



**Oversight and Governance**

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**AUDIT AND GOVERNANCE COMMITTEE**

Monday 26 July 2021  
3.00 pm  
Warspite - Council House

**Members:**

Councillor Dr Mahony, Chair  
Councillor Lowry, Vice Chair  
Councillors Bingley, Evans OBE, Laing and Shayer.

Mr Shipperley – Independent Member.  
Two Independent Member vacancies

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 2021/ 2022**

For the Committee to note the appointment of Councillor Dr Mahony as Chair, and Councillor Lowry as Vice Chair for the municipal year 2021/22.

**2. Appointment of Independent Member**

For the Committee to consider the appointment of an independent member of the Audit and Governance Committee.

**3. Apologies**

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

**4. Declarations of Interest**

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

**5. Minutes (Pages 1 - 6)**

To confirm the minutes of the meeting held on 22 March 2021.

**6. Chair's Urgent Business**

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

**7. Grant Thornton: Plymouth City Council Governance Review: (Pages 7 - 30)**

**8. Plymouth City Council Audit Progress Report and Sector Update - Grant Thornton: (Pages 31 - 56)**

**9. Audit Actions Review: (Pages 57 - 66)**

**10. Internal Audit Annual Report 2020/21: (Pages 67 - 98)**

**11. Internal Audit Charter and Strategy 2021/22: (Pages 99 - 132)**

**12. Counter Fraud Services Annual Report 2020/21: (Pages 133 - 142)**

- |                                                                     |                          |
|---------------------------------------------------------------------|--------------------------|
| <b>13. Committee Training Programme:</b>                            | <b>(Pages 143 - 146)</b> |
| <b>14. Annual Report on Treasury Management Activities 2020/21:</b> | <b>(Pages 147 - 166)</b> |
| <b>15. Strategic Risk and Opportunity Register:</b>                 | <b>(Pages 167 - 186)</b> |
| <b>16. Health, Safety and Wellbeing Annual Report 2020 -2021:</b>   | <b>(Pages 187 - 224)</b> |
| <b>17. Work Programme:</b>                                          | <b>(Pages 225 - 226)</b> |

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## **Audit and Governance Committee**

**Monday 22 March 2021**

### **PRESENT:**

Councillor Parker-Delaz-Ajete, in the Chair.  
Councillor Nicholson, Vice Chair.  
Councillors Jordan, P Smith and Stevens.

Co-opted Representatives: Mr Shipperley.

Also in attendance: Geri Daly (Lead Auditor - Grant Thornton), Brendan Arnold (Service Director for Finance), Brenda Davis (Audit Manager), Chris Flower (Finance Business Partner for Capital and Treasury Management), Phil Symons (Category Manager (Governance and System), Councillor Penberthy (Cabinet Member Housing and Co-operative Development), Giles Perritt (Assistant Chief Executive), Craig Moodie (Senior Auditor), Glenda Favor-Ankersen (Head of Electoral Services), Rob Sowden (Senior Performance Advisor), Jamie Sheldon (Senior Governance Advisor) and Helen Rickman (Democratic Advisor).

The meeting started at 3.00 pm and finished at 4.00 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.*

107. **Declarations of Interest**

There were no declarations of interest made by Members in accordance with the code of conduct.

108. **Minutes**

The minutes of 30 November 2020 were approved as an accurate record of the meeting.

109. **Chair's Urgent Business**

There were no items of Chair's Urgent Business.

### **Order of Business**

The Chair agreed to change the order of business to facilitate good meeting management.

110. **External Audit Progress Report (To Follow)**

Geri Daly (Lead Auditor - Grant Thornton) presented the External Audit Progress Report to the Committee. Key points highlighted included:

- (a) the original audit plan reported the following areas of focus: valuation of property, plant and equipment, valuation of pension liability, reduction of the

net Pension Liability through the use of Miel Ltd, accounting treatment for Government Grants, and standard risks including management over-ride controls through journals testing and financial instruments;

- (b) there was an addition to the Audit Plan in 19/20 regarding the Miel pension liability transaction – several recommendations had been made to the Audit and Governance Committee throughout the year however it was considered that sufficient progress had not been made against those recommendations. Therefore an additional area of focus was added include a specific review of the governance and due diligence arrangements regarding Miel transactions and the progress made against those recommendations;
- (c) auditors continued to test financial instruments; some amendments would be made to them. Officers were obtaining further information regarding fair values.

The Committee queried the valuations of land and assets, specifically with regards to desktop reviews, and it was clarified that valuations had taken place and various assumptions had been made for desktop reviews. It was highlighted that the valuations in the report focused upon the 2019/20 financial year therefore the impact of the Covid19 pandemic was minimal – there would be more material uncertainty regarding land and assets in 2020/21. There was a focus on asset valuation in recent years however this was considered to be driven by the commercial sector.

Members noted the External Audit Progress Report.

111. **External Audit - 2019/20 Audit Plan - Update (To Follow)**

Geri Daly (Grant Thornton) advised the Committee that the External Audit 2019/20 Audit Plan Update was required to be submitted to the Committee as a change had been made to the plan however this was covered above in minute 110 External Audit Progress Report.

Brendan Arnold (Service Director for Finance) took the opportunity to thank the external audit team for their hard work in undertaking the audit – this was echoed by Members of the Audit Committee.

112. **Internal Audit Plan 2021/22**

Brenda Davis (Audit Manager) presented the Internal Audit Plan 2021/22. Key points highlighted to the Committee included:

- (a) the Public Sector Internal Audit Standards (PSIAS) required the Council to periodically prepare a risk-based plan of Internal Audit activity designed to support an annual opinion on the effectiveness of the systems of governance, risk management and internal control; this was informed by the audit strategy, consultation with stakeholders and a dynamic assessment of risks;
- (b) Internal Audit officers had liaised with senior management to develop the 2021/22 Audit Plan however the plan was flexible in order to incorporate, as appropriate, any new risks which may arise. Any changes to the 2021/22 Audit Plan would be brought back to the Audit and Governance Committee;

- (c) Devon Audit Partnership would continue to investigate instances of potential fraud and irregularities and would also conduct pro-active anti-fraud and corruption testing of systems considered to be most at risk to fraud;
- (d) during the unprecedented COVID 19 crisis the Government provided a package of support mechanisms for individuals and business and the Department for Business, Energy and Industrial Strategy (BEIS) require proportionate 'assurance' that the Governments Grant Funding for schemes has been used to support only those who were legitimately entitled to claim. The DAP Internal Audit and Counter Fraud Team are working collaboratively to provide assurance to the Council.

Key areas of questioning from Members included:

- (e) the auditing process for covid support government grants for businesses – would this form part of the audit plan for 21/22, how much time would be allocated to audit this area of work, what was the nature and the process of the audit?
- (f) would work identify fictitious companies that were set up fraudulently in order to benefit from these grants?
- (g) were officers finding it more difficult to recover proven fraudulent overpayments?

The Committee offered their thanks to Brenda Davis and her team for their hard work in robustly auditing cases of fraud.

Under this item Brendan Arnold (Service Director for Finance) advised Members that the audit activity in relation to grant payments would form part of the audit when the financial year closed in March 2021 – officers had already began to pull together papers linked to several grants in a user friendly format in order to assist external auditors undertake necessary risk assessments and checks in the future.

Members approved the Internal Audit Plan for 2021/22.

#### 113. **Treasury Management Practices, Principles and Schedules 2021/22**

Chris Flower (Finance Business Partner for Capital and Treasury Management) presented the Treasury Management Practices, Principles and Schedules 2021/22 report. Members were advised that it was a requirement of the CIPFA code to present this report to the Audit & Governance Committee; this was a technical document in terms of the amount of detail included and covered cash-flow, forecasts, cash management, electronic banking, counter parties, dealing limits, anti-money laundering procedures and training qualifications. No revisions had been included in the report.

Members agreed 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.

**114. Purchasing Card**

Phil Symons (Category Manager (Governance and System) and Councillor Penberthy (Cabinet Member Housing and Co-operative Development) presented the Purchasing Card update. Members were advised that the purchasing card policy had been submitted to the Audit and Governance Committee previously however now had been updated to ensure it was robust, specifically with regards to fraud and misuse. The document contained track changes which highlighted the amendments.

Key areas of questioning from Members included:

- (a) whose ultimate responsibility was it for checking purchases made on the card? The line manager who authorised the purchase or the Service Director for Finance?
- (b) what measures were checked in order to ensure the card was not being used fraudulently or misused?

The committee approved the updated Purchasing Card Policy.

**115. Internal Audit Report: Executive Office - Electoral Registration 2020/21**

Giles Perritt (Assistant Chief Executive), Craig Moodie (Senior Auditor) and Glenda Favor-Ankersen (Head of Electoral Services) presented the Internal Audit Report: Executive Office – Electoral Registration 2020/21 report.

Key points highlighted to Members included:

- (a) the report provided a progress update upon the audit of the electoral register following the May 2020 local elections; the new process involved in administering the Reformed Annual Canvass of Electors and redeployment of a number of electoral services team member caused the delay in starting the audit (which commenced in November 2020);
- (b) the Council had benefitted from the advice of Devon Audit Partnership's system approach as well as the Association of Electoral Administrators who focused in more detail at specific registration and electoral preparation issues;
- (c) the review focused around developing a zero tolerance approach to avoidable mistakes linked to data manipulation and the preparation of registers;
- (d) in terms of formal assurance, the review focused upon three specific areas: high levels of governance, the level of transparency demonstrated by the Council and its use of subject area experts;
- (e) a change in risk environment was identified as electronic means were used

to engage with the electorate; this changed the risk as handling paper was different to handling electronic data. The Civica Xpress Electoral Management System also lacked formal control in terms of data handling;

- (f) it was identified that quality was about maintaining and enhancing senior management expectations of operational quality and assurance through the process of providing stakeholders with demonstrable compliance with agreed internal administrative processes and standards – the team would work on that so stakeholders had ongoing levels of assurance.

Members noted the update.

116. **Operational Risk & Opportunity Management Update Report**

Rob Sowden (Senior Performance Advisor) presented the Operation Risk & Opportunity Management Update Report. Key points highlighted to Members included:

- (a) the position with regard to Operational Risk Register monitoring was last reported to the Audit and Governance Committee on 21 September 2020; report provided a summary of the latest monitoring exercise covering the position as at 28 February 2021;
- (b) following the most recent review, the number of operational risks totalled 111, with two red risks, 63 medium risks and 46 green risks. Those identified as red risks were required to be managed down urgently. The first red risk related to the Council's expenditure exceeding the resources available however the budget had now been set by the Council and work could continue during the financial envelope. The second red risk linked to the failure to obtain the Public Service Network compliance from the Cabinet Office however this was being addressed by the Information Governance Manager – a new submission was being prepared.

The committee noted and endorsed the current position with regard to the Operational Risk and Opportunity Management report.

117. **Work Programme - verbal**

Jamie Sheldon (Senior Governance Advisor) advised Members that next year's work programme would contain standing items which were required to be carried forward, however Members were encouraged to contact the Chair or Lead Officer with any other additional items they would like to be considered.

Members noted the work programme.

Under this item Councillor Pete Smith proposed a vote of thanks from the Committee to Councillor Parker-Delaz-Ajete for her hard work in chairing the Audit and Governance Committee, as well as her work with Devon Audit Partnership.

The Chair thanked officers for their support over the year.

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# Audit and Governance Committee



Date of meeting:	28 July 2021
Title of Report:	<b>Grant Thornton: Plymouth City Council Governance Review</b>
Lead Member:	Councillor Nick Kelly (Leader)
Lead Strategic Director:	Brendan Arnold (Service Director for Finance)
Author:	Giles Perritt (Assistant Chief Executive)
Contact Email:	<a href="mailto:giles.perritt@plymouth.gov.uk">giles.perritt@plymouth.gov.uk</a>
Your Reference:	
Key Decision:	No
Confidentiality:	Part I - Official

## Purpose of Report

The Council's external auditors, Grant Thornton have undertaken a review which considers the Council's governance arrangements in relation to two transactions it undertook. The first, in October 2019 related to management of its pension deficit and the second, in April 2020, related to an interest rate swap with Santander Bank.

The review, which is attached at Appendix B, sets out a number of actions which Grant Thornton recommend that the Council undertakes to improve its governance arrangements, both in respect to any future transactions of a similar nature and to enhance its overall governance framework.

This report asks the Audit and Governance Committee to consider the review and seeks endorsement of the action plan recommended by Grant Thornton and the Council's response.

## Recommendation and Reasons

That the Audit and Governance Committee:

1. Considers the Grant Thornton Governance Review at Appendix B of this report
2. Endorses the Action Plan recommendations and the Council's response
3. Agrees that arrangements are put in place to ensure that progress in the delivery of the Council's response is monitored and managed in line with recommendation four of the Action Plan

The Council's response to the recommendations of the action plan will, when implemented provide enhanced governance arrangements for important decisions and provide assurance that the Council seeks to reach and maintain the highest standards in its stewardship of its resources.

## Alternative options considered and rejected

Grant Thornton has prepared the Governance Review and action plan in line with its responsibilities under the Local Audit and Accountability Act 2014, and the Council should pay due regard to its findings and recommendations.

### Relevance to the Corporate Plan and/or the Plymouth Plan

The Council's response to the Governance Review reflects both the values within the Corporate Plan of responsibility and fairness, and reinforces the commitment to providing value for money.

### Implications for the Medium Term Financial Plan and Resource Implications:

The Governance Review does not consider the legality of the transactions that are within its scope. Any financial implications that arise from the transactions themselves will be the subject of separate consideration. Resource implications relating to the response to the recommendations in the action plan will be addressed from within existing budgets.

### Carbon Footprint (Environmental) Implications:

None arising directly from the recommendations of this report, other than the positive impact of enhanced governance of any relevant future key decisions relating to environmental stewardship.

### 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.*

Recommendation three of the action plan relates to improvements in the Council's approach to financial risk management 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	Briefing report							
B	Grant Thornton Governance Review							

### 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
Pension deficit transaction delegated decision October 2019							
Audit and Governance Committee September 2020: Treasury Management update report							



**Sign off:**

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Originating Senior Leadership Team member: Brendan Arnold (Service Director for Finance)											
Please confirm the Strategic Director(s) has agreed the report? Date agreed: 06/07/2021											
Cabinet Member approval: Approved verbally Date approved: 06/07/2021											

## **Appendix A: Briefing report**

### **Introduction**

As the Council's external auditors, Grant Thornton have a responsibility to satisfy themselves that 'the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources' [Local Audit and Responsibility Act 2014]. In delivering this responsibility, Grant Thornton identified two transactions that the Council undertook in October 2019 and April 2020 where the governance arrangements were deemed appropriate for review.

The transactions identified were the reduction of the Council's pension deficit via the special purpose company transaction, a decision made in October 2019 and an interest rate swap with Santander Bank, a decision made in April 2020. The scope and approach for the review are set out in the report, and involved a detailed review of all relevant documentation relating to the transactions and interviews with a number of officers and elected members.

### **Findings**

At the highest level, Grant Thornton's findings with respect to the pension deficit transaction are that, whilst some aspects of the governance process did operate appropriately, in overall terms the governance arrangements did not adequately support informed decision making. Grant Thornton do not aim to suggest that innovative and unusual transactions should not be undertaken, but that in these situations governance arrangements should be strengthened. With respect to the interest rate swap, Grant Thornton's findings are that the decision to engage in the transaction was an innovative and unusual matter and as such should not have been managed solely as part of everyday treasury management activities.

Grant Thornton acknowledge that both transactions were undertaken and considered during a period when the Council had seen its funds significantly reduce over a number of years, and that consideration had to be given to unusual innovative solutions to make further savings to deliver a balanced budget and appropriate balances. Nonetheless, a number of concerns were raised with respect to the pension deficit transaction which Grant Thornton did not think were adequately addressed during the process, and the treatment of the interest rate swap decision within the delegated authority of the Service Director for Finance did not in their view acknowledge its unusual and innovative nature.

### **Action Plan**

In the Action Plan contained within the Governance Review, Grant Thornton have made eleven recommendations to the Council to enhance and improve governance arrangements for future transactions of this kind, and which will be of broader benefit to the Council in terms of overall governance of decision making.

The Council has carefully considered all of the recommendations in the Action Plan, and has produced a management response to each, where it has set out the actions that will be taken to address the issues raised, and the date by which the actions will be completed. All actions have deadlines for completion by October 2021, ie within twelve weeks of the publication of the review.



# Plymouth City Council Governance Review

**2019/20**

Final 28 June 2021

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

# Introduction and Background

This report considers the Council's governance arrangements in relation to two transactions that were undertaken:

- reducing the pension deficit via the special purpose company transaction (October 2019)
- interest rate swap with Santander Bank (April 2020).

These transactions were undertaken and considered during a period when the Council had seen its funds significantly reduce over a number of years. The Council has had to consider unusual innovative solutions to make further savings to deliver a balanced budget and a general fund balance of £10m. The Council has delivered £90m in savings since 2014. These decisions and the rationale behind these decisions were made within this context.

## Reducing the pension deficit

In October 2019 Plymouth City Council (the Council) invested circa £73m in the special purpose company to undertake a restructuring of the Council's pension fund deficit. Prior to this investment in April 2019 the former Section 151 officer sought assurance from us which we could not give in terms of our role as statutory auditor. We did however raise a significant number of issues in respect of this transaction which we asked for responses to during 2019. Our concerns were not, in our view sufficiently addressed, and the transaction took place in October 2019 regardless.

We reported our concerns to the Council's Audit and Governance Committee on four occasions, two of which were ahead of the transaction being undertaken:

- 22 July 2019
- 23 September 2019
- 9 December 2019; and
- April 2020.

## Interest rate swap

In April 2020, the Council initiated an interest rate swap with Santander bank. We were not made aware of this transaction until we received the draft accounts in August 2020. This transaction has raised considerable wider public interest in the sector. The aim of the interest rate swap was to reduce the Council's exposure to changes in the interest rate and to reduce the net cost of borrowing. It is considered good practice to raise proposed material transactions of an unusual nature with external auditors.

## Aim of this review

The Local Audit and Accountability Act 2014 requires that we must 'be satisfied...that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'. Based on the guidance provided within AGN 03 we are required to reach our statutory conclusion based upon the following evaluation criterion:

**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.**

We consider that these two transactions; reducing the pension deficit and interest rate swaps are a significant risk to our VfM conclusion and that the matter is of interest to the Council and the wider public.

## Scope

This review considered the governance arrangements that were in place for these transactions and included:

- Who made the decisions and the rationale for each decision
- If these decisions were made in line with the Council's Constitution, policies and its statutory powers and whether or not these arrangements provide the appropriate checks and balances to ensure decisions made by members are informed and supportable
- If the decisions were based on reliable and timely information and if this information was acted upon
- Whether the Council took and acted upon, appropriate professional advice
- If those charged with governance and other scrutiny functions were aware of what was planned and updated as and when decisions were made
- Where audit recommendations have previously been provided (pension deficit transaction) the arrangements to ensure that these recommendations are addressed and actioned.

This review has not considered the legality of the these transactions.

## Approach

Our approach included reviewing a range of documentation and interviews with a number of officers and elected members. We would like to thank all those who contributed and supported us in completing this review.

# Executive summary

## Reducing the pension deficit

Our findings do not aim to suggest that innovative and unusual transaction should not be undertaken but that the governance arrangements should be strengthened in these situations. We consider that, whilst some aspects of the governance process did operate appropriately, in overall terms the governance arrangements did not adequately support informed decision making with respect of the special purpose company transaction to reduce the pension deficit.

The special purpose company transaction was a key decision made by the Leader, although it was a published decision, all discussions prior to the decision were conducted within informal elected member meetings and internal officer meetings. Whilst in line with the Council's delegated decision making procedures the arrangements did not enable the transaction to be considered in an open and transparent way. Neither was the decision considered by Scrutiny.

An options appraisal was not developed and although a business case was produced it was not up to date. The business case did not clearly bring together and consolidate all the advice and possible options available to the Council. The approach taken was to provide the third party reports separately to the Leader, within which the options considered varied. The business case failed to fully consider all the possible options and advice and excluded one option that was suggested by the Council's advisors. As a result the Leader was not provided with documentation which clearly evaluated and accepted or rejected all options and key issues.

In addition the Council did not have an agreed approach for the approval of the business case for an unusual transaction such as this, which required additional capital expenditure and proposed significant revenue savings.

The risks posed by the special purpose company transaction were considered but were documented in a range of different documents including third party advice. The risks were not consolidated within one document and provided to the Leader to support his decision.

Our concerns were raised with the Section 151 Officer and the Audit and Governance Committee on four occasions, including two before the transaction was completed. However, the majority of our concerns were not actioned and the Committee did not effectively discharge its duties and ensure that the recommendations raised were actioned in a timely manner.

The Council should minimise the potential for conflicts of interest to occur and should enhance existing arrangements by improving existing policies and guidance to ensure elected members and officers identify all potential conflicts and do not limit the potential conflicts to financial and personal interests.

## Interest rate swap

The decision to engage in an interest rate swap was made by the Section 151 Officer. In our view as this was not an everyday transaction but an innovative and unusual matter and as such should not have been managed solely as part of everyday treasury management. In order to enable appropriate scrutiny and public debate the decision should have been made by elected members. The decision could have been taken by Cabinet and reported to the City Council.

The Constitution and the Treasury Management Practices should be undated to improve the governance arrangements going forward, both to enable appropriate decisions to be made in formal committee meetings, but also to ensure Scrutiny are given every opportunity to effectively challenge and debate unusual transactions. Consultation with elected members was undertaken but only through informal meetings.

In our view an adequate audit trail was not maintained of the delegated decision and a detailed formal record of the decision was not produced. The delegated decision did not record the reason for the decision, legal considerations and alternative options considered and rejected.

The Audit and Governance Committee's responsibilities include the implementation of the Treasury Management Strategy and the monitoring of policies and practices. In order to enable the Committee to discharge its duties, it should have been included in the decision making process. The Committee were not asked to endorse the transaction.

The Council did not fully consider the risks posed by this interest rate swap transaction. The risks were considered by the Council's advisors, but these were not quantified and were not documented in a Council risk register.

For both the special purpose company transaction and the interest rate swap the procurement decision and the judgements supporting these decisions were not recorded. This limits our ability to assess if adequate arrangements were undertaken.

## Action Plan

We have identified 11 recommendations which are set out in the action plan on page 15.

# Reducing the pension deficit

## Background

The Council participates in the Local Government Pension Scheme (LGPS) administered by Devon County Council. It is funded through the contributions of all employers and employees participating in the scheme. However, the value of the pension scheme assets was not sufficient to meet the requirements of the scheme members and as a result the Council had a pension fund deficit.

In 2016 at the last revaluation the deficit attributable to the Council was over £122m and the Council had agreed to repay in three tranches over three years. It was also anticipated that deficit repayments would increase over the three year period increasing the cost to the Council.

In 2018 the Council began to consider how the pension deficit could be repaid and the charge on the revenue account reduced. The Council did not have the level of reserves available to enable it to repay the deficit and it therefore sought a mechanism to both access the funds and repay the deficit in a legal way.

The solution found and undertaken included the acquisition of a share in an investment company which was funded from borrowing. The investment special purpose company then repaid the pension deficit.

The decision was taken by Leader of the Council and in October 2019 the Council invested £72m in the special purpose company to undertake a restructuring of the Council's pension fund deficit.

The table opposite identifies the key steps that took place prior to this transaction being completed.

Date	Key Step
2016	Elysian associates and Minerva Solutions were appointed by the Council to find legal solutions arising from financial and tax issues to help the Council deliver its capital programme. They devised the 'special purpose company solution'.
29 May 2018	The Corporate Management Team (CMT) were presented with a proposal for dealing with the pension deficit. The options considered included investing in a vehicle that would repay the full deficit. CMT endorsed the approach and agreed to proceed to developing the full solution prior to Cabinet approval.
19 & 27 June 2018	Additional presentations to CMT.
September 2018	QC advice obtained, including recommendation for the Council.
Oct and Nov 2018	Actuarial advice. Barnett Waddingham for Devon County Council and Lane Clark & Peacock LLP for the Council and Miel Solutions Ltd.
18 Nov 2018	Business case prepared.
25 February 2019	As part of the budget approval process the City Council approved a debt rescheduling budget saving which included the pension deficit saving of £1.448m in 2019/20.
May 2019	Internal report prepared by the Council's treasury advisors (Arlingclose). This provided a range of options including the special purpose company option and an additional option 'prepayment'.
June 2019	Internal legal advice provided via email.
July 2019	Presentation to Cabinet Planning Meeting by Section 151 Officer and Portfolio Lead. This was not a formal decision making meeting and minutes were not recorded.
Date unknow	Presentations by Section 151 Officer to Labour Group and the Conservative Group. These meetings were closed meeting and minutes were not recorded.
9 And 11 Oct 2019	Decision made by the Leader of the Council followed by Actuary's revised Rates and Adjustments Certificate requiring a primary employer contribution of 14.7% and a secondary rate payable of £72m to reflect the pension deficit sums payable.
16 Oct 2019	Decision implemented, B shared purchased and pension deficit paid.
17 Nov 2020	Miel Solutions Ltd dissolved.



# Reducing the pension deficit

## Informed decision making

The Council has adopted the leader and cabinet governance model, also known as the 'Strong Leader' model for decision making. The Leader is elected by the City Council at its annual meeting. As such those decisions which are not required to be made by the City Council are the responsibility of the Leader and must be agreed by the Leader unless he opts to delegate to Cabinet, a committee of Cabinet or an officer.

The decision to reduce the pension deficit and opt for the special purpose company transaction was the responsibility of the Leader and a key decision as defined by the Council's Constitution. Elected members were consulted and made aware of the special purpose company solution on a number of occasions. These included one-to-one briefings with the Portfolio Lead and the Leader, presentations to the political groups (Conservative and Labour) and to Cabinet Planning Meetings. However, none of these meetings were formal meetings and as a result the debate and discussions were not formally documented. Whilst we appreciate that the transaction was commercially sensitive, the decision and supporting debate could have been undertaken within exempt sessions.

The only opportunity for formal debate was during the City Council's approval of its 2019/20 budget in February 2019, in which the savings anticipated from the reduction in the pension deficit were included in the planned savings. The minutes did not record if this proposed saving was discussed or the extent of the debate. However, the webcast of the meeting did indicate that some debate took place and that the opposition party members were not supportive of the proposal. In our view agreement of the budget and any savings required to achieve a balance budget does not constitute formal agreement of the special purpose company transaction by the Council. This decision was made by the Leader in October 2019.

We understand that it is not unusual for decisions to be made by the Leader which are not part of a Cabinet meeting and this is in line with the Council's constitutional procedures. However, this approach risks reducing the openness and transparency of the decision making process. The meetings cannot be attended or viewed by members of the public or public questions raised. In line with the Council's procedures the decision was recorded in the forward plan, although it was recorded as a decision to be made by Cabinet. The decision was subject to call-in but was not called-in and the Portfolio Lead was consulted one month before the Leader decision. The decision was not an urgent decision and was recorded and published on the Council's website.

The Leader was provided with the following supporting documentation to assist the decision making process:

- Equality impact assessment
- Business case
- Initial QC advice, including recommendations for items requiring further action
- Arlingclose advice (treasury advisors)
- James Clark & Percock advice (actuarial advice).

The decision was recorded using the Council's standard documentation. This included the options considered and rejected. However, it did not include the additional option proposed by Arlingclose in May 2019. This information was included within the supporting papers, although the reason why this option was rejected was not recorded.

As noted on page seven, the business case also did not include this additional option. This illustrates that although we would anticipate information and options to develop as the process progresses we would expect that the decision maker would be assisted by ensuring the business case or the covering report addressed all the options and key issues in detail.

The decision was not considered by Scrutiny. The decision was published in the Leader's Forward Plan and was reviewed by the Scrutiny Management Board at their meeting on the 9 October. However, this was the same date as the decision was made and as a result there was limited opportunity to undertake pre-decision scrutiny.

**Rec 1: The Council should further improve its governance arrangements so that the number of key decisions that are made outside of formal elected member meetings is limited, thereby enhancing openness and transparency:**

- Formal guidance should be developed for decision makers setting out when discretion could be exercised and their delegated powers not used, ensuring consideration is given to identifying the most appropriate place to make a decision on an innovative and unusual transaction
- Decision makers should be provided with documents that clearly assess and accept or reject all potential and relevant options and key issues
- Processes are put in place to ensure Chairs of Scrutiny Committees are given every opportunity to effectively challenge and debate unusual transactions
- Any questions raised by external advisors, including legal advice are formally closed and addressed by the Council.

## Business case

The Council had been working with Elysian Associates and Minerva Solutions since 2016 and it was during 2018 that the Section 151 Officer was approached with the possibility of the special purpose company solution to reduce the pension fund deficit. This was an unprecedented and untested solution.

By May 2018 the Council had already considered a number of options and work had begun to develop the special purpose company solution. The section 151 Officer presented to the Corporate CMT a short paper that set out 5 options. Although this paper included 5 options including doing nothing, it clearly leaned towards the special purpose company solution as the only viable option. A detailed options appraisal or business case had not been prepared at this stage. CMT endorsed the special purpose company solution approach and the Section 151 Officer was given authority to develop the special purpose company solution for later approval by Cabinet. This included obtaining legal and actuarial advice.



# Reducing the pension deficit

In June 2018 another presentation was made to CMT, this time 7 options were considered: the same options as were considered in the business case. We are unclear when the business case was first prepared, but we do know that a version was circulated for comment in early December 2018 and was later shared with Cabinet in July 2019 at a Cabinet Planning Meeting.

The business case is based on the HM Treasury Green Book and follows the five case model. However, the business case does not consider every option within each case. For example the strategic case does not set out how each option will deliver the Council's strategic objectives. In addition the majority of options are not considered in detail and appear to be dismissed without being fully developed within the business case.

The advice provided by Arlingclose suggested an additional option, prepayment. The business case was not updated to consider this option. Further details are included on page six. The business case is predominately based on the preferred option to invest in the special purpose company and in our view does not give a balanced view on all the possible options.

The Council did not have a formal process for the approval of the business case. It is unclear when and by whom the business case was approved. The documentation we reviewed appeared to support that approval might be sought from Cabinet and the City Council, however, this was not the case as the business case was only made available at a Cabinet Planning Meeting. Cabinet Planning Meetings are not formal meetings, therefore are not decision making meetings, neither did CMT review and approve the business case.

We consider that the business case arrangements on this occasion were not good enough as a detailed options appraisal was not developed, the business case did not fully consider all the options and the Council did not have an agreed process for the approval of the business case which it could demonstrate had been followed.

**Rec 2: The Council should further improve its processes for the production of business cases to ensure:**

- A detailed options appraisal is undertaken where appropriate
- Material business cases fully appraise all the options
- An agreed and consistent approach for the approval of business cases is developed and adopted.

## Special purpose company transaction levy

Throughout the development and negotiations of the special purpose company option the cost was expected to be in the region of £102m. The Leader's decision was based on borrowing in the region of £102m with £102.375m allocated in the capital programme. The decisions also gave delegated authority to the Section 151 Officer to complete the final negotiations. It was not until the final stages that the final amount of £73.375m was agreed.

The special purpose company option included two elements:

1. The repayment of the pension fund – £72m
2. The transaction level to cover the operational costs of special purpose company and third party costs, such as advisory fees - £1.375m

The business case highlighted that a transaction levy was payable and that it would be approximately 1.2% of the deficit. The Council considered that there were no direct benchmarks against which to compare due to the originality of the transaction, but did compare it to a savings based solution that one of the consultancy firms might charge, thought to be in the region of 10-30%.

As noted earlier the business case did not consider the additional costs in comparison with the other options in particular the prepayment option. The Council's financial advisors Arlingclose had highlighted this within their advice. In addition the covering report provided to the Leader, which summarised and supported the decision did not highlight the transaction levy.

## Managing Risk

We considered how the Council has managed risk as part of the decision making process in order to enable it to select the best option. As this transaction was a new approach we would expect that the Council would consider and document the potential risks. The risks are identified in a number of different documents, such as the business case, Arlingclose advice and reports to CMT. However, the risks identified within these documents were not consolidated and considered by the Council and have not been included within the Finance Operational Risk Register. The repayment of the pension deficit was included in the Finance Operational Risk register (August 2020) as a mitigating action in relation to the risk that the Customer and Corporate Services Directorate may not meet its financial target.

Ten risks were scored and included within the business case, however, these risks only addressed the risks posed by the special purpose company solution and did not cover all the possible options.

In addition a risk register was not included within the supporting documentation provided to the Leader to assist the decision making process and the Council's standard documentation for recording delegated Executive decisions does not include key risks or a risk register.

The finance risk management arrangements should be improved by the Council consolidating the risks identified by its various advisors, assessing and evaluating the risks and mitigations, and ensuring the decision maker is apprised of these risks.

**Rec 3: The Council should improve its financial risk management arrangements to ensure that all key risks are identified, appraised and clearly reported to the decision maker.**

# Reducing the pension deficit

## Audit and Governance Committee

The role of an audit committee is to support a council in fulfilling its governance and oversight responsibilities. In relation to external audit, an audit committee should determine if matters in a report require action and ensure that appropriate action is taken.

We have considered the role of Audit and Governance Committee in regards to the recommendations that have been presented to the Committee by Grant Thornton. We identified the special purpose company transaction as an area of focus within our 2019/20 audit plan and reported our concerns to the Committee on four occasions, two of which were ahead of the transaction being undertaken:

- July 2019
- September 2019
- December 2019; and
- 7 April 2020.

The recommendations were agreed at the Audit and Governance Committee meetings, but the Committee did not effectively discharge its duties and did not ensure that the recommendations raised were actioned in a timely manner. In our experience this is often achieved through a recommendation tracking system which is reviewed at committee meetings. The Audit and Governance Committee has a tracking system for actions required by the Committee but not for recommendations that require action by officers.

We also considered the role and function of the Audit and Governance Committee as set out within the Council's Constitution. They are high level functions and do not cover in any detail the responsibilities and requirements of an audit committee.

Discussions with officers and elected members also identified concerns regarding the workload of the Audit and Governance Committee, understanding of role of an audit committee and the need of training. The Audit and Governance Committee would benefit from a review and update of its roles and responsibilities, supported by training for elected members and an updated terms of reference which should be reviewed and updated annually by the Audit and Governance Committee.

**Rec 4: The Council should ensure the Audit Committee is effective by ensuring members understand their roles and responsibilities. This should include:**

- Reviewing and updating members' role and responsibilities, ensuring these are reviewed annually by the committee
- Introducing a mechanism to ensure all recommendations by External Audit and Internal Audit are actioned
- Regular training for all members.

## Managing conflicts of interest

A conflict of interest is a set of circumstances that creates a risk that an individual's (elected member or officer) ability to apply judgement or act in one role is, or could be, impaired or influenced by another interest. Conflicts can exist, regardless of whether the individual actually benefits. The perception of competing interests, impaired judgement or undue influence can also be a conflict of interest.

As part of this review we identified two potential conflicts of interest that were known to the Council:

- The chair of the Audit and Governance Committee who was also a member of the Local Government Pension Scheme Partnership Committee. This interest was not recorded in the Councillor's register of interests
- Existing officer working relationships with Elysian and the Directors of Minerva prior to working with them at Plymouth City Council. This interest was documented but the action/mitigation required as a result was not recorded.

The Council has adopted a code of conduct for Councillors which is documented within its Constitution. This requires Councillors to declare any pecuniary interests and also any personal interests, both during committee meetings and as part of the annual declaration process. Annual declarations were completed for 2019/20.

However, a risk of a potential conflict can arise from a wide range of issues, not just pecuniary and personal interest and the decision about whether a councillor has an interest in any item of business at any point in time is a matter that they are required to consider personally. This increases the responsibility upon each individual councillor and the existing guidance focuses the Council to consider only personal and pecuniary interests. In our view the Council would benefit from providing more detailed guidance and training to ensure potential conflicts are recognised across a wide range of circumstance. This will ensure appropriate measures are put in place to manage the potential risks. The approach taken should be to declare potential interests as they become known not just when a conflict arises.

The Officer code of conduct requires officers to make any conflicts of interest financial or non-financial interest known to an appropriate Head of Service or Strategic Director. No detail is provided as to what might constitute a non-financial interest or how these interests should be managed. These interests have historically been maintained by individual departments, although we understand that a centralised system has been introduced as part of the core HR systems.

# Reducing the pension deficit

## Managing conflicts of interest continued

The Council does not have sufficiently detailed guidance which would support the Council's codes of conduct.

Whilst there is no evidence that any individual has acted improperly or that a conflict of interest raised has occurred and detrimentally affected a decision, our recommendation below aims to improve arrangements to ensure potential conflicts are effectively managed and mitigated.

**Recommendation 5:** The Council should minimise the potential for conflicts of interest to occur and should:

- Enhance the existing conflicts of interest policies, guidance and codes of conduct to ensure a wider range of potential conflicts are identified and managed appropriately
- Ensure the existing training for officers and elected members addresses the revised guidance and includes identifying and managing conflicts of interest.

## Procurement procedures

Minerva had been working with the Council for some time prior to the pension deficit reduction transaction and an existing relationship was already established. The independent QC advice suggested that as there were no other potential suppliers, as far as they were aware, then the transaction was unlikely to give rise to any procurement issues.

Nevertheless, the Council still sought internal legal advice which confirmed via email that the Council's solicitor was satisfied with the arrangements. However, this advice was not documented and was not available to support the Council's position that the correct legal process was followed with regard to the engagement of Minerva.

**Recommendation 6:** The Council should ensure that where a decision relies upon internal legal advice, that the legal advice is formally documented, and the outcome and rationale for relying upon the advice is recorded.

# Reducing the pension deficit

## Follow-up of recommendations

The table sets out the Councils responses and our conclusions on the recommendations we have previously raised with the Audit and Governance Committee. Based on these findings we refer the reader to recommendation 4.

	Recommendation	Council response	Grant Thornton conclusion
1	Obtain independent actuarial advice regarding the estimated pension liability amount.	There is comprehensive evidence of extensive exchange of information between Barnett Waddingham(BW), instructed by Devon County Council (DCC) as administering authority, and Lane Clark & Peacock (LCP), advising PCC and the special purpose company. The final valuation reflected the agreed position between PCC and DCC. After careful consideration, we believe that it was not necessary to obtain a third actuarial opinion. LCP, though jointly commissioned by PCC and the special purpose company were acting solely for the Council in respect of the valuation. We would welcome clarity on your concerns regarding their independence.	<p>This recommendation was not actioned.</p> <p>BW were commissioned by DCC so were acting on behalf of DCC. LCP were commissioned by the special purpose company and advising both special purpose company and the Council and as such we do not considered LCP to be independent.</p>
2	Obtain independent financial advice from financial advisers regarding the available options to the Council and consideration of all business case options including value for money.	Five options were considered in detail, informed by advice from independent financial advisors (Arlingclose), PCC's own internal specialists, the Corporate Management Team and the Cabinet. The Arlingclose recommendation was to explore making all (or the majority) of the scheduled deficit payments through a lump sum payment funded by capital and cash balances. As detailed in AH letter to PD of 10 October 2020, this was not feasible. Best Value considerations were at the heart of the decision making process.	<p>This recommendation was not actioned.</p> <p>The only financial advice obtained was from Arlingclose. The options considered varied between advisors and the business case did not consider all options in detail. Although we recognise that the pre-payment option may not have been a viable option for the Council this was not appraised in detail and set out within the business case.</p>
3	Obtain final independent legal advice as to the legality of the transaction including borrowing from PWLB to transact the payment of the pension fund liability and using a company to pass monies through.	David Lock QC was selected and instructed appropriately for the nature and size of the proposed transaction. His advice, and Grant Thornton's concerns were reviewed by the Council's Senior Commercial Lawyer, who was appropriately experienced and qualified to comment. Based on the above, further external legal advice was not deemed necessary or appropriate.	<p>This recommendation was not addressed but we acknowledge the reasons why the Council considered it was not required.</p> <p>The QC advice was obtained in November 2018. The Council's Senior Commercial Lawyer reviewed this advice and our concerns in June 2019. This advice confirmed that in their view 'it is potentially lawful for a local authority to borrow capital in order to finance a one-off payment to the LGPS and thereby reduce future revenue costs....an invest to save project and thus could be an entirely lawful exercise of its powers by a local authority....a capital sum to meet a revenue expense, but the justification for that step would be the reduction of greater revenue costs in the future. Thus, as a matter of law, this is something that the Council could consider.'</p>

# Reducing the pension deficit

	Recommendation	Council response	Grant Thornton conclusion
4	Obtain independent due diligence on any companies or company structures that may be used to transact the payment – paying particular attention to any complexities and risks associated with the Financial Conduct Authority regulations	The Business Case as published (and correspondence with GT) confirms the Council's opinion that the investment was not a financial promotion under s.21 of the FSMA 2000, and was therefore not subject to the Relevant Provisions. Although external advisors were retained to address this matter, it was not therefore deemed necessary to commission this advice. Advice was sought and obtained from the Council's Senior Commercial Lawyer concerning the procurement process of Minerva and the structure of the special purpose company. The Chief Executive sought and obtained a statement from the (then) 151 Officer for due diligence purposes, and further asked for and received confirmation from the Monitoring Officer of its adequacy.	<p>This recommendation was not actioned.</p> <p>The failure to obtain and undertaken adequate due diligence increased the risk to which the Council was exposed. The Council's opinion that the investment was not a financial promotion under s.21 of the FSMA 2000 was not based on independent advice.</p> <p>The Monitoring Officer has confirmed that the Council's Senior Commercial Lawyer checked and was satisfied that the correct procurement procedures were followed the evidence to support this conclusion is outstanding.</p> <p>We have reviewed the statement from the Section 151 Officer with regards to their relationship with Minerva. We have requested evidence of how the Council considered this potential conflict of interest– outstanding.</p>
5	Obtain independent accounting advice on the special purpose company transaction	Upon review, the Council decided that its own treasury management team were able to provide assurance that the transaction complied with the borrowing process set out in the Council's Treasury Management Strategy and the Prudential Code. Following QC advice on the legality of the capital transaction, the Council's senior accountants set out the accounting treatment and shared with GT in October 2020.	<p>This recommendation was not actioned.</p> <p>Having executed the transaction in October 2019, the Council eventually provided an accounting paper in October 2020 to justify its proposed accounting treatment. This paper outlined the treatment as a capital transaction. Our review challenged this assumption based on our interpretation of accounting standards and the CIPFA Code. The Council has subsequently employed independent accounting advisers to review the accounting treatment of the transaction. The advisers have agreed with us that this is not a capital transaction, but rather an advanced payment. The Council continue to review the accounting treatment and is currently seeking further advice.</p>
6	Review the business case and re-present to Members	Presented and discussed with Cabinet 8 and 16 July 2019.	<p>This recommendation was partially addressed.</p> <p>The final version of the business case was provided as supporting documentation to the Leader in October 2019 to support the final decision. But as noted earlier the business case did not adequately appraise all the options.</p>
7	Ensure that detailed due diligence, business cases, financial information and decision-making papers are reviewed and discussed at Member level on an ongoing basis.	Between June 2018 and October 2019, the Section 151 Officer met with the Cabinet Member for Finance on over thirty occasions, during which the development of the proposal and advice received was discussed.	<p>This action was addressed through informal meetings with elected members. Whilst we would expect that informal planning and one-to-one meetings would take place we would expect that such an unusual transaction would be debated within formal Cabinet/elected member meetings. This would also have increased the opportunity for Scrutiny to have considered the transaction.</p>



# Interest rate swap

## Background

In recent years whilst interest rates have been low, it has been the Council's approach to finance its capital programme through short term borrowing. The Council considers short term borrowing to be the cheapest form of borrowing, but this does expose it to the risk of an increase in interest rates and the risk that short term loans may not continue to be available.

