



Oversight and Governance

Chief Executive's Department
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Published 17 July 2020

AUDIT AND GOVERNANCE COMMITTEE

Monday 27 July 2020
3.00 pm
MS Teams meeting

Members:

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

Co-opted Representatives: Mr Shipperley and Mr Stewart

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

For further information on attending Council meetings and how to engage in the democratic process please follow this link - [Get Involved](#)

Tracey Lee

Chief Executive

Audit and Governance Committee

Agenda

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

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

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 - 2)

To confirm the minutes of the meeting held on 11 May 2020.

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. Audit Fees (Pages 3 - 10)

7. Audit Progress Report and Sector Update (Pages 11 - 20)

8. Annual Report on Treasury Management Activities for 2019/20 (Pages 21 - 38)

9. Treasury Management Practices Principles and Schedules 2020/21 (Pages 39 - 92)

10. Internal Audit Plan 2020/21 (Pages 93 - 116)

11. Internal Audit Response to the COVID-19 Pandemic (Pages 117 - 126)

12. Internal Audit Charter & Strategy 2020/21 (Pages 127 - 144)

13. Internal Audit Report	(Pages 145 - 178)
14. Counter Fraud Annual Report	(Pages 179 - 190)
15. Strategic Risk Register	(To Follow)
16. Contract Standing Orders	(Pages 191 - 242)
17. Purchasing Card Policy	(Pages 243 - 262)
18. Work Programme	(Pages 263 - 264)

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Audit and Governance Committee

Monday 11 May 2020

PRESENT:

Councillor Parker-Delaz-Ajete, in the Chair.

Councillor Kelly, Vice Chair.

Councillors Carson, P Smith and Stevens.

Co-opted Representatives: Mr Shipperley

Apologies for absence: Mr Stewart

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, Amelia Boulter, Helen Prendergast and Helen Rickman (Democratic Advisors).

The meeting started at 3.13 pm and finished at 4.14 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.

The Chair adjourned the meeting at 15.15 pm to establish contact with Mr Shipperley (Independent Member). Mr Shipperley joined the virtual meeting and the meeting recommenced at 15.22 pm.

60. **Declarations of Interest**

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

Name	Minute	Reason	Interest
Councillor Parker-Delaz-Ajete	Minute 64	Member of Devon Audit Partnership	Personal

61. **Minutes**

Agreed the minutes of the meeting held on 9 December 2019.

62. **Chair's Urgent Business**

There were no items of Chair's urgent business.

63. **Remote meeting protocol**

Linda Torney (Assistant Head of Legal Services) referred to the report in the agenda pack. The protocol was devised for meetings to take place virtually in line with new government regulations to help tackle the outbreak of COVID-19. No changes were required to be made in the constitution but have the protocol to provide consistency which would apply until 7 May 2021. The protocol would be reviewed regularly.

Questions from Members related to:

- Virtual backgrounds and whether to include in the remote meeting protocol the preferential use of PCC landscapes as the background image?
- Committees and public participation?
- Voting on MS teams and was this in place?

Agreed to adopt the draft protocol in Appendix One for the period until 7 May 2021 to provide a consistent approach to managing remote meetings.

64. **2019/20 Audit Plan**

Geri Daly and Paul Dossett (Grant Thornton) and Andrew Hardingham (Service Director for Finance) were present for this item and referred to the report in the agenda pack. The report provides an overview of the planned scope and timing of the statutory audit of Plymouth City Council for those charged with governance. The risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error had been identified as:

- Management override of controls;
- Revenue Recognition – Rebutted in all areas apart from Government Grants;
- Valuation of Land and buildings including the valuation of investment properties at year end;
- Valuation of net pension fund liability;
- Financial Instrument disclosures;
- Group accounts, consolidation and reporting;
- Financial statements risk - impact of the reduction of the Council's pension fund liability through Miel Ltd;
- Financial statements risk - impact of COVID-19.

Questions from Members related to the impact of COVID-19 on the medium term financial planning and the Council's preparation for the new budget year?

Andrew Hardingham (Service Director for Finance) reported that they were in the process for finalising the outturn position for 2019/20 looking at the risk and Members would be kept updated.

Agreed to note and approve the Audit Plan 2019/20.

(Due to technical problems the Chair adjourned the meeting at 16.05 pm. The Chair concluded the meeting at 16.14 pm. Remaining agenda items would be considered at a future meeting).

Audit Fee – Further Analysis

Plymouth City Council

30 April 2020



Audit fee variations – Further analysis

The table below shows the planned variations to the original scale fee for 2019/20 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees. In agreement with PSAA (where applicable) we will seek approval to secure these additional fees for the remainder of the contract via a formal rebasing of your scale fee. Should any further issues arise during the course of the audit that necessitate further audit work additional fees will be incurred, subject to PSAA approval.

Audit area	£	Rationale for fee variation
Scale fee	105,393	
Raising the bar	8,000	General - The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity. For major audits – as outlined earlier in the Plan, we have also reduced the materiality level, reflecting the higher profile of local audit. This will entail increased scoping and sampling.
Pensions – valuation of net pension liabilities under International Auditing Standard (IAS) 19	3,500	General – the FRC have highlighted that the quality of work by all audit firms needs to be improved across local audit. This requires additional challenge and scepticism and testing. The requirements result in increased supervision and senior level input. We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.
PPE Valuation – work of experts	9,500	General – The FRC have highlighted that the quality of work by all audit firms on PPE valuations requires further improvement. We have had to increase the level of challenge and scepticism of both management and valuers. We have also had to engage our own valuation experts - Wilks Head and Eve and increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations. We estimate that the cost of the auditors expert will be in the region of £5000.
Groups	4,000 if required)	General - The Financial Reporting Council (FRC) have highlighted the need to increase quality by all audit firms in relation to the audit of group accounts and in particular, increase focus and scrutiny when relying upon assurances from other auditors. This requires additional supervision and leadership as well as additional challenge and scepticism in this area. As this is the first year of Group accounts additional audit procedures will be required.
New standards/developments	3,000	General - Covid-19 is an emerging issue and development across the entire public sector which will require further audit challenge and scrutiny across the financial statements. Our initial risk assessment has been updated to add a further significant risk for this event. We anticipate that this will increase as further detailed work is required.
Miel Ltd - Payment of the Pension Fund Liability	6,000	Local to Plymouth - The introduction of this as a financial statements level risk requires additional audit procedures and follow up of our recommendations from last year. As this is a highly complex and unusual transaction, we as auditors, are likely to also utilise the services of experts such as legal advisers.
Grants and Financial Instruments	3,000	Local to Plymouth - We have included these areas as significant risks as part of our audit risk assessment. These areas will require detailed auditor focus and increased testing.
Revised fee	142,393	



Grant Thornton

An instinct for growth™

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27th April 2020

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Dear Andrew

Audit scope and additional work 2019/20

I hope you and your colleagues are all keeping safe and well in these very unusual and difficult times. In this letter, I want to continue to update you on our plans to work with you over the coming months, as we have discussed at our most recent weekly meetings. I want to ensure that we plan our audit effectively, to provide assurance for those charged with governance, and to deliver a high quality audit to all users of the audit, whilst seeking to maintain our fee within the envelope which we have recently been discussing with you. The letter therefore aims to support the commentary relating to the fee that is currently within the draft audit plan for 2019/20 and to ensure transparency. I know that we have discussed the fee on a number of occasions and I would want to continue those discussions relating to the forecast for 2019/20.

Global events have moved in an unexpected and tragic direction and none of us could have foreseen the impact that the Covid19 crisis has had on the world. As a local government body, you are at the forefront of efforts to support local people, and clearly the focus of the Authority will be directed to supporting local communities as best you can in these exceptionally difficult circumstances. As your auditors, we absolutely understand the challenges that you and your teams are facing and we have already been discussing with you and your team how we can work with you as effectively as we can. At these challenging times it is even more important to ensure that we can deliver a high quality audit, focused on good governance and the application of relevant accounting and auditing standards, whilst recognising the day to day pressures you face.

In recent conversations, including at Plymouth City Council, and the Audit and Governance Committee, we have discussed the increased regulatory focus facing all audit suppliers and the impact this will have on the scope of our work for 2019/20 and beyond. You will have also received a letter via email from Tony Crawley of PSAA in December 2019 explaining the changing regulatory landscape. In his letter, Mr Crawley highlights: *“significantly greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work across all sectors – and this includes local audit. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. As a result, audit firms have updated their work programmes and reinforced their internal processes and will continue to do so to enable them to meet the current expectations.”*

I wanted to ensure that I set out in more detail the likely impact of this on our audit, and I am pleased to do so in this letter. Should further matters arise during the course of the audit they could also have fee and timetable implications that we would need to address at that point.

Across all suppliers and sectors (public and private), the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, as well as to undertake additional and more robust testing. There is a general 'raising of the quality bar' following a number of recent, high-profile company failures that have also been attributed to audit performance. Alongside the FRC, other key stakeholders including the Department for Business, Energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. The FRC has been clear to us that it expects audit quality in local audit to meet the same standards as in the corporate world and the current level of financial risk within local audit bodies supports this position.

As a firm, we are absolutely committed to meeting the expectations of the FRC and other key stakeholders with regard to audit quality and public sector financial reporting. To ensure the increased regulatory focus and expectations are fully met, we anticipate that, as first seen in 2018/19, we will need to commit more time in discharging our statutory responsibilities, which will necessitate an increase in costs. I set out below the implications of this for your Authority's audit.

Increased challenge and depth of work – raising the quality bar

The FRC has raised the threshold of what it assesses as a good quality audit. The FRC currently uses a four-point scale to describe the quality of the files it reviews, as follows:

Score	Description
1 or 2a	Acceptable with Limited Improvements Required
2b	Improvements required
3	Significant Improvements Required

Historically, the FRC's definition for 2b was 'acceptable but with improvements required' and, as such, both the Audit Commission and PSAA considered a '2b' to represent an acceptance level of audit quality for contract delivery purposes. The FRC has now set a 100% target for all audits (including local audits) to achieve a '2a'. Its threshold for achieving a '2a' is challenging and failure to achieve this level is reputationally damaging for individual engagement leads and their firm. Non-achievement of the standard can result in enforcement action, including fines and disqualification, by the FRC. Inevitably, we need to increase the managerial oversight to manage this risk. In addition, you should expect the audit team to exercise even greater challenge of management in areas that are complex, significant or highly judgmental. We will be required to undertake additional work in the following areas, amongst others:

- use of specialists
- information provided by the entity (IPE)
- journals
- management review of controls
- revenue
- accounting estimates
- financial resilience and going concern
- related parties and similar areas.

As part of our planning, we have also reflected on the level of materiality which is appropriate for your audit. As outlined above, the profile of local audit has increased considerably over the past year. The reviews led by Sir John Kingman, Sir Donald Brydon and Sir Tony Redmond are focusing attention on the work of auditors everywhere. Parliament, through the work of its Scrutiny Committees, has made clear its expectations that auditors will increase the quality of their work. Reflecting this higher profile, and the expectations of stakeholders, we propose to reduce the materiality level for all major audits. For Plymouth City Council this will lead to a reduction from 1.7% to 1.33% of gross revenue expenditure, reflecting both the increased focus on large audits and our experience from the 2018-19 audit. This will increase the volume and scope of our testing and reporting to those charged with governance, as well as providing you with additional assurance in respect of the audit.

As a result, you may find the audit process for 2019/20 and beyond even more challenging than previous audits. This mirrors the changes we are seeing in the commercial sectors.

Property, plant and equipment (PPE or 'Fixed Assets')

The FRC has highlighted that auditors need to improve the quality of audit challenge on Property, Plant and Equipment (PPE) valuations across the sector. We will therefore increase the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations. We have also determined that, for major local audits, we will now be engaging our own external valuer to provide appropriate assurance to the standards expected by the FRC.

Pensions (IAS 19)

The FRC has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Specifically, for the following areas, we will increase the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting. Our planned additional procedures include:

- verification of the accuracy and completeness of the data provided to the actuary by both the admitted body and the administering authority
- checking the value of the Pension Fund Assets at 31 March per the Authority's financial statements against the share of assets in the Pension Fund statements
- review and assess whether the significant assumptions applied by the actuary are reasonable and are followed up on areas identified by either our review or PwC as outliers
- ensuring that the instructions from the audit team to the Pension Fund auditor include enquiries in respect of service organisation reports as well as testing in respect of material level 3 pension assets (please note that this is outside the scope of PSAA's fee variation process)

Complex accounting issues and new accounting standards

You are required to respond effectively to new accounting standards and we must ensure our audit work in these new areas is robust. There is a requirement, under IAS8, to disclose the expected impact of changes in accounting treatment in the financial statements.

We know the Authority has appreciated our responsiveness in the past and we would wish to continue to be able to do this in the future.

Local issues

The audit of the Plymouth City Council's 2018-19 financial statements was the first year that Grant Thornton UK LLP were your external auditors in more recent times. Our audit identified a number of issues both in the accuracy of the figures and information reported in the financial statements and in the quality of supporting working papers. As you are aware we had to undertake a significant amount of work around the valuation of PPE and investment properties which led to prior period adjustments having to be made. Additional testing had to be undertaken on grant income, financial instrument disclosures and the validity of Trading Account income.

We also spent a number of hours in talks with you and reviewing the governance and due diligence arrangements regarding the repayment of the Pension Fund Liability through MIEL Ltd.

All of these matters required significant additional audit work to complete the audit and resulted in an additional fee to be paid.

We have continued to work with senior members of the finance team to address the issues arising during the 2018-19 audit and seek improvements to both the quality and accuracy of the financial statements and the supporting working papers produced by the Council for 2019-20. However, it is likely that there will be additional audit work arising in 2019-20 as these new arrangements become embedded and further opportunities to improve are identified. We have therefore factored in our expected additional audit work into the scope of the audit-

Covid 19

The current pandemic crisis has increased audit risk factors in the following areas:

- Remote working arrangements and redeployment of staff to critical front-line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation;
- Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management's estimates;
- Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and their overall financial resilience and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and
- Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.

We have set out in the Audit Plan the additional work we propose to undertake in respect of this new significant risk. Fundamental to our response will be working with you to understand the arrangements the Authority has in place to address relevant risks in respect of Covid 19 in its accounts preparation. We will also review the appropriateness of your disclosures, including in respect of any estimation uncertainties around for example operational property plant and equipment and Pensions asset valuations. The significance of the Council's investment property portfolio and the potential impact of the coronavirus on its valuation will require additional audit input, using an auditor's expert, which will incur further additional costs that we would need to pass onto you.

Group Audit

We anticipate that there is a likely requirement to produce Group Accounts for the first time in 2019/20. The introduction of a Group Account requires additional responsibilities on the Auditor in the way that the audit is performed and reported. For instance, the Group Auditor is required to liaise with auditors of subsidiaries, request work to be performed on specific risk areas and review the work of subsidiary auditors. There are also specific reporting requirements imposed on the Group auditor in discharging their responsibilities to both the public and Those Charged with Governance.

Value for Money and Financial Standing

As part of our VfM work we will ensure we understand the arrangements you are putting in place to manage risks around business continuity in the current pandemic crisis. We have added an additional significant risk in relation to COVID-19 as part of our initial risk assessment. We will also review your assessment of going concern and financial stability in the light of increased uncertainties around for example Council Tax and NNDR collection rates, car park income, tourist attraction income and investment returns. We envisage linking the additional VfM work around financial standing with our Going Concern opinion work.

Regulatory changes.

You will be aware that the Government accounting Financial Reporting Advisory Board (FRAB) has deferred the implementation of IFRS 16 by a year. Whilst IAS 8 disclosures will be required, this change will lead to some reduction in preparatory work required by both you and us, for this year at least.

Finally, MHCLG has revised the publication date for the draft accounts to 31 August and set a target date for publication of audited accounts of 30 November. Whilst flexibility in moving away from July is welcome, a number of authorities have highlighted the risk that a delayed closedown process could impact on their budget programme for 2021/22. We are keen to continue with the agreed timetable of a draft set of statements by 31 May 2020 and an audit target of 30th September 2020. We will continue to liaise and discuss what works for you.

Impact on the audit and associated costs

You will note we did not raise additional fees across the sector as a whole in 2018/19 in respect of the additional work required in response to the implementation of IFRS9 and IFRS15. This was a goodwill decision we took in support of the strong relationship we have with the sector. However, the volume of additional work now being required, as set out above, means we are no longer able to sustain that position. This is an issue not just across public services but also in the private sector where fees are being increased by all of the major suppliers by more than 20%.

We benefit from effective and constructive working relationships which we have established during our engagement with you to date. This allows us to absorb some of the impact of these changes. Using our strong working knowledge of you and efficiencies that we are continuously seeking to implement as part of our focus on continued collaborative working with you, we have sought to contain the impact as much as possible to below the market average.

We have assessed the impact of the above as follows for 2019/20, with the comparative position for the two previous years shown. Please note these are subject to approval by PSAA in line with PSAA's normal process. Should other risks arise during the course of the audit which we have not envisaged, we may need to make a further adjustment to the fee.

Area	Cost £		
	2019/20	2018/19	2017/18
Scale Fee	£105,393	£105,393	£136,874
Increased challenge and depth of work	£5,000	-	-
Materiality	£3,000	-	-
PPE & Valuations	£9,500	£3,000	-
Pensions	£3,500	£3,000	-
Pensions Mc Cloud	-	£3,000	-
Groups	£4,000	-	-
New Standards	£3,000	-	-
Local Issues:			
Pension repayment through Miel	£6,000	£15,000	
PPE and PPA		£45,500	
Financial Instruments /CFR and Grants	£3,000	£8,000	
	£37,000	£68,500*	
Total	£142,393	£173,893	£136,876

* yet to be agreed by management and PSAA.

This would give a scale fee for the statutory accounts audit for 2019/20 of £105,393 plus VAT plus a variation of £ 37,000 plus VAT, giving a total fee of £142,393 plus VAT. (£173,893 plus VAT in 2018/19).

Please note that PSAA's arrangements require a separation of fees and remuneration, which means that Grant Thornton does not receive 100% of the current fees charged.

The additional work we are now planning across the whole of our portfolio will inevitably have an impact on the audit timetable and whether or not your audit can be delivered to appropriate quality standards by the 30 September Grant Thornton remains the largest trainer of CIPFA qualified accountants in the UK and is committed to continue to resource its local audits with suitably specialised and experienced staff but the pool of such staff is relatively finite in the short-term. I will be happy to explain the impact of the further work we are planning to undertake on our delivery timetable for your audit, which at this stage is planned to be delivered by 30 September 2020.

Future changes to audit scope

As I have previously mentioned in meetings and at the Audit and Governance Committee, the National Audit Office has consulted on revisions to the Code of Audit Practice and has also indicated its intention to consult on the accompanying Auditor Guidance Notes. This defines the scope of audit work in the public sector. The most significant change is in relation to the Value for Money arrangements. Rather than require auditors to focus on delivering an overall, binary, conclusion about whether or not proper arrangements were in place during the previous financial year, the draft Code requires auditors to issue a commentary on each of the criteria. This will allow auditors to tailor their commentaries to local circumstances. The Code proposes three specific criteria:

- a) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- b) Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- c) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

Under each of these criteria, statutory guidance will set out the procedures that auditors will need to undertake. An initial review of arrangements will consist of mandatory procedures to be undertaken at every local public body plus any local risk-based work. The consultation closed on 22 November 2019. A new Code will be laid before Parliament in April 2020 and will apply from audits of local bodies' 2020/21 financial statements onwards.

At this stage, it is difficult to cost the impact. However, as soon as the requirements are finalised and it is clear exactly what the expectations will be, I will share with you further thoughts on the potential impact on the audit and associated costs.

I hope this is helpful and allows you to plan accordingly for the 2019/20 audit. Should you wish to discuss this further, please do not hesitate to contact me. We will be sharing our detailed Audit Plan with you in due course. We look forward to working with you again this year,



Yours sincerely

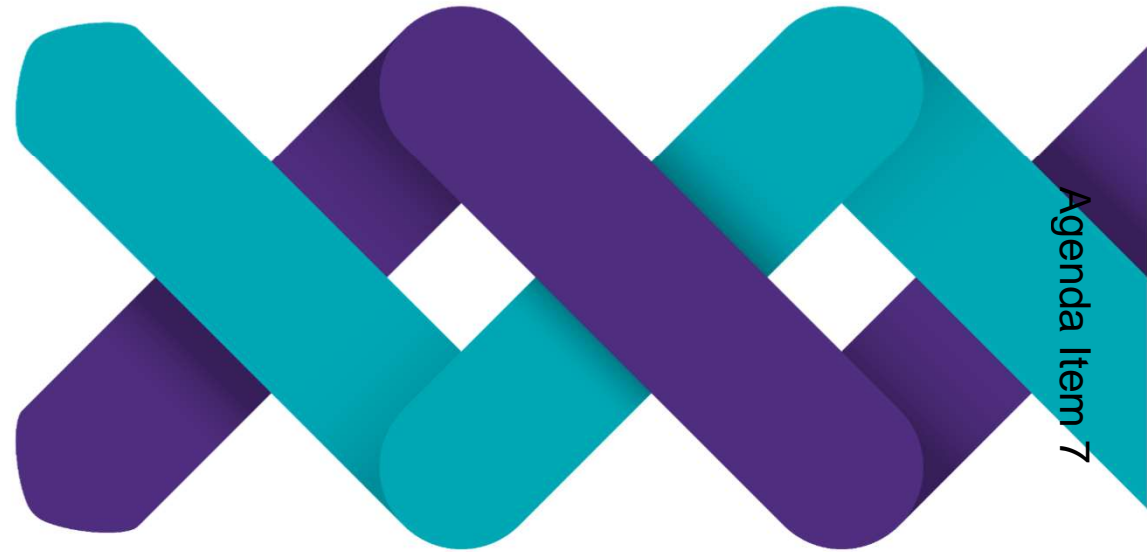
Engagement Lead and Key Audit Partner

For and on behalf of Grant Thornton UK LLP

Audit Progress Report and Sector Update

Plymouth City Council
Year ending 31 March 2020

27 July 2020



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Introduction



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This paper provides the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a local authority.

Members of the Audit and Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at July 2020

Financial Statements Audit

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

Our interim fieldwork includes:

- 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; and
- early substantive testing.

We 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.

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by the revised deadline, which is 30th November 2020.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach was included in our Audit Plan. Our focus for 2019/20 will be on the following:

- Financial Sustainability and medium term financial planning
- The impact of the Covid-19 pandemic on the Council's costs and income streams.

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

Progress at July 2020 (cont.)

Other areas

Certification of claims and returns

The review of your Housing Benefits subsidy return is no longer covered by Public Sector Audit Appointments Ltd and Councils appoint their own reporting accountants. The Council appointed Grant Thornton UK LLP for this work in 2018/19 and 2019/20 and has notified the Department for Work and Pensions (DWP).

Meetings

We continue to meet Finance Officers as part of our regular liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. We are currently undertaking a series of workshops, to which the Council have been invited, focusing upon the impact of the COVID-19 Pandemic on financial reporting and auditing.

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the second year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the “few improvements needed” (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. The breakdown of our fees for 2018/19 and 2019/20 are separate agenda items.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

Audit Deliverables

2019/20 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2019/20.	April 2020	Completed see separate agenda item.
Audit Plan We are required to issue a detailed audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements and a Conclusion on the Council's Value for Money arrangements.	April 2020	Completed and presented to the Audit and Governance Committee in May 2020.
Audit Findings Report The Audit Findings Report will be reported to the Audit and Governance Committee by the end of September 2020	October 2020	Not yet due
Auditors Report This is the opinion on your financial statements, annual governance statement and value for money conclusion.	October 2020	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	December 2020	Not yet due

Redmond Review – Review of local authority financial reporting and external audit

The independent review led by Sir Tony Redmond sought views on the quality of local authority financial reporting and external audit. The consultation ran from 17 September 2019 to 20 December 2019.

Grant Thornton provided a comprehensive submission. We believe that local authority financial reporting and audit is at a crossroads. Recent years have seen major changes. More complex accounting, earlier financial close and lower fees have placed pressure on authorities and auditors alike. The target sign-off date for audited financial statements of 31 July has created a significant peak of workload for auditors. It has made it impossible to retain specialist teams throughout the year. It has also impacted on individual auditors' well-being, making certain roles difficult to recruit to, especially in remote parts of the country.

Meanwhile, the focus on Value for Money, in its true sense, and on protecting the interests of citizens as taxpayers and users of services are in danger of falling by the wayside. The use of a black and white 'conclusion' has encouraged a mechanistic and tick box approach, with auditors more focused on avoiding criticism from the regulator than on producing Value for Money reports that are of value to local people.

In this environment, persuading talented people to remain in the local audit market is difficult. Many of our promising newly qualified staff and Audit Managers have left the firm to pursue careers elsewhere, often outside the public sector, and almost never to pursue public audit at other firms. Grant Thornton is now the only firm which supports qualification through CIPFA. It is no longer clear where the next generation of local auditors will come from.

We believe that now is the time to reframe both local authority financial reporting and local audit. Specifically, we believe that there is a need for:

- More clearly established system leadership for local audit;
- Simplified local authority financial reporting, particularly in the areas of capital accounting and pensions;

- Investing in improving the quality of financial reporting by local bodies;
- A realistic timescale for audit reporting, with opinion sign off by September each year, rather than July;
- An increase in audit fees to appropriate levels that reflect current levels of complexity and regulatory focus;
- A more tailored and proportional approach to local audit regulation, implementing the Kingman recommendations in full;
- Ensuring that Value for Money audit work has a more impactful scope, as part of the current NAO Code of Audit Practice refresh;
- Introducing urgent reforms which help ensure future audit arrangements are sustainable and attractive to future generations of local audit professionals.

We note that Sir Donald Brydon, in his review published this week, has recommended that *“the Audit, Reporting and Governance Authority (ARGA) (the proposed new regulatory body) should facilitate the establishment of a corporate auditing profession based on a core set of principles. (This should include but not be limited to) the statutory audit of financial statements.”* Recognising the unique nature of public audit, and the special importance of stewardship of public money, we also recommend that a similar profession be established for local audit. This should be overseen by a new public sector regulator.

As the reviews by John Kingman, Sir Donald Brydon, and the CMA have made clear, the market, politicians and the media believe that, in the corporate world, both the transparency of financial reporting and audit quality needs to be improved. Audit fees have fallen too low, and auditors are not perceived to be addressing the key things which matter to stakeholders, including a greater focus on future financial stability. The local audit sector shares many of the challenges facing company audit. All of us in this sector need to be seen to be stepping up to the challenge. This Review presents a unique opportunity to change course, and to help secure the future of local audit, along with meaningful financial reporting.

.”

National Audit Office – Code of Audit Practice

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. ‘Relevant authorities’ are set out in Schedule 2 of the Act and include local councils, fire authorities, police and NHS bodies.

Local auditors must comply with the Code of Audit Practice.

Consultation – New Code of Audit Practice from 2020

Schedule 6 of the Act requires that the Code be reviewed, and revisions considered at least every five years. The current Code came into force on 1 April 2015, and the maximum five-year lifespan of the Code means it now needs to be reviewed and a new Code laid in Parliament in time for it to come in to force no later than 1 April 2020.

In order to determine what changes might be appropriate, the NAO consulted on potential changes to the Code in two stages:

Stage 1 involved engagement with key stakeholders and public consultation on the issues that are considered to be relevant to the development of the Code.

The NAO received a total of 41 responses to the consultation which included positive feedback on the two-stage approach to developing the Code that has been adopted. The NAO stated that they considered carefully the views of respondents in respect of the points drawn out from the [Issues paper](#) and this informed the development of the draft Code. A summary of the responses received to the questions set out in the [Issues paper](#) can be found below.

[Local audit in England Code of Audit Practice – Consultation Response \(pdf – 256KB\)](#)

Stage 2 of the consultation involved consulting on the draft text of the new Code. To support stage 2, the NAO published a consultation document, which highlighted the key changes to each chapter of the draft Code. The most significant changes are in relation to the Value for Money arrangements. The draft Code includes three specific criteria that auditors must consider:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

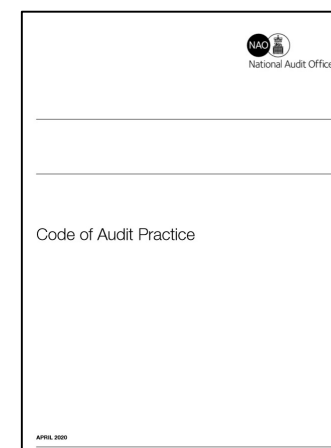
The auditor will be required to provide a commentary on the arrangements in place to secure value for money. Where significant weaknesses are identified the auditor should make recommendations setting out

- Their judgement on the nature of the weakness identified
- The evidence on which their view is based
- The impact on the local body
- The action the body needs to take to address the weakness

The consultation document and a copy of the new Code can be found on the NAO website. The new Code will apply from audits of local bodies’ 2020-21 financial statements onwards.

Link to NAO webpage for the new Code:

https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf



What is the future for local audit?

Paul Dossett, Head of local government at Grant Thornton, has written in the Municipal Journal “Audit has been a hot topic of debate this year and local audit is no exception. With a review into the quality of local audit now ongoing, it’s critical that part of this work looks at the overarching governance and management of the audit regime. We believe there is a strong need for new oversight arrangements if the local audit regime is to remain sustainable and effective in the future.”

Paul goes on to write “Local (local authority and NHS) audit has been a key part of the oversight regime for public services for more than a century. The National Audit Office (NAO) has exercised this role in central government for several generations and their reporting to Parliament via the Public Accounts Committee is a key part of the public spending accountability framework.

Local audit got a significant boost with the creation of the Audit Commission in 1983 which provided a coordinated, high profile focus on local government and (from 1990) NHS spending and performance at a local level. Through undertaking value for money reviews and maintaining a tight focus on the generational governance challenges, such as rate capping in the 1980s and service governance failings in the 1990s, the Commission provided a robust market management function for the local audit regime. Local audit fees, appointments, scope, quality and relevant support for auditors all fell within their ambit.

However, the Commission was ultimately deemed, among other things, to be too expensive and was abolished in 2010, as part of the Coalition Government’s austerity saving plans. While the regime was not perfect, and the sector had acknowledged that reform of the Commission was needed, complete abolition was not the answer.

Since then, there has been no body with complete oversight of the local audit regime and how it interacts with local public services. The Ministry of Housing, Communities and Local Government; Department of Health; NHS; NAO; Local Government Association (LGA); Public Sector Audit Appointments Ltd (PSAA); the Financial Reporting Council (FRC); the Chartered Institute of Public Finance & Accountancy (CIPFA), audit firms and the audited bodies themselves all have an important role to play but, sometimes, the pursuit of individual organisational objectives has resulted in sub-optimal and even conflicting outcomes for the regime overall.

These various bodies have pursued separate objectives in areas such as audit fee reduction, scope of work, compliance with commercial practice, earlier reporting deadlines and mirroring commercial accounting conventions – to name just a few.

This has resulted in a regime that no stakeholder is wholly satisfied with and one that does not ensure local audit is providing a sufficiently robust and holistic oversight of public spending.

To help provide a more cohesive and co-ordinated approach within the sector, we believe that new oversight arrangements should be introduced. These would have ultimate responsibility for ensuring the sustainability of the local audit regime and that its component parts – including the Audit Code, regulation, market management and fees – interact in an optimal way. While these arrangements do not need to be another Audit Commission, we need to have a strategic approach to addressing the financial sustainability challenges facing local government and the NHS, the benchmarking of performance and the investigation of governance failings.

There are a number of possible solutions including:

- 1) The creation of a new arm’s length agency with a specific remit for overseeing and joining up local audit. It would provide a framework to ensure the sustainability of the regime, covering fees, appointments, and audit quality. The body would also help to create a consistent voice to government and relevant public sector stakeholders on key issues arising from the regime. Such a body would need its own governance structure drawn from the public sector and wider business community; and
- 2) Extending the current remit of the NAO. Give it total oversight of the local audit regime and, in effect, establish a local audit version of the NAO, with all the attendant powers exercised in respect of local audit. In this context, there would be a need to create appropriate governance for the various sectors, similar to the Public Accounts Committee.

While the detail of the new arrangements would be up for debate, it’s clear that a new type of oversight body, with ultimate responsibility for the key elements of local audit, is needed. It would help to provide much-needed cohesion across the sector and between its core stakeholders.

The online article is available here:

<https://www.themj.co.uk/What-is-the-future-for-audit/214769>

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Audit and Governance Committee



Date of meeting:	27 July 2020
Title of Report:	Annual Report on Treasury Management Activities for 2019/20
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	Andrew Hardingham (Service Director for Finance)
Author:	Chris Flower (Finance Business Partner for Capital and Treasury Management)
Contact Email:	chris.flower@plymouth.gov.uk
Your Reference:	Finance/CF
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of 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 2019/20 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 2019/20;
- 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 2019/20;
- e) confirms compliance with treasury limits and Prudential Indicators (PIs) and the outlines the final position on the PI's for the year.

Recommendations and Reasons

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

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

Alternative options considered and rejected

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

Relevance to the Corporate Plan and/or the Plymouth Plan

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

Implications for the Medium Term Financial Plan and Resource Implications:

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.

Carbon Footprint (Environmental) Implications:

In 2019/20 the Council invested £5m into the Public Sector Social Impact Fund to invest in carbon reduction projects.

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

** When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*

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.

Appendices

**Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 1 of the Local Government Act 1972 by ticking the relevant</i>						
		1	2	3	4	5	6	7
A								
B								

Background papers:

**Add rows as required to box below*

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable)						
	If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.						
	1	2	3	4	5	6	7
Treasury Management Strategy report to Council 15 January 2019							
Mid-Year Review report to Audit Committee 9 December 2019							

Sign off:

Fin	PL.20. 21.40	Leg	It/350 07/09 07	Mon Off	It/350 07/09 07	HR	Click here to enter text.	Asset s	Click here to enter text.	Strat Proc	Click here to enter text.
Originating Senior Leadership Team member: Andrew Hardingham											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 06/07/2020											
Cabinet Member approval: Cllr Mark Lowry approved by email Date approved: 09/07/2020											

Annual Report on Treasury Management Activities for 2019/20

Introduction

The Chartered Institute of Public Finance and Accountancy's Treasury Management (the CIPFA Code) requires the Council to report on the performance of the treasury management function after the financial year end.

The Council's Treasury Management Strategy for 2019/20 was approved by Council on 25 February 2019. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.

External Context

Economic background (as at April 2020): The UK's exit from the European Union and future trading arrangements, had remained one of major influences on the UK economy and sentiment during 2019/20. The 29th March 2019 Brexit deadline was extended to 12th April, then to 31st October and finally to 31st January 2020. Politics played a major role in financial markets over the period as the UK's tenuous progress negotiating its exit from the European Union together with its future trading arrangements drove volatility, particularly in foreign exchange markets. The outcome of December's General Election removed a lot of the uncertainty and looked set to provide a 'bounce' to confidence and activity.

The headline rate of UK Consumer Price Inflation UK Consumer Price Inflation fell to 1.7% y/y in February, below the Bank of England's target of 2%. Labour market data remained positive. The ILO unemployment rate was 3.9% in the three months to January 2020 while the employment rate hit a record high of 76.5%. The average annual growth rate for pay excluding bonuses was 3.1% in January 2020 and the same when bonuses were included, providing some evidence that a shortage of labour had been supporting wages.

GDP growth in Q4 2019 was reported as flat by the Office for National Statistics and service sector growth slowed and production and construction activity contracted on the back of what at the time were concerns over the impact of global trade tensions on economic activity. The annual rate of GDP growth remained below-trend at 1.1%.

Then coronavirus swiftly changed everything. COVID-19, which had first appeared in China in December 2019, started spreading across the globe causing plummeting sentiment and falls in financial markets not seen since the Global Financial Crisis as part of a flight to quality into sovereign debt and other perceived 'safe' assets.

In response to the spread of the virus and sharp increase in those infected, the government enforced lockdowns, central banks and governments around the world cut interest rates and introduced massive stimulus packages in an attempt to reduce some of the negative economic impact to domestic and global growth.

The Bank of England, which had held policy rates steady at 0.75% through most of 2019/20,

moved in March to cut rates to 0.25% from 0.75% and then swiftly thereafter brought them down further to the record low of 0.1%. In conjunction with these cuts, the UK government introduced a number of measures to help businesses and households impacted by a series of ever-tightening social restrictions, culminating in pretty much the entire lockdown of the UK.

The US economy grew at an annualised rate of 2.1% in Q4 2019. After escalating trade wars and a protracted standoff, the signing of Phase I of the trade agreement between the US and China in January was initially positive for both economies, but COVID-19 severely impacted sentiment and production in both countries. Against a slowing economic outlook, the US Federal Reserve began cutting rates in August. Following a series of five cuts, the largest of which were in March 2020, the Fed Funds rate fell from of 2.5% to range of 0% - 0.25%. The US government also unleashed a raft of COVID-19 related measures and support for its economy including a \$2 trillion fiscal stimulus package. With interest rates already on (or below) the floor, the European Central Bank held its base rate at 0% and deposit rate at -0.5%.

Financial markets: Financial markets sold off sharply as the impact from the coronavirus worsened. After starting positively in 2020, the FTSE 100 fell over 30% at its worst point with stock markets in other countries seeing similar huge falls. In March sterling touch its lowest level against the dollar since 1985. The measures implemented by central banks and governments helped restore some confidence and financial markets have rebounded in recent weeks but remain extremely volatile. The flight to quality caused gilts yields to fall substantially. The 5-year benchmark falling from 0.75% in April 2019 to 0.26% on 31st March. The 10-year benchmark yield fell from 1% to 0.4%, the 20-year benchmark yield from 1.47% to 0.76% over the same period. 1-month, 3-month and 12-month bid rates averaged 0.61%, 0.72% and 0.88% respectively over the period.

Since the start of the calendar 2020, the yield on 2-year US treasuries had fallen from 1.573% to 0.20% and from 1.877% to 0.61% for 10-year treasuries. German bund yields remain negative.

Credit Review: In Q4 2019 Fitch affirmed the UK's AA sovereign rating, removed it from Rating Watch Negative (RWN) and assigned a negative outlook. Fitch then affirmed UK banks' long-term ratings, removed the RWN and assigned a stable outlook. Standard & Poor's also affirmed the UK sovereign AA rating and revised the outlook to stable from negative. The Bank of England announced its latest stress tests results for the main seven UK banking groups. All seven passed on both a common equity Tier 1 (CET1) ratio and a leverage ratio basis. Under the test scenario the banks' aggregate level of CET1 capital would remain twice their level before the 2008 financial crisis.

After remaining flat in January and February and between a range of 30-55bps, Credit Default Swap spreads rose sharply in March as the potential impact of the coronavirus on bank balance sheets gave cause for concern. Spreads declined in late March and through to mid-April but remain above their initial 2020 levels. NatWest Markets Plc (non-ringfenced) remains the highest at 128bps and National Westminster Bank Plc (ringfenced) still the lowest at 56bps. The other main UK banks are between 65bps and 123bps, with the latter being the thinly traded and volatile Santander UK CDS.

While the UK and Non-UK banks on the Arlingclose counterparty list remain in a strong and well-capitalised position, the duration advice on all these banks was cut to 35 days in

mid-March.

Fitch downgraded the UK sovereign rating to AA- in March which was followed by a number of actions on UK and Non-UK banks. This included revising the outlook on all banks on the counterparty list to negative, with the exception of Barclays Bank, Rabobank, Handelsbanken and Nordea Bank which were placed on Rating Watch Negative, as well as cutting Close Brothers long-term rating to A-. Having revised their outlooks to negative, Fitch upgraded the long-term ratings on Canadian and German banks but downgraded the long-term ratings for Australian banks. HSBC Bank and HSBC UK Bank, however, had their long-term ratings increased by Fitch to AA-.

Local Context

On 31st March 2019, the Council had net borrowing of £521m arising from its revenue and capital income and expenditure, an increase on 2019 of £163m. 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

	31.3.19 Actual £m	2019/20 Movement £m	31.3.20 Actual £m
General Fund CFR	569	163	732
Less: Other debt liabilities *	-121	4	-117
Borrowing CFR	448	167	615
Less: Usable reserves	-58	-2	-60
Less: Working capital	-32	-2	-34
Net borrowing	358	163	521

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

The Council has increasing CFR due to the capital programme and an estimated borrowing requirement as determined by the Liability Benchmark which also takes into account usable reserves and working capital. Having considered the appropriate duration and structure of the borrowing need based on realistic projections the Council's net borrowing has increased as detailed in table I above.

Borrowing Update

On 9th October 2019 the PWLB raised the cost of certainty rate borrowing by 1% to 1.8% above UK gilt yields as HM Treasury was concerned about the overall level of local authority debt. PWLB borrowing remains available but the margin of 180bp above gilt yields appears relatively very expensive. Market alternatives are available and new products will be developed; however, the financial strength of individual authorities will be scrutinised by investors and commercial lenders.

The Chancellor's March 2020 Budget statement included significant changes to Public Works Loan Board (PWLB) policy and launched a wide-ranging consultation on the PWLB's future direction. Announcements included a reduction in the margin on new HRA loans to 0.80% above equivalent gilt yields (if the Authority has an HRA, then include: the value of this discount is 1% below the rate at which the authority usually borrows from the PWLB), available from 12th March 2020 and £1.15bn of additional "infrastructure rate" funding at gilt yields plus 0.60% to support specific local authority infrastructure projects for England, Scotland and Wales for which there is a bidding process.

