



Oversight and Governance

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AUDIT AND GOVERNANCE COMMITTEE – SUPPLEMENT PACK TWO

Monday 21 September 2020
3.00 pm
MS Teams meeting

Members:

Councillor Parker-Delaz-Ajete, Chair
Councillor Carson, Vice Chair
Councillors Jordan, P Smith, Stevens.

Co-opted Representative: Mr Shipperley.

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

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Tracey Lee
Chief Executive

Audit and Governance Committee – Supplement Pack two

3. Minutes

(Pages 1 - 8)

To confirm the minutes of the meeting held on 27 July 2020.

Audit and Governance Committee**Monday 27 July 2020****PRESENT:**

Councillor Parker-Delaz-Ajete, Chair
 Councillor Carson, Vice Chair
 Councillors Jordan, P Smith, Stevens

Co-opted Representatives: Mr Shipperley

Also in attendance: Andrew Hardingham (Service Director for Finance), Andrew Loton (Head of Performance and Governance), Linda Torney (Assistant Head of Legal Services), Geri Daly and Paul Dossett (Grant Thornton), Jamie Sheldon (Senior Governance Advisor), Chris Flower (Finance Business Partner), Brenda Davis (Audit Manager), Julie Hosking (Risk Advisor), Ken Johnson (Counter Fraud Services Manager), Councillor Chris Penberthy (Cabinet Member for Housing and Co-operative Development) and Philip Symons (Category Manager)

The meeting started at 3.00 pm and finished at 4.30 pm.

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

65. **To note the Appointment of Chair and Vice Chair for the municipal year 2020/2021**

Members noted the appointments of Chair and Vice Chair for the municipal year 2020/2021

66. **Declarations of Interest**

The following declaration of interest was made in accordance with the code of conduct.

Name	item	Reason	Interest
Councillor Parker Delaz-Ajete	11. Internal Audit Response to the COVID-19 Pandemic	Member of Devon Audit Partnership	Personal
Councillor Tony Carson	16.Contract Standing Order	Director of company carrying out contract work for PCC	Private

67. **Minutes**

Agreed the minutes of the meeting held on 11 May 2020.

68. **Chair's Urgent Business**

There were no items of Chair's urgent business.

69. **Audit Fees**

Paul Dossett (Grant Thornton) presented the Audit Fees report to the Committee –

The report built on information provided in the previous committees and gave a detailed analysis for 19/20 in the first part, then a detailed breakdown of the proposed fees for 18/19 and 19/20.

PSAA would determine the fee at the end of the 19/20 audit.

A review was currently being undertaken, looking at local audit and what it focused on – a report was due in September. This may make changes in terms of fees, regulation and scope of the audit. Government would have to pass a regulation, this would come into effect as part of the 21/22 audit at the earliest.

Andrew Hardingham (Service Director for Finance) stated that the fees were over and above what was expected. The audit was contracted on the basis of the fee, will would see how the audit progresses and if it had been legitimately charged.

The Audit and Governance Committee noted the report.

70. **Audit Progress Report and Sector Update**

Paul Dossett (Grant Thornton) and Geri Daly (Grant Thornton) presented Audit Progress Report and Sector Update to the Committee –

began the planning for the 2019/20 audit in February and completed interim work in March and April.

The interim fieldwork included:

- updated review of the Council's control environment;
- updated understanding of financial systems;
- review of Internal Audit reports on core financial systems;
- early work on emerging accounting issues;
- early substantive testing.

Grant Thornton issued a detailed audit plan, following the conclusion of planning and interim work in early April and presented this to the last Audit and Governance Committee.

Would report our work in the Audit Findings Report and would give their opinion on the Statement of Accounts by the revised deadline, which was 30th November 2020.

Would report on the work in the Audit Findings Report and aim to give the Value For Money Conclusion by the end of September 2020.

Questions from members related to:

- The difference between working remotely this year and previous years around the audit process;

- Were there additional risks with remote audits and what the mitigations were;
- Whether there were any direction from the Government with regards to additional funds to cover the Covid-19 expenditure.

Committee noted the update.

71. **Annual Report on Treasury Management Activities for 2019/20**

Chris Flower (Finance Business Partner) presented the Annual Report on Treasury Management Activities for 2019/20 to the Committee -

In order to comply with the Code of Practice for Treasury Management, the Council was required to formally report on its treasury management activities for the year, providing information on the progress and outcomes against the Treasury Management Strategy. The report covered the treasury management activities for financial year 2019/20 including the final position on the statutory Prudential Indicators.

The report –

- (a) was prepared in accordance with the CIPFA Treasury Management Code and the Prudential Code;
- (b) confirmed capital financing, borrowing, debt rescheduling and investment transactions for the year 2019/20;
- (c) provided an update on the risk inherent in the portfolio and outlined actions taken by the Council during the year to minimise risk;
- (d) gave details of the outturn position on Treasury Management transactions in 2019/20;
- (e) confirmed compliance with treasury limits and Prudential Indicators (PIs) and the outlines the final position on the PI's for the year.