As at 31 March 2019 the Council required external borrowing of £465m, 90% of its total capital finance requirement (£514m). Short term borrowing accounted for £339m (73%) of the external borrowing requirement. The Council were aware of the risk that focusing predominately on short term borrowing posed and in 2019 it began to consider the option of entering into an interest rate swap. An interest rate swap is a financial instrument where parties swap/exchange a variable interest rate for a fixed rate. The amount and duration of the swap is agreed. There is no exchange of principle, only the difference in interest rates is paid.

### Treasury management decisions

The Council's Constitution sets out that the Responsible Finance officer (Section 151 Officer) is responsible for day-to-day treasury management in liaison with the Treasury Management Board. All treasury management transactions should be carried out in accordance with the Council's Treasury Management Practices. The Responsible Finance officer has authority from the City Council to make treasury management decisions.

The Treasury Management Strategy (TMS) and the Treasury Management Practices are approved by the City Council and the Audit and Governance Committee is responsible for scrutinising the TMS and practices prior to their approval by the City Council.

The table opposite summarises the key steps undertaken before and after the interest rate swap.

Date	Key Step
11 February 2019	The Treasury Management Board (TMB) were made aware of the possibility of an interest rate swap being undertaken. The presentation provided by the Council's treasury management advisors Arlingclose included interest rate swap.
11 March 2019	The Audit and Governance Committee agreed the Treasury Management Practices. These practices cover derivatives and interest rate swaps.
11 May 2019	Legal advice obtained.
19 June 2019	Another presentation was provided by Arlingclose to the TMB. Providing an updated position on current interest rates.
20 August 2019	The Section 151 Officer presented to the Corporate Management Team (CMT) on the Council's TMS and interest rate swaps.
17 October 2019	Arlingclose presented their detailed reports on interest rate swaps to the TMB.
20 November 2019	Internal legal advice sought that the decision could be made by the Section 151 Officer
9 December 2019	Audit Committee approved the Council's 2020/21 TMS which included the Council's policy on financial derivatives.
1 April 2020	The TMB received a further update from Arlingclose and it was reported that the Council was ready to complete the transaction on Monday 6 April.
6 April 2020	The interest rate swap was authorised by the Section 151 Officer for the value of £75m for a fixed term of 20 years.
21 September 2020	Audit and Governance Committee were asked to endorse the approach the Council is taking to reduce its exposure to future interest rate increases. The Committee were made aware of the £75m interest rate swap that occurred in April and updated that the Council has decided to take out a further £35m Interest Rate Swap to fixed borrowing rates for a period of 15 years.

# Interest rate swap

## The decision making process

Treasury management differs from other areas of decision making within local government as the Section 151 officer and often officers below the Section 151 officer have the authority to make quick decisions which involve large amounts of money, often on a daily basis.

The decision to undertake an interest rate swap related to treasury management, in our view was not a decision on an everyday transaction. It was an innovative and unusual decision which as far as we are aware has not been taken by a local authority since the decision of the House of Lords in *Hazell v Hammersmith and Fulham LBC in 1992*. In addition, if successful the interest rate swap should save the Council in the region of £20m. For this reason we consider that the decision was likely to be of public interest. However, because the decision was made by the Section 151 Officer as part of the Council's treasury management arrangements the decision was not scrutinised by elected members and the decision was not published. Neither was a options appraisal or business case required.

The Council had sought internal legal advice to confirm that the decision could be taken by the Section 151 Officer and the view taken was that had it not been taken by the Section 151 Officer then the decision would not have been in keeping with the Council's own procedures. The decision was based upon the Treasury Management Board (TMB) having been consulted and being in agreement to proceed. Although the TMB is a cross party group, which can challenge and suggest, it is not a formal decision making group and does not enable transparent and open challenge debate. Detailed formal minutes of the meetings were not maintained, so it is difficult to determine the level of challenge that was provided. Action notes were recorded. We note that CMT were also consulted on two occasions.

The decision was not taken over a short timescale and as the table on the previous page illustrates the decision was considered over a 14 month period. It is for this reason and the reasons noted above that we consider that the decision could have been made by elected members in a more open and transparent manner. It did not need to be a delegated decision by the Section 151 Officer. In order to be in line with the Council's Constitution the decision would have had to be made by the City Council.

**Rec 7: In order to enable innovative and unusual treasury management decisions to be formally scrutinised, debated and as appropriate made by elected members the Council should update the Constitution and Treasury Management Principles to:**

- Enable treasury management decisions to be made by elected members
- Define significant delegated decisions, such as 'innovative and unusual'
- Ensure the following are made aware of unusual treasury management activity before a decision is made:
  - Chair of the Audit and Governance Committee
  - Portfolio Lead
  - Chair of the Scrutiny Committee.

Therefore, it would be for the Council to determine what transactions would meet the criteria of innovative and unusual, we would suggest that overly prescriptive criteria may restrict the Council's judgement when considering innovative transactions and maintaining an element of judgement would be beneficial.

In addition despite all the processes described above to inform relevant stakeholder, Grant Thornton your external auditors were not informed of this proposal.

**Rec 8: The Council should ensure that it consults with its external auditors before any unusual treasury management transactions are completed.**

### Treasury Management Practices (TMP)

The Treasury Management Practices delegates responsibility for the implementation of the TMS and regular monitoring of policies and practices to the Audit and Governance Committee.

In March 2019 the Audit and Governance Committee approved the 2019/20 Treasury Management Practices and the TMS in December 2019. In March 2020 the Audit and Governance Committee was cancelled and as a result the 2020/21 Treasury Management Practices were not approved.

The Audit and Governance Committee were not formally made aware or asked to endorse the interest rate swap completed in April 2020. It was not until September 2020 that the Audit and Governance Committee were asked to endorse the Council's approach to reduce its exposure to future interest rate increases. It was at this point that the Committee were made aware of the £75m interest rate swap that had occurred in April 2020 and updated that the Council had decided to take out a further £35m Interest Rate Swap with fixed borrowing rates for a period of 15 years.

In order to enable the Audit and Governance Committee to discharge its duties it should have been formally updated and asked to review the interest rate swap transaction prior to the transaction being undertaken.

TMP3 relates to decision making and analysis. With regard to major treasury decisions the following is documented:

*'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.'*

We compared how a delegated decision for an elected member is recorded with this decision and consider that the interest rate swap was a major treasury decision and as such an audit trail should have been created of the decision.

# Interest rate swap

## Treasury Management Practices (TMP) continued

However, a detailed formal record of the decision was not maintained, only a confirmation of the investment/borrowing which was dated and signed by the Section 151 Officer. A document was provided that set out the rationale for the decision, however this document was not dated and in parts is worded to suggest it was written after the decision had been made. For example *'In April 2020 the Council agreed its first Interest Rate Swap of £75m which gives a fixed cost of borrowing of 0.56% for the next 20 years.'*

A range of documentation has been provided that supports the decision taken, however because this transaction has been debated within informal meetings a record and the extent of the debate was not recorded. As a minimum the Council should record the rationale for the decisions and the supporting documentation considered at the point of the decision.

Whilst we appreciate that treasury management involves frequent consideration of the risks and judgement calls we consider that these judgements should be recorded to enable an audit trail to be maintained.

**Rec 9: The Council should formally record innovative and unusual treasury management decisions, as defined by the Council in recommendation 7. As a minimum this should include:**

- Decision taker, and why the decision is a delegated decision
- Date of decision
- Reasons for the decision
- Risk considered/mitigated
- Alternative options considered and rejected
- Financial and legal implications
- Supporting documents/information considered to inform the decision.

## Corporate Management Team

The CMT includes the Chief Executive, all the Strategic Directors and the Section 151 Officer. However, it does not routinely include the Monitoring Officer. The Monitoring officer will attend if requested or will request to attend if they consider it was beneficial.

The legal aspects of agenda items are usually addressed prior to items being discussed by CMT. However, to ensure the Monitoring Officer can affectively discharge their duties consideration should be given to whether the Monitoring Officer should attend.

**Rec 10: Consider if the Monitoring Officer should attend all CMT meetings, along will all the Council's other Statutory officers.**

## Managing Risk

When an organisation is embarking on a new and innovative approach it is important that it understands and effectively manages the risks. Whilst the risks were considered by the Council's advisors Arlingclose, these risks were not quantified and included within the Finance Operational Risk Register or documented in any other way by the Council to demonstrate that it fully understand the underlying risks and any additional risks that might result.

The financial advisors, Arlingclose also identified that an appropriate risk management framework should be in place and that the risks should be *'explicitly designated and documented'*. The Council proposed that the risk management framework is addressed by the Council's Treasury Management Strategy. However, we do not consider that the risks are not effectively managed by Treasury Management Strategy.

The interest rate swap was not included within the Finance Operational Risk register until August 2020. The risk register did not consider the risk of undertaking the interest rate swap, but just considered it as an action/mitigation to manage the risk of the Council's expenditure exceeding resources.

**As per recommendation 3: The Council should improve its financial risk management arrangements to ensure that all key risks are identified, appraised and clearly reported to the decision maker.**

## Selection Process for Santander Bank



A tender process was not undertaken to select Santander, as the Council were of the view that no other banks were offering a similar transaction. This decision was documented and we are unclear how this could be determined without posing the question to the market.

**Recommendation 11: To ensure the Council achieves best value for all its treasury management transactions the Council should:**

- Consider testing the market for unusual one off transactions
- Document procurement decisions and supporting judgements.






# Action plan

Assessment	Recommendations
<b>1</b>  <b>(High)</b>	<p>The Council should further improve its governance arrangements so that the number of key decisions are made outside of formal elected member meetings is limited, thereby enhancing openness and transparency:</p> <ul style="list-style-type: none"> <li>• Formal guidance should be developed for decision makers setting out when discretion could be exercised and their delegated powers not used, ensuring consideration is given to identifying the most appropriate place to make a decision on an innovative and unusual transactions</li> <li>• Decision makers should be provided with documents that clearly assess and accept or reject all potential and relevant options and key issues</li> <li>• Processes are put in place to ensure Chairs of Scrutiny Committees are given every opportunity to effectively challenge and debate unusual transactions</li> <li>• Any questions raised by external advisors, including legal advice are formally closed and addressed by the Council.</li> </ul> <p><b>Management response</b></p> <p>Accepted</p> <p>The Council will:</p> <ol style="list-style-type: none"> <li>a. Develop guidance in consultation with stakeholders for decision makers to inform discretion over decision making through delegated decisions or at Cabinet.</li> <li>b. Review and update guidance covering documentation for decision makers which addresses alternative options and reasons for rejection.</li> <li>c. Scrutiny chairs will receive and will be briefed on the content of the Council's Forward Plan for key decisions, and the description of these decisions will be reviewed to ensure that it is sufficiently detailed for their proper consideration.</li> </ol> <p><b>Responsible Officer</b>                      <b>Timing</b></p> <p>Assistant Chief Executive                      September 2021</p>
<b>2</b>  <b>(High)</b>	<p>The Council should further improve its processes for the production of business cases to ensure:</p> <ul style="list-style-type: none"> <li>• A detailed options appraisal is undertaken where appropriate</li> <li>• Material business cases fully appraise all the options</li> <li>• An agreed and consistent approach for the approval of business cases is developed and adopted.</li> </ul> <p><b>Management response</b></p> <p>Accepted</p> <p>The Council will:</p> <ol style="list-style-type: none"> <li>a. Produce a standard business case format for unusual and innovative financial transactions</li> <li>b. Set down a working procedure for the passage of such cases through the governance path.</li> </ol> <p><b>Responsible Officer</b>                      <b>Timing</b></p> <p>Service Director for Finance                      September 2021</p>


## Controls

- High – Significant effect on control system (red)
- Medium – Effect on control system (amber)
- Low – Best practice (green)




# Action plan

Assessment	Recommendations
<b>3</b>  <b>(High)</b>	<p>The Council should improve its financial risk management arrangements to ensure that all key risks are identified, appraised and clearly reported to the decision maker.</p> <p><b>Management response</b></p> <p>Accepted. The Council will:</p> <ul style="list-style-type: none"> <li>Adjust proformas used for Corporate Management Team, Cabinet Reports and delegated decisions to ensure that a section is added to record (a) financial risks and (b) the mitigation of same.</li> </ul> <p><b>Responsible Officer</b> Assistant Chief Executive and Service Director for Finance</p> <p><b>Timing</b> September 2021</p>
<b>4</b>  <b>(High)</b>	<p>The Council should ensure the Audit Committee is effective by ensuring members understand their roles and responsibilities. This should include:</p> <ul style="list-style-type: none"> <li>Reviewing and updating members' role and responsibilities, ensuring these are reviewed annually by the committee</li> <li>Introducing a mechanism to ensure all recommendations by External Audit and Internal Audit are actioned</li> <li>Regular training for all members.</li> </ul> <p><b>Management response</b></p> <p>Accepted The Council will:</p> <ol style="list-style-type: none"> <li>Develop a training programme for the Audit and Governance Committee in consultation with the Chair.</li> <li>Introduce a tracking system for all audit recommendations.</li> <li>Invite Internal and External Audit to participate in the training programme.</li> </ol> <p><b>Responsible Officer</b> Service Director for Finance</p> <p><b>Timing</b> September 2021</p>
<b>5</b>  <b>(Medium)</b>	<p>The Council should minimise the potential for conflicts of interest to occur and should:</p> <ul style="list-style-type: none"> <li>Enhance the existing conflicts of interest policies, guidance and codes of conduct to ensure a wider range of potential conflicts are identified and managed appropriately</li> <li>Ensure the existing training for officers and elected members addresses the revised guidance and includes identifying and managing conflicts of interest.</li> </ul> <p><b>Management response</b></p> <p>Accepted The Council will:</p> <ul style="list-style-type: none"> <li>Review and update existing conflicts of interest policies, guidance and codes of conduct in line with best practice and ensure that appropriate training is in place to support the revised approach.</li> </ul> <p><b>Responsible Officer</b> Assistant Chief Executive</p> <p><b>Timing</b> October 2021 (Note: any changes to the constitution in respect of the management of interests will need to be agreed at a meeting of the Council)</p>


# Action plan

Assessment	Recommendations
<b>6</b>  <b>(High)</b>	<p>The Council should ensure that where a decision relies upon internal legal advice, that the legal advice is formally documented, and the outcome and rationale for relying upon the advice is recorded.</p> <p><b>Management response</b></p> <p>Where a council decision relies on internal legal advice the legal service will continue to and assure that its advice is formally documented on the legal department's case management system.</p> <p>The legal service will update its work instructions for general legal advice in line with this recommendation and include the new work instructions in its quality assurance system for monitoring and review purposes.</p> <p>The council will ensure that the existing process for securing legal sign off is reviewed and updated in line with this recommendation.</p> <p><b>Responsible Officer</b> Assistant Chief Executive</p> <p><b>Timing</b> September 2021</p>
<b>7</b>  <b>(High)</b>	<p>In order to enable innovative and unusual treasury management decisions to be formally scrutinised, debated and as appropriate made by elected members the Council should update the Constitution and Treasury Management Principles to:</p> <ul style="list-style-type: none"> <li>• Enable treasury management decisions to be made by elected members</li> <li>• Define significant delegated decisions, such as 'innovative and unusual'</li> <li>• Ensure the following are made aware of unusual treasury management activity before a decision is made: <ul style="list-style-type: none"> <li>• Chair of the Audit and Governance Committee</li> <li>• Portfolio Lead</li> <li>• Chair of the Scrutiny Committee.</li> </ul> </li> </ul> <p><b>Management response</b></p> <p>Accepted but with reservations</p> <p>The Council will:</p> <ol style="list-style-type: none"> <li>Define 'Innovative and Unusual' within the Treasury Management Strategy when next updated.</li> <li>Consult with the External Auditor on these changes.</li> </ol> <p>The Council has reservations about part of this Action Point because:</p> <ul style="list-style-type: none"> <li>• Treasury Operations are highly technical in nature and often requiring a rapid decision path. This is why the treasury function is delegated to the Section 151 Officer as a general principle across the sector. Accordingly the Council is concerned that insofar as this recommendation requires member decision making it is out of step with national practice within the sector.</li> </ul> <p><b>Responsible Officer</b> Service Director for Finance</p> <p><b>Timing</b> October 2021</p>

# Action plan

Assessment	Recommendations
<b>8</b>  <b>(Medium)</b>	<p>The Council should ensure that it consults with its external auditors before any unusual treasury management transactions are completed.</p> <p><b>Management response</b>  Accepted  The Council will:</p> <ul style="list-style-type: none"> <li>Consult with the External Auditor as indicated.</li> </ul> <p><b>Responsible Officer</b>  Service Director for Finance</p> <p><b>Timing</b>  With immediate effect</p>
<b>9</b>  <b>(Medium)</b>	<p>The Council should formally record significant (innovative and unusual) treasury management decisions, as defined by the Council in recommendation 7. As a minimum this should include:</p> <ul style="list-style-type: none"> <li>Decision taker, and why the decision is a delegated decision</li> <li>Date of decision</li> <li>Reasons for the decision</li> <li>Risk considered/mitigated</li> <li>Alternative options considered and rejected</li> <li>Financial and legal implications</li> <li>Supporting documents/information considered to inform the decision.</li> </ul> <p><b>Management response</b>  Accepted with reservations  The Council will:</p> <ul style="list-style-type: none"> <li>Consult further with the External Auditor on the definition of 'significant'</li> </ul> <p>The Council has reservations about this Action Point because:</p> <ul style="list-style-type: none"> <li>High volume and high value transactions can occur at short notice for transactions that are not innovative and unusual which may fall within this definition.</li> </ul> <p><b>Responsible Officer</b>  Service Director for Finance</p> <p><b>Timing</b>  October 2021</p>
<b>10</b>  <b>(Low)</b>	<p>Consider if the Monitoring Officer should attend all CMT meetings, along with all the Council's other Statutory officers.</p> <p><b>Management response</b>  Accepted.  The Council notes that this recommendation is to give the matter consideration, which will take place in consultation with the Monitoring Officer and the rest of the Corporate Management Team.</p> <p><b>Responsible Officer</b>  Assistant Chief Executive</p> <p><b>Timing</b>  September 2021</p>

# Action plan

Assessment	Recommendations
11  (High)	<p>To ensure the Council achieves best value for all its treasury management transactions the Council should:</p> <ul style="list-style-type: none"><li>• Consider testing the market for unusual one off transactions</li><li>• Document procurement decisions and supporting judgements.</li></ul> <p>Management response</p> <p>Accepted.</p> <p>The Council will:</p> <ul style="list-style-type: none"><li>• Adopt the recommendation as described.</li></ul> <p>Responsible Officer</p> <p>Service Director for Finance</p> <p>Timing</p> <p>August 2021</p>



# Plymouth City Council Audit Progress Report and Sector Update

**Year ending 31 March 2021**

July 2021



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction

## Your key Grant Thornton team members are:



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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; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

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](http://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 2021

## Financial Statements Audit 2019/20

We began our planning for the 2019/20 audit in January 2020. Our interim work was largely undertaken across March and April.

Our interim fieldwork included:

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

We issued a detailed audit plan, following the conclusion of planning and interim work, in early April and presented this to the 11<sup>th</sup> May 2020 Audit and Governance Committee.

Our original audit plan, as presented to the 11<sup>th</sup> May 2020 Audit and Governance Committee, reported the following areas of focus :

Valuation of property, plant and equipment (Inc Investment Properties)

Valuation of the Pension Liability

Reduction of the net Pension Liability through the use of Miel Ltd.

Accounting treatment for Government Grants

Management over-ride of controls through journals testing

Financial Instruments.

As a result of the Covid-19 pandemic, the deadline for the submission of the draft financial statements was put back to the 31st August 2020. We received the draft financial statements on 31st August 2020. We commenced our substantive audit work on 7th September 2020.

Since then our work has been ongoing. The target deadline, as set by MHCLG, for the audit opinion was 30th November 2020.

During the course of our audit work and testing we have had to undertake additional audit procedures and testing. These are primarily in the areas of PPE valuations, investment property valuations, government grants and grants received in advance, financial instruments and fair values and journals.

Our audit work is now substantively complete. There are a number of areas that will need to be concluded prior to the issuing of our audit opinion for 2019/20. These are as follows:

- Resolution on the legality of the Miel Ltd transaction;
- Resolution of the accounting treatment for the Miel transaction;
- Completion of the GT work on investment property valuations and obsolescence factors assigned as part of the valuation process for those buildings valued in year;
- Conclusion of the GT technical review of the draft accounts
- Quality review of the audit file and resolution of any queries raised
- Obtaining and reviewing the final version of the financial statements; and
- Obtaining the letter of representation from the Council.

# Progress at July 2021

## Audit Plan – Revision February 2021

### Governance Review

Over the course of the 2018/19 financial statements audit we made a series of recommendations to both management and the Audit and Governance Committee regarding the Miel transaction. These recommendations were made - 22 July 2019; 23rd September 2019; 9 December 2019; and 2 April 2020. Whilst one of these recommendations was related to the need to obtain accounting advice for the transaction, the remaining items were of a governance nature. We recommended that the Council:

- obtain independent actuarial advice regarding the estimated pension liability amount
- obtain independent financial advice from financial advisers regarding the available options to the Council and consideration of all business case options including value for money
- obtain independent legal advice as to the legality of the transaction including borrowing from PWLB to transact the payment of the pension fund liability
- obtain independent due diligence on any companies or company structures that may be used to transact the payment – paying particular attention to any complexities and risks associated with the Financial Conduct Authority regulations
- obtain advice regarding the use of any company in the transaction;
- update the business plan and re present to Members
- obtain independent accounting advice and
- ensure that detailed due diligence, business cases, financial information and decision.

In April 2020, the Council entered into an interest rate swap transaction. Our initial enquiries determined that the governance and due diligence arrangements in place for both of these transactions required further scrutiny by us as auditors.

We therefore updated our original plan as issued in May 2020; to include a specific review of the governance and due diligence arrangements regarding these transactions.

Our governance review has now been completed and is attached as a separate item to this agenda.

### Financial Statements 2020/21

The new Code of Audit Practice (the “Code”) came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code is the introduction of an Auditor’s Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor’s Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline is now no more than three months after the date of the opinion on the financial statements.

The planning of our audit work for 2020/21 has commenced and will be concluded in August 2021. Our audit work will commence towards the latter part of the year.

# Progress at July 2021

## Value for Money

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Please see page 10 for further details.

# Progress at July 2021 (cont.)

## Other areas

### Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2019/20 claim was completed on 3 April 2021. The certification work for the 2020/21 claim is due to begin in October.

We certify the Authority's annual Teachers' Pensions return in accordance with procedures agreed with Teachers' Pensions. The certification work for the 2019/20 return was completed on 30 September 2020. The certification work for the 2020/21 is due to begin in October.

### Meetings

We meet with your Finance Officers every week. We continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also met with your Chief Executive in July as part of our quarterly meetings which discuss the Council's strategic visions and plans.

### Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers attended our Financial Reporting Workshop in February, which helped to ensure that members of your Finance Team were up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

### Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2020/21 is the third 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. The estimated fee for Plymouth City Council is £183,393 (£143,042 2019/20).

Our work in the Local Government sector in 2018/19 and 2019/20 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. We are currently reviewing our proposed audit fee for 2019/20 and discussing the revised 2020/21 fee with your s151 Officer.

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

2020/21 Deliverables	Planned Date	Status
<b>Audit Plan</b> 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 Authority's 2020/21 financial statements and the Auditor's Annual Report on the Authority's Value for Money arrangements.	September 2021	Not yet due
<b>Audit Findings Report</b> The Audit Findings Report will be reported to the December Audit and Governance Committee.	December 2021	Not yet due
<b>Auditors Report</b> This is the opinion on your financial statements.	December 2021	Not yet due
<b>Auditor's Annual Report</b> This Report communicates the key issues arising from our Value for Money work.	March 2022	Not yet due

# Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit and governance committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local  
government

# The new approach to Value for Money

## The nature of value for money work

Section 20 and 21 of the Local Audit and Accountability Act 2014 (the Act), require auditors to be satisfied that the body “has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources”. The auditor’s work on VFM arrangements is undertaken in accordance with the Code and its supporting statutory guidance. The Comptroller and Auditor General has determined through the 2020 Code and guidance that the key output from local audit work in respect of VFM arrangements is the commentary as reported in the Auditor’s Annual Report. It is therefore not a VFM arrangements ‘conclusion’ or an ‘opinion’ in the same sense as the opinion on the financial statements themselves. The Act and the Code require auditors to consider whether the body has put in place ‘proper arrangements’ for securing VFM. The arrangements that fall within the scope of ‘proper arrangements’ are set out in ‘AGN 03 Auditors’ work on VFM arrangements’, which is issued by the NAO. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria:

## Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services, including how the body:

- ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- plans to bridge its funding gaps and identifies achievable savings;
- plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;

- ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

## Governance

How the body ensures that it makes informed decisions and properly manages its risks, including how the body:

- monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- approaches and carries out its annual budget setting process;
- ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance - the audit and governance committee; and
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

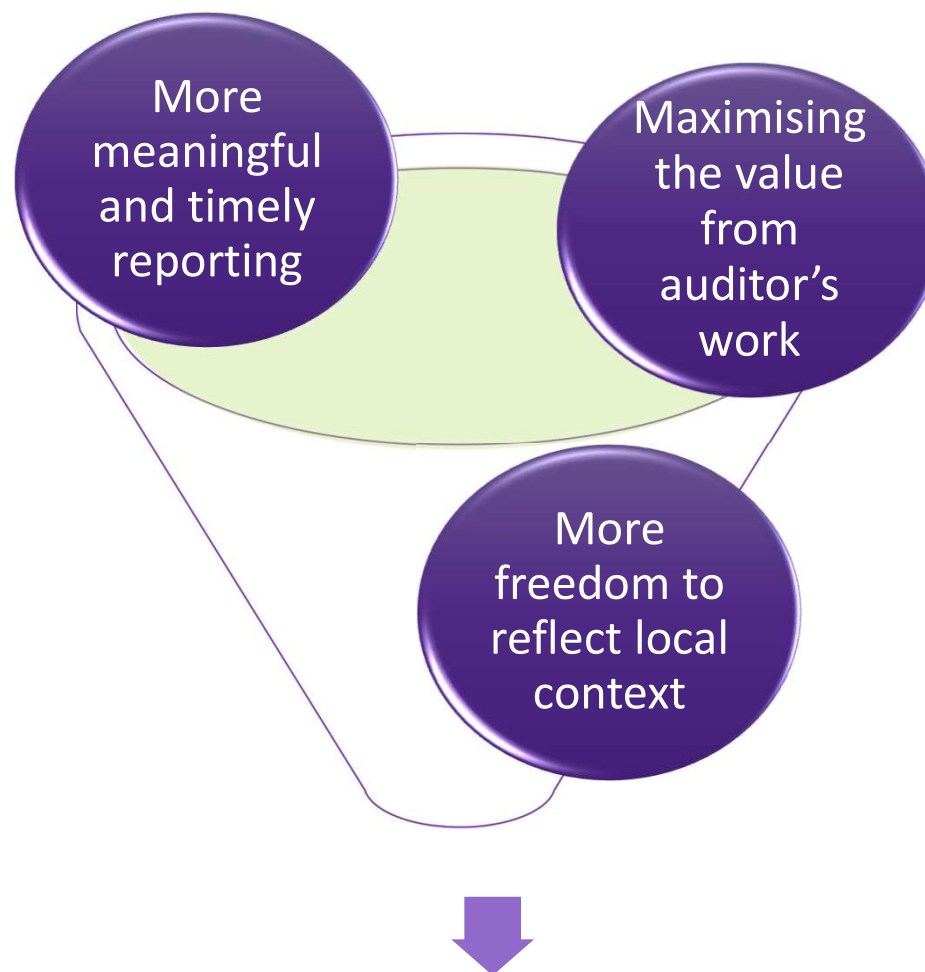


# The new approach to Value for Money

## 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, including:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the body evaluates the services it provides to assess performance and identify areas for improvement;
- how the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.



**VFM arrangements commentary and recommendations**

# The new approach to Value for Money

**The table below details what will be reported in the Auditor's Annual Report:**

Section of report	Content
Commentary on arrangements	An explanation of the VFM work that has been undertaken during the year, including the risk assessment and any further risk-based work. It will also highlight any significant weaknesses that have been identified and brought to the body's attention. The commentary will allow auditors to better reflect local context and draw attention to emerging or developing issues which may not represent significant weaknesses, but which may nevertheless require attention from the body itself.
Recommendations	Where an auditor concludes that there is a significant weakness in a body's arrangements, they report this to the body and support it with a recommendation for improvement.
Progress in implementing recommendations	Where an auditor has reported significant weaknesses in arrangements in the previous year, the auditor should follow up recommendations issued previously and include their view as to whether the recommendations have been implemented satisfactorily.
Use of additional powers	Where an auditor uses additional powers, such as making statutory recommendations or issuing a public interest report, this should be reported in the auditor's annual report.
Opinion on the financial statements	The auditor's annual report also needs to summarise the results of the auditor's work on the financial statements.

**The table below details the three types of recommendations that auditors can make. Auditors may make recommendations at any time during the year.**

Type of recommendation	Definition
Statutory recommendation	Where auditors make written recommendations to the body under Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014. A recommendation of this type requires the body to discuss and respond publicly to the report.
Key recommendation	Where auditors identify significant weaknesses in a body's arrangements for securing value for money, they have to make recommendations setting out the actions that the body should take to address them
Improvement recommendation	Where auditors do not identify a significant weakness in the body's arrangements, but still wish to make recommendations about how the body's arrangements can be improved

# Revised auditing standard: Auditing Accounting Estimates and Related Disclosures

In the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs (UK)) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

## Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Governance Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

## Additional information that will be required for our March 2021 audits

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021 in all areas summarised above for all material accounting estimates that are included in the financial statements.

Based on our knowledge of the Authority we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, council dwellings and investment properties
- Depreciation
- Year end provisions and accruals
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates
- Valuation of level 2 and level 3 financial instruments

## The Authority's Information systems

In respect of the Authority's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Authority uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Authority (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.

## Estimation uncertainty

Under ISA (UK) 540 (Revised December 2018) we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management addresses this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to include:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

## How can you help?

As part of our planning risk assessment procedures we routinely make a number of enquiries of management and those charged with governance, which include general enquiries, fraud risk assessment questions, going concern considerations etc. Responses to these enquires are completed by management and confirmed by those charged with governance at an Audit and Governance Committee meeting. For our 2020/21 audit we will be making additional enquires on your accounting estimates in a similar way (which will cover the areas highlighted above). We would appreciate a prompt response to these enquires in due course.

## Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)





# What can be learned from Public Interest Reports?– Grant Thornton

2020 will be remembered as a tumultuous year in local government, with the pandemic creating unprecedented pressure on the sector. It also saw the appearance of two Public Interest Reports (PIRs), followed by another in January this year – the first to be issued in the sector since 2016. PIR's can be issued by local auditors if there are significant concerns around council activity, such as major failings in finance and governance.

The recent PIRs have made headlines because, up to this point, very few have ever been issued. But, as our latest report “Lessons from recent Public Interest Reports” explores, all three illustrate some of the fundamental issues facing the wider sector and provide a lesson for all local authorities around: weaknesses in financial management; governance and scrutiny practices; and council culture and leadership; which, when combined, can provide fertile ground for the kind of significant issues we might see in a PIR.

The COVID-19 pandemic highlighted four essential factors we probably always knew about local government, have often said, but which are now much better evidenced:

- 1) Local government has provided fantastic support to its communities in working with the NHS and other partners to deal with the multifaceted challenges of the pandemic.
- 2) Britain's long centralised approach to government has been exposed to some degree in terms of its agility to tailor pandemic responses to regional and local bodies. This is recognised by the current government who continue to pursue the options for devolution of powers to local bodies. Track and Trace delivered centrally has not been as successful as anticipated and, according to government figures, local interventions have had more impact.

- 3) Years of reduced funding from central government have exposed the underlying flaws in the local authority business model, with too much reliance on generating additional income.
- 4) Not all authorities exercise appropriate care with public money; not all authorities exercise appropriate governance; and not all authorities have the capability of managing risk, both short and long term. Optimism bias has been baked into too many councils' medium-term plans.

The PIRs at Nottingham City Council (August 2020), the London Borough of Croydon (October 2020), and Northampton Borough Council (January 2021) are clear illustrations of some of the local government issues identified above. The audit reports are comprehensive and wide-ranging and a lesson for all local authorities. Local authorities have a variety of different governance models. These range from elected mayor to the cabinet and a scrutiny system approach, while others have moved back to committee systems. Arguments can be made both for and against all of these models. However, in the recent PIR cases, and for many other local authorities, it's less about the system of governance and more about how it operates, who operates it and how willing they are to accept scrutiny and challenge.

There are a number of lessons to be learned from the recent PIR reports and these can be broken down into three key areas which are explored further in our report:

- 1) The context of local government in a COVID-19 world
- 2) Governance, scrutiny, and culture
- 3) Local authority leadership.

The full report is available here:

[Lessons from recent Public Interest Reports | Grant Thornton](#)

# Annual Transparency Report – Grant Thornton

As auditors of several listed entities as well as nearly one hundred major local audits, we are required as a firm to publish an annual transparency report.

The report contains a variety of information which we believe is helpful to audit and governance committees as well as wider stakeholders. The Financial Reporting Council (FRC) in their thematic review of transparency reporting noted that they are keen to see more Audit Committee Chairs actively engaging and challenging their auditors on audit quality based on the information produced in Transparency reports on a regular basis. We agree with the FRC and are keen to share our transparency report and discuss audit quality with you more widely.

The transparency report provides details of our:

- Leadership and governance structures
- Principle risks and Key Performance Indicators
- Quality, risk management and internal control structure
- Independence and ethics processes
- People and culture
- Compliance with the Audit Firm Governance code and EU Audit directive requirements

We have made significant developments in the year as part of our Local Audit Investment Plan to improve our audit quality. We welcome an opportunity to discuss these developments and our transparency report should you wish.



The full report is available here:

[Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

# Local government finance in the pandemic – National Audit Office

The National Audit Office (NAO) report, published in March, notes “The COVID-19 pandemic has been an unprecedented public health and economic emergency. Local authorities in England have made a major contribution to the national response to the pandemic, working to protect local communities and businesses, while continuing to deliver existing services. The pandemic has in turn placed significant pressure on local authorities’ finances, which in many cases were already under strain going into the pandemic.”

The NAO report examines if the Department’s approach to local government finance in the COVID-19 pandemic enabled it to assess and fund the costs of new services which local authorities have been asked to deliver. It also examines whether the Department fulfilled its responsibilities in securing financial sustainability across the sector.

The NAO report concludes “Steps taken by the government, led by the Department, have supported local authorities in the COVID-19 pandemic response. The Department’s successful monthly collection of data and continued intensive engagement with the sector provided a good evidence base to underpin the financial and other support provided by government. Action by the Department and wider government to support the sector has averted system-wide financial failure at a very challenging time and means that the Department has managed the most severe risks to value for money in the short term.

However, the financial position of local government remains a cause for concern. Many authorities will be relying on reserves to balance their 2020-21 year-end budgets. Despite continuing support into 2021-22 the outlook for next year is uncertain. Many authorities are setting budgets for 2021-22 in which they have limited confidence, and which are balanced through cuts to service budgets and the use of reserves.”

The NAO report found that “the combined impact on spending and non-tax income in 2020-21 is £9.7bn – equivalent to 17.6% of revenue expenditure. So far the government has announced £9.1bn of financial support, leaving a deficit of £605m.”



The full report can be obtained from the NAO website:

[Local government finance in the pandemic - National Audit Office \(NAO\) Report](#)



# Local authority Covid-19 pressures – MHCLG

Outturn figures from the Ministry for Housing, Communities and Local Government (MHCLG) show that local authorities in England reported additional cost pressures of £12.8bn relating to Covid-19 in 2020-21. Overall, local authorities spent £7.2bn responding to the pandemic last year, with the largest share of additional expenditure going on adult social care services at £3.2bn.

Additional expenditure due to COVID-19 by class and service area (£ millions) (2020-21)						
	Shire District	Shire County	Unitary Authority	Metropolitan District	London Borough	Total
Adult Social Care – total	0.473	1,254.880	848.656	663.404	413.842	<b>3,181.254</b>
Children's social care - total (excluding SEND)	0.000	94.933	131.127	89.799	62.987	<b>378.846</b>
Housing - total (including homelessness services) excluding HRA	63.129	5.254	74.949	42.281	112.971	<b>298.584</b>
Environmental and regulatory services - total	33.564	68.097	67.512	66.704	63.556	<b>299.433</b>
Finance & corporate services - total	48.222	53.445	83.984	76.923	78.284	<b>340.858</b>
All other service areas not listed in rows above	184.550	634.578	584.924	564.737	395.137	<b>2,363.926</b>
<b>Total</b>	<b>329.937</b>	<b>2,111.187</b>	<b>1,791.153</b>	<b>1,503.848</b>	<b>1,126.777</b>	<b>6,862.902</b>

Income losses due to COVID-19 by class and source of income (£ millions) (2020-21)						
	Shire District	Shire County	Unitary Authority	Metropolitan District	London Borough	Total
Business rates	276.498	0.000	194.192	207.351	537.667	<b>1,215.708</b>
Council tax	399.037	0.000	217.633	191.219	232.727	<b>1,040.616</b>
Sales fees and charges	516.426	194.923	553.907	396.745	475.728	<b>2,137.728</b>
Commercial income	82.448	24.159	120.629	204.211	52.154	<b>483.600</b>
Other	33.494	39.947	27.163	53.664	45.166	<b>199.435</b>
<b>Total</b>	<b>1,307.903</b>	<b>259.029</b>	<b>1,113.524</b>	<b>1,053.190</b>	<b>1,343.441</b>	<b>5,077.087</b>



The figures are available in full here:  
<https://www.gov.uk/government/publications/local-authority-covid-19-financial-impact-monitoring-information>

# CIPFA Financial Resilience Index

The Chartered Institute of Public Finance & Accountancy's (CIPFA) Financial Resilience Index is a comparative tool designed to provide analysis on resilience and risk and support good financial management.

CIPFA note "CIPFA's Financial Resilience Index is a comparative analytical tool that may be used by Chief Financial Officers to support good financial management, providing a common understanding within a council of their financial position.