The consultation titled "Future Lending Terms" represents a frank, open and inclusive invitation, allowing key stakeholders to contribute to developing a system whereby PWLB loans can be made available at improved margins to support qualifying projects. It contains proposals on allowing authorities that are not involved in "debt for yield" activity to borrow at lower rates as well as stopping local authorities using PWLB loans to buy commercial assets primarily for yield without impeding their ability to pursue their core policy objectives of service delivery, housing, and regeneration. The consultation also broaches the possibility of slowing, or stopping, individual authorities from borrowing large sums in specific circumstances.

The consultation closes on 31 July 2020 with implementation of the new lending terms expected in the latter part of this calendar year or financial year beginning 2021/22 and the Council intends to respond to the consultation.

Borrowing Activity

At 31st March 2020, the Council held £720m of loans, (an increase of £139m on 31/03/2019) 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.

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.

With short-term interest rates remaining much lower than long-term rates, the Council's Treasury Management Board has determined it was more cost effective in the short-term to borrow rolling temporary / short-term loans instead of fixing in at higher long term rates. The Council reviews the situation on a regular basis and also takes advice from its Treasury Management advisors. The net movement in temporary / short-term loans is shown in table 2 below.

Table 2: Borrowing Activity

	Balance on 01/04/2019 £m	Movement £m	Balance on 31/03/2020 £m	Avg Rate %
Public Works Loan Board	44	0	44	5.76%
Banks - LOBOs	64	0	64	4.34%
Other Loans	30	-2	28	
Short Term Borrowing	322	145	467	0.98%
TOTAL BORROWING	460	143	603	
Other Long Term Liabilities	121	-4	117	-
TOTAL EXTERNAL DEBT	581	139	720	-
Increase/ (Decrease) in Borrowing £m			139	

LOBO (Lender's Option Borrower's Option)

The Council continues to hold £64m of LOBO loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the year.

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.

Debt Rescheduling

The PWLB increased the spread to 1.8% 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 Long Term Liabilities

Although not classified as borrowing, the Council has other capital finance from Private Finance Initiatives and Finance Leases etc. and as at 31st March 2020 this amounted to £117m.

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)

MRP is a charge to the revenue budget that is made each year for monies to repay the Council's borrowing.

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.

Following changes in advice from CIPFA the Council changed its MRP calculations method in 2015/16 to use the annuity method. Prior years involved detailed calculations which were very prescriptive but these were replaced with a requirement that local authorities calculate an amount or MRP which they consider to be prudent.

The Council matches the economic benefits from its assets with the life of those assets. Therefore the Council changed 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.

Investment Activity

The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2019/20, the Council's investment and cash balances ranged between £80 and £110 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 2019/20

Investments	Balance on 01/04/2019 £m	Movement £m	Balance on 30/03/2020 £m	Avg Rate/Yield (%)
Short term Investments (call accounts etc.)	21	-14	7	0.62%
Covered Bonds and Loans	3	-3	0	-
Money Market Funds	26	7	33	0.28%
Other Pooled Funds	35	22	57	3.34%
TOTAL INVESTMENTS	85	12	97	
Increase/ (Decrease) in Investments £m			12	

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 treasury 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.

During the year the Council sold some of its poor performing cash fund investments and purchased other pooled investment in order to improve its income returns.

The Council has £57m invested in externally managed pooled Funds with the CCLA and Schroder and this has generated a total return for the year of £1.421m. Investment income is used to support services in year. These funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives is regularly reviewed.

Council is invested in bond, equity, multi-asset and property funds. The falls in the capital values of the underlying assets were reflected in the 31st March fund valuations with every fund registering negative capital returns over 12 months to March. Several March-end dividend details are awaited, but early calculations suggest that, despite decent income returns in 2019-20, these funds will post negative total return over the one-year period due to the capital component of total returns.

The unrealised capital losses (the 'drawdown' referred to by fund managers) in equity income funds were especially large, ranging from -3% to -34%.

These unrealised capital losses will not have an impact on the General Fund as the Council has elected to present changes in the funds' fair values in other comprehensive income (FVOCI).

Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives is regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns will exceed cash interest rates. In light of their performance over the medium to long term and the Council's latest cash flow forecasts, investment in these funds has been maintained.

Other Non-Treasury Holdings and Activity

The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Authority holds primarily for financial return. This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

The Council held £216m of direct property investment under its Asset Investment Fund

These non-treasury investments generated £3.527m of investment income for the Council after taking account of direct costs, representing a net revenue return of 2.2% after allowing for payment to a void reserve and payment to a lifecycle maintenance reserve. The gross return is higher than the return earned on treasury investments but reflects the additional risks to the Council of holding such investments.

Treasury Management Outturn 2019/20**Budget Income and Expenditure****Treasury Management Outturn Position 2019/20**

	2019/20 Budget	2019/20 Outturn	Year End Variance
	£m	£m	£m
Interest Payable	9.258		
LOBO and other long term loans		3.568	
PWLB (Public Works Loan Board)		2.439	
Temporary loans		3.273	
Other Interest and charges		0.014	
Recharge to Departments for Unsupported Borrowing (in accordance with business cases)	(10.800)	(12.070)	
Total Interest Payable	(1.542)	(2.776)	(1.234)
Interest Receivable	(2.146)		
Pool Funds		(1.421)	
Money Market Fund		(0.137)	
Other Interest		(1.781)	
Total Interest Receivable	(2.146)	(3.339)	(1.193)
Other Payments	0.105	0.097	
Debt Management	0.698	0.634	
Amortised Premiums	0.643	0.544	
Total Other Charges	1.446	1.275	(0.171)
Minimum Revenue Provision	7.232	8.567	1.335
TOTAL	4.990	3.727	(1.263)

The Council's Treasury Management Outturn for the year was an underspend of £1.263m. The Council has, however, continued to increase its borrowing to fund the capital programme which means it will pay increased loan interest and loan repayments (MRP) in the coming years while the investment returns have fallen further.

The Treasury Management Outturn does not include the returns from the Council's investments in the purchasing of capital assets as this is included in the Place revenue outturn.

The Bank of England, which had held policy rates steady at 0.75% through most of 2019/20, moved in March to cut rates to 0.25% from 0.75% and then swiftly thereafter brought them down further to the record low of 0.1%.

The Treasury Management budget is held as a separate budget under the Finance Department of 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.

Externally Managed Funds

The Council also has investments in pooled investment funds and pooled property funds which allow the Council to diversify into asset classes other than cash. 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 managers; 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.

Compliance with Prudential Indicators

The Section 151 Officer confirms compliance with its Prudential Indicators for 2019/20, which were set in the Treasury Management Strategy 2019/20.

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:

	2019/20 Limit	2019/20 Actual	Complied
Upper limit on fixed interest rate exposure	100%	21%	✓
Upper limit on variable interest rate exposure	100%	79%	✓

Fixed rate borrowings are those where the rate of interest is fixed for the whole financial year or more. 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 all borrowing were:

	Upper Limit	Lower Limit	31.03.2020 Actual	Complied
Under 12 months	90%	10%	77%	✓
12 months and within 24 months	40%	0%	0%	✓
24 months and within 5 years	40%	0%	1%	✓
5 years and within 10 years	50%	0%	2%	✓
10 years and above	80%	10%	19%	✓

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 365 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 were:

	2019/20	2020/21	2021/22
Limit on principal invested beyond year	£45m	£50m	£50m
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 does not keep large amounts of cash in call accounts so that it reduces the cost of carrying excess cash. To mitigate the liquidity risk of not having cash available to meet unexpected payments the Council has access to borrow additional, same day, cash from other local authorities.

Other

IFRS 16: CIPFA/LASAAC has proposed delaying the implementation of the new IFRS 16 Leases accounting standard for a further year to 2021/22.

Investment Training

Officers have undergone the following training during the year:

Arlingclose – Changes to IFRS 9 Impairment of Financial Instruments.

Arlingclose – Principles of Treasury Management Workshop.

CIPFA – Implementing new Treasury Management Regulatory Framework

Arlingclose – Investments workshop 2019.

Arlingclose - Accounts closedown workshop 2019/20.

Grant Thornton - Accounts Closedown Workshops for Local Authority Accountants

Prudential Indicators 2019/20

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 2019/20. Actual figures have been taken from or prepared on a basis consistent with, the Council's statement of accounts.

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

Capital Expenditure and Financing	2019/20 Actual £m
General Fund	196.180
Total Expenditure	196.180
Capital Receipts	4.155
Grants & Contributions	32.720

Reserves	0.138
Revenue	0.130
Borrowing	159.037
Total Financing	196.180

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

Capital Financing Requirement	31.03.20 Actual £m
General Fund	732
Total CFR	732

The CFR rose by £163m in the year to £732m (2019 £569m) from 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 2020 was as follows:

Debt	31.03.20 Estimate £m	31.03.20 Actual £m	Difference £m
Borrowing	613	603	-10
PFI liabilities & other Finance leases	122	117	-5
Total Debt	735	720	-15

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 Council'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	31.03.20 Boundary £m	31.03.20 Actual Debt £m	Complied
Borrowing	720	603	✓
Other long-term liabilities	122	117	✓
Total Debt	842	720	✓

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	31.03.20 Boundary £m	31.03.20 Actual Debt £m	Complied
Borrowing	775	603	✓
Other long-term liabilities	145	117	✓
Total Debt	920	720	✓

Recommendations

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

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Audit and Governance Committee



Date of meeting: 27 July 2020

Title of Report: **Treasury Management Practices, Principles and Schedules 2020/21**

Lead Member: Councillor Mark Lowry (Cabinet Member for Finance)

Lead Strategic Director: Andrew Hardingham (Service Director for Finance)

Author: Chris Flower (Finance Business Partner for Capital and Treasury Management)

Contact Email: chris.flower@plymouth.gov.uk

Your Reference: Finance/CF

Key Decision: No

Confidentiality: Part I - Official

Purpose of Report

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

Recommendations and Reasons

To approve 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.

Note: This report usually has the changes from the previous year highlighted for members however there have not been any real changes to the practices so there is no highlighting in the report.

Alternative options considered and rejected

There are no alternative options. The Council has adopted the CIPFA Code of Practice for Treasury Management which requires the Treasury Management Practices, Principles and Schedules to be scrutinised and approved by the Audit Committee.

Relevance to the Corporate Plan and/or the Plymouth Plan

Effective financial management is fundamental to the delivery of corporate improvement priorities. Treasury Management activity has a significant impact on the Council's activity both in revenue

budget terms and capital investment and is a key factor in facilitating the delivery against a number of corporate priorities.

Implications for the Medium Term Financial Plan and Resource Implications:

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

Carbon Footprint (Environmental) Implications:

[Click here to enter text.](#)

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

** When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*

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

Appendices

**Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
A								
B								

Background papers:


**Add rows as required to box below*

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable)						
	If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.						
	1	2	3	4	5	6	7

Sign off:

Fin	pl.19.2 0.248	Leg	lt/343 40/09 03	Mon Off	lt/343 40/09 03	HR		Asset s		Strat Proc	
Originating Senior Leadership Team member: Andrew Hardingham											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 27/02/2020											
Cabinet Member approval: Cllr Mark Lowry approved by email											
Date approved: 27/02/2020											

TREASURY MANAGEMENT PRACTICES PRINCIPLES AND SCHEDULES 2020-21	
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This document has been prepared in the sequence provided by CIPFA. For ease of use, the key areas for Plymouth City Council treasury operations are referenced below:

INDEX	TMP Number	Page
Organisational chart of the Council's Finance and Treasury Division Statement of duties and responsibilities Absence cover	TMP 5	29
Liquidity Management, Cash flow, bank overdraft, short-term borrowing/lending	TMP 1	7
Cash Flow forecasts	TMP 8	44
Bank statements, payment scheduling	TMP 8	46
Electronic banking and dealing Standard Settlement Instructions, Payment Authorisation	TMP 1	7
Decision making and analysis	TMP 3	22
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Counterparty and Credit Risk Management Current criteria Counterparty List and Limits	TMP 1	7
Dealing: - Authorised dealers - Dealing limits - List of approved brokers - Deal Ticket pro-forma - Direct dealing list - Settlement transmission procedures	TMP 5	29
Reporting arrangements/Performance measurement Officers' responsibilities for reporting	TMP 6 TMP 2 TMP 5	35 19 29
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INTRODUCTION

The Audit Committee is required to approve the Treasury Management Practices, Principles and Schedules each year as a requirement of the Council's Treasury Management Strategy.

The CIPFA Code of Practice on Treasury Management in the Public Services (the Code) was last revised in December 2017. The Code requires setting out the responsibilities and duties of members and officers, allowing a framework for reporting and decision making on all aspects of treasury management. There is now no longer a requirement to formally approve the Treasury Management Code, but instead the Council is now required by law to have regard to the Code.

Treasury Management is defined by CIPFA as:

The management of the Authority's investments, cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with these activities; and the pursuit of optimum performance consistent with those risks.

The Ministry of Housing, Communities and Local Government (MHCLG) published revised statutory guidance and an informal commentary on Local Authority Investments for England in February 2018.

'Investments' now covers all the financial assets of the Council, as well as other non-financial assets which the Council holds primarily for financial returns, including but not limited to investment property portfolios. Such non-financial assets are not managed as part of the Council's normal treasury management or under treasury management delegations, but they nonetheless require appropriate investment and risk management under the Code; a separate Treasury Management Practice (TMP 13) in this document is therefore included, specific to these investments.

The Code identifies three key principles:

- (1) Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities
- (2) Their policies and practices should make clear that the effective management and control of risk and prime objectives of their treasury management activities and that responsibility for these lies clearly within these organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and portfolio liquidity when investing treasury management funds
- (3) They should acknowledge that the pursuit for value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this

CIPFA recommends that all public service organisations adopt, as part of their standing orders, financial regulations, or other formal policy documents appropriate to their circumstances, the following four clauses.

- (1) The Council will create and maintain, as the cornerstones for effective treasury management
 - a. A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities

- b. Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities
- (2) The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
- (3) The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Audit Committee and for the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management
- (4) The Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of treasury management strategy and policies
- (5) The Council produces a Capital Financing Strategy which is approved by full council, the Audit Committee may also set the detailed treasury management policies, whilst being clear that overall responsibility remains with full council.

The Treasury Management Practices (TMPs) comprise:

TMP 1: Risk management

TMP 2: Performance measurement

TMP 3: Decision-making and analysis

TMP 4: Approved instruments, methods and techniques

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

TMP 6: Reporting requirements and management information arrangements

TMP 7: Budgeting, accounting and audit arrangements

TMP 8: Cash and cash flow management

TMP 9: Money laundering

TMP 10: Training and qualifications

TMP 11: Use of external service providers

TMP 12: Corporate governance

TMP 13 Non-Treasury Investments (Investments that are not part of Treasury Management Activity)

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

I. TMP I: RISK MANAGEMENT

The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment.

- I.1 The Section 151 Officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in **TMP6 Reporting requirements and management information arrangements**. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out as schedules below. Accordingly, it will ensure that robust due diligence procedures cover all external investment.
- I.2 **Credit and Counterparty Risk Management:** Credit and counterparty risk is the risk of failure by a third party to meet its contractual obligations to the Council under an investment, borrowing, capital, project or partnership financing, particularly as a result of the third party's diminished creditworthiness, and the resulting detrimental effect on the Council's capital and revenue resources.
 - I.2.1 **Principle:** *The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in **TMP4 Approved instruments, methods and techniques**, and listed in the schedule. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, as per the Treasury Management Strategy, or with whom it may enter into other financing arrangements.*

1.3.2 Schedule:

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

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

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

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

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

1.4.3 Schedule:

Cash flow and cash Balances	<p>The Council will aim for effective cash flow forecasting and monitoring of cash balances and will maintain a single cashflow forecast to determine the maximum period for which funds may be prudently committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments.</p> <p>The Treasury Team shall seek to optimise the balance held in the Council's main bank accounts at the close of each working day in order to minimise the amount of bank overdraft interest payable or maximise the amount of interest that can be earned.</p> <p>In order to achieve the maximum return from investments, a daily cash balance of +/- £100,000 is the objective for the Council's bank account.</p>
Short term investments	The Council uses various Reserve Accounts, Call Accounts and Money Market Funds to manage its liquidity requirements. These Accounts/Funds are named on the Council's approved counterparty list. The maximum balance on each of these accounts is reviewed and set as part of the Council's investment strategy.
Temporary Borrowing	<p>Temporary borrowing up to 1 year through the money market is available should there be a cash flow deficit at any point during the year.</p> <p>At no time will the outstanding total of temporary and long-term borrowing together with any bank overdraft exceed the Prudential Indicator for the Authorised Borrowing Limit agreed by the Council before the start of each financial year.</p>
Bank Overdraft and standby facilities	The Council has an authorised overdraft limit with its bankers Barclays of £100,000 at an agreed rate of 1% above base rate. The facility is used as a contingency.
Policy in terms of borrowing in advance of need	<p>The Council may need to borrow in advance of need where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Council may be exposed to the risk of both the loss of the borrowed sums, and also that investment and borrowing rates may change during the intervening period. These risks will be managed as part of the Council's overall treasury risk management.</p> <p>The total amount borrowed will not exceed the authorised borrowing limit. The maximum period between borrowing and expenditure is expected to be 2 years, although linking loans with particular items of expenditure is not required.</p>

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

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

It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to

take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications.

The Council will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives is clearly detailed in the annual strategy.

I.5.3 Schedule:

Proportions of fixed/variable rate debt/interest	<p>Borrowing/investments may be at a fixed or variable rate.</p> <p>In setting its forward Treasury Strategy on an annual basis, the Council will determine the necessary degree of certainty required for its plans and budgets but will, at the same time, allow sufficient flexibility enable it to benefit from potentially advantageous changes in market conditions and level of interest rates and also to mitigate the effects of potentially disadvantageous changes.</p> <p>The proportion of fixed and variable rate debt will be determined as part of the annual borrowing strategy to address the issues of affordability but without compromising the longer-term stability of the debt portfolio. The proportion will be kept under review on a regular basis.</p>
Managing changes to interest rate levels	<p>The main impact of changes in interest rate levels is to monies borrowed and invested at variable rates of interest.</p> <p>The Council will consider matching borrowing at variable rates with investments similarly exposed to changes in interest rates as a way of mitigating any adverse budgetary impact.</p> <p>The Council may determine it is more cost effect in the short-term to fund its borrowing requirement through the use of internal resources ('internal borrowing') or through borrowing short-term loans. The benefits of such borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing or refinancing in future years when interest rates are expected to be higher.</p> <p>Alternatively, the Council may consider forward starting loans where the interest rate is agreed and fixed in advance but the cash is received in later years. This would enable certainty of cost be achieved without suffering a 'cost of carry' in the intervening period.</p> <p>Interest rate forecasts are provided by the Council's advisors and are closely monitored by the Treasury Management Team. Variations from original estimates and their impact on the Council's debt and investments are notified to the Strategic Treasury Management Board as necessary.</p> <p>For its investments, the Council also considers dealing from forward periods dependent upon market conditions. The Council's counterparty term limits will apply and will include the forward period of the investment.</p>
Negative interest rates	<p>Should economic conditions be such that the Bank of England sets Bank Rate at or below zero, this is likely to feed through into negative rates on short term, low risk investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even if it is below the amount originally invested.</p>

1.6 Exchange Rate Risk Management: The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Council's finances against which the Council has failed to protect itself adequately.

1.6.2 Principle: *The Council will manage any exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.*

1.6.3 Schedule:

Exchange rate risk management	<p>This Council does not, on a day to day basis, have foreign currency transactions or receipts. The Council holds a Euro account for specific European joint working projects. Any unexpected receipts of foreign currency will be converted to sterling at the earliest opportunity.</p> <p>If the Council has a contractual obligation to make a payment in a currency other than sterling then forward foreign exchange transactions will be considered, with professional advice.</p> <p>At the present time statute prevents the Council borrowing in currencies other than Sterling.</p>
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1.7 Inflation risk

Inflation risk, also called purchasing power risk, is the chance that the cash flows from an investment won't be worth as much in the future because of changes in purchasing power due to inflation.

1.7.1 Principle

The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

Investments over one year	Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.
Contractual obligations linked to inflation	The Council will identify all contractual obligations which are linked to inflation, whether receipts or payments, in relation to its treasury assets and liabilities and regularly review the financial impact of a <+/- 1%> increase/decrease in inflation from existing levels.

1.8 Refinancing Risk Management: The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancing, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

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

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

1.8.2 Schedule:

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

Policy concerning limits on revenue consequences of capital financings	The revenue consequences of financing the capital programme are included in cash flow models, annual revenue estimates and medium term forecasts.
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- 1.9 Legal and Regulatory Risk Management:** The risk that the Council itself, or a third party with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.

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

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

1.9.2 Schedule:

References to relevant statutes and regulations	<p>The treasury management activities of the Council shall comply fully with legal statute and the regulations of the Council such as:</p> <ul style="list-style-type: none"> ▪ CIPFA's Treasury Management Code of Practice and accompanying Guidance Notes ▪ CIPFA Prudential Code for Capital Finance in Local Authorities and subsequent amendments ▪ CIPFA Standard of Professional Practice on Treasury Management ▪ The Local Government Act 2003 ▪ The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 SI 2003 No 3146, and subsequent amendments ▪ The MHCLG's statutory Guidance on Minimum Revenue Provision (MRP) ▪ The MHCLG's Guidance on Local Government Investments in England The Local Authorities (Contracting out of Investment Functions) ▪ The Localism Act 2011 ▪ Code of Practice on Local Authority Accounting ▪ The Bank of England's 2017 Money Markets Code ▪ Council's Constitution including: <ul style="list-style-type: none"> • Standing Order relating to Contracts • Financial Regulations • Scheme of Delegation
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Procedures for evidencing the organisation's powers/ authorities to counterparties	<p>The Council's Financial Regulations contain evidence of the power/ authority to act as required by section 151 of the Local Government Act 1972, under the general direction of the Audit Committee.</p> <p>The Council will confirm, if requested to do so by counterparties, the powers and authorities under which the Council effects transactions with them.</p> <p>Where required, the Council will also establish the powers of those with whom they enter into transactions, including any compliance requirements in respect of a duty of care and best practice.</p>
Required information from counterparties concerning their powers/ authorities	<p>Investments shall only be made with institutions on the Council's authorised lending list or in securities which meet the Council's approved credit criteria.</p> <p>The Council will only undertake borrowing from approved sources listed in TMP 4.</p>
Statement on political risks and management of the same	<p>Political risk is managed by:</p> <ul style="list-style-type: none"> • adoption of the CIPFA Treasury Management Code of Practice • adherence to Corporate Governance (<u>TMP 12 – Corporate Governance</u>) • adherence to the Statement of Professional Practice by the Section 151 Officer • the roles of the Audit Committee.

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

1.10.1 Principle: *The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.*

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

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

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

1.11.2 Schedule:

<p>Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (gilts, CDs etc.)</p>	<p>Investment instruments used by the external fund managers are subject to fluctuation in capital movements and exposed to interest rate risk. In order to minimise these risks capital preservation is set as the primary objective and pursuit of investment performance should be commensurate with this objective.</p> <p>The Council may consider an investment in Pooled Funds with a Variable Net Asset Value (VNAV), as appropriate, in line with its treasury strategy and on advice from its treasury advisors.</p> <p>The value of the pooled funds will change in line with market prices and, in some instances, may also have a notice period prior to redemption. Such funds will therefore be used for longer investment periods. The limits per fund/asset class will be as determined in the Council's annual investment strategy.</p>
<p>Accounting for unrealised gains/losses</p>	<p>The method of accounting for unrealised gains or losses on the valuation of financial assets will comply with the Accounting Code of Practice.</p> <p>VNAV pooled funds will be treated as Available for Sale Assets. Segregated fund with external managers will be treated as Fair Value through Profit or Loss.</p> <p>When first adopting IFRS 9, the new accounting standard from FY 2018/19, the Council irrevocably elected to account for individual investments in "equity instruments" at fair value through other comprehensive income (FVOCI), which is very similar to the available for sale accounting. Investments purchased after the transition to IFRS 9 may also be elected to FVOCI upon acquisition. The Council made the election in the 2017/18 statement of accounts for the 31st March 2018 holdings in strategic bond funds, equity funds, multi asset/diversified funds and property funds.</p> <p>Where pooled funds are classed as capital expenditure, any fair value gains and losses charged to Finance I&E will be reversed out to the Capital Adjustment Account via the MiRS. It might therefore appear that the election to FVOCI is unnecessary, however, since regulations might change in future and the election can only be made on initial recognition or on transition to IFRS 9, the Council has including capital expenditure funds in its election.</p>

2 TMP 2: PERFORMANCE MEASUREMENT

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

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, or the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. CIPFA supports the use of risk benchmarks in measuring treasury management performance.

The performance of the treasury management function will be measured using the criteria set out below.

2.2 Schedule:

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

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

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

3 TMP 3: DECISION-MAKING AND ANALYSIS

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

The guidance on decision making states that relevant due diligence should take place on all transactions. In respect of investment decisions, the organisation should consider the risks to capital and returns and the implications for the organisation's future plans and budgets.

The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed below.

3.2 Schedule:

Capital expenditure and investment plans	<p>The 2017 Prudential Code requires the Council to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long run financing implications and potential risks to the Council.</p> <p>Effective financial planning, option appraisal and governance processes are essential in achieving a prudential approach to capital expenditure, investment and debt.</p>
Major treasury decisions	<p>As a public service organisation, there is a requirement to demonstrate openness and accountability in treasury management activities. Accordingly, the Council will create and maintain an audit trail of major treasury management decisions which comprise either:</p> <ol style="list-style-type: none"> Changes to Prudential Indicator(s) during the course of the financial year Options Appraisal to determine a funding decision raising a new long-term loan / long-term source of finance prematurely restructuring/redeeming an existing long-term loan(s) investing longer-term (i.e. in excess of 1 year) utilisation of investment instruments which constitute capital expenditure (i.e. loan capital/share capital in a body corporate) leasing change in banking arrangements appointing/replacing a treasury advisor appointing/replacing a fund manager any other determined by the Council
Process	<p>The Council's strategy for the application of its treasury policy is set out in the annual Treasury Management Strategy.</p> <p>A rolling monthly cashflow forecast will be prepared for the ensuing 12 months and will include the financing, borrowing and surplus cash requirements of the Council, for the purpose of:</p> <ul style="list-style-type: none"> applying the strategy on a day to day basis monitoring the results of the strategy recommending amendments to the strategy to the Council where applicable during the course of the year.

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

Evidence and records to be kept	<p>The Council will maintain a record of all major treasury management decisions, the processes undertaken and the rationale for reaching the decision made. These will allow for an historical assessment of decisions made and verification that any checks and safeguards are indeed in place and operating correctly.</p> <p>Records and working papers will be maintained by the Council electronically.</p>
Other	<p>The Council will maintain in its Operating Folder for the call dates for all LOBOs. The Council's Treasury Strategy will also state the maximum exposure to LOBOs being called in that financial year.</p> <p>A LOBO is called; the new interest rate will be reviewed against other borrowing rates, and will be redeemed if necessary.</p>

4 **TMP 4: APPROVED INSTRUMENTS, METHODS AND TECHNIQUES**

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

The consideration of skills and experience is particularly critical where organisations request to be treated as professional clients under MIFID II. Designation under MIFID II should be endorsed by the treasury management strategy and regularly reviewed to ensure that designation remains appropriate.”

4.2 Schedule:

Approved treasury management activities	<p>The Council is permitted to undertake the following activities:</p> <ul style="list-style-type: none">▪ Managing cashflow▪ Capital financing▪ Borrowing including debt restructuring and debt repayment▪ Lending to third party organisations▪ Redemption of investments▪ Banking▪ Leasing▪ Managing the underlying risk associated with the Council’s capital financing and surplus funds activities. <p>The above list is not finite and the Council would, from time to time, consider and determine new financial instruments and treasury management techniques; however, the Council will consider carefully whether the officers have the skills and experience to identify and manage the advantages and risks associated with using the instruments/techniques before undertaking them, more so as some risks may not be wholly or immediately transparent.</p>
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<p>Approved capital financing methods and types/sources of funding</p>	<p><u>Approved sources of long-term and short-term borrowing include:</u></p> <ul style="list-style-type: none"> • Public Works Loans Board (PWLB) or its successor • Any institution approved for investments • Any other bank or building society authorised to operate in the UK • UK public and private sector pension funds (except PCC Pension Fund) • Local Capital Finance Company and other special purpose vehicles created to enable local authority bond issues • UK Municipal Bonds Agency and other special purpose vehicles created to enable local authority bond issues • long term money market loans including LOBOs • Temporary money market loans (up to 364 days). • bank overdraft • loans from bodies such as the European Investment Bank (EIB) • Stock issues • Deferred Purchase • Government and EU Capital Grants • Plymouth Bond • Lottery monies • Other Capital Grants and Contributions • Private Finance Initiative • Commercial companies • Pensions Funds • Operating and finance leases • Hire purchase • Sale and leaseback • Any other counterparty you intend to borrow from <p><u>Internal Resources</u></p> <ul style="list-style-type: none"> • Capital Receipts • Revenue Balances • Use of Reserves <p>The level of debt will be consistent with the Treasury Management Strategy and the Prudential Indicators.</p>
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Approved investment instruments	<p>The Council will determine through its Annual Investment Strategy (AIS) which instruments it will use, giving priority to the security and liquidity (in that order) of its invested monies. The investments will be categorised as 'Specified' or 'Non Specified' based on the criteria set out by the MHCLG in its Investment Guidance March 2018 (as amended).</p> <p>The Annual Investment Strategy should be approved by full Council</p> <p>The Council will determine through the AIS which instruments will be used in-house and which will be used by the appointed external fund manager(s) including the maximum exposure for each category of non-specified investments. Where applicable, the Council's credit criteria will also apply.</p> <p>The Council will, where applicable, use the Council's credit criteria.</p> <p><i>examples</i></p> <ul style="list-style-type: none"> ▪ Deposits with the UK government, the Debt Management Agency Office (DMO), and UK local authorities ▪ Term deposits with banks and building societies ▪ Banks and building societies unsecured short-term (call and notice accounts, deposits, certificates of deposit) ▪ Certificates of deposit ▪ Callable deposits ▪ Investments in Money Market Funds , i.e. 'AAA' liquidity funds with a 60-day Weighted Average Maturity (WAM) ▪ Treasury Bills ▪ Gilts ▪ Bonds issued by multilateral development banks ▪ Sterling denominated bonds by non-UK sovereign governments ▪ Covered bonds (i.e. those with underlying collateral) ▪ Unsecured corporate bonds ▪ Reverse Repurchase Agreements ('reverse repos') ▪ Investments with Registered Providers of Social Housing (i.e. housing associations) ▪ Commercial paper ▪ Floating Rate Notes
Investments that are not part of treasury management activity	<p>These are investments which the Council invests in other financial assets and property primarily for financial return. Such activity includes loans supporting service outcomes, investments in subsidiaries and the investment property portfolio.</p> <p>The Council ensures that it has the same robust procedures for the consideration of risk and return and</p> <ul style="list-style-type: none"> • ensures that all investments, including non-treasury investments are covered in the Capital Strategy. • maintains a schedule of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees.

Use of Derivatives	<p>The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).</p> <p>As the Council is unlikely to use derivatives, it is a requirement of the CIPFA Code to clearly detail our policy in the annual treasury strategy.</p> <p>The Council will only use the following standalone financial derivatives: Swaps, forwards, futures and options as these can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to.</p> <p>Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk.</p> <p>Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.</p> <p>Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.</p>
MiFID II professional client status	<p>The Council has reviewed its classification with financial institutions under MiFID II and has registered as a professional client.</p> <p>The consideration of skills and experience is particularly critical where the Council has requested to be treated as a professional client under MiFID II. Designation under MiFID II will be endorsed by the treasury strategy and reviewed frequently to ensure the designation remains appropriate.</p>
Legal Entity Identifier (LEI)	<p>The Council is registered with the London Stock Exchange as a Local Operating Unit to obtain a Legal Entity Identifier (LEI).</p>

5 TMP 5: ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

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

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

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

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

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

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

5.2 Schedule:

See Appendix I for Organisation Charts
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5.3 Schedule:

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

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

5.4 Dealing

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

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

Arrangements concerning the management of counterparty funds	<ul style="list-style-type: none"> • The Treasury Management Finance Business Partner has responsibility for updating the Council's records with any credit developments. • The Treasury Management Finance Business Partner is tasked with the responsibility for checking that records have been correctly updated to reflect any credit developments.
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6 TMP 6: REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

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

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

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

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

The Audit Committee will have responsibility for the scrutiny of treasury management policies and practices.

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

6.2 Schedule:

Capital Strategy:	<p>This is a summary document approved by Full Council covering capital expenditure and financing, treasury management and non-treasury investments. It is intended to give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.</p> <p>The Capital Strategy should include:</p> <ul style="list-style-type: none"> • Capital expenditure, including the approval process, long-term financing strategy, asset management, maintenance requirements, planned disposals and funding restrictions. • Commercial activities, including due diligence processes, the Council's risk appetite, proportionality in respect of overall resources, requirements for independent and expert advice and scrutiny arrangements. • Long-term context in which capital expenditure decisions are made for the above, risk and reward considerations and impact on the achievement of priority outcomes. • Debt management, including projections for the level of borrowing, capital financing requirement and liability benchmark, provision for the repayment of debt, the authorised limit and operational boundary for the coming year and the Council's approach to treasury management. • Other long-term liabilities, such as financial guarantees. • Knowledge and skills, including a summary of that available to the Council and its link to the Council's risk appetite. <p>The strategy should include sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured and to meet legislative requirements on reporting.</p> <p>The Section 151 Officer will report explicitly on the affordability and risk associated with the Capital Strategy and, where appropriate, have access to specialised advice to enable the members to reach their conclusions.</p> <p>The Section 151 Officer will also ensure that where detailed information is required, this will be made available in a format to encourage active engagement and, if necessary, any associated training needs of members.</p> <p>Although there is no requirement in the Code for this to be an annual document, nor for it to be approved before the start of the financial year, the Council will undertake this exercise each year.</p>
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<p>Frequency of executive reporting requirements</p>	<p>The Section 151 Officer will annually submit budgets and will report on budget variations as appropriate.</p> <p>The Section 151 Officer will submit the Prudential Indicators and the Treasury Strategy Statement (including Annual Treasury Management Strategy) and report on the projected borrowing and investment strategy and activity for the forthcoming financial year to the Council before the start of the year.</p> <p>The Annual Treasury Report will be prepared as soon as practicable after the financial year end and, in all cases, before the end of September.</p> <p>A Mid-Year Treasury Report will be prepared by the Section 151 Officer, which will report on treasury management activities for the first part of the financial year. The report will also provide a forecast for the current year. The Mid-Year Report will be submitted to Council during the year.</p>
<p>Content of Reporting: I. Prudential Indicators</p>	<p>The Council will set the following Prudential Indicators, revise if necessary, and in its annual / semi-annual reports publish 37actual outturn (where appropriate) in respect of:</p> <ul style="list-style-type: none"> ▪ Financing costs as a proportion of net revenue stream (estimate; actual) ▪ Capital expenditure (estimate; actual) ▪ Capital Financing Requirement (estimates; actual) ▪ Authorised limit for external debt ▪ Operational boundary for external debt ▪ Actual external debt <p>Treasury indicators</p> <ul style="list-style-type: none"> ▪ Upper and lower limits to maturity structure of fixed rate borrowing ▪ Upper limit to total of principal sums invested longer than 364 days. <p>The Prudential Indicators are approved and revised by Council and are integrated into the Council's overall financial planning and budget process.</p> <p>The Audit Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.</p>

<p>2. Treasury Strategy Statement including the Annual Investment Strategy</p>	<p>The Treasury Strategy Statement integrates with the Prudential Indicators being set and will include the following:</p> <ul style="list-style-type: none"> • Link to Capital Financing and Treasury Management Prudential Indicators for the current and ensuing three years • Strategy for financing new borrowing requirements (if any) and refinancing maturing borrowing (if any) over the next three years and for restructuring of debt • the extent to which surplus funds are earmarked for short term requirements • the investment strategy for the forthcoming year(s) (<i>see below*</i>) • the minimum to be held in short term/specified investment during the coming year • the interest rate outlook against which the treasury activities are likely to be undertaken. <p>Based on the HMCLG's Guidance on Investments, the Council has produced an Annual Investment Strategy (AIS) which sets out</p> <ul style="list-style-type: none"> ▪ the objectives, policies and strategy for managing its investments; ▪ the determination of which Specified and Non Specified Investments the Council will utilise during the forthcoming financial year(s) based on the Council's economic and investment outlook and the expected level of investment balances; ▪ the limits for the use of Non-Specified Investments. <p>The AIS will be integrated into the Treasury Strategy Statement.</p> <p>The Audit Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.</p>
<p>3. Annual Treasury Outturn Report</p>	<p>The Section 151 Officer will produce an annual report for the Audit Committee on all activities of the treasury management function (including the performance of investment groups) as soon as practicable after year end and in all cases no later than 30 September of the succeeding financial year.</p> <p>The main contents of the report will comprise:</p> <ul style="list-style-type: none"> ▪ confirmation that the Council calculated its budget requirements and set a balanced budget for the Financial Year; ▪ the prevailing economic environment ▪ a commentary on treasury operations for the year, including their revenue effects; ▪ commentary on the risk implications of treasury activities undertaken and the future impact on treasury activities of the Council ▪ compliance with agreed policies/practices and statutory/regulatory requirements ▪ compliance with Prudential Indicators; ▪ performance measures. ▪ training /continuous professional development undertaken by treasury officers. <p>The Audit Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.</p>

4. Mid-Year Treasury Report	<p>The Section 151 Officer will produce a mid-year report for Council on the borrowing and investment activities of the treasury management function (including performance of fund managers) for the first six months of the financial year.</p> <p>The main contents of the report will comprise:</p> <ul style="list-style-type: none"> • Economic background • Economic forecast (including interest rates forecast) • Treasury Management Strategy Statement update • Performance versus benchmarks • Borrowing information (including premature repayment, new loans information) • Information on investments, including current lending list • Prudential indicators relating to treasury management • Governance framework and scrutiny arrangements <p>The Audit Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.</p>
Content and frequency of management information reports	<p>The Treasury Management Finance Business Partner provides information for the council's Treasury Management advisors who then provide a quarterly monitoring report to the Strategic Treasury Management Board.</p> <p>This report includes details of:</p> <ul style="list-style-type: none"> • borrowing and investment activity undertaken including forward deals • brokers' fees • performance of internal and external investments against benchmark • cash flow monitoring • interest rates and forecasts • extent of compliance with the treasury strategy and reasons for variance (if any) • any other, e.g. details of daily bank balances against target balances • Prudential Indicator monitoring and compliance

7 TMP 7: BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

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

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

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

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

7.2 Schedule:

Statutory/regulatory requirements	<p>Balanced Budget Requirement: The provisions of S32 and S43 of the Local Government Finance Act 1992 require this Council to calculate its budget requirement for each financial year including, among other aspects;</p> <p>(a) the expenditure which is estimated to be incurred in the year in performing its functions and which will be charged to a revenue account and</p> <p>(b) revenue costs which flow from capital financing decisions.</p> <p>S33 of the Act requires the Council to set a council tax sufficient to meet expenditure after taking into account other sources of income.</p>
Accounting practices and standards	CIPFA's Accounting Code of Practice on Local Authority Accounting in the UK

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

<p>Treasury-related information requirements of external auditors</p>	<p>The following information is specifically requested by the external auditor and should be considered an initial request for information. It is usually followed by more detailed audit testing work which often requires further information and/or explanations from the Council's officers.</p> <p>Information in this context includes internally generated documents including those from the Council's Treasury Management System, externally generated documents, observation of treasury management practices which support and explain the operation and activities of the treasury management function.</p> <ul style="list-style-type: none"> ▪ Determination of Affordable Borrowing Limit under Section 3 of the Local Government Act 2003. ▪ Prudential Indicators. ▪ Treasury Management Strategy including Annual Investment Strategy. <p><u>External borrowing:</u></p> <ul style="list-style-type: none"> • New loans borrowed during the year : PWLB certificates / documentation in relation to market loans borrowed (including copy of agreements, schedule of commitments) • Loan maturities. • Compliance with proper accounting practice, regulations and determinations for the amortisation of premiums and discounts arising on loans restructured during the year and previous years. • Analysis of loans outstanding at year end including maturity analysis. • Analysis of borrowing between long- and short-term • Debt management and financing costs <ul style="list-style-type: none"> ▪ calculation of (i) interest paid (ii) accrued interest ▪ interest paid • MRP calculation and analysis of movement in the CFR. • Bank overdraft position. • Brokerage/commissions/transaction related costs.
	<p><u>Investments:</u></p> <ul style="list-style-type: none"> • Investment transactions during the year including any transaction-related costs • cash and bank balances at year end • short-term investments at year end • long-term investments at year end (including investments in associates and joint ventures) by asset type, including unrealised gains or losses at year end • calculation of (i) interest received (ii) accrued interest • actual interest received • external fund manager valuations including investment income schedule and movement in capital values, transaction confirmations received (if any) • basis of valuation of investments • evidence of existence and title to investments (e.g. Custodian's Reports. • schedule of any investments in companies together with their latest financial statements); statement of transactions between the company and the Council.

