



Plymouth City Council

Interim Audit Report 2009-10

31 May 2010

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1 Executive Summary

Introduction

- 1.1 In carrying out our audit, we comply with statutory requirements governing our duties, in particular, the Audit Commission Act 1998 and the Code of Audit Practice (the Code).
- 1.2 The Code of Audit Practice emphasises the respective responsibilities between audited bodies and their auditors. The Council is responsible for putting in place proper arrangements for the preparation of its accounts, governance of its affairs and for making adequate arrangements to secure economy, efficiency and effectiveness in the use of its resources. We are required to form an opinion on the Council's annual financial statements and whether the Council has adequate arrangements to secure economy, efficiency and effectiveness in the use of its resources.

Scope

- 1.3 We have completed our interim audit at the Council in accordance with our agreed audit strategy as set out in the Financial Statements Audit Plan presented to the Audit Committee on 26 March 2010. The scope of our interim audit covered:
 - Interim Accounts Audit;
 - Value for money (VFM) Conclusion;
 - Review of VAT arrangements; and
 - Follow Up of prior year recommendations.

Overall Conclusions

Accounts

- 1.4 Our initial assessment of risks facing the Council which could impact our audit, as set out in our 2009-10 Financial Statement Audit Plan, remains appropriate and provides a sound basis upon which to set our audit strategy.
- 1.5 We have discussed and reviewed the proposed accounting treatment for a number of these issues with the Council and we are satisfied that the Council has appropriate arrangements in place to ensure that these accounting issues are being appropriately addressed when preparing the accounts.

The Council is currently showing a £1.428m overspend due mainly to additional demand led Adult Social Care and Children's Services. Through a combination of additional unbudgeted income and departmental savings the Council is reporting a surplus of £1.515m and a reserve balance of £11.517m

- 1.6 The Council's internal audit service has joined up with those from Torbay Council and Devon County Council to form the Devon Audit Partnership joint committee from 1 April 2009. The Audit Commission has agreed to perform a detailed review of the new partnership against the CIPFA internal audit code of practice and share this with the

external auditors of the other participating organisations. We have not yet received formal assurance from the audit commission in relation to their findings and overall conclusions against the code requirements.

- 1.7 This review will have been supplemented by our own consideration and assessment of the internal audit reports issued in the year. From this, we are able to conclude that we are satisfied that internal audit provide an independent and satisfactory service to the Council and we are able to take assurance from their work in contributing to an effective internal control environment at the Council.
- 1.8 Our information systems specialist performed a high level review of the general IT control environment, as part of the overall review of the internal control system. From our work to date, we have concluded that there are no material weaknesses in relation to the IT systems which could adversely impact the Council's financial statements. We have, however, made two recommendations which will further strengthen the Council's arrangements.
- 1.9 The Council has a detailed accounts closedown process and timetable in place, with sufficient guidance issued to enable staff to meet the submission of the financial statements by the 30 June 2010 statutory deadline. The Council continues to be proactive in bringing emerging technical accounting issues promptly to our attention enabling early agreement of approach.
- 1.10 Our follow up review of the action taken by the Council to implement recommendations made in our 2008-09 ISA 260 report shows that the Council has taken action to fully address six out of nine recommendations that we made, with the remaining three relating to our PAYE and Employment taxes review, being in progress.

VFM Conclusion

- 1.11 In providing our opinion on the financial statements, we are required to reach a conclusion on the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources.
- 1.12 Our VFM conclusion is informed by our assessment of the Council's corporate performance management and financial management arrangements. In order for us to provide a positive conclusion, the Council needs to have met the minimum requirements for all relevant criteria as specified by the Audit Commission.
- 1.13 Our assessment to date has highlighted that the Council has strengthened their arrangements overall with significant improvement in their arrangements for producing relevant and reliable data and information to support decision making and manage performance. We will update our work with our conclusions arising from our local project work and report our final assessment in our 'Annual report to those charged with governance' in September 2010.