The Audit and Governance Committee agreed to –

1. note the Treasury Management Annual Report 2019/20.
2. Recommend the Treasury Management Annual Report 2019/20 to Full Council for approval.

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

72. **Treasury Management Practices Principles and Schedules 2020/21**

Chris Flower (Finance Business Partner for Capital and Treasury Management) presented the Treasury Management Practices Principles and Schedules 2020/21 to the Committee –

The CIPFA Code of Practice on Treasury Management required the Council to publish its practices, principles and schedules each year. The Treasury Management practices, principles and

schedules were in place to ensure the Council's Treasury Management policy was adhered to and that working practices and controls are in place to meet the approved strategy.

The Audit and Governance Committee approved the Treasury Management Practices, Principles and Schedules for 2020/21 as set out in this report to ensure compliance with the CIPFA Code of Practice for Treasury Management.

73. **Internal Audit Plan 2020/21**

Brenda Davis (Audit Manager) presented the Internal Audit Plan 2020/21 to the Committee-

Standards for Internal Audit in local government were set out in the Public Sector Internal Audit Standards (PSIAS).

The PSIAS confirmed that the Council should periodically prepare a risk-based plan of Internal Audit activity that was designed to support an annual opinion on the effectiveness of the systems of governance, risk management and internal control and is informed by the audit strategy, consultation with stakeholders and a dynamic assessment of risks.

The PSIAS state that 'the chief audit executive' must communicate the internal audit activity's plans and resource requirements to senior management and the board (Audit & Governance Committee) for review and approval.

The 2019/20 Internal Audit Plan was originally on the agenda for the 23 March 2020 Audit and Governance Committee but this meeting was cancelled due to Covid-19.

The Audit and Governance Committee approved the Internal Audit Plan for 2020/21.

74. **Internal Audit Response to the COVID-19 Pandemic**

Brenda Davis (Audit Manager) presented the Internal Audit Response to the COVID-19 Pandemic to the Committee –

Updated committee members on the Internal Audit Response to the Covid-19 pandemic and potential impact on the 2020/21 Internal Audit Annual Audit Opinion.

Covid-19 presented significant challenges to organisations; DAP was adapting to the ever changing and developing situation to ensure that internal audit assurance continued to be provided and assists in meeting the Covid-19 challenge as effectively and efficiently as possible

DAP were advising and supporting wherever possible but had recognised that they would need to deliver their work in different ways.

had made the whole team (from Head of Partnership to apprentice) available to support our partners and they would manage the impact of this.

DAP were managing their resources to ensure that the financial impact of Covid-19 on DAP was controlled and minimised.

This report was originally on the agenda for the 11th May 2020 Audit and Governance Committee.

The Audit and Governance Committee noted the update report and the changes made by DAP to ensure that internal audit could continue to operate effectively and advise management on risk and control issues, particularly those arising from Covid-19.

75. **Internal Audit Charter & Strategy 2020/21**

Brenda Davis (Audit Manager) presented the Internal Audit Charter & Strategy 2020/21

Re-affirmation of the Devon Audit Partnership Internal Audit Charter and Strategy. There were no changes to the 2020/21 Internal Audit Charter from the document approved by this Committee in March 2019 and the Internal Audit Strategy was also unchanged except for an update to staff numbers and professional qualification in Section 6 – Resources and Skills to ensure details accurately reflect resources as at March 2020.

One of the requirements of the Public Sector Internal Audit Standards (PSIAS) was that the purpose, authority and responsibility of the internal audit activity are formally defined in an internal audit charter and strategy, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards. The internal audit charter and strategy are in the accompanying documents.

The PSIAS sets additional Public Sector requirements where the internal audit charter and strategy must also:

- define the terms 'board' and 'senior management' for the purposes of internal audit activity;
- cover the arrangements for appropriate resourcing;
- define the role of internal audit in any fraud-related work; and
- include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.

The Audit Strategy was a high-level statement of how the internal audit service would be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities. It will communicate the contribution that Internal Audit makes to the organisation and should include:

- internal audit objectives and outcomes;
- how the Head of Devon Audit Partnership will form and evidence his opinion on the governance, risk and control framework to support the Annual Governance Statement;
- how Internal Audit's work will identify and address significant local and national issues and risks;
- how the service will be provided, and the resources and skills required to deliver the Strategy.

Audit and Governance Committee agreed the Internal Audit Charter & Strategy for the year 2020/21.