The Index shows a council's position on a range of measures associated with financial risk. The selection of indicators has been informed by extensive financial resilience work undertaken by CIPFA over the past five seven years, public consultation and technical stakeholder engagement.

Section 151 officers may also use the index in their annual report to the council setting out the proposed budget for the year and medium-term financial strategy.

While the impact of COVID-19 resulted in a delay to the publication of the index, it is still able to provide a comprehensive pre-COVID baseline, illustrating the financial resilience of authorities as they entered the pandemic."

CIPFA found that "there was a real-terms reduction of £800m in the level of reserves in 2020 compared with the previous year. At the end of March 2020 council reserves levels stood at £24.6bn, around 3% lower than £25.4bn recorded at the same period in 2019."

CIPFA note "The index is made up of a set of indicators. These indicators take publicly available data and compare similar authorities across a range of factors. There is no single overall indicator of financial risk, so the index instead highlights areas where additional scrutiny should take place in order to provide additional assurance. This additional scrutiny should be accompanied by a narrative to place the indicator into context."



The Financial Resilience tool is available on the CIPFA website below:

<https://www.cipfa.org/services/financial-resilience-index-2021?crdm=0>

# Good practice in annual reporting – National Audit Office

The National Audit Office (NAO) state that the guide, launched in February, “Sets out our good practice principles for good annual reporting and provides illustrative examples taken from public sector organisations who are leading the way in this area.”

The guide draws on examples of good practice from within each of the six sections of an Annual Report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance

The NAO also state that the guide “provides further examples where bodies have made their context more understandable to the reader through use of graphics and clear language and signposting.”

However, The NAO observe “Done well, reporting in the public sector enables the public and Parliament to understand – with ease and confidence – an organisation’s strategy and the risks it faces, how much taxpayers’ money has been spent and on what, and what has been achieved as a result.”

Further, the NAO note “The significant impacts of the pandemic emerged in the UK in mid-March 2020. This means that, for many organisations, the reporting impact will be greater in 2020-21 than in the prior year. Transparent annual reporting will help stakeholders understand the impact of COVID-19 on an organisation’s strategy, plans and operational and financial performance.”



The full report can be obtained from the NAO website:

<https://www.nao.org.uk/report/good-practice-in-annual-reports-february-2021/>

# Government response to Redmond review – MHCLG

Government has published an update on the Ministry of Housing, Communities & Local Government response to Sir Tony Redmond's independent review into the effectiveness of external audit and transparency of financial reporting in local authorities.

The MHCLG press release states "The Audit, Reporting and Governance Authority (ARGA) – the new regulator being established to replace the Financial Reporting Council (FRC) – will be strengthened with new powers over local government audit, protecting public funds and ensuring councils are best serving taxpayers.

The new regulator, which will contain a standalone local audit unit, will bring all regulatory functions into one place, to better coordinate a new, simplified local audit framework.

ARGA will continue to act as regulator and carry out audit quality reviews as the FRC does now. It will now also provide annual reports on the state of local audit and take over responsibility for the updated Code of Local Audit Practice – the guidelines councils are required to follow.

The government has confirmed that the Public Sector Audit Appointments (PSAA) will continue as the appointing body for local audit, in charge of procurement and contract management for local government auditors.

In the immediate term, MHCLG will set up and chair a Liaison Committee, which will comprise senior stakeholders across the sector that will oversee the governance of the new audit arrangements and ensure they are operating effectively."

The press release goes on to state the "measures finalise the government's response to Sir Tony Redmond's independent review into local audit, carried out last year.

The government has already announced £15 million to support councils with additional costs in audit fees, and recently consulted on the distribution of this funding. Government is also consulting on improving flexibility on audit fee setting and has extended the deadline for when councils must publish their audited accounts.



The press release can be found here:

<https://www.gov.uk/government/news/government-publishes-update-to-audit-review-response>

# 2019/20 audited accounts – Public Sector Audit Appointments

In December 2020 Public Sector Audit Appointments (PSAA) published figures relating to the audit of 2019/20 local authority financial statements.

PSAA report “Audit arrangements in local councils, police, fire and other local government bodies are continuing to exhibit signs of stress and difficulty. In the latest audit round, focusing on 2019/20 financial statements and value for money arrangements, fewer than 50% of bodies’ audits were completed by the revised target of 30 November.

Figures compiled by PSAA, the organisation responsible for appointing auditors to 478 local bodies, reveal that 55% (265) of audit opinions were not issued by 30 November. This is a further deterioration on 2018/19 audits when 43% of opinions (210 out of 486) were delayed beyond the then target timetable of 31 July.”

By 30 November, Grant Thornton had signed 113/208 audits (a 55% completion rate), meaning that only 45% of audit opinions were not signed by 30 November, compared to the 55% all firms average.

PSAA go on to note “This year’s timetable has been deliberately eased by Ministers in recognition of the underlying pressures on the audit process and the significant added complications arising from the Covid-19 pandemic. The pandemic has posed practical challenges for bodies in producing accounts and working papers, and for auditors to carry out their testing. Both sets of staff have had to work remotely throughout the period, and the second national lockdown came at a critical point in the cycle.

Questions and concerns about the potential implications of the pandemic for some bodies have meant that both finance staff and auditors have needed to pay particular attention to the financial position of each entity. Additionally, following a series of increasingly challenging regulatory reviews, auditors have arguably been more focused than ever on their professional duty to give their opinion only when they are satisfied that they have sufficient assurance.”



The news article can be found here:

[News release: 2019/20 audited accounts – PSAA](#)

# Consultation on 2023-24 audit appointments – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) is consulting on the Draft prospectus for 2023 and beyond.

PSAA state “Our primary aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.

The objectives of the procurement are to maximise value for local public bodies by:

- securing the delivery of independent audit services of the required quality;
- awarding long term contracts to a sufficient number of firms to enable the deployment of an appropriately qualified auditing team to every participating body;
- encouraging existing suppliers to remain active participants in local audit and creating opportunities for new suppliers to enter the market;
- encouraging audit suppliers to submit prices which are realistic in the context of the current market;
- enabling auditor appointments which facilitate the efficient use of audit resources;
- supporting and contributing to the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery; and
- establishing arrangements that are able to evolve in response to changes to the local audit framework.”

The plans include proposals to adjust the procurement ratio between quality and costs from an equal 50:50 to 80:20, as well as trying to bring new suppliers in to the market.

The consultation on the PSAA’s proposals closes on 8 July.



The news article can be found here:

<https://www.psaa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/prospectus-2023-and-beyond/draft-prospectus-for-2023-and-beyond/page/7/>



# Councils given power to build more homes for first time buyers and for social rent – MHCLG

The Ministry of Housing, Communities & Local Government (MHCLG) has announced that councils in England will have more freedom on how they spend the money from homes sold through Right to Buy to help them build the homes needed in their communities.

The MHCLG press release states the “package will make it easier for councils to fund homes using Right to Buy receipts, including homes for social rent, and give them greater flexibility over the types of homes they provide to reflect the needs of their communities.

It will also give councils more time to use receipts and to develop ambitious building programmes. The government wants homes supplied using Right to Buy receipts to be the best value for money, and to add to overall housing supply, to help towards delivering 300,000 new homes a year across England by the mid-2020s.”

The press release goes on to note “New measures include:

- extending the time councils have to spend Right to Buy receipts from 3 years to 5 years
- increased cap on the percentage cost of new homes councils can fund from Right to Buy receipts raised from 30% to 40% per home, making it easier to build replacement homes
- allowing receipts to be used for shared ownership, First Homes, as well as affordable and social housing, to help councils build the homes their communities need
- introducing a cap on the use of Right to Buy receipts for acquisitions to help drive new supply.”



The press release can be found here:

<https://www.gov.uk/government/news/councils-given-power-to-build-more-homes-for-first-time-buyers-and-for-social-rent>





# Audit and Governance Committee



Date of meeting:	26 July 2021
Title of Report:	<b>Audit Actions Review</b>
Lead Member:	Cllr Nick Kelly (Leader)
Lead Strategic Director:	Brendan Arnold, Service Director for Finance
Author:	Paul Looby, Head of Financial Planning & Reporting
Contact Email:	<a href="mailto:paul.looby@plymouth.gov.uk">paul.looby@plymouth.gov.uk</a>
Your Reference:	PL/AC
Key Decision:	No
Confidentiality:	Part I - Official

## Purpose of Report

To set out the monitoring process for reviewing recommendations made by:

- Grant Thornton: the Council's external auditors;
- Devon Audit Partnership (DAP): the Council's internal auditors.

## Recommendations and Reasons

Members of the Audit and Governance Committee to note the content of the report and the process for monitoring recommendations of the Council's external and internal auditors.

## Alternative options considered and rejected

The existing arrangements are there is no formal reporting of recommendations to the Audit Committee. The current arrangements are no longer considered to be best practice if the Committee are to be fully updated of the status of recommendations that have been agreed by management.

## Relevance to the Corporate Plan and/or the Plymouth Plan

The implementation of all agreed audit recommendations are fundamentally linked to delivering the priorities within the Council's Corporate Plan and assists with ensuring limited resources are allocated to priorities which will maximise the benefits to the residents of Plymouth.

## 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.

Implementation of agreed audit recommendations 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

## 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	djn.21. 22.47	Leg	lt/36894/4/080 21	Mon Off		HR		Assets		Strat Proc	
Originating Senior Leadership Team member Brendan Arnold, Service Director Finance & S151											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed 8 July 2021											
Cabinet Member approval: Cllr Nick Kelly											
Date approved: 08/07/2021											

**Proposed process for the follow up of Audit (and related) agreed recommendations****1. Introduction**

- 1.1 This Council recognises and responds promptly and effectively to the independent assurance work completed by our external auditors, Grant Thornton (GT) and our internal auditors, Devon Audit Partnership (DAP).
- 1.2 Once GT and DAP complete their audit reviews they issue a report which highlights risks and identify areas that may require improvement. This will be supported by a recommendation as to how to make that improvement. The recommendation will be graded, usually using a **High**, **Medium** and **Low** priority rating.
- 1.3 Management are required to respond to all recommendations and confirm that:-
  - a) the issue is 'recognised';
  - b) that the recommendation is agreed or not agreed;
  - c) that the recommendation is achievable or suggest a suitable alternative action (a **Scheduled Action**); and
  - d) provide a time and date for completion of the action.

**2. The Reason for Tracking Recommendations**

- 2.1 It is important that the Council are able to track the completion of agreed recommendations to improve controls and minimise exposure to risk. It is also important to provide ongoing assurance to Senior Management and Members (Audit & Governance Committee) that scheduled actions are taking place.

**3. Tracking Recommendations**External Audit Recommendations

- 3.1 Future reports will provide an update of all recommendations. Appendix I shows recommendations from GT. All of these recommendations are being considered as a separate agenda item for this meeting.

Internal Audit Recommendations

- 3.2 Internal Audit recommendations which have been agreed by management will be rated as **High** or **Medium** priority. DAP recommend that management will introduce their own internal monitoring processes to confirm that **low** priority actions have been actioned.
- 3.3 It is important to note, and recognise, that in some instances a scheduled action may be delayed for "good reason"; for such reasons the Tracker will show where a "first extension" has been granted. In some case there may be a valid and appropriate need for a further, second, extension.

- 3.4 It is expected that all Scheduled Actions will be completed by the end of the second extension or further information on reason for the action remaining outstanding will be provided by the relevant service head.
- 3.5 The Tracker will be maintained by DAP. This update will be as follows:-
- For each Scheduled Action due in that period DAP will Email each “responsible officer” for confirmation that the Scheduled Action has been enacted. If not, a time extension (and reason for the extension) should be provided;
  - The Responsible Officer will provide “evidence” to support that change;
  - Where required, DAP officers may request further evidence to confirm the change has been effective;
  - The Scheduled Action will either be signed off as “complete” or an extension granted;
  - Where a second extension is requested, this will be forwarded to the Section 151 Officer For approval.
- 3.6 Appendix 2 shows a list of all existing recommendations made by DAP. The Committee will receive an updated report at the September Meeting which will set out the numbers of recommendations for each review, the number that have been actioned and those which are still outstanding.
- 3.7 Where recommendations remain outstanding for more than 6 months after the final report was issued, the relevant manager will be invited to the Committee to provide an update as to progress against the recommendation(s) and the expected completion date.

## External Audit Tracker

## Appendix I

No.	Recommendation	Management Response	Responsible Officer	Target Date	Status
I.	<p>The Council Should further improve its governance arrangements so that the number of key decisions are made outside of formal elected member meetings is limited, thereby enhancing openness and transparency:</p> <ul style="list-style-type: none"> <li>• Formal guidance should be developed for decision makers setting out when discretion could be exercised and their delegated powers not used, ensuring consideration is given to identifying the most appropriate place to make a decision on an innovative and unusual transactions</li> <li>• Decision makers should be provided with documents that clearly assess and accept or reject all potential relevant options and key issues</li> <li>• Processes are put in place to ensure Chairs o Scrutiny Committees are given every opportunity to effectively challenge and debate unusual transactions</li> <li>• Any questions raised by external advisors, including legal advice are formally closed and addressed by the Council</li> </ul>	<p><u>Accepted</u> The Council will:</p> <ul style="list-style-type: none"> <li>a. Develop guidance in consultation with stakeholders for decision makers to inform discretion over decision making through delegated decisions or at Cabinet.</li> <li>b. Review and update guidance covering documentation for decision makers which addresses alternative options and reasons for rejection.</li> <li>c. Scrutiny chairs will receive and will be briefed on the content of the Council's Forward Plan for key decisions, and the description of these decisions will be reviewed to ensure that it is sufficiently detailed for their proper consideration.</li> </ul>	Assistant Chief Executive	September 2021	

2.	<p>The Council should further improve its processes for the production of business cases to ensure:</p> <ul style="list-style-type: none"> <li>• A detailed options appraisal is undertaken where appropriate</li> <li>• Material business cases fully appraise all the options</li> <li>• An agreed and consistent approach for the approval of business cases is developed and adopted</li> </ul>	<p><u>Accepted</u> The Council will:</p> <ol style="list-style-type: none"> <li>Produce a standard business case format for unusual and innovative financial transactions.</li> <li>Set down a working procedure for the passage of such cases through the governance path.</li> </ol>	Service Director for Finance	September 2021	
3.	<p>The Council should improve its financial risk management arrangements to ensure that all the key risks are identified, appraised and clearly reported to the decision maker</p>	<p><u>Accepted</u> The Council will:</p> <ul style="list-style-type: none"> <li>• Adjust proformas used for CMT, Cabinet reports and delegated decisions to ensure that a section is added to record (a) financial risks and (b) the mitigation of same.</li> </ul>	Assistant Chief Executive and Service Director for Finance	September 2021	
4.	<p>The Council should ensure the Audit Committee is effective by ensuring members understand their roles and responsibilities. This should include:</p> <ul style="list-style-type: none"> <li>• Reviewing and updating members' role and responsibilities, ensuring these are reviewed annually by the committee</li> <li>• Introducing a mechanism to ensure all recommendations by External Audit and Internal Audit are actioned</li> <li>• Regular training for all members</li> </ul>	<p><u>Accepted</u> The Council will:</p> <ol style="list-style-type: none"> <li>Develop a training programme for the Audit and Governance Committee in consultation with the Chair.</li> <li>Introduce a tracking system for all audit recommendations.</li> <li>Invite Internal and External audit to participate in the training programme.</li> </ol>	Service Director for Finance	September 2021	

5.	<p>The Council should minimise the potential for conflicts of interest to occur and should:</p> <ul style="list-style-type: none"> <li>Enhance the existing conflicts of interest policies, guidance and codes of conduct to ensure a wider range of potential conflicts are identified and managed appropriately</li> <li>Ensure the existing training for officers and elected members addresses the revised guidance and includes identifying and managing conflicts of interest.</li> </ul>	<p><u>Accepted</u> The Council will:</p> <ul style="list-style-type: none"> <li>Review and update existing conflicts of interest policies, guidance and codes of conduct in line with best practice and ensure the appropriate training is in place to support the revised approach.</li> </ul>	Assistant Chief Executive	October 2021 (Note: any changes to the constitution in respect of the management of interests will need to be agreed at a meeting of the Council)	
6.	<p>The Council should ensure that where a decision relies upon internal legal advice, that the legal advice is formally documented, and the outcome and rationale for relying upon the advice is recorded.</p>	<p>Where a council decision relies on internal legal advice the legal service will continue to and assure that its advice is formally documented on the legal department's case management system.</p> <p>The legal service will update its work instructions for general legal advice in line with this recommendation and include the new work instructions in its quality assurance system for monitoring and review purposes.</p> <p>The Council will ensure that the existing process for securing legal sign off is reviewed and updated in line with this recommendation.</p>	Assistant Chief Executive	September 2021	

7.	<p>In order to enable innovative and unusual treasury management decisions to be formally scrutinised, debated and as appropriate made by elected members the Council should update the Constitution and Treasury Management Principles to:</p> <ul style="list-style-type: none"> <li>• Enable treasury management decision to be made by elected members</li> <li>• Define significant delegated decisions, such as 'innovate and unusual'</li> <li>• Ensure the following are made aware of unusual treasury management activity before a decision is made: <ul style="list-style-type: none"> <li>- Chair of the Audit and Governance Committee</li> <li>- Portfolio Lead</li> <li>- Chair of Scrutiny Committee</li> </ul> </li> </ul>	<p><u>Accepted but with reservations</u> The Council will:</p> <ol style="list-style-type: none"> <li>Define 'innovate and unusual' within the Treasury Management Strategy when next updated</li> <li>Consult with the External Auditor on these changes</li> </ol> <p>The Council has reservations about part of this Action Point because:</p> <ul style="list-style-type: none"> <li>• Treasury Operations are highly technical in nature and often requiring a rapid decision path. This is why the treasury function is delegated to the Section 151 Officer as a general principle across the sector. Accordingly the Council is concerned that insofar as this recommendation requires member decision making it is out of step with national practice within the sector.</li> </ul>	Service Director for Finance	October 2021	
8.	The Council should ensure that it consults with its external auditors before any unusual treasury management transactions are completed	<p><u>Accepted</u> The Council will:</p> <ul style="list-style-type: none"> <li>• Consult with the External Auditor as indicated</li> </ul>	Service Director for Finance	With immediate effect	
9.	The Council should formally record significant (innovate and unusual) treasury management decisions, as defined by the	<p><u>Accepted but with reservations</u> The Council will:</p>	Service Director for Finance	October 2021	



	<p>Council in recommendation 7. As a minimum this should include:</p> <ul style="list-style-type: none"> <li>• Decision taker, why the decision is a delegated decision</li> <li>• Date of decision</li> <li>• Reasons for the decision</li> <li>• Risk considered/mitigated</li> <li>• Alternative options considered and rejected</li> <li>• Financial and legal implications</li> <li>• Supporting documents/information considered to inform the decision</li> </ul>	<ul style="list-style-type: none"> <li>• Consult further with the External Auditor on the definition of 'significant'</li> </ul> <p>The Council has reservations about this Action Point because:</p> <ul style="list-style-type: none"> <li>• High volume and high value transactions can occur at short notice for transactions that are not innovative and unusual which may fall within this definition</li> </ul>			
10.	Consider if the Monitoring Officer should attend all CMT meetings, along with all the Council's other Statutory officers.	<p><u>Accepted</u></p> <p>The Council notes that this recommendation is to give the matter consideration, which will take place in consultation with the Monitoring Officer and the rest of the Corporate Management Team.</p>	Assistant Chief Executive	September 2021	
11.	<p>To Ensure the Council achieves best value for all its treasury management transactions the Council should:</p> <ul style="list-style-type: none"> <li>• Consider testing the market for unusual one off transactions</li> <li>• Document procurement decisions and supporting judgements</li> </ul>	<p><u>Accepted</u></p> <p>The Council will:</p> <ul style="list-style-type: none"> <li>• Adopt the recommendation as described</li> </ul>	Service Director for Finance	August 2021	

**Appendix 2****Internal Audit Recommendations**

Listed in the table below are audit reviews where management responses in responses of recommendations made have been obtained and in some cases the recommendations were immediately implemented on receipt of the draft report. Target implementations dates are in place for those recommendations not yet actioned and progress will be tracked and reported to future meetings of the Audit and Governance Committee

<b>Audits</b>	<b>Total Number of Recommendations</b>	<b>Number of Recommendations Implemented</b>	<b>Number of Recommendations Agreed but not yet Implemented</b>
Business Rates	3	3	0
Council Tax	9	0	9
Housing Benefits	3	1	3
Creditors	7	1	6
Sundry Debtors	9	1	8
Main Accounting System	5	5	0
Capital Programme	13	0	13
Purchasing Cards	13	2	11
Information Asset Management	8	0	8
Data Quality	20	1	19
Electoral Registration	10	4	6
Special Guardianship Orders	37	0	37
Empty Homes Scheme	16	0	16
Street Lighting	16	2	14

# Audit and Governance Committee



Date of meeting:	26 July 2021
Title of Report:	<b>Internal Audit Annual Report</b>
Lead Member:	Councillor Nick Kelly (Leader)
Lead Strategic Director:	Brendan Arnold (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 2020/21, 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.

A key element of the Council's governance arrangements is the Annual Governance Statement (AGS), signed by the Leader, Chief Executive and Service Director for Finance (S.151 Officer). The assurance opinion derived from the work of the Internal Audit Service is used to help inform the Annual Governance Statement (AGS).

Regulation 6 of the Accounts and Audit (England) Regulations 2015 requires that 'a relevant authority must, each financial year conduct a review of the effectiveness of the system of internal control required by regulation 3, and prepare (and approve) an Annual Governance Statement'.

## Recommendations and Reasons

The Audit and Governance Committee note that:

- Based on work performed during 2020/21 and previous years' audit, the Head of Internal Audit's opinion is of "Reasonable 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 meet the needs of residents, businesses and communities through the delivery of quality public services.

### Implications for the Medium Term Financial Plan and Resource Implications:

Delivery of the audit plan assists the council in delivering value for money services and has helped ensure an effective control environment as the Council have responded to the challenges of the Covid-19 pandemic.

### 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	DAP 2020/21 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.21. 22.33	Leg	lt/36894/2 /280621	Mon Off		HR		Assets		Strat Proc	
Originating Senior Leadership Team member: Brendan Arnold, Service Director Finance & S151											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 22/06/2021											
Cabinet Member approval: Cllr Nick Kelly (Leader)											
Date approved: 09/07/2021											

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Internal Audit

Annual Audit Report 2020-21

Plymouth City Council  
Audit & Governance Committee

July 2021

Official

Robert Hutchins  
Head of Audit Partnership

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 2020/21 was presented and approved by the Audit Committee in July 2020 but Covid-19 presented considerable operational challenges to the Council which inevitably introduced some different risks. Working with management we "flexed" the plan to incorporate new areas of work and identify and agree those areas which could be delivered as part of the 2021/22 audit plan or were no longer required. The following report and appendices set out the background to audit service provision; a review of work undertaken in 2020/21 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.

The level of risk associated with each of the areas in Appendix 1 has been determined either from the Local Authority's Strategic / Operational Risk Register, or the Audit Needs Assessment. Where the audit was undertaken at the request of client, it has not been risk assessed. Assurance and recommendations should be considered in light of these risk levels and the impact this has on achievement of corporate / service goals.

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.

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Robert Hutchins  
Head of Devon Audit Partnership



Audit Assurance Statement

This statement of opinion is underpinned by :

Overall, based on work performed during 2020/21 and our experience from the current year progress and previous years’ audit, the Head of Internal Audit’s Opinion is of “Reasonable Assurance” on the adequacy and effectiveness of the Authority’s internal control framework.

We have revised our assurance ratings and definitions for 2021/22 in line with CIPFA Guidance. This assurance statement is in line with definitions below and 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 will be considered by the Authority in preparing its Annual Governance Statement which will be accompany the published Statement of Accounts for 2020/21.

Internal Control Framework

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 made to some existing procedures and control arrangements. In spite of these challenges, 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.

Risk Management

The risk management process at strategic and operational level remains in place.

Covid-19 has required a rapid and agile response to enable safe delivery of services and provide critical services to the City.

In consultation with management, the audit plan has been flexible in response to the changing risk profile.

Governance Arrangements

Governance arrangements have been considered in all our audits to ensure that the Council’s interests are protected and opportunities for improvement identified. Management also make specific requests such as Information Asset Management and OLM Eclipse System Implementation

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 has been of crucial importance as the Council responded to the challenges of Covid-19.

Substantial Assurance	A sound system of governance, risk management and control exists across the organisation, with internal controls operating effectively and being consistently applied to support the achievement of strategic and operational objectives.	Limited Assurance	Significant gaps, weaknesses or non-compliance were identified across the organisation. Improvement is required to the system of governance, risk management and control to effectively manage risks and ensure that strategic and operational objectives can be achieved.
Reasonable Assurance	There are generally sound systems of governance, risk management and control in place across the organisation. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of some of the strategic and operational objectives	No Assurance	Immediate action is required to address fundamental control gaps, weaknesses or issues of non-compliance identified across the organisation. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of strategic and operational objectives.

## 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.

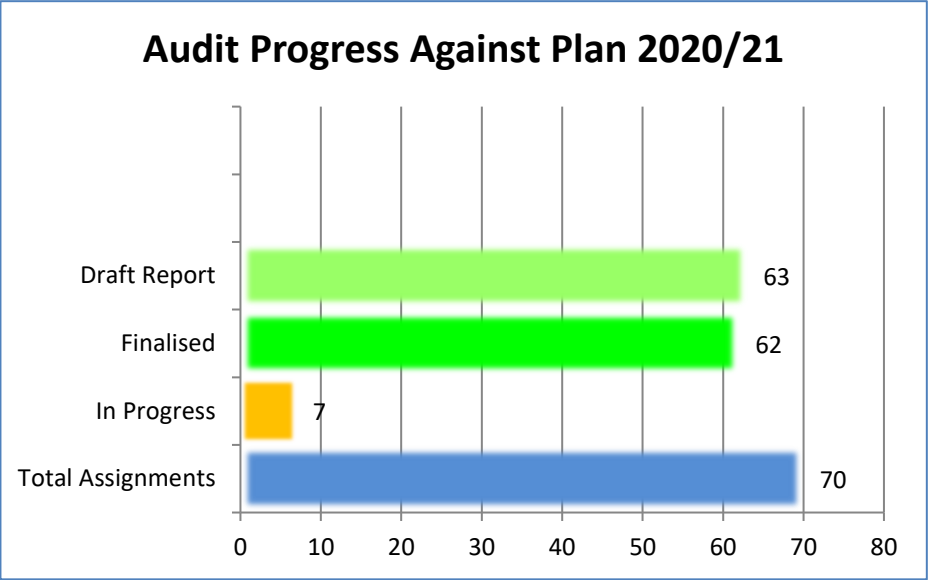
Detailed below is some of the feedback received from those audited during 2020/21.

- Undergoing an audit can be a tense time as you know any weaknesses will be found. This years' audit was a good and fair process, discussions held at key stages and the outcome is an honest reflection of the true situation.
- I had some queries which I was able to discuss freely with no judgement, receiving helpful advice, which I appreciated.
- I did appreciate the work the auditor was able to undertake around short breaks contracts. Even though I know it was a limited audit, there was still improvement action that we took as a result of the advice.
- Really great work by everyone involved so well done as all the hard work is really appreciated.
- The conclusions and suggestions for future activity, also the chance to reflect on the service in a more systematic and structured way.
- It confirmed our own evolving thoughts and gave us others to consider too.
- The auditor specifically and DAP generally were thanked by the Asst Chief Executive at a meeting of the Audit & Governance Committee for the incredibly helpful work we delivered with the Electoral Service.

## Progress against plan

This report compares the work carried out with the work that was planned through risk assessment and client requests and presents a brief summary of audit work undertaken at Appendix 1. The bar chart below shows delivery of the plan.

Progress has also included completion of work from 2019/20 necessarily spanning year end, undertaking follow up audits on areas where significant findings were made in the previous year and reporting to committee thereon, and progressing assignments in accordance with timescales agreed with management.



The split of audit coverage across directorate areas is shown on page 4 of this report.

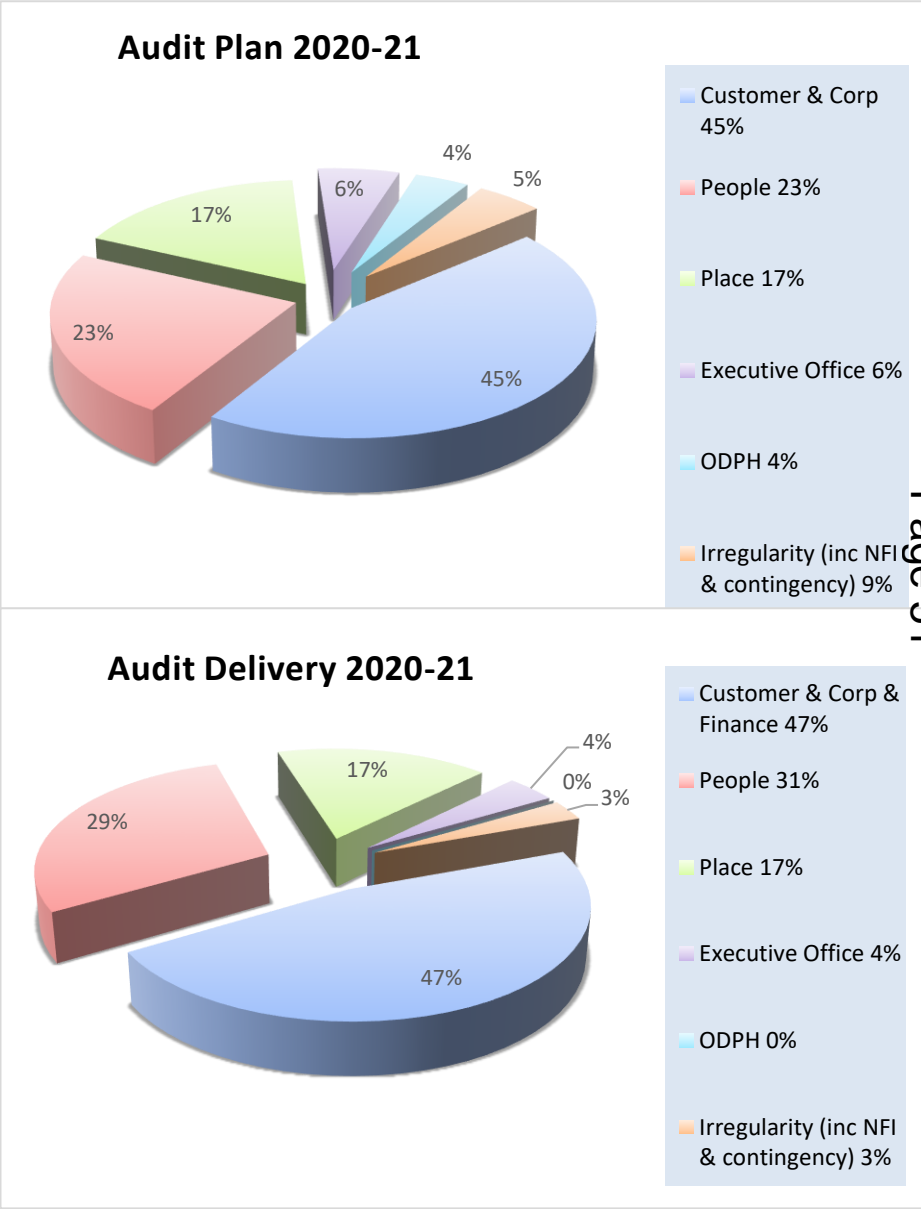
## Audit Coverage

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 1 to this report provides a summary of the audits undertaken during 2020/21, along with our assurance opinion. Where a “substantial” or “reasonable” 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 July 2020. In “ordinary” time local authorities work in a rapidly changing environment but 2020 has seen the Council working to put into place new and innovative solutions to address the challenges brought by Covid-19 and the audit plan has needed 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.

All changes to the audit plan have been agreed with management and reported to the Audit and Governance Committee throughout the year.



## 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 2020-21 exercise, DAP co-ordinated the extract of relevant Council datasets, as defined by the Cabinet Office and matches have been returned in respect of the following areas of the Council's operations:

- Council Tax;
- Creditor Payments;
- Housing Benefits;
- Payroll / Pensions;
- Housing Waiting Lists;
- Transport Passes (including blue badges and concessionary bus passes).
- Covid 19 Grants

DAP are currently in the process of liaising with relevant departments to formulate an action plan to process the returned matches in accordance with the NFI timetable.

**Covid-19 Grants** - In response to the Coronavirus, Covid-19, the Government announced there would be support for businesses. Part of this support has been grants available in financial years 20/21 and 21/22, paid through Local Authorities. The Secretary of State confirmed that the Department of Business, Energy and Industrial Strategy will stand behind any erroneous payments, subject to Local Authorities taking all reasonable and practicable measures to avoid making payments to ineligible businesses and then having exhausted all reasonable and practicable steps to recover any ineligible or over-payments. DAP have undertaken a programme of post event assurance checks on payments made to businesses. Whilst we have identified some cases that have been referred to our Counter Fraud Team (CFT), in all of these cases it has taken an enhanced level of checking to identify the potential fraud. Given the resource constraints and the urgency around the requirement to support businesses it would have been unrealistic to expect these cases to have been identified at the verification stage without introducing prohibitive delays into the application process.

**Irregularities** – DAP have provided management with a range of advice and support on courses of action or improvements to controls.

**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 present 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 2020/21

### Risk Assessment Key

ANA - Audit Needs Assessment risk level

Client Request - no risk assessment information available

Where the value of transactions processed by a system is deemed to be material, the system is subject to annual review

Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
<b>Customer and Corporate / Finance</b>		
<b>Core Assurance – Key Financial System (KFS)</b>		
Payroll (iTrent System) Payroll (CoreHR) Material System – Reviewed Annually <i>Time was only allowed for CoreHR payroll system in the original plan and not iTrent</i>	Status: In Progress	The final audit of the iTrent Payroll system has been completed to provide assurance on the control environment for the period April to October and whilst work on the CoreHR system which went live in November is not totally complete, we are able to provide assurance that payments made were found to be correct and the figures held in the general ledger reconciled.
CoreHR System Implementation ANA – High <i>Not included in original plan</i>	Reasonable Assurance Status: Final	Internal Audit have monitored Delt's CoreHR project during the past year. Issues identified within the CoreHR solution have either been resolved or workaround processes evolved to ensure accurate payment and administering of statutory and non-statutory deductions. Governance has been of a high standard and the project has significantly benefitted from the highly experienced project team.  Effective workaround procedures have been built into 'Pay Cycle' processes for initial live operation following testing and refinement during the five parallel run testing that has been undertaken. Review of the process and content of the parallel run testing confirmed that anomalies have been identified and used to inform live operation process and remediation as appropriate.  The third-party hosting of the Councils data introduces additional risks, with 'Cyber' threats of particular relevance. Following the conducting of Penetration Testing to identify potential data security vulnerabilities by an accredited testing company the limited issues identified have been remedied by Delt.
Business Rates (NNDR) Material System – Reviewed Annually	Reasonable Assurance Status: Final	At the conclusion of our work the control framework has been confirmed as operating as expected. However, work and resource pressures caused by Covid related work and the loss of staff to the Council's EVRS scheme have posed a real challenge to the department as they've looked to return to 'business as usual'.  Following a focus on Covid 19 grants in the first quarter of 2020-21 the department have worked hard to address a backlog in Valuation Office Agency (VOA) schedules and notifications which have now been

Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
		brought back up to date. The resumption of recovery action work continues to ensure accounts subject to a recovery hold and bailiff performance are monitored in accordance with expected controls.
Council Tax Material System – Reviewed Annually	Reasonable Assurance Status: Final	<p>The control framework continues to operate expected, however work and resource pressures caused by Covid related work and the loss of staff to the Enhanced Voluntary Release Scheme (EVRS) have posed some challenges to the service. At the time of the audit there had been no monitoring of the Enforcement Agents performance for 20/21 but this has since resumed.</p> <p>It has also been agreed that where attempts to trace the taxpayer(s) of historic accounts have been exhausted a discussion will be held with the Finance Director to determine the next steps. Single Person Discounts are subject to regular review and a rolling programme of review for other cases awarded 25% discount has commenced.</p>
Housing Benefits Material System – Reviewed Annually	Reasonable Assurance Status: Final	<p>The Covid 19 pandemic has seen processing times for new claims and changes of circumstance come under pressure due to an increase in applications as many customers lost their job or a large number of working hours as a result of lockdown. Compared with 2019-20 there has been a 16.8% increase in the total Council Tax Support (CTS) caseload, while working age CTS claims have increased by 28.6%. There has also been increasing pressure since the turn of the year due to the Test and Trace Support Payment work. However, against this backdrop the department have performed well against its performance targets, with the 2020-21 outturn being only slightly over the 18 day target for processing new claims. Whilst the outturn for processing changes in circumstances in respect of CTS claims was significantly over the 6 day target, this was largely due to a particularly challenging month in March 2021 which included a significant amount of work clearing Universal Credit files.</p> <p>The resource challenges faced by the department can be seen in the reduction of Quality Assurance (QA) work undertaken during 2020-21. Whilst some hard choices needed to be made to ensure claims and payments to customers were not subject to undue delays, robust QA work is a vital tool in identifying error within the system and helping to safeguard subsidy. Moving forward it is important to return to the volume of checking undertaken in recent years and it is also recommended that the visibility and profile of this important area of work is improved through periodic reporting to departmental management.</p>
Main Accounting Material System – Reviewed Annually	Reasonable Assurance Status: Final	The Councils budget for 2020/21 was approved by Full Council only a matter of days before the country was placed into lockdown. The challenge for the Council in delivering services within the budget was immediately thrown into doubt as the Council grappled with responding to the Covid19 pandemic. Even without these additional pressures the 2020/21 budget contained a number of challenging targets within a



Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
		<p>context of the continuing reduction in Central Government funding and rising demand for statutory services. It was also noted that the S151 Officer considered that the Council's reserves, which it had historically drawn from to cover overspends, was now at the minimum level, with the rate of withdrawal being seen as unsustainable. Consequently, the close monitoring of budgets and challenging of spend remains an imperative.</p> <p>Budget monitoring and scrutiny arrangements are in place and include arrangements for the identification of remedial action and reporting. Quarterly revenue and capital monitoring reports are taken to Performance, Finance and Customer Focus Overview and Scrutiny before being presented to Cabinet.</p> <p>There is improvement in the system notes on virements to explain the reason for the movement but there remains scope for further improvement if additional evidence was consistently added within the system to demonstrate that the virement has been approved in accordance with Financial Regulations. It was also noted at the time of the review that the authorisation of large virements by Cabinet no longer formed part of the quarterly revenue and capital monitoring reports but this was rectified in the quarter 3 report to Cabinet. We have recommended that additional information is required within these reports to ensure that Cabinet have sufficient detail fully understand what they are approving.</p> <p>The Corporate Accountancy Team actively monitor all ledger transactions with a value of over £500k with checks undertaken to ensure journals have the necessary supporting information attached and that the correct journal type has been used.</p> <p>Data transferred via interface to the main accounting system found to be well controlled with reconciliations being completed in a timely manner and any variances identified, investigated and resolved. Cash and bank is routinely reconciled to the main accounting system each month and subject to secondary review.</p>
Creditors Material System – Reviewed Annually	Reasonable Assurance Status: Final	Civica Financials Purchasing and Creditor systems are used to manage purchases and payments for goods and services and our review provides assurance that these systems continue to operate within a sound system of internal control. Officers have proactively worked to support suppliers and local businesses, strengthening the objective to “buy local” and ensuring due payments, including Government business grants are made promptly with 98.9% of invoices paid within 30 days.
Debtors Material System – Reviewed Annually	Reasonable Assurance Status: Final	The internal controls and processes remain unchanged within the Civica Debtors system and Service Centre and continue to operate to a good standard despite the difficulties and challenges the year has brought to Council services. Increased workloads together with staff shortages have required the team to

Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
		reprioritise the debt reports they are working on at any one time, whilst ensuring that as many debts as possible are followed up. There has also been additional barriers to normal debt recovery in areas which have been severely affected by the pandemic such as commercial rents where arrangements and payment reductions have been put in place to support businesses closed during lockdowns. Use of External Collection Agencies (ECA's) were paused at times during the past year and they, and the Council's own Visiting Officers have been unable to enter properties due to Covid restrictions. Despite this, debt recovery for March 2021 exceeded its target of 95% collection
Treasury Management Material System – Reviewed Annually	Substantial Assurance Status: Final	Plymouth City Councils Treasury Management system remains highly effective with robust governance arrangements and operational processes in place and complied with. Whilst it is recognised that 2020/21 has been a very difficult year to manage the Councils cashflow due to greater uncertainty around the income PCC is due to receive, the significant increase in the government grants received to be distributed to support businesses and individuals through the pandemic and a money market that is difficult to predict with very low or zero interest rates, robust Treasury Management arrangements have enabled ongoing effective financial management.
Material Systems – System Admin ANA - High	Status: In Progress	User Administration remains a challenge, but with (Delt's) new HR Payroll system now embedding there are opportunities to identify how to make potential improvements in this area. User Admin is reliant upon operational processes within PCC and Delt and any weaknesses within either organisation would negatively impact the overall effectiveness. Our work will look to identify any areas of non-compliance with standard processes and highlight opportunities for improvement including optimising the use of workflows where possible.
<b>Core Assurance - Other</b>		
Payment Modernisation Board <i>Not included in original plan</i>	Value Added Status: Ongoing	The Council's "Way We Work Programme" has set up a Payment Modernisation Board chaired by the Head of Finance comprising representation from Transformation, Finance, Customer Services and the Service Centre to review service areas and explore if it is possible to streamline the billing and receipt of payments, including payment up front. DAP also has a representative on this Board.
CoreHR Interface Incident <i>Not included in original plan</i>	Value Added Status: Complete	<p>Following migration to the CoreHR solution, two of the initial interfaces between it and the general ledger were duplicated. The first duplication occurred due to an additional test batch file not being deleted and the second due to a second file being created following a 'hanging' (stalling) decryption process.</p> <p>We have worked with Delt Services to understand the incident and can provide assurance that four additional technical controls have been put in place to prevent a reoccurrence and include a formal process of authorisation for all Payroll journals provided via the CoreHR to the general ledger interface.</p>



Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
Health & Safety Follow-Up (Street Services) <i>Not included in original plan</i>	Improvements Required Status: Final	All improvement works highlighted in our December 2019 internal audit report on issues relating to the management and control of exposure to Hand/Arm Vibration (HAV) have been addressed. We have undertaken some follow-up work that concentrated on key areas such as the use of the HAV VECS calculator and the establishment of electronic personnel files which contain health surveillance information on Hand Arm Vibration. Changes in staff and the Covid-19 pandemic lockdown have impacted progress in developing the effectiveness of the administrative procedures. There is a time limited action plan in place to respond to the recommendations, overseen by the Service Director in Street Services. The HSW Annual Report for 2019-20 provides further detail.
Health & Safety Follow-Up (Bereavement Service) <i>Not included in original plan</i>	Improvements Required Status: Final	Follow-up work for the Bereavement Service mirrors that for Street Services detailed above.
Health & Safety Follow-Up (Mount Edgumbe Country Park) <i>Not included in original plan</i>	Good Standard Required Status: Final	All improvement works highlighted in our December 2019 internal audit report, have been addressed. Changes in staff and the Covid-19 pandemic lockdown have impacted progress in developing the effectiveness of the administrative procedures. There is a time limited action plan in place for Mount Edgumbe, with the support of the Health & Safety Wellbeing Assurance Team to complete implementation of the action plan.
Housing Benefit Overpayments – Potential Impact on Recovery Following Migration to Universal Credits	Value Added Status: Complete	At the end of May 2020, the Council had circa 1500 cases where overpayments were being recovered direct from ongoing Housing Benefits (HB). Most of these cases relate to working age customers, and therefore likely that the majority will in due course migrate to Universal Credits (UC). As subsidy payments have been received from the DWP in respect of these overpayments, following migration to UC the historic debt will remain with the Council. Recovering by way of attachment to a UC claim is seen as a last resort once other recovery methods have been exhausted, The Revenues & Benefits department advise that the continued use and prioritisation of the HB Debt Recovery Service remains the most effective way of targeting recovery as and when benefit claimants move into employment.
Purchasing Cards ANA - High	Limited Assurance Status: Final	Our review found: <ul style="list-style-type: none"> <li>• some non-compliance with policies and procedures;</li> <li>• that a few cardholders continued to split purchases to circumvent their transaction limit;</li> <li>• valid VAT receipts were not always obtained or attached to the BSM system;</li> <li>• more than one member of a team using the Purchasing card.</li> </ul>

Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
		Management has taken decisive action in response to our findings and the Purchasing Card policy updated, clearly stating the consequences of failure to comply. The policy and has been communicated to staff via Staff Room. The audit also identified that transactions are not always approved on a weekly basis, this will be monitored with cards being suspended if transactions remain outstanding.
Information Asset Management Client Request	Added Value Status: Final	A review of a limited number of the Council's key business solutions identified that there are opportunities to further evolve and develop them to optimise their potential value as opposed to introducing new business solutions. In addition, the Office 365 suite provides document management and storage opportunities that could improve information management and facilitate an exit from the existing corporate arrangement (S:Drive). To maximise the benefit that can be obtained from the Councils information assets, reporting and data analytics should be employed, with the corporate wide use of the Office 365 PowerBI solution the most logical approach.
Real Time Ad-Hoc Support Provided in Relation to Covid-19 <i>Not included in original plan</i>	Value Added Status: Complete	Applications for cash grants for businesses in receipt of small business rates relief or for retail, hospitality and leisure businesses with a rateable value of £51,000 or less were run through the government 'Spotlight tool' which performs automated due diligence checks. Any rejections were referred to DAP to perform further manual checks, including contacting the ratepayer, to determine if the application should be rejected or if there has been an error and it should be paid.
Additional Holiday Pay <i>Not included in original plan</i>	Value Added Status: Complete	<p>Due to caselaw ruling, there is a legal requirement to pay additional holiday pay if overtime / other variable work is regularly undertaken.</p> <p>We considered the reasonableness of the Councils proposed methodology, examined the records and carried out appropriate investigations and checks, to provide an opinion that the list of payments to individuals eligible for additional holiday pay for the period August 2017 to 31st December 2019 is reasonable. Testing also included a random sample of variable pay elements deemed outside of scope to ensure that they were appropriately excluded from the proposed payment list.</p> <p>Testing was undertaken promptly to ensure those employees entitled received accurate and complete payments in line with Council policy and defined methodology, prior to the payments being made in the March 2021 pay run.</p>
Business Rates Grant Post Event Assurance (Small Business, Retail, Hospitality & Leisure & Local Authority Discretionary)	Reasonable Assurance Status: Final	The Council administered the various grant funding schemes in line with Government guidance and with a view to ensuring that its 'front-end' processes reduced the likelihood of inappropriate and / or inaccurate payments occurring.

Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
<i>Not included in original plan</i>		<p>Following discussion with Council officers involved in the verification process and consideration of the risks associated with each scheme the following sample testing was completed by DAP. 100 Small Business Grant Fund (SBGF) payments, a further 100 Retail, Hospitality &amp; Leisure Grant (RHLG) payments and 20 Local Authority Discretionary Fund (LADF) payments. This comprised 3.5% of the SBGF applications, 11.5% of the RHLG. and 5% of the LADF.</p> <p>Prior to DAPs post event assurance (PEA) work commencing the Council undertook its own reconciliation exercise in respect of the grant payments made. This work was reviewed by DAP at the outset of our work and was found to be a comprehensive and thorough exercise. The reconciliation process had identified a number of payments that were made in error and subsequently steps have been taken to recover those monies.</p> <p>The work undertaken by the Council is likely to have contributed positively to the findings of our PEA. Whilst we have identified a number of cases that have been referred to our Counter Fraud Team (CFT), in all of these cases it has taken an enhanced level of checking to identify the potential fraud. Given the resource constraints and the urgency around the requirement to support businesses it would have been unrealistic to expect these cases to have been identified at the verification stage without introducing prohibitive delays into the application process.</p> <p>Finance are reporting weekly scheme activity and monthly assurance details to Central Government as required. Audit testing has found the reporting to be complete and accurate with the returns and supporting evidence retained within Council systems. The Council are meeting its responsibilities under the Transparency Code by publishing an updated record of the amount of grant funding received from central government and how that has been distributed within the Covid19 pages of the Council website. This record does not contain specific business records to minimise the risk of fraud.</p>
Business Rates Grant Post Event Assurance (Additional Restrictions Grant / Closed / Local Restrictions Support Grant) <i>Not included in original plan</i>	<b>Reasonable Assurance Status: Final</b>	<p>In respect of the second lockdown in November 2020 the Council took the decision to utilise the Cabinet Office's National Fraud Initiative (NFI) Bank Account Verification and Active Company Check service, supplying its data from the first lockdown for matching prior to the November applications. In November 2020 DAP reviewed over 500 NFI matches that had highlighted potential discrepancies with applications prior to payment. Whilst payments were withheld in a small number of cases, overall the NFI data was found to be unreliable with audit checks identifying that the vast majority of payments flagged were valid and as such this exercise was not repeated for other schemes.</p> <p>Across all relevant schemes DAP have undertaken PEA checks on payments made to 350 businesses from January 2021 to June 2021. Overall, the amount of error and / or potential fraud found by the PEA</p>

Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
		<p>work undertaken has been very low. Of the 350 cases checked potential discrepancies have been referred to the DAP Counter Fraud Team in 12 cases and currently these remain under investigation. Overall, from the PEA work undertaken by Internal Audit and through direct referral from the Grant Verification Team within Economic Development, the DAP Counter Fraud Team have 35 live investigations ongoing. This should be viewed within the context of the Council making over 19,000 payments to businesses and DAP undertaking a 5% check of the payments made.</p> <p>The responsibility for grant verification changed from the initial process in March 2020 with responsibility passing to Economic Development, rather than the Business Rates Team. A considerable amount of work has also undertaken by Finance who acted as a 'back stop' conducting final checks on the proposed payment runs prior to actual payment. Although this created a significant strain on resources we consider that this was an important factor in the low error rate identified within the PEA work undertaken.</p>
Schools Financial Value Standards (SFVS)	Value Added Status: Complete	With the Covid-19 Pandemic, education settings have been subject to numerous operational changes required by Central Government. With regard to the 2019/20 SFVS, the DfE advised local authorities that the CFO SFVS Assurance Statement was not required to be submitted in respect of 2019/20 although as recommended by the DfE the majority of maintained schools did manage to submit returns to the Council. Work will commence on a review of the 2020/21 returns which schools are required to submit by the end of May '21.
Cyber Security ANA – High	Status: In Progress	Work is nearing completion and will conclude that the level of risk in this area is increasing. The two major ransomware incidents that severely impacted Redcar and Cleveland and, Hackney Councils last year provide a template for learning and risk assessment. The review will support the change of emphasis from re-active to a more pro-active approach for activities such as network scanning to identify and remediate vulnerabilities.
Declarations of Interest ANA – Medium	Status: In Progress	Pressures on key Council officers as a result of the pandemic and the May election means that we still have some fieldwork to complete before we can report on the adequacy and effectiveness of policy and procedures in respect of declarations of interest for Officers.
Recruitment (DBS Checks) ANA - High	Status: In Progress	This review is nearing completion and will conclude that despite the overall process being largely effective, there is too great a reliance on individual staff to ensure that all checks are completed as required. Through discussion and sample testing we have identified that there is room to improve

Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
		corporate wide process transparency and the holistic view of responsibilities across the Council. We will be recommending a review of Policy and consideration to formally define operational processes to improve overall governance.
Client Financial Services F/Up ANA – High	Improvements Required Status: Final	<p>Due to the pandemic, some previously implemented recommendations are temporarily on hold because of staff shortages or the reprioritising of work and the audit opinion of "improvements required" remains but it should be noted that the direction of travel towards implementation of the outstanding recommendations remains positive.</p> <ul style="list-style-type: none"> <li>• The Fairer Charging Policy is now available on the Council website;</li> <li>• Working practices for are available for the CFST;</li> <li>• An interim Scheme of Delegation was put in place to allow swift and responsive action to be taken when required. Once "normal" business resumes it will need to be revisited to formally agree and incorporate write-off procedures, including the levels that LiveWell Southwest can request ASC Retained Client Function to authorise.</li> </ul> <p>We plan to undertake an end-to-end review of processes in quarter 4 of 2021/22.</p> <p><b>Please note:</b> this work cuts across the CFS Team in Customer &amp; Corporate, Adult Social Care and Livewell Southwest.</p>
Acting Up Duties ANA – Medium	Reasonable Assurance Status: Draft	<p>Plymouth City Councils internal control framework for managing Acting Up and Additional Duties arrangements provides reasonable assurance that Council employees are paid accurately, on time and in accordance with council policy, equal pay legislation and contract of employment.</p> <p>Firmstep forms and Employee/Manager Self Service portals used, ensure that due consideration of need and appropriate authorisation is given prior to amendments being made to payroll records. Processes and systems have been subject to continuous improvement and consistent use of Firmstep more recently has strengthened internal controls through effective managed workflow, ensuring decisions are taken based on detailed business need information.</p> <p>Payroll records accurately record the Acting Up and Additional Duty arrangements and calculation of pay is in accordance with council policy and contract of employment.</p> <p>Plymouth City Council receive monthly reports that set out monthly and rolling year to date expenditure on Acting Up and Additional Duties, Service Support Accountants and Budget Managers have access to</p>

Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
		human resource management and financial information in CoreHR and Civica General Ledger to enable effective budget monitoring.
<b>Executive Office</b>		
<b>Core Assurance - Other</b>		
Electoral Services    ANA High	Reasonable Assurance Status: Final	<p>The strength of governance processes, transparency and the remedial actions taken all contributed strongly to providing a good level of assurance that previous errors would not be repeated. Whilst there were risks associated with the increased electronic engagement with the public these were well managed and the many benefits achieved include a better and more familiar customer experience and mirroring of the Councils Digital Strategy. Online interaction also significantly improved the ability for Electoral Services to conduct the Canvass and undertake the 2021 elections.</p> <p>The audit highlighted how the risk environment had changed significantly in the past three years due to the increased administering of large volumes of electronic data. Both Senior Management and those directly involved in administering this data demonstrated a good understanding of the risks and this will be reflected in enhancing controls moving forward.</p> <p>As part of the ongoing improvement plan, DAP provided training on Risk and Control to help improve awareness and empower good decision making when performing individual tasks. The exercise also contributed to ensuring that a proposed review of operational and Quality Assurance processes is effective.</p>
<b>People</b>		
<b>Core Assurance - Other</b>		
OLM Eclipse System Implementation <i>Not included in original plan</i>	Value Added Status: Ongoing	CareFirst 6 is the case management, payment and charging system used by Children's and Adult Social Care teams for more than 20 years. The next-generation replacement for CareFirst is OLM Eclipse and the Project Manager, Strategic Co-operative Commissioning has requested real-time support and challenge for this highly sensitive and critical project from DAP's Senior IT Auditor on both the Social Care IT Project Board and the Eclipse Project Board. Advice has been provided regarding Business Change requirements which will assist in the decision making on how this will be managed as a project workstream.

Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
Infection Control Fund for ASC <i>Not included in original plan</i>	Value Added Status: Final	Care Home Providers who were recipients of Infection Control funding were required to complete and submit a return to Plymouth City Council detailing how their allocation of the grant had been spent. Based on our examination of the first tranche of returns we can provide assurance that the majority of spend linked to broader infection control measures. The detailed findings from our work has been considered by officers as they communicated with Providers regarding the second tranche of funding.
Children's Short Break Contracts ANA – Medium, Client Request	Value Added Status: Final	The review commenced during a period of lockdown for Covid-19 and some parts of the audit were amended to place as little impact on affected staff as possible and to avoid contacting providers. New processes had recently been introduced including new Assessment for Spend forms and electronic panel authorisation, so the review focussed on these areas along with some light touch work in relation to additional steps being taken in Short Breaks as a result to Covid-19. It is our intention to complete outstanding tests at a future date, at which time an overall audit opinion will be issued.
Special Guardianship Orders ANA – High Client Request	Limited Assurance Status: Final	Despite the best efforts of all those involved in the SGO process a number of issues were identified which has generated a positive response from Management. In the interim, to ensure that processes are strengthened a flowchart is to be drawn up to ensure everyone involved in process knows the correct financial and recording steps to take. Communication to all staff will be shared to ensure awareness of this. The longer term resolution sees our audit findings being considered as part of an external Special Guardianship and Connected Carers review which will be concluded summer 2021.
FullyCATERed Ltd (Accounting Arrangements) Client Request	Value Added Status: Final	<p>FullyCATERed Ltd is the wholly owned subsidiary of CATERed Limited a co-operative trading company jointly owned by 67 local schools and Plymouth City Council. In accordance with advice provided by the Council's external auditors there has been no requirement to externally audit the company accounts. However, DAP were asked to undertake a small amount of transactional testing together with a review of the corresponding control framework to provide assurance that the year-end position has been properly stated.</p> <p>We can confirm that the internal control framework is satisfactory and that the draft accounts fairly represent the transactions of FullyCATERed Ltd for the 2019/20 financial year.</p>



Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
Finance & Assurance Review Group (FARG) ANA – High Client Request	Value Added Status: Ongoing	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.
Real Time Ad-Hoc Support Provided in Relation to Covid-19 <i>Not included in original plan</i>	Value Added Status: Complete	We worked with Co-Operative Commissioning to develop procedures for staff working across the community assisting people with shopping or accessing cash to ensure that officers had a clear, proportionate but robust process to follow.
Alliance Contract ANA – Medium, Client Request	Status: In Progress	<p>The Council, in partnership with service users and service providers, co-designed a new complex needs system to enable people to receive the right support, at the right time, in the right place. In April 2019, 25 separate services (contracts) were brought together into The Plymouth Alliance (TPA) to create a new single system to deliver an improved experience and better outcomes.</p> <p>Work to review the ‘Single Referral Pathway’ and case management processes, management visibility of financial and service user data and data and performance reporting is underway. This is very much a collaborative piece of work and further discussions with Council staff and service providers are scheduled to identify specific areas which would benefit from further review.</p>
Children's Additional Spend ANA – Low, Client Request	Status: In Progress	The scope of the work has been agreed with the Strategic Commissioning Manager and will shortly commence.
Families with a Future (Payment by Results) Statutory	Regulatory Requirement	DAP have verified and certified seven claims during the year where PCC achieved the maximum claim target of 399 families resulting in PBR income of £162k. We continue to work with the Families with a Future Team to ensure that requirements of the new Supporting Families PBR financial framework is complied with and that the validity, accuracy and completeness of claims is supported by robust data and demonstrable evidence of engagement and intervention to maximise income.
Life Chances Fund (Pause Project)	Regulatory Requirement	Work was undertaken which provided independent assurance and verification of the outcomes reported as being achieved for the outcome claim period of 01/10/2020 to 31/12/2020
Grant Certification Statutory	Regulatory Requirement	<p>Grants certified without amendment:</p> <ul style="list-style-type: none"> <li>• IBCF Disabled Facilities Capital Grant 31/3710</li> </ul>



Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
<b>Office of the Director of Public Health</b>		
It was agreed with ODPH to include a small “pot of days” in the plan but as a result of Covid19, work for the service has changed and the Director has advised that the service have not been able to identify any areas that would be useful this year.		
<b>Place</b>		
Street Lighting ANA - Medium	Reasonable Assurance Status: Final	<p>Whilst the overall internal control framework provides Reasonable Assurance that Street Lighting infrastructure assets are sufficiently managed and payment made for legitimate works, failure to agree a contract with a competitive schedule of rates has meant that the Mayrise works ordering and payment system, used to order and pay for highways maintenance works, cannot be used in the same way for Street Lighting maintenance. The current arrangement for ordering and payment of street lighting works uses multiple, disparate systems, and was found to be inefficient and resource intensive.</p> <p>An informal agreement between PCC and SWH to deliver the street lighting maintenance service was on a cost reimbursable plus 9.31% basis. Engineering Management recognise the limitations of the current arrangements and their impact on operational efficiency and are proactively looking at options to strengthen and streamline work ordering and payment procedures, as well as proposing specific street lighting key performance indicators for inclusion in the Highways Term Maintenance contract performance framework to improve performance and drive value for money.</p> <p>Recommendations made include the implementation of a formal service level agreement for street lighting services to formalise the full system of administration and management and provide clarity on the roles and responsibilities of each partner by defining service level expectations.</p>
Garage Follow-Up ANA – Medium, Client Request	Value Added Status: Complete	<p>Since the finalisation of the September 2019 Internal Audit report consideration was given to the restructuring of the service and given the synergy between the Fleet and Garage operations, the Garage now sits alongside Fleet as one service under the management of the Fleet Services Manager.</p> <p>The Fleet Services Manager is currently reviewing the service with a view to refreshing the service plan and considering the potential for the following ambitions:</p> <ul style="list-style-type: none"> <li>• To set up agreed SLAs with all internal Garage customers to better establish service expectations.</li> <li>• To reduce the cost of privately contracted work through a full establishment with no vacancies. A full establishment would see only a small amount of work needing to be done externally. This</li> </ul>

Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
		<p>would increase profit margins on external income and reduce costs for the whole council through unscheduled and scheduled maintenance.</p> <ul style="list-style-type: none"> <li>Seek investment to increase commercial income. The Garage currently does external work for South West Highways and private MOT's for members of the public but this is limited by the current facilities and staffing levels.</li> </ul>
Capital Programme Governance ANA – High Client Request	Substantial Assurance Status: Final	<p>The capital strategy which forms the basis of the capital programme, was found to be subject to regular reviewed to ensure it continued to support the aims and objectives of the Plymouth Plan, Joint Local Plan, Treasury Management Strategy, Corporate Asset Management Strategy and Medium-Term Financial Strategy. For projects to be considered for inclusion within the capital programme a fully worked up business case is required, demonstrating how investment best meets Council objectives.</p> <p>Financial planning was found to be effective and took into consideration the long-term impact of borrowing including future periods outside the current medium-term financial plan period. The capital programme had recently been reviewed in light of the Economic Recovery Programme, 'Resurgam', to mitigate the effects of the economic lockdown brought about by the Covid 19 pandemic and deliver projects that will facilitate recovery.</p> <p>Comparisons undertaken by DAP with other local authorities found the arrangements in place at PCC to be streamlined without compromising on the robustness of business case information, the scrutiny and challenge undertaken and decision-making process.</p> <p><i>It should be noted that subsequent to completion of this audit review all capital programme activities are now carried out by the Capital Finance Team. Under the direction of the Service Director for Finance the Capital Programme Governance arrangements are under review with the results of this audit being taken into consideration.</i></p>
Empty Homes Scheme ANA – Medium Client Request	Reasonable Assurance Status: Final	<p>Overall, the administration, operational and management arrangements to support empty homes back into use are of a good standard. A comprehensive financial assistance policy, which is reviewed on an annual basis, is in place and used effectively by Housing Delivery Officers to support suitable empty homes being brought back into use. Homeowners must meet the eligibility criteria set out, complete an application and provide a range of documentary evidence to support their application which is then subject to due diligence checks and formal approval by the Service Director for Strategic Planning and</p>

Risk Area / Audit Entity	Assurance Opinion	Residual Risk / Audit Comment
		Infrastructure prior to a loan being made. At the end of 2019/20 a total of 244 empty homes has been brought back into use.
New Business Solutions - Tech Forge (Cloud) ANA – Medium Client Request	Value Added Status: Complete	Phase 1 of the project, including the property register and compliance modules, successfully went live in October 2020.  Phase 2 remains ongoing and DAP will consider further during 2021-22 as part of a review of 'end to end' processes within Commercial Properties.
Real Time Ad-Hoc Support Provided in Relation to Covid-19 <i>Not included in original plan</i>	Value Added Status: Complete	Social distancing, coupled with many shops declining cash, has presented a real problem for Plymouth Credit Union (PCU) and some of its members. DAP worked with officers setting up a cashless card system and in drawing up an Operational Agreement and Service User Agreement.
Grant Certification Statutory	Regulatory Requirement	Grants certified without amendment: <ul style="list-style-type: none"><li>• LGF (GD33) Oceansgate</li><li>• LGF (GD18) Northern Corridor</li><li>• LGF (GD19) Eastern Corridor</li><li>• LGF (GD20) Charles Cross and Exeter Street</li><li>• Innovate UK - Clean Streets EV Infrastructure Toolkit (31831)</li><li>• LTCB Integrated Transport and Highway Maintenance 31/224 and Pothole Action Fund 31/3221</li><li>• DFT Emergency Active Travel Fund Capital Grant 31/5099</li><li>• HCLG LA Compliance and Enforcement Grant 31/5216</li></ul>

## Appendix 2 - Professional Standards and Customer Service

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

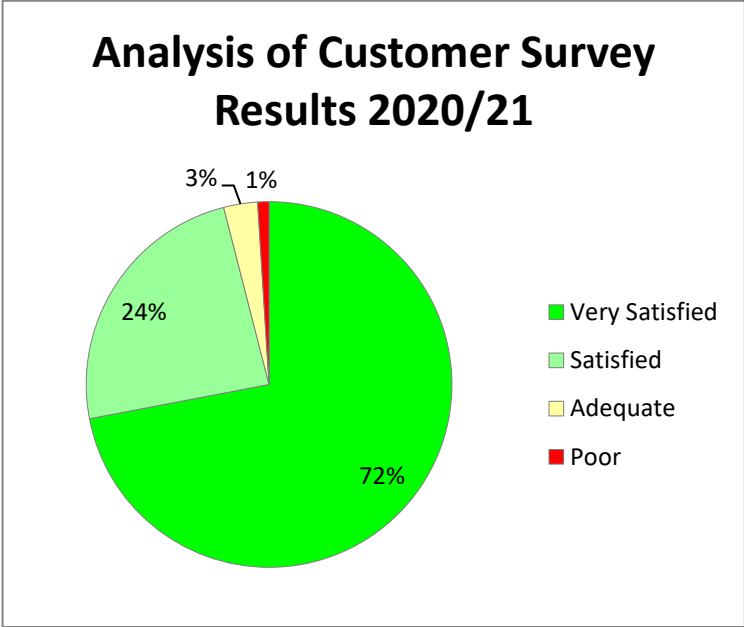
**Conformance** - Devon Audit Partnership conforms to the requirements of the PSIAS for its internal audit activity. The purpose, authority and responsibility of the internal audit activity is defined in our internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* 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 96% 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

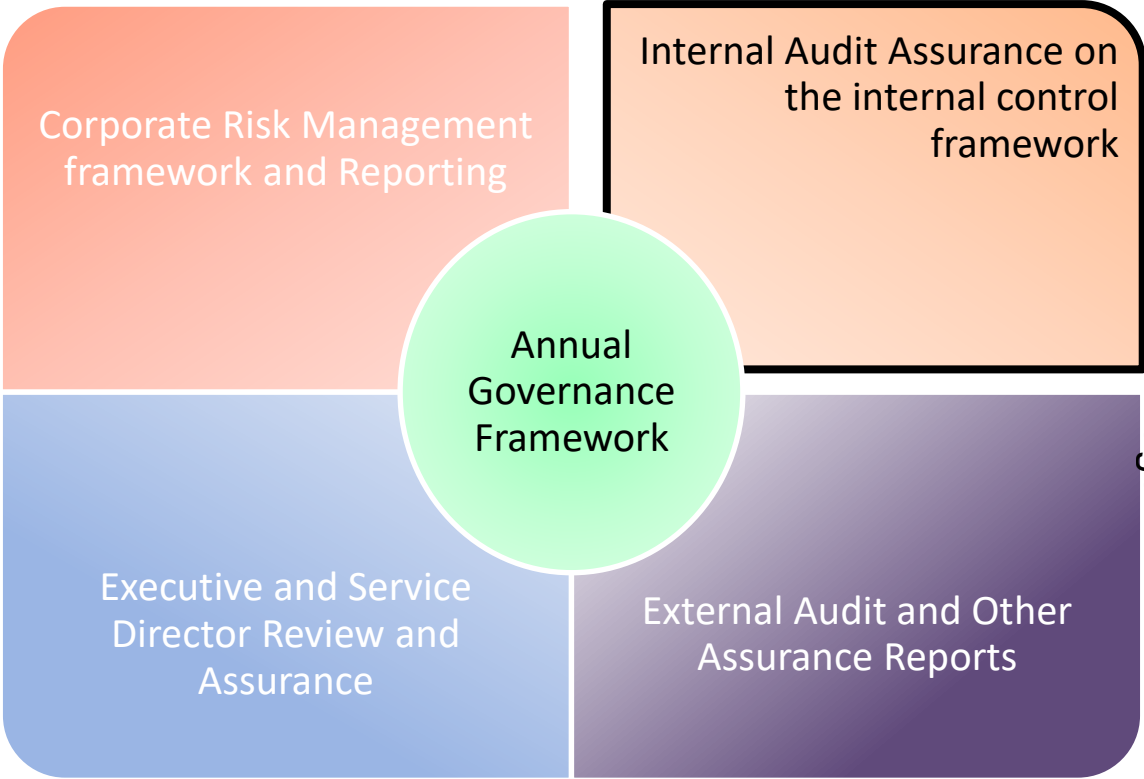
*The conclusions of this report provide the internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.*

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



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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.



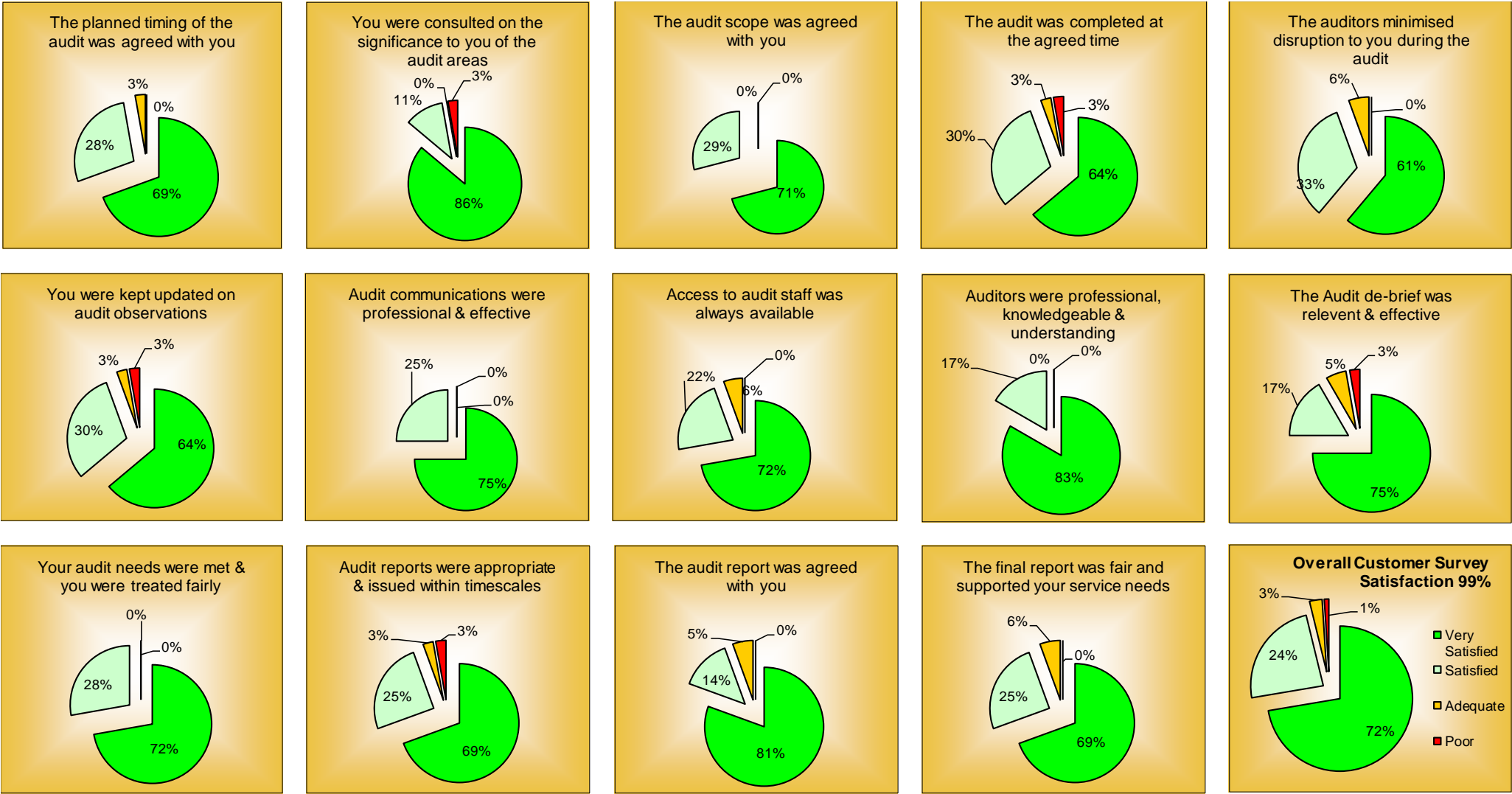
In assessing the level of assurance to be given the following have been taken into account:

- all audits completed during 2020/21, including those audits carried forward from 2019/20;
- any follow up action taken in respect of audits from previous periods;
- any significant recommendations not accepted by management and the consequent risks;
- the quality of internal audit’s performance;
- the proportion of the Council’s audit need that has been covered to date;
- the extent to which resource constraints may limit this ability to meet the full audit needs of the Council;
- any limitations that may have been placed on the scope of internal audit.



Appendix 6 - Customer Service Excellence

Customer Survey Results April 2020 - March 2021



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

# Audit and Governance Committee



Date of meeting:	26 July 2021
Title of Report:	<b>Internal Audit Charter &amp; Strategy 2021/22</b>
Lead Member:	Cllr Nick Kelly (Leader)
Lead Strategic Director:	Brendan Arnold, 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

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

In July 2020 this Committee approved the Internal Audit Charter and the Internal Audit Strategy. These two documents have been merged into one to shorten the document and remove any duplication. The wording is largely unchanged to but assist Members in identifying the textual changes which have been made, the two original documents with track changes are included as appendices to this report.

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 updated Internal Audit Charter and Strategy is 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 Internal Audit 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.

### Recommendations and Reasons

Members of the Audit and Governance Committee agree the Internal Audit Charter & Strategy for the year 2021/22.

### 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 the Corporate Plan by ensuring that resources are used wisely, and service areas meet the needs of residents, businesses and communities through the delivery of quality public services.

### 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 2021/22							
B	Audit Charter 2020/21 with Track Changes							
B	Audit Strategy 2020/21 with Track Changes							

**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.21.22 34.	Leg	lt/36894/1 /280621	Mon Off		HR		Assets		Strat Proc	
Originating Senior Leadership Team member Brendan Arnold, Service Director Finance & S151											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 22/06/2021											
Cabinet Member approval: Cllr Nick Kelly (Leader)											
Date approved: 09/07/2021											

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## PLYMOUTH CITY COUNCIL

### INTERNAL AUDIT CHARTER (~~March 2020~~ July 2021)

#### 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 document details the Internal Audit Charter and Internal Audit Strategy for the Council as required by the Public Sector Internal Audit Standards (PSIAS). The 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), and the scope of Internal Audit work. This Charter complies with the mandatory requirements of the Public Sector Internal Audit Standards PSIAS. The accompanying Audit Strategy is designed to deliver the requirements outlined in the Charter.

#### 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).

### CHARTER

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#### 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

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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.



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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.

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- (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

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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.

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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

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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

#### **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

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amendment. The Charter should be approved and regularly reviewed by the Audit and Governance Committee.

#### 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, the~~ 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**

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**Auditing for achievement**

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## PLYMOUTH CITY COUNCIL

### INTERNAL AUDIT STRATEGY (~~March 2020~~July 2021)

#### ~~1~~ INTRODUCTIONPURPOSE

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~~ 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;
- ~~should be approved, but not directed, by the Audit and Governance Committee;~~
- 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.

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## 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~~provide 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;

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- 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 & Delivery*

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.

The primary objective of the audit is to provide management with an independent opinion on the risk and control framework through individual audits in the audit plan. Individual audits will be completed using our methodology in our Audit Manual to the standards set by PSIAS, to independently evaluate the effectiveness of internal controls. Our audit assignment report will communicate our opinion and include agreed management action, where required, to improve the effectiveness of risk management, control and governance processes

#### 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*

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~~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).~~

The PSIAS and the Internal Audit Manual state that internal audit performance, quality and effectiveness should be assessed for each individual audit; and for the Internal Audit Service as a whole. The HoDAP 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 the following pages).

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 the Corporate Management Team and the Audit & Governance Committee in the half year and annual reports.

The HoDAP 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.

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

Internal Audit  
Performance  
Monitoring  
Targets

Other indicators  
measured as part  
of the audit  
process that will be  
captured and  
reported to senior  
management

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**Internal Audit Performance Monitoring Targets:**

<b>Performance Indicator</b>	<b>Full year target</b>
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.

<b>Task</b>	<b>Performance measure</b>
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.

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~~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~~

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- 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
- 68 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)
- 45 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 ~~Skills and 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.

#### Internal Audit Software System

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.

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#### **Devon Audit Partnership**

**March 2020 July 2021**

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**Auditing for achievement**



## PLYMOUTH CITY COUNCIL

### INTERNAL AUDIT CHARTER AND STRATEGY

(July 2021)

#### 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 document details the **Internal Audit Charter and Internal Audit Strategy** for the Council as required by the Public Sector Internal Audit Standards (PSIAS). The 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), and the scope of Internal Audit work. This Charter complies with the mandatory requirements of the PSIAS. The accompanying Audit Strategy is designed to deliver the requirements outlined in the Charter.

#### DEFINITIONS

Internal auditing is defined by the 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).

## AUDIT CHARTER

### 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 HoDAP 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 HoDAP 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 HoDAP 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 HoDAP 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 HoDAP 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 HoDAP 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 HoDAP 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 HoDAP 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).

The HoDAP 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

## 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 HoDAP 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.

## 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 the Head of Assurance for Hertfordshire Shared Internal Audit Service who completed an external validation of the Partnership and 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

## AUDIT STRATEGY

### PURPOSE

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;
- Should be approved, but not directed, by the Audit and Governance Committee;
- 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.

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

### OPINION ON THE GOVERNANCE, RISK AND CONTROL FRAMEWORK

A key objective 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:

- Provide an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework;
- Disclose any qualifications to that opinion, together with the reasons for the qualification;
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance streams;
- Draw attention to any issues the HoDAP judges particularly relevant to the preparation of the Annual Governance Statement;
- 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
- Comment on compliance with the Public Sector Internal Audit Standards and communicate the results of the internal audit quality assurance programme.

### 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 & Delivery*

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.

The primary objective of the audit is to provide management with an independent opinion on the risk and control framework through individual audits in the audit plan. Individual audits will be completed using our methodology in our Audit Manual to the standards set by PSIAS, to independently evaluate the effectiveness of internal controls. Our audit assignment report will communicate our opinion and include agreed management action, where required, to improve the effectiveness of risk management, control and governance processes

### **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 PSIAS and the Internal Audit Manual state that internal audit performance, quality and effectiveness should be assessed for each individual audit; and for the Internal Audit Service as a whole. The HoDAP 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 the following pages).

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 the Corporate Management Team and the Audit and Governance Committee in the half year and annual reports.

The HoDAP 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.

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

Internal Audit  
Performance  
Monitoring  
Targets

Other indicators  
measured as part  
of the audit  
process that will be  
captured and  
reported to senior  
management

## 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
- 8 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)
- 5 x ILM (Institute of Leadership & Management) level 5 or above

#### *Staff Skills and Development*

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.

#### *Internal Audit Software System*

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.

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# Audit and Governance Committee



Date of meeting:	26 July 2021
Title of Report:	<b>Counter Fraud Services Annual Report 2020-21</b>
Lead Member:	Councillor Nick Kelly
Lead Strategic Director	Brendan Arnold (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 2020/21 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:

[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 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 Half Year 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:

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Originating Senior Leadership Team member: Brendan Arnold											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 22/06/2021 (CMT)											
Cabinet Member approval: Approved by Councillor Kelly (Leader) Date approved: 09/07/2021											

## Counter Fraud Services

### Annual Report 2020 - 2021

Plymouth City Council  
Audit & Governance  
Committee

Date June 2021

## 1. Introduction

- 1.1 Counter Fraud work has continued throughout 2020/21, working practices and the working environment has changed and new ways of working have been established at pace as has been the case in most areas of Local Government and beyond. The Counter Fraud Services Team (CFST) have continued to support Plymouth City Council through a very testing and turbulent period and will continue to do so.
- 1.2 It is now generally accepted that there has been a general upturn in fraudulent activity during the current crisis and that fraudsters have adapted very quickly to take advantage of the ongoing pressures on public bodies. However due to the nature of fraud remaining by and large a hidden crime it may still be some time before the full extent of loss to the UK economy and Local Government in particular is recognised.
- 1.3 This report details what has been done to assist Plymouth City Council over the past year in preventing, detecting and countering the fraud threat in all areas of Council business, including supporting the roll out of COVID Grants.

## 2. Fraud Prevention and Detection

- 2.1 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. The data submission for the latest 2020/21 exercise has now been completed and relevant and involved Departments will be reviewing their results in order to prevent and or detect any fraud or error in Council records. Results will come in as these records are checked and analysed over the coming months.

### 2.2 PCC datasets matched against the NFI

- Council Tax,
- Creditor Payments,
- Housing Benefits,
- Payroll / Pensions,
- Housing Waiting Lists,
- Licencing (including taxi licences and personal alcohol licences)
- Market Traders, and
- Transport Passes (including blue badges and concessionary bus passes)
- Covid 19 Grants

- 2.3 Our Devon Audit Partnership colleagues are supporting the Council in the administration of this bi annual event and will pass on any suspected or identified fraud activity to the CFST.