Use of this report

- 1.14 This report has been prepared to advise you of the matters arising from our interim audit and should not be used for any other purpose or be given to third parties without our prior written consent.
- 1.15 Our report is part of a continuing dialogue between the Council and ourselves and should not be relied upon to detect all errors, systems or control weaknesses or opportunities for

improvements in management arrangements that might exist. The Council should assess the wider implications of our conclusions and recommendations before deciding whether to accept or implement them, seeking your own specialist advice as appropriate.

- 1.16 We accept no responsibility in the event that any third party incurs claims, or liabilities, or sustains loss, or damage, as a result of their having relied on anything contained within this report.

The way forward

- 1.17 We have set out our findings and recommendations in the appendices to this report. We have agreed action to implement the recommendations made with the Director for Corporate Support.

Acknowledgements

- 1.18 We would like to record our appreciation for the assistance and co-operation provided to us during our interim audit by the Council's staff.

Grant Thornton UK LLP

31 May 2010

2 Interim Accounts Audit

Introduction

- 2.1 As part of the interim audit, and in advance of our final accounts audit visit, we considered:
- the key risks facing the Council;
 - the effectiveness of the internal audit service;
 - our review of financial reporting controls, including information technology controls, journal entry controls, financial accounting systems and closedown procedures to prepare the draft financial statements; and
 - emerging accounting issues.
- 2.2 Our 2009-10 Financial Statements Audit Plan was presented to the Audit Committee on 26 March 2010 and set out the key risks facing the Council which could impact on the 2009-10 audit.
- 2.3 As part of our interim audit, we reviewed these risks and have set out in Exhibit One, the outcome of work completed, and any further work planned. We can confirm that our initial risk assessment remains appropriate and provides a sound basis upon which to set our audit strategy.

Exhibit One: 2009-10 Key risks

SORP 2009 - Accounting for Private Finance Initiatives (PFI)	
Audit risk	<p>The Council currently has one PFI agreement to provide new school facilities at Whiteleigh and the amalgamation of primaries at Bull Point and Barne Barton. The 2009 SORP requires local authorities to adopt requirements for accounting for PFI schemes that are consistent with International Financial Reporting Standards and the adaptation of IFRIC 12 <i>Service Concessions Arrangements</i> contained in the Government's 2009-10 Financial Reporting Manual (FRoM).</p> <p>We expect this to conclude that the PFI assets should be recorded on the Council's own balance sheet. There is a risk that these may be incorrectly accounting for, due to their complexity and nature.</p>

Audit response	<p>The Council engaged a PFI modelling consultant to review the financial close model against the new requirements. The consultant concluded that the scheme meets the IFRIC 12 definition of a service concession and should be brought onto the balance sheet in accordance with IFRIC 12 and the SORP.</p> <p>We have reviewed the work of the consultant and confirm that the scheme should be recognised on the balance sheet in 2009-10. The consultant has modelled the financial impact of this approach and calculated the accounting entries needed to reflect the scheme in the financial statements. We have reviewed the model and are satisfied the the Council have appropriate arrangements in place to ensure that the PFI scheme is recognised in the accounts in accordance with the IFRIC 12 and the SORP.</p> <p>The Council are currently considering other schemes/contracts outside of PFI that may be affected by IFRIC 12.</p> <p>Further work planned We will review the detailed accounting entries to bring the scheme onto the balance sheet as part of our final review of the financial statements during our final audit.</p>
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Impairment in deposits in Icelandic Banks