76. **Internal Audit Report**

Brenda Davis (Audit Manager) presented the Internal Audit Report to the Committee –

This report summarised the work undertaken by Devon Audit Partnership during 2019/20, reviewed the performance and effectiveness of the Internal Audit service, and provides an audit opinion on the adequacy of the Authority's internal control environment. The work delivered objective and relevant assurance and contributed to the effectiveness and efficiency of the governance, risk management and internal control processes. However, the opinion provided must be considered in light of the coronavirus pandemic, and the impact of this on the Council. The majority of the work on which the opinion was based took place prior to Covid-19. A key element of the Council's governance arrangements was the Annual Governance Statement (AGS), signed by the Leader, Chief Executive and Services Director for Finance (S.151 Officer). The assurance opinions derived from the work by Internal Audit are used to help inform the AGS.

The Audit and Governance Committee noted the report.

77. **Counter Fraud Annual Report**

Ken Johnson (Counter Fraud Services Manager) presented the Counter Fraud Annual Report -

The report summarised the work carried out during 2019/20 by the Counter Fraud Services Team in order to counter fraudulent threats to the Council's budget and reputation.

Fraud was by definition a crime and should not be tolerated. Any fraud against Plymouth City Council was a fraud against the public purse and therefore we would continue to acknowledge the threat from fraud, build processes and policies that would prevent fraud and pursue those who would commit fraud to ensure that the public retain confidence in the Council.

Local authorities continue to face a significant and unprecedented fraud challenges. Official figures are dated, however the argument for protecting the public purse remains a renewed priority. The National Fraud Authority estimated local authorities face the threat of £2.1bn fraud a year in 2013. In fact, the Annual Fraud Indicator produced by Crowe Clark Whitehill estimated that figure may be as high as £7.8bn in 2017, out of a total of £40.4bn for the public sector as a whole.

The Government's Economic Crime Plan states that the numbers of fraud offences rose by 12% during 2018 to 3.6 million – constituting a third of all crimes in the UK.

Plymouth City Council continued to retain the Counter Fraud Services Team who were transferred to the Devon Audit Partnership in 2018. This team remained the only fully qualified and nationally recognised investigation team left in Local Authority in the Devon area.

Whilst the current COVID 19 crisis had and will mostly affect the 20/21 financial year and beyond, DAP's Counter Fraud Services Team are already involved with countering the fraud threat in relation to Grant Funding schemes and are highlighting other COVID related frauds across the council and will continue to support the Council and its residents in this area.

Questions from members related to:

Government are offering money for Apprenticeships, could this be looked into as a method for countering Fraud.

The Audit Committee is recommended to note the Annual Report.

78. **Strategic Risk Register (To Follow)**

Julie Hosking (Risk Advisor) presented the Strategic Risk Register to the Committee – This report provided a summary of the latest review exercise completed for the Strategic Risk and Opportunity Register.

The report provided the revised Strategic Risk and Opportunity Register showing the current status of each risk and the movement in risk score, together with four new risks identified as a result of Covid-19.

Questions from members related to:

- Cladding on buildings had been removed from the strategic risk register – what was the likely impact;
- How were risks being monitored during COVID-19.

The Audit and Governance Committee approved the current position with regard to the Strategic Risk and Opportunity Register.

79. **Contract Standing Orders**

Councillor Chris Penberthy (Cabinet Member for Housing and Co-operative Development) and Philip Symons (Category Manager) presented the Contract Standing Orders item to the Committee –

This report required approval to proposed changes to the Contract Standing Orders (CSOs) as set out in the supporting documents, so that they were relevant and fit for purpose.

The proposed changes therein are inclusive of a format change; thus making the document concise. It was the hope that this would assist in their compliance and increase officer understanding and awareness of the details within each section.

Questions from Members related to:

Does the changes to the policy cover sub-contractors

The Audit and Governance Committee –

1. approved the updated Procurement CSOs as set out in Appendix A.
2. accepted the Procedural Notes within the Supplementary Governance Documents section listed within part H of the constitution as supporting documents. These Procedural notes aide to the

increased accessibility of the CSOs without compromising on the specific important information contained within them.

3. provide delegated authority to the Section 151 officer with Portfolio Holder consultation to add new and edit existing Procedural notes when appropriate.

4. provide delegated authority to the Section 151 officer to make minor changes in regards to the references to “OJEU” and “OJEU Threshold” if and when this changes as part of the Brexit negotiations due to conclude at the end of 2020. This is due to the fact that this links to EU regulations that the Council may or may not be subject to pending the decisions that will be made by Central Government.

80. **Purchasing Card Policy**

Councillor Chris Penberthy (Cabinet Member for Housing and Co-operative Development) and Philip Symons (Category Manager) presented the Purchasing Card Policy item to the Committee –

The report required consideration of approval to proposed changes to the Purchasing Card Policy as set out in the supporting documents, so that they are relevant and fit for purpose.

Inclusive of a format change; making the document concise. It is our hope that this will assist in their compliance and increase client awareness of the details within each section.

The Audit and Governance committee approve the updated Purchasing Card Policy as set out in Appendix A.

81. **Work Programme**

The Audit and Governance Committee noted the Work Programme.