

Public Document Pack

Mid Devon District Council

Audit Committee

Tuesday, 20 September 2016 at 5.30 pm
Exe Room, Phoenix House, Tiverton

Next ordinary meeting
Tuesday, 22 November 2016 at 5.30 pm

Those attending are advised that this meeting will be recorded

Membership

Cllr R Evans
Cllr Mrs J B Binks
Cllr Mrs C Collis
Cllr R M Deed
Cllr T G Hughes
Cllr F W Letch
Cllr R F Radford

A G E N D A

Members are reminded of the need to make declarations of interest prior to any discussion which may take place

1. **Apologies**

To receive any apologies for absence.

2. **Public Question Time**

To receive any questions relating to items on the Agenda from members of the public and replies thereto.

3. **Chairman's Announcements**

To receive any announcements that the Chairman may wish to make.

4. **Minutes of the previous meeting** (*Pages 5 - 8*)

To approve as a correct record the Minutes of the meeting held on 15 July 2016 (copy attached).

5. **Performance and Risk for the first quarter of 2016-17** (*Pages 9 - 34*)

To receive a report from the Head of Communities and Governance

providing Members with an update on performance against the Corporate and local service targets for 2016/17 as well as providing an update on any key risks.

Please note: If Members have questions regarding this report please submit them to the clerk in advance of the meeting so that the appropriate officer can be asked to attend or provide a written response.

6. **Internal Audit Progress Report** (*Pages 35 - 46*)

To receive a report from the Internal Audit Team Leader updating the Committee on the work performed by Internal Audit for the 2016/17 financial year. To include an update regarding any remaining outstanding high priority recommendations.

7. **Internal Audit Reports (standing item)**

Committee to discuss any issues arising from any Audit reports they have received since the last meeting. During discussion of this item it **may** be necessary to pass the following resolution to exclude the press and public having reflected on Article 12 12.02(d) (a presumption in favour of openness) of the Constitution. This decision may be required because consideration of this matter in public may disclose information falling within one of the descriptions of exempt information in Schedule 12A to the Local Government Act 1972. The Committee will need to decide whether, in all the circumstances of the case, the public interest in maintaining the exemption, outweighs the public interest in disclosing the information.

ACCESS TO INFORMATION ACT – EXCLUSION OF THE PRESS AND PUBLIC

RECOMMENDED that under section 100A(4) of the Local Government Act 1972 the public be excluded from the next item of business on the grounds that it involves the likely disclosure of exempt information as defined in section 100I and paragraph 3 of Part 1 of Schedule 12A of the Act, namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

(Please note: This is a standing item which may not be needed should discussion have taken place regarding internal audit reports under the previous item on the agenda).

8. **Arrangements for the appointment of external auditors from 2017/18** (Pages 47 - 60)

To receive a report from the Audit Team Leader summarising the key proposals contained in the Public Sector Audit Appointments Ltd (PSAA) prospectus. The Committee are asked to formulate a reply on behalf of the Council to the questions posed by PSAA on page 7 of the prospectus.

9. **Revisions to the Financial and Contract Procedure Rules** (Pages 61 - 94)

To receive a report from the Director of Finance, Assets and Resources making recommendations for amendments to the Financial Regulations of the Authority.

10. **External audit progress report and update** (Pages 95 - 108)

To receive a progress report and update from the External Auditors.

11. **Annual Audit Letter from Grant Thornton** (Pages 109 - 122)

The receive the Annual Audit Letter from Grant Thornton summarising the key findings arising from the work they have carried out for the year ended 31 March 2016.

12. **General discussion on the impact of Brexit**

The Committee had requested at its last meeting that a general discussion be held regarding the impact of Brexit upon the Council as far as was known at the current time.

13. **Identification of items for the next meeting**

Members are asked to note that the following items are already identified in the work programme for the next meeting:

- Performance and Risk for quarter two of 2016/17
- Internal Audit Reports
- Internal Audit Progress Report
- External Audit update

Note: This item is limited to 10 minutes. There should be no discussion on the items raised.

Stephen Walford
Chief Executive
Monday 12 September 2016

Anyone wishing to film part or all of the proceedings may do so unless the press and public are excluded for that part of the meeting or there is good reason not to do so, as directed by the Chairman. Any filming must be done as unobtrusively as possible from a single fixed position without the use of any additional lighting; focusing only on those actively participating in the meeting and having regard also to the wishes of any member of the public present who may not wish to be filmed. As a matter of courtesy, anyone wishing to film proceedings is asked to advise the Chairman or the Member Services Officer in attendance so that all those present may be made aware that is happening.

Members of the public may also use other forms of social media to report on proceedings at this meeting.

Members of the public are welcome to attend the meeting and listen to discussion. Lift access the first floor of the building is available from the main ground floor entrance. Toilet facilities, with wheelchair access, are also available. There is time set aside at the beginning of the meeting to allow the public to ask questions.

An induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter. If you require any further information, or if you would like a copy of the Agenda in another format (for example in large print) please contact Sarah Lees on:

Tel: 01884 234310

E-Mail: slees@middevon.gov.uk

Public Wi-Fi is available in all meeting rooms.

MID DEVON DISTRICT COUNCIL

MINUTES of a **MEETING** of the **AUDIT COMMITTEE** held on 15 July 2016 at 11.00 am

Present

Councillors

R Evans (Chairman)
Mrs J B Binks, Mrs C Collis, R F Radford,
Mrs J Roach and R Wright

Apologies

Councillors

R M Deed and F W Letch

Also Present

Officers

Andrew Jarrett (Head of Finance), Amy Tregellas (Head of Communities and Governance and Monitoring Officer) and Sarah Lees (Member Services Officer)

Also in

Attendance

Geraldine Daly, Steve Johnson and Tori Redler from Grant Thornton

26. **APOLOGIES**

Apologies had been received from Cllr R M Deed who was substituted by Cllr Mrs J Roach and also Cllr F W Letch who was substituted by Cllr R Wright.