Audit risk	<p>The Council had £13 m invested in the Icelandic institutions when the banks collapsed in October 2008. These continues to be uncertainty regarding the amount that will be recovered in respect of these deposits. In particular, preferential creditor status has not been given to local government depositors by one of the Icelandic institutions and the status is being challenged in the courts for one of the others. The fact that such large sums of public money remains at risk has highlighted the importance of maintaining effective arrangements for managing investments and treasury management. The Council have been granted a capitalization direction. There is a risk that the Council will fail to recognise an appropriate level of impairment in the 2009-10 financial statements or that the capitalization director is either insufficient or not accounted for appropriately.</p>
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Audit response	<p>The Council successfully applied for debt capitalisation funding from the Department of Communities and Local Government for expected losses of £5.7 m following formal announcements from the Icelandic Banks receivers of the likely level of recoveries.</p> <p>A LAAP bulletin providing guidance on the impairment of deposits with Icelandic Banks has recently been issued by CIPFA. The guidance provides updated estimates of expected losses for each bank but recognises that the ultimate responsibility for determining an appropriate provision for impairment lies with the responsible financial officer, and therefore will need to come to their own decision as the reliance to be placed on the guidance provided.</p> <p>Further work planned We will continue our discussions with the Council regarding the appropriateness of their expected losses to ensure that the amount capitalised is no more than its total expected losses. We will review any future updates to the CIPFA guidance and review the final impairment calculation and accounting entries to ensure it is appropriately treated in the financial statements.</p>
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SORP 2009 - Accounting for National Non Domestic Rates and Council Tax

Audit risk	<p>The 2009 SORP has introduced a number of changes in the accounting for national non domestic rates and council tax in the Council's financial statements. It now requires local authorities to account for transactions on an agency basis i.e. the Council only discloses its own share of debtors and creditors of the Collection Fund and any associated impairment allowance for doubtful debt. This is a change in accounting policy in respect of Council Tax balances and as such the 2008-09 balances will need to be restated.</p> <p>There is a risk that the Council does not correctly account for these changes.</p>
Audit response	<p>The Council understands the SORP 2009-10 requirements and the relevant guidance and are using the Council Tax models available on the CIPFA Finance Advisory Network to assist with the re-statement of the 2008-09 accounts for both billing and precepting authorities.</p> <p>Further work planned: We will review the working papers and the accounting entries to ensure that the financial statements are compliant with the SORP.</p>

International Financial Reporting Standards	
Audit risk	CIPFA has confirmed that local authorities will be required to follow International Financial Reporting Standards from 1 April 2010. Financial data for 2009-10 will require restatement in order to provide comparative data in the financial statements. There is a risk that the Council has not put adequate plans in place to manage this transition and collate the required information to prepare the restatement entries.
Audit response	The Council has designated lead roles for IFRS implementation and is working to a formal timetable. The Council has taken note of the recent Audit Commission Report, Countdown to International Financial Reporting Standards, and has identified concerns over progress against the timetable and capacity to complete the work. Additional resources for finance and asset management teams have been identified in 2010-11 to address these concerns and we will continue to liaise regularly with the Council to assess ongoing progress

Current Economic Climate	
Audit risk	<p>The Council's allocation from the government revenue settlement of 2009-10 has been set at £103.5m, an increase of 2.8%. In future years, it is anticipated that there will be cuts in real levels of revenue support grant and in capital grants.</p> <p>Increase demand for services coupled with a low grant increase is likely to result in severe revenue budget pressures for the Council and there is an increased risk that proper accounting practice may not be followed in preparing and reporting the financial statements which may result in an error of misstatement.</p>
Audit response	<p>The financial position reported to the Cabinet on the 8 June 2010 shows a provisional revenue overspend of £1.428m against a net revenue budget of £196.525m. The key reasons for this overspend relate to demand led Adult Social Care (rising number and complexity of cases) and Children's Services (additional referrals following high profile cases in 2009-10).</p> <p>The Council is reporting it will fund the overspend through utilising:</p> <ul style="list-style-type: none"> • one off VAT "Fleming" repayments from HMRC of £2.144m; • additional unbudgeted Housing Planning Delivery Grant of £0.370m; • additional unbudgeted LABGI funding of £0.229m; and • • seaside towns funding grant of £0.200m. <p>This results in the Council achieving a surplus of £1.515m and with an overall reserve balance of £11.517m, some 5.7% of the net revenue budget for 2010-11.</p>