	<p><u>Cash Flow</u></p> <ul style="list-style-type: none"> ▪ Reconciliation of the movement in cash to the movement in net debt ▪ Cash inflows and outflows (in respect of long-term financing) ▪ Cash inflows and outflows (in respect of purchase/sale of long-term investments) ▪ Net increase/decrease in (i) short-term loans (ii) short-term deposits (iii) other liquid resources <p><u>Other</u></p> <ul style="list-style-type: none"> ▪ Amounts which are held on behalf of schools, amounts which are held by schools under delegated schemes ▪ Details of (treasury-related) material events after balance sheet date not reflected in the financial statements. ▪ External advisors'/consultants' charges
Internal Audit	<p>Internal Audit conducts a review of the treasury management function and probity testing, as per their annual plan.</p> <p>The internal auditors will be given access to treasury management information/documentation as required by them.</p>
Compliance with CIPFA Treasury Management and Prudential Codes	<p>Auditors may require evidence/demonstration of compliance with external and internal treasury management policies and strategy.</p> <p>Any serious breach of the TM Code's recommendations or Prudential Indicators should be brought to the attention of the external auditor.</p>
Costs for treasury management	<p>The budget for treasury management forms part of the Finance budget.</p>

8 TMP 8: CASH AND CASH FLOW MANAGEMENT

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

8.2 Schedule:

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

9 TMP 9: MONEY LAUNDERING

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

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

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

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

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

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

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

9.3 Schedule:

Anti money laundering policy	<p>This Council’s policy is to prevent, wherever possible, the organisation and its staff being exposed to money laundering, to identify the potential areas where it may occur and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases.</p> <p>The Council has accepted responsibility to ensure that those of its staff who are most likely to be exposed to money laundering can make themselves fully aware of the law and, where necessary, are suitably trained.</p>
Treasury documentation	<p>The Council will reflect the anti-laundering measures it has in place as part of its treasury documentation. Such measures include:</p> <ul style="list-style-type: none"> — Awareness of what constitutes money laundering; — The obligation to report knowledge of/having reasonable grounds to believe an offence might be committed; — Maintaining up-to-date direct dealing and SSI mandates with counterparties

Nomination of Responsible Officer(s)	<p>(a) The Council has nominated the Section 151 Officer to be the responsible officer(s) to whom any suspicions relating to transactions involving the Council will be communicated.</p> <p>(b) The responsible officer(s) will be conversant with the requirements of the Proceeds of Crime Act 2002 and will ensure relevant staff are appropriately trained and informed so they are alert for suspicious transactions.</p> <p>(c) The responsible officer(s) will make arrangements to receive and manage the concerns of staff about money laundering and their suspicion of it, to make internal enquiries and to make reports, where necessary, to National Criminal Intelligence Services (NCIS).</p>
Procedures for establishing the Identity of Lenders and Borrowers	<p>(a) In the course of its treasury activities, the Council will only borrow from permitted sources identified in TMP 4.</p> <p>(b) The Council will not accept loans from individuals.</p> <p>(c) In the course of its treasury activities, the Council will only invest with those counterparties which are on its approved lending list.</p> <p>(d) The identity and authenticity of commercial institutions (banks, building societies and other financial institutions) authorised to carry out borrowing and lending activity in the UK will be checked via the Bank of England/ Prudential Regulation Authority's website.</p> <p>(e) All receipts/disbursements of funds will be undertaken by BACS or CHAPS settlement.</p> <p>(f) Direct Dealing mandates: The Council will provide (in the case of lending) / obtain (in the case of borrowing) and maintain on file dealing mandates with any new money market counterparty. The mandates should be on letter-headed paper, dated and signed.</p> <p>(g) All banking transactions will only be undertaken by the personnel authorised to operate the Council's banks accounts.</p> <p>(h) If the Council takes/provides loans from individuals, it will establish robust procedures for verifying and recording the appropriate financial and personal information of such individuals.</p> <p>(i) When receiving requests for change of payment details, due care will be exercised to ascertain the bona fide of the request and avoid potential fraud. Additional checks will be made through pre-existing contact details for the payee before altering payment details.</p>

10 TMP 10: TRAINING AND QUALIFICATIONS

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

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

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

The present arrangements are detailed in the schedule below.

10.2 Schedule:

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

II TMP 11: USE OF EXTERNAL SERVICE PROVIDERS

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

11.2 Schedule:

Contract threshold	The Council's Financial Regulations require that a formal contract is in place with external service providers where the contract value is £200k and above. The contract will clearly state the services to be provided and the terms on which they will be provided.
Details of service providers and procedures and frequency for tendering services	<p>(a) Bankers to the Council Barclays Bank 3 Bedford Street Exeter EX1 1LX Tel: 0345 3010 927 Contract period: Commenced 1st April 2014</p> <p>(b) Treasury advisor Arlingclose Limited 35 Chiswell Street, London, EC1Y 4SE Tel: 08448 808 200 Contract period: Commenced 1st January 2015</p> <p>(c) External Fund Manager King & Shaxson 6th Floor, Candlewick House, 120 Cannon Street London, EC4N 6AS</p>

<p>Details of service providers and procedures and frequency for tendering services (cont'd)</p>	<p>(d) Brokers:</p> <p>It is considered good practice for the Council to have at least two brokers and to spread business between them.</p> <p>Tullett Prebon Limited Level 3, 155 Bishopsgate, London, EC2M 3TQ Tel: 020 7200 7000</p> <p>Tradition (UK), Beaufort House, 15 St. Botolph Street, London, EC3A 7QX. Tel: 020 7198 1500</p> <p>London Currency Brokers, LCB House, 8A The Broadway, Pitsea, Essex, SS13 3AY.</p> <p>Martin Brokers (UK) Plc, 1 Churchill Place, Canary Wharf, London, E14 5RD. Tel: 020 7469 9000</p> <p>Sterling International Brokers Limited 1 Churchill Place, 18th Floor, London, EC4 5RD. Tel: 020 7962 9960</p> <p>Imperial Treasury Services Office 7, 25 St Andrew Street, Hertford Hertfordshire SG14 1HZ</p> <p>Arlingclose Limited 35 Chiswell Street, London, EC1Y 4SE Tel: 08448 808 200</p>
<p>Regulatory status of services provided</p>	<p>All financial services providers are regulated by the Financial Conduct Authority (FCA).</p>
<p>Details of service provided by Treasury Advisor</p>	<p>The Council will seek to take expert advice on interest rate forecasts, annual treasury management strategy, debt rescheduling and use of various borrowing and investment instruments.</p> <p>The responsibility for borrowing, investments and risk management remains with the Council</p>
<p>Bribery Act</p>	<p>The Council is mindful of the requirements of the Bribery Act 2011 in its dealings with external providers</p>

12 TMP 12: CORPORATE GOVERNANCE

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

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

12.2 Schedule:

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

TMP 13: INVESTMENTS THAT ARE NOT PART OF TREASURY MANAGEMENT ACTIVITY

- 13 The Council** recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

The Council will ensure that all the organisation's investments are covered in the capital strategy, investment strategy and will set out, where relevant, the Council's risk appetite and specific policies and arrangements for non-treasury investments. It is recognised that the risk appetite for these activities may differ from that for treasury management.

The Council will maintain a schedule setting out a summary of existing material investment, subsidiaries, joint ventures and liabilities including financial guarantees and the organisation's risk exposure.

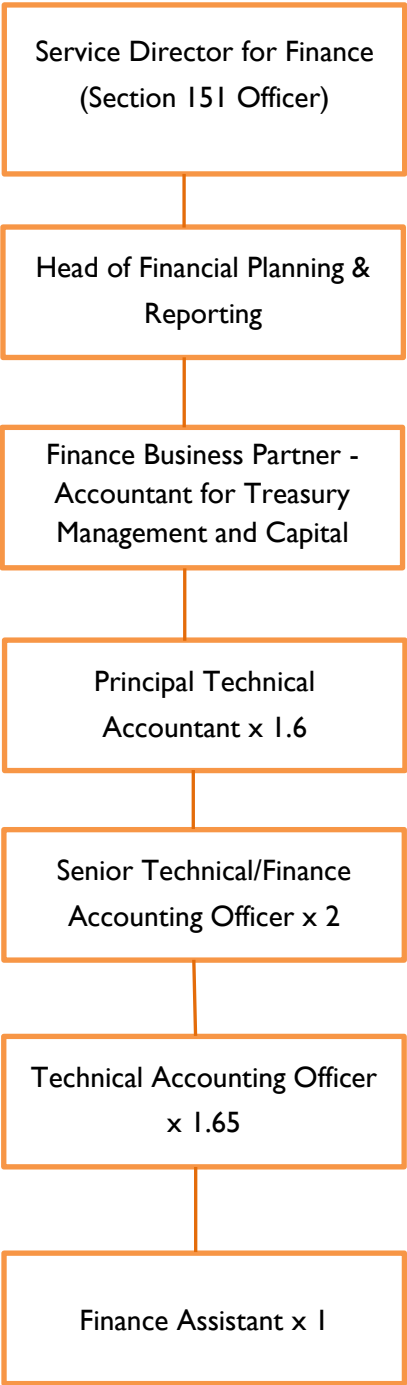
The Council recognises that many of the principles underlying TMPs 1 to 12 will apply to non-treasury investments as they do to treasury investments. However, some aspects are likely to differ significantly, and these are laid out below. A published schedule has been agreed by Council that sets out the investment practices for non-treasury investments and this will be complied with by all officers or agencies responsible for such investments.

13.1 Schedule

Register of non-treasury investments and financial guarantees	The Council will regularly updated a list of non-treasury investments, existing material investment, subsidiaries, joint ventures and liabilities and financial guarantees. An outline of such investments is in the Council's Capital Strategy.
Schedules to be maintained	The published schedule is agreed by full Council and sets out the organisation's investment management practices for non-treasury investments. Details are set out in the Council's capital strategy and will cover the following areas: <ul style="list-style-type: none"> • Risk management • Decision making, governance and organisation • Reporting and management information • Performance measurement and management • Training and qualifications.
Risk Management	Follow TMPI and schedules as detailed previously, including investment and risk management criteria for any material non-treasury investment portfolios. Due diligence processes and procedures are undertaken to reflect the additional risk the Council is taking on.
Independent and expert advice	Independent expert advice is sought for property purchases as part of the due diligence.
Training and qualifications	Relevant knowledge and skills in relation to non-treasury investments will be arranged and maintained

Appendix I

Organisation Chart for Capital and Treasury Management (FTE)



Audit and Governance Committee



Date of meeting:	27 July 2020
Title of Report:	Internal Audit Plan 2020/21
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	Andrew Hardingham (Service Director for Finance)
Author:	Brenda Davis, Audit Manager
Contact Email:	brenda.davis@devonaudit.gov.uk
Your Reference:	AUD/BD
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

Standards for Internal Audit in local government are set out in the Public Sector Internal Audit Standards (PSIAS). The PSIAS confirm that the Council should periodically prepare a risk-based plan of Internal Audit activity that is 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.

Recommendations and Reasons

Members are requested to review and approve the Internal Audit Plan for 2020/21.

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.

Relevance to the Corporate Plan and/or the Plymouth Plan

The Internal Audit service assists the Council in delivering robust standards of public accountability and probity in the use of public funds and 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.

Our work supports delivery of the values and priorities set out in Corporate Plan by ensuring that resources are used wisely, and service areas understand and deliver quality public services which meet customer and community needs and keep people safe.

Implications for the Medium Term Financial Plan and Resource Implications:

Delivery of the audit plan will assist the council in delivering value for money services.

Carbon Footprint (Environmental) Implications:

No direct carbon/environmental impacts arising from the recommendations.

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

** When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*

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

Appendices

**Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
A	Internal Audit Plan 2020/21							

Background papers:

**Add rows as required to box below*

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
	1	2	3	4	5	6	7

Sign off:

Fin	pl.19.20. 247	Leg	34387 /0503	Mon Off		HR		Assets		Strat Proc	
Originating Senior Leadership Team member: Andrew Hardingham (Service Director for Finance)											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 27.02.2020											

Cabinet Member approval: Councillor Mark Lowry (Cabinet Member for Finance)

Date approved: 11/03/2020

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Internal Audit

Internal Audit Plan 2020-2021

Plymouth City Council
Audit Committee

March 2020

Official

Robert Hutchins
Head of Audit Partnership

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HIGH LEVEL AUDIT PLAN	4
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Devon Audit Partnership	Confidentiality and Disclosure Clause
<p>The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Torridge and Mid-Devon councils and we aim to be recognised as a high quality internal public sector service provider. We work with our partners by providing professional internal audit service and assurance services that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.</p> <p>The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at robert.hutchins@devonaudit.gov.uk.</p>	<p>This report is protectively marked in accordance with the government security classifications. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.</p> <p>This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.</p>

Introduction

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) which set out the requirements of a 'Board' and of 'senior management'. For the purposes of the internal audit activity within The Council the role of the Board within the Standards is taken by the Council's Audit and Governance Committee and senior management is the Council's Corporate Management Team.

This Council's Internal Audit Charter formally describes the purpose, authority, and principal responsibilities of the Council's Internal Audit Service, which is provided by the Devon Audit Partnership (DAP) as represented in the audit framework at appendix 1, and the scope of Internal Audit work. The PSIAS make reference to the role of "Chief Audit Executive". For The Council this role is fulfilled by the Head of Devon Audit Partnership. The Audit and Governance Committee, under its Terms of Reference contained in the Council's Constitution, is required to review and approve the Internal Audit Plan to provide assurance to support the governance framework (see appendix 2).

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

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

Expectations of the Audit and Governance Committee for this annual plan

Audit and Governance Committee members are requested to consider:

- the annual governance framework requirements;
- the basis of assessment of the audit work in the proposed plan;
- the resources allocated to meet the plan;
- proposed areas of internal audit coverage for 2020/21.

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

Robert Hutchins
Head of Audit Partnership

Annual Service Level Plans

Customer & Corporate / Finance

Good governance lies at the heart of how councils manage change and deliver improvement and the Local Government Act 1972 and other legislation requires local authorities to make specific statutory appointments to carry out particular duties. Our work will consider the arrangements in place to enable key officers to properly discharge their statutory responsibilities and effectively contribute to the governance of the organisation.

With ever more services available digitally, the risk remains that a cyber incident could result in the loss of data as well as disruption to council services. Audit will undertake some work to assess the Cyber Security arrangements in place against standards defined by the NCSC and industry best practice. We will liaise, as appropriate, with the Corporate Information Manager and Delt.

Assurance work will be undertaken on areas termed as key financial systems; these process the majority of income and expenditure of the Council, and which have a significant impact on the reliability and accuracy of the annual accounts.

Executive Office

As a result of a number of electoral registration issues affecting the city in the run-up to the UK Parliamentary General Election on 12 December 2019, the Select Committee have requested some audit work to be undertaken, the scope of which will be agreed with the Chair of the Select Committee and key officers.

Place

The Council has an investment portfolio of £197m generating over £10m of rental income. The Head of Service is keen for audit to undertake a review which will evaluate the effectiveness of the systems and procedures in place to ensure prompt and accurate billing of rent.

Changes within Street Services has seen the appointment of new members of the management team who have requested time in the audit plan to review Trade Waste which has been subject to change. Within this service area there are a considerable variety and volume of consumable items and we will review the processes and procedures in operation to manage and account for these items.

As the Council continues its drive to bring long term empty homes back into use, providing much needed accommodation to those in housing need and improving the built environment. Audit will review the processes and procedures in place to enable this work to be achieved; consideration will also be given to the relationships involved and Nolan principles.

People

Nationally, Councils continue to struggle not to overspend their allocated budgets for children with complex Special Educational Needs and Disability (SEND), known as the High Needs Block. The Head of Service is keen to identify if further efficiencies can be achieved. Our focus will be the governance, processes and procedures relating to the contractual arrangements.

Review of On Course South West following the Council's action to transfer the adult and community education provider to the City Council in August 2019.

Work will be undertaken within Community Connections once their new business solution Esuasive is fully rolled out and embedded. Consideration will be given to how it links with the Dynamic Purchasing system used to administer Disabled Facilities Grants. The Head of Service has also requested that Audit undertake a validation exercise on the way in which Anti-Social Behaviour tools are now being used.

ODPH

Due to changes within the service a pot of days has been included for use by Director of Public Health. A meeting to discuss the work to be delivered will be arranged in due course when the picture will be clearer to determine where the days are to be used.

Value Added

All our work aims to "add value" the authority, be this by way of improving control and minimising risk, or making the most of opportunities in an effective manner. We will undertake the annual follow up on all audit areas identified as 'Improvements Required' in 2019/20. Proactive anti-fraud work will be carried out in liaison with DAP's Counter Fraud Team.

Service Area Overview of Audit Coverage					
Thematic Overview Audit Coverage	Customer & Corporate / Finance	Executive Office	People	ODPH	Place
	Purchasing Cards		SEND Contracts		Commercial Properties – Rent Roll
	Housing Benefit Overpayments	Electoral Services	Domiciliary Care Services	Pot of Days – scope of work to be determined	Empty Homes Scheme
	Collection Fund	Minute Books	Alliance Contract		Street Lighting
	Acting Up Duties		Anti-Social Behaviour Tools		Trade Waste
Core Assurance	Business Processes & Governance – Declarations of Interest, Grant Certification, Governance Arrangements – Statutory Posts				
	Key Financial Systems – Inc. Main Accounting System, Creditors, Treasury Management, Payroll, Council Tax, Business Rates, Housing Benefits				
	ICT – Operational Arrangements (common to key systems), Cyber Security (arrangements to safeguard the Council's logical data assets)				

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

High Level Audit Plan

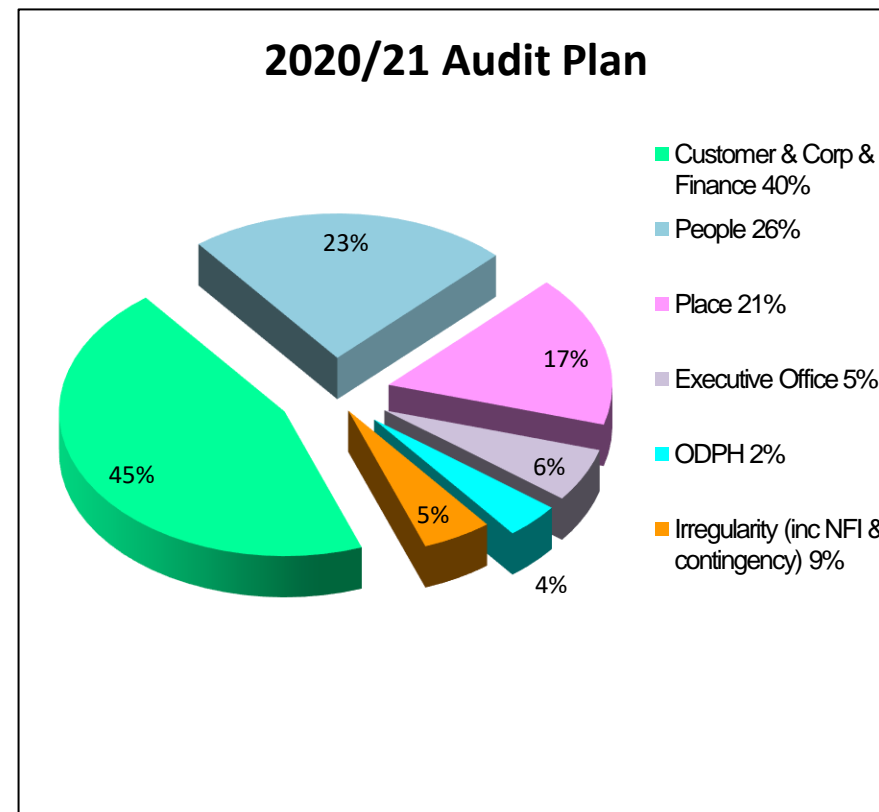
This table shows a summary of planned audit coverage for the year totalling 1,112 direct days. It should be borne in mind that, in accordance with the Public Sector Internal Audit Standards, the plan needs to be flexible to be able to reflect and respond to the changing risks and priorities of the Authority and, to this end, it will be regularly reviewed with directorates, and updated as necessary, to ensure it remains valid and appropriate. As a minimum, the plan will be reviewed in six months to ensure it continues to reflect the key risks and priorities of the Council given the significant changes across the public sector. In order to allow greater flexibility, the Internal Audit Plan includes a small contingency to allow for unplanned work

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

The following pages give a brief overview of the focus of proposed audit coverage for the year.

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

In addition, we estimate that our work on maintained schools within the City will total 68 days.



Proposed audit reviews and associated risks

Risk Assessment Key

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

ANA - Audit Needs Assessment risk level

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Customer and Corporate / Finance				
Core Assurance – Key Financial System				
Material Systems – System Admin	ANA - High	Review of the control environments in place to ensure the integrity of the Academy, Civica, Care First and CoreHR systems.	Q3 – Q4	15
Civica Financials: <ul style="list-style-type: none"> • Creditors • Main Accounting • Debtors 	ANA <ul style="list-style-type: none"> - High - High - Medium 	System walkthrough to consider the design and effectiveness of key controls with focused test sampling to determine compliance. Follow-up of any recommendations made in 19/20.	Q2 – Q4	55
Academy Revs & Bens: <ul style="list-style-type: none"> • Housing Benefits • Council Tax • Business Rates NNDR 	ANA <ul style="list-style-type: none"> - High - Medium - Low 	System walkthrough, focused risk-based sample testing and follow-up of 20/21 reviews for each service area.	Q3 – Q4	62
Treasury Management	ANA - Medium	System walkthrough, focused risk-based sample testing and follow-up of 19/20 review.	Q3	10
CoreHR - Payroll	ANA - High	Following implementation of the new CoreHR Payroll system we will review the adequacy and effectiveness of the control framework and perform a range of sample testing to ensure compliance with those controls.	Q3	35
Core Assurance - Other				
Cyber Security	ANA - High	Audit will continue to assess the Cyber Security arrangements in place to safeguard the Council's logical data assets. We will refer to standards defined by the NCSC and industry best practice and liaise, as appropriate, with the Corporate Information Manager and Delt.	Q1 – Q2	30
Governance Arrangements – Statutory Officers	ANA - Medium Client Request	Local authorities operate within a governance framework of checks and balances to ensure that decision-making is lawful, informed by objective advice, transparent and consultative. There are a number of statutory posts	Q1 – Q3	25

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
		within the Council and we will review the arrangements in place to ensure they are sufficiently robust to enable those officers to discharge their duties effectively.		
Finance Service	ANA - Medium Client Request	Review of the Finance Service to link into the modernisation programme.	Q1 – Q3	30
Income Collection	ANA - High	System review will include consideration of the effectiveness of income collection arrangements in operation across the Council.	Q3	25
Business Rates Exemptions	Client Request	Review of the business rates list across the city to review the reasons for those detailed on the exemptions lists.	Q3	5
Collection Fund	ANA – Medium Client Request	Review of the effectiveness of the administration of the collections fund, including bad debt provision for Council Tax & Business Rates.	Q1 – Q4	10
Procurement	ANA – High Client Request	Review of all procurement controls operating across the City Council.	Q2 – Q3	25
Purchasing Cards	ANA - High	Spot checks on the use of purchasing cards to ensure compliance with Council procedures.	Q1 – Q2	20
Recruitment	ANA – High Client Request	The recruitment process currently under review and a “pot of days” has been requested by the Service Director; scope and timing of work to be determined.	Q1 – Q4	20
Acting Up Duties	ANA – Medium Client Request	Review the adequacy of processes and procedures in place when officers “act up” and temporarily take on additional duties or a higher role. Some compliance testing will be undertaken and consideration given to policies, sign off and authorisation levels, legal requirements.	Q1 – Q4	15
Declarations of Interest	ANA – Medium Client Request	The public rightly expect the highest standards of behavior and we will review the policy and processes in place for officers to make any declarations of interest.	Q1 – Q4	15
Housing Benefit Overpayments	ANA – Medium Client Request	A piece of work to identify the potential loss to the City Council as claims with attachment of benefits transfer to Universal Credits.	Q2	10

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Client Financial Services	ANA – High	Detailed follow-up to measure progress in implementing the action plan following a significant review 18/19 and will include those processes undertaken by Livewell SW.	Q2 – Q3	10
Schools Financial Value Standards (SFVS)	Statutory ANA - Low	Collection of SFVS self-assessments completed by schools. Preparation of the Direct Schools Grant (DSG) Chief Financial Officer (CFO) Assurance Statement for 19/20 to be returned to DfE by 31 st May 2020	Q1 & Q4	3
Audit Advice to Customer & Corporate / Finance and carry forward for completion of 19/20 work	n/a		n/a	37
Audit planning, monitoring and performance reporting	n/a		n/a	20
Audit Governance	n/a		n/a	18
Executive Office				
Core Assurance - Other				
Electoral Services	ANA – High Client Request	Work requested by the Select Committee. Scope to be discussed and agreed with the Chair of the Select Committee and the Asst Chief Executive.	Q1 – Q2	25
Minute Books	ANA – Low Client Request	There is a legal obligation for local authorities to retain signed minutes of committee meetings. Review of existing practice to identify opportunities to create efficiencies.	Q3	7
Gifts & Hospitality Follow-Up	ANA - Medium	Follow-up to the 19/20 review which was Improvements Required.	Q4	3
Audit Advice to Executive Office	n/a		n/a	10
Audit planning, monitoring and performance reporting	n/a		n/a	10
Audit Governance	n/a		n/a	10

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
People				
Core Assurance – Key Financial System				
CareFirst – Domiciliary Care	ANA – High Client Request	Undertake substantive testing of Dom Care returns to check for any under / over payments.	Q3 – Q4	30
CareFirst - Children Independent Placements Follow-Up	ANA – Medium	Detailed follow-up to the 19/20 review which was Improvements Required.	Q3 – Q4	10
Core Assurance - Other				
Finance & Assurance Review Group (FARG)	ANA – High Client Request	The purpose of FARG is to provide oversight, scrutiny and assurance of the integrated fund and under the membership requirements laid down in the terms of reference, internal audit will continue to have a seat on FARG to providing real time support and challenge through their attendance.	Q1 – Q4	3
Special Guardianships (Children) Follow-Up	ANA – High Client Request	Review undertaken in 19/20, detailed follow-up requested by the service late in 20/21.	Q4	10
Special Educational Needs & Disability (SEND) Contracts	ANA – Medium Client Request	Review of send contracts – detailed scope to be determined with the Head of Service.	Q2 -Q3	25
Alliance Contract	ANA – Medium Client Request	Review of the arrangements to ensure openness and transparency.	Q2 – Q3	10
Children’s Additional Spend	ANA – Low Client Request	Small number of days toward the end of year to look at children’s “additional spend”.	Q4	5
On Course South West (OCSW)	ANA – Medium Client Request	Review of the effectiveness of the systems and procedures operated by OCSW now that they have been brought back “in-house”.	Q3	15
Anti-Social Behaviour Tools	ANA – Medium Client Request	Audit review and validation of the way in which Anti-Social Behaviour tools are being used.	Q2	15
Fully CATERed	Regulator Req Client Request	Year-end testing to make sure that the year-end position is not understated and to provide internal audit assurance to the external auditor.	Q1	8
Community Connections – New Business Solutions		Once the new Esuasive system is fully rolled out and embedded, in liaison with the service we will review the links between Esuasive and the Dynamic	Q4	25

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
		Purchasing System and review past audit recommendations where actions were dependent on implementation of the new system.		
Life Chances Fund (Pause Project)	Statutory Client Request	Validation of claims in Sept 2020 & March 2021.	Q2 & Q4	5
Families with a Future (Payment by Results)	Statutory Client Request	Audit review and certification for each monthly claim.	Q1 – Q4	25
Audit Advice to People and carry forward for completion of 19/20 work	n/a		n/a	30
Audit planning, monitoring and performance reporting	n/a		n/a	20
Audit Governance	n/a		n/a	18
Office of the Director of Public Health				
ODPH	ANA – Medium Client Request	Due to changes taking place within the directorate a pot of days has been requested. Audit to meet with key officers within the service early 20/21 when the picture will be clearer to determine how the days are to be used.	Q2 – Q4	20
Audit Advice to Public Health	n/a		n/a	10
Audit planning, monitoring and performance reporting	n/a		n/a	9
Audit Governance	n/a		n/a	7
Place				
Empty Homes Scheme	ANA – Medium Client Request	Review to consider the processes, procedures & relationships necessary for bringing empty homes back into use and maximising New Homes Bonus.	Q2 – Q3	20
Trade Waste	ANA – High Client Request	Changes to the trade waste operation have been introduced and we have been asked by management to undertake a full review of the system and processes.	Q3 – Q4	20

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Control of Fuel, Fuel Cards & Fuel Containers	ANA – Medium Client Request	Fuel costs overbudget – review of the effectiveness of the procedures and practices in place. Requested by both the Service Director for Finance and the Head of Street Scene, Waste & Business Development.	Q1	15
Street Services – Stores and Stock Control	ANA – Medium Client Request	Review the effectiveness of the systems and procedures used to administer and control consumable items e.g. personal protective equipment, chemicals, wheelie bins, bags and other stock.	Q2	15
Garage	ANA –Medium Client Request	Follow-up of the 19/20 audit review of the garage.	Q3	5
Safety Camera Partnership	ANA – Low	It has been proposed that the governance arrangements for the Safety Camera Partnership are reviewed and the findings shared with partners (Plymouth City Council, Devon County Council, Torbay Council). A small number of days to be included in each audit plan for this work.	Q2	2
Street Lighting	ANA – Medium Client Request	Review of the administrative processes and procedures for the management of street lighting.	Q3 – Q4	15
Commercial Properties – Rent Roll	ANA – High Client Request	The Council's investment portfolio is worth £197m and generates over £10m of rental income. Detailed review of the rent of the rent roll process and a follow-up of the proforma process.	Q2 – Q3	30
New Business Solutions - Tech Forge (Cloud)	ANA –Medium Client Request	Audit assurance required in respect of the project to migrate of property data to Tech Forge Cloud. Work undertaken by the service will include data cleanse, centralisation of data, interfaces with Civica Financials.	Q1 – Q2	5
Grant Certification	Statutory	Those grants where the grant determination requires independent certification of expenditure by Internal Audit.	Q1 – Q4	20
Audit Advice to Place	n/a		n/a	15
Audit planning, monitoring and performance reporting	n/a		n/a	15
Audit Governance	n/a		n/a	15

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Irregularities and National Fraud Initiative (NFI)				
Advice, Irregularities, NFI & Contingency		<p>Co-ordination of the NFI exercises across the Authority.</p> <p>We will also continue to investigate irregularities referred to it us managers. Cases which we consider fraudulent will be referred to the DAP Counter Fraud Team for investigation and possible prosecution. Where control weaknesses are identified, the Audit Team work with service areas to address these issues.</p>	Q1 – Q4	<p>25</p> <p>30</p>

Fraud Prevention and Detection and Internal Audit Governance

Fraud Prevention and Detection and the National Fraud Initiative

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. Devon Audit Partnership will continue to investigate instances of potential fraud and irregularities referred to it by managers and will also carry out pro-active anti-fraud and corruption testing of systems considered to be most at risk to fraud. The joint working arrangements between the Internal Audit and Counter Fraud teams, enables intelligence to be shared and resources focussed on higher risk areas to prevent a fraud occurring.

Additionally, guidance introduced by CIPFA, in their 'Code of practice on managing the risk of fraud and corruption', and also the Home Office 'UK Anti-Corruption Plan', further inform the direction of counter-fraud arrangements. Nationally, the notable areas of fraud include Housing Benefit, Council Tax, Housing and Tenancy, Procurement, Insurance, Abuse of Position, Blue Badges, and Direct Payments (Social Car

The Cabinet Office runs a national data matching exercise (National Fraud Initiative - NFI) every two years. Departments supplied datasets which were uploaded onto the NFI secure website in October 2018 in accordance with the NFI timetable. The subsequent matching reports were received back from the Cabinet Office in February 2019 and departments have been reviewing the matches throughout 2019/20. In February 2020 Electoral Registration and Council Tax data was uploaded, with further data sets to be uploaded in October 2020.

Internal Audit Governance

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

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

Partnership working with other auditors

We will continue to develop and maintain effective partnership working arrangements between ourselves and other audit agencies where appropriate and beneficial. We participate in a range of internal audit networks, both locally and nationally which provide for a beneficial exchange of information and practices with the aim of improving the effectiveness and efficiency of the audit process, through avoidance of instances of “re-inventing the wheel” in new areas of work.

Appendix 1 - Audit Framework

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

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

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

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



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

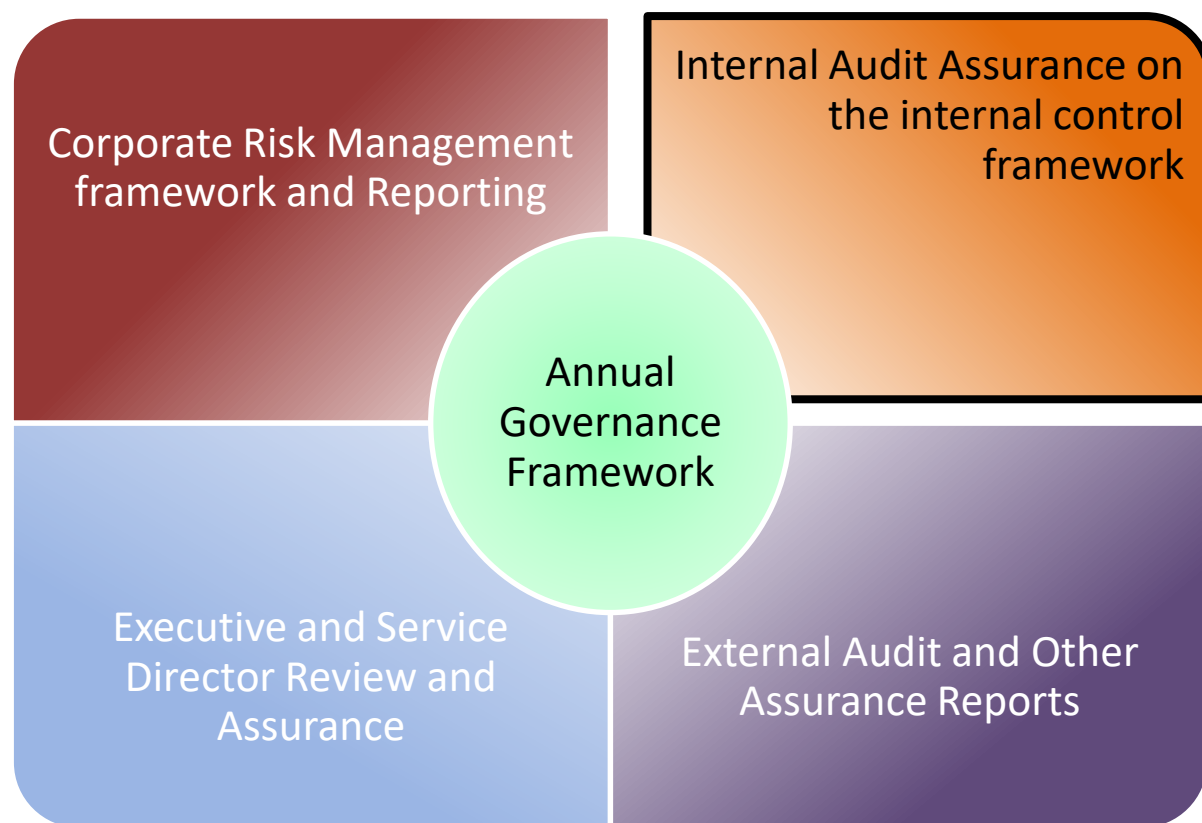
Appendix 2 - Annual Governance Framework Assurance

The Annual Governance Statement provides assurance that

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

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

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



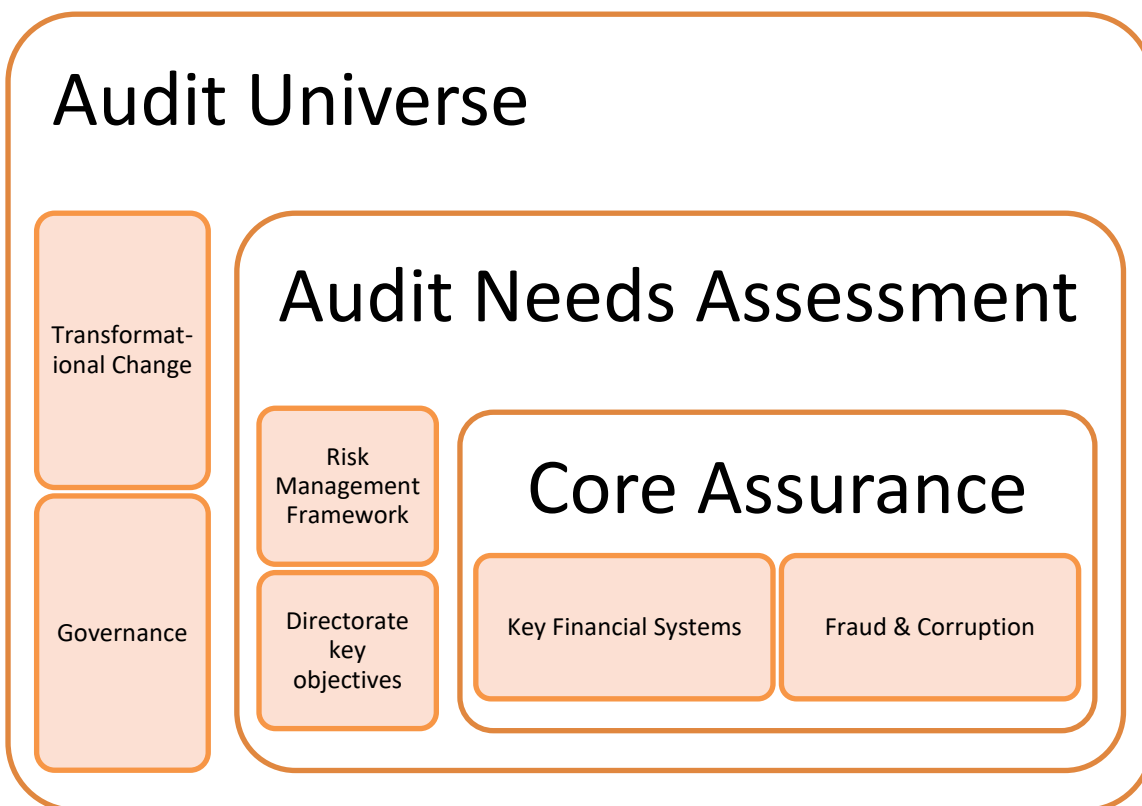
The AGS needs to be presented to, and approved by, the Audit and Governance Committee, and then signed by the Chair.