- 2.5 Irregularities – DAP have provided PCC management with a range of advice and support on courses of action and or improvements to controls on relevant internal matters. Audit and Counter Fraud disciplines are now working closer than ever to provide an increasingly high a level of assurance and service across the piece.

- 2.6 The statistics for the 20/21 continue to show that there are consistent savings to be made by countering fraud. There have been a total of 362 allegations of fraud made resulting in a savings figure of £577,586.26 (this does not include the figures at 3.5) realised at 31<sup>st</sup> March 2021. The team continue to investigate 162 fraud allegations for Plymouth City Council.



2.7 Plymouth City Council successfully prosecuted 8 individuals for fraud and related offences and a further 23 formal sanctions were applied to offenders during 20/21. This figure is substantially reduced on the previous year's levels as normal investigation and sanction processes have been curtailed by not being able to physically interact with suspects. The risk to health outweighed the necessity to formalise a sanction against individuals and these investigations are awaiting the relaxation of C19 restrictions at which point they will be actioned appropriately. Where dishonesty (all fraud) offences are involved it is almost impossible to establish criminality beyond 'reasonable doubt' without interviewing the suspect under caution. As a result investigators time was diverted to strengthening prevention work as detailed in item 3 in this document.

2.8 One of our Accredited Counter Fraud Specialists has remained the Chairperson for the local Devon Tenancy Fraud Forum and also sits on the Executive panel of the National Tenancy Fraud Forum to ensure the message around social housing fraud remains high on the local and national agenda going forward.

### **3. Fraud investigations and COVID Restrictions**

3.1 The COVID situation over the 20/21 financial year and accompanying Government Guidance meant that the CFST at DAP suspended formal interviews under caution, visits to witnesses, suspects and suspects workplaces. The safety of the public and staff was considered paramount and those suspected of fraud will be interviewed appropriately once it is considered safe and sensible to do so. It is worth stressing the point that suspected perpetrators of alleged fraud are just that and that everyone is considered innocent until proven guilty. Therefore the risk of serious illness or even death outweighed the need to establish truth immediately as there is no time bar (limit) on fraud or dishonesty offences and these will be dealt with post COVID 19 restrictions.

3.2 Where fraud was suspected corrective action was applied to stop any further potential for loss and relevant Departments were informed. Evidence gathering has continued where appropriate and this evidence will be put to suspects at their Interview Under Caution in due course.

3.3 Due to the restrictions it was decided to utilise time normally spent on the above activities to review information already available and held by the Council which is regularly supplied to the National Fraud Initiative referenced in Section 2 of this report.

3.4 Preventing fraud from taking place is more effective than reacting to it. Proactive investigation can allow us to stop frauds from escalating and ultimately increasing the cost to the public. The data review utilised data analytics programmes to manipulate data resulting in data sets that mismatch against other data sets.

3.5 As a direct result of these interventions a total of 1033 records were found to require further investigation. Of these 635 instances required corrective action, resulting in identifiable savings of £391,842.84. (Cabinet Office savings figures applied to result)

### **4. Areas of current fraud investigations**

4.1 As part of its ongoing commitment to countering fraud in Plymouth, the Counter Fraud Services Team continues to undertake investigations in the following areas:

- Internal cases
- COVID 19 Grant Fraud
- Council Tax Support / Single Person Discount

- Blue Badge misuse
- Social Housing Fraud (involving our partner Registered Social Landlords)
- Client Financial Fraud (Special guardianship)
- Bus pass misuse
- Parking Permit selling
- Disabled Facilities Grants

4.2 The Counter Fraud Services Team will continue to work closely Audit colleagues and 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 Policies.

## **5. COVID19 Grant Assurance.**

5.1 Throughout this period the CFST have ensured that all staff are regularly updated with 'fraud alerts' from the National Anti-Fraud Network (NAFN), as and when new types of fraud became apparent. This allowed the Council to check and adjust its assurance levels dynamically in the 'roll out' of the Grant Schemes.

5.2 The CFST have the following cases which have either been investigated or remain under investigation in respect of COVID 19 Grants. These investigations are held in the CFST's dedicated fraud case management system and national agencies have been informed as required.

5.3 All cases are investigated by an Accredited Counter Fraud Specialist and where an allegation of fraud is evidenced a criminal case file will be created with a recommendation for sanction. This file will be supplied to the Counter Fraud Services Manager who will then consult the 151 Officer on all COVID 19 Grant frauds in respect of a final decision on the case and whether to prosecute the individual concerned. No Grant Fraud investigations are yet at a point where this consultation is required.

5.4 Cases with the CFST – Includes all cases so far referred from all sources.

- Cases with a value of £30k (Potential Money Laundering Investigations with D&C Police) this does not mean that the Grant was paid incorrectly by PCC.
- 2 cases with a value of £20k refused payment after being investigated by the CFST.
- Cases with value of £90k currently under criminal investigation by the CFST.
- 9 cases with a value of £90k where investigation completed as No Further Action (as payment was confirmed as legitimate)

5.5 A full record of all investigations is and will be retained for Audit purposes.

5.6 Where recommendations are made to change or improve processes the DAP CFST may decide to inform their colleagues in Audit, the Non Domestic Rates Manager and the 151 Officer accordingly where appropriate to do so.

5.7 The Counter Fraud Services Team Manager (DAP) has regularly supplied the Assurance Report Returns to the Department for Business, Energy & Industrial Strategy (BEIS) on a monthly basis, this information is collated and supplied by the Principal Technical Accountant, Financial Planning and Reporting. All reports have been accepted and the current 'Post Event Assurance Plan' is being considered by BEIS.

5.8 The CFST will continue to support PCC in the investigation and or sanction of offenders in relation to criminality concerning the application for and subsequent payment of any C19 Grant related frauds.

5.9 An extra 200 payments were voluntarily sampled during a recent audit by DAP colleagues to provide further assurance for the Council in line with Post Event Assurance. The Counter Fraud Team supported our Audit colleagues in the processing of these checks and balances to produce the Audit report.

## 6. COVID related fraud general

6.1 As the COVID pandemic took hold and more and more of us worked from home where we could, fraudsters adapted and ramped up attacks on emails, texts, social media and phone calls. Some known examples are listed below and awareness alerts have been sent out on a regular basis to warn staff, and customers to use extra vigilance.

- **Breached stay home regulations scam**, fraudulent text messages from.GOV.UK issuing fines for leaving home.
- **Free school meals scam**, fraudulent messages to parents entitled to free school meals requesting bank details.
- **CDC Fraud**, fraudsters purporting to be from a research group that mimic the Centre for Disease Control and Prevention (CDC) and World Health Organisation (WHO). They claim to provide the victim with a list of active infections in their area but to access this information the victim needs to either: click on a link which redirects them to a credential-stealing page; or make a donation of support in the form of a payment into a Bitcoin account.
- **COVID19 Newsletter Fraud**, fraudsters providing articles about the virus outbreak with a link to a fake company website where victims are encouraged to click to subscribe to a daily newsletter for further updates.
- **Investment scheme** and trading advice encouraging people to take advantage of the coronavirus downturn.
- **HMRC** offering a tax refund and directing victims to a fake website to harvest their personal and financial details. The emails often display the HMRC logo making it look reasonably genuine and convincing. We have also had reports of people receiving similar text messages.
- **Online Shopping and Auction Fraud** – more people at home socially distancing increases the number of people online shopping through necessity but also the fact they have more time on their hands to browse the internet.
- **Computer Software Service Fraud** – more people working from home will increase demand on IT systems causing slower responses and making some scripts seem more believable.
- **Lender Loan Fraud** – there are already media reports circulating about parents concerned that they may not be able to feed their children if they are not at school and those who will be made redundant or self-employed receiving a much reduced income with potentially the same or increased living costs. This may mean people look to quick loans to see them through.
- **Mandate Fraud** – with more people working at home, it may be easier for fraudsters to impersonate senior decision makers, with seemingly valid reasons why they

cannot be contacted, and request a change in direct debit or standing order payments.

- **Investment Fraud including Pension Liberation Fraud** – fraudsters could take the opportunity to create bogus investments in commodities in high demand, for example oxygen, and if people are worried that they might not have enough money to see them through this financially uncertain time, they may be more prepared to invest.
- **Pet Fraud** – This is mainly aimed at the dog and cat, pet sales. Pets are advertised online for sale and a sizable deposit is required to secure the puppy or kitten. There is no actual pet for sale and the vendor then breaks contact.
- **Staycation / Vacation Fraud** – Holiday lets advertised when there is no property to let and once again a sizable deposit is kept by the fake vendor.
- **Romance Fraud** – As lockdown took hold people have been isolated in their own homes and have looked for companionship online in numbers greatly increased from pre COVID levels. Many individuals have been conned into sending money or gifts to people they have never met and probably never will.
- **Vaccine Fraud** - Generally over the internet or social media, individuals are offering vaccines for sale, when the Government have made it absolutely clear you cannot buy vaccine. The NHS Counter Fraud Team is robustly countering these issues wherever they occur.

## 7. Where to get further and detailed advice?

7.1 Devon Audit Partnerships Counter Fraud Services Team regularly liaise with Government agencies and other Councils to ensure maximum security and to minimise fraud risks, below are some useful links to improve awareness of fraud. As a public facing document we take this opportunity to raise awareness not only across the Council but also for citizens.

- [Scamsmart](#),
- [ActionFraud](#),
- [CIFAS](#),
- [TakeFive](#),
- [Citizens Advice](#),
- [Trading Standards](#)
- [National Cyber Security Centre](#).
- [Fraud Advisory Panel](#)

## 8. What to do if you suspect a fraud?

8.1 Every agency that deals with fraud and associated crimes would rather hear about it even if it turns out to be a false alarm. Therefore if you if you **suspect it – report it**.

8.2 The National Crime Agency states that “The most robust figures currently available from the Crime Survey of England and Wales reveal there were 3.4 million incidents of fraud in 2016-17. However we think that fewer than 20 per cent of incidents of fraud are actually reported so the true figure may be much higher. This means that the scale of fraud is very significant, but that under-reporting also hampers our understanding of the threat.” It is therefore imperative that all suspected frauds are reported.

- Suspicious personal texts – Forward the text to **7726** (this is a free service)
- Suspicious personal emails - [report@phishing.gov.uk](mailto:report@phishing.gov.uk)
- If you have personally been a victim of fraud report it to [ActionFraud](#),
- If you think your personal device has been hacked call **0300 123 2040**
- Suspicious work emails or texts or computer issues – Report via DELT on **01752 304424** or [phishing@deltaservices.co.uk](mailto:phishing@deltaservices.co.uk)
- If you suspect any fraud against Plymouth City Council, a full contact list for [DAP Counter Fraud Services](#) is available in Appendix A

## 9. Conclusion

- 9.1 At a time of extreme difficulty for many of the most vulnerable in our society it is to be commended that Plymouth continues to lead the way in many aspects of countering fraud in local government. It is imperative that Plymouth remains committed to this path to ensure that public funds are not lost to fraudsters so that the money can be spent where it is most needed.
- 9.2 Plymouth City Council has now made provable accumulated savings over the past 6 years in cashable and non-cashable savings of £6,788,924.84 by countering fraud in all areas of its business.
- 9.3 It is clear that Plymouth is working towards fully complying with the [Fighting Fraud and Corruption Locally Strategy for the 2020's](#) by ensuring that the Council has the correct 'Governance' in place to enable it to 'Acknowledge', 'Prevent', Pursue and 'Protect' its citizens against fraud to the best of its ability. (The recommended 5 pillars of the strategy).
- 9.4 Local authorities have faced many stresses and demands on their services over the past year and Plymouth has adapted quickly and robustly in response to changing fraud threats. DAP is committed to assisting the Council in retaining its status as a leading light in the South West and nationally in the fight against fraud.

Email: [Ken.Johnson@devon.gov.uk](mailto:Ken.Johnson@devon.gov.uk) / [Ken.Johnson@plymouth.gov.uk](mailto:Ken.Johnson@plymouth.gov.uk)

Website: <https://www.devonaudit.gov.uk/>

To see our full range of services click [here](#)

## devonauditpartnership

Dart Suite, Larkbeare House, Topsham Road  
Exeter EX2 4NG



## Appendix A

### Devon Counter Fraud Services Contacts

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

## Audit and Governance Committee



Date of meeting:	26 July 2021
Title of Report:	<b>Committee Training Programme</b>
Lead Member:	Councillor John Riley (Cabinet Member for Governance, HR, IT and Community Safety).
Lead Strategic Director:	Giles Perritt (Assistant Chief Executive)
Author:	Andrew Loton (Head of Governance Performance and Risk)
Contact Email:	Andrew.loton@Plymouth.gov.uk
Your Reference:	AGTrain2122
Key Decision:	No
Confidentiality:	Part I - Official

### Purpose of Report

The Audit and Governance Committee provides a key source of assurance on the Council's audit and corporate governance arrangements. This report outlines the training to be delivered as part of the development of the Audit and Governance Committee members.

### Recommendations and Reasons

- That the Audit and Governance Committee endorses the programme of training being developed.

In order to maximise the effectiveness of the committee, a programme of training has been developed to equip members with essential knowledge to support them in their review and scrutiny of items.

### Alternative options considered and rejected

To allow training to be delivered within the broader member development delivery however this was rejected due to the specialist nature of the remit of the Audit and Governance Committee.

### Relevance to the Corporate Plan and/or the Plymouth Plan

The Audit and Governance Committee provides a key source of assurance to the council's audit and corporate governance arrangements and so supports how delivery of the priorities in this regard. Furthermore the Council's commitment to 'empowering people to deliver' within the plan supports the desire to equip the committee with the requisite skills and knowledge to deliver its function effectively.

**Implications for the Medium Term Financial Plan and Resource Implications:**

A budget already exists for member development and training will be delivered within this financial envelop.

**Carbon Footprint (Environmental) Implications:**

Training will be delivered virtually where possible to reduce the need for travel.

**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.*

All training will be delivered whilst respecting the equalities act. Members undertaking this training will also have access to LGA Equalities and Diversity Training for members. The training proposed will help support the delivery of the corporate Performance and Accountability framework that supports the risk management approach for the Council.

**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	Committee Training 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:**

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Originating Senior Leadership Team member: Giles Perritt, Assistant Chief Executive											



Please confirm the Strategic Director(s) has agreed the report? Yes

Date agreed: 14/07/2021

Cabinet Member approval: *[electronic signature (or typed name and statement of 'approved by email/verbally')]*

Date approved: 14/07/2021

## **APPENDIX A**

### **INTRODUCTION**

The Audit and Governance Committee provides a key source of assurance on the Council's audit and corporate governance arrangements. Specifically, the Committee is responsible for the council's internal and external audit activity, risk management, maintaining an effective control environment, treasury management, financial accounts and wider corporate governance and civic matters.

In order to maximise the effectiveness of the committee, a programme of training has been developed to equip members with essential knowledge to support them in their review and scrutiny of items.

### **AUDIT AND GOVERNANCE TRAINING PROGRAMME**

Audit and Governance Committee covers a broad range of complex disciplines from accounts and audit to risk and fraud. To allow members to receive timely training on the subjects important to the committee the programme has been aligned to the agenda timetable and will be delivered in modules. Should any other training needs be identified then these will be added to the programme

The modules being proposed over the course of the next seven months will include:

- Audit Committee and External Audit
- Risk Management and Health and Safety Reporting
- Annual Governance Statement and Statement of Accounts
- Contract Standing Orders/Purchasing
- Treasury Management and Capital Strategy
- Internal Audit
- Fraud/RIPA (Trading Standards)

### **Local Government Association Member Training Hub.**

Members are also able to make use of the LGA training platform. You can access the Hub via the following link: [LGA Training Hub](#). Courses available on the Hub include scrutiny and Equalities and Diversity training and a range of courses designed at equipping Councillors with skills and knowledge needed for a range of roles.

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# Audit and Governance Committee



Date of meeting:	26 July 2021
Title of Report:	Annual Report on Treasury Management Activities for 2020/21
Lead Member:	Councillor Nick Kelly (Cabinet Member for Finance)
Lead Strategic Director:	Brendan Arnold (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 2020/21 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 2020/21;
- 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 2020/21;
- 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 2020/21
2. Recommend the Treasury Management Annual Report 2020/21 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 2020/21 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 24 February 2020							

**Sign off:**

Fin	pl.21. 22.48			Mon Off	LS/36 954/A C/12/ 7/21	HR		Asset s		Strat Proc	
Originating Senior Leadership Team member: Brendan Arnold											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 09/07/2021											
Cabinet Member approval: Cllr Nick Kelly approved by email Date approved: 14/07/2020											

## **Annual Report on Treasury Management Activities for 2020/21**

### **Executive Summary**

The Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) requires the Council to report on the performance of the treasury management function after the financial year end. The approval of this report has been delegated to the Governance and Audit Committee to approve.

The Council's Treasury Management Strategy for 2020/21 was approved by Council on 24 February 2020. 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.

**Borrowing:** At 31 March 2021 the Council held £600m (see table 2) of borrowing which was a decrease of £3m on 2019/20. Included in the borrowing is £463m of short term borrowing which the Council borrows from other local authorities at a very low rates on 3-12 month terms.

There is an Interest Rate Risk from holding large amounts of short term borrowing as interest rates could rise and increase the cost of borrowing. The Council reviews the risks on a regular basis and in April 2020 it took out an Interest Rates Swap that fixes the borrowing rate of £75m for twenty years.

**Investments:** At 31 March 2021 the Council held £97m of cash and investments (see table 3) which was a decrease of £9m on 2019/20.

**Treasury Management Outturn:** The Council had an underspend of £3.602m (see table 4) for the year ended 31 March 2021. Most of the underspend came from the dramatic drop in interest rates following the Covid19 pandemic and the fall in the financial markets. During the year the Council has been able to borrow at very low interest rates. The Council also made savings from reduced borrowing caused by the Covid19 lockdown where capital projects had to stop working or reduce working for a period of time.

**Prudential Indicators:** The Council meet all of the prudential indicators set in the Treasury Management Strategy 2020/21.

### **Introduction**

Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code). This requires the Council to approve a treasury management strategy before the start of each financial year and, as a minimum, a half-year and annual treasury outturn report. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital

Strategy, complying with CIPFA's requirement, was approved by full Council on 24 February 2020.

### **External Context**

**Economic background** (as at June 2021): Economic resurgence from coronavirus pandemic continued to dominate the first quarter of the financial year. In the biggest inoculation programme the country has ever undertaken, over 44 million people in the UK had received their first dose of a COVID-19 vaccine with 32 million also having a second dose.

The Bank of England (BoE) held Bank Rate at 0.1% throughout the period and maintained its Quantitative Easing programme at £895 billion, unchanged since the November 2020 meeting. In its June 2021 policy announcement, the BoE expected the economy to experience a temporary period of strong GDP growth and above-target CPI inflation, after which growth and inflation is expected to fall back. There were, however, two-sided risks around this central path, and it is possible that near-term upward pressure on prices could prove somewhat larger than expected. The Bank's Monetary Policy Committee does not intend to tighten monetary policy at least until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% inflation target sustainably.

Government initiatives continued to support the economy over the quarter, following the range of measures announced by the Chancellor in the 2021 Budget, which included extending the furlough (Coronavirus Job Retention) scheme until September 2021.

The latest labour market data showed that in the three months to April 2021 the unemployment rate fell to 4.7%, although it is likely that labour market slack has remained higher than implied by this measure. Some individuals stopped looking for work during the pandemic and were therefore recorded as inactive. There is uncertainty around how many of these individuals will resume their search for a job, and when. Latest data showed growth in average total pay (including bonuses) and regular pay (excluding bonuses) among employees was 5.6% for the three months February to April 2021. The seemingly high growth partly reflected a base effect from a decline in average pay in the spring of last year, associated with the reduced pay of employees on the furlough scheme.

Annual CPI inflation rose to 2.1% in May on the back of base effects in spring 2020 and partly due to higher energy and commodity prices and supply-side bottlenecks. The BoE expects inflation to exceed 3% for a temporary period. The ONS' preferred measure of CPIH which includes owner-occupied housing was also 2.1% year/year, marginally higher than expectations.

The reimposition of restrictions on activity in the first quarter of calendar 2021 year resulted in GDP falling 1.6% in Q1. GDP growth was strong in April at 2.3% with the partial easing of restrictions on non-essential retail and outdoor hospitality. Housing market activity remained strong, aided by the extension of the stamp duty threshold and an increase in mortgage approvals for house purchases.

The US economy rebounded by 4.3% in Q4 2020 (Oct-Dec) and then an even stronger 6.4%

in Q1 as the recovery continued to be fuelled by \$5 trillion worth of pandemic stimulus packages. The Federal Reserve maintained its main interest rate at between 0% and 0.25% over the period.

The European Central Bank maintained its base rate at 0%, deposit rate at -0.5%, and asset purchase scheme at €1.85 trillion.

**Financial markets:** Ongoing monetary and fiscal stimulus together with improving economic growth prospects and successful vaccine rollout programmes continued to boost equity markets over the period. The Dow Jones reached a record high during the period while the UK-focused FTSE 250 index was back above pre-pandemic levels and the more internationally focused FTSE 100 had recouped around three-quarters of 2020 losses.

Inflation worries continued during the period but declines in bond yields between April and June suggest bond markets may be expecting any general price increases to be less severe, or more transitory, than was previously thought.

The 5-year UK benchmark gilt yield began the financial year at 0.36% before declining to 0.32% by the end of June 2021. Over the same period the 10-year gilt yield fell from 0.80% to 0.71%, despite jumping to 0.90% in May. The 20-year yield declined from 1.31% to 1.21%.

1-month, 3-month and 12-month SONIA bid rates averaged 0.03%, 0.02% and 0.15% respectively over the period.

**Credit review:** Credit default swap spreads were relatively flat over the period and remain only slightly above their pre-pandemic levels. The gap in spreads between UK ringfenced and non-ringfenced entities remained, and Santander UK remained an outlier compared to the other ringfenced/retail banks. At the end of June, Santander UK was trading the highest at 52bps and Standard Chartered the lowest at 31bps. The other ringfenced banks were trading between 32 and 34bps while Nationwide Building Society was 38bps.

There were only a small number of credit rating actions over the period. Fitch revised a number of Singaporean and Australian banks as well as Close Brothers to stable, and also upgraded Coventry Building Society to 'A' (from 'A-'). Towards the end of the period Fitch revised the United Kingdom's outlook to stable from negative.

S&P also revised some Australian banks to stable, as well as Transport for London, which a week or so later received a £1.08 billion bailout from the UK government. S&P also downgraded the long- and short-term ratings of DZ Bank (Germany) to A+ and A-1 from AA- and A-1+ respectively. In late June S&P took further rating actions, upwardly revising the outlooks for a number of UK and European banks from negative to stable, or in the case of Barclays and Nationwide from stable to positive.

The successful vaccine rollout programme is credit positive for the financial services sector in general, but there remains much uncertainty around the extent of the losses banks and building societies will suffer due to the economic slowdown which has resulted due to pandemic-related lockdowns and restrictions. The institutions and durations on the Authority's counterparty list recommended by treasury management advisors Arlingclose remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.



### **Local Context**

On 31<sup>st</sup> March 2021, the Council had net borrowing of £628m (see table 2) arising from its revenue and capital income and expenditure, a decrease of £12m on 31/03/2020. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors and the year-on-year change are summarised in table I below.

**Table I: Balance Sheet Summary**

	<b>31/03/20 Actual £m</b>	<b>2020/21 Movement £m</b>	<b>31/03/21 Actual £m</b>
General Fund CFR	568	-3	565
Less: Other debt liabilities *	-119	-6	-125
<b>Borrowing CFR</b>	<b>449</b>	<b>-9</b>	<b>440</b>
Less: Usable reserves	-60	0	-60
Less: Working capital	-39	-3	-42
<b>Net borrowing</b>	<b>350</b>	<b>-12</b>	<b>338</b>

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

During the year, the CFR decreased due to a slowdown of the capital programme during the Covid lockdown restrictions and the Council received government grants in advance, which reduced the need to borrow. The Council has however, a five years forecast to increase the CFR in order to deliver capital programme investment in the City. The Council's net borrowing has decreased in the year as detailed in table I above.

### **Borrowing Update**

In November 2020 the Public Works Loan Board (PWLB) published its response to the consultation on 'Future Lending Terms'. From 26th November 2020 the margin on PWLB loans above gilt yields was reduced from 1.8% to 0.8% providing that the borrowing authority can confirm that it is not planning to purchase 'investment assets primarily for yield' in the current or next two financial years.

As part of the borrowing process authorities will now be required to submit more detailed capital expenditure plans with confirmation of the purpose of capital expenditure from the Section 151 Officer. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.

The Council is not planning to purchase any investment assets primarily for yield within the next three years and so is able fully access the PWLB. The Council, however, can invest in commercial property in Plymouth as long as the main purpose is for regeneration, job creation or safeguarding jobs and other local improvement reasons.

Competitive market alternatives may or may not be available for authorities with or without access to the PWLB according to market circumstances. However, the financial strength of the individual authority and borrowing purpose will be scrutinised by commercial lenders and therefore this will affect the cost of borrowing for commercial loans or bonds.

### **Borrowing Activity**

At 31<sup>st</sup> March 2021, the Council held £603m of loans, (a decrease of £3m on 31/03/2020 see table 2) as part of its strategy for funding previous years' capital programmes. See table 2 below.

Lower official interest rates have lowered the cost of short-term, temporary loans and investment returns from cash assets that can be used in lieu of borrowing. The Authority pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

The Council's main objective when borrowing has been to strike an appropriate 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.

### **Interest Rate Swap**

The Council has £463m of short term borrowing which it borrows from other local authorities at a very low rates on 3-12 month terms. The Council has an Interest Rates Risk (the risk that interest rates may go up). If interest rates increase by 1% it would cost the Council £4.63m additional interest on its revenue budget.

The Council has been reviewing the Interest Rate Risk on a regular basis and it has taken actions to mitigate some of this risk.

To Hedge against this risk the Council took out an Interest Rate Swap in April 2020 for £75m at a fixed rates of 0.56% for 20 years.

The interest rate swap is a contract where one party swaps a variable rate payment stream (the Council's short term borrowing) with the other party's fixed rate payments (the Bank).

The Council is looking at further measures to mitigate the Interest Rate Risk in the future and it reviews the situation on a regular basis with advice from its Treasury Management advisors.

The treasury management position at 31st March 2021 and the change during the year is shown in Table 2 below.

**Table 2: Borrowing Activity**

	Balance on 01/04/2020 £m	Movement £m	Balance on 31/03/2021 £m	Avg Rate %
Public Works Loan Board	44	0	44	5.76%
Banks - LOBOs	66	0	66	4.34%
Other Loans	28	-1	27	
Short Term Borrowing	465	-2	463	0.6%
<b>TOTAL BORROWING</b>	<b>603</b>	<b>-3</b>	<b>600</b>	
Other Long Term Liabilities	119	6	125	-
<b>TOTAL EXTERNAL DEBT</b>	<b>722</b>	<b>3</b>	<b>725</b>	<b>-</b>
<b>Less Total Investments (see table 3)</b>	<b>-106</b>	<b>-9</b>	<b>-97</b>	
<b>Net Borrowing</b>	<b>616</b>	<b>-12</b>	<b>628</b>	

**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.

**Municipal Bonds Agency (MBA):**

The MBA revised its standard loan terms and framework agreement. Guarantees for the debt of other borrowers are now proportional and limited and a requirement to make contribution loans in the event of a default by a borrower has been introduced. The agency has issued 5-year floating rate and 40-year fixed rate bonds in 2020, in both instances Lancashire County Council is the sole borrower and guarantor. A planned third bond issuance by Warrington Borough Council was withdrawn in early December after the reduction in PWLB borrowing rates.

If the Council intends future borrowing through the MBA, it will first ensure that it has thoroughly scrutinised the legal terms and conditions of the arrangement and is satisfied with them.

**UK Infrastructure Bank:**

In his March 2021 budget the Chancellor confirmed that a UK Infrastructure Bank will be set up with £4bn in lending earmarked for local authorities from the summer of 2021. Loans will be available at gilt yield plus 0.60%, 0.20% lower than the PWLB certainty rate.

A bidding process to access these loans is likely with a preference to projects likely to help the government meet its Net Zero emissions target. However, other "high value and complex economic infrastructure projects" may also be considered.

### **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 31<sup>st</sup> March 2021 this amounted to £125m. PFI and finance leases are other ways of financing capital however this is quite often more expensive and is paid over a number of years. The Council's current PFI debt will be repaid by 2040.

The liability for the PFI scheme has increased the 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.

The Council uses the annuity method to calculate its MRP and spreads the cost of the borrowing over the economic life of the assets and this takes into account the time value of money.

### **Investment Activity**

At the end of March 2020 the Council received central government funding to support small and medium businesses during the coronavirus pandemic through grant schemes. The Council has continued to receive various funding to support the local economy during the pandemic. These funds have been temporarily invested in short-dated, liquid instruments such as call accounts and Money Market Funds so that it was available to pay out as soon as it could.

The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2020/21 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**

<b>Investments</b>	<b>Balance on 01/04/2020 £m</b>	<b>Movement £m</b>	<b>Balance on 30/03/2021 £m</b>	<b>Avg Rate/Yield (%)</b>
Short term Investments (Banks and call accounts)	18	-6	12	0.1%
Covered Bonds and Loans	0	0	0	-
Money Market Funds	33	-3	30	0.1%
Other Pooled Funds	55	0	55	2.0%
<b>TOTAL INVESTMENTS</b>	<b>106</b>	<b>-9</b>	<b>97</b>	
Increase/ (Decrease) in Investments £m			-9	

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.

#### **Externally Managed Pooled Funds:**

The Council continues to hold £55m invested in externally managed Pooled Funds (bond, equity, multi-asset and property) with the CCLA, Schroder and Fidelity and has generated a total return for the year of £1.093m. Investment income has been used to support services in year.

During the initial phase of the pandemic in March 2020, the sharp global financial falls affected the values of all investments. The falls in corporate bond and equity markets had a negative impact on the value of the Council's pooled fund holdings and was reflected in the 31st March 2020 fund valuations of £50.914m with most funds registering negative capital values over a 12 month period. Since March 2020 there has been improvement in market sentiment which is reflected in an increase in capital values of these short-dated, strategic bond, equity and multi-asset income funds in the Council's portfolio. The recovery in UK equities has lagged those of US and European markets.

As at 31 March 2021 the value of the pooled investments were £54.965m (nominal value £55.000m) so had recovered much of the losses sustained through the financial crash and are likely to continue to grow slowly as the economy continues to recover.

It should be noted that the capital value of the Council's Pooled Investment will fluctuate dependent on market conditions. Any unrealised capital losses will not have an impact on the revenue budget or General Fund. The capital value would only be realised if the funds were sold.

The Pooled investments have no defined maturity date, but are available for withdrawal after a notice period. The Council continues to review regularly its investment in these funds together with advice from its Treasury Management advisors.

### **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 the Investment Guidance of the Ministry of Housing, Communities and Local Government's (MHCLG), in which the definition of investments is further broadened to also include all such assets held partially for financial return.

The Council held £259m of direct property investment under its Regeneration and Property Fund.

These non-treasury investments generated £2.556m of investment income for the Council after taking account of direct costs, representing a net revenue return of 1.3% 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 2020/21****Table 4. Treasury Management Outturn Position 2020/21**

	<b>2020/21 Budget</b>	<b>2020/21 Outturn</b>	<b>Year End Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Interest Payable	9.796		
LOBO and other long term loans		2.287	
PWLB (Public Works Loan Board)		2.150	
Temporary loans		3.832	
Other Interest and charges		0.088	
Recharge to Departments for Unsupported Borrowing (in accordance with business cases)	(14.000)	(14.450)	
<b>Total Interest Payable</b>	<b>(4.204)</b>	<b>(6.093)</b>	<b>(1.889)</b>
Interest Receivable	(2.285)		
Pool Funds		(1.093)	
Money Market Fund		(0.089)	
Other Interest		(1.783)	
<b>Total Interest Receivable</b>	<b>(2.285)</b>	<b>(2.965)</b>	<b>(0.680)</b>
Other Payments	0.288	0.097	
Debt Management	0.450	0.507	
Amortised Premiums	0.650	0.544	
<b>Total Other Charges</b>	<b>1.388</b>	<b>1.341</b>	<b>(0.047)</b>
<b>Minimum Revenue Provision</b>	<b>16.766</b>	<b>15.780</b>	<b>(0.986)</b>
<b>TOTAL</b>	<b>11.665</b>	<b>8.063</b>	<b>(3.602)</b>

The Council's Treasury Management Outturn for the year was an underspend of £3.602m which has helped the Council balance the budget for 2020/21. The main savings have come from a dramatic fall in interest rates following the Covid pandemic and the worldwide financial crash. The Bank of England cut the bank rate to 0.1% and the Council has benefitted from the fall in the cost of borrowing of its £463m of short-term borrowing.

The Covid lockdown slowed the Council's capital programme, therefore reduced the amount of new borrowing that it had expected to take out, and therefore made further savings from loan repayments (Minimum Revenue Provision).

The Covid pandemic and financial crash affected the capital value of the Council's investments in pooled funds but these have recovered and we expect these to improve over the next 12 months as the global economy improves. Despite the fall in the value of these

funds the investment income has held up and provides the Council a good rate of return against the bank and money market returns of between zero to 0.1%.

The Treasury Management Outturn does not include the returns from the Council's investments in the purchasing commercial assets, as this is included in the Place revenue outturn and referred to in Other Non-Treasury Holdings and Activity section above.

Following the cut in Bank rate from 0.75% to 0.10% in March 2020, the Council had expected to receive significantly lower income from its cash and short-dated money market investments, including money market funds in 2020/21, as rates on cash investments are close to zero percent.

**Money Market Funds (MMF):** Continued downward pressure on short-dated cash rate brought net returns on sterling low volatility net asset value money market funds (LVNAV MMFs) close to zero even after some managers have temporarily lowered their fees. At this stage net negative returns are not the central case of most MMF managers over the short-term, and fee waivers should maintain positive net yields, but the possibility cannot be ruled out.

Deposit rates with the Debt Management Account Deposit Facility (DMADF) have continued to fall and are now largely around zero.

The Treasury Management budget is held as a separate budget under the Finance Department of the Council's General Fund. Whilst interest costs are 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 'invest 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.

### **Compliance with Prudential Indicators**

The Section 151 Officer confirms compliance with its Prudential Indicators for 2020/21, which were set in the Treasury Management Strategy 2020/21.

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:

	2020/21 Limit	2020/21 Actual	Complied
Upper limit on fixed interest rate exposure	100%	23%	✓
Upper limit on variable interest rate exposure	100%	77%	✓

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	31.03.2021 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%	2%	✓
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:

	2020/21	2021/21	2022/23
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 all of which have been online:

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 2020  
 Arlingclose – Regular financial market updates 2020-21  
 Grant Thornton - Accounts Closedown Workshops for Local Authority Accountants  
 Arlingclose – Hedge Accounting Training

### **Prudential Indicators 2020/21**

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.

<b>Capital Expenditure and Financing</b>	<b>2020/21 Actual £m</b>
General Fund	105.471
<b>Total Expenditure</b>	<b>105.741</b>
Capital Receipts	1.843
Grants (e.g. gov't, HLF, LEP, Environment Agency)	43.724
Contributions, S106 & CIL (neighbourhood element)	1.768
Borrowing	58.406
<b>Total Financing</b>	<b>105.741</b>

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

<b>Capital Financing Requirement</b>	<b>31.03.2021 Actual £m</b>
General Fund	<b>565</b>
<b>Total CFR</b>	<b>565</b>

The CFR fell by £4m in the year to £565m (2020 £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 2021 was as follows:

	31.03.21 Estimate £m	31.03.21 Actual £m	Difference £m
Borrowing	603	600	-3
PFI liabilities & other Finance leases	119	125	6
<b>Total Debt</b>	<b>722</b>	<b>725</b>	<b>3</b>

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	31.03.21 Boundary £m	31.03.21 Actual Debt £m	Complied
Borrowing	875	603	✓
Other long-term liabilities	135	125	✓
<b>Total Debt</b>	<b>1010</b>	<b>728</b>	✓

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

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

Authorised Limit	31.03.21 Boundary £m	31.03.21 Actual Debt £m	Complied
Borrowing	950	603	✓
Other long-term liabilities	145	125	✓
<b>Total Debt</b>	<b>1095</b>	<b>728</b>	✓

## Other

CIPFA consultations: In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These follow the Public Accounts Committee's recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes. The revised codes are yet to be released. However, from feedback documents the following changes are likely:

### Prudential Code:

- Clarification and definitions to define commercial activity and investment, and that an authority must not borrow to invest for the primary purpose of commercial return.
- Defining acceptable reasons to borrow money: (i) financing capital expenditure primarily related to delivering a local authority's functions, (ii) temporary management of cash flow within the context of a balanced budget, (iii) securing affordability by removing exposure to future interest rate rises and (iv) refinancing current borrowing, including replacing internal borrowing.
- Proportionality will be included as an objective; new indicators for net income from commercial and service investments to net revenue stream.
- A specific objective around commercial investment with the intention of embedding good practice across authorities.

### Treasury Management Code:

- - Inclusion of the liability benchmark as a mandatory treasury indicator.
- - Implementation of a treasury management knowledge and skills framework.
- - Incorporating ESG issues as a consideration within TMP I Risk Management.

## Outlook for the remainder of 2021/22

The medium-term global economic outlook has continued to improve with the rollout of vaccination programmes. The UK has continued to benefit from its initial rapid vaccine rollout and has shifted focus onto second vaccinations to increase protection to counter a third wave of Covid variant.

The opening up of the UK economy in Q2/Q3 will continue to prompt a sharp increase in GDP.

While downside risks seem to have fallen somewhat after recent trends in GDP and labour, the upside risks remain relatively balanced with the MPC reiterating its commitment not to tighten policy until there is clear evidence that the recovery is eliminating spare capacity in the economy.

Inflation has moved above the Bank of England's 2% target. Alongside the increase in commodity prices, the MPC has acknowledged the prospect of a sharper upturn in inflation, with the potential CPI could rise above 3% in the coming months. However, the nature of the commodity price rise and the base effect easing, this is likely a more transitory effect.

Upward pressure on gilt yields could continue in the short term due to the preponderance of strong data, but this is likely to ease once inflation fears recede as the effect of weak base effects subsides and growth figures return to more normal levels.

Arlingclose expects Bank Rate to remain at the current 0.10% level. The risk of movement in Bank Rate in the short term is low.

Gilt yields could continue to increase in the short term but will begin to plateau and reduce once the market's expectation of rises in Bank Rate and inflation fears subside. Longer term yields may face upward pressure towards the end of Arlingclose's forecast period as the economy moves back to a sustained footing and policy expectations start to strengthen.

Downside risks remain – the damage from the pandemic will have lasting effects and there is the risk of further virus mutations due to the uneven global rollout of vaccines. Downside risks also arise from potential future vaccine shortages as the global demand for vaccines increases.

**Recommendations**

1. To note the Treasury Management Annual Report 2020/21
2. Recommend the Treasury Management Annual Report 2020/21 to Full Council for approval

## **Audit and Governance Committee**



Date of meeting: 26 July 2021  
Title of Report: **Strategic Risk and Opportunity Register**  
Lead Member: Councillor Nick Kelly  
Lead Strategic Director: Giles Perritt (Assistant Chief Executive)  
Author: Rob Sowden  
Contact Email: [robert.sowden@plymouth.gov.uk](mailto:robert.sowden@plymouth.gov.uk)  
Your Reference: GP/RS  
Key Decision: No  
Confidentiality: Part I - Official

### **Purpose of Report**

This report provides a summary of the latest formal monitoring exercise completed for the Strategic Risk and Opportunity Register for the period February 2021 to June 2021.

Appendix B to the report provides the revised Strategic Risk and Opportunity Register showing the current status of each risk and the movement in risk score compared with the previous monitoring period.

**Overall, as a result of the review, the total number of risks reported on the Register has increased from 15 to 17 with the inclusion of a new risk on the Council's response to the climate emergency and on the financial impact of Government's draft Environmental Bill on waste services.**

### **Recommendations and Reasons**

The Audit and Governance Committee is recommended to:

Approve the current position with regard to the Strategic Risk and Opportunity Register.

Reason: As part of the Committee's responsibility for monitoring the implementation and ongoing processes for identifying and managing key risks of the authority.

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

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

### **Relevance to the Corporate Plan and/or the Plymouth Plan**

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

### **Implications for the Medium Term Financial Plan and Resource Implications:**

None arising specifically from this report but control measures identified in Directorate Operational Risk and Opportunity Registers could have financial or resource implications.

### **Carbon Footprint (Environmental) Implications:**

Risk 16 directly relates to the achievement of the City's Carbon Reduction targets.