Large Scale Voluntary Transfer	
Audit risk	On 20 November 2009, the ownership and management of the Council's tenant's homes transferred to Plymouth Community Homes, a registered social landlord. This transfer will have a significant impact on the accounts and there is a risk that the Council does not correctly account for the transfer and other transfer related transactions.
Audit response	<p>We have liaised closely with the Council throughout the process and have confirmed that the overhanging debt has been paid off (directly from the department to the Public Works Loan Board). Our VAT specialist reviewed correspondence with HMRC and we are satisfied that the treatment is in accordance with CLG and HMRC regulations.</p> <p>Further work planned: We will review the working papers and the accounting entries to ensure that the transfer is correctly accounted for in the financial statements.</p>

Sale of Plymouth Citybus	
Audit risk	The Council sold its shareholding in Plymouth Citybus, which was a 100% subsidiary of the Authority, on 2 December 2009. Accounting for an undertaking that ceases to be a subsidiary can be complex. There is a risk that the Council does not correctly account for the disposal of this subsidiary in their accounts and in the group accounts.
Audit response	The Council have liaised with Go-ahead and obtained the management accounts at date of disposal. We will review the detailed working papers and the disclosures during our final accounts audit.

Group Accounts	
Audit risk	The Council is required to prepare Group Accounts. In 2008-09 and in prior years, the subsidiaries' accounts and audit opinions were signed late and not in accordance with the agreed timetable. This resulted in considerable amount of negotiation being undertaken by senior Council officers with the staff at the subsidiaries to ensure that the Council's Group accounts were signed within the required deadline. To prevent re-occurrence, the Chair of the Audit Committee has recommended that the 'subsidiaries accounts' should be added as an agenda item for a future Audit Committee meeting.

Audit response	<p>A meeting has been held between Theatre Royal, their auditors, the Council and ourselves and a timetable was agreed for provision of the requisite material.</p> <p>The other significant joint venture consolidated within the group accounts is Tamar Bridge and Torpoint Ferry Joint Committee (TBTF). This committee is required to publish their audited accounts within the same statutory deadline as the Council. The Council has not yet received the draft accounts and are currently liaising with the finance team at TBTF to ensure delivery of the accounts in sufficient time for them to prepare the draft group accounts.</p> <p>The Council must ensure that they continue to liaise closely with their subsidiaries to ensure any significant issues are identified early. These issues can then be addressed to minimise the risk of the Council not publishing their accounts by the statutory deadline.</p>
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Remuneration disclosures	
Audit risk	The Accounts and Audit (Amendment No. 2; England) Regulations 2009 brings authorities in line with level of disclosures for other government bodies and companies. There is now a requirement to provide details of salaries for senior employees. There is a risk that remuneration disclosures are not complete in the accounts.
Audit response	<p>The Council have referred to the recent CIPFA guidance on Senior Officer Remuneration and have obtained the necessary information from payroll. Senior Officers are aware of the requirements.</p> <p>There is currently a possible discrepancy between the CIPFA guidance and the regulations regarding the disclosure of pension costs. We understand that CIPFA will be issuing updated guidance to clarify their position.</p>

The Internal Audit function

- 2.15 Following the formation of the new Devon Audit Partnership from the internal auditors of Plymouth, Torbay and Devon County Councils, the Audit Commission has undertaken a detailed review of the new organisation. At the date of this report we have not received the outcome of this work. We will consider the outcomes from this work once it has been received, but will ensure that we have completed sufficient work of the service provided to Plymouth specifically in forming our overall opinion on the assurance arrangements.
- 2.16 The Audit Commission's and our own review will be completed before we conclude on whether the Internal Audit service complies with the CIPFA internal audit code of practice and any issues will be reported in our 'Annual report to those charged with governance' in September 2010.

- 2.17 However, from our review of internal audit reports and detailed working papers to date, we are satisfied that the internal audit service provides an independent and satisfactory service to the Council and we are able to take assurance from their work in contributing to an effective internal control environment at the Council.