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

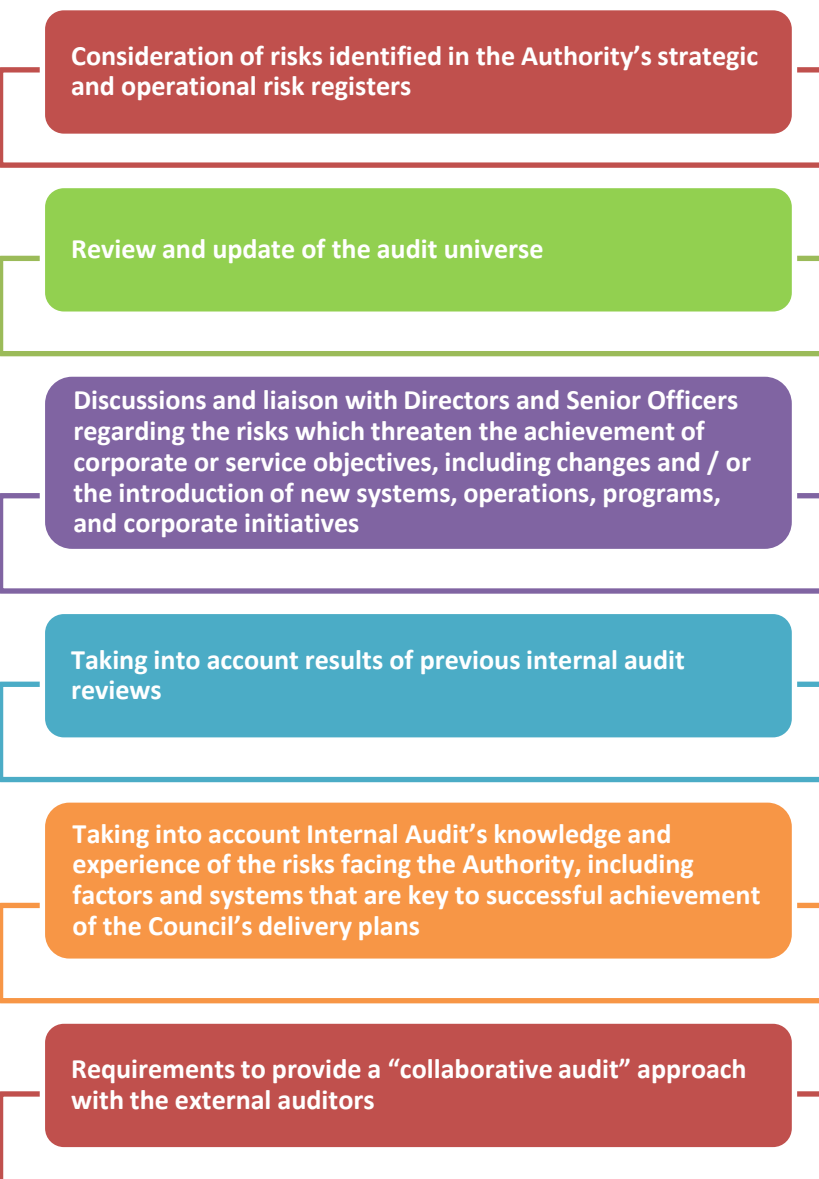
Appendix 3 - Audit Needs Assessment

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

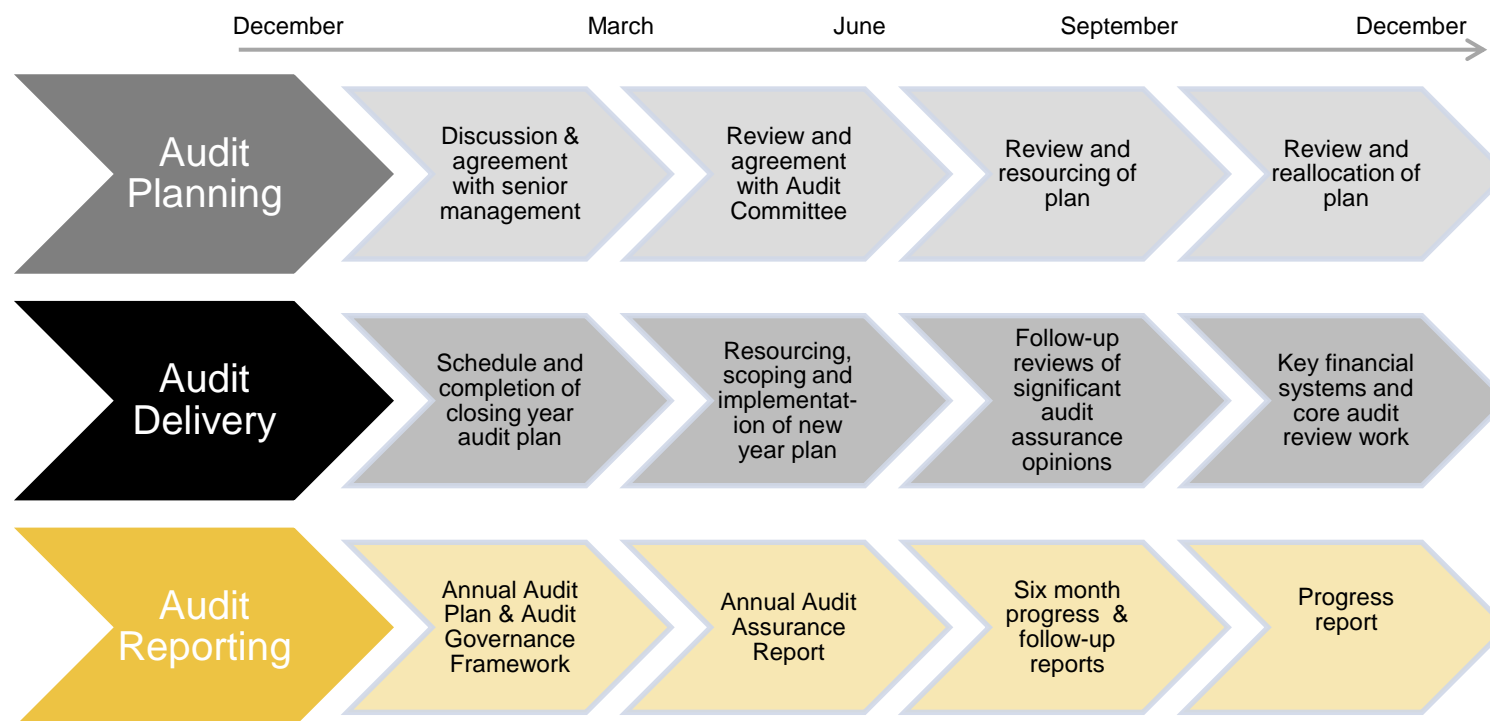
The resultant Internal Audit Plan is set out in the ‘proposed audit plan’. There are a number of areas where risk, needs assessment and discussions with management have identified audit need but where there are not sufficient resources in the plan to review them at this stage (see appendix 5). The plan will remain flexible and should priorities need these areas may for part of the planned work.



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



Appendix 4 - Our Audit Team and the Audit Delivery Cycle



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Date	Activity
Dec / Jan 2020	Directorate planning meetings
March 2020	Internal Audit Plan presented to Audit & Gov Committee
	Internal Audit Governance Arrangements reviewed by Audit & Gov Committee
	Year-end field work completed
Apr 2020	Annual Performance reports written
Jul 2020	Annual Internal Audit Report presented to Audit & Gov Committee
	Follow –up work of previous year’s audit work commences
Sept 2020	Progress report presented to Audit & Gov Committee
Dec 2020	Six-month progress reports presented to Audit & Gov Committee
	2021/22 Internal Audit Plan preparation commences

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Audit and Governance Committee



Date of meeting:	27 July 2020
Title of Report:	Internal Audit Response to the Covid-19 Pandemic
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	Andrew Hardingham (Service Director for Finance)
Author:	Robert Hutchins
Contact Email:	Robert.Hutchins@devon.gov.uk
Your Reference:	AUD/RH
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

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

This report was originally on the agenda for the 11th May 2020 Audit and Governance Committee but due to technical difficulties the meeting had to finish early.

Recommendations and Reasons

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

Alternative options considered and rejected

None as the Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual audit opinion that can be used by the organisation to inform its governance statement.

Relevance to the Corporate Plan and/or the Plymouth Plan

The work of the Internal Audit Service supports delivery of the values and priorities set out in Corporate Plan by ensuring that resources are used wisely, and service areas understand and deliver quality public services which meet customer and community needs and keep people safe. Our service will also support the Council as it undertakes work to address the challenges brought by Covid-19.

Implications for the Medium Term Financial Plan and Resource Implications:

Delivery of the audit plan will assist the council in delivering value for money services.

Carbon Footprint (Environmental) Implications:

No direct carbon/environmental impacts arising from the recommendations.

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

* When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.

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

Appendices

*Add rows as required to box below

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
A	Internal Audit Response to the Covid 19 pandemic							

Background papers:

*Add rows as required to box below

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
	1	2	3	4	5	6	7
None							

Sign off:

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Originating Senior Leadership Team member: Andrew Hardingham
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 30/04/2020
Cabinet Member approval: Cllr Mark Lowry (approved by email) Date approved: 30/04/2020

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Internal Audit Update Note

Internal Audit Response to the Covid-19 pandemic

May 2020

Official



Support, Assurance & Innovation

Devon Audit Partnership

Internal Audit Response to Covid 19

Update note for Plymouth City Council Audit and Governance Committee

1 Introduction

- 1.1 In these extremely testing times we wanted to briefly update the Audit and Governance Committee on how we (Devon Audit Partnership (DAP) – the providers of the Internal Audit function) - are looking to adjust our ways of working, to help deliver our work, in particular the 2020/21 internal audit plan, and how we aim to provide wider support to organisations as they respond to challenges brought by Covid-19.

2. Helping our Partners and Clients respond to Covid-19

- 2.1 As a reminder, all DAP staff are Devon County Council (DCC) employees; Devon (like other Authorities) has sought volunteers to assist front line service delivery. We know DAP is not a “front line” service and therefore our staff could be well placed to assist with requests for help. We do not yet know what roles we may be asked to complete but I am sure that any support we can provide will be helpful.

- 2.2 The guidance from Phil Norrey (Chief Executive of Devon) has said:-
“...other..... partner organisations may require staff to volunteer to support their work such as drivers and customer call handling, and we are currently bringing this information together”.
 As a consequence, our staff who are based in locations around Devon (e.g. Plymouth, Torbay etc) may be best allocated to help those organisations.

2.4 Our Immediate Response: -

- We have prepared a skills / availability matrix of all DAP staff for the purposes of deployment to other priority services for all our partners. Some staff have already been deployed;
- We have been informed of, and have identified, a range of activities from across our client and partner organisations where workarounds to normal business practices are required in response to Covid-19; for example, procurement practices, payments for adult and children’s social care and purchasing cards etc. It is our intention to be proactive in providing input, advice and assurance to services on any proposed changes;
- Working with colleagues in other teams to support them as they respond to the challenges brought by Covid-19. For example, work with DCC Procurement regarding payments to contractors where services may be delayed / not provided.

2.5 Ongoing Support: -

- Head of Partnership has taken on role as Head of Devon CC Food Cell;
- Other DAP staff are supporting this through a wide range of issues including:
 - Establishing needs around food supplies for smaller Care Homes;
 - Liaising with supermarkets and other providers;
 - Assisting the “Shielded”; and
 - Working with voluntary sector organisations.

- 2.6 DAP staff have been deployed in different roles e.g. Supporting HR, Business Grants Processing, DCC Call centre – at time of writing **5 staff** have been subject to such deployment.

- 2.7 We remain alert to the Council’s emergency procedures and associated control environment assurance needs; we are well placed to support and, ensure sound and effective arrangement are in place to deal with the current crisis.

- 2.8 We encourage officers to contact us when proposing changes to systems; if they have any concerns about what they are doing, are anxious about the risk of fraud or just want assurance that what they are planning is suitably robust. The DAP team are all working from home at this time, but have excellent IT comms, make good use of Skype, Teams etc. and are therefore readily contactable.

3 Internal Audit Response

- 3.1 We are very aware that we need to provide an annual assurance opinion at the end of 2020/21. We anticipate that there will be difficulties in completing the 2020/21 audit plan in our traditional manner, and so have developed different practices to enable us to deliver our assurance. This will include confirmation of key controls, remote testing wherever possible of these controls (so as not to disturb / disrupt operational staff) and using data analytics generated from system data. This approach has been discussed (and agreed) with your s151 officer and the DAP Management Board.
- 3.2 In more detail we have reviewed our approach to the provision of Internal Audit and are developing this new model (see info graphics below): -



- 3.3 The focus of this model is on assurance mapping, underpinned by the well-known and recognised '3 lines of defence model' to build a more in-depth view of the risk and control framework in operation. Our plan is to build this map and model from our existing knowledge base and access levels supported by a much-reduced contact with client staff. This work will be our focus in early part of the year covering key financial systems and other areas within the audit plan that can support this engagement. This will not result in the usual and frequent issue of audit reports but produce a wider risk and control framework image.
- 3.4 This model can then be supported by less intrusive testing through data analytics, which we will also need to develop to support this model. As services return to normal operation during the year, we will take this assurance framework through to more specific audit reviews and more familiar reporting arrangements to provide assurance in line with the audit plan.
- 3.5 This info graphic also includes improvement opportunities for our service delivery which we will work on to further develop service efficiency and effectiveness.
- 3.6 *Completion of 2019/20 work.*
- 2019/20 Internal Audit Plans – are near full completion for the year though a small number of audits will, unfortunately, be at risk of non-completion / finalisation as audits are formally or informally cancelled, deferred or postponed whilst our partners focus is turned firmly to business-critical services.
 - Currently staff are completing 2019/20 audit work "as best they can" – without putting undue pressure on service areas. we hope to have covered 90% of the audit programme and that is what we shall base our assurance opinion on.
 - All staff are remote working and to date this does seem to be working effectively; this brings with it some new challenges and engagement at delivery level. This is being managed and achieved sensitively.

3.7 Undertaking the agreed plans for 2020/21

- 2020/21 Internal Audit Plans – Work will be undertaken as outlined above. “Traditional” audit work is unlikely to be effective during this time and we recognise that tying up key staff is unlikely to be welcomed. Our approach is to firstly identify areas within the audit plan where we have remote access to information and are likely to need minimal officer input. This approach will allow us to start 2020/21 work with minimal client disruption. We will continue to liaise closely with management to ensure that we deliver the audit assignments detailed within the audit plan as efficiently as possible.
- The recently cancelled round of Audit Committees has had an impact. At most organisations the agenda items have been:
 - deferred to the next available Committee;
 - approved by officer delegation or
 - circulated by e-mail to Committee members.
- Such meetings would have considered (and agreed / approved / noted) IA charter and work plan for 2020/21, but we shall use the prepared plans as a basis for our work, subject to any changes reported.

3.8 External Audit

- 3.8.1 It should be noted that our External Audit colleagues look to the work of internal audit when determining their work and the resources for that work. If the internal audit plan was adversely affected by Covid-19, and the 2020/21 internal audit opinion caveated due to lack of coverage, then External Audit may need to reconsider their plan, their resources and, ultimately, the cost of their services to the Council. Therefore, it is important that we stay on track to deliver our plan, helping External Audit in completing their tasks.

4 Counter Fraud.

- Counter-fraud staff continue to work on referrals until such time as they are deployed into other roles.
- Advice, guidance and consultancy continues.
- Progressing investigations as far as possible in the absence of face to face interviews and court proceedings taking place.

- 4.1 The Department for Business, Energy & Industrial Strategy (BEIS) have put in place a process by which we can flag to you potentially fraudulent behaviour that is brought to their attention. They require a nominated individual from within the Local Authority that can be a point of contact on potential fraud. Ken Johnson, DAP Counter Fraud Team Manager has been nominated as champion at Plymouth and an offer has been made to other partners for same.

5 DAP Development

- 5.1 DAP continues to :-
- Review and develop its approach (see model above).
 - Contributing to a national horizon scanning exercise to understanding what Internal Audit can do further (from a professional practice viewpoint) to support the organisation at this time (both for the organisations short and, long term plans).
 - Help staff adjust to new ways of working, including MS Teams becoming the lynchpin of getting things done.
- 5.2 We have identified a range of service development activities that staff will work on without impacting our clients – a particular example of this is the use of data analytics to help provide some oversight of large data sets / transactions at a time where the control environment may be reduced;
- 5.3 Staff have been asked to complete Personal Development Objectives and any required records for CPD for their professional institutes and ensure that they are up to date with the Host Authority's E-Learning requirements.
- 5.4 Reviewing the suite of training material that we deliver to the Audit Committees and staff at partner organisations.

6 Impact on the Council and DAP**6.1 19/20 Audit Opinion**

- 6.1.1 DAP will prepare the Annual Internal Audit report based on the work completed. We envisage that the work undertaken will enable the reports to be produced reasonably effectively but, may need to make reference where work has been shortened.

6.2 Delivering in 20/21

- 6.2.1 As outlined above we will undertake 2020/21 internal audit work as best we can with the expectation that we will be able to provide an annual audit opinion, albeit with an expected reduction in direct client contact and under our alternate model.
- 6.2.2 Audit plans for our partners may suffer from some reduction. We would normally expect to complete one quarter of our plan by end of June, but completion in this first quarter may be impacted (for example by staff deployment to Covid-19, some audit work being deferred etc). Whilst we would, ideally, like to make up lost time in the rest of the year this may not be achievable, though we still aim and expect to provide a balanced audit opinion. We recommend that the internal audit plan for 2020/21 be reviewed at the end of Q1.

6.3 Budget issues

- 6.3.1 DAP management and the Board recognise that Covid-19 presents financial challenges to the Partnership in respect of the level of external work expected to be achieved. We shall closely monitor the situation and take effective (proactive and reactive) action to minimise any negative financial impact.

7 Conclusion

- 7.1 Covid-19 presents significant challenges to organisations; DAP is adapting to the ever changing and developing situation to ensure that internal audit assurance continues to be provided and assists in meeting the Covid-19 challenge as effectively and efficiently as possible
- 7.2 We are advising and supporting wherever possible but have recognised that we will need to deliver our work in different ways.
- 7.3 We have made the whole team (from Head of Partnership to apprentice) available to support our partners and we will manage the impact of this.
- 7.4 We are managing our resources to ensure that the financial impact of Covid-19 on DAP is controlled and minimised.

8 Recommendation

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

Robert Hutchins Head of Devon Audit Partnership May 2020

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Audit and Governance Committee



Date of meeting:	27 July 2020
Title of Report:	Internal Audit Charter & Strategy 2020/21
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	Andrew Hardingham (Service Director for Finance)
Author:	Brenda Davis, Audit Manager
Contact Email:	brenda.davis@devonaudit.gov.uk
Your Reference:	AUD/BD
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

Re-affirmation of the Devon Audit Partnership Internal Audit Charter and Strategy.

There are no changes to the 2020/21 Internal Audit Charter from the document approved by this Committee in March 2019 and the Internal Audit Strategy is 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) is 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 is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities. 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.

The Strategy should be approved, but not directed, by the Audit and Governance Committee.

1. The Charter and Strategy complies with the mandatory requirements of the Public Sector Internal Audit Standards.
2. Delivery of the Internal Audit Service will be by the Devon Audit Partnership.

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

Recommendations and Reasons

Members of the Audit and Governance Committee agree the Internal Audit Charter & Strategy for the year 2020/21.

Alternative options considered and rejected

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

Relevance to the Corporate Plan and/or the Plymouth Plan

The Internal Audit service assists the Council in delivering robust standards of public accountability and probity in the use of public funds and 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.

Our work supports delivery of the values and priorities set out in Corporate Plan by ensuring that resources are used wisely, and service areas understand and deliver quality public services which meet customer and community needs and keep people safe.

Implications for the Medium Term Financial Plan and Resource Implications:

Delivery of the audit plan will assist the council in delivering value for money services.

Carbon Footprint (Environmental) Implications:

No direct carbon/environmental impacts arising from the recommendations.

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

** When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*

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

Appendices

**Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
A	Internal Audit Charter and Strategy 2020/21							

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Background papers:

*Add rows as required to box below

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable)						
	If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.						
	1	2	3	4	5	6	7

Sign off:

Fin	pl.19.20. 271	Leg	lt/34383/ 0403	Mon Off		HR		Assets		Strat Proc	
Originating Senior Leadership Team member: Andrew Hardingham											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 04/03/2020											
Cabinet Member approval: Cllr Lowry											
Date approved: 11/03/2020											

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PLYMOUTH CITY COUNCIL

INTERNAL AUDIT CHARTER (March 2020)

MISSION

The Mission of Devon Audit Partnership is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight across its partners.

TERMS OF REFERENCE

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

DEFINITIONS

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

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

The PSIAS make reference to the role of "Chief Audit Executive". For The Council this role is fulfilled by the Head of Devon Audit Partnership (HoDAP).

STATUTORY REQUIREMENTS

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

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

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

THE PURPOSE AND AIM OF INTERNAL AUDIT

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

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

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

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

PROFESSIONALISM, ETHICS AND INDEPENDENCE

Being Professional

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

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

Our Ethics

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

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

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

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

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

Being Independent

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

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

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

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

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

Auditors should be mindful of being independent. They;

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

AUTHORITY

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

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

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

- (2) (a) make available such documents and records; and
- (b) supply such information and explanations; as are considered necessary by those conducting the internal audit.
- (3) In this regulation “documents and records” includes information recorded in an electronic form.

In addition, Internal Audit, through the HoDAP, where deemed necessary, will have unrestricted access to:

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

ACCOUNTABILITY

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

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

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

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

The Service Director for Finance 'Section 151 Officer' will liaise with the Head of Devon Audit Partnership and is therefore responsible for monitoring performance and ensuring independence.

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

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

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

The HoDAP has direct access to the Chair of Audit and Governance Committee and the opportunity to meet with the Audit and Governance Committee in private.

RESPONSIBILITIES

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

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

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

Internal Audit responsibilities include but are not limited to:

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

INTERNAL AUDIT MANAGEMENT

The PSIAS describe the requirement for the management of the internal audit function. This sets out various criteria that the HoDAP (as Chief Audit Executive) must meet, and includes:

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

These criteria are brought together in an Audit Strategy which explains how the service will be delivered and reflect the resources and skills required.

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

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

INTERNAL AUDIT PLAN AND RESOURCES

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

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

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

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

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

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

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

REPORTING

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

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

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

The aim of every Internal Audit report should be:

- to give an opinion on the risk and controls of the area under review, building up to the annual opinion on the control environment; and

- to recommend and agree actions for change leading to improvement in governance, risk management, the control environment and performance.

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

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

The Head of the Devon Audit Partnership will

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

RELATIONSHIP WITH THE AUDIT AND GOVERNANCE COMMITTEE

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

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

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

- attend meetings, and contribute to the agenda;
- ensure that it receives, and understands, documents that describe how Internal Audit will fulfil its objectives (e.g. the Audit Strategy, annual work programmes, progress reports);
- report the outcomes of internal audit work, in sufficient detail to allow the committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address;
- establish if anything arising from the work of the committee requires consideration of changes to the audit plan, and vice versa;
- present an annual report on the effectiveness of the system of internal audit; and
- present an annual internal audit report including an overall opinion on the governance, risk and control framework

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

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

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

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

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

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

CHARTER – NON-CONFORMANCE AND REVIEW

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

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

Devon Audit Partnership

March 2020

PLYMOUTH CITY COUNCIL

INTERNAL AUDIT STRATEGY (March 2020)

1 INTRODUCTION

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

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

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

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

The PSIAS require the HoDAP to produce an Audit Charter setting out audits purpose, authority and responsibility. We deliver this through our Audit Strategy which:

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

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

2 INTERNAL AUDIT OBJECTIVES AND OUTCOMES

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

To achieve this primary objective, the HoDAP aims to fulfil the statutory responsibilities for Internal Audit by:

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

3 OPINION ON THE GOVERNANCE, RISK AND CONTROL FRAMEWORK

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

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

The HoDAP will report progress against the annual audit plan and any emerging issues and risks to the Audit and Governance Committee.

The HoDAP will also provide a written annual report to the Audit and Governance Committee, timed to support their recommendation to approve the Annual Governance Statement, to the Council.

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

- (a) include an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework;
- (b) disclose any qualifications to that opinion, together with the reasons for the qualification;
- (c) present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance streams;
- (d) draw attention to any issues the HoDAP judges particularly relevant to the preparation of the Annual Governance Statement;
- (e) compare the audit work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and targets; and

- (f) comment on compliance with the Public Sector Internal Audit Standards and communicate the results of the internal audit quality assurance programme.

4 PLANNING, INCLUDING LOCAL AND NATIONAL ISSUES AND RISKS

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

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

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

Assignment planning

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

5 PROVISION OF INTERNAL AUDIT

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

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

Internal Audit Performance Management and Quality Assurance

The PSIAS state that the HoDAP should have in place an internal performance management and quality assurance framework; this framework must include:

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

Performance Measures and targets

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

Internal Audit Performance Monitoring Targets.

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

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

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

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

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

Customer (user) feedback

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

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

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

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

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

Internal quality reviews

Devon Audit Partnership management have completed a self-assessment checklist against the PSIAS and have identified that there are no omissions in our practices. We consider that we fully meet over 95% of the elements; partially meet 3% (6); and are not required to or do not meet 2% (5) of the elements. The self-assessment will be updated annually, and, if management identify areas where we could further strengthen our approaches, these will be added to the Quality Action Improvement Plan.

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

Terry and Chris concluded that;

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

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

6 RESOURCES AND SKILLS

Resources

The PSIAS and the Audit Manual states that:

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

Devon Audit Partnership currently has c.40 staff who operate from any one of our three main locations (Plymouth, Torquay and Exeter), we also operate from offices at Torridge DC (Bideford), Mid Devon DC (Tiverton) and South Hams/West Devon Councils (Totnes). The

Partnership employs a number of specialists in areas such as Computer Audit, Contracts Audit and Counter Fraud Investigators as well as a mix of experienced, professionally qualified and non-qualified staff.

The Partnership draws on a range of skilled staff to meet the audit needs. Our current staff includes: -

- 3 x CCAB qualified
- 6 x qualified IIA
- 2 x qualified computer audit (QICA & CISA)
- 1 x risk management (IRM)
- 10 x AAT qualified
- 7 x ACFS (accredited counter fraud specialists)
- 4 x ILM (Institute of Leadership & Management) level 5 or above

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

Staff Development and Training

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

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

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

Devon Audit Partnership

March 2020

Audit and Governance Committee



Date of meeting:	27 July 2020
Title of Report:	Internal Audit Annual Report
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	Andrew Hardingham (Service Director for Finance)
Author:	Brenda Davis, Audit Manager
Contact Email:	brenda.davis@plymouth.gov.uk
Your Reference:	AUD/BD
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

This report summarises the work undertaken by Devon Audit Partnership during 2019/20, reviews the performance and effectiveness of the Internal Audit service, and provides an audit opinion on the adequacy of the Authority's internal control environment. Our work delivers objective and relevant assurance and contributes 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 our opinion is based took place prior to Covid-19.

A key element of the Council's governance arrangements is 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.

Recommendations and Reasons

The Audit and Governance Committee note that:

- Based on work performed during 2019/20 and previous years' audit, the Head of Internal Audit's opinion is of "Substantial Assurance" on the adequacy and effectiveness of the Authority's internal control framework.

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.

Relevance to the Corporate Plan and/or the Plymouth Plan

The internal audit service assists the Council in delivering robust standards of public accountability and probity in the use of public funds and 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.

Our work supports delivery of the values and priorities set out in Corporate Plan by ensuring that resources are used wisely, and service areas understand and deliver quality public services which meet customer and community needs and keep people safe.

Implications for the Medium Term Financial Plan and Resource Implications:

Delivery of the audit plan will assist the council in delivering value for money services.

Carbon Footprint (Environmental) Implications:

None

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

** When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*

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

Appendices

**Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
A	2019/20 Internal Audit Annual Report							

Background papers:

**Add rows as required to box below*

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
	1	2	3	4	5	6	7

Sign off:

Fin	pl.20. 21.3 9	Leg	It/393 48/2 606	Mon Off		HR		Assets		Strat Proc	
Originating Senior Leadership Team member: Andrew Hardingham											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 29/06/2020											
Cabinet Member approval: Cllr Mark Lowry approved by email											
Date approved: 15/07/2020											

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Internal Audit

Annual Audit Report 2019-20

Plymouth City Council
Audit & Governance Committee

July 2020

Official

Robert Hutchins
Head of Audit Partnership

Page 149

Introduction

The Audit and Governance 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 2019/20 was presented and approved by the Audit Committee in March 2019. The following report and appendices set out the background to audit service provision; a review of work undertaken in 2019/20 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 and Governance 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

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Opinion Statement

Overall, based on work performed during 2019/20 and our experience from the current year progress and previous years' audit, the Head of Internal Audit's Opinion is of "Substantial 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 2019/20.

The Summary Assurance Opinions chart on page 3 provides a high level "Themed" and RAG rated overview of audit coverage for 2019/20.

This statement of opinion is underpinned by :

Internal Control Framework

The Council's overall internal control framework is considered to have 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. However, the opinion provided must be considered in light of the coronavirus pandemic, and the impact of this on the Council. Our opinion is based on internal audit work undertaken during 2019/20, the majority of which took place prior to Covid-19.

Covid-19 has required the Council to respond to the emerging challenges in new and innovative ways. The need for prompt and urgent action by officers has required new procedures to be developed and changes to some existing procedures and control arrangements. The level of impact this had in 2019/20 and which is ongoing into 2020/21 is continuing to evolve. It is not possible at this time to fully quantify the additional risk that may have arisen from such emergency and short-term measures or fully determine the overall impact on the framework of governance, risk management and control.

Risk Management

Risk management remains embedded and integrated within business planning. Robust work has been undertaken to prepare for Brexit where despite the emergence of the Coronavirus Pandemic, the date for departing the EU remains 31.12.2020. Covid-19 has required a rapid and agile response to enable safe delivery of services and provide critical services to the City.

Governance Arrangements

Governance arrangements are considered in key areas such as the Integrated Fund (CCG and PCC) to ensure that the Council's interests are protected. Management also make specific requests such as the review of Gifts & Hospital and the governance and administrative arrangements for Fleet and Garage.

Performance Management

The strategy is key to the successful delivery of services and is established for 'business as usual' and change programmes. Regular reporting to management, leadership team and the Council should ensure effective performance management. This is of crucial importance as the Council responds to the challenges of Covid-19.

Full Assurance	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.	Limited Assurance	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.
Substantial Assurance	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.	No Assurance	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.

Summary Assurance Opinions

Service Area Overview of Audit Coverage									
Summary of key audit reviews	Customer & Corporate and Finance		People & Children's Services		Place		Public Health		Executive Office
	Health & Safety		HMO Licensing		Governance and administrative arrangements for Fleet & Garage Services		Taxi Licensing Trade Accounts		Data Quality Customer Experience Indicators
	Procurement SS – under £25k		Private Sector Enforcement		SWH Street Lighting Cost Plus Verification		Business Continuity Within the Supply Chain Follow-Up		Gifts & Hospitality
	Deputyships Follow Up		Dynamic Purchasing System		Plymouth & South West Devon Joint Local Plan				
	Client Financial Services F/Up		Children Independent Placements		Street Scene and Waste Services Overtime				
	Schools Financial Value Standards		Children's Multi Agency Safeguarding Arrangements						
	Devon Business Rates Pool								
Core Assurance	Business Processes & Governance	Corporate Information Management			Grant Certification			Annual Governance Statement	
	Key Financial Systems	Main Accounting	Treasury Management	Payroll	Debtors	Creditors	Council Tax	Business Rates	Housing Benefits
	ICT	Cyber Security			HR/Payroll New Business Solution				

Note: Assurance opinions are 'RAG' rated to support the overall assurance opinion for the year (Red = fundamental weaknesses, Amber = improvements required, Green= good and high standard). The ratings are relevant at the time of the audit review and assurance may have improved since that time. Areas shaded blue denote opportunity or value added work.

Value Added

We know that it is important that the internal audit service seeks to "add value" whenever possible 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 2019/20.

Customer & Corporate (inc Exec Office & Finance)

- "A big thank you for undertaking this audit for us and for being so flexible in your approach. We knew of some issues with self-service and we had our suspicions about the level of compliance but, your report certainly brings this all to the forefront. The timing could not be more salient and is the perfect document upon which we can springboard our new proposed design."
- "The consultation during the planning phase allowed good time for everything to be considered in detail. Really pleased that the report not only details what was found but provides detailed feedback and clear recommendations to support improvements. The auditor was really helpful; very clear and would define any elements we didn't understand at the outset. He has an engagement and collaborative style which is useful to put anyone taking part at ease."
- "Thank you very much for the audit on gifts and hospitality. The audit provided much needed additional resource and focus to this area which we hadn't been getting quite right in terms of clarity and briefings, and the focussed recommendations have helped us to target immediate improvements."

Place

- JLP – "I felt the recommendations were very helpful and useful to the development of the team. We have a Partnership Board at the end of July and I think it would be good to aim to present the report to that meeting."
- Appreciation was expressed following our prompt response to an unplanned request for an audit of communicated figures for the provision of labour, support, transport and plant costs for the Street Lighting Service.
- In respect of our work on Fleet and Garage the manager said that, "whilst I understand your scope is not about should or shouldn't we outsource, this work can cover aspects/facts/ recommendations that can help to inform this. Essentially having an independent view will be important."

People (inc Children's Services& Schools)

- Our review of Child Independent Placements added value "as it provided objective recommendations"; "summarised and added weight to issues that I was aware of"; "as always the involvement of audit was beneficial and very much partnership working".
- In response to the follow-up review of Client Finance Assessments the Strategic Director for People emailed the auditor to say "thank you for your part in improving the service. It is good to see such progress."
- "The audit (Public Sector Enforcement in the Private Rented Sector) has been a success and focused some of the development works required to not only ensure compliance but also improve delivery to which I am grateful."
- The school considered that the auditor "was very good at explaining everything including the new SFVS requirements, always approachable and very professional, gave us tips and website links etc".

Audit Coverage and Performance Against Plan

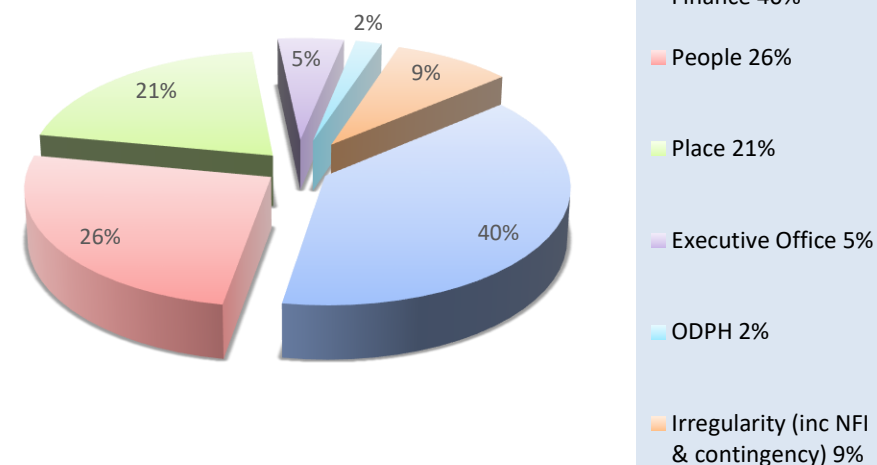
The pie charts on the right shows the breakdown of audit days planned by service area / type of audit support provided. The balance of work has varied during the year as can be seen from comparison with the second chart. Variations have been with the agreement of the client.

Appendix 4 to this report provides a summary of the audits undertaken during 2019/20, 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.

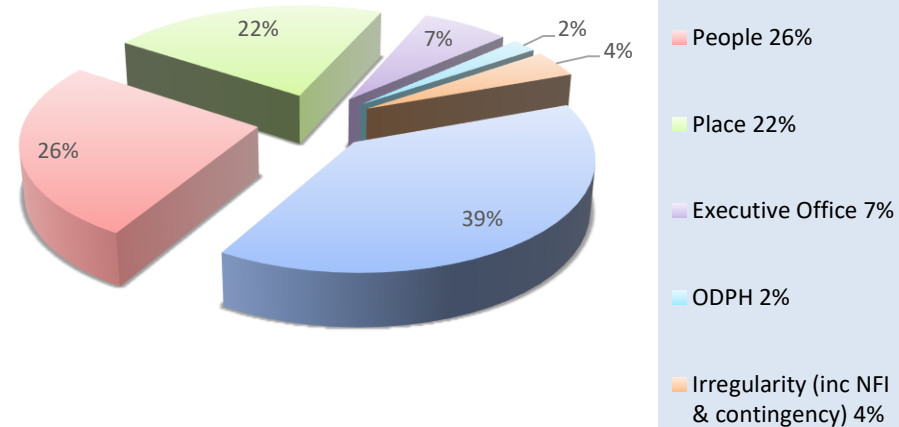
It will be noticed that there is a small variation in the percentage split across service areas. The audit plan was developed in consultation with management across the Council and agreed by the Audit and Governance Committee in March 2019. However, local authorities are working in a rapidly changing environment and the audit plan needs to be flexible and able to reflect and respond to the changing risks and priorities of the Council to ensure it remains valid and appropriate. Any changes to the audit plan have been agreed with management and reported to the Audit and Governance Committee throughout the year.

Some work was undertaken at the end of 2019/20 at the request of management as the Council worked to put into place new and innovative solutions to address the challenges brought by Covid-19. Assurance work will continue into 2020/21 and will be reported to the Audit and Governance Committee in due course.

Audit Plan 2019-20



Audit Delivery 2019-20



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 2018/19 exercise, DAP co-ordinated the extract of relevant Council datasets, as defined by the Cabinet Office. Departments supplied their datasets which were uploaded onto the NFI secure website in October 2018 in accordance with the NFI timetable. The subsequent matching reports were received back from the Cabinet Office in February 2019 and departments have been reviewing the matches throughout 2019/20.

Notable results include the cancellation of over 200 blue badges or concessionary bus passes where the badge / pass holder had passed away and the identification and cancellation of Council Tax single person's discount claims which were found to be no longer valid. The value of the single person's discount claims amounted to £374k.

Irregularities – DAP continue to provide management with a range of advice and support on courses of action or improvements to controls on an ad hoc basis and as part of broader audit reviews.

Active Counter Fraud Investigation – The Plymouth City Council Corporate Fraud Team transferred to the Devon Audit Partnership (DAP) in May 2018 and is now known as the Counter Fraud Services Team within DAP. The team continue to offer a full and comprehensive investigation service to Plymouth, whilst offering a commercialised service to other DAP partners in order to provide Plymouth City Council with a return on its investment.

The Counter Fraud Team Manager will prepare a separate end of year report for the Audit & Governance Committee summarising work they have undertaken.

Appendix I - Assurance Opinion and Extract Executive Summaries for 2019/20

Risk Assessment Key

ANA - Audit Needs Assessment risk level

Client Request - no risk assessment information available

Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
Executive Office		
Core Assurance - Other		
Data Quality ANA – High	Value Added Status: Draft	<p>The review highlighted that whilst the Customer Experience indicator process forms a sound baseline for the Council's public facing activities and measurement, opportunities remain for the use of data within the organisation. The 23 customer indicators for Street Services were formed from the services' service standards, but not all lend themselves well to the provision of meaningful metrics. Opportunities for improvement include:</p> <ul style="list-style-type: none"> • measurement of activities with volumes that were too low for meaningful analysis (skewing percentiles); • target response times that did not relate to the risk; • value of spend for some activities was considered too low to add much value to operational needs; • lack of metrics being used to add real value by measuring delivery of business outcomes and strategies. <p>The Council is yet to uniformly exploit its data assets to provide robust metrics and intelligence to properly inform decision making in respect of all of its agendas, strategies and delivery of individual business plans. Full utilisation of a corporate wide data analysis tool, such as Power BI, would enhance the ability to maintain data quality.</p> <p>All the issues highlighted are understood by Street Services management.</p>
Gifts & Hospitality ANA - Medium	Improvements Required Status: Final	<p>Following our work to evaluate the adequacy and effectiveness of policy and procedures in respect of Gifts and Hospitality we concluded that although the requirement for Members and Officers to declare gifts and hospitality is contained within key governance documents, they only provided a high-level statement with a focus on hospitality and did not clearly or consistently set out the rules for receiving and giving of gifts and hospitality.</p> <p>In response to our findings it was agreed that Senior Governance Officers would work with colleagues in Legal and HR to ensure instructions for declaring offers and/or receipts as well</p>

as the provision of gifts and hospitality are unambiguous and clearly communicated.