**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.

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

**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	Strategic Risk Monitoring Briefing							
B	Plymouth City Council's Strategic Risk and Opportunity Register							

**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:**

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Originating Senior Leadership Team member: Assistant Chief Executive											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 16/07/2021											

Cabinet Member approval: *[electronic signature (or typed name and statement of 'approved by email/verbally')]* Approved verbally by Councillor Nick Kelly

Date approved: 09/07/2021

## **Appendix A – Strategic Risk Monitoring Briefing**

### **1.0 Introduction**

- 1.1 The position with regard to the Strategic Risk and Opportunity Risk Register was last considered by Corporate Management Team on 13 July 2021. An update was most recently presented to the Audit and Governance Committee in October 2020.

### **2.0 Strategic Risk and Opportunity Register – Monitoring Summary**

- 2.1 Risk Champions have reviewed the strategic risks to identify those that could impact the work directed towards the recovery and reinstatement of council services, including ensuring safe systems of work for staff and customers and the recovery of the economy. Risk owners have been asked to update current mitigation and action plans with the results presented today.
- 2.2 Attached to this report at Appendix B is the updated Strategic Risk and Opportunity Register. The Appendix offers additional information including detail on Key Controls and Sources of Assurance and how progress against mitigation will be measured.

### **3.0 Headline Issues**

- 3.1 Two strategic risks have a risk rating of Red, these relate to Finance and Education attainment. Two further risks relating to the demands on Children's Social Care and the economic impact of COVID-19 have been reduced to an amber rating.




Two new risks have been added to the register, these are;

**Risk number 16** - Failure to meet Carbon Reduction target to reach net zero by 2030, this risk has been rated amber. Mitigation includes actions within the Climate Emergency Action Plan and the City Carbon Reduction Plan.

**Risk number 17** - Risk of financial impact of delivering proposed changes to Waste Services as set out in the Government's Draft Environment Bill.

Risk number 15 relating to Adult Social Care provider or market failure has a new score of 16, up from 12, this because the implications of the risk being changed from 'moderate risk' to a 'major risk' for the Council. The risk does however retain the amber rating. Increasing demands on services for care and hospital pressures was the main consideration when re-scoring the risk.

### **4.0 Risk update table**




No.	Description	Mitigation	Risk Score	Current risk rating	Risk Owner
1	The Council's expenditure exceeds the resources available to meet that expenditure within the medium term financial plan period (2020-2022)	Investment in income earning assets. Ambitious capital programme and strategic investments from income earning assets. Cross department strategy on grant maximisation and savings delivery. Regular review of Medium Term Financial Plan and resource position.	20	Red  Red since Feb 2020	Brendan Arnold
2	Failure to meet statutory duties due to growing volume and complexity of demand for children's social care services	Additional social work capacity agreed to support effectively delivery of casework. Fostering Project Delivery Plan in place High cost placement review supported by named Service Manager Adolescent Support Team reunification and edge of care service supporting over 60 young people at anyone time. Ongoing rigour in decision making to manage demand via Placement Panel which takes place weekly and overseen by a dedicated service manager with responsibility for reducing costs of individual placements and ensuring timely step down. Ensuring action plan milestones are reached via monthly monitoring at Programme Board/Finance Directorate Management Team meetings. All delivery plans have been reviewed and progress is being achieved to mitigate delays caused by COVID-19 response.	15	Amber 	Alison Botham
3	Insufficient pupil attainment to achieve economic / quality of life outcomes across secondary cohort	Plymouth Education Board (PEB) (and sub groups) is being reviewed to strengthen education partnership. Strengthen School Causing Concern procedure - New data tracking process has been put in place with regular meetings for officers to discuss identified schools. A clear criteria has been developed and is being shared with schools.	20	Red  Red since July 2020	Alison Botham

		<p>School improvement work will create a partnership of distinct interventions to drive improvement and raise achievement.</p> <p>Cause for concern meetings. Inclusion Strategy Board as an added strand of PEB work.</p> <p>Proposed Inclusion Mark for the City to celebrate inclusion.</p> <p>The work of the Plymouth Commission has been developed into a Department for Education piloted place-based initiative for school improvement. Schools are being offered a catch up premium of £80 per pupils for most schools, to assist with programmes of learning to support pupils who require additional support. Inclusion Strategy Board has been established to scrutinise and monitor the city's inclusion projects and actions with a shared aim. Good buy in and commitment from school leaders and Multi Academy Trust CEOs.</p>			
4	Insufficient economic performance to sustain the City's economy as a result of the ongoing impact of the coronavirus pandemic	<p>The impact of COVID-19 on the economy has been sharp and has affected different sectors of the economy in different ways. We are focussing, through Resurgam, on 6 areas to help our economy to recover, to protect local jobs and to support our communities. These are:</p> <ul style="list-style-type: none"> <li>• Spend 4 Plymouth – A massive focus on local procurement for local jobs.</li> <li>• Build 4 Plymouth – An ambitious capital programme and economic stimulus to support construction jobs, building a better and greener Plymouth.</li> <li>• Skills 4 Plymouth – Extensive new support for young people and retraining our workforce for future jobs through our skills launch pad.</li> <li>• City Centre Renaissance programme – support for our city centre and a regeneration plan.</li> <li>• Resurgam Beacons – A focus on our future. We will seek to create new jobs in the Blue and green economy. That is our amazing marine sector and a new green deal for jobs.</li> <li>• Sector Action Plans – a bespoke package of interventions lead by the private sector for our 11 key sectors, building on our Resurgam plans and innovating and collaborating together through our newly established Sector Hub.</li> </ul> <p>Supporting our sectors whether they are in critical shock, stable, or capable of high growth. These sectors are:</p> <ul style="list-style-type: none"> <li>o Construction and The Built Environment</li> <li>o Creative Industries</li> </ul>	16	Amber ↓	Anthony Payne

		<ul style="list-style-type: none"> <li>o Digital</li> <li>o Defence</li> <li>o Health and Care</li> <li>o Fishing</li> <li>o Manufacturing</li> <li>o Marine</li> <li>o Retail</li> <li>o Tourism and Hospitality</li> <li>o Transport and Distribution</li> </ul> <p>We have also established the cross cutting theme of inclusive growth. Our aim is to 'build back better' growing a prosperous economy that reduces inequality, is sustainable and truly serves the wellbeing of all the people of Plymouth.</p>			
5	Ongoing COVID-19 rates (with historically high current infection rates) affect city's recovery / reset plans. It is not yet clear what mitigations will be needed for us to live with COVID-19.	(1) Vaccination programme continues, with additional work to reduce health inequalities (2) Local Outbreak Management Plan revised and includes ability to respond to new variants of concern, as well as various mitigations which will help the city to live with COVID-19 such as asymptomatic testing.	16	Amber ■	Ruth Harrell
6	Failure to reduce Health Inequalities	Persistent action across the Council is required at many levels to tackle inequalities by addressing the wider detriments of health. The public health team and partners continue to work with employers (year one focus) and schools (year two focus) to influence healthier lifestyles. The team continues to embed and promote the national One You campaign across the city. The 'five ways to wellbeing' has been adopted across the city as the single approach to improving mental wellbeing. The work that started in year five on 'people connecting through food' is ongoing with a number of new initiatives developed. The focus on arts, culture, heritage and health (using the Mayflower 400 commemorations) will continue throughout 2020 and 2021. The Thrive Plymouth Network will continue to meet on a quarterly basis to ensure delivery of the programme. As a result of the COVID-19 pandemic, the Public Health Team is developing a framework which provides an approach to assessing the broad health and wellbeing impacts and resulting inequalities on the population of Plymouth as a result of COVID-19. The work will aim to	16	Amber ■	Ruth Harrell

		bring partners together via the Health and Wellbeing Board to contribute to a discussion on how these impacts can be mitigated. In addition to this, to support the work of the Council's cross-party Child Poverty Working Group, a high level review of the evidence of the impacts of the pandemic on the mental wellbeing of children and young people will be carried out. As already stated, the primary role of the Office of the Director of Public Health and the Public Health Team in particular is now to try to prevent a resurgence of COVID-19 in the city therefore protecting most deprived communities from further negative impacts.			
7	The Council having insufficient workforce capacity and resilience to deliver the required range of services to meet statutory obligations and administration priorities	Develop online training programmes Implementation of 'The Way We Work' programme (technology, information management, accommodation) to enable the right conditions for success. Review of senior structure Review of service business plans Possible remodelling of services Ongoing 1:1s with staff Working towards Silver Wellbeing at Work Award Increase in number of Wellbeing Champions to 60 (from 44) Implement New Ways of working and deliver Accommodation Strategy	15	<b>Amber</b> ■	Andy Ralphs
8	The Council not meeting its obligation to keep data secure by failing to adhere to Data Protection Act 2018 Regulations	Roll out staff awareness training to all staff. Implement greater reporting consistency within directorates. Implement improved incident analysis within the Service Desk. Improved contract management with partners. Implement greater reporting consistency within directorates. Implement improved incident analysis within the Service Desk. Standardised breach management processes distributed to key staff. Implement compliance requirements into DELT business as usual - This is a work stream of the information management project. Corporate Privacy Notice complete, service specific Notices being finalised.	15	<b>Amber</b> ■	Andy Ralphs
9	The Council is unable to fulfil its legal obligations regarding the safety of its citizens and service recipients	Statutory Post holders Commissioning and service Improvement plans Budgetary Management Revision of business plans	12	<b>Amber</b> ■	Alison Botham/ Craig McArdle

10	The Council not meeting its legal obligations regarding the health, safety and wellbeing of its workforce.	Agree substantive future working arrangements according to worker type Follow up survey Delivery of 20/21 Health, Safety & Wellbeing action plan Taking action on future Government guidelines in relation to COVID-19	15	<b>Amber</b> —	Andy Ralphs
11	Departure from EU single market without a trade deal further decreases city economic output	Continued regional engagement to maintain strong influence. Monitor proposed regulatory changes for service impact. Continue to act promptly on government guidelines when issued. Develop port facilities in partnership with Association of British Ports and develop business case for a Free Zone.	12	<b>Amber</b> —	Giles Perritt
12	Risk of failing to deliver the range of housing to meet Plymouth's need	Strategic Land Review completed and now released 45 housing sites to the market. Established Housing Investment Fund to support interventions to unlock housing delivery. Working with Homes England to develop a Placed Based Strategic Partnership to unlock and deliver a pipeline of housing sites, support City Centre renaissance and to help align Government funding with housing site opportunities. Proposal to establish a tripartite partnership between Ministry of Housing, Communities and Local Government (MHCLG), HCG, Homes England and Plymouth City Council /South Hams/West Devon with the vision to transform the pace and quality of housing provision to fully meet housing need including the 35% urban uplift. Work with Homes England has led to agreed solutions on legacy sites to unlock delivery. Launched the Plymouth Eco-Homes Programme to deliver over 250 low-carbon and net-zero homes across Plymouth. Embarking on our Direct Delivery of new homes to drive up good design, quality and sustainable living. Identifying a pipeline of future sites to support our direct delivery ambitions. Developing Housing Partnership Agreements with key Housing Association Partners to maximise their investment and delivery in the city. Considering site acquisitions and provided funding to help unlock stalled JLP sites. Reviews of Joint Local Plan sites completed and monitored, with delivery strategies being implemented. Bidding to a number of Government funding programmes to support new homes.	9	<b>Green</b> —	Anthony Payne

		<p>Ongoing work with Homes England and MHCLG to unlock funding and making the case for a fairer allocation of national funding for homes.</p> <p>Ongoing innovation to improve the proactive and fast track approach to planning to deliver housing. Monitoring development activity in the construction sector to understand the effect of Covid-19 on housebuilding.</p> <p>We will manage the 5 year land supply position to ensure that decisions on sites are taken using a balanced and objective assessment of market conditions.</p> <p>Work with Resurgam programme to develop measures to support and boost housebuilding, supporting Plymouth's economic recovery and other Resurgam activity.</p> <p>Work with the Plymouth Housing Development Partnership to leverage their investment and progress housing projects to stimulate affordable housing delivery, and support Small and Medium Enterprise's to start building again.</p> <p>We will work with MHCLG and Homes England to maximise investment in new homes and infrastructure.</p>			
13	Risk to vulnerable children and young people in the care system, by not delivering early intervention and prevention	Continue to drive forward change across the partnership in relation to whole family working, engagement with the Early Help Assessment Tool process, data exchange and achieving the outcomes required within the Troubled Families Outcomes Plan.	6	<b>Green</b> 	Alison Botham
14	Increased and sustained pressure on Adult Social Care budget due to increased numbers of people or increased complexity of need	<p>Budget Containment meetings in place</p> <p>Brief providers around risks relating to COVID-19 and infection control and safe system measures.</p> <p>Focus on reviews and reablement to right size packages of care</p> <p>Emergency Plan to cover need to prioritise critical services.</p>	16	<b>Amber</b> 	Craig McArdle
15	Risk of Market or Provider failure	<p>Establishment of Community Capacity Command Centre to provide greater oversight of market and capacity</p> <p>Local Authority is taking steps to set up a Care Company to ensure continuity of provision in the event of market failure.</p> <p>Care Home liaison work being undertaken by Livewell Southwest, to increase levels of support to Residential and Nursing care marker.</p>	16	<b>Amber</b> 	Craig McArdle



		<p>Risk to be continued to be monitored through contract monitoring and market intelligence.</p> <p>Supporting market wide workforce recruitment / retention across residential and domiciliary sector.</p>			
16	<p>Risk of failing to meet carbon reduction targets to reach net zero by 2030</p>	<p>Year 1 action plans have been completed for both Climate Emergency Action Plan (CEAP) and Corporate Carbon Reduction Plan (CCRP).</p> <p>Year 2 action plans for both CEAP and CCRP have been approved by Full Council (January 2021)</p> <p>Brexit, Infrastructure and Legislative Change Overview and Scrutiny Committee have received 6 monthly performance updates (October 2020 and March 2021)</p> <p>Year 3 action plans for both CEAP and CCRP are timetabled in to Full Council in January 2022</p>	12	<p><b>Amber</b></p> <p>■</p>	<p>Anthony Payne</p>
17	<p>Risk of financial impact of delivering proposed changes to Waste Services as set out in the Government's Draft Environment Bill.</p>	<p>One of the earliest tasks will be to flesh out a programme, having regard to these dates. However, it can be anticipated that the work would need to cover the following basic elements:</p> <ol style="list-style-type: none"> <li>1. Documentation of the context for a new waste plan – e.g. all legal and policy drivers as well as the local and regional context</li> <li>2. Review of high level policy aspirations – including the Plymouth Plan policy – to ensure it continues to work for the current context</li> <li>3. Evidence base review – waste arising forecasts for the period to 2041</li> <li>4. Review of effectiveness of current approaches and plans for managing these new waste management demands and challenges into the future</li> <li>5. Identification of strategic alternatives for waste management, including site specific implications of these alternatives and using the Joint Local Plan (JLP) sustainability framework model to ensure that this is robust and will be found sound when tested at JLP public examination</li> <li>6. Identification of preferred options/s for waste management – with identification of specific sites where needed</li> <li>7. Draft plan for waste published</li> <li>8. Draft waste policies of JLP published</li> <li>9. Plan for waste approved</li> <li>10. JLP review tested through its various statutory stages</li> </ol>	12	<p><b>Amber</b> (New Risk)</p>	

## 5.0 Conclusion and Summary

- 5.1 The Council's success in dealing with the risks that it faces can have a major impact on achievement of key priorities, objectives and ultimately therefore, the level of service to the community.
- 5.2 Risk management is formally aligned and working alongside other compliance functions which helps to promote a joined-up approach to all aspects of governance.
- 5.3 This aligned approach acts as an effective early warning system for the recording, monitoring and management of risks that threaten the delivery of the Council's strategic objectives and plans.
- 5.4 The next formal review of the Strategic Risk and Opportunity Register will take place in August 2021.

## 6.0 Scoring Guidance and Risk Matrix

To ensure that a consistent scoring mechanism is in place across the Council, risks are assessed using the agreed criteria for likelihood and impact. Risk scoring guidance is shown below:-

Score	Likelihood	Threat / Risk
5	Almost Certain (80-100%)	Is expected to occur in most circumstances Will undoubtedly happen, possibly frequently e.g. annually or more frequently Imminent/near miss For health and safety risk – one in 100 chance of the adverse event happening
4	Likely (50-80%)	Will probably occur in many circumstances Will probably happen, but not a persistent issue e.g. once in three years Has happened in the past For health and safety risk – one in 1000 chance of the adverse event happening
3	Possible (25-50%)	Could occur in certain circumstances May happen occasionally, e.g. once in 10 years Has happened elsewhere For health and safety risk – one in 10,000 chance of the adverse event happening
2	Unlikely (10-25%)	May occur only in exceptional circumstances Not expected to happen, but is possible e.g. once in 25 years Not known in this activity For health and safety risk – one in 100,000 chance of the adverse event happening
1	Rare (0-10%)	Is never likely to occur Very unlikely this will ever happen e.g. once in 100 years For health and safety risk – one in a million chance of the adverse event happening

### Risk Impact (Severity)

Score	Impact	Threat / Risk
5	Catastrophic Risk	Risks which can have a catastrophic effect on the operation of the Council or service. This may result in critical financial loss, severe service disruption or a severe impact on the public. Examples:-  Unable to function without the aid of government or other external Agency Inability to fulfil obligations Medium – long term damage to service capability Severe financial loss – supplementary estimate needed which will have a catastrophic impact on the Council's financial plan and resources are unlikely to be available Death (single or multiple) or work related diagnosis leading to death Adverse national publicity – highly damaging, severe loss of public confidence Significant public interest Litigation certain and difficult to defend Breaches of law punishable by imprisonment Very significant exposure of public funds with funding being managed across organisations and complex reporting Very complex stakeholder community with new partnerships, collaborations and suppliers/stakeholder environment volatile or with significant external change factors

		Extensive use of leading edge, novel or innovative technology which requires specialist management and external audit
4	Major Risk	<p>Risks which can have a major effect on the operation of the Council or service. This may result in major financial loss, major service disruption or a significant impact on the public. Examples:-</p> <p>Significant impact on service objectives</p> <p>Short-medium term impairment to service capability</p> <p>Major financial loss – supplementary estimate needed which will have a major impact on the Council's financial plan</p> <p>Extensive injuries, major permanent harm, long term sick</p> <p>Permanent/significant disability</p> <p>Major adverse local publicity, major loss of confidence</p> <p>Litigation likely and may be difficult to defend</p> <p>Breaches of law punishable by fines or possible imprisonment</p>
3	Moderate Risk	<p>Risks which have a noticeable effect on the services provided. Each one will cause a degree of disruption to service provision and impinge on the budget. Examples:-</p> <p>Service objectives partially achievable</p> <p>Short term disruption to service capability</p> <p>Significant financial loss – supplementary estimate needed which will have an impact on the Council's financial plan</p> <p>RIDDOR (Reporting of injuries, diseases and dangerous occurrences regulations) or major injury</p> <p>Medical treatment required, semi-permanent harm up to one year</p> <p>Some adverse publicity, needs careful public relations</p> <p>High potential for complaint, litigation possible</p> <p>Breaches of law punishable by fines only</p>
2	Minor Risk	<p>Risks where the consequences will not be severe and any associated losses will be minor. As individual occurrences they will have a negligible effect on service provision. If action is not taken, then such risks may have a more significant cumulative effect. Examples:-</p> <p>Minor impact on service objectives</p> <p>No significant disruption to service capability</p> <p>Moderate financial loss – can be accommodated at head of service level</p> <p>Three day + injury</p> <p>First aid treatment, non-permanent harm up to one month</p> <p>Some public embarrassment, no damage to reputation</p> <p>May result in complaints/litigation</p> <p>Breaches of regulations/standards</p> <p>Budget within delegation</p>
1	Insignificant Risk	<p>Risks where the consequences will not be severe and any associated losses will be relatively small. As individual occurrences they will have a negligible effect on service provision. If action is not taken, then such risks may have a more significant cumulative effect. Examples:-</p> <p>Minimal impact, no service disruption</p> <p>Negligible impact on service capability</p> <p>Minimal loss – can be accommodated at senior technical accounting level</p>

		First aid injury Unlikely to cause any adverse publicity, internal only Breaches of local procedures/standards Budget within delegation and relatively small or within operational costs
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When assessing the risk, the highest measure identified in each table is the score taken to plot the risk level on the risk matrix. The risk ratings for each part of the assessment are multiplied to give an overall ranking for each risk. The risk matrix uses a “traffic light” approach to show high (red), medium (amber) and low (green) risks.

**Risk Matrix Table**

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

**Risk Tolerance**

Red (High Risk)	20 - 25	Must be managed down urgently
Amber (Med/High Risk)	12 - 16	Seek to influence medium term/monitor (as per risk appetite escalation)
Amber (Medium Risk)		
Green (Low Risk)	6 - 10	Acceptable – continue to monitor if circumstances are subject to change, if not, remove from register
Yellow (No risk)	1 - 5	Can be removed from register and managed locally within team but consider adding to risk register if controls are likely to change

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ROW NO	DESCRIPTION OF RISK (Risk description should include cause / risk event / consequence and risk category)	Policies and procedures Link to business plan Delegations of authority / Fraud checks Risk and control framework Performance Management Project Management reviews	PREVIOUS RESIDUAL RISK RATING			CURRENT RESIDUAL RISK RATING			RAG RATING /CHANGE IN RISK RATING	ACTION PLAN / FUTURE MITIGATION / ASSURANCE PLAN	DIRECTOR / ASSISTANT DIRECTOR
		First Line of Defence (Operational management activity)	Mar-21			Jun-21					
			P	I		P	I				
7	<b>The Council having insufficient workforce capacity and resilience to deliver the required range of services to meet statutory obligations and administration priorities</b>  <b>New service obligations, such as Caring Plymouth, local outbreak control, PPE provision etc. need to be considered alongside existing obligations, some of which have been made more challenging by COVID-19.</b>  <b>Risk Category: SERVICE DELIVERY / REPUTATION</b>	Workforce Bureau in place Volunteering Review working patterns ensure staff leave is taken Review posts prior to recruitment Workforce data Employee Assistance Programme in place. Organisational Restructure toolkit in place. Agile HR policies and procedures available on staffroom. Sickness absence and staff turnover monitored Annual Performance Reviews and objective setting Admin review Core hours paused and flexi limits extended	5	3	15	5	3	15	—  A	Develop online training programmes Implementation of 'The Way We Work' programme (technology, information management, accommodation) to enable the right conditions for success. Review of senior structure Review of business plans Possible remodelling of services Ongoing 1:1s Working towards Silver Wellbeing at Work Award Increase in number of Wellbeing Champions to 60 (from 44) Implement New Ways of working and deliver Accommodation Strategy	Andy Ralphs
8	<b>The Council not meeting its obligation to keep data secure by failing to adhere to Data Protection Act 2018 Regulations</b> results in loss of trust in the Council and/or financial penalty from the Information Commissioner's Office (ICO)  Risk Category: COMPLIANCE, REGULATION & SAFEGUARDING	Staff awareness training has been rolled out. Incident reporting and management in place. Escalation of breaches to Senior Information Risk Owner (SIRO). Annual IT Health Check Regular vulnerability scans carried out IT Infrastructure patching policy in place Pro-active monitoring by Babcock. ICO Action Plan. Information Audit completed for all departments Staff workshops completed re: GDPR	5	3	15	5	3	15	—  A	Continued roll out staff awareness training to all staff. Implement greater reporting consistency within directorates. Implement improved incident analysis within the Service Desk. Improved contract management with partners. Improve Privacy notice templates and ensure all gaps are addressed Standardised breach management processes distributed to key staff. Reviewed policies to be communicated to all staff	Andy Ralphs
9	<b>The Council is unable to fulfil its legal obligations regarding the safety of its citizens and service recipients</b>  Significant challenges presented by the scope of service activities, range of workforce environments, clarity of guidelines/legislation and unpredictability of epidemiology, with the added pressures of supply chain management and organisational capacity to deliver  Risk Category: COMPLIANCE, REGULATION & SAFEGUARDING	Safe Systems of Work Programme Performance Data Contract Management Weekly review of risk assessments, management oversight and audit	3	4	12	3	4	12	—  A	Statutory Post holders Commissioning and service Improvement plans Budgetary Management Revision of business plans	Alison Botham / Craig McArdle
10	<b>The Council not meeting its legal obligations regarding the health, safety and wellbeing of its workforce.</b>  Significant challenges presented by the scope of service activities, range of workforce environments, clarity of guidelines/legislation and unpredictability of the rate of COVID-19.  Risk Category: COMPLIANCE, REGULATION & SAFEGUARDING	Safe Systems of Work Programme Display Screen Equipment (DSE) guidance in place COVID-19 Homeworking checklist implemented to ensure employees working from home have all standard DSE equipment, and specialist assessment where required Delivery service instigated following COVID-19 infection control guidelines COVID-19 wellbeing pages has DSE advice and support cited Access to ergonomist assessment via medigold available Daily workforce returns require status of DSE assessments to be recorded Pulse survey undertaken Risk assessments of vulnerable staff Protective personal equipment requirements scoped PPE Policy in place with ordering and supply process operational	3	5	15	3	5	15	—  A	Agree substantive future working arrangements according to worker type  Follow up survey  Delivery of 20/21 HS&W action plan  Taking action on future Government guidelines in relation to COVID-19	Andy Ralphs
11	<b>Departure from EU single market with The Trade and Cooperation Agreement could further decreases city economic output.</b> Trading standards impacts may be significant when full border operations commence in October. There could be impacts on service demand when the EU Settlement Scheme closes to new applicants in July. Predicted labour market shortage is now starting to show. Risk of business failure is still high due to the economic impact of the Trade and Cooperation Agreement although this may be difficult to disaggregate from COVID-19 impact. Ferry services have recommenced and we are monitoring phase 1 and 2 of the Border Operating Model. Macro economic affects so far muted but need to continue to monitor as UK export figures have fallen by 40% nationally, imports also down but balance of trade deficit will increase and Treasury need to balance UK PLC books - this could mean an increased tax burden. Unilateral UK changes in regulations could worsen export situation. Risk Category: FINANCIAL	Brexit Organisational and City specific risk registers linked to corporate risk registers. Plymouth Brexit Business Group launched in collaboration with Devon and Plymouth Chamber of Commerce. Corporate web page with links to government advice updated with recent information on the EU Settlement Scheme with a comms campaign to promote this. Growth Board on-line advice tool. Officer attendance at local and regional events. Brexit impact scoping within MTFP. Some government funding has been announced including funding for fishing and SME support.	4	3	12	4	3	12	—  A	Continued regional engagement to maintain strong influence. Monitor proposed regulatory changes for service impact Continue to act promptly on government guidelines when issued.	Giles Perritt
12	Risk of failing to deliver the range of housing to meet Plymouth's need via the Joint Local Plan (JLP) and the Homes for Plymouth Programme  Housing supply is close to the core of Joint Local Plan delivery and a number of COVID-19 related factors will impact our ability to deliver to previously agreed levels  Risk Category: DEVELOPMENT & REGENERATION  Brexit Risk: Potential impact of rising material costs and shortfall of labour on Plan for Homes and Capital Programme	Driving progress on previous Plan for Homes site releases to seek accelerated construction of new homes, regularly reviewed.  Sites identified in the JLP 5 year land supply regularly reviewed to consider what actions might bring forward sites currently in years 6 and 7 into 5 year supply.  Each JLP site now has a Delivery Strategy, with various forms of proposed intervention based upon the identification of resources. Data base established to allow for more effective review of actions and progress.  Review of partnerships and partners to manage delivery and ensure capability and maximise capacity, including funding for new homes.  On-going strategic relationship management with Homes England to achieve a fair share of the national funding. Review of partnerships and partners to manage delivery and ensure capability and maximise capacity, including funding for new homes.  Working with MHCLG & Homes England to develop a Place Based Strategic Partnership to maximise joint working, funding and alignment of housing delivery priorities. Proposal to establish a tripartite partnership between MHCG, HE and PCC/SH/WD with the vision to transform the pace and quality of housing provision to fully meet housing need including the 35% urban uplift.	3	3	9	3	3	9	—  G	Strategic Land Review completed and now released 45 housing sites to the market. Established Housing Investment Fund to support interventions to unlock housing delivery. Working with Homes England to develop a Placed Based Strategic Partnership to unlock and deliver a pipeline of housing sites, support City Centre renaissance and to help align Government funding with housing site opportunities. Proposal to establish a tripartite partnership between MHCG, HE and PCC/SH/WD with the vision to transform the pace and quality of housing provision to fully meet housing need including the 35% urban uplift. Work with Homes England has led to agreed solutions on legacy sites to unlock delivery. Launched the Plymouth Eco-Homes Programme to deliver over 250 low-carbon and net-zero homes across Plymouth. Embarking on our Direct Delivery of new homes to drive up good design, quality and sustainable living. • Identifying a pipeline of future sites to support our direct delivery ambitions. Developing Housing Partnership Agreements with key Housing Association Partners to maximise their investment and delivery in the city. Considering site acquisitions and provided funding to help unlock stalled JLP sites. Reviews of JLP sites completed and monitored, with delivery strategies being implemented. Bidding to a number of Government funding programmes to support new homes. Ongoing work with Homes England and MHCLG to unlock funding and making the case for a fairer allocation of national funding for homes. Ongoing innovation to improve the proactive and fast track approach to planning to deliver housing. Monitoring development activity in the construction sector to understand the effect of COVID-19 on housebuilding. We will manage the 5 year land supply position to ensure that decisions on sites are taken using a balanced and objective assessment of market conditions. Work with Resurgam programme to develop measures to support and boost housebuilding, supporting Plymouth's economic recovery and other Resurgam activity. Work with the Plymouth Housing Development Partnership to leverage their investment and progress housing projects to stimulate affordable housing delivery, and support SME's to start building again. We will work with MHCLG and Homes England to maximise investment in new homes and infrastructure.	Anthony Payne
13	<b>Risk to vulnerable children and young people in the care system, by not delivering early intervention and prevention</b> and responding as soon as possible to their needs and promote better long term life outcomes.  Early intervention aims to promote better long term life outcomes for families, and in doing so, also prevent them needing more intensive and higher cost services in the future, such as children's social care or the criminal justice system.  Risk Category: COMPLIANCE, REGULATION & SAFEGUARDING	Troubled Families Programme Early Help Assessment Tool The Children and Young People's Commissioning Plan Families with a Future initiative	2	3	6	2	3	6	—  G	Continue to drive forward change across the partnership in relation to whole family working, engagement with the Early Help Assessment Tool process, data exchange and achieving the outcomes required within the Troubled Families Outcomes Plan.	Alison Botham



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		First Line of Defence (Operational management activity)	Mar-21			Jun-21					
			P	I		P	I				
14	Increased and sustained pressure on Adult Social Care budget due to increased numbers of people or increased complexity of need. As this is a statutory service and largest single budget it could have a significant impact on the Authorities overall financial position  Risk Category: Financial  In light of COVID-19, changes in practice there are currently increased costs in providing services - for example additional PPE and more robust processes around systems of working for providers and infection control. All of these will incur increased cost, for which there is no confirmation of longer term funding. There is uncertainty as to whether the current COVID-19 practices will need to remain long term.		4	4	16	4	4	16	—  A	Budget Containment meetings in place Brief providers around risks relating to COVID-19 and infection control and safe system measures. Focus on reviews and reablement to right size packages of care Emergency Plan to cover need to prioritise critical services.	Craig McArdle
15	<b>Risk of Market or Provider failure</b> causing service disruption, loss of revenue and adverse publicity  Risk Category: Financial		4	3	12	4	4	16	↑  A	Establishment of Community Capacity Command Centre to provide greater oversight of market and capacity Local Authority is taking steps to set up a Care Company to ensure continuity of provision in the event of market failure. Care Home liaison work being undertaken by Livewell Southwest, to increase levels of support to Residential and Nursing care marker. Risk to be continued to be monitored through contract monitoring and market intelligence. Supporting market wide workforce recruitment / retention across residential and domiciliary sector.	Craig McArdle
16	Risk of failing to meet carbon reduction targets to reach net zero by 2030.  Plymouth City Council declared a climate emergency in March 2019. The Plymouth Plan was revised in January 2021 to update the strategic objectives and policies to achieve this outcome. The corporate plan, when next revised, will do likewise.  The activities of Plymouth City Council only contribute 1% of the total carbon emissions of the city. The environmental consequences of failing to meet the target are difficult to quantify, but a failure to address and minimise our carbon emissions would contribute to some extent to changes in our climate, which include, among others, increased risk of coastal flooding and changes to the weather patterns. Changes to the weather could in turn have financial consequences for the Council as we mitigate against increased flooding, and more frequent storms. Failure to meet corporate targets would impact our reputation and our ability to exercise leadership on this agenda, with, in turn, possibly more consequences on carbon emissions citywide.	A governance structure is in place to ensure that the city and council climate emergency objectives are led, managed and delivered. Led by the Cabinet member for Environment and Street Services, all key decisions are made by Cabinet and Full Council. The Strategic Director for Place leads the Climate Emergency Board with oversight of the corporate objectives. Management and deliverables are led by the service director for strategic planning and infrastructure. Progress updates on the delivery of the plans are provided 6 monthly. Interim policies and performance monitoring arrangements are in place whilst we tackle the complex task of developing a methodology that will enable us to accurately measure and monitor carbon emissions. In future, the methodology being developed will help to identify any potential risks to achieving the target' There are 3 key plans in place to deliver objectives. * The Plymouth Plan specifically Policy GRO7 "Reducing carbon emissions and adapting to climate change", Climate Emergency Action Plan(s) Year 1 and Year 2 (CEAP), Corporate Carbon Reduction Plan(s) Year 1 and Year 2 (CCRP)	3	4	12	3	4	12	—  A	Year 1 action plans have been completed for both CEAP and CCRP. Year 2 action plans for both CEAP and CCRP have been approved by Full Council (January 2021) Brexit, Infrastructure and Legislative Change Overview and Scrutiny Committee have received 6 monthly performance updates (October 2020 and March 2021) Year 3 action plans for both CEAP and CCRP are timetabled in to Full Council in January 2022	Anthony Payne
17	<b>Risk of financial impact of delivering proposed changes to Waste Services as set out in the Government's Draft Environment Bill.</b>  Whilst the Government have stated that Local Authorities will not bear the cost of the changes the implications for Plymouth specifically are significant with likely changes to collection frequencies; plant, vehicle and machinery requirements; a weekly food waste collection and likely impacts upon existing waste disposal contracts including the Energy from Waste PFI contract. Waste policies and strategy will need to be reviewed to ensure compliance and alongside working with residents, communities and businesses to help manage any changes. A key requirement will also be understanding any resulting waste infrastructure requirements and where possible including appropriate provisions alongside evidence as part of the next iteration of the Plymouth and South West Devon Joint Local Plan scheduled for mid 2022.  The Government are required to set out Statutory Instruments detailing the Environmental Bill requirements by Autumn 2022 with an indicative timescale for implementation of requirements by 2023/24.	<b>Joint working group between Street Services &amp; SPI.</b>  <b>Service Management Teams</b>				3	4	12	A  (NEW RISK)	One of the earliest tasks will be to flesh out a programme, having regard to these dates. However, it can be anticipated that the work would need to cover the following basic elements: 1. Documentation of the context for a new waste plan – e.g. all legal and policy drivers as well as the local and regional context 2. Review of high level policy aspirations – including the Plymouth Plan policy – to ensure it continues to work for the current context 3. Evidence base review – waste arising forecasts for the period to 2041 4. Review of effectiveness of current approaches and plans for managing these new waste management demands and challenges into the future 5. Identification of strategic alternatives for waste management, including site specific implications of these alternatives and using JLP sustainability framework model to ensure that this is robust and will be found sound when tested at JLP public examination 6. Identification of preferred options/s for waste management – with identification of specific sites where needed 7. Draft plan for waste published 8. Draft waste policies of JLP published 9. Plan for waste approved 10. JLP review tested through its various statutory stages	Anthony Payne

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## Audit and Governance Committee



Date of meeting:	26 July 2021
Title of Report:	Health, safety and wellbeing annual report 2020-2021
Lead Member:	Councillor John Riley
Lead Strategic Director	Andy Ralphs Strategic Director for Customer Services
Author:	Clare Cotter Head of Health, Safety and Wellbeing
Contact Email:	Clare.cotter@plymouth.gov.uk
Your Reference:	
Key Decision:	No
Confidentiality:	Part I - Official

### Purpose of Report

The health, safety and wellbeing annual report for 2020-2021 is presented to the audit and governance committee as an important aspect of the health, safety and wellbeing governance arrangements for the Council. The report identifies the actions that have been taken in 2020-2021 to improve our management arrangements for health, safety and wellbeing and what we are planning to do in 2021-22 in the spirit of continuous improvement. As part of this it includes insights into the incidents and accidents which have occurred compared to previous years.

### Recommendations and Reasons

The Audit and Governance Committee is recommended to note the contents of this report.

### Alternative options considered and rejected

n/a

### Relevance to the Corporate Plan and/or the Plymouth Plan

The health, safety and wellbeing of employees and anyone affected by our undertakings, underpins all aspects of the corporate plan and ensures we uphold our legal, moral and financial duty.

### Implications for the Medium Term Financial Plan and Resource Implications:

Resources required to address health, safety and wellbeing risks are managed at local level, with a Corporate Contingency included in the MTFP for larger capital investment requirements

### 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.

Included in the report in detail

**Appendices**

\*Add rows as required to box below

Ref.	Title of Appendix	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
A	HSW Business plan 2021-22							

**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
N/A							

**Sign off:**

Fin	Djn.2 1.22.5 4	Leg	It/369 83/1 5072 1	Mon Off		HR		Asset s		Strat Proc	
Originating Senior Leadership Team member: Andy Ralphs											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 15 July 2021											
Cabinet Member approval: Yes											
Date approved: 15 July 2021											

**HEALTH, SAFETY AND WELLBEING ANNUAL REPORT**  
2020-2021

## **CONTENTS**

### **EXECUTIVE SUMMARY**

#### **DELIVERY IN 2020-21**

Governance and accountability

Regulation

Training

Audit and risk

COVID-19 Pandemic

Wellbeing

Accident and Incident reporting

Claims

Trade Union Endorsements

#### **APPENDIX A: HSW IMPROVEMENT PLAN 2021-22**

**EXECUTIVE SUMMARY 2020/2021****PLAN**

HSW Business plan 2020/2021  
 Corporate HSW Policy  
 Health and safety performance standards  
 Mandatory training / training matrix  
 Risk assessments  
 Safe systems of work  
 Competent Advice  
 TU engagement

HSW: Health, safety and wellbeing  
 TU: Trade Union

**DO**

HSW Steering Group - bimonthly  
 COVID Emergency Response  
 Wellbeing Pulse Surveys x 2  
 Self assessments: lone working, manual handling, training matrix  
 HAVS Audit – DAP  
 Monitoring mandatory training  
 Incident reporting standard 8 days  
 New PIC proposal  
 Review of asbestos management

HAV: Hand arm vibration  
 DAP: Devon Audit Partnership  
 PIC: Person in Control (of a building)

**ACT**

HSW Business Plan 2021/22  
 HSW Steering group to continue bi-monthly  
 COVID post roadmap recovery  
 Asbestos Management Compliance  
 Work towards Gold Wellbeing@Work Award  
 Recruit up to 35 more champions  
 Flu clinics (450 employees)  
 Zero Tolerance Campaign to violence and aggression (including review of training)  
 Implement PVP process  
 Maintain HSW mandatory compliance  
 20% target for near miss reporting  
 Decrease incident reporting standard from 8 to 6 days  
 Implement standards for completion of incident investigations  
 Implement incident closure process  
 Roll out SHE Assure digital HSW Management system

PVP: Potentially Violent persons

**CHECK**

HSW Steering group – evidence of contribution to strategic and operational risk management  
 Contemporaneous COVID generic RA, SSOW and TBT over 15 months, implemented at local level  
 COVID site surveys and monitoring across the PCC estate  
 Asbestos Management Business case approved and in flight  
 Bronze and Silver Wellbeing@Work Awards achieved  
 Improved wellbeing offer as a result of surveys  
 25 Wellbeing Champions  
 450 flu vaccinations / 11 clinics  
 No HSE / DFRS Enforcement actions  
 4 RIDDOR reportable COVID cases  
 96% compliance with HSW mandatory training  
 3% increase in near miss reporting  
 8% increase in Lost Time Incidents  
 80% of incidents reported in 8 days  
 Highest reported incidents: unintentional violence, verbal violence

RA: Risk Assessment  
 SSOW: Safe System of Work  
 TBT: Tool Box Talk

## EXECUTIVE SUMMARY

This report is a statement of Plymouth City Council's occupational health, safety and wellbeing (HSW) performance to the end of the financial year 2020-21, with any relevant updates included to the date of writing the report. It also includes our improvement plan for 2021-22.

The Health Safety and Wellbeing of the Council's employees continues to be an integral part of the People Strategy which can be viewed [here](#)

## GOVERNANCE AND ACCOUNTABILITY

Accountability for our duty of care to our employees under the health and Safety at Work Act etc. 1974 and the Management of Health and Safety at Work Regulations 1999 sits with the Chief Executive Officer of the Council. Arrangements describing how this accountability is discharged are outlined in our Corporate Policy and Corporate HSW Management arrangements, describing a systems leadership approach, with roles and responsibilities dispersed throughout the organisation.