Review of Internal Audit work

- 2.18 Where possible, our work on the Council's fundamental financial systems places reliance on the various systems of control operated by the Council. In preparation for our accounts audit, we sought to review Internal Audit work on the Council's financial systems.
- 2.19 Internal Audit's work on these systems has been carried out as late in the year as possible, in order to provide us with controls assurance over the full financial year. The fundamental systems we planned to review during our interim audit visit are detailed in Exhibit Two.

Exhibit Two: Planned systems review

Fundamental System	Internal Audit file/report	Assurance placed on Internal Audit's work?
General Ledger	Main Accounting Systems (incorporating Budgetary Control)	TBC
Creditor Payments	Creditor Payments	✓
National Non Domestic Rates	NNDR	✓
Housing and Council Tax Benefits	Housing Benefits Council Tax	✓ ✓
Payroll	Payroll	✓
Cash and Treasury Management	Treasury Management	TBC
Debtor Receipts	Debtors	TBC
Housing Rents	Housing Rents (part year)	TBC
Adult Social Care expenditure	CareFirst / Domiciliary Care	TBC

- 2.20 In assessing the effectiveness of Internal Audit work, we reviewed Internal Audit's files to ensure that:
- systems were adequately documented;
 - key controls had been identified and evaluated;
 - key controls had been tested; and
 - weaknesses had been reported to management.
- 2.21 Several key reports were unavailable at the time of our review. We are, therefore, unable to conclude the extent to which we will place reliance on financial systems. We will update our review once the final reports are available.

Closedown procedures

- 2.22 Our review considered the Council's timetable for closedown, and the arrangements for preparing the draft accounts, including guidance provided on working papers to be made available as part of the closedown process. The Council has updated the guidance to reflect issues identified in the 2008-09 ISA260 report. The Council continues to closely monitor the timetable and expects to meet the statutory deadline of 30 June 2010 and to provide detailed working papers to support the accounts at the start of our final accounts audit visit.

Information Technology Control Environment

- 2.23 The Council makes use of Civica Financials, a finance package purchased from a third party, to administer its accounts. Civica Financials is administered by the Financial Systems and Projects team within the Finance department and sits within the Council's main IT network, which is managed by the ICT department. Our information systems specialist performed a high level review of the general IT control environment, as part of the overall review of the internal controls system, and concluded that from the work undertaken to date, there are no material weaknesses which are likely to adversely impact on the Council's financial statements.
- 2.24 We have, however, identified two areas for improvement during the course of our work and these are set out below.

Account lockout threshold

- 2.25 The account lockout threshold on the Network is set to lock a user account after 30 invalid logon attempts. Best practice is to set this parameter between three and five invalid logon attempts.
- 2.26 By not implementing suitable logical access controls, such as adequate password parameters, there is the increased risk of financial applications being accessed by unauthorised individuals and placing the residing financial information at risk.

Recommendation one

Management should consider reducing the account lockout threshold from 30 invalid logon attempts to best practice of between three and five invalid logon attempts.

Network intrusion detection and prevention

- 2.27 There is some limited intrusion prevention as part of the Council's firewalls, but there is no separate and dedicated system for intrusion detection or prevention. Numerous weaknesses are discovered in both hardware and software on a daily basis that can severely compromise the security of council's information systems.

Recommendation two

The Council should consider implementing an intrusion detection or prevention system.

National Fraud Initiative

- 2.28 The National Fraud Initiative (NFI) matches electronic data within and between audited bodies to prevent and detect fraud and is operated by the Audit Commission. As part of our planned programme of work for 2009-10, we reviewed the procurement matches identified by the 2008-09 NFI exercise.
- 2.29 Our work indicates that there are no high risk data matches which might indicate a financial or reputational risk to the council. A number of low risk matches have been forwarded to the Council for follow up action.

Emerging Accounting Issues

- 2.30 During our interim audit work and training seminar, which was attended by representatives from the Council's finance team, we have discussed a number of emerging issues. Those that have not been raised elsewhere in this report are summarised, briefly, below.