Customer and Corporate / Finance

Core Assurance – Key Financial System

Council Tax ANA - Medium	Good Standard Status: Final	<p>Internal control within the Council Tax system continues to operate at a good standard. Bills were accurate and sent out on time, valuation schedules are updated promptly and recovery action, in most areas, is undertaken in a timely manner.</p> <p>Key recommendations were:</p> <ul style="list-style-type: none"> • Write-off procedures to be documented to minimise the risk of oversight or error; • Failure to clear the down the £1.65m of credits sitting on Council Tax accounts; • No decision made as to how accounts that are "Returned for Committal" should be dealt with; • Improved visibility of aged debt stratified across years.
Business Rates (NNDR) ANA – Low	Good Standard Status: Final	<p>System parameters and automated controls have ensured billing accuracy and valuation schedules are updated promptly. Recovery action continues to effectively follow procedure with escalation to the external enforcement agents where necessary.</p> <p>Key recommendations were:</p> <ul style="list-style-type: none"> • Action needs to be taken to reduce the number and value of accounts in credit (£1.475m Mar'20) • No decision made as to how accounts that are "Returned for Committal" should be dealt with; • As data regarding current arrears and aged debt is collected there is the opportunity to give it greater visibility by reporting it as part of the Service Centre Scorecard.
Housing Benefits ANA - High	Good Standard Status: Final	<p>Audit testing undertaken on a sample of new claims and change event assessments did not identify any assessment errors likely to impact on the Council's subsidy claim. Additionally, the error rate (affecting subsidy) reported as part of the department's QA work is currently standing at 4%, which is a notable reduction from the 9% reported for 2018/19.</p> <p>The administration of housing benefit overpayment recovery continues to be consistent with the improvements made in recent years. The department produce comprehensive debt management reports on a monthly basis, providing management with visibility of the level of</p>

		<p>debt and effectiveness of recovery procedures. Active monitoring enables prompt action to be taken on cases where repayment arrangements and other payment methods default. The DWP's Housing Benefit Debt Service provide access to HMRC data where deductions from ongoing benefit cease to enable the department to identify employment and where necessary, recover direct through employers.</p>
Main Accounting ANA - High	Good Standard Status: Final	<p>The control environment for the maintenance of the General Ledger is sound and ensures that budgetary and transactional data is effectively recorded. Information from feeder systems is checked and any variances identified, investigated and resolved with the exception of the Tranman Fleet Management system for which there is no effective reconciliation process (for 2019/20 circa 4,000 transactions with a value of £1.7m).</p> <p>Cash and bank is regularly reconciled and subject to secondary review.</p> <p>Whilst virements over £500k are included within the quarterly monitoring reports to Cabinet where approval of the report is taken as authorisation for the virements there remains a lack of evidence retained within the main accounting system to demonstrate approval of virements.</p> <p>The system has e-budgeting capabilities which over time could potentially create some additional capacity within the Finance Service but realisation of this opportunity will require accountancy staff to champion and refine this method of budget monitoring with their budget holders.</p>
Treasury Management ANA – Medium	High Standard Status: Final	<p>Overall the Treasury Management (TM) system continues to operate to a High Standard with robust governance arrangements and operational processes in place and complied with.</p> <p>TM activities are in accordance with approved strategies and expert advice continues to be provided by the external consultants, Arlingclose, who play an important role in shaping investment strategies.</p> <p>Cash flow forecasting and the management of the Council's main bank account operates well. Records held to support loans and investments were complete and accurate.</p> <p>Monitoring and reporting of TM activity continues to be regular and transparent with the Audit and Governance Committee providing independent scrutiny of Treasury Management policy and procedures. The Treasury Management Board continues to meet regularly, with the members receiving regular updates of trading activity.</p>

Creditors ANA - High	Good Standard Status: Draft	<p>Overall the controls operating within the Creditor system continues to operate at a good standard.</p> <p>However, over time the level of input that service users have in procuring, raising orders and paying invoices has reduced because these tasks are predominantly undertaken by Procurement and the Service Centre. Whilst this ensures appropriate separation of duties and efficient payment of invoices, when the automated system controls prevent a transaction from being processed e.g. disputed invoice, the service user's knowledge and experience of the whole procurement and payment system is now so limited that they do not always understand what is required of them. To ensure that the full benefits of any change in process or system efficiencies introduced are realised, in-house training should be developed and made available to users.</p>
Purchasing ANA – High	Improvements Required Status: Final	<p>Whilst the updated system of internal control implemented to enable the new self-service purchase order process for goods, services and works under £25k was found to be of a good standard, the requirement to ensure quotations are obtained in accordance with Contract Standing Orders is not enforced by the Civica Purchasing Module and compliance with the prescribed process has not been adhered to by users. Feedback obtained from users was that although they are clear on the need to obtain quotations, the new electronic request for quotation process was unwieldy and inefficient.</p> <p>The Procurement Team are reviewing the self-service process for the purchasing of goods, services and works valued under £25k to improve efficiency and ensure compliance.</p>
Debtors ANA – Medium	Good Standard Status: Final	<p>Automated controls and the use of exception and management information reports ensure the accuracy and completeness of financial data. There has been a drive to identify and clear old debt from the system where it is considered irrecoverable and to concentrate on proactive action in chasing up debt which can realistically be collected, including emails and telephone calls to the debtors.</p> <p>The pre-defined recovery routes continue to be used to take effective and timely recovery action. Arrangements to pay were used appropriately with routine recovery action reinstated where debtors defaulted. When all recovery options had been exhausted general sundry debtors are referred to the External Collection Agencies and are actively monitored.</p> <p>Adult Social Care debt is a sensitive area with vulnerable clients, sometimes with mental capacity issues and much time and resources has been invested in building better communications between the Service Centre, Adult Social Care and Livewell Southwest to</p>

		<p>tackle some of the largest debts and most complex cases.</p> <p>We have highlighted the issue of out of date and superseded policies and guidance on Staffroom. With publication dates going back to 2006, an effort needs to be made to review, update, add or remove documents as appropriate.</p>
iTrent – Payroll ANA - Medium	High Standard Status: Final	<p>Overall the controls within Plymouth City Councils Payroll system, administered and processed by Delt Payroll Services continue to operate at a High Standard ensuring that Council employees have been paid accurately, on time and in accordance with their contract of employment.</p> <p>Amendments to payroll data are input and approved via the employee and manager self-serve module, access to which is controlled through strict user access profiles driven by the organisational structure. Delt Payroll Services implement a robust process of control and agreement to ensure the accuracy and completeness of payroll expenditure.</p> <p>Statutory data is routinely submitted to HMRC through the Real Time Information System, in-built controls ensure complete, accurate and valid data is submitted in accordance with requirements.</p> <p>Delt's Head of Payroll, submits performance information to the Retained Client Group, made up of senior HR, Finance and Transformation Officers from PCC. All service level agreement targets have been met.</p>
Core Assurance - Other		
Devon Business Rates Pool	Value Added Status: Final	<p>The overall control framework for the administration of the Devon Business Rates Pool is of a good standard but some difficulties have occurred following staff changes. Whilst it is difficult to mitigate the risk of losing experienced and knowledgeable staff, recommendations have been made that will minimise the impact of similar changes on pool administration arrangements in the future. Business rate retention schemes are extremely complex with many variables that need to be considered, furthermore the volatility of business rates and the length of the pool cycle makes accurate forecasting very difficult. The Devon Business Rates Pool members value opportunities to discuss technical issues, share ideas and support each other and these collaborative arrangements should be formalised.</p>
Finance & Assurance Review Group (FARG) ANA – High	Value Added Status: On-going	<p>FARG provides oversight, scrutiny and assurance of the integrated fund and internal audit continue to have a seat on FARG providing real time support and challenge.</p>

Client Request		
Corp Information Management ANA – High	Value Added Status: On-going	The Council continues to face many challenges including the ever-present cyber security threats and evolving its information management. DAP continues to provide “trusted advisor” support to the Information Lead Officers Group (ILOG) and periodically upon the Management Information Security Forum (MISF). Information management issues continue to be recognised within work conducted by Internal Audit in order to provide overall assurance.
HR/Payroll Business Solution ANA – High Client Request	Value Added Status: On-going	Delt are implementing the CoreHR HR/ Payroll system, employing a suitably skilled and experienced Project Manager (PM) to assist in fulfilling timelines and delivering required outcomes. Internal Audit have performed a watching brief by liaising with the Delt PM to gain oversight and provide independent assurance to PCC as the project progresses. Work is being conducted to resolve and manage a number of issues encountered with the CoreHR solution being implemented by Delt. The impact of the Corvid 19 crisis has introduced additional challenges and it is now planned to perform parallel runs in June, July, August and September to allow sufficient confidence before issuing notice to Midland on iTrent, with ‘Go Live’ for the October 2020 pay cycles.
Health & Safety ANA – High	Improvements Required Status: Final	The Council’s Health and Safety Performance Standard for the Management of Control of Exposure to Vibration has been updated and we have reviewed procedures and processes employed in Street Services including the arborists, Bereavement Service and Mount Edgecumbe Country Park for recording exposure to Hand Arm Vibrations for employees and agency staff. 23 recommendations were made, of which 18 have been completed and 5 require on-going work. The Head of Health, Safety and Wellbeing Assurance has subsequently requested that DAP undertake a follow-up review to provide an update on progress. This work has just commenced, we plan to report in July.
Procurement ANA – High Client Request	Value Added Status: Complete	We continue to work collaboratively with the Corporate Procurement Team. Work has included input into system and process improvements relating to purchasing cards and involvement in the review of contract standing orders.
Client Financial Services (follow-up to the 2018/19 review) ANA – High	Improvements Required Status: Final	The ongoing commitment to tackling the 2018/19 audit action plan has resulted in progress being made with the ASC Recovery and Income Collection Project and improvements to the checking of error and data quality reports. However, due to the delay in publication of the

		Fairer Charging Policy, the need to formalise write off procedures and produce a working practices manual for CFST the overall audit opinion remained unchanged at "improvements required".
Deputyships (follow-up to the 2018/19 review) ANA - Medium	Good Standard Status: Final	<p>We previously reported that although the work of the Deputyship team was performed to a good-standard, referrals were not consistently processed in a timely manner; this was for a variety of reasons, some outside of the control of the Deputyship Team.</p> <p>Positive action has been taken by management in Customer & Corporate, People and Livewell SW in addressing the risks identified in the original audit report with the majority of recommendations either implemented or in-progress.</p>
Schools Financial Value Standards (SFVS)	Good Standard Status: Final	SFVS Dedicated Schools Grant Chief Finance Office assurance statement for 2018/19 submitted to the Department for Education.
Cyber Security ANA – High	Value Added Status: Draft	<p>Following the compromise of a limited number of user accounts on the new Office 365 platform and, concerns over corporate password quality, Internal Audit conducted a review of the appropriate Office 365 project workstreams and analysed the account compromise incidents.</p> <p>The review concluded that whilst some weaknesses manifested within the project lifecycle, these were not solely down to individuals or, a few specific events. Furthermore, weaknesses arose due to an aggregation of events as opposed to there being significant procedural errors. Lessons have been learnt within PCC and Delt with processes to be updated as appropriate following proper analysis.</p> <p>The granular examination of the account compromises failed to categorically identify their source, further demonstrating the complexity of this area. The intelligence gained from the review is to be shared with PCC and Delt.</p>
General Data Protection Regulation (GDPR) Related Work ANA – High, Client Request	Status: In-progress	<p>Work is underway to look at where and how the Councils key Information Assets are held. The review will confirm the accuracy of the Information Asset Register (IAR) for key core systems and identify what data interdependencies exist within core systems.</p> <p>It is further intended that the review will provide information to assist with the assessment of suitability (and opportunity) for the use of alternative data repository solutions that offer better value for money.</p>

Review of the following area has been deferred at the request of the client.

- Temporary & Interim Employees ANA – High, Client Request

ODPH

Taxi Licensing Trade Accounts ANA – Medium Client Request	Good Standard Status: Final	Taxi Licence Trading Accounts reported to Licence Committee in the report of the 21 st March 2019 provide a true and fair view of the financial transactions of the service. Accurate and complete accounting records have been maintained, with actual service income and costs used to calculate the new licence fees and ensure the trading accounts come back into balance. The basis of the apportionment of service income and expenditure across the five licence account categories has been clearly defined, is considered reasonable and ensures there is no cross subsidy.
Business Continuity Within the Supply Chain Follow-Up ANA – High	Good Standard Status: Final	Suppliers were surveyed and an assessment of supply chain risks identified in preparation for a “No Deal” style Brexit. Work has also been undertaken on the way in which the Council captures corporate contract information and where a service or supply is identified as key and critical, Procurement have advised that they will work with the service to include questions on business continuity as part of the tender process.

People

CareFirst - Children Independent Placements ANA – Medium Client Request	Improvements Required Status: Final	<p>The introduction of the new digitalised forms have linked in a new dashboard reporting tool for Managers, Commissioning and Finance to give an overview of the budget situation and a one page overview for each child/young person which includes the individual's spend summary. Training was provided along with drop in support sessions, change champion contacts and guidance notes.</p> <p>More work is required to encourage and embed the use of the dashboards, both for management information and for data quality purposes, including ensuring that requests for expenditure and placements are submitted through the correct channels of authorisation, follow correct processes and that validation checks are carried out and errors corrected.</p> <p>Information from the CareFirst system feeds into the finance area of the dashboard and shows the total spent to date with a projected forecast of spend over the financial year. There a number of variations between the CareFirst and Finance figures due to some payments being made on invoice instead of through CareFirst and the CIPs Payment Run.</p>
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		Regular reconciliations between the CareFirst dashboard and the Finance spreadsheet ensure all expenditure has been captured but effort needs to continue in transferring the payments still made on invoice. This will provide visibility on the individual's record, enable the dashboard to calculate all future financial commitment and reduce the need for additional record keeping and reconciliation.
Commissioning Contracts ANA – Medium, Client Request	Status: Complete	A brief overview of the contracts and some audit testing was undertaken as part of the Children Independent Placements (CIPs) review detailed above, including ensuring that for the Independent Placement Contracts reviewed, an overarching contract was in place and fees paid were in line with the agreed payment schedule. Our findings were incorporated into the CIPs report.
Finance & Assurance Review Group (FARG) ANA – High Client Request	Status: On-going	The purpose of FARG is to provide oversight, scrutiny and assurance of the integrated fund and internal audit continue to have a seat on FARG providing real time support and challenge.
Safeguarding Arrangements ANA - Medium	Value Added Status: Complete	On 29 September 2019 Local Safeguarding Children Boards ceased and were replaced with the Children Safeguarding Practice Review Panel (at national level) and safeguarding partners (on a local level). Safeguarding partners were required to agree and publish their local arrangements by 29 June 2019 and notify the Secretary of State for Education. On 11 June 2019 the new multi-agency arrangements for Plymouth and Torbay were presented and agreed at Cabinet and have been published in line with statutory requirements. They can be found via a link on the Plymouth City Council website. As part of the arrangements the Independent Chair has to be replaced with a single Independent Quality Assurance role to oversee safeguarding practice and challenge and support the panel. The closing date for applications for this “Office Holder” post was 23 October.
HMO Licensing ANA - Medium Client Request	Good Standard Status: Final	The system and procedures deployed by the Housing Improvement team in the licensing of HMOs is generally of a good standard but there are some elements within the end to end system which require improvement. These include: <ul style="list-style-type: none"> Some applications submitted but due to missing information and inconsistent/ ineffective follow-up action had not been approved at the time of the audit;

		<ul style="list-style-type: none"> Legislation requires physical inspections of properties within 5 years of the application being received but inspection targets for quarter 1 and 2 were missed. A member of the team had left and a recruitment process was underway; Overdue Gas Safety certificates – whilst an annual Gas Safety check is the legal responsibility of the landlord, failing to have evidence that up to date gas certification is in place could put the reputation of the Council at risk in the event of a gas safety incident. <p>A new system was in development which will allow all of Community Connections to use just one system. The system will be rolled out in phases to individual teams and we anticipate the improved technology will provide the tools to enable more effective monitoring and reporting to address the matters raised above.</p>
Private Sector Enforcement ANA – Medium Client Request	Good Standard Status: Final	The majority of complaints about private rented sector accommodation are received via email/website and acknowledged by the Housing Improvement team in a timely manner; most are resolved with little issue. However, when matters are not resolved, the ethos of the Service is to work with and negotiate with landlords, tenants etc to try to avoid legal action being taken but this approach can lead to lengthy delays. Management will now review the guidelines / scenarios for when a case should be escalated to prosecution or civil penalty. The number of reports to the Council have steadily decreased over the years from 997 in 2014/15 to 502 in 2018/19.
Dynamic Purchasing System (DPS) ANA – Medium Client Request	Good Standard Status: Final	The Dynamic Purchasing System used in the procurement of disabled facility adaption works operates to a good standard. Procurement of disabled facility adaption works is undertaken in a controlled, fair, and transparent way through the DPS in accordance with policy, statutory duty, and procurement rules. Adequate records and audit trails are maintained. The system also enables management of the delivery of disabled adaption works in accordance with individual needs, policy and procurement rules through the additional workflow module.
Children's Short Break Contracts ANA – Medium, Client Request	Status: In-progress	Section 25 of the Children and Young Persons Act 2008 requires every local authority to provide services designed to assist individuals who provide care for children with disabilities to continue to do so, or to do so more effectively by providing them with breaks from caring. Children are eligible for short breaks when they have a profound and complex physical or mental impairment, which has a substantial and long-term effect on their ability to carry out day-to-day activities. We will evaluate and report on the adequacy of controls, processes and procedures operating for providing short breaks for children in Plymouth.

Legal Care Proceedings (Children) Follow-Up ANA – Medium	Status: In-progress	Work is in underway to verify progress in implementing the agreed action plan from our original review which was “improvements required”.
School Transport Client Request	Status: Complete	Time was spent with the service to agree the scope of the work to be undertaken which was to review the processes being employed by the School Transport Team to determine if they are sustainable in the current economic climate whilst ensuring that statutory requirements are met. We were then stood down as the “transformation team” were to undertake a review of school transport and that review would encompass everything DAP were planning. Information and intelligence that had been gathered by the auditor was provided to the School Transport Team who thanked us and advised that it was very useful.
Integrated Care Partnership ANA - Medium	Value Added Status: Complete	DAP provided some high-level audit input to the procurement process to ensure that the Council’s interests are protected.
Families with a Future (Payment by Results) Statutory	Certified Status: Ongoing	DAP have verified and certified eleven claims during the year where the PCC achieved the maximum claim target of 2380 families resulting in PBR income of £1.9m. We continue to work with the Families with a Future Team to ensure the Troubled Families Outcome Plan has been updated in accordance with the new 2020/21 financial framework to maximise income whilst ensuring the accuracy and completeness of key data and that demonstrable evidence of intervention is maintained.
Schools Financial Value Standards (SFVS)	Good Standard Status: Final	SFVS Dedicated Schools Grant Chief Finance Office assurance statement for 2018/19 was submitted to the Department for Education.
Review of the following areas have been deferred to 20/21 at the request of the client.		
<ul style="list-style-type: none"> • Anti-Social Behaviour Tools ANA – Medium, Client Request • Special Guardianships (Children) ANA – High 		
Place		
Waste PFI ANA – High	Status: On-going	Audit continues its participation with the South West Devon Waste Partnership, attending meetings of the Project Executive, providing support and advice on contract management issues.
New Business Solutions - Tech Forge (Cloud) ANA – Medium	Value Added Status: Ongoing	DAP reviewed the ‘as is’ position of the current Tech Forge system and the benefits of moving to the cloud-based system, reviewing and providing feedback on the business case which has subsequently obtained approval.

Client Request		<p>We have also worked with the Council's Asset Data Controller to review the preparatory work undertaken in respect of the planned data migration to the Cloud.</p> <p>As the above work moves forward during 2020/21 we are in the process of scoping and agreeing the extent of further assistance and assurance DAP can provide.</p>
Commercial Properties – Digitisation of the Proforma Process	Value Added Status: Final	<p>The digitisation of the proforma process has delivered a range of improvements which, overall, will create a far more robust process and provide greater assurance that property transactions are being processed in accordance with agreements and consequently that income and the interests of the Council are being safeguarded.</p> <p>There does remain a risk with billing, for example, through potential data entry error within the Service Centre. Currently, the proposed digital proforma process does not mitigate this risk as the surveyors do not have the means to check Civica for accuracy in the same way that they are required to do with Tech Forge. This risk is exacerbated given that surveyors are only informed about billing when it relates to payment defaults / bad debt and as such an error at the outset has the potential to go undetected throughout the lifecycle of a lease agreement.</p> <p>DAP will be undertaking an 'end to end' review of commercial rent billing during 2020/21 and will be able to further assess the extent of any risk and potential mitigation in addition to assessing how the digitisation process has been 'bedded in' across the Council.</p>
Garage ANA – Medium Client Request	Value Added Status: Final	<p>Following the transfer to Plymouth Highways, management initiated a review of the service, implementing a series of immediate actions and formulating an ongoing action plan in response to identified issues and challenges, with a view to managing risk, improving standards and stabilising financial performance</p> <p>Good progress has been made in financial control. The Garage reported a deficit as recently as 2017/18 but reported a small surplus in it's first full year (2018/19) under the management of Plymouth Highways and is currently on budget in 2019/20. Stock control procedures and processes have improved significantly since DAP last reviewed this area in the last quarter of 2016/17. A Garage co-ordinator is in post and has conducted an end of year stock take, the value of held stock is being reduced and the service is considering moving towards imprest stock</p> <p>Performance and productivity data is now being captured and reported. Although still a</p>

		<p>work in progress the service is beginning to gain a clearer insight of its performance and can highlight areas where improvement may be required.</p> <p>Management are considering the future delivery model for garage services and these decisions need to be taken as soon as practicable to provide clarity and determine whether there is justification for further spend, contractual commitments and the additional recruitment that will be necessary to drive further service improvement and exploit commercial opportunities.</p>
Fleet Management ANA – Medium Client Request	Value Added Status: Final	<p>The Fleet Service is a small team with extensive administrative responsibilities that are key to the Council retaining an operator's licence with the VOSA. The service has begun to develop a formal Fleet Operating Policy and comprehensive set of written processes and procedures. Whilst some key procedures, such as a new Drivers Handbook, have been completed, this remains a work in progress.</p> <p>The Fleet Manager inherited an ageing fleet and has completed a business case for a rolling 6-year replacement programme. The service has developed intelligence and analysis from fleet data to support the business case. The ability and capacity of Fleet staff to prioritise such intelligence-based tasks is challenged by their extensive administrative responsibilities. It is intended to streamline tasks, such as the administration of driver licence checks, in order to free up capacity</p>
Fleet & Garage Management ANA – Medium Client Request	Value Added Status: Final	<p>Consideration has been given to whether the current independent management of Fleet and Garage within the Council structure is the most beneficial option.</p> <p>There are clear links between the two services and the duties of one area does have an impact on the other. The service areas work closely together, with weekly meetings between the two teams at both a team and management level, however, it could be argued that if both service areas were under the same management there would be greater opportunity for collaboration and open and honest communication.</p> <p>However, there are some clear benefits to the current structure including the separation of Fleet's statutory compliance role from the Garage's operational function and the capacity required to effectively manage a large Council fleet (with the separation of duties allowing the Fleet Manager to concentrate on the one service area).</p> <p>Given the current demands on the two service areas and significant work streams such as the fleet replacement and garage modernisation, overall, it is not considered that there is a compelling case for restructuring the two areas into a single service at this particular point</p>

		in time.
Street Scene and Waste Services Overtime Expenditure Client Request	Value Added Status: Final	<p>The processes for recording and authorising overtime in operation during 2018/19 were found to be inconsistent, with several different systems in use across the service and a paucity of management information available to allow management to monitor and challenge spend. Moreover, the Council's current payroll system also fails to provide the required clarity and depth of information to assist the analysis or ongoing monitoring of overtime expenditure, but this is expected to improve with the introduction of the new CoreHR system in October 2020.</p> <p>Administrative changes made within the service at the start of 2019/20 together with the implementation of audit recommendations are expected to also greatly improve the visibility of overtime expenditure and enable managers to address the causes of increased expenditure. Consequently, Audit has arranged for the Delt programme manager to liaise with Street Services Management to consider user requirements for CoreHR.</p>
Street Lighting Contract	Value Added Status: Final	<p>Audit assurance has been provided to the Engineering Manager (Structures, Street Lighting and Signals) in respect of a cost-plus arrangement with South West Highways. Communicated figures for the provision of labour, support, transport and plant costs have been verified to allow for the extension of this arrangement on a yearly platform for all measurable fixed costs.</p>
Plymouth and South West Devon Joint Local Plan ANA – Medium Client Request	Good Standard Status: Draft	<p>The Governance structure, consisting of the JLP Partnership Board, JLP Senior Management Team and JLP Team has been established and is working effectively, with roles and responsibilities defined and understood. Governance arrangements have been further strengthened with a new collaboration agreement agreed in January 2020 by the three Councils. This further defines the management arrangements for the JLP team as well as the role of the management board.</p> <p>Continuous evaluation and development of the governance and monitoring arrangements in place is evident and demonstrates good practice, although with a small team of five Officers capacity to deliver change at pace is limited. Communication and prioritisation of work programmes and plans alongside interim reporting through performance dashboards will enable the Partnership Board and the Senior Management Team to better understand and jointly inform the ongoing work of the JLP Team.</p> <p>Production and publication of the first joint Housing Position Statement (HPS) and joint Authority Monitoring Report (AMR) was made in accordance with key deadlines.</p>

Insurance Claims ANA – Medium, Client Request	On-Hold	The scope of our work is to review the Council’s ability to successfully defend insurance claims within Highways, Fleet & Garage but due to Covid-19 and the need to maintain social distance, it is not possible for us to examine the many paper records and our work has been put on-hold until it is safe to resume later in 20/21.
Trade Waste Follow-Up ANA – Medium	Cancelled	Due to significant changes to the trade waste operation, we have agreed with management to cancel the follow-up review and allow more time in the 20/21 audit plan to undertake a full review of the system and processes now in operation.
Grants		
Grant Certification Statutory	Regulatory Requirement	Grants certified without amendment: <ul style="list-style-type: none"> • Regional Growth Fund GAIN 201819 • Regional Growth Fund Oceansgate 201819 • LGF Northern Corridor • LGF Eastern Corridor • LGF Derriford Hospital Interchange • LGF Charles Cross and Exeter Street • LTCB Int Transport & Highway Mtce 31/224 & Pothole Action Fund 31/3221 • National Productivity Investment Fund 31/3222 • RGF Derriford Transport Scheme • IBCF Disabled Facilities Capital Grant 31/3337

Appendix 2 - Professional Standards and Customer Service

Conformance with Public Sector Internal Audit Standards (PSIAS)

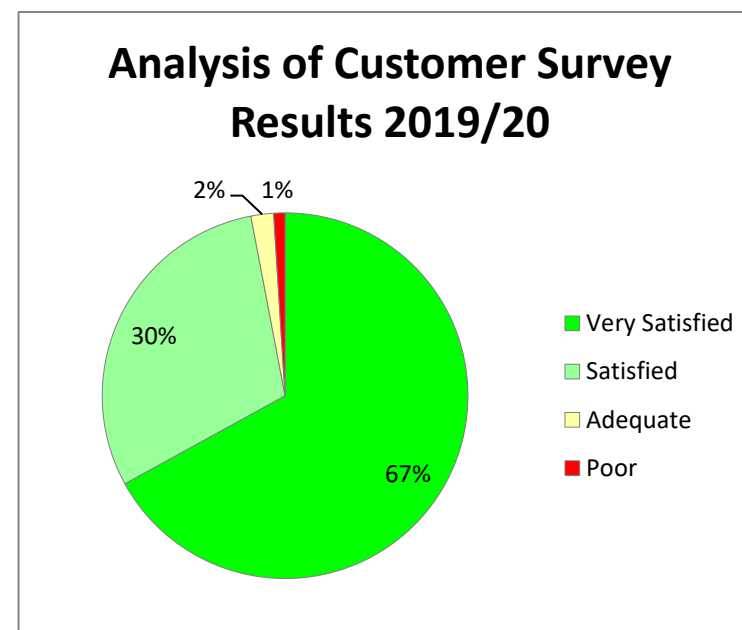
Conformance - Devon Audit Partnership conforms to the requirements of the PSIAS for its internal audit activity. The purpose, authority and responsibility of the internal audit activity is defined in our internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. Our internal audit charter was approved by senior management and the Audit and Governance Committee in March 2019. 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 2019.

Customer Service Excellence

DAP maintains accreditation by G4S Assessment Services of the CSE standard during the year. We continue to issue client survey forms with our final reports and 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 97% being “satisfied” or better across our service, see appendix 7. 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 3 – Audit Authority



Appendix 4 - Annual Governance Framework Assurance

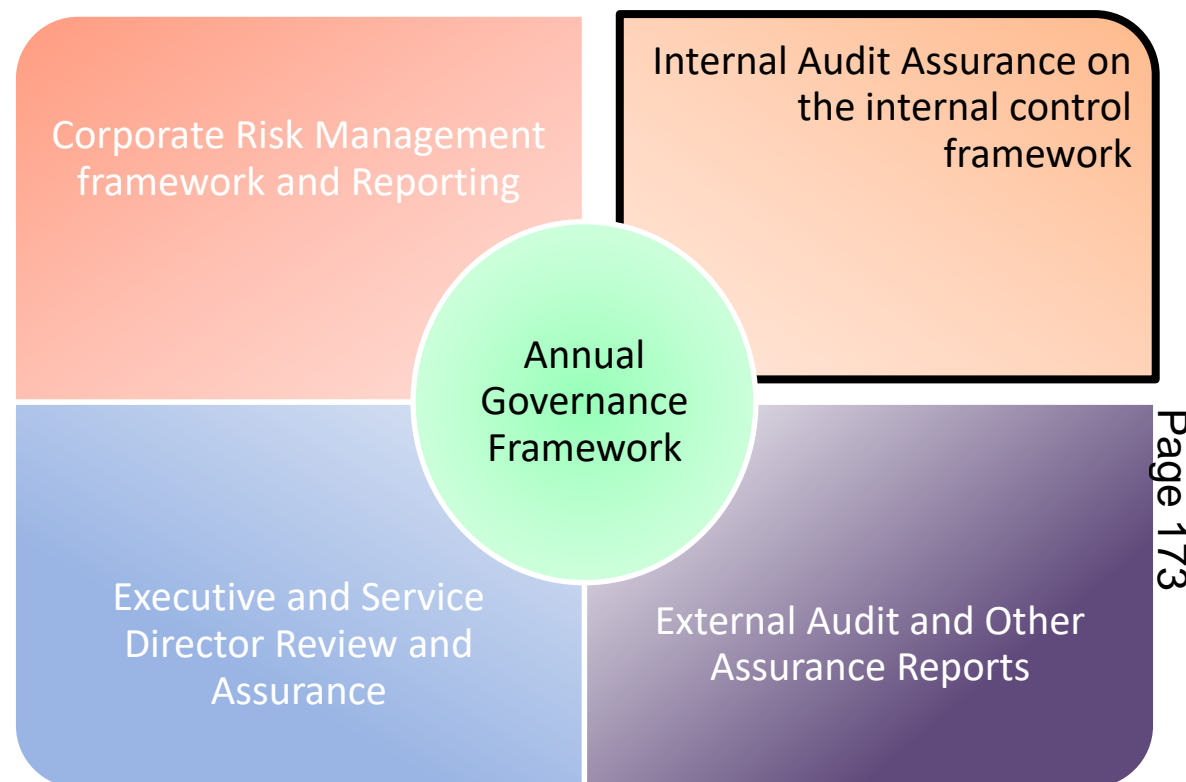
The conclusions of this report provide the internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.

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 and Governance 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 and Governance 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 and Governance 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 5 - 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.

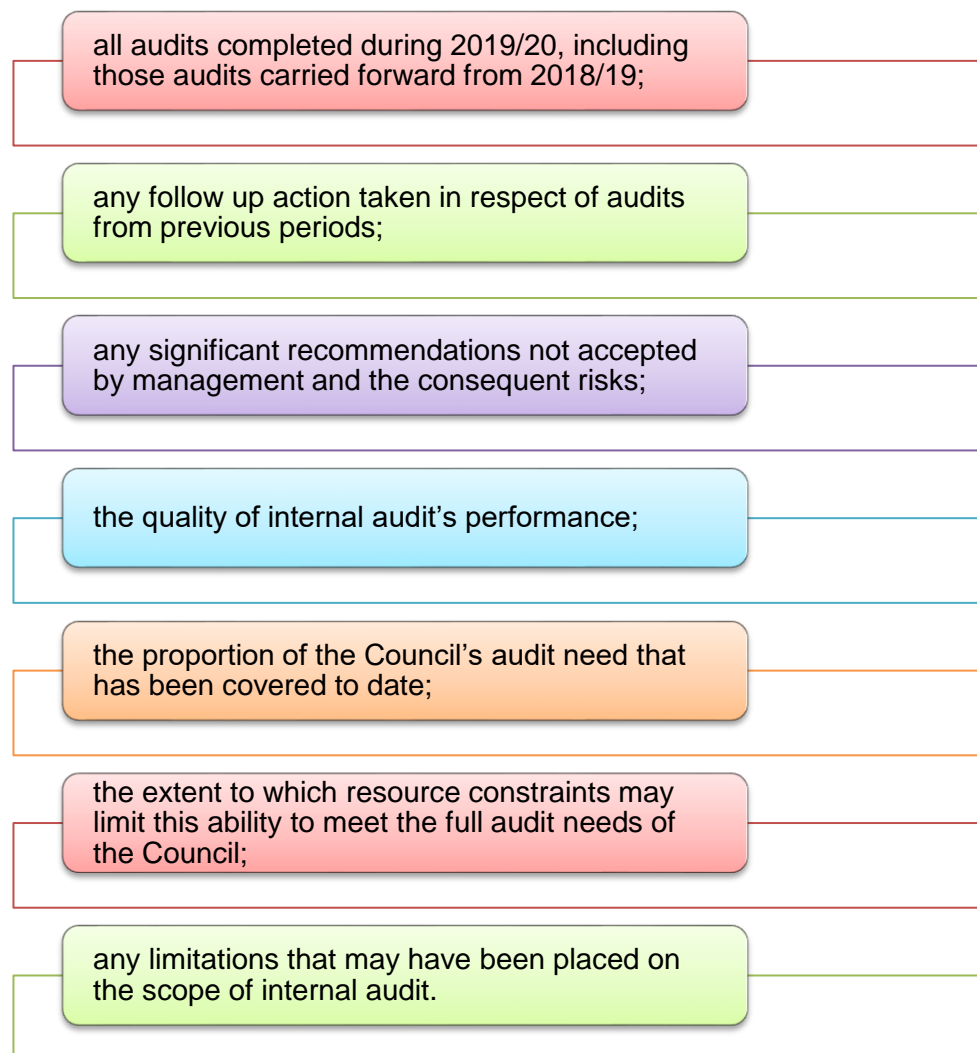
This report compares the work carried out with the work that was planned through risk assessment; presents a summary of the audit work undertaken; includes an opinion on the adequacy and effectiveness of the Authority's internal control environment; and summarises the performance of the Internal Audit 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.

The extent to which our work has been affected by changes to audit plans has not been notable this year. Whilst certain changes have been made from the plans originally agreed this has been due to changes in operational business needs

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 do not limit the overall audit assurance opinion.

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



Appendix 6 – Performance Indicators

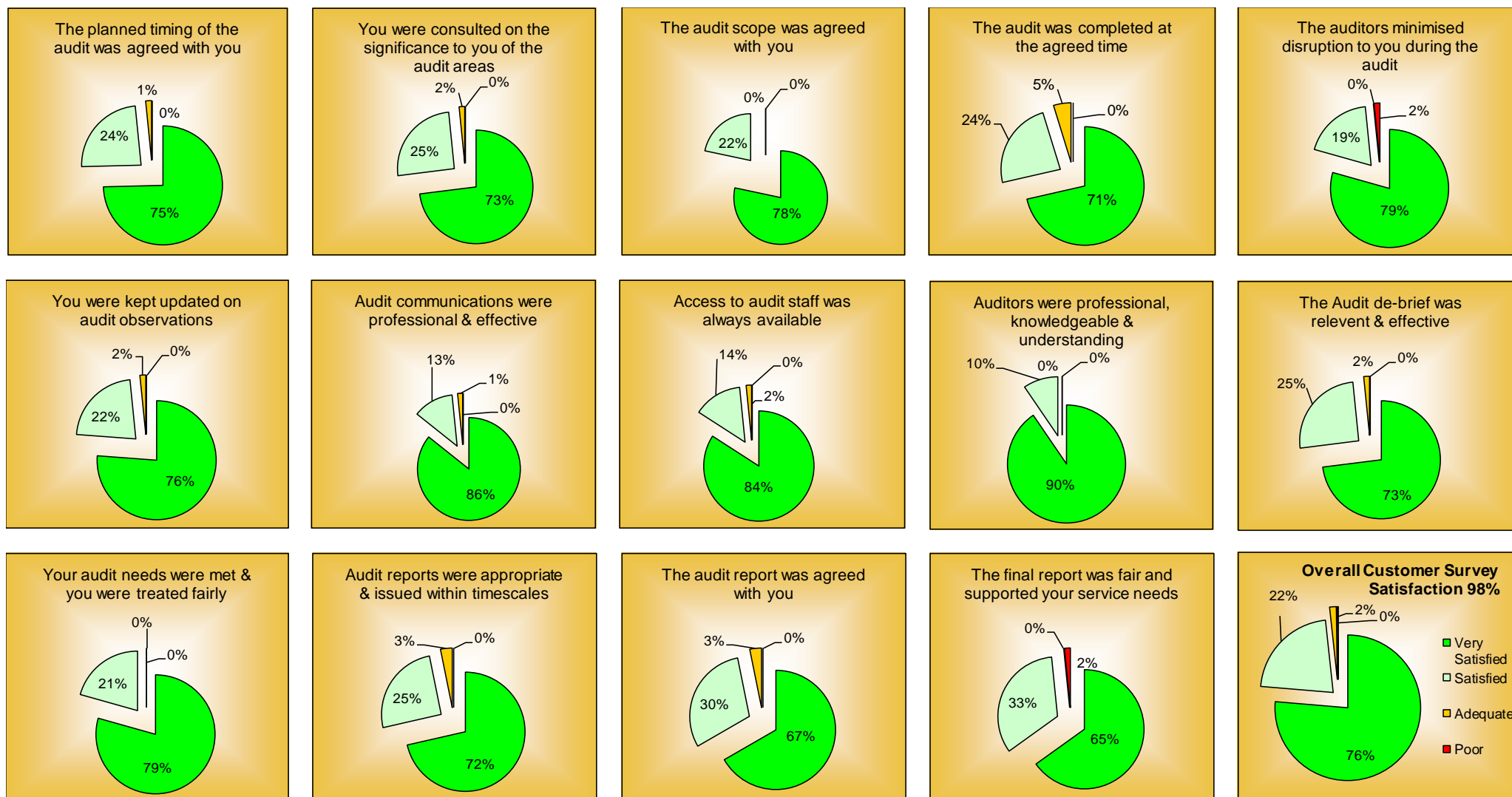
There are no national Performance Indicators in existence for Internal Audit, but the Partnership does monitor the following Local Performance Indicators LPI's:

Local Performance Indicator (LPI)	2018/19	2018/19	2019/20	2019/20
	Target	Actual	Target	Actual
Percentage of Audit plan Commenced (Inc. Schools)	100%	100%	100%	100%
Percentage of Audit plan Completed (Inc. Schools)	93%	92%	93%	95.5%
Percentage of fundamental / material systems reviewed annually	100%	100%	100%	100%
Percentage of chargeable time	65%	66%	65%	66%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	97%	90%	97%
Draft Reports produced within target number of days (currently 15 days)	90%	98%	90%	99%
Final reports produced within target number of days (currently 10 days)	90%	100%	90%	100%
Average level of sickness absence (DAP as a whole)	2%	3% *	2%	3%
Percentage of staff turnover (DAP as a whole)	5%	4%	5%	4%
Out-turn within budget	Yes	Yes	Yes	Yes

Sickness relates to DAP overall and varies at the different DAP locations

Appendix 7 - Customer Service Excellence

Customer Survey Results April 2019 - March 2020



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Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement. 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.

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Audit and Governance Committee



Date of meeting: 27 July 2020

Title of Report: **Counter Fraud Services Annual Report 2019-20**

Lead Member: Councillor Mark Lowry (Cabinet Member for Finance)

Lead Strategic Director: Andrew Hardingham (Service Director for Finance)

Author: Ken Johnson Counter Fraud Services Manager

Contact Email: Ken.johnson@plymouth.gov.uk

Your Reference: AS/CFST

Key Decision: No

Confidentiality: Part I - Official

Purpose of Report

This report summarises 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.

Recommendations and Reasons

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.

Relevance to the Corporate Plan and/or the Plymouth Plan

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 them and this therefore supports the achievement of corporate and service objectives.

Implications for the Medium Term Financial Plan and Resource Implications:

None arising specifically from this report.

Carbon Footprint (Environmental) Implications:

n/a

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

** When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*

The Counter Fraud Services Team specifically support the council's overall governance arrangements.

Appendices

*Add rows as required to box below

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
A	Counter Fraud Services Annual Report							

Background papers:

*Add rows as required to box below

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
	1	2	3	4	5	6	7

Sign off:

Fin	pl.20. 21.38.	Leg	It/349 41/26 06	Mon Off		HR		Asset s		Strat Proc	
Originating Senior Leadership Team member: Andrew Hardingham (Service Director for Finance)											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 15/07/2020											
Cabinet Member approval: Approved by Councillor Mark Lowry by email.											
Date approved: 15/07/2020											

Counter Fraud Services

Annual Report 2019-20

Plymouth City Council
Audit & Governance
Committee

Date July 2020

1.0 Introduction

- 1.1 Fraud is by definition a crime and should not be tolerated. Any fraud against Plymouth City Council is a fraud against the public purse and therefore we will continue to acknowledge the threat from fraud, build processes and policies that will prevent fraud and pursue those who would commit fraud to ensure that the public retain confidence in the Council.
- 1.2 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 estimates 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.
- 1.3 It remains clear that every £1 that a local authority loses to fraud is £1 that it cannot spend on supporting the community. Fraud and corruption are an unnecessary drain on local authority resources and can lead to reputational damage and the repercussions can be far reaching.
- 1.4 Plymouth City Council continues to retain the [Counter Fraud Services Team](#) who were transferred to the [Devon Audit Partnership](#) in 2018. This team remains the only fully qualified and nationally recognised investigation team left in Local Authority in the Devon area.
- 1.5 Whilst the current COVID 19 crisis has 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.

2.0 Background

- 2.1 Plymouth City Council's continues to be protected by the Counter Fraud Services Team (CFST) now based within the Devon Audit Partnership the staffing levels remain unchanged and the team consists of individuals who were previously the Corporate Fraud Team within Plymouth City Council. All members of the team are either Accredited Counter Fraud Specialists or Accredited Counter Fraud Technicians with many years of experience in countering the fraud threats posed to local government.
- 2.2 The CFST are supporting counter fraud work nationally on behalf of Plymouth City Council by assisting various professional bodies from Central Government, Local Government and Private Industry in the fight against fraud, partners such as the [Cabinet Office](#), the [National Anti-Fraud Network](#) (NAFN), [Credit Industry Fraud Avoidance System](#) (CIFAS) as well as colleagues in other LA investigation teams up and down the country.
- 2.3 Over the past financial year the Counter Fraud Services Team have dealt with 359 allegations of fraud from internal sources as well as the public, resulting in 11 prosecutions, 32 formal cautions and or other forms of sanctions against offenders. It should be noted here that many cases of offending are stopped by having the CFST involved, even if the evidential threshold for conviction cannot be reached, hence the statistics are for 'fraud and error'. (Error on occasion being fraud that cannot be proven 'beyond all reasonable doubt')
- 2.4 The team also have a compliance role where over 550 households were visited in this financial year to ensure correct ongoing entitlement to Council Tax Support, Single Person Discount, Tenancy Entitlement and other service entitlement checks, this role can also be used any area of counter fraud work where low grade intelligence is available and therefore an intensive and potentially expensive criminal investigation is not warranted. These visits uncovered 180 cases where incorrect entitlement was in payment and have resulted in Council Tax and other accounts such as insurance claims being corrected and further referrals being made to outside agencies, where appropriate.
- 2.5 They have generated and or assisted in generating much needed savings in several areas of the councils business in the form of proven savings to the tune of £1,572,656.02 (£126,655.17 Cashable savings and £1,446,655.17 Non Cashable) which is another significant achievement for such a small professionally trained group.
- 2.6 There are currently 149 live investigations into allegations of fraud being undertaken by the team. A further 15 are awaiting some form of sanction with 9 awaiting prosecution through the criminal justice system.