The Executive Lead for HSW is the Strategic Director for Customer and Corporate Services. The Chair of the Health, Safety and Wellbeing (HSW) Steering Group is the Service Director for HROD, who reports to the Executive Lead for HSW. The Service Director for HROD holds HSW within their Department. The Council's Portfolio Holder for HSW is Councillor John Riley

The HSW Steering Group has continued to drive the HSW improvement agenda forward as much as possible, however the changing requirements of the COVID pandemic response has meant that some aspects of the business plan for 2020-21 have not been delivered and will be carried forward to 2021-22.

It had not been possible to implement SHE Assure as our incident reporting system due to issues commercial and in confidence; these issues have now been resolved and the system is now live. Currently the HSW Team is entering data to test the system, and licence holders have been identified. Once licences have been issued and workflows are configured, the system will be rolled out as originally designed.

## ENFORCEMENT ACTIVITY

### Control of exposure to vibration

At the time of writing this report, the council awaits the HSE decision as to whether they will seek to prosecute following their intervention in 2017-2019. In April 2021 an HSE Visitor took victim personal statements from those employees who had been diagnosed with either hand arm vibration syndrome or carpal tunnel syndrome. No further contact has been made.

No additional HSE enforcement action has been taken against the Council in 2020-21

## IMPROVEMENT PLAN DELIVERY

### AUDIT AND RISK

#### HSG65 – HSW Management audit

The planned audit programme to assess the council's compliance against HSG65 (HSE best practice HSW Management) was put on hold due to services needing to focus on COVID-19 controls and adjusted ways of service delivery. This will be resumed as COVID restrictions are lifted and services resume normal operations and resources allow.



## **Hand arm vibration**

Devon Audit Partnership was commissioned to undertake a repeat audit of the council's arrangements for the management of control of exposure to vibration. The audit recommended a number of improvement actions which have now been delivered.

## **Risk Summits**

No risk summits were required during 2020-21

## **COVID – 19**

The health, safety and wellbeing of the council's employees has been at the heart of the COVID-19 pandemic response with close working between Public Health, Health Protection and HSW to ensure all infection control standards were implemented and effective. Clear leadership was provided by the emergency operations centre (EOC) and the corporate emergency management team (CEMT), with the Service Director for HROD leading safe systems of work.

Generic COVID-19 risk assessments, safe systems of work and tool box talks have been provided for adaptation at Service level and these have been reviewed and updated at every change in Government Guidelines.

Site surveys were undertaken of all our buildings to ensure that each environment was adapted to be COVID-19 secure; video's and descriptions were posted on the staff intranet to make sure employees knew what to expect if they needed to access our buildings. Site surveys of all our maintained and controlled schools were also undertaken periodically in support of Head Teachers and school staff maintaining COVID secure environments under challenging conditions.

Employees have been strongly encouraged to accept COVID-19 vaccine when offered and to undertake asymptomatic testing on a twice weekly basis if working outside of their home. These messages were re-emphasised at the point the county began to follow the Government's roadmap out of lockdown in 2021, including employees working from home who have been able to incrementally increase their social contacts.

## **WELLBEING**

The council's wellbeing offer has been recognised a 'gold standard' by Livewell South West who oversee the Wellbeing at Work Awards, and are seeking to replicate our model of wellbeing champions across the City. Having achieved the bronze award for Wellbeing at Work, at the time of writing this report we have also achieved two out of the three standards towards the silver award, six months ahead of schedule.

In 2019-20, one of the council's wellbeing champions received the Wellbeing Champion of the year award in the City, and in 2020-21 two Wellbeing Champions have been nominated for the same award and we await the outcome.

Wellbeing has been at the top of the COVID-19 agenda, and as various challenges have arisen our offer has expanded in response. For example, when employees told us they were finding it difficult to switch off at night, we implemented some digital detox and mindfulness sessions which were well received – these sessions continue to be run on demand.

Wellbeing Champions have worked within and across service areas to support local initiatives and to share information on virtual mental health and wellbeing services available in the city.

CEMT took decisions to enable more flexible working, for example pausing core hours and limitations on flex accrual, which enabled employees to balance their work and life commitments; this was particularly helpful for employees with school age children during lockdown periods.

Two wellbeing pulse surveys were run during 2020 (April and December), both resulting in immediate actions being taken to support employees working from home and at the front line as appropriate; more detail is contained within the main body of the report.

There has been a sustained focus on making sure that employees working from home are able to work safely with the correct display screen equipment (DSE) and over 1,000 items of equipment were either collected or delivered to employees at home for this purpose. Over 110 workplace assessments have been undertaken virtually, ensuring that employees with more specialist needs have been supplied with the equipment they need; in some circumstances this has resulted in a further referral for ergonomic assessment from the physio service of our Occupational Health Provider, Medigold, or to Access to Work.

## TRAINING

The majority of the HSW training courses have been suspended during 2020-21 due to the extenuating circumstances employees have been working under. However, any courses delivered by e-learning have continued, along with three critical courses including:

- HSW Induction
- Managers Introduction to HSW at the council
- IOSH Managing Safely
- Wellbeing and Resilience Risk Assessment
- Conflict resolution

Compliance with HSW mandatory training has continued to be included in the balanced scorecard, and published monthly. At the time of writing the report compliance levels have reached 94 per cent and above as follows:

HSW Induction	94%
Introduction to HSW management	97.9%
IOSH Managing Safely	97.2%

A self-assessment audit was undertaken at the direction of the HSW Steering group, to provide assurance that each service area has a current training matrix. This tool systematically identifies the training required by each post and that the post holder has received it. The returns demonstrated that these are in place, with updating required in some areas; a full audit will be included in the forthcoming audit programme.

## INCIDENT REPORTING AND LEARNING

Information continues to be published monthly for each directorate on a rolling 18 month period; this report gives us an account of incidents:

- For the rolling 18 months to 31 March 2020
- A comparison of Accident and Incident Rates over the last 5 years

The Council has reported 29 RIDDORS in the last 18 months; 62 per cent of which have been lost time incidents. These are mainly in our Place directorate where the majority of front line, manual work takes place..

There has been a positive increase in the number of near miss reports received from 11.65 per cent in 2019-20 to 14.26 per cent in 2020-21 and these are ranked the second highest reason for reporting. However, all areas of The Council should continue to encourage near miss reporting, with an aim of 50 per cent overall. The HSW Steering Group agreed a stretch target of 20 per cent to be implemented in 2021-22; this would be a marker of a positive reporting and learning culture and support the decrease of lost time incidents and RIDDORS.

Lost time incidents (LTI) have risen from only 3-4 per cent in 2019-20 to 11.91 per cent of the total number of incidents reported in 2020-21; however these represent 27 per cent of RIDDORS, due to resulting in over seven day absences (significant downward trend from 2018-19. The top five reasons are:

- Slips and trips
- Manual handling
- Road Traffic Accident
- Hit by a falling object
- Hit by a moving object

In general UV and verbal violence (VV) stay ranked as the top and third reasons for reporting respectively; however less than ten UV have resulted in a LTI and less than five per cent due to VV. This said, UV and VV remain a high concern for Senior Leaders, Managers, Employees and TU health and safety representatives due to their impact on the wellbeing and resilience of employees. As reported in previous Annual Reports UV typically occurs in services where customers do not have control over their behaviours; individual risk assessments are undertaken and reviewed regularly to support workers manage the predictable as far as possible. Protocols are in place to support employees managing VV, which typically occurs in our Customer Services and Community Connections Service, and are subject to regular review.

The Council has a generous eight day reporting standard to enable us to comply with RIDDOR regulations as required. Serious incidents continue to be escalated in real time to ensure remedial actions are put in place in a timely fashion. Over 80 per cent of incidents are reported within this timeframe, with the highest achievement of 97.9 per cent being achieved in September 2020. In July 2021 this KPI will be reduced to 6 days in readiness for the launch of SHE Assure, and in addition leading KPI's will be initiated to ensure investigations are also conducted in a timely way and closed appropriately.

## **DELIVERY IN 2020-21**

### **GOVERNANCE AND ACCOUNTABILITY**

Accountability for our duty of care to our employees under the health and Safety at Work Act etc. 1974 and the Management of Health and Safety at Work Regulations 1999 sits with the Chief Executive Officer of the Council. Arrangements describing how this accountability is discharged are outlined in our Corporate Policy and Corporate HSW Management arrangements, describing a systems leadership approach, with roles and responsibilities dispersed throughout the organisation.

The Executive Lead for HSW is the Strategic Director for Customer and Corporate Services. The Chair of the Health, Safety and Wellbeing (HSW) Steering Group is the Service Director for HROD, who reports to the Executive Lead for HSW. The Service Director for HROD holds HSW within

their Department. Following the Local Elections held in May 2021, The Council's Portfolio Holder for HSW is now Councillor Riley

The HSW Steering Group met bi-monthly during 2020-21, to maintain the momentum of HSW improvements during the COVID pandemic. The following provides an overview of the group's work:

### **June 2020**

The first meeting of the HSW Steering Group in 2020 took place in June due to the need in April and May to focus on embedding the emergency arrangements required to respond to the COVID pandemic.

It was agreed at the meeting that the HSW Steering Group would continue to focus on the HSW Improvement plan and 'BAU' assurance, whilst the COVID response would sit with the council's emergency planning arrangements

### **August 2020**

The annual report for 2019-20 was signed off by the group. New KPI's were agreed for 2021-22:

- 6 day reporting standard
- 20% stretch target for near miss reporting
- Implementation of a new incident closure process, including standards for completing investigations and closure

A new proposal for Persons in Control of buildings was presented by the Facilities Manager and agreed by the group to ensure greater clarity between responsibilities at strategic, tactical and operational level

### **October 2020**

The group received an update on the work of the Place HSW Board and outstanding actions; it was agreed that the Board would continue to drive the action plan with periodic oversight of the HSW Steering group.

A wellbeing report was tabled and the Chair noted the exemplary wellbeing offer available to employees.

The Head of HSW Assurance presented a proposal for the management of Potentially Violent Persons. The discussion was joined by Lead Reps from Untie and GMB and well received. It was agreed that the process would be owned by HSW Assurance and a further meeting set up to discuss the finer details; this follow up meeting has not yet happened due to the pressures of COVID-19.

### **December 2020 – meeting cancelled due to COVID priorities**

### **March 2021**

A presentation of the HSW Operational Risk entries was given by Head of HSW Assurance. The paper had been redesigned to demonstrate the added value the HSW Steering Group provides in the monitoring and oversight of HSW risk and was well received. It was agreed that five risks needed to be reviewed to ensure the risk descriptors clearly state the impact on the HSW of employees or people effected by our operations.

## ENFORCEMENT ACTIVITY

### Control of exposure to vibration

At the time of writing this report, the council awaits the HSE decision as to whether they will seek to prosecute following their intervention in 2017-2019. In April 2021 an HSE Visitor took victim personal statements from those employees who had been diagnosed with either hand arm vibration syndrome or carpal tunnel syndrome. No further contact has been made.

### COVID-19: Social distancing at Chelson Meadow

Following a complaint from a member of the public an HSE Inspector requested evidence of the council's COVID controls for our recycling site at Chelson Meadow. All evidence was provided and the matter was closed without further HSE intervention.

### School's monitoring visits

The HSE undertook visits to three of our Controlled Schools to assess the effectiveness of their COVID controls. All received positive feedback in relation to their risk assessment, controls and support to staff and pupils.

## RISK SUMMITS

There have been no risk summits initiated during 2020-21

## COVID-19

The introduction of a national lockdown on 23 March 2020 due to Covid-19 pandemic had a major effect on the activities of the Council, the services it provides and to its employees.

Essential services continued to operate with the ongoing safety of employees and the public being carefully risk assessed and put into place with clear safe systems of work, toolbox talks and provision of PPE according to the Council's PPE policy. These documents continued to be reviewed and updated as government advice developed. At this point some 85 per cent of employees were working from home.

At the point that Government Guidance indicated employees could work from offices in COVID secure workplaces, all PCC buildings were surveyed to determine occupancy rates based on social distancing requirements, ventilation etc. One way systems were introduced, signage produced and hand sanitiser etc. provided. Alterations were made to ensure buildings were Covid-19 secure.

A remobilisation process was initiated, requiring services to demonstrate their COVID secure arrangements before employees were able to resume their work activities.

Daily meetings with lead Health and Safety Trade Union Representatives were instigated, led by the Service Director for HROD and attended by the HROD Management Team as appropriate. These were mutually beneficial in being able to address any concerns that were being flagged by employees at an early stage.

COVID-19 communications were initiated on the Council's staff room to ensure that all employees had access to contemporary information, as well as printed versions and briefings for front employees.

## Covid-19 Information and Guidance

This page contains links to the the latest Covid-19 news updates from PCC, FAQs, guidance on looking after your wellbeing and other useful links. These pages will be updated regularly so please check back for the latest information.



The HSW Assurance Team continually adapted to ensure changes in government advice were effectively communicated throughout the council in an effective and timely manner, alongside critical HR and OD information.

### Site Surveys and monitoring

As part of the Council's Silver Command response to the COVID-19 pandemic, a Safe System of Work Readiness Group was formed comprising of the HSW Assurance Team and Hard/Soft FM Teams led by a Programme Manager.

One of the key activities of the group was to survey every PCC site and produce a report with HSW/FM recommendations to ensure each building is being managed in a COVID safe environment and compliant with Government COVID Guidelines.

Following on from the surveys, a programme of works was commissioned by the FM Hard and Soft Teams to ensure the recommendations were carried out e.g. installation of screens, enhanced cleaning regimes. A daily monitoring log was initiated, and Person's in Control have actively monitored that the controls in place are adhered to by any employees using our buildings for business or wellbeing needs.

Successive government COVID-19 guidance changes have then been reviewed by service areas and their Safe Systems of Work reviewed and amended accordingly.

### Vaccination

All employees of the council have been strongly encouraged to accept COVID vaccination when offered, and Service Managers facilitated social care employees to access this at an early opportunity,

according to the Government prioritisation process. Whilst employees have not been asked to confirm their vaccine status, it is thought that uptake has been generally very high.

## **COVID testing**

Symptomatic testing has been made available to employees as per Government Guidelines, and over the course of the year the Council has had only one work based outbreak affecting a small number of employees. Prompt infection control action was taken by the Service to prevent further transmission and the incidents were reported under RIDDOR to the HSE with no further action following.

Social care employees were invited to take part in Government led initiatives for regular symptomatic testing, and laterally asymptomatic testing using lateral flow testing device kits. This was effective in the early identification of employees with COVID-19 and self-isolation prevented any onward workplace transmission.

Lateral flow device testing was then introduced for employees using key locations, and employees were strongly encouraged to use these facilities if working outside of their home.

The HSW Assurance Team supported the implementation of a mobile testing unit for public use throughout the city and a temporary facility in Plymouth City Centre.

## **WELLBEING**

This year the council has adapted all of its wellbeing resources in relation to the pandemic into a virtual format. The impact of COVID19 has seen common themes across the organisation of employees challenged by the dynamics of working from home. The Council continues to prioritise and adapt its response to our employees ensuring the wellbeing offer is relevant and responsive. The current offer has doubled since COVID19 and we were proud to achieve our Bronze Standard of Wellbeing at Work award during a challenging time.

Our continued efforts will see us completing the Silver Award this year. Our standard of wellbeing offer has been referred to as a “gold standard” and Livewell would now like to use our process of capturing and reporting our wellbeing interventions as a template for other organisations across the city.

The positive impact of COVID19 and moving to a digital way of working enabled us to network across the city easier and quicker with a larger range of organisations.

Here are a few of the example additional network connections Plymouth City Council have made during this time in relation to supporting our employees;

- Able Futures - providing additional mental health coaching for our employees funded by DWP.
- St Luke's - providing us with Compassionate friends training and ongoing support to work towards our organisation becoming Compassionate friendly.
- Nuffield Health – who have also offered a range of supportive information for all of our employees around physical health, long term pain and a COVID19 rehabilitation programme.
- Money and Pension Service – who have facilitated and supported our employees with financial wellbeing.
- Livewell Southwest – continued engagement and wellbeing forums for support and training for our employees including Bereavement training.
- Babcock – seeking support and advice around our offer we give our employees and being equally one of the main employers in the city.

## **Working from home**

With the majority of our workforce moving to working from home, the council has had to respond appropriately to meet various challenges of a home environment. This has included:

- Managers reviewing deadlines to potentially re-order any priorities where appropriate.
- Removal of core hours for staff and enabling them to work their hours around home demands where possible.
- Encouragement to be mindful around booking virtual meetings back to back and also a desk booking system for those staff that need an alternative safe working space.
- Support for home schooling

## **Display Screen Equipment, Ergonomics, Wellbeing and Working from home**

The Council responded to employees working from home by seeking to stabilise home working environments in support of musculoskeletal health. This was achieved by producing a revised homeworkers checklist for staff, digital detox workshops, a parent support group (for those who were home schooling), virtual assessments and well as information on digital wellbeing, in conjunction with various new resources to promote good mental health

Facilities Management facilitated equipment that was redundant in offices to be issued to staff. This included, screens, keyboards, mice, desks and any specialist equipment that staff may have already had in the office

Where issues arose that could not be resolved with the individual, line manager and DSE assessor, a virtual workplace assessment was undertaken to determine the best course of action, which has led to the provision of specialist equipment, referrals to Access to Work, our occupational health provider for a full ergonomic assessment, as well as identifying dyslexia issues. Almost 110 staff members have gone through the virtual assessment process, as well as supporting DSE assessors and managers to reduce discomfort.

## **WELLBEING PULSE SURVEYS**

Employee wellbeing during the pandemic has been uppermost on the minds of CMT, SLT, Team Plymouth and all other Managers; Councillors have frequently sought assurance about the Council's wellbeing offer.

Two wellbeing pulse surveys have been run with common themes and some nuanced questions depending on whether the employee was working from home or at the front line. The first was in April 2020 and the second in December 2020.

The focus for front line workers was on safe systems of work, infection control (including access to PPE) and support from managers; the focus for employees working from home was on Effectiveness and Performance, data protection and confidentiality, impact on environment, personal impact and wellbeing and support from colleagues and managers.

After the first survey some thousand separate items of display screen equipment were either collected or delivered to people's homes, including chairs, monitors, footrests, keyboards and more specialist equipment where required



Home workers guidance was updated and managers were reminded to ensure that everyone working remotely had completed a DSE self-assessment and home workers assessment.

Other actions included:

- Addressing technical challenges arising from working from home by the roll out of Microsoft Teams
- The Council's technical support provider, Delt, implemented live chat for instant access tech support
- A new risk assessment was undertaken for employees sharing vehicles to meet essential business needs, concluding that fluid resistant surgical masks should be worn and this was implemented as part of safe systems of work
- Tool box talks on donning and doffing PPE safely were delivered
- The process for requesting and supplying PPE internally was reviewed and improved
- Video Guides to the Council's main buildings were put on the intranet so that employees would know what to expect when they visited
- A pocket guide including key COVID control information was produced for employees without PC access

The second wellbeing pulse survey was opened before Christmas with an initial closing date of 18 December. The survey was made available to all employees, either on-line from staff room, by using a QR code from posters available at community venues, or by paper copy.

As of the date of this report 797 responses have been received of which:

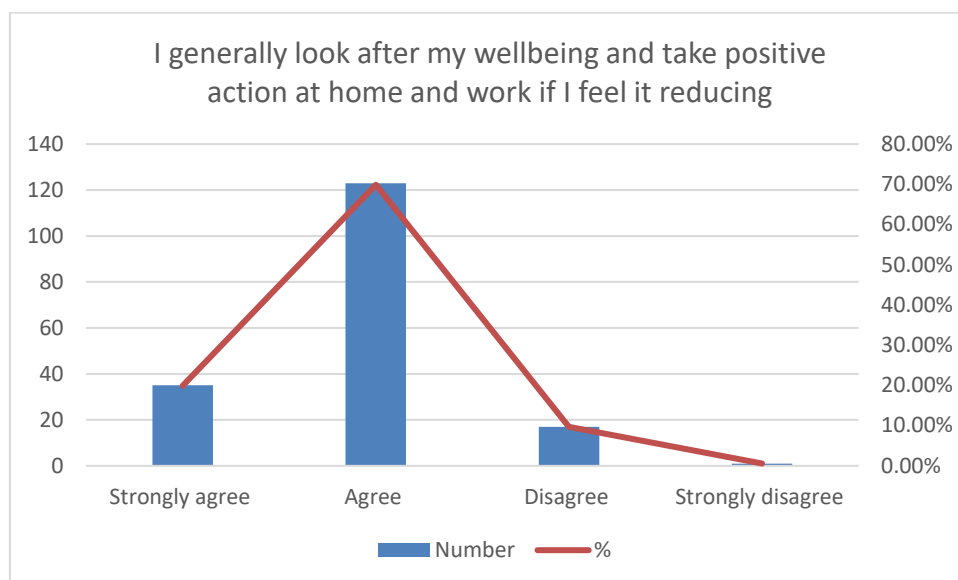
- 621 WFH
- 62 Access to staffroom via mobile device
- 112 Non-PC users

This is a reduction in return from the last wellbeing pulse survey run in May 2020, where 920 returns were received; but a small increase of 13 returns from community facing colleagues.

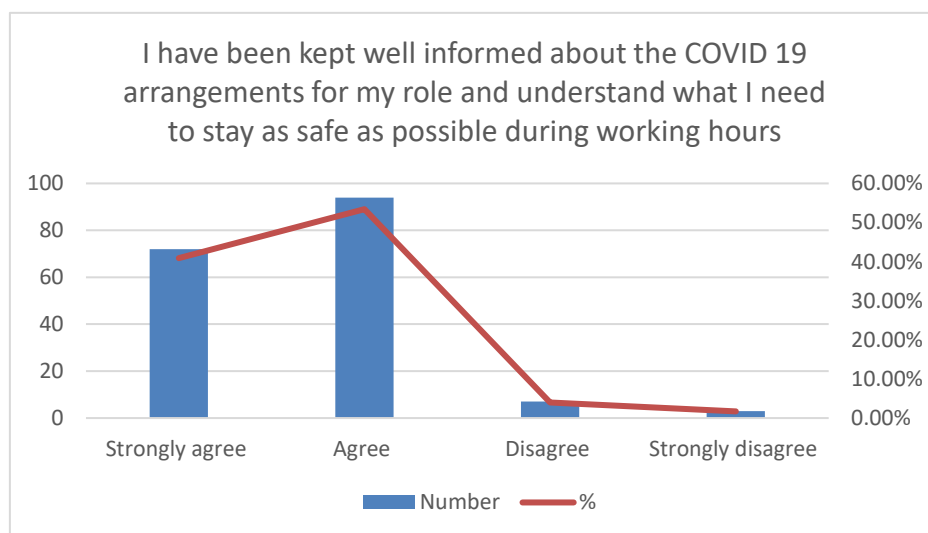
The survey differed from the first one to reflect the prolonged pandemic environment the council was working in and priorities for wellbeing and resilience. It comprised a core set of 14 questions in relation to employee wellbeing and access to the wellbeing offer. There were then two supplementary sets of 6 questions which were answered depending on whether a person worked from home (experience of remote working and provision of DSE equipment), or in a community facing role (experience of remote working in a community facing role / infection control standards)

Whilst the results overall were positive, work has been taking place to ensure that employees who had extenuating circumstances at home impacting on their ability to work safely and effectively, are being addressed through individual risk assessments and adjustments. A booking system was instigated for our main buildings and where employees have particular wellbeing needs that can be met through periodic working in an office, this has been facilitated.

The majority of respondents reported that they were self-directed in terms of looking after their wellbeing.



The Majority of respondents felt well informed in relation to COVID secure working.



The questions covered a broad range of wellbeing aspects and as a result of the responses the following actions were taken:

- A screen saver for PAM Assist has been on constant rotation to remind people of their offer
- In response to around 25 per cent of respondents across all Directorates reporting they are not able to switch off from work and take time for rest additional signposting was activated on the COVID wellbeing pages and sessions for digital detox and mindfulness were offered. Also, small hints that make a big impact such as starting and ending the day with a 20 minute walk around the block 'as if' you are going and returning to work, make a big difference.
- With the exception of ODPH there are around 25 per cent of respondents who have not found changes to their workload manageable. In ODPH this increases to just under 60 per cent which is likely to be due to the key role the department is playing in our COVID response for The City. Managers were asked to check in with their team members on a 1:1 basis to provide support and adjustments to workloads where possible; ensuring flexi time and annual leave is accommodated to give people adequate rest and recovery time

- 34 per cent of respondents WFH have reported they are not able to look after their physical health, and various initiatives and support were signposted for this. In February 2021 the Council took part in Active Devon's 'let's walk' campaign.
- 22 per cent of respondents WFH were still in need of equipment to enable them to work effectively from home for an extended period. Anyone who does not have what they need was encouraged to discuss this with their manager and arrange for any more complex needs to be raised in the first instance with [healthandsafety@plymouth.gov.uk](mailto:healthandsafety@plymouth.gov.uk)
- 11 per cent of respondents identified themselves as not self-directed in terms of their wellbeing and resilience, and unable to take positive action if they feel it reducing. Anyone who was in this group was encouraged to discuss their needs this with someone (their manager, TU, wellbeing champion or HR) and seek support to prevent any deterioration in wellbeing
- There were around 20 per cent of respondents who did not feel connected with their team or Manager working from home. As part of the People Strategy each Service Area / Department was required to develop a wellbeing charter to which everyone should have an opportunity to contribute and agree tangible actions to ensure inclusivity and connection
- The number of returns from workers without PC access was too small to draw any meaningful conclusions from the survey. The highest return was from the Directorate of Children's Services and the vast majority of workers agreed or strongly agreed to all questions. Just under 8 per cent of workers reported in DCS that they did not have the right PPE for their role and that the standards of infection control was not good. And just over 5 per cent felt they did not know how to raise this with their Manager
- Managers across all services were asked to check with all workers that they have access to the correct PPE for their role, as a precautionary measure to ensure this was not a representative view, also to ensure that all front line workers have received the most up to date TBT for lockdown and names are recorded for retention and retrieval as may be required.

## **PAM ASSIST – EMPLOYEE ASSISTANCE PROGRAMME**

Our Employee Assistance programme has seen an increase in request for support during the last year with 571 interventions provided and 982 hits on the website (53 per cent of this activity was navigation only) seeking additional information. Mental Health needs was the highest category of interventions (185 cases). There were a number of red flag cases where PAM assist assessed may be in danger of taking their own life. If perceived immediate danger, the Counsellor sends for the emergency services and contacts the GP. Anyone found to be in this condition would immediately speak with a counsellor for in the moment support. All of this is kept confidential unless there was a threat of harm to anyone at work then PAM assist would contact the HR Team.

### **Access to counselling**

Access to counselling is a fully confidential service offered to all employees for work or personal matters; each employee is able to access up to six sessions and the impact is measured using two validated depression scores pre and post the six sessions.

The scores for 2021-21 demonstrate that improvement is universal, with 41 per cent of employees showing high improvement in their mental health and 59 per cent showing improvement.

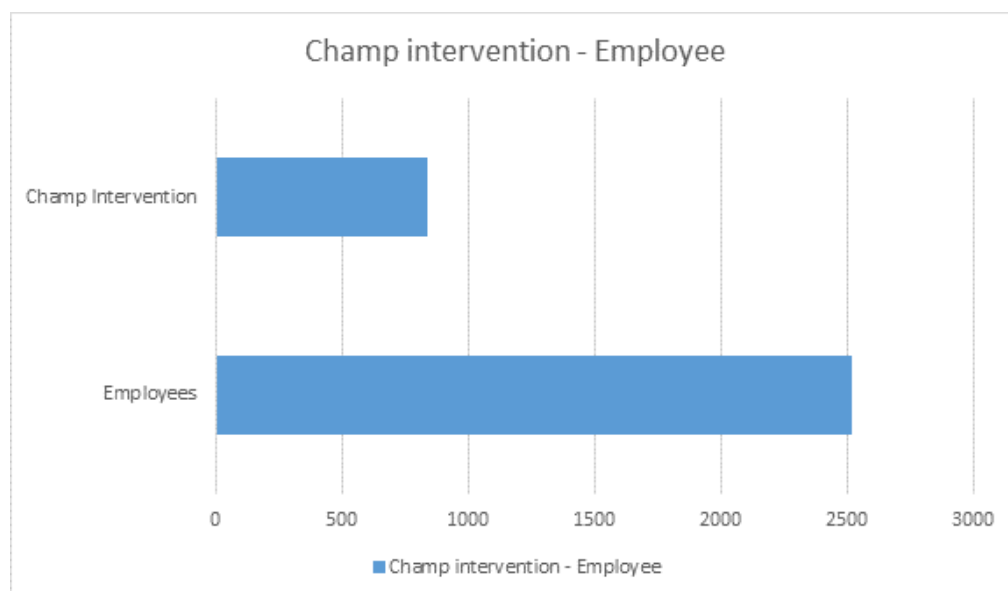
Counselling has been provided by telephone during the COVID pandemic.

### **Wellbeing Champions**

The start of the year saw us begin with 22 wellbeing champions as we had several employees redeployed during the pandemic relinquish their wellbeing champion role. Through positive recruitment we now have 35 active wellbeing champions and a rolling recruitment. During the past

year one of our Wellbeing Champions won the Wellbeing Champion of the year for 2020 and two of our Champions were nominated for Wellbeing Champion of the year for 2021. Common themes that our Champions are supporting the organisation with are loneliness, work load pressure, and lack of social interaction, all of which have been addressed appropriately through Teams channels, campaigns and signposting. The collection of Wellbeing Champion data shows an average of around 70 interventions a month.

Some of our wellbeing champions were able to attend the virtual wellbeing forum hosted by Livewell Southwest where our organisation shared our presentation about Wellbeing in a Local Authority with positive feedback and new network connections formed.



### Wellbeing and resilience training

Our training offer for our Wellbeing and Resilience Risk Assessment sessions has increased enabling more Managers and Team Leaders the knowledge around how best to support any staff who have been absent from work for any reason. This training is also a preventive measure for our teams across the organisation strategically looking at how we can intervene or support teams who may be under pressure due to work demands during this time. Alongside the additional virtual training offered we have reviewed and increase our E-Learning offer for all of our staff.

### Flu programme 2020-21

In the light of COVID-19 the Council's target of supporting vaccination of 15 per cent of our employees was exceeded by 3 per cent. Ten half day clinics were held across five different sites in the City to enable employees to access. Clinics were provided by Well Pharmacy and held in COVID-19 secure environments and saw 450 employees vaccinated.

As with previous years the initial focus was on our frontline workers who are either at greater risk of catching the flu or at risk infecting high risk clients if they catch it. These were;

- Education, Participation and Skills
- Children, Young People and Families
- Street Services
- Customer Services and Service Centre
- Community Connections

- Bereavement Services

The NHS had expanded their free offer to include the following people;

- Adults 65 and over
- People with certain medical conditions (including children in at-risk groups from 6 months of age)
- Pregnant women
- Children aged 2 and 3 on 31 August 2019
- Children in primary school
- Are living in a long-stay residential care home or another long-stay care facility
- Receive a carer's allowance, or you're the main carer for an elderly or disabled person whose welfare may be at risk if you fall ill
- People over 50 years (phase two Nov / Dec)

Following the clinics the council opened up a re-imbusement offer of ten pounds toward the cost of a privately purchased flu vaccination; this offer was only taken by the minimum of employees.

## TRAINING

In the early stages of the COVID-19 pandemic all courses between March and August were cancelled and during this period the trainers looked at how courses could be adapted for on-line delivery via Microsoft Teams.

From September onwards three essential courses were resumed: managers Introduction to HSW, Wellbeing and Resilience Risk Assessment and Conflict Resolution (violence and aggression). For the courses that were not run support has been available on a bespoke basis from HSW Assurance Specialists if requested.

All employees have been encouraged to complete any available eLearning modules relating to the course subject as a refresher e.g. First Aid

With a constant state of change, training arrangements are being reviewed on a regular basis taking into account the risk of the pandemic and the risk to employees.

## HSW TRAINING MATRIX

As part of the Council's HSW management arrangements, each service is required to have a training matrix which clearly identifies HSW training needs for each post according to their work activities.

Following a serious incident, the HSW Steering Group agreed to undertake a self-assessment of arrangements for health and safety training. The assessment was focussed on compliance with HSG65 and the need to have training matrix in place that identified the HSW training requirements for each role.

With the exception of one, each directorate provided a return in their quarter four report and the answers are summarised below

### **What level are the training matrix held?**

The general response is that the matrixes are held at either team or department level.

**Is there an identified person / person responsible for maintaining it / them at the identified level?**

All departments have an identified person to maintain the training matrix.

**Does it / they include mandatory and essential training?**

Most departments have mandatory and essential training with one reporting that an update is required.

**Is every employee accounted for?**

Mixed response with most having every employee accounted for but some needing to update the matrix.

**Is the matrix up to date?**

A few of the matrixes required to be updated, this may be partially due to the delay in the learning and development CoreHR module going live

**If the HSE called tomorrow would you be able to retrieve training records for individual employees?**

All replied that they would be able to retrieve training records.

**Do you utilise Core HR for any training records?**

The training part of CoreHR isn't available to staff

The HSW audit programme due to commence what COVID restrictions are lifter, services return to normal operations and resources allow, will prove the evidence needed to substantiate the returns.

## **HSW MANDATORY TRAINING**

The Council recognises that achieving compliance with mandatory training is fundamental to achieving a pro-active approach to health, safety and wellbeing, and raising the general ability of employees at all levels to make informed decisions on the management and escalation of risk. Performance data is published on a monthly basis to support service areas to achieve compliance.

A focus on compliance with mandatory training has continued through-out the year for all three courses, with a high focus around IOSH managing safely.

As of February 2021 managers are no longer required to complete the standard Health, Safety and Wellbeing @ the Council course as the Health, Safety and Wellbeing for Management has been updated to include this information, making it simpler for managers.

### **All staff induction**

As of 31 March, 94% compliance with our basic induction programme has been achieved; this is a 1.8% increase from last year. At the time of writing this report the compliance sits at 94%. This course should be completed in the first week of starting employment with the Council.

### **Health, Safety and Wellbeing for Management**

The approach to Health, Safety and Wellbeing for Management that was adopted during 2018 to boost compliance, has continued to prove successful. By March 2021 we have seen an increase of 6% from last year to 97.7% completing the course. This has risen by a further 0.2%, to 97.9% at the time of writing the report.

There are two elements to this course, an eLearning module and a workshop. Both are needed in order to fully complete the course. 100% compliance was achieved in workshop attendance by 31

March 2021 and has been maintained to date. However 2.1% haven't completed the eLearning module bringing the full compliance down to 97.9%.

This course should be completed within three months of a new manager starting with the Council.

This does not include people who do not have access to on-line learning and we are working towards reporting on people who receive taught induction training.

### **IOSH Managing Safely / Safely for Executives and Directors**

International Workplace is the council's current provider for IOSH Managing Safely and IOSH for Senior Executives and Directors via eLearning, to allow flexibility in completing the course. At year end compliance stood at 94.5% an increase of 17.2%, and at the time of writing the report is 97.2%. This course should be completed within 3 months of a Senior Leader starting with the Council and is subject to re-certification every 3 years.

Below is a table comparing compliance throughout the year:

Type	31 March 2019	31 Oct 2019	31 March 2020	30 June 2020	31 March 2021	31 May 2021
<b>Induction</b>	81%	89%	93%	92%	94%	94%
<b>Managers Induction</b>	37%	93%	89%	93%	97.7%	97.9%
<b>IOSH Managing Safely</b>	33.8%	67%	77%	78%	94.5%	97.2%

## **ESSENTIAL TRAINING**

In September 2020 the council's employee management system changed from iTrent to CoreHR, however the learning and development module was not included in the first phase of the move. This has resulted in the inability to book and track completion of courses and necessitated a temporary manual system being implemented

Taking this into account, as well as the limited number of courses that have run this year, means that some of the data that would normally be presented is unavailable.

Three courses are currently commissioned externally: First Aid, Conflict Resolution, and IOSH, and there are a number of HSW associated eLearning packages available on learning zone.

## **FEEDBACK**

Participants are encouraged to provide feedback on the courses attended, however response rates remain low. With the Teams chat facility, most delegates add a thank you or say that the session has been helpful or interesting. Occasionally a follow up email is sent with additional feedback.

### **Conflict Resolution**

*"I want to share how much I really enjoyed today's training session. Since being with the council I can honestly say that I feel like that was the most enjoyable and informative training I have received. I feel like the gentleman Sam who conducted the training was excellent. Even though the training went on for 3 hours, I do not have feel I went into information overload as it was delivered in such a way that kept us completely interacted throughout and he explained everything in a way that was very direct and understandable. Most of all I feel like I have learnt a lot and based on the knowledge I have gained because of the information Sam*

*shared and I feel a lot more confident and knowledgeable in situations that we could quite possibly come across in our day to day roles. Massive thanks to Sam and you for providing us with that training”*

## AUDIT AND RISK

### Audit Programme

The audit programme was due to launch in March 2020 but was paused due to the COVID-19 pandemic; it is proposed to re-launch the programme circa September 2021 utilising the recently introduced SHE Assure eSystem.

The key purpose of the programme will be to provide assurance of compliance to the Council's HSW Management System, based and prioritised on:

- Higher risk service areas – based on risk profiles
- Self-Assessments – analysis presented to HSW Steering Group
- Declarations – signed by department Service Directors
- 2013/14 audits.

The programme will be based on the HSE's HSG65 model of Plan, Do, Check and Act rather than ISO45001. A decision was made not to base the audit programme on ISO 45001 due to resource constraints. Introduction of ISO45001 will now be added to Phase 2 of the Workplace Modernisation Programme.

### Hand Arm Vibration Management

Devon Audit Partnership carried out an audit in October 2019 with regards to the management of hand arm vibration. The audit identified eight areas of high risk. In the formal audit response of June 2020 all of the high risk areas were either closed or work had taken place to reduce the risk. It should be noted significant work was undertaken to develop a system of capturing and recording all exposure to hand arm vibration. This is currently in use.

For continuing assurance a second audit was arranged to take place in June 2020. The audit identified the need for further work on a training matrix. An action plan to address this was developed. A matrix has since been created and a system implemented to record training.

## ACCIDENT AND INCIDENT REPORTING AND LEARNING

All data presented in this report has been extracted from an MS Access data-base managed by the corporate HSW Assurance Team. Data is presented as a ratio of incidents per thousand workforce population (headcount) to standardise the rate and allow comparisons between years. This data is for Employees & Agency workers only, and does not include PCC Maintained schools.

The data is not benchmarked with other organisations due to the variation in the way that incident and accident information is captured which may present a misleading picture.

Data is being presented for the last five years to 31 March 2021. This is to provide a better indication of themes and trends.



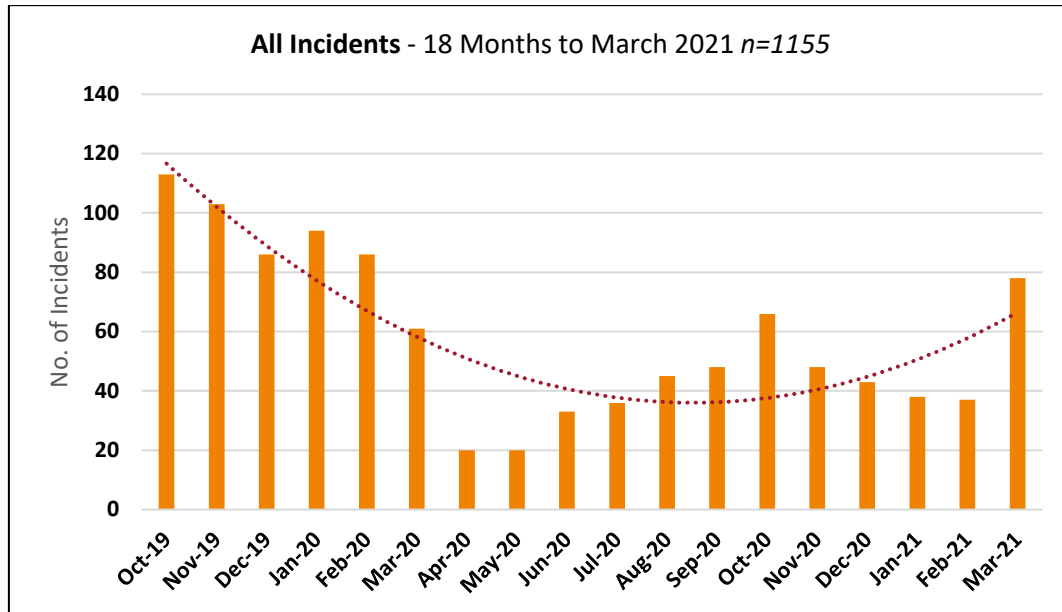
The reader should be aware that the data presented represents the number of incidents reported, which may not be the actual number of incidents which occur.