Foundation and Trust schools

- 2.31 The accounting treatment for types of schools where ownership of some or all of the fixed assets used by the schools does not lie with the local authority, must be carefully considered (e.g. foundation and trust schools). The Council has a number of foundation and trust schools which they are proposing to show off balance sheet. We will review the Council's assessment of these schools to ensure that the substance of its interest in these assets does not override the formal situation that it does not own them (FRS 5).

CareFirst System

- 2.32 Internal Audit have identified fundamental weaknesses with the CareFirst application, the master record of all social care clients data. Improvements have been made since the original review and Internal Audit are intending to undertake a follow up review in the near future. Initial discussions with the Council indicates that data for the supporting people grants and direct payments to carers and clients originate from this system. We will continue to discuss with the Council what arrangements they have in place to mitigate against the risk of inaccurate or incomplete information being captured and reported in the accounts.

VAT review

- 2.33 As part of our added value offering to the Council, we asked our VAT specialists to review the Council's underlying arrangements for VAT. In particular;
- VAT transactions and correspondence with HMRC regarding the Large Scale Voluntary Transfer;
 - Fleming claims for library charges, sports and leisure services, excess parking charges and for cultural exemptions;
 - discussions on VAT implications of the Building Schools for the Future programme; and
 - possibility of making a TNT claim for VAT incurred on postal services.
- 2.34 We concluded that the overall arrangements were sound with effective processes in place.

Progress in implementing prior year recommendations

- 2.35 As part of our planned programme of work, we followed up the recommendations made in our reports issued last year. Our work indicates that the Council has made good progress, fully implementing six of the nine recommendations.
- 2.36 Three recommendations are currently being actioned and are expected to be fully implemented by July 2010 as follows:
- The review of the nature and number of P11D forms, with a view to reducing these if possible, is yet to be completed.
 - Guidelines and documented process for termination payments remain to be drafted.
 - The results of a review of self employed status of certain employees have not been analysed.

3 Value for money (VFM) conclusion

Introduction

- 3.1 Our VFM assessment considers how well the Council is managing and using its resources to deliver value for money. In order to conclude on the use of resources, we perform an assessment against a number of Key Lines of Enquiry (KLoE), undertake local project work and consider any other issues which may impact on the VFM conclusion.
- 3.2 In undertaking this assessment, we adopted a risk-based approach, building on the baseline established in 2008-09.
- 3.3 Our findings from the use of resources assessment are summarised below under the three themes:
- sound and strategic financial management - Managing Finances
 - strategic commissioning and good governance - Governing the Business
 - the management of natural resources, assets and people - Managing Resources.
- 3.4 It should be noted that at in May 2010 the Government announced its intention to abolish the Comprehensive Area Assessment (CAA) regime and, at the end of May 2010, the Audit Commission required all auditors to stop their work on use of resources assessment beyond that required to form their value for money conclusion. As we have substantially completed all of our use of resources work, we are reporting our key findings and conclusions to the Council, but these are not being formally assessed or scored.

Theme: Sound and strategic financial management

- 3.5 The Council's arrangements for integration of financial planning with strategic and directorate planning processes on a medium-term basis remains sound.
- 3.6 The Council has demonstrated a significant and improved stakeholder consultation process in 2009-10. In particular, it has used interactive voting techniques at area committees and at the Drake Circus public event and the results of this were fed into an effective scrutiny process for the 2010-11 Corporate Plan and Budget.
- 3.7 VFM profile data indicates that the Council's total net current expenditure has not increased at the same rate as its benchmark group and the Council's drive for improved value for money is having a positive impact in respect of the Council's comparative position across key services. In some areas the Council has been able to reduce costs whilst improving service delivery, for example in waste collection where costs per head of population have fallen in 2009-10 and arrangements for collection have improved. In planning and development services key targets are being achieved and in adult social services the gross spend per adult head of population has been falling.