3.0 Areas of Current Fraud Investigation

3.1 As part of its ongoing commitment to countering fraud in Plymouth, the Counter Fraud Services Team has undertaken investigations in the following areas:

- Council Tax Support / Single Person Discount
- Blue Badge misuse
- Social Housing Fraud (involving our partner Registered Social Landlords)
- Client Financial Fraud (Special guardianship)
- Insurance fraud
- Bus pass misuse
- Parking Permit selling
- Non-domestic rates
- Internal cases
- COVID related Grant fraud

3.2 Counter fraud work is notoriously difficult to effectively and accurately quantify due to the nature of the offences. It is by nature a hidden criminal offence. We may never know exactly how much money the prevention and detection of fraud has saved the Authority, as many of the fraudulent activities listed above would have continued to have been perpetrated over a period of time, had there not been an intervention. Where a nominal value has been used to quantify the value of a fraud, Cabinet Office figures have been used.

3.3 The Counter Fraud Services Team will continue to work closely with all PCC departments to ensure that fraud risks are minimised and wherever possible, those found committing offences are dealt with robustly and in line with PCC's Anti-Fraud, Bribery and Corruption Policy and its linked Strategy and Response Plan.

3.4 Joint working Investigations have now been in place with the Department for Work and Pensions (DWP) for 12 months. This effectively means that wherever an investigation into Council Tax Support is jointly investigated with DWP when Housing Benefit or some other primary benefit is involved, that the DWP will completely fund the prosecution, should this be the chosen sanction for the offence. The CFST currently have 20 ongoing joint investigations with the DWP.

3.5 The team also continue to work closely with all internal Departments as well as external partners such as Registered Social Landlords, the Police and Cabinet Office amongst others.

3.6 All allegations of fraud will continue to be investigated appropriately irrespective of the area of the Councils' business and irrespective of value.

4.0 Achievements

4.1 Some case studies of investigations occurring over the year 19/20, are detailed in **Appendix A** of this report.

4.2 Ashley Varley an investigator within the team remains the elected 'Chair' of the Devon Tenancy Fraud Forum which is instrumental in attempting to ensure a consistent response across the whole of Devon in respect of Social Housing Fraud. This particular type of fraud is estimated to cost the public purse in excess of £900 million per year and negatively affects some of the most vulnerable in our society. Ashley along with the support of the team is raising the profile of these frauds so that all Housing Associations and Local Authorities across Devon and beyond can work together to ensure that a zero tolerance approach is applied. Ashley was recently asked and has now accepted the offer to become a member of the Executive Board for the 'National Tenancy Fraud Forum'.

4.3 Over the past twelve months the DAP Counter Fraud Services Team have provided 'Fraud Awareness Training' sessions to Social Housing Sector Landlords in the Plymouth City Council catchment area. This enables (RSL's) to confidently look for and refer fraud concerns to us, so that more cases can be investigated and dealt with in the future and therefore increase fraud savings for the Council year on year.

4.4 In March 2020 the team received national recognition from CIFAS for their contribution in producing and support for the new '[Fighting Fraud and Corruption Locally Strategy 2020](#)'. (FFCL) CIFAS is a not-for-profit fraud prevention membership organisation. They are the UK's leading fraud prevention service, managing the largest database of instances of fraudulent conduct in the country. The Counter Fraud Services Team at DAP have assisted CIFAS to produce this strategy for the 2020's. The document is already considered the 'go to' document for counter fraud professionals within Local Government.

"Local councils are the subject of fraud and the guardians of the most vulnerable in our community from fraud. I think that in this strategy – Local Government has taken the harder road - to acknowledge and then to pursue, prevent and protect its communities and its resources from widespread fraud. Not for the first time is local government leading the way and choosing the right path. Let's hope others follow."

(Mike Haley, Chair of the Joint Fraud Taskforce and CEO of Cifas)

- 4.5** The Counter Fraud Services Team manager is now a member of the FFCL Board, which is looking at all aspects of fraud and where and how LA 's can counter fraud in the future, as well as looking at lobbying for funding / investment and new areas of work. The 'Board' has been described as "a coalition of the willing" by CLLR Richard Watts, (*Chair Resources Board, Local Government Association and Leader Islington Council.*)
- 4.6** More recently the Team have also been recognised by the Ministry for Homes Communities and Local Government (MHCLG) for their contributions to the [Review into the risks of fraud and corruption in local government procurement](#). A commitment from the UK Anti-Corruption Strategy 2017-2022. This document is an in depth review of the procurement processes within LA's and is a definitive document in the how, where, why, when and who of fraud on this topic and how to prevent it. Procurement fraud is a growing area of concern within LA's due in part to the increase in arm's length management issues that are prevalent now more than ever within this sector.
- 4.7** The "Fraud Awareness @ the Council" ELearning package has proven effective over the past twelve months with figures for completion showing a continuous increase. This ensures that all members, staff and partners are aware of what fraud looks like and how to report it.
- Percentage of PCC staff who have access to a computer who have completed the course -
- | | |
|-------------|-----|
| • June 2018 | 23% |
| • June 2019 | 66% |
| • June 2020 | 73% |
- 4.8** The Counter Fraud Services Team's Intelligence Officer provides a close link with Devon and Cornwall Police and the Devon Audit Partnership. Last year she was required as an evidential witness (providing information from our confidential records) in support of a high profile drugs and organised crime trial. (Details cannot divulged in this report) The prosecution resulted in 4 defendants being sentenced to a total of 41.5 years in prison between them and Sue Roach was thanked for providing a statement and was informed that her help was very important to the criminal justice process and was greatly appreciated.
- 5.0 Focus for 2019/20 taken from last year's annual report**
- Presentation to senior management and Councillors to maximise awareness of fraud issues and ensure commitment from the top of the organisation so that the Anti – Fraud Bribery and Corruption Policy and its accompanying Strategy and Response Plan are adhered to appropriately (Still outstanding)
 - Ensure that identified areas of fraud risk are followed up and minimised (Reports prepared for managers and legal team for areas of concern)
 - Continue to provide a consistent level of service to PCC whilst also maximising external income generation possibilities for Devon Audit Partnership and therefore PCC as the major stakeholder (Achieved)
 - Take an active role in shaping the new national document 'Fighting Fraud & Corruption Locally' 'The local government counter fraud and corruption strategy' (usually a 3-4 year plan) (Achieved as per 4.4 and 4.5 above))
 - Generate closer professional links with Devon and Cornwall Police and the National Crime Agency to ensure that serious and organised crime is addressed and considered going forward. All fraud crimes should be reported to 'Action Fraud' going forward. (Whilst working links have improved, (see 4.8) this will remain an area for improvement in the coming year.)
- 6.0 Focus for 2020/21**
- Review and update PCC's Anti-Fraud, Bribery and Corruption Policy and the accompanying Strategy and response Plan to ensure compliance with the new Fighting Fraud and Corruption Locally 2020.
 - Liaise and support the Internal Audit programme to provide better all round 'assurance'.
 - Generate closer professional links with Devon and Cornwall Police and the National Crime Agency to ensure that serious and organised crime is addressed and considered going forward.
 - Create and deliver a Counter Fraud awareness training package for non PC users that equates to that undertaken in the ELearning package already available.
 - Assist the Council to 'Risk Assess' its business in relation to fraud threats.
 - Continue to lead and direct the response to fraud at a local and national level.
 - Scan the horizon for new threats and address appropriately.
 - Ensure all COVID related frauds are addressed in the most robust and effective way by liaising nationally and locally with LA's, Central Government and Private Industry.
- 7.0 Conclusion.**

- 7.1** It is clear that Plymouth City Council remains committed to fighting fraud robustly and wherever it occurs. It remains the guiding light in the South West Peninsula in this area of work and is as a result encouraging others to follow its lead due to the national recognition and standing that it holds.
- 7.2** The problem of fraud is an ever growing one, which is constantly changing and evolving. Research shows that detected or reported examples of fraud do not represent the total cost of fraud, as much remains undetected and or hidden. Investing as Plymouth City Council has in the appropriate strategies means that they continue to increase their resilience to fraud this is recognised as one of the most effective ways to reduce the risk of fraud. The Counter Fraud Services Team remains committed to the challenge and will endeavour to ensure that wherever possible Plymouth City Council's services are not abused by those who would defraud the already overstretched public purse.
- 7.3** The economic impact as a result Covid-19 is far reaching, extreme, and it is likely to be quite some time before the economy recovers. Many people will suffer financial hardship which will increase the risk of fraud. People of previous good character can be driven to commit fraud and related offences when they or their families are suffering financial hardship and the opportunity presents. Therefore extra vigilance, awareness and checks will be required in the current and following years.
- 7.4** A full contact list for DAP Counter Fraud Services is available on **Appendix B**

COUNTER FRAUD SERVICES TEAM PROSECUTION CASE STUDIES**Mrs H Social Housing Fraud**

It was clear from the evidence in this case that MH vacated her Social Housing property to live with her boyfriend in Cornwall sometime in 2011/2012. It was also clear that her friend moved into her Social Housing property with her consent shortly after she vacated the address and that he has resided there up until shortly after she was interviewed under caution (IUC), by the Counter Fraud Services Team.

It was clear that she never sought nor obtained authorisation from her Social Landlord and it is clear that her Tenancy does not allow her to part with possession in whole or in part without the express permission of the Landlord. Had she sought such permission it would have been refused.

MH further admitted in her IUC that she even moved for a second time to a new address in Devon in July 2018 whilst still renting her Social Housing property illegally to her friend.

- MH stated that the reason she never informed her landlord of the sub-let was that initially it was because her relationship in Cornwall may fail, but 6 years later she again moved house with her boyfriend but didn't inform her landlord as she didn't want to make her friend homeless.
- She confirmed that she maintained the Council Tax in her own name, even when everything else had been changed into the name of her sub-letter to cover herself.
- She gave the rental payment card that had been issued to her for her use to her sub-letter to make rental payments so that it would appear that she still resided the address.

This type of offence is exactly what the Prevention of Social Housing Fraud Act 2013 (POSHFA) was brought into being to combat. MH's offending predates the introduction of POSHFA. Social Housing Fraud is estimated to cost our public services around £900 million per year and the estimated cost of her actions to the Local Authority alone in this scenario is £93k. Based upon the cost of accommodating someone else who is genuine need in emergency accommodation.

MH has had no need of social housing for years but has maintained control of a property that her Tenancy clearly states is for the housing needs of a maximum of 3 people. She has therefore potentially stopped 3 people or a family being housed legitimately for the past 6 years.

Awaiting Court date.

Mrs W Social Housing Fraud

It was clear from the evidence in this case that MW has owned a property in Plymouth, since 2006 and continues to own the property to this day. It was also clear that in September 2017 MW completed an application for Social Housing on the Devon Homes Choice Register, without declaring that she was the joint owner of her privately owned address. From that point she made a further bids failing to declare her ownership of the same address. It was also clear that she made numerous false statements in order to convince officers and even members of the Council that she was being treated unfairly by not being offered a property.

She made a total of 43 bids for social housing when she was clearly aware that had she told the truth about her ownership of the owned property that she would not have been eligible for a social housing property at all.

- When initially questioned about the false bids and statements she had made since September 2017, she continued to lie. As and when it became clear that the investigators had uncovered the truth about her ownership and the fact that she actually rented out her owned property her attitude went from one of innocent denial to one of robust confrontation "so yeah I've got another house, just do me for fraud, do it".
- She then went on to admit all offences put to her and admits her dishonesty and that the application was false from the outset, that it was premeditated and that she had included and sought advice from others, namely her mum and dad in the planning of the attempted fraud.

- It is clear that she intended to obtain a valuable social housing property by dishonest means when she had absolutely no entitlement to one. She directly asked for the support of an elected Council Member in an attempt to force her way into a social housing property.

The potential loss to the Plymouth public purse to emergency accommodate someone that she could have stopped getting a property is stated by the Cabinet Office to be £93k. This is without the personal cost to someone in genuine need.

This was a blatant and planned attack on the social housing system at a time when it is widely publicised that Social Housing is at an absolute premium and not even everyone who has a genuine need is able to be accommodated. She has deliberately attempted to defraud the public purse and her fellow citizens with this cynical and self-centred attitude and she has shown no remorse for her actions.

Awaiting Court date.

Mrs J Benefits and Insurance Claim Fraud

An anonymous allegation was received that Mr and Mrs J, were committing Benefit Fraud by wrongly declaring their self-employed income.

A short time later a 2nd allegation was received from the same person, that Mrs J had also made a fraudulent insurance claim regarding a personal injury claim against the Council when she hit a pothole in a Plymouth City Council carpark.

• The Benefit Case

Investigations were carried out on their income, and evidence received showed they were receiving substantially higher income than they had previously declared.

Mrs J was subsequently interviewed under caution, she provided a prepared statement, then answered "No Comment" to all questions. Mr J was interviewed and he informed investigators that his wife dealt with the claim for them both, and that she also prepared all of his accounts for his self-employed business. Following the interview, information was passed to an assessor, based on the evidence overpayment were raised for £25,580.45 Housing Benefit and £4,995.14 Council Tax Benefit/Support

On 19.08.16 the case was heard in the magistrate's court. Mr and Mrs Jones both entered no plea and elected for a trial at crown court. Later Mrs Jones plead guilty to 6 offences under the Social Security Administrations Act 1992 Section 112. She was sentenced to 10 weeks imprisonment suspended for 1 year, 180 hours of community service and to pay £1000 costs.

• The Insurance Case

Evidence gathered for the insurance case, showed that not only had Mrs J exaggerated her injuries from the accident, but that she had also produced forged invoices of work she claimed to have missed out on to try and inflate the pay-out she could receive from Plymouth City Council.

Just before the case was due to be heard at the Plymouth County Court, Mrs J signed a statement agreeing that she had been fundamentally dishonest, and agreed to pay costs of £30k. She did not enter the court room after doing this, the information was provided by her solicitor.

Plymouth City Council took Mrs Jones back to court on the charge of Contempt of Court. This was heard at Exeter County Court. Mrs Jones was found guilty and was sentenced to 3 months in prison, suspended for 2 years, and to pay costs of £4028.

This was the first finding of this type in the South West.

• Financial Value of the Frauds in this case.

Type	Value
Housing Benefit Overpayment	£25,580.45
Council Tax Benefit/Support	£4,995.14
Crown Court Costs	£1,000
Fundamental Dishonest Costs	£30,000
Contempt of Court Costs	£4,028
Total	£65,603.59

Mr E Blue Badge Fraud

It was clear from the evidence in this case that ME parked his vehicle in Courtenay Street Car Park, which at the time of the offence was designated as 'disabled only' parking. It was also clear that he displayed a disabled parking blue badge in order to justify obtaining the concession available to legitimate blue badge users in this car park. However he used the blue badge issued to his deceased uncle, who died 2015. When questioned under caution by the Counter Fraud Services Team he made a full admission of an offence contrary to the Fraud Act.

- The aggravating factors in this case are substantial as he used a deceased person BB, he parked in a clearly designated 'disabled only parking' car park, knowing that it was designated as such. He further admitted that he was well aware of what he was doing and that it was wrong, but that he thought he would 'take a chance'
- He lied to the officers present at the time of the offence by saying that he had picked the wrong BB up and that he thought it was his wife's. His wife was not a BB holder at the time of the offence.
- He displayed no remorse for his actions at his IUC, in fact he clearly states that he found it "highly amusing" that the officer was attempting to contact the BB holder on the day of the offence as he knew that the BB holder was buried in Plympton. He also confirmed that he thought at the time "best of luck with that one".
- Mr E confirmed that the only reason he committed the offence was because he had no change to pay for parking.

Mr E's actions show a clear disregard for those genuine BB holders that legitimately require concessionary parking and the BB system as a whole.

This type of offending is estimated to cost the public purse £46Million per year. It clearly impacts those with a genuine need for concessionary parking and undermines the very fabric of our society.

Fined £40 for the offence (reduced from £60 due to his limited means), plus £130 contribution towards costs, plus a victim surcharge of £30. Total effective fine = £200.

Mr M Concessionary Bus Pass misuse

It was clear from the video evidence in this case that MM used his disabled mothers concessionary travel pass at least 6 separate occasions over 3 days. It was clear from the evidence that MM has acted in a less than honest manner, as when given the opportunity to tell the truth about the number of times that he had used his mother's pass in this manner he lied each time until confronted with video stills of himself using the pass on the bus on the days in question.

- MM's use of his disabled mother's concessionary pass was clearly dishonest as per his own admission at the Interview under caution. It is clear that although he has admitted that he has used this pass this way on the 6 occasions, this is only due to the fact that CCTV evidence was available.
- It is clear that he would have continued to use the pass had he not been stopped by the bus driver.

Plymouth City Council spends around £4.8 million per year to support the Concessionary Travel Scheme which is used by 55,000 genuine bus pass holders in Plymouth. An attack of this nature undermines the future investment in this scheme and the future mobility and social movement of some of the most vulnerable in our society who genuinely need this type of scheme.

Awaiting Court Date.

Mr and Mrs A Council Tax Support Fraud

It was clear from the evidence in this case that neither party had informed PCC of a change in income from employment. Income had increased steadily since 2013. It was also clear from the evidence that the changes in their income from employment affected the couples entitlement to CTS which has resulted in a substantial overpayment of Council Tax Support at £5k plus.

- There was some other evidence that one partner dealt with the bills and benefits for both parties and had come into the Council (albeit a few years ago) to question their entitlement and how much they have to pay for Council Tax and therefore had some knowledge of how things work in relation to Council Tax Support.
- Both parties were asked to attend an IUC and when they attended the offices they both refused to be interviewed and gave written non-committal statements, which were effectively mitigation statements, put together with the assistance of their legal representation.
- It was felt that having both parties arrested in order to question them and for them to then be forced to give a 'no comment' interview or answer questions directly would not have been proportionate with the Councils case in this matter. However this was considered.
- The overpayment in this case is well above the normal sanction level of £2k and there was a further overpayment of Housing Benefit which will be dealt by the DWP of £18.9k

This type of offending is a drain on valuable and scarce Council resources, every pound lost through fraud causes unnecessary pressure on already overstretched front line services. Fraud losses are unsustainable and directly affect those in our society that legitimately require the most help.

Sentence to a fine of £80 (reduced from £120 due for an Early Guilty Plea), plus a victim surcharge £30 and a contribution towards costs of £100, making an effective total fine of £210.

Devon Audit Partnership Counter Fraud Services Contacts

Name	Position	Telephone	Email
Ken Johnson	Counter Fraud Services Manager	01752 307625	Ken.johnson@plymouth.gcsx.gov.uk
Pete Burgoyne	Fraud Investigator	01752 305977	Peter.burgoyne@plymouth.gcsx.gov.uk
Paul Clayton	Fraud Investigator	01752 305249	Paul.clayton@plymouth.gcsx.gov.uk
Dina Williams	Fraud Investigator	01752 307619	Dina.williams@plymouth.gcsx.gov.uk
Ashley Varley	Fraud Investigator	01752 304182	Ashley.varley@plymouth.gcsx.gov.uk
Sue Roach	Intelligence Officer	01752 307618	Susan.roach@plymouth.gcsx.gov.uk
Rob Rogers	Compliance Officer	01752 398556	Robert.rogers@plymouth.gov.uk
Fraud referral email address			Corporate.fraud@plymouth.gov.uk
Tenancy Fraud referral email address			socialhousingfraud@plymouth.gov.uk
Fraud Telephone referrals		01752 304450	

Audit and Governance Committee



Date of meeting:	27 July 2020
Title of Report:	Contract Standing Orders - Procurement
Lead Member:	Councillor Chris Penberthy (Cabinet Member for Housing and Co-operative Development)
Lead Strategic Director:	Andrew Hardingham (Service Director for Finance)
Author:	Philip Symons
Contact Email:	Philip.symons@plymouth.gov.uk
Your Reference:	PSY27072020.a
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

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

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

Recommendations and Reasons

1. That the committee approve the updated Procurement CSOs as set out in Appendix A.
2. That the Procedural Notes are accepted 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. That the committee provide delegated authority to the Section 151 officer with Portfolio Holder consultation to add new and edit existing Procedural notes when appropriate.
4. That the committee 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 made by Central Government.

The CSOs govern how the Council undertakes tendering and contracting with third party suppliers and are a formal part of the Council's wider governance, i.e. the Constitution.

The proposed changes to the CSOs are the result of a review process, including;

- Key stakeholder consultation (August 2019),
- PFH consultation (March 2020 / July 2020)

Primary changes/amends as a result of this review process and ongoing work within the Procurement Service include:

- i. Procurement routes for below OJEU threshold are to be made more flexible; allowing for a greater opportunity to address the needs of the both the internal and external clients more efficiently and effectively.
- ii. Optimising efficiencies through streamlining authorisation arrangements proportional to risk
- iii. Rationalising the layout and structure of the documents to aid clarity
- iv. Strengthening details around expectations on how specific matters are to be dealt with
- v. Updating to take into account the changing shape of modern day local government

The aims of the updates proposed are to aid the Council in the delivery of efficient and effective procurement arrangements in a manner that also supports necessary probity and accountability in how the Council spends public monies.

Alternative options considered and rejected

The proposals put forward are a significant change in both the formal and structure but also the approaches that would be applied. The work in development of the CSOs has been informed from approaches applied elsewhere, take into account views from officers who apply the current CSOs, and input from key internal stakeholders, including, Service Director, Legal Services, Finance, Audit and staff within the Service. As such the proposals with this report are deemed fit for purpose for the future needs of the Council.

It is noted that options other than recommending for approval are available, in particular these would be to propose relevant changes with relevant grounds for those changes or indeed to reject the proposed approach providing with clear grounds and reasons why. Please note that 'no change' is not an option; the recommendations are a progression from the current CSOs and will allow the council to move forward and create impactful change.

The ever changing landscape both economically and socially requires the council more than ever to be proactive and able to respond efficiently and flexibly, it is believed that the changes to the layout format and the amends contained within will allow the council to do just that.

In the event of either of the above circumstances then clear direction should be provided to enable necessary adjustments to be carried out.

Relevance to the Corporate Plan and/or the Plymouth Plan

The CSOs will form a fundamental governance framework in supporting the efficient and effective delivery of how the Council advances successful delivery of the Plan. The CSOs set out the expected standards and overall governance for all contract that are let on behalf of the Council with the specific aims of them being lawful as well as delivering value for money in how the Council commercially contracts.

In addition the CSO and integral supporting documents such as the Social Value Policy provide a robust policy framework to support expectations around economic growth, social wellbeing and environmental matters. All of which are acutely important in the execution of actions relating to Pillar 5 of the Resurgam Program and the wider climate as a result of the Coronavirus Pandemic.

Implications for the Medium Term Financial Plan and Resource Implications:

The CSOs and integral supporting documents will provide a robust governance framework to assist the delivery of best value in how the Council contracts with third party suppliers and provide a sound platform for the resulting delivery of those contracts.

As this is a fundamental change there will be the need to undertake necessary communications and training to staff and members around the changes and how best to ensure that the CSOs are complied with. These cost would be covered within existing resource / budgets.

Carbon Footprint (Environmental) Implications:

Specific tenders themselves applying the policy and processes therein will take into account implications around things like: carbon footprint, green spaces, environmental policies and the climate emergency.

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

** When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*

Core implications and risks associated directly with this report are that the proposed changes either are not adhered to or followed as intended. The risks of not adopting the changes are:

- Potential non-compliant activity with the Public Contract Regulations 2015
- Potential non-compliant activity with the current CSOs i.e. if they are not made more accessible, they will not be followed
- Restricting future efficient and effective means to contracting with third party suppliers
- Not taking the opportunity to streamline current processes and procedures to make them more proportional around activities required to risks presented

As noted the CSOs are intended to provide the robust commercial governance to how the Council undertakes contracting, so approval of the CSOs themselves will provide a framework for how tendering is done. Specific tenders themselves will take into account implications around things like:

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

Appendices

**Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
A	Contract Standing Orders – Procurement (Inc. Appendices)							
B	CSO Submission – Track Change info							

Background papers:

**Add rows as required to box below*

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable)						
	<i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
	1	2	3	4	5	6	7
n/a							

Sign off:

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Originating Senior Leadership Team member: Andrew Hardingham (Service Director for Finance)											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 14/07/2020											
Cabinet Member approval: Cllr Penberthy											
Date approved: 16/07/2020											

CSO Submission July 2020

The CSO document has been widely amended both in structure and minor rewording or editing to ensure that the content is compliant and up to date.

The structure has been amended with the addition of Procedural notes for specific points of interest that we feel need more guidance but not necessary to flood the main constitutional document. These procedural notes will provide support and be approved documents listed within the constitution.

The change in structure is to increase the compliance to the rules and make them more accessible to the service users. By utilising the Procedural Notes it will allow easier access to the specific information the service user is seeking.

The main two changes to the Contract Standing orders are as follows:

Quotation and Tendering Threshold (Table 1)

Currently the rules are unclear to service users and the requirement is for 5 quotations for:

£100,001 - £150,000 (Supplies/Services)

£200,001 - £2,000,000 (Works)

18. Summary Table of procurement routes dependent upon value

Type		Value range	Department	Activity
Low Value/Low Risk	Requisitioner standard RFQ	up to £5000	Self Service within Department	One written quotation
	Requisitioner standard RFQ	between £5,001 and £25,000	Self Service within Department	Three written quotations
Medium Value/Medium Risk	Procurement standard RFQ	£25,001 - £100,000 (goods / services) £25,001 - £200,000 (works)	Procurement Services Function	Three written quotations
	Procurement technical RFQ	£100,001 - £150,000 (goods/services) £200,001 - £2,000,000 (works)	Procurement Services Function	Five written quotations
High Value/High Risk	Below EU Threshold	£150,0001- EU Threshold (goods/services) £2,000,001 – EU Threshold (works)	Procurement Services Function	Tender advertised /Framework used
	Above EU Threshold	See OJEU	Procurement Services Function	Tender advertised /Framework used

The proposed updated CSO proposes changing this to the below:

Key Thresholds Table I – Quotation and Tendering Thresholds

ACTIVITY	Up to £5k	Over £5k to £25k	Over £25k - relevant OJEU Thresholds	Over Relevant OJEU Threshold
Quotation / Tenders Minimum Requirements ⁻¹	Source One formal Quotation (non-verbal) / tender from PL Postcode where possible	Seek Three formal Quotations (non-verbal) / tenders; Two from PL Postcodes where possible	Seek Three formal Quotations (non-verbal) / tenders; Two from PL Postcodes where possible	Formal Tender Procedure (See Public Contracts Regulations)
Business Case Required?	No	No	Yes	Yes
Formal Advertisement of Opportunity?	Optional	Optional	Optional (If Advertised Contracts Finder utilised)	OJEU & Contracts Finder
Formal Publication of Award?	Optional	Optional	Contracts Finder	OJEU & Contracts Finder
Contract Published on Contract Register?	Not required	Yes	Yes	Yes
Use of Electronic Tendering System?	Optional	Yes	Yes	Yes
Procurement Service Responsible? ⁻²	Yes (except in case of Self-Serve: Please refer to Self Service Procedure)	Yes (except in case of Self-Serve: Please refer to Self Service Procedure)	Yes	Yes

⁻¹ Sought quotation minimum requirements are to be proportional. For example; it may be assessed that a particular procurement requires more than the minimum requirement of quotations or tender responses, in these cases the number of responses sought from suppliers within the PL postcode will be proportional.

⁻² Procurement Service defined as both the core Procurement Service team and / or Strategic Commissioning

This creates a more streamlined and realistic approach to the thresholds.

Additionally we have added a request that a minimum requirement for the quotations obtained are from the PL Postcode (where possible).

It is our aim that this will assist in increasing the value that is spent locally. Please note that this is not mandatory and only a preferable option to aide in commitment to the local spend. However, in line with our Resurgam commitments we will now be requiring appropriate signoff where the minimum requirement in regards to PL spend has not been met.

Exemption Process

As a service we do not think the current Exemption process and statement within the CSO is fit for purpose or allows us to suitably challenge service users of the decisions they have made resulting in the exemption request.

Currently the Exemption point reads:

- 11.2 Exempt contracts: The following contracts are exempt from the requirements to obtain tenders provided that quotations are sought.
- contracts relating solely to disposal or acquisition of an interest in land, provided that the contract is not deemed to be a works contract in which case the contract shall be procured in accordance with these rules as a works contract;
 - contracts for individual personal care services;
 - transactions conducted by the Chief Finance Officer in respect of dealing in the money market or obtaining finance for the council;
 - contracts offered by the Head of Legal Services for the appointment of counsel;
 - contracts where a sole supplier has exclusive rights (e.g. alterations to statutory undertakers apparatus).
- 11.3 Where there is a written waiver: In cases where the EU regulations do not apply, the Head of the relevant service area, Head of Legal Services and the Procurement Services Manager can waive the requirements of any of the contract rules. All waivers and the reasons for them must be recorded using the designated form which can be found on the document library. The waiver form must be approved by the Head of the relevant service area, Head of Legal Services and the Procurement Services Manager.

We have suggested that this is suitably tightened up and made more robust and providing acceptable categories in which an exemption can be granted. In doing so this provides guidance to the service users as to what must be done in order to acquire an approved exemption.

Contract Standing Orders – Track Change

1. When do these standing orders apply?
Included; this is now CSO.7
2. Other relevant guidance, rules and law
Included; this is now CSO.4
3. Responsibility to follow these standing orders and relevant law
Included; this is now CSO.4
4. Interests of councillors and officers in contracts
Changed and reworded; now CSO.21 and PN.Breach of CSOs
5. Gifts and hospitality
Changed and reworded; now CSO.48
6. Procurement advertisements
Changed and reworded; now CSO.57/58 & I9 & Table 1
7. Before a contract is procured
Changed and reworded; now Section 2 and Table 1 & 2
8. Estimating the total contract value
Included; now Section 3
9. Format of contracts
Changed and reworded; now Table 1 & Table 2
10. Contract terms and conditions
Included; now CSO.74
11. When is there no need to seek quotes or tenders?
Changed and reworded; now CSO.9-14 and PN.Exemptions
12. Purchasing Card Procurement

- Removed; this is covered by the financial regulations with Part H and a Purchasing Card Policy**
13. Table of purchase card limits
Removed; this is covered by the financial regulations with Part H and a Purchasing Card Policy
14. Lodge Cards
Removed; this is covered by the financial regulations with Part H and a Purchasing Card Policy
15. Fuel Cards
Removed; this is covered by the financial regulations with Part H and a Purchasing Card Policy
16. Contract Procurement - existing and corporate contracts
Changed and reworded; now Section 3 and 4
17. General Principles of Procurement
Changed and reworded; now Section 3 and 4
18. Summary table of Procurement Routes Dependent upon value
Changed and reworded; now Table 1 & 2
19. Procurements below £25,000
Included; now Section 4
20. Procurements £25,000 and above
Changed and reworded; now section 3 & 4 and Table 1 & 2
21. Who can authorise contracts?
Changed and reworded; now Table 1 & 2
22. High Value/High Risk Procurement process
Included; now Section 2
23. Application of the Regulations
Removed; we state that we comply with the regulations. All processes are based on this but not a requirement to list within this document
24. Restricted Procedure
Removed; definition. Stated method in Section 2
25. Open Procedure
Removed; definition. Stated method in Section 2
26. Competitive Procedure with Negotiation
Removed; definition. Stated method in Section 2
27. Competitive Dialogue
Removed; definition. Stated method in Section 2
28. Innovation Partnership
Removed; definition. Stated method in Section 2
29. Negotiated procedure without prior publication
Removed; definition. Stated method in Section 2
30. Predetermined Framework Agreements
Included; now CSO.37
31. Concession Contracts
Included; now CSO.43 and PN.Concessions
32. Pre-selection
Removed: This is within the Terms and Conditions
33. The Invitation to Tender
Removed: This is a process based upon the regulations and the CSO

34. Submission and Opening of Tenders
Changed and reworded; now CSO.63 and PN.Late Submissions and PN.Missing or Omitted information
35. Electronic Tendering
Included; now CSO.56
36. Tender Evaluation
Included; now CSO.61 & 62
37. Evaluation Team
Included; now CSO.61 & 62
38. Bonds, Guarantees and Insurance
Included; now CSO.61 & 62
39. Award of Contract
Included; now CSO.67
40. Debriefing
41. Contract Award Notice
Included; now CSO.67
42. Contract Management
Included; now CSO.83 & 84 and Table I & 2 also within the Contract Management Procedure
43. Copies of tenders and contracts and register of contracts
Included; now CSO.82 and the overarching Regulations
44. Keeping a register of contracts
Included; now CSO.82 and the overarching Regulations
45. What will the register record?
Included; now CSO.82 and the overarching Regulations
46. Joint Procurement
Covered by Table I & Table 2
47. Consultants
Removed
48. Statistical Returns
Removed; regulations bound to perform this action
49. Contract Extension and Variation
Removed; contradicts update to the exemption process
50. Termination of Contracts
Removed; covered by Table I and Table 2
51. Review and Amendment of Contract Standing Orders
Removed
52. Interpreting Contract Standing Orders
Removed

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PLYMOUTH CITY COUNCIL

Contract Standing Orders

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CONTRACT STANDING ORDERS

SECTION I - Background and context

Purpose of the document

1. The purpose of these Contract Standing Orders (CSOs) are to set out the governance framework for how the Council undertakes commercial spend with third party suppliers for the provision of Supplies, Services and Works from those suppliers.
2. The CSOs form an essential part of the Councils Constitution and are to be read in conjunction with the supporting **Procedural Notes - see Appendix I.**
3. The accompanying Procedural Notes explain how the CSOs are to be complied with and must be followed and given due regards to them as compliance with the CSOs.
4. The CSOs and supporting Procedural Notes are to be applied in order to ensure:
 - 4.1 Compliance with European (EU) Procurement Directives and Public Contracts Regulations 2015 as amended from time to time (The Regulations);
 - 4.2 The commercial interests of the Council are duly safeguarded along with the interests of elected members and officers;
 - 4.3 Probity and sound reputation of the Council is maintained in respect of procurement and commercial arrangements;
 - 4.4 Robust commercial governance is in place with related risks duly understood, effectively managed and mitigated;
 - 4.5 Fulfilment of duty to best value plus maximising value for money and efficiencies;
 - 4.6 Minimising and wherever possible avoidance of fraud and / or malpractice in commercial matters.
5. The Regulations are not extracted or transposed and where reference is within the documents, The Regulations need to be considered and complied with. These can be viewed at the following: <http://www.legislation.gov.uk/ukxi/2015/102/contents/made>
6. The CSOs set out the following:
 - 6.1 The legislative framework which are applicable;
 - 6.2 Overarching principles to be applied;
 - 6.3 When the rules apply, when they do not apply and when they can be exempted;
 - 6.4 Details on routes to market decisions;
 - 6.5 Processes to be followed when commissioning, procurement and contracting;
 - 6.6 Key financial thresholds that apply to tendering and commercial activity;
 - 6.7 Key stakeholders roles / responsibilities and consequences if not followed.

When the CSOs apply

7. The CSOs will apply:
 - 7.1 In circumstances where the Council expects to spend money or provide other value for Supplies, Services or Works;
 - 7.2 To both capital and revenue expenditure.
8. In the case of concessions, reference should be made to **Procedural Note: Concessions** and the associated Concessions Contracts Regulations 2016. These can be viewed at the following:
<http://www.legislation.gov.uk/ukxi/2016/273/contents/made>
9. In the event of an unforeseen emergency or a disaster involving immediate risk to persons, property or serious disruption to Council services or significant financial loss; any Strategic Director can approve progressing work as required. The Strategic Director must:
 - 9.1 Prepare a report for the next Cabinet on the actions taken;
 - 9.2 Ensure due process to fulfilling the requirements to the CSOs are in place as soon as practically possible following risk being mitigated.

When CSOs can be Exempted

10. It should be the default position to follow the CSOs in all situations, but it is recognised that on occasions it may not be possible or in the best interest of the Council to do so.
11. In such circumstances that the CSOs cannot be followed, **Procedural Note: Exemptions** must be applied for all spend over £5,000.
12. Exemptions can only be applied in the event of following situations:
 - 12.1 Resulting in **Breach or Conflict of Statutory Duties** if CSOs were applied, and / or;
 - 12.2 Evidence of **Limited Market** that negates wider public interest, and / or;
 - 12.3 **Unavoidable / Time Critical** considerations that would result in negative **Reputational Implications** to the Council if action outlined within the exemption application is not followed and / or;
 - 12.4 Detriment to **Personal Welfare of Service Users**, where there is a likelihood that vulnerable service user(s) would be placed in unnecessary or inappropriate risks if the proposed actions within the exemption application are not undertaken.
13. It is noted that the Council has the authority to apply exemptions to the CSOs but must comply with National and European Union laws and regulations.
14. Furthermore, the approval of an exemption provides the necessary transparency and accountability in terms of decisions to the approach to be applied but it does not preclude the need to follow the Procurement Gateway & Contract Procedure.

When the CSOs do not apply

- 15.** The CSOs do not apply to the following arrangements:
 - 15.1** Appointment outside the Council's control, eg/Appointment of external auditors;
 - 15.2** Employment contracts;
 - 15.3** Specific licensing requirements eg/TV License or Public Entertainment License;
 - 15.4** Planning and Highway Agreements, eg/Section 106, 278 and 38;
 - 15.5** Allocation of Grant payments by the Council to third parties;
 - 15.6** Acquisitions and disposals of land or buildings;
 - 15.7** Individual budgets for personal care services;
 - 15.8** Financial dealings by the Chief Finance Officer in respect of dealing in money markets or obtaining finance for the Council;
 - 15.9** Contracts offered by the Head of Legal Services for the appointment of counsel;
 - 15.10** Contracts where a sole supplier has exclusive rights eg/alterations to statutory undertakers apparatus;
 - 15.11** Disposal of surplus Goods / Supplies;
 - 15.12** Loan payments or loans from the Council to third parties provided on market terms (otherwise State Aid considerations may apply);
 - 15.13** Where it is clear no need to go through a procurement process on the basis of other regulatory or legislative grounds;
 - 15.14** Subscriptions to National Organisations, eg/Local Government Association;
 - 15.15** Professional subscriptions where not having membership would detrimentally impact on the Council's ability to fulfil its purpose;
 - 15.16** Procurement of certain insurances not available on open market eg/Marine.
- 16.** In cases where the CSOs do not apply, other rules and regulations will likely apply. The Responsible Officer shall ensure that they adhere to any relevant rules and legislation, and if in doubt seek advice on those other relevant rules and legislative regulations.

Other relevant Laws, Regulations and Policy

- 17.** In applying the CSOs due regards must be taken to complying with:
 - 17.1** All relevant national law and EU procurement law;
 - 17.2** All relevant EU procurement rules and guidance eg/Procurement policy notes (PPNs);
 - 17.3** The Constitution, including Part B – Budget and Policy Framework and Part H Financial Regulations.
- 18.** Apply the Council's Social Value Policy within procurements above and below OJEU thresholds. The Social Value Policy aims to positively impact engagement with Small Medium Enterprises (SME) and the local economy. This can positively impact the wider strategic objectives of the Council and its partners. Appropriate signoff is required where Social Value is not included within a procurement.

<http://democracy.plymouth.gov.uk/mgConvert2PDF.aspx?ID=99353>

Proportionality

19. Commercial approach shall be proportionate to the risks and resources required to fulfil the requirements. The CSOs outlined are considered to be the minimum to be followed.
20. The CSOs and application of them takes account of applying proportionality. In the case of requirements which are subject to the Regulations OJEU Thresholds then compliance in line with the Regulations should be made.
21. For below OJEU Threshold the principles to be applied in a proportional manner. The CSOs take account of key elements of proportionality in the Thresholds applied within the CSOs and decision points.

Breaches and non-compliance

22. Consequences of not applying due process in how contracts and commercial arrangements are established can be significant. Compliance with the CSOs is mandatory.
23. Those with responsibility for fulfilling their duties in line with the CSOs are required to maintain ongoing knowledge and awareness to ensure compliance.
24. In addition, it will be the responsibility of Responsible Officers (including those with line management responsibilities) to address non-compliance swiftly and in the most appropriate way according to the circumstances.
25. Any potential misuse or non-compliance of the CSOs will be reported to the appropriate officer. Non-compliance with the CSOs may result in the Council's Disciplinary Policy and Procedure being applied. In respect of wilful, negligent, repeated or other serious breaches this could result in significant sanctions and even dismissal.
http://documentlibrary.plymcc.local/documents/Policy_and_procedure_disciplinary.docx.pdf
26. Means of reporting concerns can also be raised anonymously in line with the Council's Whistleblowing Policy. <http://documentlibrary/documents/Policy%20-%20whistleblowing.pdf>
27. In the event of a suspected breach reference should be made to **Procedural Note: Breach of the Contract Standing Orders**.

SECTION 2 - SOURCING STRATEGY

Key Principles

- 28.** Those responsible in application of the CSOs in how procurement and commercial activity is undertaken shall apply the following key principles:

28.1 Transparency

28.2 Equal Treatment

28.3 Proportionality

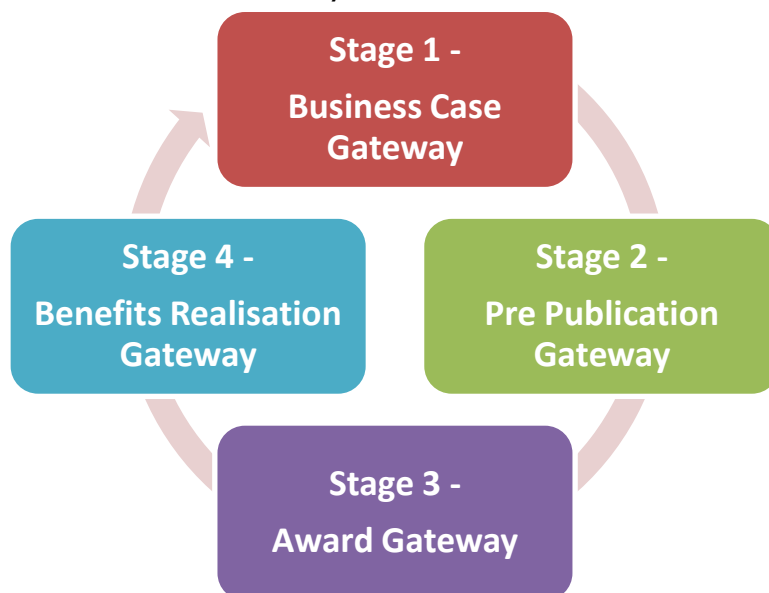
28.4 Non-discrimination

28.5 Mutual Recognition

- 29.** **Section 5** provides more details on the required roles and responsibilities of key stakeholders.