<b>Key to Chart Data (Incident Codes)</b>	
Injured by an animal or insects	<b>ANI</b>
Drowned, asphyxiated, or choked	<b>ASPH</b>
Injury from hot or cold contact (e.g. scald)	<b>BURN</b>
Dangerous Occurrence (RIDDOR definition)	<b>DO</b>
Display Screen Equipment	<b>DSE</b>
Contact with Electricity or Electrical discharge	<b>ELEC</b>
Exposed to fire	<b>FIRE</b>
Hit something fixed or stationary	<b>FIX</b>
Injured while handling, lifting or carrying	<b>MHO</b>
Near Miss	<b>NM</b>
Other kind of accident or incident	<b>OTH</b>
Hit by moving vehicle or other transport incident	<b>RTA</b>
Self-harm	<b>SELF</b>
Needlestick or sharps injury (Cut by sharp object)	<b>SHAR</b>
Slipped, tripped or fell on same level	<b>SLIP</b>
Exposed to or in contact with a harmful substance	<b>SUB</b>
Unintentional Violence	<b>UV</b>
Violent Person	<b>VP</b>
Verbally Assaulted or Threatened	<b>VV</b>

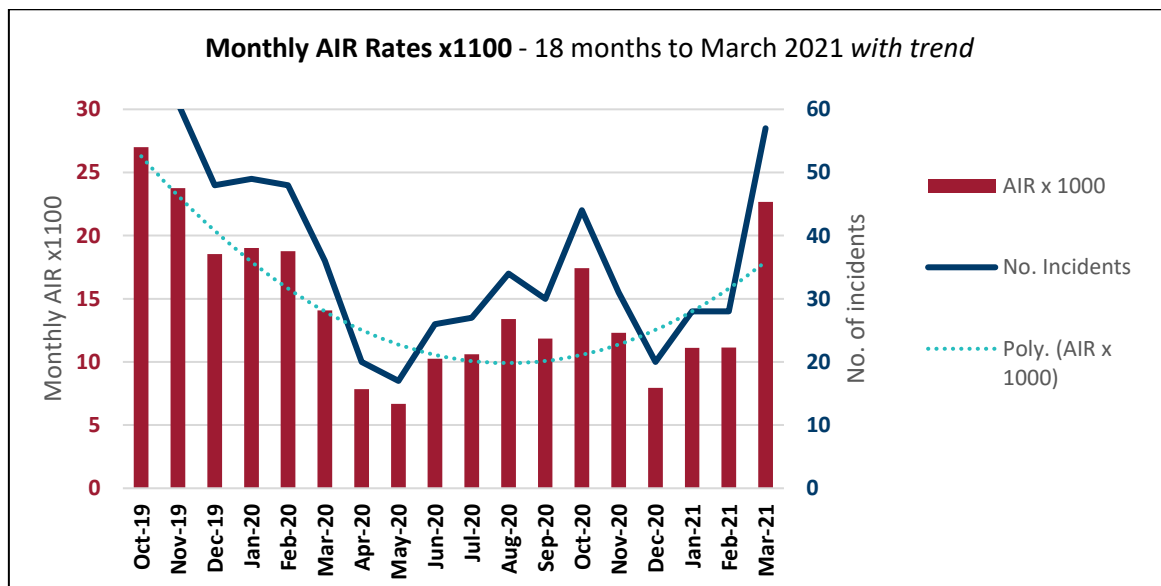
IP: Injured Party

n: Total number

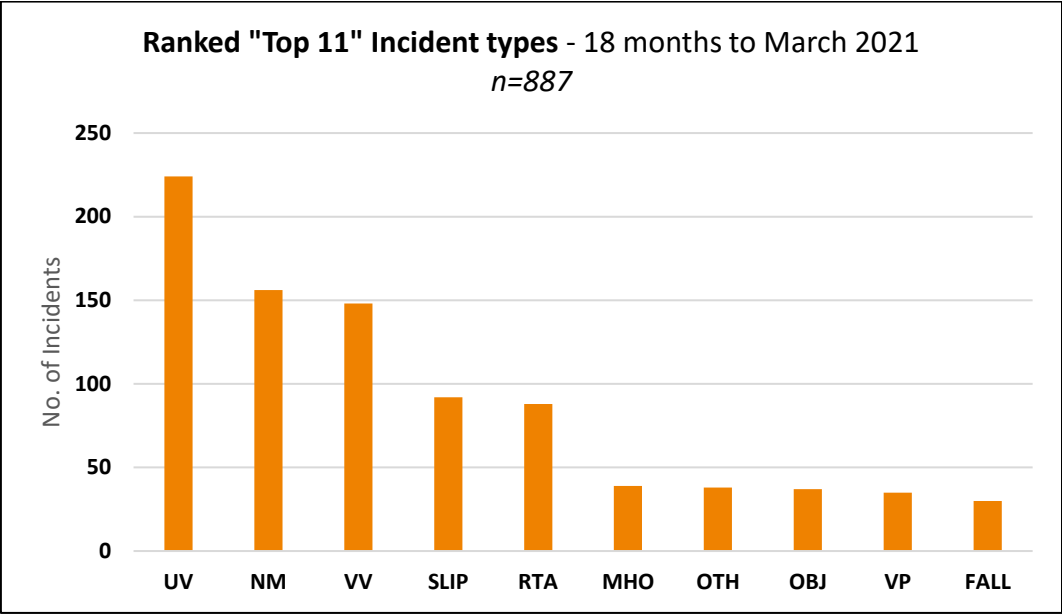
## CURRENT INCIDENT - ROLLING 18 MONTHS, TO MARCH 2021



1155 incidents have been reported in the last 18 months. The downwards trend from March 2020 reflects the impact of COVID workplace restrictions, with the upwards recovery from Sept 20 reflecting progressive easing of lockdown and remobilisation of services.



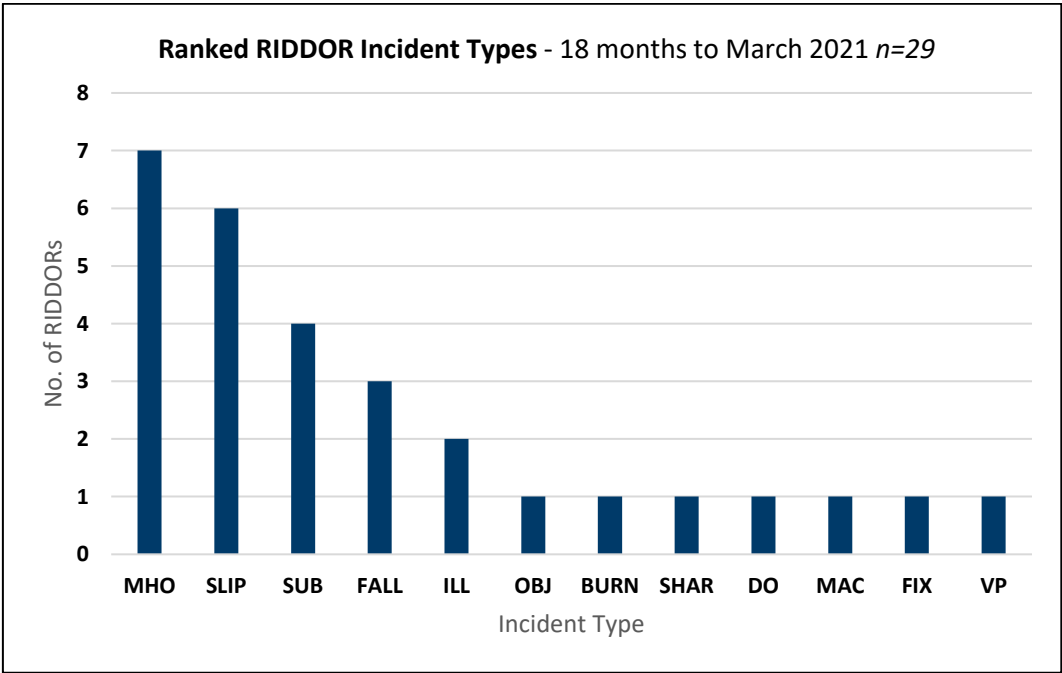
The adjusted incident rate AIR Rates X 1100, is shown in the graph above (Employee/ Agency incidents only). AIR allows adjusted incident rates to accommodate changes in headcount. Actual incident numbers given for reference - these closely shadow AIR numbers as headcount changes are progressive. AIR Trend shows a pronounced dip over 2020: due to reduced incident reporting during COVID lockdown

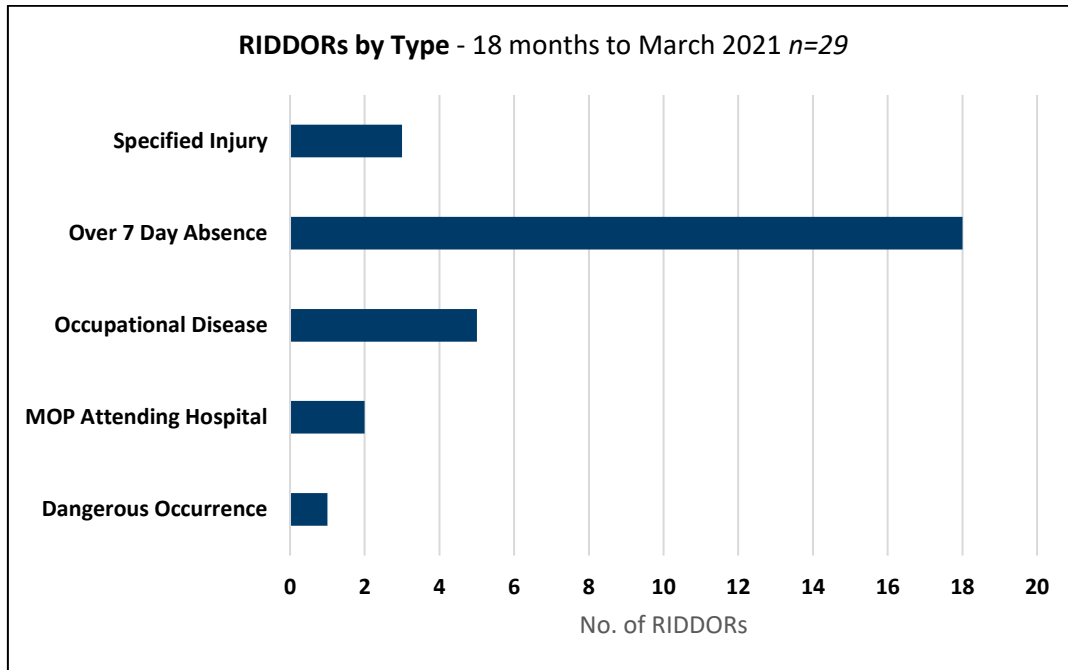


This chart shows the ranked "Top Ten" incident types. UV (unintentional Violence) incidents predominate - these come from Schools Transport & Adult Care centres, but exclude Schools/ Special Schools as that data is reported separately. NM (Near Miss) incidents are the next highest, this is from our public facing staff, including Call Centre Staff. This shows an improvement in our reporting culture, as NM has overtaken VV which was ranked second last year.

**REPORTING OF INJURIES, DISEASES AND DANGEROUS OCCURANCES**

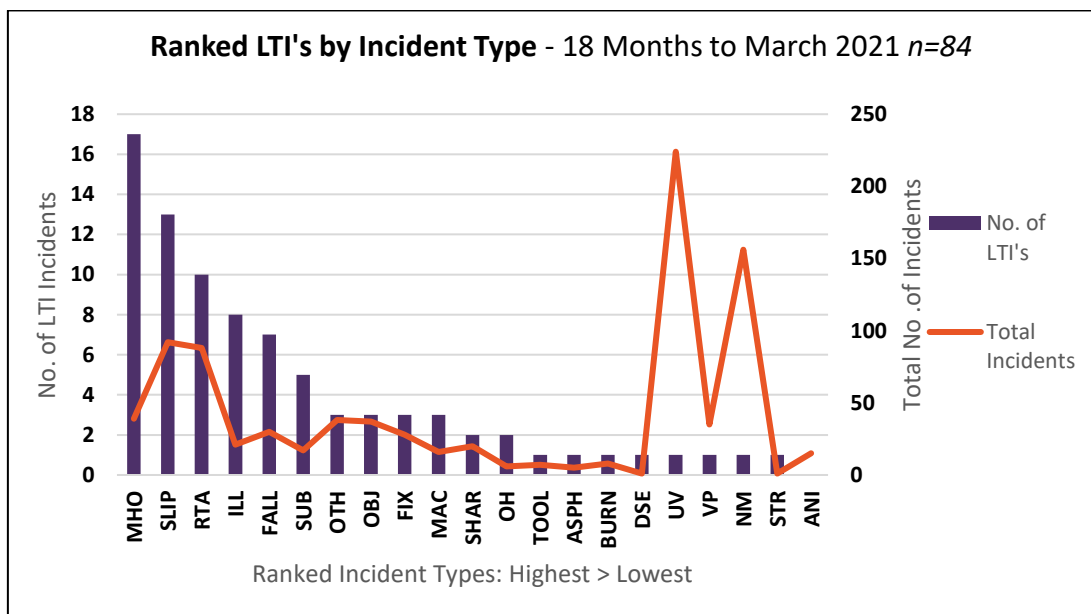
The law sets out a number of different types of incidents that must be reported to the HSE, which the HSE may decide to investigate further. In the 18 months to 31 March 2021 there were 29 such incidents. As we can see, the most frequent incidents are not necessarily the one's that the HSE is interested in knowing about; table xx demonstrates the categories of incident, by significance. Compared to the table above, there are only four incident types in our top 11 which are reported to the HSE (SLIP, MHO, OBJ and FALL).





## LOST TIME INCIDENT DATA - LAST 18 MONTHS, TO MARCH 2021

When we start to compare the top ranked incidents and RIDDOR, with lost time incidents, we can start to see the human and financial impact of incidents. On 84 occasions an incident has resulted in an individual requiring time off sick from work, 18 of these have been for more than seven days.



## NEAR MISS REPORTING

A good indication of a positive reporting culture is when the percentage of near miss incidents reported is 50 per cent of the total. The Council has improved the number of near misses reported over the last 18 month period from 11 per cent in 2020 to 14 per cent in 2021 (rounded), however there is still much more to do.

## NIL REPORTING

The following table identifies the eight service areas where no incidents have been reported. With the exception of the Office of the Director of Public health, most employees in these services are working with DSE equipment on a regular basis and may be undertaking other activities which would give scope for near miss reporting. Managers should also inquire whether employees are not reporting incidents that occur and why.

### Nil Returns in past 18 months:

#### Customer & Corporate Services

Transformation

#### Executive Office

Oversight & Governance

Policy & Intelligence

Public & Partner Relations

Regional Partnerships

VCSE

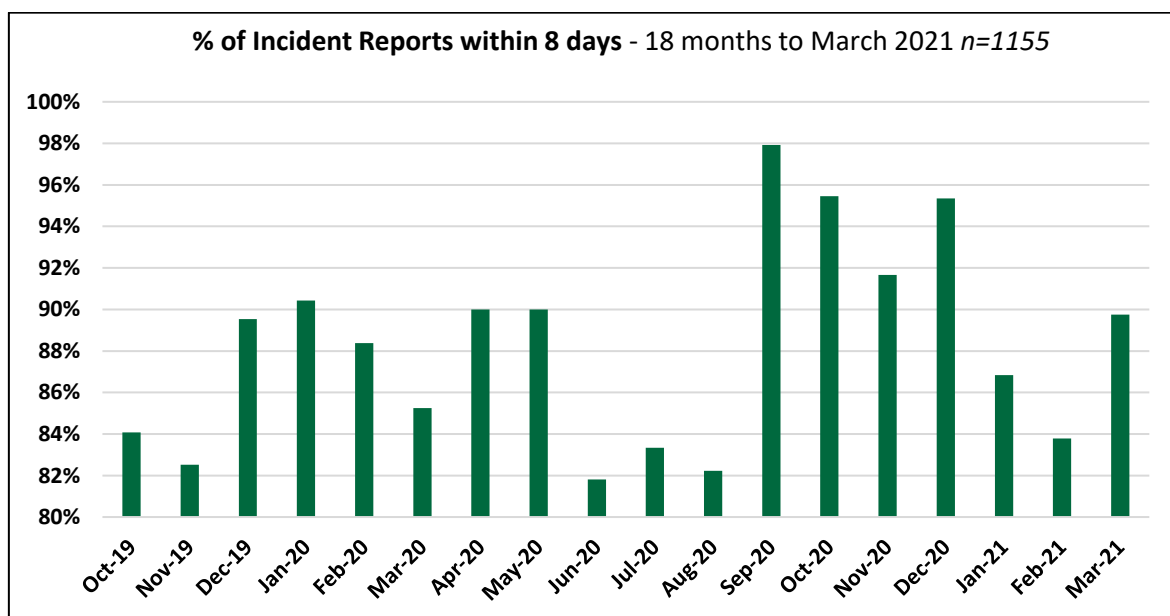
#### Office Of The Director Of Public Health

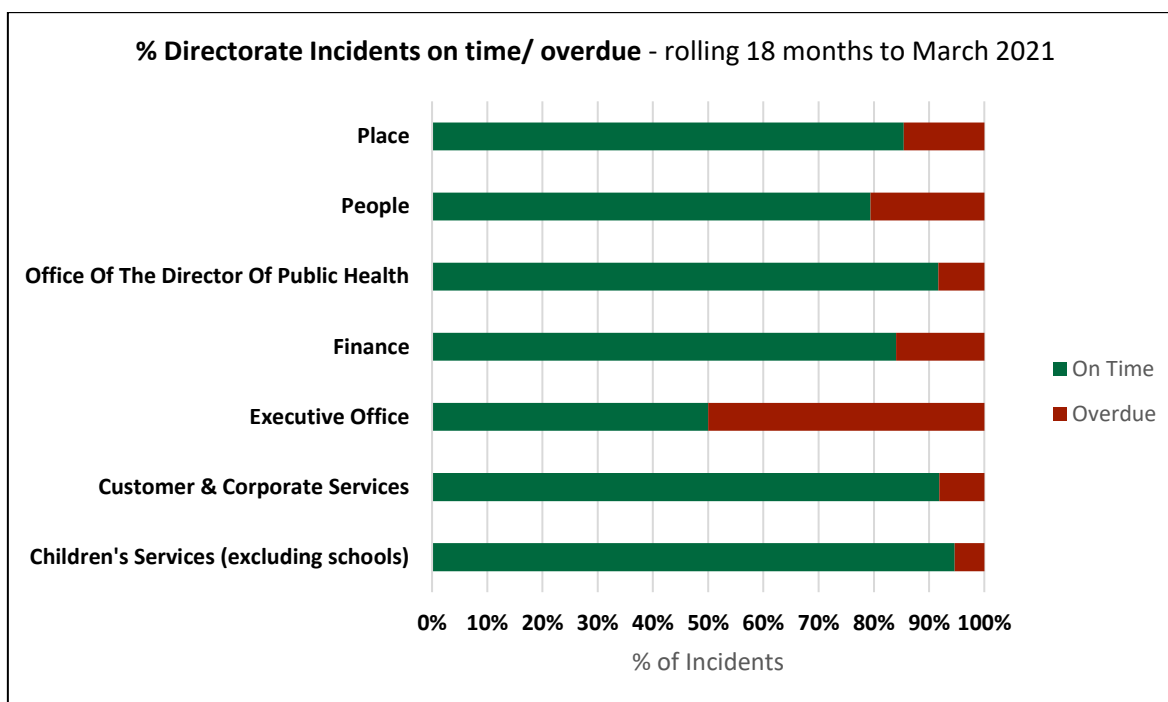
Civil & Disease Protection and Env. Health

Intelligence and Licensing

## EIGHT DAY REPORTING STANDARD

The Key Performance Indicator for the reporting of incidents is eight days. The standard should be achieved 110% of the time to provide assurance that any immediate risks identified by the incident have been mitigated to prevent recurrence. Currently the standard is consistently met over 80% of the time and has been achieved 90% of the time in 7 of the months and 94% of the time in 3 of the months; the highest achievement was in September 2020 when achievement sat at 98%. However these figures are likely to vary depending on the Service Area in which the incident happened and the number and type of incidents requiring reporting, as the tables below demonstrate.





As of 1 July 2021 the reporting standard will be reduced to six days and a further standard will be implemented for the closure of incidents. This includes:

- Level 1 investigations (low): 1 week
- Level 2 investigations (medium): 1 month
- Level 3 and 4 investigations (high): 2 months

An Investigation closure panel will be chaired by the Head of HSW Assurance, to review the investigation learning and impact for level 3 and 4 investigations, and a selected number of RIDDORS.

## CONTROLLED SCHOOLS - 18 MONTHS TO MARCH 2021

The Number of Controlled schools as of March 2021 is 16. Schools that have transferred to Academy status in last 18 months are excluded from results

This year has been a challenging time for schools and ensuring that school environments are a safe place for education, teaching staff, pupils and the wider school community. The HSW Assurance Team has established a close working relationship with colleagues in Education, Participation and Skills, our controlled and maintained schools and recognised School's Trade Unions, as well as offering support to those schools who buy back our services and wider Academies if approached.

Working closely with our Public Health and Health Protection Team colleagues, the HSW Assurance Team has provided

- detailed generic risk assessment packages and guidance
- risk assessment webinars for head teachers and business managers

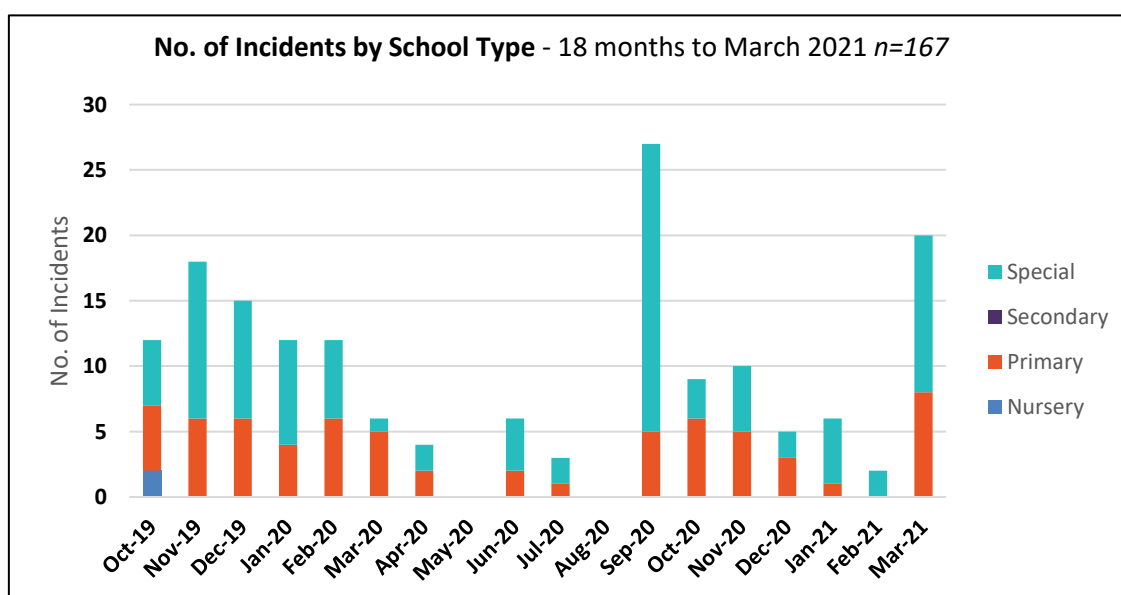
- support for weekly head teachers meetings
- Specialist support virtual meetings to Head teachers where requested
- online information via The School Room and the Plymouth Online Directory
- support to regular risk assessment panel meetings with Schools, Trade Unions and Education Staff where DfE guidance changes
- two reassurance visits per school to verify and check control measures in place
- Support and guidance on visits from the enforcing authorities and OFSTED
- wellbeing sessions to school staff
- specific targeted response visits where concerns have been raised on staff welfare, ventilation and thermal comfort
- information for the regular weekly schools' COVID bulletin
- a joined up approach across schools, Public Health, Social Care and Education staff to ensure consistent messages

We hope that due to the success of the engagement and relationships we have forged with Schools over the last year will be sustained in the future, and that a new collaborative HSW forum will be supported by Schools to progress further HSW improvements.

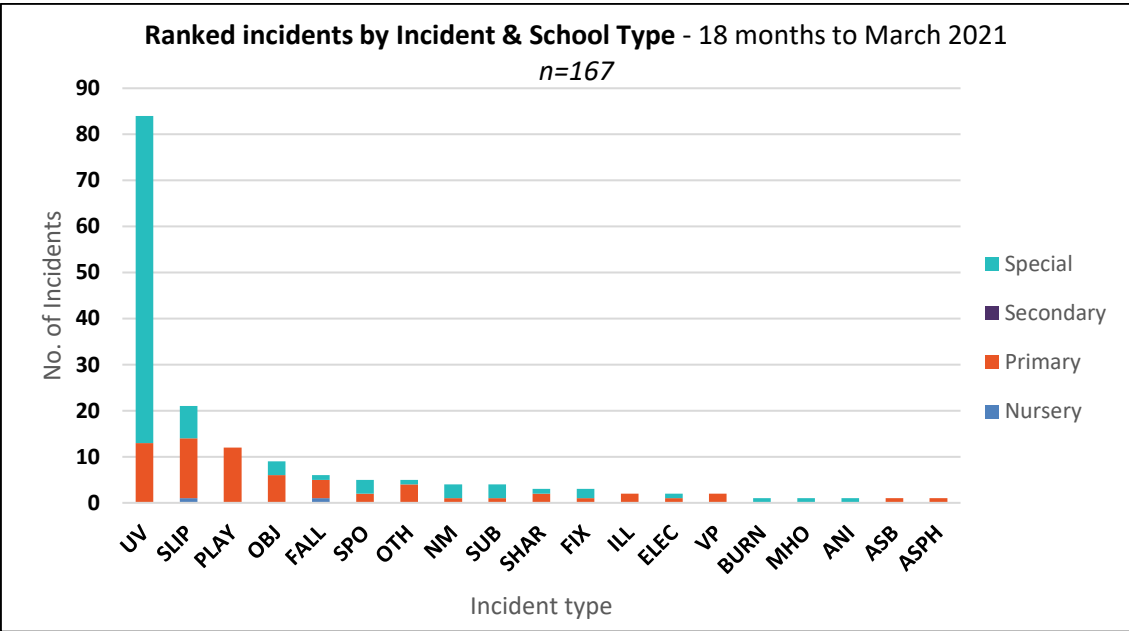
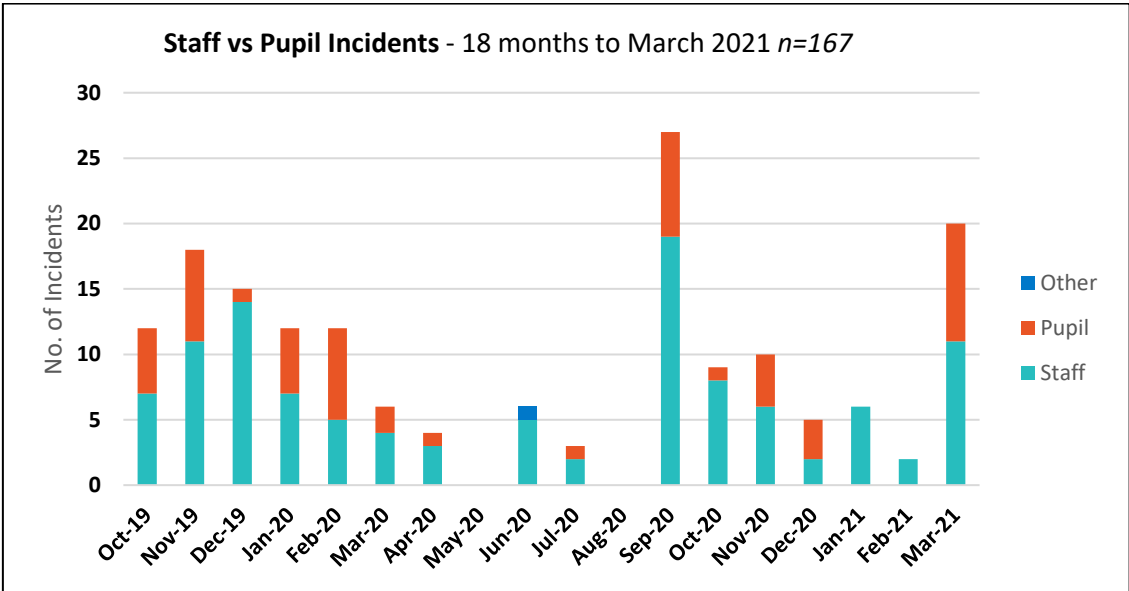
## INCIDENT REPORTING

167 incidents have been reported by Controlled Schools in the last 18 months. Reporting historically has been low, and work will be undertaken in 2021-22 to improve this overall.

The chart below illustrates the relationship between different categories of school and incident reporting; it shows the data as a breakdown of actual incident numbers over time. From this we can see that although there are approximately twice the number of Primary Schools to Special Schools, the Special Schools report more incidents - this reflects the nature of the incidents reported, with a significant number of Unintentional Violence (UV) incidents from Special Schools. The variations in totals reported correspond to schools closures under COVID lockdown controls.



The chart below illustrates that the majority of incidents occur to staff, followed by pupils, and only one incident occurred to an 'other' visitor to the school.



This chart shows the ranked incident types by School Type. By far the highest number of incidents is "UV", and of that the greatest proportion are from Special Schools - this is to be expected. Other incident types are of a proportionally lower occurrence, and have a more equal distribution. SLIP incidents are a common occurrence and often occur in school dining halls due to spilt floor or liquids. Near Misses are poorly reported across all schools, and there is significant room for improvement.



## CLAIMS

The following table relates to claims from employees who have suffered injury or ill health which has been attributed to a breach in the duty of care owed by The Council. Due to the length of time involved in settling a claim, and the fact that in certain circumstances a claim made in the current year may relate to an accident occurring up to 3 years previously, or a disease claim commencing up to 40 years previously, cumulative totals have been omitted.

	2017/18	2018/19	2019/20	2020/21
Total claims in year	13	17	23	11
Outcomes	4 settled (all repudiated)	2 settled (all repudiated)	4 settled (2 substantiated, 2 repudiated)	5 settled (1 substantiated, 4 repudiated)

In 2020/21 Total number of Employers' Liability claims received: 11. Of the 11; 6 claims are for Accidents/Incidents at work claims and 5 are Disease claims related to work activities. Of the 5; 2 are for asbestos exposure, 2 relate to Hand Arm Vibration and 1 relates to Noise exposure.

## TRADE UNION ENDORSEMENTS

Plymouth City Council has a Facilities Agreement with the following Trade Unions:

- |          |                                               |                    |
|----------|-----------------------------------------------|--------------------|
| ▪ GMB    | Lead Rep and Health and Safety Representative | Trish Small        |
| ▪ UNISON | Lead Rep and Health and Safety Representative | Kevin Treweeks     |
| ▪ UNITE  | Lead Rep                                      | Sharon Battershill |

### Collective endorsement:

As far as we are aware, this is an accurate reflection of what has been achieved in HSW Improvements in The Council in 2020/21. Below are a few points we would particularly like to note:

### What has gone well:

The collaborative working on ensuring risk assessments were fit for purpose for Covid. That our opinions and suggestions were taken on board and that the outcome was more successful because of this.

### What we would like to have seen more progress on:

Stress relating to workloads particularly in social services

### Suggested improvements for 2021-22

More focus on men's health, particularly for the front-line. Podiatry referrals and feet health check for all those that spend a significant time on their feet in their working day.

GMB Trish Small

UNITE Sharon Battershill

UNISON Kevin Treweeks

**This is the end of the 2019-20 HSW Annual Report. The next section (Appendix A) relates to the HSW Improvement Plan for 2021/22.**

**The improvement plan contains actions that need to be taken corporately and at local level, with clear HSW leadership from HROD and DMT's, and the HSW Steering group providing the bridge of clear communications between the two to ensure delivery and monitor success.**

**APPENDIX A: HSW IMPROVEMENT PLAN 2021/22**

HEALTH, SAFETY AND WELLBEING ASSURANCE CORPORATE PLAN 2019-20					
Objective	Key actions	Measurement	Owner (s)	Target Date	R A G
PLAN					
1. All employees are clear about their individual role and responsibility for HSW	1.1 Develop a programme of communications to ensure people are aware of the performance standards relevant to their work activities and the risks inherent in not following them 1.2 HSW objectives are clearly identified in people's appraisals commensurate with individual roles and responsibilities 1.3 Review of HSW mandatory and essential training programmes	1.1 A rolling programme of updates is in place bespoke to service area needs 1.2 HSW reporting through the Steering Group and JCCs demonstrates continuous improvement as identified through local Improvement Plans 1.3 Mandatory training requirements are clear and consolidated where possible 1.4 Essential training is commissioned externally to focus HSW professional work on assurance	1.1 HROD 1.2 DMTs 1.3 HROD 1.4 HROD	31/03/2022	
2. TU Engagement in HSW	2.1 Strengthen the role of Safety Representatives in HSW Improvements through improved engagement at local level	2.1 Demonstrable golden thread of engagement and management of HSW risk through JCC engagement framework	2.1 DMTs	31/03/2022	
3. Wellbeing	3.1 Every department to have an active Wellbeing Charter (People Strategy) 3.2 Focus on men's health and specifically manual workers	3.1 Wellbeing activities clearly demonstrated through HSW Steering Group and JCC reports 3.2 Work with external agencies to deliver wellbeing initiatives	3.1 DMTs 3.2 HROD 3.3 HROD	31/11/2022	

HEALTH, SAFETY AND WELLBEING ASSURANCE CORPORATE PLAN 2019-20					
Objective	Key actions	Measurement	Owner (s)	Target Date	R A G
	3.3 Submit evidence towards Silver wellbeing at work award 3.4 Increase number of Wellbeing Champions to 60	3.3 Achieve Silver Wellbeing at Work Award 3.4 60 Wellbeing Champions trained and active			
Do					
4. Support the organisation out of COVID pandemic to achieve a steady state and on-going infection control	4.1 Provide framework for RA, SSOW and TBT 4.2 Clear communications in relation to COVID secure buildings 4.3 Contemporary guidance available on staff room and in pocketbooks for community employees 4.4 Review of ventilation requirements across the estate	4.1 Generic documents updated and published as government / PCC guidance changes 4.2 Staff room information contemporary 4.3 As above 4.4 Ventilation assessed as suitable and sufficient across the estate	4 HROD	Ongoing	
5. Compliance with mandatory and essential HSW training	5.1 All Service Areas have appropriate numbers of staff trained and competent to undertake risk assessments including: <ul style="list-style-type: none"> <li>COVID-19</li> <li>Lone working</li> <li>Manual Handling</li> <li>Wellbeing and Resilience</li> <li>DSE</li> </ul>	4.1 Training matrix identify people responsible for RA elements 4.2 HSW Toolkit demonstrates training has been achieved 4.3 Audit demonstrating risk assessments are suitable and sufficient and relevant to the hazards involved in work activities	4. DMTs	31/03/2022	

HEALTH, SAFETY AND WELLBEING ASSURANCE CORPORATE PLAN 2019-20					
Objective	Key actions	Measurement	Owner (s)	Target Date	R A G
6. Strengthen and maintain a contemporary HSW risk profile across all functions	6.1 Implementation of the Council's digital HSW Management System (SHE Assure) including modules for hazard spotting, incident reporting, and audit 6.2 Instigate HSW Steering Group for Maintained and Controlled Schools	5.1 HSW Management Information available in real time on people's desktops 5.2 TOR, membership and quarterly meetings in place and operations	5.1 HROD 5.2 HROD / EPS	31/03/2022 31/03/2022	
7. Implement a zero tolerance campaign in relation to violence and aggression against employees	7.1 Review training provided to employees at risk 7.2 Implement a Council wide process to prevent risk of exposure to Potentially Violent Persons 7.3 Run a City Wide public campaign to raise awareness 7.4 Review lone working risk assessments, safe systems of work and toolbox talks	7.1 Suitable and sufficient training in place to address all types of violence and aggression and mitigate risks to employees; positive evaluation from TU's and employees 7.2 Process in place to record, retain, share and review information across relevant services about PVP 7.3 Evaluation of public campaign 7.4 Contemporary lone working RA in place, and employees understand their SSOW	7.1 HROD 7.2 HROD 7.3 HROD 7.4 DMTs	31/08/2021 30/09/2021 31/03/2022 30/09/2021	
8. Improve HSW arrangements for building and asset compliance	8.1 Implement the new arrangements for Persons in Control of Buildings 8.2 Deliver the asbestos management plan business case for the current year	8.1 New arrangements for PICs in place and positively evaluated 8.2 New asbestos surveys and asbestos management plans and monitoring in place as per plan	8.1 HROD 8.1 HROD	31/03/2022	

HEALTH, SAFETY AND WELLBEING ASSURANCE CORPORATE PLAN 2019-20					
Objective	Key actions	Measurement	Owner (s)	Target Date	R A G
CHECK					
9. Audit	9.1 Deliver a systemic audit programme to provide assurance of the effectiveness of the HSW Management System and performance standards	9.1 Quarterly assurance reports to HSW Steering Group and JCCs	HROD	Rolling	
10 Incident reporting and learning	10.1 KPI's initiated in relation to the time from incident to the outcome of the investigation 10.2 Provide quarterly reports to HSW Steering Group on key themes and actions arising from incident data 10.3 Implementation of an incident review panel for RIDDOR and level 3 and 4 investigations to ensure investigations complete in identifying immediate, underlying and root causes with actions suitable and sufficient to prevent recurrence	10.1 KPI's achieved 10.2 Quarterly assurance reports to HSW Steering Group 10.2 HSW Steering Group reports presented as per plan 10.3 All investigations meeting criteria are closed by the panel within 90 days	10.1 DMTs 10.2 DMTs 10.2 HROD 10.3 HROD	31/07/2021	
ACT					
11. Deliver sustainable health, safety and wellbeing improvements	11.1 All Departments / Service Areas to have an HSW action plan for 21-22 based on service priorities and learning from 2020-21 11.2 Undertake an annual review and produce an annual report capturing the impact of actions and priorities for the coming year	11.1 Contemporary action plan available and progressive delivery monitored via JCCs and HSW Steering Group 11.2 Comprehensive annual report fed back to the workforce	11.1 DMTs 11.2 HROD	30/03/2022	



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# Audit and Governance Committee

Draft Work Programme 2021 - 2022



**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 Helen Rickman, Democratic Advisor on 01752 398444.

Date of meeting	Agenda item	Responsible Officer	Reason for consideration
<b>26 July 2021</b>	Governance Review	Grant Thornton	Presentation of the final report from the audit review by GT and the agreed Action Points.
	Audit Progress Report and Sector Update	Grant Thornton	To receive a progress and sector update from the external auditor.
	Audit Actions Review	Paul Looby	A new regular report that will track the attainment of audit actions from all audit reports whether from DAP, GT or other review agencies
	Internal Audit End of Year Report 2020/21	Brenda Davies	The Internal Auditor's overall assessment of the 2020/21 financial year.
	Internal Audit Charter and Strategy (a refresh)	Brenda Davies	A review presented annually.
	End of Year report for Counter Fraud 2020/21	Ken Johnson	A report which sets out the incidence/performance in the counter fraud arena in 2020/21
	A & G Committee Training Programme	Andrew Loton	This item sets out proposals for the delivery of training for the Committee
	Treasury Management Report 2020/21	Chris Flower	A review of treasury management activity and performance in 2020/21.

Date of meeting	Agenda item	Responsible Officer	Reason for consideration
	Strategic Risk Register	Rob Sowden	To receive the strategic risks of the council.
	Health and Safety Annual Report	Clare Cotter	An annual report presented to the committee.
<b>20 September 2021</b>	Internal Audit Progress Report	Brenda Davis	
	Whistleblowing Policy (a refresh)	Brenda Davis' Ken Johnston	
	Anti-Fraud, Bribery and Corruption Strategy and Response Plan (a refresh)	Brenda Davis/ Ken Johnston	
	Final Accounts 2019/20	Paul Looby & Carolyn Haynes	This report will set out the final version of the 2019/20 accounts once adjusted for the Miel transaction
	Final Accounts 2020/21	Paul Looby & Carolyn Haynes	This report will set out the final version of the 2020/21 accounts once adjusted for the Miel and Rate Swap transactions
	Annual Governance Statement	Carolyn Haynes	
<b>29 November 2021</b>	Internal Audit Half Year Report	Brenda Davis	
	Counter Fraud Team Half Year Report	Ken Johnston	
<b>28 March 2022</b>	2022/23 Internal Audit Plan	Brenda Davis	
	Member Development	Andrew Loton	To agree the programme of member development for the following municipal year.
	Treasury Management Practices and Principles	Chris Flower	A review produced annually of practices and principles used to conduct TM activities.