- 3.8 The appointment of a new corporate head of VfM and efficiencies has ensured that VfM remains focused and opportunities for improvement are pursued. Action plans are in place to address the services where costs per head of population compare unfavourably with its benchmark group and VfM delivery plans are being developed for all directorates. For 2009-10, total savings are expected to be £5.763m compared to an ambitious target of £6.2m.
- 3.9 The quality of financial governance and leadership has improved. For example, Audit Committee Members received specific external training in year which enabled them to robustly scrutinise the Treasury Management and Investment Policy. Cabinet members also received specific training prior to the scrutiny of the 2010-11 budget, which enable them to provide effective challenge and help to ensure that resources were targeted at priority areas.
- 3.10 The Council's financial and performance monitoring arrangements remain good and helps the Council to ensure that it applies their resources as intended and in accordance with corporate priorities. The refreshed Corporate Plan 2010-2013 provides an objective, balanced and understandable assessment of the Council's current performance and future challenges.

Strategic commissioning and good governance

- 3.11 The Council continues to develop its arrangements to ensure that it commissions and procures quality services and supplies, tailored to local needs to deliver sustainable outcomes and value for money.
- 3.12 Plymouth has a LSP, branded as Plymouth 2020, Joint strategic needs assessment, a sustainable community strategy and a sustainable procurement strategy, all underpinned by the Local Area Agreement, an accountability, governance and performance management framework and an assessment of the quality of life for residents of Plymouth.
- 3.13 The Council is engaged with a wide range of stakeholders including residents, business, the voluntary sector and people who use services and is developing its understanding of the supply market.
- 3.14 The Council is seeking to improve the customer experience and has now established a central contact centre, has made improvements to its website and has implemented improvements to front-line desk arrangements at key first-stop civic offices. As part of the "procure 2 pay" strategy, the Council is setting up professional buyer posts throughout the organisation to deal with all negotiated requirements whilst using systems catalogues to deal with contracted items. It has also implemented extra care as an alternative to residential care and commissioned lifestyle services as an alternative to traditional day care.
- 3.15 The Council has improved their arrangements for the production of relevant and reliable data and information to support decision making and manage performance. The level of internal auditing has increased to ensure data quality standards are being met throughout the council with particular focus on data sharing amongst partners. The Revenue and benefits service have significantly improved their arrangements for checking data accuracy, demonstrating a clear decrease in the number of errors (quantitative and qualitative) from 79% to 41% between quarters three and four.
- 3.16 Sound arrangements are in place to ensure data security and the Council are working towards becoming fully compliant with good practice standards. For example, ISO27001 and Government Secure Intranet.

- 3.17 Variance in performance is highlighted in joint finance and performance bimonthly reports to CMT and Cabinet. These reports include a dashboard of key performance indicators linked to the Council's CIPS. The Council are currently reviewing the format of these reports to ensure that they remain 'fit for purpose' and easy for decision makers to understand and use. These reports will now be reported on a quarterly basis, in line with the LSP.
- 3.18 The Council continues to have good arrangements for internal control, with a Scheme of Delegation, Financial Regulations and Constitution. The Council has undertaken an ethical governance survey and has implemented an action plan to address findings. A member development committee oversees development opportunities for members and a skills framework and accompanying development programme of events has been devised.
- 3.19 The Standards Committee is operating effectively and an ethical governance survey indicates members and officers have faith in the Chief Executive and Leader to behave ethically. The Council has undertaken an exercise to identify its partnerships and formal partnerships agreements are in place. Arrangements are in place to ensure improvements in leadership and governance within the third sector.
- 3.20 The Council continues to manage its risks and maintain a sound system of internal control. The Council has acted in response to financial risks of the current economic climate to identify means to re-focus resources from back-office functions to front-line services to mitigate the impact on service delivery.
- 3.21 There is a guide on risk management in partnerships, and clear outcomes of effective partnership risk management have been demonstrated. For example, the implementation of the SHEALD programme to relocate serious offenders with learning disabilities back into the community from out-of-area specialist treatment centres. Demonstrable controls for the risks involved were prerequisite to Home Office approval for the relocation and the Council worked with the PCT, police and others to demonstrate this.
- 3.22 The Audit Committee operates effectively in monitoring internal control and has demonstrated effective and informed scrutiny in a number of areas. For example, risk management and project management. The Audit Committee has completed a self assessment against the CIPFA guidance and has implemented an improvement plan. The previous Chair of the Audit Committee has produced an annual report demonstrating the work of the Audit Committee over the past year.