Sourcing Strategy - Route to market decisions

- 30.** Where the Council undertakes the services internally, these should be the first point of consideration, prior to the consideration of external sourcing routes.
- 31.** The CSOs recognise that there will be a range of existing commercial arrangements in place. Where an additional or new requirement exists the Sourcing Strategy outlines key decisions that need to be made in regards to priority order and sequencing ahead of commencing any formal decision to undertake a new procurement. A business case will need to be established in respect of the procurement as indicated in Key Thresholds Table 1.



- 32.** Authorisation will be required at four key stages as shown above. Consideration shall be made around relevant areas of due diligence. The areas of assurance required will vary depending on the subject matter of the contract.
- 33.** Due regard should also be taken to the tender and authorisation thresholds set out within section 3 of the CSOs.

34. One of six procurement procedures must be used as appropriate for the particular procurement: Open, Restricted, Competitive procedure with negotiation, Competitive dialogue, Innovation partnership, or Negotiation without prior publication. These must be performed in accordance with The Public Contracts Regulations 2015. <http://www.legislation.gov.uk/uksi/2015/102/contents/made>
35. The Responsible Officer shall be responsible for carrying out appropriate due diligence to understand proportional risks related to the spend and ensure relevant and proportional means of mitigation are considered. This is to be done in conjunction with relevant Specialist Subject Matter Officers to consider risks and mitigations relevant to their area of expertise. This may include representatives from relevant functional areas of the Council and may include, as appropriate: legal, HR, finance, health and safety, ICT, asset management and others.
36. In the event of a project(s) being funded from capital; then the Responsible Officer will be required to ensure that the project(s) have been formally registered onto the Capital Programme. For such projects no procurement process shall commence unless the project has been registered onto the Capital Programme. See Capital Governance Project Funding Policy, http://documentlibrary.plymcc.local/documents/capital_programme_governance.pdf

Sourcing Strategy Steps

37. Step 1 – Grant / Funding Conditions

- 37.1 Where external Grant / Funding is being considered this should form part of the necessary due diligence work for the project ahead of seeking, and if successful accepting the external Grant / Funding to ensure that the Council can comply with any necessary conditions that would be applied.
- 37.2 Where an external Grant or Funding stream is secured as part of the project, care shall be taken to ensure the funding conditions are satisfied and complied with; to avoid risk to the loss of the Funding being made in full or in part to the Council.
- 37.3 This should include engagement with relevant internal Subject Matter Experts.

38. Step 2 – Exiting Contract / Framework Agreement

- 38.1 If an existing Corporate Contract exist, then the default route to market would be the Corporate Contract. This would be subject to the Contract permitting modifications and proportional consideration is made to rights to modify in line with the Regulations, in particular Section 6 and regulation 72 - see: <http://www.legislation.gov.uk/uksi/2015/102/part/2/chapter/2/crossheading/contract-performance/made>
- 38.2 Due consideration must also be made to whether the modification of the existing contract and/or framework call off offers value for money. Terms of the existing contracts must also be considered to mitigate risks of non compliance if it were decided to procure the requirement with another supply route eg/Exclusivity terms.

38.3 Use of existing framework call-off agreement(s) are optional so must pass value for money test in order to proceed.

38.4 Details on current Corporate Contracts Register can be found at <https://www.supplyingthesouthwest.org.uk/>

39. Step 3 – Council Teckal Company Arrangements

39.1 Steps 3 and 4 can be undertaken at the same time. The Council has a number of company's which it has established to fulfil its various functions.

39.2 Where there is an existing Council Company the first stage of decision making should be whether the requirements can be secured through the respective company. reference should be made to part 88.

39.3 Where the requirements are not currently serviced by one of the Council's Company; the question should be raised as to whether it should form part of an existing Company or establishment of a new Company.

40. Step 4 – Formal Procurement Process

40.1 The formal process should aim to carry out all necessary due diligence including but not limited to:

40.1.1 Clearly identify the need for the Supplies, Services or Works;

40.1.2 Understanding the legal power to entering into contract;

40.1.3 Confirming options and determine best route to market;

40.1.4 If the project is a capital project, then the project has to be accepted onto the Council's capital programme.

40.1.5 Considering the Council's procurement business plan and any other associate strategic objectives as appropriate;

40.1.6 For works procurements >£1,000,000 then the National Skills Academy Client Based Approach for the employment and skills shall apply;

40.1.7 Determining the most appropriate commercial model and contract type, including the appropriate level of contract management resource required to manage the contract.

SECTION 3 - FINANCIAL THRESHOLDS

Calculation of Contract Values

41. When estimating the total contract value, the estimate shall be:
- 41.1 For the whole life term of any anticipated contract, for example, if the contract value is estimated at £50,000 per annum for two years, then the total contract value will be an estimated £100,000. If the length of a contract is uncertain and the value cannot be reasonably estimated, its total value will be its total value over 4 years; The total estimated spend and not split down or subdivided to avoid the application of these or any other Regulations;
 - 41.2 Net of Value Added Tax (VAT);
 - 41.3 The value of any non-monetary consideration or benefit the Council is giving;
 - 41.4 The value of anything the Council is getting for free as part of the contract;
 - 41.5 The value of any amount that could be paid by extending the contract.
42. Where the initial contract value estimate is within 10% of the relevant Official Journal of the European Union (OJEU) Threshold. A furthermore detailed calculation shall be conducted in accordance with regulation 6 of the Regulations.
<http://www.legislation.gov.uk/uksi/2015/102/regulation/6/made>
43. In the event of a Concession then **Procedural Note: Concession Arrangements** should also apply.
44. A single contract must not be undervalued or split into smaller contracts to circumvent the thresholds as set out in the Regulations.
45. OJEU Thresholds:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/850566/PPN_for_New_Thresholds_2020_pdf.pdf
46. Social and Other Specified Services, the appropriate OJEU Threshold in relation to Authorisation and Contract Signature stages to apply. Public Contract Regulations – Schedule 3 <http://www.legislation.gov.uk/uksi/2016/273/schedule/3/made>

Key Thresholds Table I – Quotation and Tendering Thresholds

ACTIVITY	Up to £5k	Over £5k to £25k	Over £25k - relevant OJEU Thresholds	Over Relevant OJEU Threshold
Quotation / Tenders Minimum Requirements ⁻¹	Source One formal Quotation (non-verbal) / tender from PL Postcode where possible	Seek Three formal Quotations (non-verbal) / tenders; Two from PL Postcodes where possible	Seek Three formal Quotations (non-verbal) / tenders; Two from PL Postcodes where possible	Formal Tender Procedure (See Public Contracts Regulations)
Business Case Required?	No	No	Yes	Yes
Formal Advertisement of Opportunity?	Optional	Optional	Optional (If Advertised Contracts Finder utilised)	OJEU & Contracts Finder
Formal Publication of Award?	Optional	Optional	Contracts Finder	OJEU & Contracts Finder
Contract Published on Contract Register?	Not required	Yes	Yes	Yes
Use of Electronic Tendering System?	Optional	Yes	Yes	Yes
Procurement Service Responsible? ⁻²	Yes (except in case of Self-Serve: Please refer to Self Service Procedure)	Yes (except in case of Self-Serve: Please refer to Self Service Procedure)	Yes	Yes

⁻¹ Sought quotation minimum requirements are to be proportional. For example; it may be assessed that a particular procurement requires more than the minimum requirement of quotations or tender responses, in these cases the number of responses sought from suppliers within the PL postcode will be proportional.

⁻² Procurement Service defined as both the core Procurement Service team and / or Strategic Commissioning

Key Thresholds Table 2 – Authorisation and Contract Thresholds

STAGES	Up to £25k	>£25K to £150K	>£150K to £500K Supplies/Services >£150k to £2MM for Works	>£500K Supplies/Services >£2MM Works to £3MM	Over £3MM or a key Decision
Who can Authorise Business Case Gateway?	Responsible Officer	Head of Service	Service Director	Portfolio Holder	Cabinet
Who can Authorise Pre-Publication Gateway?	Responsible Officer	Head of Service	Service Director	Service Director	Service Director
Who can award the contract?	Responsible Officer	Head of Service	Service Director	Portfolio Holder	Cabinet
Award Approval Documents Required (minimum requirement)	n/a	Business Case, Contract Award Report and Officer Individual Executive Decision (if applicable)	Business Case, Contract Award Report, EIA and Officer Individual Executive Decision	Business Case, Contract Award Report Part1 & Part2, Executive Decision and EIA	Business Case, Contract Award Report Part1 & Part2, Executive Decision and EIA
Form of Contract / Contract Signature	Council Purchase Order	Council Purchase Order / Formal Signed Contract	Formal Signed Contract	Formal Signed Contract or Signed Sealed Contract	Formal Signed Contract or Signed Sealed Contract

SECTION 4 - APPLICATION AND APPROACH

Due Diligence

- 47. Relevant subject matter experts (eg/ Service Area teams, Legal Services, Finance, etc.) are to be consulted at appropriate times during the procurement process.
- 48. Prior to the commencement of the procurement; all officers (including those involved as part of any evaluation teams) are required to sign a declaration of direct or indirect interest, canvassing and confidentiality form. The completed form should be retained as part of the records.

Low Value / Self-Services (below £25,000)

- 49. With prior agreement with the Procurement Service; procurements £25,000 and below may be undertaken on a self-service basis direct by the client Service area.
- 50. Self Service - This means staff will be able to purchase Supplies, Services and Works £25,000 and below without having to go through the Procurement Services Function. This service is designed to help front line services by speeding up the process of obtaining Supplies, Services and Works; which ultimately benefits the customers of our services.
- 51. Not all departments are approved for Self Service. Self Service is permitted for departments by the Procurement Service. The CSOs must be complied with and training successfully completed.

Timescales

- 52. Quotation and Tender timescales for submission shall be reasonable, sufficient and proportional to enable Suppliers to submit a suitable response and facilitate genuine competition.
- 53. Where the procurement route is to re-tender an existing contract; appropriate timescales are essential to ensure continual service. Any re-tendering exercise must comply with the CSOs and the Regulations.
- 54. Due regard should be taken to the Regulations in regard to OJEU Threshold Tenders and associated timescales related to the various procurement processes therein.

Preliminary Market Consultation

- 55. Where relevant and proportional to do so; appropriate market intelligence through preliminary market consultation is permitted and encouraged with the intention to inform the procurement process and potential Suppliers. Where such consultation takes place care shall be taken that it is in line with the Regulations, in particular regulation 40 and 41. <http://www.legislation.gov.uk/ukxi/2016/273/part/3/made>

eTendering

56. The Council's eTendering System shall be used as the means of seeking Quotes and Tenders in line with Thresholds as set out in Table I - Quoting and Tendering Thresholds. The eTendering System shall be compliant with the requirements of the Regulations.

Advertising Opportunities

57. Publishing of quotation / tender opportunities shall be in line with Thresholds as set out in Table I Quotation and Tendering Thresholds. The primary means of advertising shall be via Contracts Finder, any associated Portal in connection with the Council default eTendering System and for OJEU Tenders the Official Journal.
58. Advertising of OJEU Tenders shall be in line with the requirements of the Regulations in particular regulations 49 and 50 plus 106 in regards to Contracts Finder.
<http://www.legislation.gov.uk/ukxi/2016/273/part/3/made>

Procurement Clarifications

59. Where Quotations / Tenders are placed via the Council's eTendering System then Clarifications regarding the procurement are only permitted via that System.
60. Discussions with tenderers after submission of a Tender and before the award of a contract must be in accordance with Section 2:27 of the CSOs.

Evaluation

61. Quotations / Tenders will be evaluated in accordance with the evaluation criteria disclosed and published on issuing of the Quotation / Tender eg/Price, Quality, Social Value.
62. Reference should be made to the Procurement Service templates and guidance in order to ensure a consistent, fair and transparent approach.

Opening of Quotations / Tenders

63. In line with Table I where Quotations / Tenders are submitted via eTendering System and be transmitted by electronic means. Quotations and Tenders submitted by electronic means shall ensure that:
- 63.1 evidence that the transmission was successfully completed is obtained and recorded through the Systems auditing functionality; and,
 - 63.2 Quotations / Tenders submitted are not opened until the deadline has passed for receipt of tenders.
64. Quotations / Tenders received after the specified date and time be assessed in line with **Procedural Note: Late Submissions**.
65. Where on receipt of Quotations / Tenders information is felt to be missing or omitted then reference should be made to **Procedural Note: Missing / Omitted Information**.

- 66.** In the exceptional circumstance where a Quotation / Tender submission has been received by a medium other than that of the Councils eTendering System then due process shall be put in place to maintain probity and accountability; upholding the principles as set out in the CSOs.

Contract Award

- 67.** Contracts awarded over £25,000 shall have the award notified on Contracts Finder in line with regulations 109 and 112 of the Regulations.
<http://www.legislation.gov.uk/ukxi/2015/102/regulation/112/made>
- 68.** Contract Award Notices for OJEU Tenders shall be in line with the Regulations and take into account any requirements and conditions around Standstill.
- 69.** A contract may only be awarded by an officer with the requisite delegated authority to award contracts. The authorised officer should make sure that the budget holder responsible for the contract has sufficient funds in place to sustain the contract prior to award. For all procurements valued at above £500,000 the decision to award a contract must be made by the cabinet member for the relevant portfolio.

Application of the Light Touch Regime

- 70.** Under the Regulations the Council can apply flexibility to the approach and procedures for certain Services. A list of services to which the Light Touch Regime applies can be found in Schedule 3 of the Regulations.
<http://www.legislation.gov.uk/ukxi/2015/102/schedule/3/made>
- 71.** The Light Touch Regime only applies to contracts over the stated threshold as defined by the European Union OJEU Thresholds. Below this Threshold the requirements a proportional approach should apply as applicable and appropriate application of the CSOs.
- 72.** Although the use of the flexibility in such situation is encouraged principles of the European Treaty still apply meaning procurement procedures and the award of contracts shall be fair, transparent and non-discriminatory.
- 73.** The application of the Light Touch Regime does not negate the requirement to comply with the CSOs and follow the Council's formal decision-making processes.

Terms and Conditions

- 74.** Wherever possible and appropriate to do so, contracts shall be based on the Council's Terms and Conditions, related to the subject matter of the contract.
- 75.** Terms and Conditions shall be stated and disclosed at time of tendering.
- 76.** Where this is not the case then suitable justification shall be made for audit purposes. Justification may include (but is not limited to) procuring from ("calling off") other parties' Framework Agreements pursuant to which the terms and conditions of that Framework Agreement will be applicable.

- 77.** In such cases consideration of the implications of those terms and conditions is required prior to purchasing from the Framework Agreement and suitable advice shall be obtained as required.

Contract Arrangements

- 78.** Contracts must be in writing. Electronic signatures may be used in accordance with the Electronic Signature Regulations 2002 provided assurance the arrangements are secure.
- 79.** Contracts shall be executed as a deed (Sealed Contract) if they are
- 79.1** For Works contracts (e.g. construction), or
 - 79.2** Where the Council may wish to enforce the contract more than six years after its end; or
 - 79.3** Nil consideration or the price paid or received under the contract is a nominal price and does not reflect the value of the supplies or services; or
 - 79.4** the Total Value exceeds £1,000,000; or
 - 79.5** if the Head of Legal Services advises they must be executed as a deed; or probate.
- 80.** Where Sealed Contracts are required to be executed as a deed then Legal Services shall be engaged. Contract Signatory thresholds are outlined in Table 3.

Table 3 – Contract Signatory Thresholds

Threshold	Who	Outcome
Up to £25,000	Responsible Officer with appropriate Budget responsibilities.	Contract formed under Purchase Order / Standard Terms.
£25,001 to £150,000	Head of Service Legal Services required in event of Sealed.	Formal Contract or Sealed if deemed necessary.
Above £150,000	Service Director Legal Services required in event of Sealed.	Formal Contract or Sealed if deemed necessary.

- 81.** In the event of any ambiguity on the appropriate level of authorisation required; the overarching Financial Regulation 24.3 will take precedence.
- 82.** Reference should also be made to Table 1. Contracts above £5,000 will have details placed on the Contracts Register.

Contract Management and Monitoring

- 83.** Contract management and monitoring arrangements shall be undertaken in a manner that is commensurate to risks.
- 84.** Ensuring the suitable contract records are in place is the responsibility of the Responsible Officer. During the life of all contracts the appropriate Strategic or

Service Director shall ensure that the Council's approved processes for contract management are adhered to.

Modifications to Contracts / Framework Agreements

- 85.** Particular attention shall be given to modifications of contracts or Framework agreements including variations, extensions and innovations.
- 86.** Where a modification to the contract or Framework Agreement is not expressly provided for in the initial procurement documents and the Contract or Framework Agreement, the involvement of both Procurement Service and Legal Services is required to assess the commercial and legal implications of any such modification.
- 87.** Where necessary consultation with subject matter experts maybe required. All modifications shall be in writing and in accordance with the terms of the relevant Contract or Framework Agreement. Due regard shall be taken to the Regulations in particular Section 6 regulation 72.
<http://www.legislation.gov.uk/ukxi/2015/102/regulation/72/made>

Teckal Contract Award

- 88.** A contract can be direct awarded to a public sector entity when compliant with Regulation 12 of The Public Contracts Regulations.
<http://www.legislation.gov.uk/ukxi/2015/102/regulation/12/made>

SECTION 5 - ROLES AND RESPONSIBILITIES

89. Defined roles and responsibilities:

Section 151	Ensuring overall probity in respect of related financial matters, through relevant controls and monitoring.
Corporate Management Team	<p>Maintaining a strategic overview of compliance with the CSOs and overall accountability for non-compliance with the CSOs in their respective areas of responsibility.</p> <p>Instructing relevant changes to ensure compliance and controls remain effective.</p> <p>Authorisation in line with levels as set out in the Authorisation Process.</p>
Elected Members	<p>Ensuring compliance with the Members' Code of Conduct, including in relation to any interests they may have, and any specific responsibilities they have in relation to the CSOs themselves.</p> <p>Make such decisions as are referred to them for determination in relation to these Rules.</p>
Monitoring Officer	<p>To ensure lawfulness and fairness of decision-making. After consulting with the Head of Paid Service and Responsible Finance Officer, the Monitoring Officer will report to Council if he/she considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.</p> <p>To provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all Councillors.</p> <p>Acting as the ultimate point of escalation in respect of breaches or non-compliance with the CSOs and associated Procedural Notes.</p>
Head of Procurement Service	<p>Overall ownership of the CSOs and ensuring that the overall framework for commercial considerations is complied with robustly and effectively.</p> <p>Ensuring compliance with the Council's overarching decision-making responsibilities and providing related guidance. On occasions will also have the same responsibilities as outlined in the Responsible Officer definition.</p>
Legal Services	<p>Leading on the overall ownership of commercial matters related to Contract Terms and Conditions.</p> <p>Point of escalation in relation to formal challenges within procurement or contract matters.</p>
Portfolio Holder	Ensuring accountability by Officers is maintained with responsibilities for delivery of the CSOs.
Procurement Service	Acting as primary advisory service in relation to public sector procurement, commercial and contract management matters. In the case of Social Care / Commissioning the direct line of responsibility will be with the Product Portfolio Managers.

Responsible Officer	<p>This will include Service Leads and those with responsibilities in any of the following activities, including:</p> <p>Quoting, Tendering or contract renewals in line with the CSOs and associated Procedural Notes</p> <p>Seeking additional advice where these CSOs do not apply.</p> <p>Ensuring there is a genuine and legitimate business requirement for the spend and an approved budget and acting with the authority as budget holder or the budget holder.</p> <p>Ensuring that the appropriate Authorisations have been received in respect of committing spend.</p> <p>Drafting fit for purpose specifications for each procurement, that meet the requirements of the procurement.</p> <p>Providing justification for any deviation from the approved Sourcing Strategy.</p> <p>Accurately estimating the total contract value at the start of each procurement.</p> <p>Conducting sourcing / procurement in line with the Authorisation Process.</p> <p>Diligently applying Exemptions process where relevant.</p> <p>Diligent contract management for contracts which are within their jurisdiction.</p> <p>Reporting matters of breach or non-compliance.</p> <p>Engaging the Procurement Service where the project / Tender is in excess of £5k (or £25k in case of Self Service)</p>
Service / Strategic Director	<p>Authorisation in line with levels as set out in the Authorisation Process and Scheme of Delegation as set out in the Constitution.</p> <p>Ensuring awareness and compliance within their respective areas of responsibility.</p> <p>Escalation point to investigate and / or action breaches and non-compliance within the respective area of responsibility and, where necessary, onward escalation to Director / Monitoring Officer.</p>
Subject Matter Expert	<p>Subject Matter Experts shall be relevant subject matter experts related to specialisms or professions, e.g. service area teams, Legal Services, Finance, Health and Safety, etc. are to be consulted at appropriate times during the procurement process.</p>

APPENDIX 1 - Supporting Information**Procedural Notes:**

- Breach of Contract Standing Orders
- Concessions Arrangement
- Exemptions
- Late Submissions
- Missing / Omitted Material

APPENDIX 2 – DEFINITION OF KEY TERMS

Breach: Where there has been failure to comply with an aspect of the Contract Standing Orders.

Commercial Assurance and Authorisation: Means the assurance and authorisation around the appropriately qualified and procured Supplier and commercial terms of contract relevant and proportional to the subject matter of the Supplies, Services and / or Works. The award of all contracts must follow the Council's decision making processes as appropriate to the value/risk associated with the contract.

Concession Arrangements: Meaning where the provision and the management of services or the execution of works is entrusted to one or more economic operators, the consideration of which consists either solely in the right to exploit the services or works that are the subject of the contract or in that right together with payment. See also Procedural Note: Concession Arrangement

Contract Register: Means the formal Contract Register of the Council to comply with the Local Government Transparency Code 2015 see www.supplyingthesouthwest.org.uk

Contract Standing Orders (CSOs): Means this document and referenced Procedural Notes that form the overall rules around how the Council shall consider Public procurements.

Corporate Contracts: Means contracts that have been set up with the expressed intention of supporting the delivery of Supplies, Services or Works across the whole of the Council.

Grants: For the purpose of this document Grants shall mean a payment to help the recipient (e.g. charity). In return, the grant funder (e.g. the Council) gets no services delivered directly. A grant is usually provided subject to conditions that state how the grant shall be used (for example to support the wider objectives of the public body in promoting the social, economic or environmental well-being of their area). Grant funding is usually preceded by a call for proposals. The grant offer letter will normally set out general instructions as to how this is to be achieved, for example, that children need to be kept entertained by taking them on excursions and have sporting activities.

Official Journal of the European Union (OJEU) Thresholds: Meaning the defined thresholds as set out by the EU – see here for more details https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/850566/PPN_for_New_Thresholds_2020_pdf.pdf (see “Other Contracting Authorities”).

Procedural Note: Means detailed guidance issued by the Procurement Service, may include standard documents and forms, which supports the practice and the implementation of these Rules.

Procurement Service: Procurement Service defined as both the core Procurement Service team and / or Strategic Commissioning.

Quotation: A quotation is a statement setting out the estimated cost for a particular work, goods or service in accordance with the specification set out.

Regulations: Means the Public Contracts Regulations 2015 (or Public Utilities Regulations where applicable to the subject matter) see <http://www.legislation.gov.uk/ukxi/2015/102/contents/made>.

Responsible Officer: In general means the Officer within the Council who is the budget holder and who has direct responsibilities from an operational / client perspective for the Supplies, Services and Works.

Sealed Contract: being a contract executed under seal by the parties (signed by the parties, witnessed and most importantly made clear that it is executed as a deed) with the intentions to

secure limitation period of 12 years, for example specifically relevant in the case of Works contracts

Services: means the provision of Service from a Supplier(s) to the Council as a Contracting Authority. See also “Public Service Contract” as defined in the Regulations

<http://www.legislation.gov.uk/ukxi/2015/102/regulation/2/made>

Social and Other Specific Services (also referenced as **Light Touch Regime:** As defined within the Public Contracts Regulations - Social and Other Specific Services see

<http://www.legislation.gov.uk/ukxi/2015/102/part/2/chapter/3/made>.

Social Value: Plymouth City Council's working definition of social value is 'a process whereby the organisation procures and commissions goods, services and works in a way that achieves value for money on a whole life basis in terms of generating benefits to society and the economy, whilst minimising damage to the environment'.

<http://democracy.plymouth.gov.uk/mgConvert2PDF.aspx?ID=99353>

Sourcing Strategy: means the approach to determining how to secure Works, Services or Supplies on behalf of the Council as detailed in section 2 of this document.

Supplier: means a third party who either is already contracted with the Council or used in general terms a potential third parties who provide contracted arrangements to others.

Supplies: means the provision of Supplies from a Supplier(s) to the Council as a Contracting Authority. See also “Public Supplies Contract” as defined in the Regulations

<http://www.legislation.gov.uk/ukxi/2015/102/regulation/2/made>

Teckal Company / Council Company: A company owned in whole or in part by the Council which benefits from contracts for works, services or supply from its controlling Contracting Authority (e.g. the Council) without having to go through a competitive tender process.

Teckal: The right to award contracts for Supplies, Services or Works from the controlling authority to the Council Owned company. See the Regulations regulation 12 for more details:

<http://www.legislation.gov.uk/ukxi/2015/102/regulation/12/made>

Tender: A tender is a formal offer to supply goods or services or perform work that must be either Accepted or Rejected.

Works: means the provision of Works from a Supplier(s) to the Council as a Contracting Authority. See also “Public Work Contract” as defined in the Regulations:

<http://www.legislation.gov.uk/ukxi/2015/102/regulation/2/made>

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Procedural Note: Breach of Contract Standing Orders

NOTE: This Procedural Note provides support to the Contract Standing Orders and shall be read in conjunction with the Contract Standing Orders and any associated Procedural Notes.

Background

- 1) This Procedural Note outlines the steps to be taken where a perceived breach of the Contract Standing Orders (the Rules and associated Procedure Notes) has taken place.
- 2) Steps to be taken to investigate in the event of a suspected breach will be proportionate to value, risk and taking into relevance to significance and seriousness of the issue.
- 3) Where an Officer (or Officers) does not act in accordance with the Contract Standing Orders (either wilfully or unintentionally) this may result in a formal Disciplinary and Capability Procedure.
- 4) An awareness of any failure to comply with the Contract Standing Orders is essential for the Council to appropriately manage and mitigate any resultant risks.
- 5) A breach of the rules can occur at any stage in the commercial cycle.

General

- 6) Where a suspected breach of the Contract Standing Orders has taken place, that may represent a significant and serious failure to comply with the Contract Standing Orders, or an individual has become aware that they themselves have breached the Contract Standing Orders, initial referral is made to the Head of Procurement as soon as practically possible.
- 7) In raising a suspected breach of the Contract Standing Orders sufficient information shall be provided to enable the allegations to be suitably investigated, an opinion formed around the seriousness of the breach, and a decision taken as to the actions which shall be taken.
- 8) Suspected breaches of the Contract Standing Orders can be raised by anyone, either internal or external to the Council.
- 9) When notified of a suspected breach the Head of Procurement shall be required to instigate an initial investigation into the matter. The intent, the individual circumstances and the impact of the alleged breach shall be considered.
- 10) The Head of Procurement shall endeavour to reach a formal decision around the investigation within 20 working days from initially being brought to their attention.

- 11) The Head of Procurement shall record the matter and the overall findings from any investigation for auditing and accounting purposes, and report the number of breaches raised (along with those upheld or not) to the CMT on a monthly basis and to the S151 Officer and Monitoring Officer on a quarterly basis.

Findings of Initial Investigations

- 12) Where the Head of Procurement considers the matter to be a significant and serious failure to comply with the Contract Standing Orders, then the matter shall be referred to the Line Manager of the Officer responsible for the breach for further consideration. This may involve conducting the Council's Disciplinary and Capability Procedure as applicable. This will also be the case for persistent non-compliance.
- 13) Where it is suspected that fraud, corruption and / or financial irregularity have taken place, Internal Audit shall be notified immediately.
- 14) The Line Manager of the Officer who was responsible for the breach shall be required to inform the Head of Procurement as to any and all actions taken to rectify the breach.

Procedural Note: Missing and Omitted Materials in a Quotation / Tender

NOTE: This Procedural Note provides support to the Contract Standing Orders and shall be read in conjunction with the Contract Standing Orders and any associated Procedural Notes.

Background

- 1) This Procedural Note outlines the steps to be taken if there appears to be an error in the information provided within a Quotation or Tender.
- 2) The intentions as set out in this Procedural Note is to afford the Council the right to clarify and waive strict compliance to formal process to allow genuine corrections in the event of missing or omitted material through and obvious clerical error.

General

- 3) Where it appears that there is an error in the information submitted within the Quotation / Tender, including missing or omitted material, the relevant supplier shall be made aware of the apparent error.
- 4) The supplier shall be asked to confirm acceptance as to this position or highlight that the information required is actually included in their original response.
- 5) Considerations and resolutions around missing or omitted material shall be carried out in the most expedient manner possible, typically within three working days from when it was identified.

Overall process

- 6) On becoming aware of missing / omitted material, the Procurement Service shall contact the supplier clearly highlighting what information is considered missing / omitted.
- 7) The supplier shall be given the opportunity to provide the information typically by immediate return and no later than within one working day of the contact being made.
- 8) When contacting the supplier the following information shall be provided to them:
 - i. What information is considered missing / omitted.
 - ii. The time limit within which a response is required, e.g. by return and no later than one working day.
- 9) The following two statements shall also be included:
 - i. “The advertised submission deadline has now elapsed; any delays in responding to this request for further information may render your tender non-compliant and result in your exclusion from the procurement process.”
 - ii. “No assurance can be given as to whether any information provided would be eligible to include within any evaluation of tender / quote.”

- 10) If, following the response from the supplier, it is deemed a genuine error / omission has occurred, and that the information has not in any way been compromised, the Head of Procurement may agree to include the information and take the tender / quote from the supplier forward for evaluation.
- 11) Where the information latterly submitted is not in a format that would have been ready and available at the time of the submission, then the Head of Procurement shall deem the submission incomplete and it shall then be evaluated on that basis, or if necessary disqualified, accordingly.
- 12) In making the decision to include information received, it shall consider the significance of the missing / omitted information, and the risks its inclusion could pose to the overall process.
- 13) If it is deemed inappropriate to include the information latterly submitted then it shall not be accepted or considered in the evaluation and the following process shall be followed:
 - i. The supplier shall be informed as soon as practically possible as to the decision (and justification) not to consider the additional information.
 - ii. Where the missing or omitted information has resulted in the suppliers exclusion from the procurement process this shall be clearly articulated.
 - iii. In any such communication the supplier shall be informed of their right to appeal the decision.
 - iv. In the event of an appeal, this shall be referred to the relevant Service Director to review.
- 14) The justification around decisions to include or not information missing or omitted in the original tender / quote submission shall be recorded in the evaluation and available for legal and audit purposes on request.

Appeals process

- 15) On receipt of the formal appeal, the relevant Service Director shall seek to decide and communicate this within 5 working days.
- 16) In considering the appeal, the Service Director shall obtain all additional evidence or relevant information they require, and advice as may be required from the Monitoring Officer.
- 17) In making the formal decision the Service Director shall be required to assess the proportionality of upholding the original decision.
- 18) In concluding an appeal, the Service Director shall formally notify the Responsible Officer and Head of Procurement who shall, in turn, notify all other relevant parties of the reasons as to why a decision has been made.

Procedural Note: Late Quotation / Tender Submissions

NOTE: This Procedural Note provides support to the Contract Standing Orders and shall be read in conjunction with the Contract Standing Orders and any associated Procedural Notes.

Background

- 1) This Procedural Note outlines the steps to be taken where a quotation or tender is submitted late (i.e. beyond the published specified time or date for submission).

General

- 2) Where a Quotation or Tender is received late, the default position will be for the tender not to be evaluated or taken further in the procurement process.
- 3) In such cases it will be necessary to carry out the following actions to establish the reasons why. This may be to ensure as far as possible from the information to hand that the cause of the Quotation or Tender being late was not as an error on the part of the Council:
 - i. Establish when it was claimed that the documentation was sent by the tenderer to the Council (including whether submitted or attempted submission via e-tendering, or email)
 - ii. If appropriate, obtain further information from the tenderer who submitted the quotation / tender to confirm when they submitted, how submission was made and to whom.
 - iii. The evaluation process shall be put on hold until it is possible to make a determination on whether or not the Quotation / Tender is deemed to have been submitted late.
- 4) In the event of issues arising from electronic submissions, an understanding of the reasons will be critical around this. For example, late submissions due to technical issues reasonably expected to be beyond the control of the supplier such as issues with the electronic system or wider network issues by service providers, as opposed to matters which could otherwise have been avoided (e.g. supplier attempting to upload large volumes of data near to or their bid submission on or near to the closing time of the Quotation / Tender submission).
- 5) Considerations around Late Submissions shall be carried out in the most expedient manner possible and seek to consider a resolution as efficiently as possible within five working days.

- 6) Where, following investigation, it is deemed that the Quotation / Tender was not received by the required submission deadline and is confirmed as having been submitted late, the following procedures apply:
- i. The Responsible Officer / Procurement Service lead shall inform the supplier as soon as practically possible as to the decision (and justification) to exclude their Quotation / Tender from further consideration in the process.
 - ii. In any such communication the supplier shall be informed of their right to appeal the decision using the Appeals Process detailed in Sections 7 & 8 of this Procedural Note.

Appeals Process around Late Submission

- 7) Where a Quotation / Tender is deemed as received late then it shall not be accepted or considered for evaluation, however the supplier who's quotation / tender is deemed to have been late shall have the right to appeal the initial decision, and the following process shall be followed in relation to the Appeals Process:
- i. Where a supplier considers that their quotation / tender was not late (or there are reasonable and justifiable grounds for it to be considered not late, they shall notify the Responsible Officer leading on the procurement process as to the wish to exercise the Appeals Process and provide all necessary supporting information in writing within three working days of being notified of the decision.
 - ii. Where an appeal is sought this shall be notified to the Head of Procurement who shall seek to determine the circumstances behind the late receipt.
 - iii. Where the Head of Procurement is satisfied that the grounds are exceptional, that could not reasonably have been otherwise avoided, and there is no chance of the information within the response being unfairly disclosed or made available, then the response may be taken forward for evaluation where following all considerations it is appropriate to do so.
 - iv. Where the Head of Procurement upholds the decision to exclude the tender then the response shall not be considered further and the supplier concerned shall be informed of the Council's decision not to further consider their response.
 - v. The justification for the decision shall be recorded and available for disclosure on request.
- 8) Any further appeal from the supplier should be considered a formal complaint and conducted using the Council's Complaint process.

Procedural Note: Exemptions

NOTE: This Procedural Note provides support to the Contract Standing Orders and shall be read in conjunction with the Contract Standing Orders and any associated Procedural Notes.

Background

- 1) This Procedural Note outlines the steps to be undertaken where the Contract Standing Orders (CSOs) are not able to be followed for a specific reason. In accordance with Section 10 of the CSO's.
- 2) Where this is the case, this Procedural Note is intended as a means of providing formal authorisation for “exemption” from specific elements of the CSOs.
- 3) The approval of an Exemption does not remove the requirement to follow the Council's formal decision making processes or any related formalisation of contractual matters.

Overview of the process

General

- 4) This Procedural Note shall:
 - i. Help to mitigate risks of challenge from third parties in how the Council procures Works, Service and Supplies;
 - ii. Improve transparency and probity in how decisions are made;
 - iii. Help to manage, control and mitigate other risks.
- 5) Having relevant contract management arrangements and / or forward plans in place identifying future needs will help to minimise the need for Exemptions.
- 6) In the majority of cases, Exemptions shall only be considered for periods of 12 months or less. If arrangements are required beyond 12 months this shall be justified in the Exemption Form for consideration and will be subject to an annual review should the Exemption be approved.
- 7) In all cases Exemptions shall be completed in advance of committing spend.
- 8) Every effort shall be taken to ensure that the details included and signed off within the Exemption are accurate and sufficient for the intended purposes. If during the Exemption period there is any change, this should be updated as part of the recording process.
- 9) Exemptions shall be completed using the most recent template which is available on the Plymouth City Council Intranet page.
- 10) Exemptions should not be used to overcome poor planning of activities leading to the

procurement.

11) Exemptions shall only be granted on the following grounds:

- i. **Breach or Conflict of Statutory Duties** if CSOs were applied resulting in **Increased cost / loss of income:** The Council will incur unforeseen, significant and avoidable costs or lose significant income that cannot be mitigated in compliance with the Procedures.
- ii. **Limited market:** The market is a monopoly or no competition is likely to be stimulated through a formal procurement process. There is a requirement to demonstrate that the market is limited and not able to be suitably stimulated to create competition within the Regulations. Justification may include market intelligence including soft market consultation. Further guidance is available in the Pre-Procurement Market Consultation Guidance.
- iii. **Unavoidable / Time Critical** leading to **Reputational damage:** Failure to act promptly would have a serious, damaging and long term impact on the reputation of the Council, which from a time perspective the Council cannot afford to be mitigated through a formal tendering process.
- iv. **Personal Welfare of Service users:** There is a likelihood that vulnerable services user(s) would be placed in unnecessary or inappropriate risks if the proposed actions within the Exemption application are not undertaken.

Procedure and Approval

12) The Responsible Officer within the Service shall be required to explore the suitability of the use of an Exemption, giving due consideration to:

- i. Options and alternatives;
- ii. Risks, and associated mitigating actions;
- iii. The rationale for the Exemption and what will happen to avoid the need to seek further Exemptions upon expiry.

13) The Responsible Officer shall look to engage early with the Procurement Service and Legal Services.

14) In completing the Exemption Form, the Responsible Officer shall be responsible for providing the relevant factual and supporting information.

15) On completion of the Exemption Form, the Responsible Officer seeks the appropriate authorisation sign off dependent on the value of the Exemption as explained in the table below, in the following order:

- i. Departmental
- ii. Head of Legal
- iii. Procurement Service

Exemption value	Required Service approval signed in this order;
£5k and under	- No formal Exemption Form required.
Over £5k up to £25k	- Head of Service for the Service Area - Head of Legal - Head of Procurement or Product Portfolio Manager in the case of Commissioning / Social Care
Over £25k up to OJEU Threshold	- Service Director for the Service Area - Head of Legal - Head of Procurement or Product Portfolio Manager in the case of Commissioning / Social Care

- 16) If the Procurement Service / Product Portfolio Holder considers the grounds for the Exemption not suitable then they shall seek to resolve this directly with the Responsible Officer, clearly stating what steps they consider necessary to either make the sign off appropriate or what alternative actions would need to be undertaken. Where this cannot be resolved the matter to be referred onwards to the Head of Procurement.
- 17) When approval cannot be obtained by all appropriate parties, the matter shall be referred to the monitoring officer for a ruling.
- 18) When an exemption has been approved it shall be given a unique reference number and recorded in a corporate Exemption register by the Procurement Service for retention and registration.
- 19) Following approval of the Exemption by all required parties the Responsible Officer shall ensure that the Procurement Gateway & Contract Procedure is followed.

Reporting

- 20) Exemptions are reported to Corporate Management Team, Section 151 and Monitoring Officer on a quarterly basis.

Appendix I Roles and responsibilities

Table I below highlights the respective roles and responsibilities of the signatories to the Exemption Approval Form.

SIGNATORIES	ROLES AND RESPONSIBILITIES
Category Lead – (or Product Portfolio Manager in the case of Strategic Co-operative Commissioning)	<ul style="list-style-type: none"> • Providing relevant and proportional scrutiny and due diligence around the procedural matters. • Providing relevant, proportional and constructive challenge with respect to commercial matters related to the Exemption. • Providing wider commercial advice to either aide or suitably scrutinize the exception submission. Consider wider commercial activity and co-op partners in ongoing procurement service provision. • Providing relevant support and advice to the Responsible Officer to ensure the process and recommendation is appropriate and that risks are highlighted as part of the overall considerations. • Considering whether the Exemption is appropriate and whether suitable due diligence has taken place in the development of the Exemption (and any supporting information). Where relevant this may also include challenging the position as outlined. • Ensuring that the Exemption is in line with this Procedural Note and if not, highlighting this to the Head of Procurement including the reasons, value, and why this is the case.
Head of Procurement – Procurement Services / Appointed Legal Services representative	<ul style="list-style-type: none"> • Providing relevant and proportional scrutiny and due diligence around the procedural matters. • Providing relevant, proportional and constructive challenge with respect to commercial matters related to the Exemption. • Providing relevant support and advice to the Responsible Officer to ensure the process and recommendation is appropriate and that risks are highlighted as part of the overall considerations. • Signing off the Exemption Form alongside other identified parties so enabling the recommended course of action to be implemented. • Considering whether the Exemption is appropriate and whether suitable due diligence has taken place in the development of the Exemption (and any supporting information). Where relevant this may also include challenging the position as outlined. • Ensuring that the Exemption is in line with this Procedural Note and if not, highlighting this to the Section 151 Officer and Monitoring Officer including the reasons, value, and why this is the case.
Monitoring Officer	<ul style="list-style-type: none"> • Reviewing any matters referred to them by the Head of Procurement with regards to Exemptions considered outside of the recognised procedures and taking what actions they consider necessary within their role as Monitoring Officer. • On occasions acting as arbiter when exemptions are referred to

SIGNATORIES	ROLES AND RESPONSIBILITIES
	them by Head of Procurement.
Procurement Service	<ul style="list-style-type: none"> • Scanning and storing the signed Exemption Approval Forms electronically in a central file and sending a link to that file for the relevant Responsible Officer to attach any supporting information. • Recording the Exemption and relevant details on the central register. • Issuing 6 month reminders prior to expiry of signed off Exemptions to the Responsible officer(s) around ensuring any necessary plans are in place (or being progressed) in time for the expiry (so as not to risk service failure or continuity of service). • Compiling and distributing of the Quarterly reports under the direction of the Head of Procurement.

