of Investigatory Powers Act 2000 (RIPA)	Alexander Fry	29												
Protecting the Public Purse – Counter Fraud Annual Report	Mike Hocking / Ken Johnson				14									
Review of Rolling Work Plan	Lead Officer/DSO	29			14			7			15			
<b>Items to be Scheduled 2017/18</b>														
Director of Children’s Services Local Assurance Test Review	Carole Burgoyne													

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