Management of natural resources, people and assets

- 3.23 The Council maintains sound arrangements for the management of its assets and the corporate asset plan links to CIPs and the capital strategy. The Council is now utilising the asset strategy as a key component of the financial strategy to maintain front-line service delivery at a time of worsening financial settlements and reduced income streams. The Accommodation Strategy approved in 2009 is leading, on a staged basis, to more effective use of Council properties. For example, the more effective use of two Council properties, through open-plan configuration and use of hot-desking, which will ultimately enable relocation and the disposal of the Council's less efficient properties.
- 3.24 Joint provision and collocation are actively pursued, and the Council is actively reviewing service delivery locations against those of partners such as the PCT and Police. The Council has actively pursued collocation for Adult Social Care teams with the local primary care trust, working cooperatively to resolve IS barriers and achieving 23 co-located teams to date,

the largest of which is at the Beauchamp Centre at Mount Gould Hospital. The replacement of the demolished Plympton Library with a joint library and health centre facility is in the final stages of consultation.

- 3.25 The Council has built upon early outcomes from the implementation of the asset plan achieved in 2008-09, such as the BREEAM excellence awarded Brook Green centre for learning. With increasing pressure on resources the Council has adopted a policy of only approving capital schemes for which funding is specifically identified (including spend-to-save). The Council actively engages with a benchmarking club of similar councils for asset and construction information.
- 3.26 The Council has a corporate approach to its workforce and has in place the fundamental processes for ensuring a productive and skilled workforce, underpinned by a "people strategy". It has a number of policies and strong arrangements for monitoring many aspects of its employment arrangements, including accidents and sickness. Sickness 'targets' are now set and monitored and the Council has reduced its sickness levels from an average of 8.11 days (2007-08) to 6.95 days (2008-09). In 2009-10, the average is 4.30 days (up to October 2009).
- 3.27 Staff and trade unions are actively engaged in local arrangements, and particularly in managing change. The Council appears committed to equality and diversity across the whole range of its services and in its dealings with the public. The Council has achieved level 2 under the revised Equality framework.
- 3.28 However the focus has been on establishing sound processes across the organisation and it is not yet clear that the Council has clearly identified all of the skills gaps across its departments or introduced comprehensive plans to address these gaps. In addition the Council has identified that it still needs to develop workforce development plans which align to departmental and corporate business plans.
- 3.29 Our review has identified that the Council does not have a consistent approach in ensuring it fully involves staff in the implementation of change and empowers them to help deliver it, or that the Council maintains, or improves, staff satisfaction and morale through the periods of change. The Council is also not currently considering implementing a total reward system or determining the benefits from such a system.
- 3.30 The Council has not been able to provide sufficient evidence to demonstrate how it is building a workforce broadly representative of the community at all levels including senior management, or that the Council receives positive feedback by service users on the way they are treated by council staff.

A Action Plan - Interim Accounts Audit

Rec. No.	Para Ref	Recommendation	Priority H/M/L	Council response	Implementation date and responsibility
1	3.15	Management should consider reducing the account lockout threshold from 30 invalid logon attempts to best practice of between three and five invalid logon attempts.	L	Lock out does occur after 3 attempts, but this resets itself after 30 minutes. The council is looking at implementing PCI data standards which will comply with the whole suite of security measures.	31 August 2010. Neville Canon (AD ICT)
2	3.17	The Council should consider implementing an intrusion detection or prevention system.	L	Compliance programme of work currently being scoped linking to the PCI standards work above. Intrusion detection system will be implemented by December 2010	31 December 2010. Neville Canon (AD ICT)



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