SIGNATORIES	ROLES AND RESPONSIBILITIES
Responsible Officer	<ul style="list-style-type: none"> • Ensuring the Exemption process is complied with and adhered to. • Obtaining and completing the latest version of the Exemption form and providing any necessary supporting evidence and information at start and during the approval process. • Clearly and concisely outlining the “what, why, when, who” in completing the Exemption form. • Taking ownership that at the time of submission the details put forward are relevant, accurate and factual. • Ensuring that if any changes to the details put forward upon submission of the Exception Form are communicated to the procurement service whilst approval is being undertaken. In this instance; resubmission of the exception form may be required. • Ensuring risks are identified, considered and any necessary mitigation measures put in place. • Openly considering and documenting the advantages / disadvantages of all relevant options and confirming that the recommendation put forward is the most appropriate way forward (considering all relevant information and advice sought). • Ensuring timely due diligence discussions have taken place and relevant advice has been sought with key stakeholders (e.g. the Procurement Team, Finance, Legal, Health and Safety, etc.) prior to seeking signatures of other key parties. • For over £25k exemptions ensuring that the Procurement Service is involved prior to obtaining signatories. • Ensuring plans are in place both to implement and adhere to the intended outcomes of the recommendation (this will include ensuring suitable plans are in place to formalise contractual matters arising from the Exemption sign off, plus plans outlined for the period following the Exemption expiry) at the point when any Exemption forms are ‘Signed Off’ • Ensuring that all signed off Exemptions are provided to Procurement Service for formal registration.
Service / Strategic Director	<ul style="list-style-type: none"> • Acknowledgement and acceptance of the existence and details as set out in the Exemption Approval Form. • Understanding the position as set out within the Exemption form and being satisfied that the recommendation is appropriate, and that suitable due diligence has taken place in the development of the Exemption (and any supporting information). Where relevant this may also include challenging the position as outlined.

Procedural Note: Concession arrangements

NOTE: This Procedural Note provides support to the Contract Standing Orders and shall be read in conjunction with the Contract Standing Orders and any associated Procedural Notes.

Background

- 1) This Procedural Note shall apply in all situations where Concession arrangements are to be considered.
- 2) The purpose of the concession rules are set to provide clear rules so the concession market is open to competition, particularly to small and medium sized enterprises (SMEs).
- 3) In the consideration of Concessions the Council will be the “grantor” granting a person or supplier (the concessionaire) the right to operate - usually as the sole seller of certain goods or services – as a business within a premises or other asset belonging to the grantor in return for an appropriate fee. The concessionaire pays the grantor.

Definition of a Concessions Contract

- 4) Concessions are broadly similar to "normal" contracts between contracting authorities/entities and suppliers, but with one key difference: the consideration in a concession contract consists in the right to exploit the work, or services, that are the subject of the contract, or that right to exploit together with a payment. Examples of concessions might include car parks built on local authority-owned land, or toll roads and toll bridges.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/528062/20160607_Handbook_for_the_Concession_Contracts_Regulations_2016_final.pdf

What could be deemed a Concession Arrangement

- 5) The below are what could be considered as a Concession arrangement:
 - i. A concession contract is a mutually binding contract for buying works or services by the Grantor entrust the delivering of outcomes to one or more concessionaire.
 - ii. Consideration in a Concession arrangement consists in the right to exploit the work, or services, that are the subject of the contract, or that right to exploit together with a payment.
 - iii. The transfer to the concessionaire of the right to exploit the works or services shall always imply an operating risk of economic nature involving the possibility that it will not recoup the investments made and the costs incurred in operating those works or services. This means that under the contract, the

concessionaire should not enjoy a guarantee of breaking even on investments and costs incurred.

- iv. The concessionaire must be exposed to a potential loss on its investments and costs, and it should not be merely nominal or negligible risk.
- v. Concession arrangement may involve a transfer of ownership to the Council.
- vi. The Council will always obtain the benefits of the works or services in question rather than the concessionaire

What would not be deemed a Concession Arrangement

6) Below are not a concession arrangements:

- i. Activities covered by other legislation for example the Public Contracts Regulations or Utilities Regulations;
- ii. An outsourcing contract or privatisation;
- iii. A land lease contract;
- iv. The financing for works or services i.e. a grant;
- v. If customers have a choice between providers that are delivering the same service;
- vi. Licenses where Government or public authorities (not contracting authorities) establish conditions and an economic operator can withdraw from provision of that service, are not concessions but would fall under Directive 2006/123/EC Service Directive.
- vii. When an economic operator has a right to exploit public domains such as maritime, inland ports or the airport sector. These involve general conditions for their use without the procurement of specific works and services.
- viii. An agreement that grants the right of way covering the utilisation of public immovable property, fixed lines or networks.
- ix. Where no payments are made but the contract is remunerated on the basis of regulated tariffs calculated to cover all costs and investments borne by the concessionaire for providing the service.
- x. A contract is not a concession if the contracting authority or utility relieves the concessionaire of any loss by guaranteeing minimal revenue equal or higher to the investment made and the costs the economic operator has to incur.

General

- 7) There are several commercial drivers behind concessions considerations:
 - i. To seek or generate future commercial income or revenue for the Council.
 - ii. To derive community benefit or contribute to the quality of life for the people living in, or visitors.
 - iii. To sustain business and employment.
 - iv. To improve well-being by enabling people to use public open space.
 - v. To improve security of assets through public presence.
- 8) Examples of Concession arrangements are but not limited to catering (cafés, kiosks, restaurants, mobile catering) sports (water sports, tennis coaching, fitness classes, cycle speedway) play (miniature railway, crazy-golf,) and clubs (bowling, surf lifesaving, rowing, etc).
- 9) In consideration around whether to pursue a Concession arrangement relevant due diligence shall be undertaken to establish the scale of any opportunity and value of any possible concession, and as such this should include any relevant market research.
- 10) In pursuing a Concession arrangement, the Council shall:
 - i. Apply the principles of equal treatment, non-discrimination and transparency in its approach to consideration of concession arrangements, and in doing so assessing and managing any conflicts of interests.
 - ii. Maintain confidentiality in respect of consideration of potential concessionaire proposals and any resulting concession awarded, but in doing so not to prejudice wider requirements of disclosure of information, for example in provision of Notice of award in the case of the case of above threshold concessions, Transparency Agenda requirement to publish contract details and wider Freedom of Information (FOI) requirements.
 - iii. Seek to openly and proportionally advertise any proposed concession arrangement – and allow suitable time for potential concessionaires to submit any proposals considering complexities and risks.
 - iv. Whilst no duty on the Council to advertise outcomes of below threshold awards the Council shall seek to apply an approach where details are advertised and captured onto the Contract Register.
 - v. Undertake all necessary due diligence that it has the authority and jurisdiction to enter a concession – seeking to ensure that all relevant subject matter experts are engaged in the overall process.

- 11) At the time of advertising a Concession arrangement all required information is provided to enable due consideration by potential concessionaires to undertake related to any proposed submission, to include:
- i. Clearly set out the subject matter of any proposed concession.
 - ii. Setting out any proposed conditions and caveats on potential concessionaires – including setting out any mandatory exclusion grounds related to entities looking to make a submission.
 - iii. Timeframes around any award, including options to extend.
 - iv. Details on the process to be followed and how concession submissions are to be considered and evaluated. The award criteria shall be proportional to the subject matter of the Concession arrangement.
 - v. Setting out risks and liabilities related to any resulting concession and where and how these are to be aligned in the granting of any concession.
- 12) Ensure that where a concession is granted that it is supported by a formal contract. The contract shall include:
- i. Capture details set out in the concession pack and the submission (and any resulting clarifications) from the concessionaire.
 - ii. Details on term of the concession and termination including any grounds for early termination.
 - iii. Grounds and procedure to be followed in consideration of any moderation or variation under the contract – noting that any variation beyond 10% of the commercial value shall be deemed as a material change and not permitted under the current contract.
 - iv. Consideration of risks and liabilities seeking to reduce risk exposure for both parties.
 - v. Contract management arrangements need to be proportional.
- 13) If a concession opportunity does not require investment from the concessionaire then the recommended maximum duration of the concession contract shall be no longer than 5 years.
- 14) For concession contracts lasting more than 5 years, the maximum duration of the concession contract shall not exceed the time that a concessionaire could reasonably be expected to take to recoup the investments made in operating the service together with a return on invested capital taking into account the investments required to achieve the specific contractual objectives.
- 15) The investments taken into account for the purposes of the calculation of the time period include both initial investments and investments during the life of the concession contract.

Calculating the Value of a Concession Contract (Regulation 9)

- 16) The value of a concession is to be calculated on the basis of the total turnover of the concessionaire generated over the duration of the contract, net of VAT, as estimated by the contracting authority or the utility, in consideration for the works and services that are the object of the concession as well as for the supplies required for such works and services. An example of the latter is if a concessionaire gains an economic benefit from providing the resources used in delivering the concession.
- 17) On occasions the estimated value of the concession contract pre-procurement may be different than the value established at the moment of the award. Typically, several parameters of the concession (fee to be expected from the users, duration, lump sum payments stipulated by the concessionaire) may be subject to competition of the bidders. Consequently a second calculation of the value of the concession contract is required before award. If the value of concession at the time of the award (i.e. post tender) is **more than 20% higher** than the estimated value pre competition, then the value to be taken into account is the value of concession at the time of the award.
- 18) If the original estimated value was below the threshold (e.g. £3m) and had not been advertised in OJEU, and the actual value of the modified concession amounts to more than 20% more than the original estimate (e.g. £4.5m) and takes the estimate over the threshold, the contracting authority/utility will need to cancel the award and re-compete it following the provisions of the CCRI6. It is, therefore, worthwhile considering advertising concessions close to the threshold in OJEU.
- 19) The estimated value of the concession must be calculated using an objective method. The choice of the method used to calculate the estimated value of a concession cannot be made with any intention of excluding it from the scope of the CCRI6.
- 20) The CCRI6 helpfully lists several costs and payments to take into account when calculating the estimated value. The list not only includes costs associated with the delivery of the concession contract, but also costs associated with the actual procurement and financing of the concession such as any prizes or payments to candidates/tenderers. Assessing the operating risk requires the net present value of all the investments, costs and revenues associated with the concession contract to be taken into account in a consistent and uniform manner.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/528062/20160607_Handbook_for_the_Concession_Contracts_Regulations_2016_final.pdf

Value of Concession at or above threshold

- 21) The Council shall observe and apply the Concessions Contract Regulations 2016 (CCR16) where the values applies to concession contracts with a value greater than the threshold of as set out and calculated in line with Regulation 9 of CCR16— regardless of categorisation (works or services), see http://www.legislation.gov.uk/ukxi/2016/273/pdfs/ukxi_20160273_en.pdf
- 22) Concession thresholds for Services and Works can be found at the below: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/850566/PPN_for_New_Thresholds_2020_pdf.pdf

Below Threshold Concessions

- 23) The principles set out in this Procedural Note shall apply for Concession arrangements not covered by CCR16, with proportional consideration of CCR16 requirements considered.

Other Points of Consideration

- 24) In the context of business premises, the key issue is whether or not the business occupation might attract the protection of the Landlord and Tenant Act 1954 (“LTA 1954”), either utilizing a protected or unprotected lease.
- 25) Matters related to occupancy, leases and any implications on Tenancy and considerations on any Licencing matters shall be referred to Property Services.
- 26) For more guidance please refer to the following documents in conjunction with this Procedural note:
- i. The Public Contracts Regulations 2015
 - ii. The Concession Contracts Regulations 2016
 - iii. Handbook for the Concession Contracts Regulations 2016
- 27) To minimise risks and benefits for the Council, the Responsible Officer is responsible for consulting and seeking specialist support, the following service areas as a minimum are required to be consulted at the outset of any work in relation to Concession arrangements:
- i. Procurement Service
 - ii. Property Team
 - iii. Legal Services

Audit and Governance Committee



Date of meeting:	27 July 2020
Title of Report:	Purchasing Card Policy
Lead Member:	Councillor Chris Penberthy (Cabinet Member for Housing and Co-operative Development)
Lead Strategic Director:	Andrew Hardingham (Service Director for Finance)
Author:	Philip Symons
Contact Email:	Philip.Symons@Plymouth.gov.uk
Your Reference:	PSY27072020.b
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

This report seeks 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.

Recommendations and Reasons

I. That the committee approve the updated Purchasing Card Policy as set out in Appendix A.

The Purchasing Card Policy governs the use of Council issues Purchase Cards. The vast majority of the cards issued are to council officers for the process for purchases under £500. This can be used by officers where appropriate; as an alternative to engaging with the Procurement Service formally. This will facilitate effective processing and management of low value, low risk purchases.

The proposed changes to the Purchasing Card Policy follows a full review of the existing Policy. Primary changes include:

- i. Addition of the 'uplift' process; in exceptional circumstance a cardholder may require a temporary limit increase or to unblock a spend category. The process is now included within the policy.
- ii. Addition of 'Policy Governance' section; Importance of compliance with the constitution and the Contract Standing Orders therein and the national law and EU procurement law.
- iii. E-learning course must not only be taken prior to Purchasing Card being issued but mandatory each year. This will ensure that our cardholders are up to date with any changes or additional information that may be required in their responsibilities as cardholders. This will help to mitigate against non-compliance and potential fraud.
- iv. Rationalising the layout and structure of the document and supporting documents to aid clarity

- v. Updating to take into account the changing shape of modern day local government

The aims of the updates proposed are to aid the Council in the delivery of efficient and effective procurement arrangements in a manner that also supports necessary probity and accountability in how the Council spends public monies.

Alternative options considered and rejected

The proposals put forward refresh the current policy document and add relevant information to aide council officers in ensuring that they are not only compliant with the policy itself but also to the wider constitution.

The work in development of the Purchasing Card Policy has been informed from approaches applied elsewhere, take into account views from cardholders, and input from key internal stakeholders, including, Service Director, Finance, Audit and staff within the Service. As such the proposals within this report are deemed fit for purpose for the future needs of the Council.

It is noted that options other than recommending for approval are available, in particular these would be to propose relevant changes with relevant grounds for those changes or indeed to reject the proposed approach providing with clear grounds and reasons why. Please note that 'no change' is not an option; the amends put forward contain necessary additions to ensure continued probity and accountability.

In the event of either of the above circumstances then clear direction should be provided to enable necessary adjustments to be carried out.

Relevance to the Corporate Plan and/or the Plymouth Plan

The Purchasing Card Policy sets out the expected standards and overall governance for all cardholding officers. In most cases this is low value transactional spend across the council to aide departments to be flexible and mitigate business continuity.

However the total spend per year is approx. £1.3million and our policy, training and supporting guidance documents should be fit for purpose and provide the necessary governance to ensure that officers spending money on behalf of the Council are being lawful as well as delivering value for money.

Implications for the Medium Term Financial Plan and Resource Implications:

There will be the need to undertake necessary communications and training to staff and members around the changes and how best to ensure that the policy is complied with. These cost would be covered within existing resource / budgets.

Carbon Footprint (Environmental) Implications:

Specific purchases themselves applying the policy and processes therein will take into account implications around things like: carbon footprint, green spaces, environmental policies and the climate emergency.

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

* When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.

Core implications and risks associated directly with this report are that the proposed changes either are not adhered to or followed as intended. The risks of not adopting the changes are:

- Potential non-compliant activity with the Contract Standing Orders
- Not taking the opportunity to streamline current processes and procedures to make them more proportional around activities required to risks presented

Appendices

*Add rows as required to box below

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
A	Purchasing Card Policy – including supporting documents							

Background papers:

*Add rows as required to box below

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
	1	2	3	4	5	6	7
n/a							

Sign off:

Fin	akh.2 0.21.4 7	Leg	LS/35 040/J P/160 720	Mon Off		HR		Asset s		Strat Proc	HG/PS/550 /ED/0720
Originating Senior Leadership Team member: Andrew Hardingham											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 14/07/2020											

Cabinet Member approval: *approved by email Cllr Chris Penberthy*

Date approved: 17/07/2020

PURCHASING CARD

Policy



INTRODUCTION

Plymouth City Council have introduced a process for purchases under £500. This can be used by Officers where appropriate; as an alternative to the procurement process. This will facilitate effective processing and management of low value, low risk purchases.

To facilitate this process a Purchasing Card can be utilised to simplify the purchasing of goods and services below £500, but must be used in line with the Purchasing Card Working Instructions.

(ADD LINK)

For all Purchases above £500 Officers are required to follow and adhere to the Council's Contract Standing Orders. **(ADD LINK)**

PLEASE NOTE: The issue of Purchasing Cards to **NEW** applicants will not be approved until the e-learning training course has been undertaken by both the Card Holder and the Approver.

All Purchasing Card holders and Approvers will be required to have an individual email address to undertake the training. Generic/shared mailbox email addresses will not be permitted.

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I. What is a Purchasing Card?

- I.1** A Purchasing Card is a Visa Purchasing Card similar to a personal debit/credit card that is issued by the Council's bank to enable low value purchases of Supplies and Services to be made quickly and efficiently. The Purchasing Cards are purposed to eliminate much of the traditional paperwork surrounding the Procurement process; whilst being fully compatible with VAT accounting requirements.
- I.2** The Purchasing Card looks like a normal debit/credit card but it is in fact a charge card. The difference being that the total balance on the cards monthly statement must be settled in full.
- I.3** Embossed on the card will be the following details:-
- Plymouth City Council
 - Your Name
 - Expiry Date
 - Card Number
- I.4** Purchasing Cards offer flexibility to procurement procedures, whilst reducing the volume of purchase orders and improving the cost effectiveness of processing transactions without comprising the Council's financial controls.
- I.5** Payments to suppliers will be made quickly via the Council's bank by visa once the goods have been despatched and payment claimed. This will enable the Council to meet its Prompt Payment obligations.

PLEASE NOTE:

- Your card is to be used for Council business expenditure **ONLY**.
- Personal use of a Purchasing Card by an employee is strictly prohibited.
- Deliberate or negligent misuse of the Purchasing Card may result in the withdrawal of the card.
- Serious misuse could result in disciplinary action being taken against both the Card Holder and the Approver.

2. Management of Purchasing Cards

- 2.1** The Procurement Service will be responsible for the authorisation of all applications and governance of this the supporting policy.
- 2.2** The Transaction Centre will be responsible for the issue of your Purchasing Card including liaising with the issuing bank.
- 2.3** The Financial Systems Team will be responsible for the operation of the software and the flow of information between Visa, the Council's Purchasing Card system and the Council's Financial System. They will provide system advice, guidance and technical support.

Contact Details:-

Procurement Service – procurement@plymouth.gov.uk

Financial Systems Team – finansys@plymouth.gov.uk

Transaction Centre – Creditors@plymouth.gov.uk

- 2.4** The Procurement Service will also serve as authority on the approval of any requests that fall outside of the set criteria of the Standard PCC Officer Card (Section 4).
- 2.5** In exceptional circumstances an uplift may be required. For clarity an 'uplift' is defined as a request to:
 - Raise the individual transaction limit
 - Raise the monthly card limit
 - Unblock a blocked category.

Requests must be made to the Procurement Service; who when appropriate will seek approval from the Section 151 officer.

Request should include the following information:

- a. Name of cardholder to be uplifted;
- b. Proposed uplift amount(s) / categories;
- c. Robust justification for why they need the uplift including examples of purchases they may need to buy alone is not a valid justification;
- d. Confirmation from card-holder line manager that the request is approved.

3. What are the Benefits?

3.1 The use of a Purchasing Card will deliver the following benefits:-

Plymouth City Council

- Streamlines Procurement Process
- Increased Purchasing Efficiency
- Comprehensive Management Information
- Identification of key spend/suppliers to enable discounted preferred supplier contracts to be let
- Empowers Staff
- Settlement with one monthly direct debit payment
- Assists with the Council's Prompt Payment obligation

The Cardholder

- Reduction in raising purchase requisitions and receipting
- Convenience to place an order via a phone call or online from secure websites
- Faster delivery times
- Empowerment; entrusted as a cardholder
- Procurement available 24/7

Suppliers

- Paid within 3 - 4 working days
- Improves cash flow
- Reduction in credit control

4. **Who should have a Purchasing Card?**

- 4.1 Purchasing Cards can be issued to appropriate Officers/Employee's that have been nominated by their departments with line management approval to make purchases valued below £500. Only permanent staff are eligible for procurement cards following minimum 6 months employment or Service Director Approval in exceptional circumstances.
- 4.2 The Council has a set of 6 pre-determined cardholder types with the majority of cardholders requiring a Standard PCC Officer or a Standard School Employee card. All other card requests will require approval and justification from the Procurement Service.
 - **Standard PCC Officer** – to procure up to the value of £500 in a single transaction with a maximum monthly credit limit of £2,000.

PLEASE NOTE: the following merchant spend groups will be restricted due to internal processes or corporate contracts being in place.

Category 04 – Utilities & Non-Auto Fuel
Category 05 – Telecommunication Services
Category 10 – Staff – Temporary Recruitment
Category 11 – Business Clothing & Footwear
Category 19 – Office Stationery/Equipment/Supplies
Category 20 – Computer Equipment & Services
Category 21 – Print & Advertising
Category 26 – Automotive Fuel
Category 34 – Cash

- **Standard School Employee** – each school will determine their own single transaction and monthly credit limits.
- **PCC Procurement Service** – will be able to procure up to the value of £5,000 in a single transaction with a maximum monthly credit limit of £50,000. However merchant **category 34** (as detailed above) will be restricted.
- **Emergency Response** – these cards are held by nominated officers who are responsible for co-ordinating emergency procurements during a disaster recovery situation. There are no category restrictions for these card holders.
- **Lodge Card** – where high volume orders and payments are made to a single supplier. A card can be lodged with the supplier whereby all purchases/payments will be taken from that card removing the need to provide card details each time a transaction is made.
- **Chief Officers** – to procure up to the value of £10,000 in a single transaction with a maximum monthly credit limit of £50,000.

5. How do I become a Card Holder?

- 5.1** To apply for a Purchasing Card your line manager will have to complete the application form via DASH (Firmstep) ([Purchase Card Application](#))
- 5.2** As the line manager you will need the proposed card holder's full name, nationality, DOB, Personnel No, Start date at PCC, office address and select which card holder type is required as detailed in Section 4.
- The completed application will then be sent to the Procurement Service (procurement@plymouth.gov.uk) for authorisation. If the application is unsuccessful the Procurement Service will provide feedback.
 - Following application approval a declaration will automatically be sent to the applicant and the applicants line manager advising that successful completion of the mandatory e-learning module for both the Card Holder and the Approver is required. The Purchasing card will **NOT** be released until both these have been successfully completed.
 - Once successful completion of the e-learning for **both** the Card Holder and Approver has been received, you will be advised when appropriate that your Purchasing Card is ready for collection from the Transaction Centre.
 - On collection please bring a form of identification with you. Your Employee identification will be deemed as acceptable. Failure to bring satisfactory identification with you will result in the Transaction Centre being unable to release the Purchasing card to you.

PLEASE NOTE: In most cases card holders will either request a Standard PCC Officer or a Standard School Employee Card.

For all Purchasing Card request that are **NOT** Standard PCC or School Employee Cards, please contact Procurement Service at procurement@plymouth.gov.uk to seek further guidance prior to submitting your application form.

6. Controls

- 6.1 Transaction Limit** - This is the total amount you can spend on any **SINGLE** transaction. Purchases **MUST NOT** be split to circumvent this rule and any breach will result in the purchasing card being withdrawn.
- 6.2 Monthly Expenditure Limit** - This is the total amount you can spend on your card each month i.e. the credit limit. This is from the 1st of one month to the 1st of the next.

PLEASE NOTE: Both the Transaction and Monthly Expenditure Limit are inclusive of VAT and delivery charges.

- 6.3 CHIP & PIN** - All cards have a PIN number issued to the Card Holder. This can be changed by the Card Holder if required at any Barclays ATM.
- 6.4 Merchant Category Group (MCG) Code Blocking** - Each supplier capable of accepting your Purchasing Card will be classified by a Merchant Category Group code (of which there are 34). In order to ensure that the Council has full control and visibility of transactions there are certain codes which are blocked (see section 4). Limiting purchases from specific suppliers ensures safeguarding compliance with organisational policies. If a cardholder attempts to make a purchase from one of these suppliers, the transaction will be declined.
- 6.5 Transaction Log** - The completion of a Transaction Log is not necessary in all situations. Due to the speed that Purchasing Card transactions appear this form will be unnecessary for many low user cardholders. However, where cardholders are purchasing more frequently; especially on behalf of others then it is acceptable for a Transaction Log to be used. It enables prior coding and the opportunity to monitor the receipt of the goods and documentation. A template can be found at the following link ([Transaction log](#))
- 6.6 Purchasing Card Audits** - Purchases made with a Purchasing Card are subject to audit/review by appropriate council personnel. External auditors may also review Purchasing Card documentation if warranted. For these reasons, it is important that all receipts/invoices are scanned and attached electronically to the purchase record on Purchasing Card system. There is no need to keep the paper original once this action has taken place.

7. What should you NOT purchase with a Purchasing Card?

- 7.1** You must **NOT** use your Purchasing Card for any of the following:
- Obtaining cash (from ATM's, or anywhere else)
 - Personal use
 - Entering into a continuous credit arrangement
- 7.2** If you use your Purchasing Card in any of the aforementioned methods; it may result in card withdrawal and disciplinary proceedings.
- 7.3** If you are uncertain whether to use your Purchasing Card for your purchase, please discuss what you would like to purchase with the Procurement Service or the Transaction Centre.

Contact Details:-

Procurement Service – Procurement@plymouth.gov.uk

Transaction Centre – Creditors@plymouth.gov.uk

8. What responsibilities does a Card Holder have?

- 8.1** Cardholders are **responsible and accountable** for **ALL** purchases made on their card.

As a cardholder, you **MUST**:

- Complete mandatory e-learning course
- Ensure you have undertaken the necessary training via e-learning, read and understood the Working Instruction guidance and sought advice from appropriate sources if unsure on any points within this Policy and/or its supporting documents.
- Review transactions on a weekly basis, failure to do so will result in your card being suspended.
- Prevent unauthorised use by keeping your card in a secure place, just as one would a personal credit card. Do not leave it on your desk or in an unlocked drawer. If you put your card in your wallet or purse, make sure that it is away from your own personal credit cards so that it is not used in error.
- If you change your name, office or statement address, transfer to another job/department, you must email the Transaction Centre who will notify the bank and a new card will be issued if necessary.
- If your card is cancelled/reissued you must destroy your card by either shredding it or cutting it into pieces ensuring you cut through the 3 digit security code and the 16 digit card number prior to disposal.
- If you leave employment of the Council; your line manager will request the return of your card as part of the leaver's checklist.
- Within working hours, if the cardholder suspect their card has been lost, stolen, misused or that the PIN number has been compromised; the cardholder must immediately email the Transaction Centre who will notify the Bank and your card will be cancelled and a replacement will be issued.
- If Out of working hours, please contact the Bank direct on 0800 161 5308 where you will need to give them all the information that you have pertaining to the loss, theft or misuse.
- Once you have reported the loss, theft or misuse of a card you must not use the card it must be destroyed as previously detailed.

PLEASE NOTE: The mandatory e-learning course must be taken each year by the anniversary of your card issue date. Failure to do so within 28 days of this date will result in your card limit will be reduced to £0 until the training is completed.

9. What responsibilities does a Card Holder's Approver have?

9.1 As an Approver of a cardholder, you **MUST:**

- Complete mandatory e-learning course
- Ensure you have undertaken the necessary training via e-learning, read and understood the Working Instruction guidance and sought advice from appropriate sources if unsure on any points within this Policy and/or its supporting documents.
- Approve transaction on a weekly basis.
- Ensure that your cardholders adhere to the guidance and instructions within the Policy
- If a Card Holder leaves the Council you must collect their card as required within the leavers checklist, notify the Transaction Centre and destroy it by either shredding it or cutting it into pieces. Please ensure you cut through the 3 digit security code and the 16 digit card number prior to disposal.

10. How do I cancel a Purchasing Card?

10.1 To cancel a Purchasing Card please contact the Transaction Centre (This can be done by the cardholder or approver) providing the following details:

- Full name of the Card Holder
- The last 4 digits of the card number (The 16digit long number on the front of the card)
- Confirm that the card has been destroyed by making a cut through the 3 digit security code, the 16 digit card number and the signature strip on the back of the card. Carefully dispose of the pieces in appropriate separate waste bins.

11. Policy Governance

11.1 In applying the Purchasing Card Policy due regards must be taken to complying with:

- All relevant national law and EU procurement law;
- The Constitution, including the Contract Standing Orders as part of Section H of the Financial Regulations.
- Terms and Conditions of use contained within this Policy.

11.2 Deliberate or negligent misuse of the Purchase Card may result in the withdrawal of the card. Serious misuse could result in disciplinary or criminal action being taken against the cardholder. Procurement will support this process where required. Regular updates will be provided to the Section 151 Officer.

11.3 The mandatory e-learning course must be taken each year by the anniversary of your card issue date. Failure to do so within 30 days of this date will result in your card limit will be reduced to £0 until the training is completed.

11.4 Transactions made using the Purchasing card must be reviewed and approved; following the guidance within the BSM Reviewer / Approver guides. If this is not done within 28 days of the transaction(s) the Purchasing card spend limit will be reduced to zero until the outstanding transaction(s) have been approved and processed. Persistent non compliance may result in your card being suspended.

12. Terms and Conditions of use

The Terms & Condition of use as set out below are issued to all card holders of Purchasing Cards within Plymouth City Council.

12.1 Signing the Card - Sign the back of the card as soon as you receive it. By signing the Purchasing Card you are also acknowledging and accepting the respective Terms & Conditions of use as set out below; compliance is mandatory to continue to use your card.

PLEASE NOTE: If you **do not accept** the Terms & Conditions of use, please cancel your Purchasing Card as set out in section 10.

12.2 Use of the Purchasing Card - The Card is issued to you for the purposes of assisting you in the purchase of goods and services which are necessary to be procured in the course of your duties as an officer or employee of Plymouth City Council. The cardholder must follow the established procedures in the use of the Purchasing Card and use the Purchasing Card only for purchases which are:

- Purchases made on behalf of Plymouth City Council, and/or
- Have been duly authorised or are within your authority to make.

12.3 The Purchasing Card **cannot** be used for any other purpose. Any use of the Purchasing Card for your private purposes is unauthorised and could result in disciplinary or even criminal proceedings.

12.4 The cardholder must use the Purchasing Card **only** within the expenditure and usage limits as set out by the Cardholder Type (Section 4).

12.5 The cardholder **must not** use the Purchasing Card in a manner that is prohibited by law.

12.6 The cardholder **must not** use the Purchasing Card before the commencement date or after the expiry date printed on the face of the Purchasing Card.

12.7 In using the Purchasing Card; the cardholder must comply with such verification and security procedures as are from time to time notified to you by the Procurement Service/Transaction Centre and/or the Bank.

12.8 The Purchasing Card may not in any circumstances be used to guarantee payment of any cheque to a third party or as evidence of identification to support the encashment of a cheque or to obtain cash.

12.9 The cardholder may be held responsible for and be required to pay for any transaction made using the Purchasing Card that is in breach of or arises out of a breach of these Terms & Conditions of Use.

12.10 Use of the Purchasing Card as a form of payment does not affect the applicability of relevant procurement legislation or Plymouth City Council Contract Standing Orders.

13. Care of the Purchasing Card and Security

- 13.1** The cardholder will be responsible for taking proper care of the Purchasing Card and will not allow any other person possession of the Purchasing Card; or to use the Purchasing Card; or to use the information on the Purchasing Card for the purpose of purchasing goods.
- 13.2** The cardholder must follow the appropriate guidance within Section 8, if you become aware, or suspect that the Purchasing Card has been lost, stolen or damaged or is being used, or the information on the Purchasing Card is being used by someone else.
- 13.3** The cardholder must log onto Barclaycard Spend Management (BSM) weekly even if you have not used your Purchasing Card to ensure that there are no fraudulent transactions. If there are; these need to be reported to your line manager/Approver and the Transaction Centre.
- 13.4** The cardholder will keep all receipts or vouchers and information issued to you on making a transaction using the Purchasing Card and either file electronically by attaching to the purchase transaction within the Barclaycard Management System and/or retaining electronically within your Department.

14. Property

- 14.1** The Purchasing Card is the property of The Council Bankers. Your right to use the Purchasing Card may be cancelled, suspended or restricted at any time. You will give the Purchasing Card back to the Transaction Centre immediately upon request or follow instructions within Section 10 if instructed to cancel your Purchasing Card.

15. Miscellaneous

- 15.1** The Terms & Condition of Use and all matters arising out of the issue or use of the Purchasing Card are subject to the Laws of England.
- 15.2** These Terms & Condition of Use may be amended at any time by agreement between Plymouth City Council and Barclays Bank.

PLEASE NOTE: Deliberate or negligent misuse of the Purchase Card may result in the withdrawal of your card. Serious misuse could result in disciplinary or criminal action being taken against you.

PURCHASING CARD

Frequently Asked Questions



What is a Purchasing Card?

A Purchasing Card is a Visa Purchasing Card similar to a personal debit/credit card that is issued by the Council's bank to enable low value purchases of Supplies and Services to be made quickly and efficiently.

For further guidance please refer to Section I of the Purchasing Card Policy.

How are the Purchases monitored & controlled?

Purchasing card transactions are monitored & controlled via an online system provided by the issuing bank, Barclays Spend Manager (BSM). The system provides visibility and control to both the cardholder and approver and is audited by the Finance team.

For further guidance please refer to the mandatory e-learning modules and the BSM Work Instruction.

Can I use my Purchasing Card for my own personal use?

Purchasing cards can **NEVER** be used for personal use; not in any circumstance. Use of the Purchasing Card for personal use may be subject to further action under the Council's disciplinary procedures.

For further guidance please refer to Section 7 of the Purchasing Card Policy.

A colleague needs to make a purchase when I am unavailable. Can I give them access to my card details to do this?

Purchasing cards should only ever be used by the named cardholder; sharing your card details constitutes as non-compliance with the Purchasing card conditions of use.

For further guidance please refer to Section I I of the Purchasing Card Policy.

How are transactions charged to the correct cost centre and correct detail code?

Default cost centres are assigned to all Purchasing cards upon setup based upon the information provided in the application process. This will be the default cost centre for all transactions unless manually changed in the BSM system. Transactions can also be charged to more than one cost centre if required through the BSM system.

Merchant Category Codes (MCC) are assigned to all retailers that defines what type of retailer they are.

PLEASE NOTE: It is important that if you change role or department that the Transaction Centre is made aware so that the default cost centre can be amended if necessary.

Transaction Centre – Creditors@plymouth.gov.uk

For further guidance please refer to the mandatory e-learning modules and the BSM Work Instruction.

How do I change the cost centre that a transaction has already been charged to?

If a transaction requires the cost centre changed then please contact the Finance or Transaction teams.

Financial Systems Team – finansys@plymouth.gov.uk

Transaction Centre – Creditors@plymouth.gov.uk

There is a transaction I do not recognise / incorrect amount on Barclays Spend Manager, what should I do?

If you do not recognise the transaction then, where possible, contact the supplier. If you still do not recognise the transaction then you should;

- Report immediately to your Line manager/Approver;
- Report immediately to the Transactions Centre to advise them that there may be fraudulent activity on the card. In this case, do not use the card; wait for advice from the Transaction Centre. This may involve the issuing of a new card.

I have a query relating to the BSM system, who should I speak to?

Review the Cardholder e-learning modules as most queries will be addresses within, however if you have a question that is not covered/answered you will need to contact the Finance or Transaction teams.

Financial Systems Team – finansys@plymouth.gov.uk

Transaction Centre – Creditors@plymouth.gov.uk

Can temporary staff apply for Procurement cards?

No, only permanent staff are eligible for procurement cards following minimum 6 months employment.

I have not received login details for BSM?

Please contact the Finance Systems Team

Financial Systems Team – finansys@plymouth.gov.uk

PURCHASING CARD

Work Instructions



PLEASE NOTE: Please ensure that prior to commencement of Purchase; that the cardholder checks the Service or Supplies in question are within their single transaction limit and that their monthly spend limit has not been reached or will be exceeded by the purchase in question.

Both the Transaction and Monthly Expenditure Limit are **inclusive** of VAT and delivery charges.

DO NOT disclose your PIN number; this should not be disclosed to anyone. If you believe your PIN number has been compromised, please follow the instructions within Section 8 of the Purchasing Card Policy.

Process Ref #	Description	
1.	Identify the appropriate requirement for Service or Supplies	
2.	Estimate the value of the procurement; <ul style="list-style-type: none"> - Value below £500⁻¹ & there is NOT a corporate contract in place, use Purchasing Card - Value above £500⁻¹/Supplier unable to accept a Purchase card or there is a corporate contract in place, process Purchasing Requisition via Dash (Firmstep) 	
3a.	Purchasing via telephone Contact the supplier, place your order, provide required delivery address and request expected delivery date. The cardholder must also request the supplier to provide a VAT receipt/invoice ⁻² . To make payment the cardholder must then provide the card details the supplier requests; this is typically: <ul style="list-style-type: none"> - Name on the card - Organisation Name eg/Plymouth City Council - Card number (16 digit number on front of card) - Expiry date - CVV number (3 digit security number on signature strip) 	
3b.	Purchasing via the internet Ensure that the website displays the secure-site symbol ⁻³ prior to entering card details. To make payment the cardholder must then provide the card details the supplier requests; this is typically: <ul style="list-style-type: none"> - Name on the card - Organisation Name eg/Plymouth City Council - Card number (16 digit number on front of card) - Expiry date - CVV number (3 digit security number on signature strip) 	

3c.	Purchasing in person Use CHIP & PIN authorisation and ensure you receive a receipt of purchase that includes VAT as per Section 6.	
4.	Upon receipt of your purchase ensure it is satisfactory. If a discrepancy is found, contact the supplier immediately to discuss/rectify.	
5.	Please ensure that you have received the VAT receipt/invoice. Contact the supplier until received.	

⁻¹ - Or alternative single transaction limit; please refer to Section 4 of the Purchasing card Policy.

⁻² - Where VAT is applicable, it is essential that the VAT receipt/invoice is sent directly to the cardholder. This is required in order for the Council to reclaim the VAT on the purchase.

⁻³ - Use a secure browser as this will scramble your personal data before sending it. These browsers show a broken key or padlock symbol, indicating the site is secure, at the bottom of the page. A secure site can also have https:// instead of http:// at the beginning of the address.

Never disclose your card or personal details via email. Instead, use secure areas of a site to enter any details, and if in doubt, order by telephone.

You should **never** disclose your card or personal details via email. Notifications sent electronically to the bank for example, should only show the last 4 digits of the card number.

Audit and Governance Committee

Work Programme 2020 - 2021



Please note that the work programme is a 'live' document and subject to change at short notice.

For general enquiries relating to the Audit and Governance Committee, including this Committee's work programme, please contact Jamie Sheldon, Senior Governance Advisor on 01752 304001.

Date of meeting	Agenda item	Responsible Officer	Reason for consideration
27 July 2020	Treasury Management Practices 2020/21	Chris Flower	Approve
	Treasury Management Outturn Report 2019/20	Chris Flower	Recommend to Full Council
	Purchasing Card Policy	Philip Symons	
	Contract Standing Orders	Philip Symons	
	Internal Audit Charter and Strategy	Brenda Davis	
	Internal Audit Plan 20/21	Brenda Davis	
	2019/20 Internal Audit Annual Report & Head of Audit Opinion	Brenda Davis	
	DAP Response to Covid-19	Brenda Davis	
	2019/20 Counter Fraud Services Annual Report	Ken Johnson	
	Strategic Risk Register	Julie Hosking	
21 September 2020	Member Development Annual Report	Andrew Loton	
	The Local Government and Social Care Ombudsman Annual Review 2019/20	Helen Cocks	
	Annual Governance Statement	Julie Hosking	
	Health and Safety Annual Report	Kim Brown	
7 December 2020	Treasury Management Strategy 2021/22	Chris Flower	Recommend to Full Council
	Treasury Management Mid-year Report	Chris Flower	Note

Date of meeting	Agenda item	Responsible Officer	Reason for consideration
22 March 2021	Treasury Management Practices 2021/22	Chris Flower	Approve