27. **PUBLIC QUESTION TIME**

There were no members of the public present.

28. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman had no announcements to make.

29. **MINUTES OF THE PREVIOUS MEETING**

The Minutes of the meeting held on 28 June 2016 were approved as a correct record and **SIGNED** by the Chairman.

30. **ANNUAL GOVERNANCE STATEMENT (00:02:10)**

The Committee had before it a report * from the Head of Communities and Governance presenting it with the finalised Annual Governance Statement and accompanying action plan for 2015/16.

It was explained that the areas which needed improvement were highlighted in the action plan with reference to the lead officer for each action and the target date for completion. The Committee would receive an update on the progress made against this action plan at their meetings on 22 November 2016, 24th January 2016 and 21 March 2017.

It was further explained that an additional action had been added under 'Performance and Risk Management' associated with the exit from the European Union. This may include elements associated with Devolution, fluctuations in currency and also EU funding for economic development projects.

Two further minor amendments had been made since the draft version had been presented to the Committee which were as follows:

- To correct the 4th Bullet point under section 3.5.2 from 'performance reporting on a quarterly basis in 2014/15' to '2015/16'.
- Under the 7th bullet point in section 4.2, to correct 'Outturn Internal Audit report (June)' to 'Outturn Internal Audit report (May)'.

Discussion took place regarding:

- Contingency plans as a result of the EU Referendum – any kind of planning based upon various scenarios would not have been a good use of officer time. Whilst the future was uncertain as a result of Brexit, the General Fund did hold amount as a buffer against uncertainties of this nature. Likely effects of leaving the EU may have an effect on property holdings or charges made by contractors who were domicile outside of the UK.
- The Citizen Panel – it was explained that people were recruited to the Citizens Panel every two years by an outside company who were marketing specialists. They looked at the demographics of a region and tried to recruit 1000 people on the understanding that they would be required to take part in three survey's a year.
- The Constitution – any relevant changes would be brought before full Council, for example, changes to the senior management structure.

RESOLVED that subject to the minor amendments referred to in the officers presentation the Annual Governance Statement be approved and that the Leader of the Council and the Chief Executive sign the Statement as per the statutory guidance.

(Proposed by the Chairman)

Note: * Report previously circulated; copy attached to the signed Minutes.

31. **ANNUAL REPORT AND ACCOUNTS 2015/16 (00:12:30)**

The Committee had before it a report * from the Head of Finance outlining minor changes made to the accounts subsequent to the draft set being presented to the Audit Committee at its meeting on 31 May 2016. These were very few, not material in any way and generally related to changes in narrative and rounding's. An additional paragraph had also been inserted as a result of Brexit and the effect that this may have on areas such as property holdings. A 10 page summary document would be produced which would be circulated to all Members and published on the website.

The Head of Finance wished to record his thanks to Grant Thornton, the external auditors, for their hard work in completing the audit to the desired timescales. This had put a strain on their resources and he wished to pass on his gratitude and thanks.

Discussion took place regarding:

- The fact that the interest referred to in section 3.5 had been achieved via a fixed interest rate.
- The detailed breakdown of Earmarked Reserves and an amount of the New Homes Bonus being retained for future programmes.
- The existence of performance data within the accounts. This had been a new requirement as well as needing to have a more detailed explanatory forward. However, for the purposes of the external auditors signing off the accounts it was requested that the performance data be removed from the final version of the accounts as that particular area had not been audited.

RESOLVED that the annual report and accounts be approved (subject to the recommendations made by the external auditor, Grant Thornton) and that the Committee formally approve and sign the letter of representation.

(Proposed by the Chairman)

Note: * Report previously circulated; copy attached to the signed Minutes.

32. **GRANT THORNTON AUDIT FINDINGS 2015/16 (00:26:00)**

The Committee before it, and **NOTED**, a report * from Grant Thornton, external auditors to the Council. This report highlighted significant findings arising from their audit as required by the International Standard of Auditing (UK & Ireland) 260.

The external audit team were introduced by the Associate Director.

The contents of their findings report were summarised commencing with an update in relation to some issues that had been outstanding at the time of writing the report:

- A review of the senior officers pay note was now complete as was the testing of government grants.
- Correspondence with the District Valuer had taken place that morning in response to an enquiry.
- The post balance sheet events review had been updated to the date of signing their opinion.

In terms of the key audit the following points were made:

- There had been no recorded changes to income and expenditure and therefore no changes to the balance sheet.
- There had been one prior period adjustment to do with asset valuation on the pension fund. This had been a classification error with the previous years figure being adjusted and the correct ones for this year being inserted. This had not affected the bottom line.
- The testing of operating expenses had not identified any issues in respect of understatement or recording.
- They were obliged to comment on the methodology and judgements made by the Council and found both to be appropriate and consistent with the Local Authority Code of Practice.

- They had reviewed the Council's 'going concern' analysis and agreed with the judgement that the financial statements could be prepared on a 'going concern' basis.

Note: * Report previously circulated; copy attached to the signed Minutes.

33. **GRANT THORNTON - VALUE FOR MONEY REPORT (00:37:15)**

The Committee had before it, and **NOTED**, a report * from Grant Thornton presenting its Value for Money conclusion. The external auditors were required in the Code of Audit Practice to satisfy themselves that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The auditors had identified the Council's use of New Homes Bonus monies to balance the budget deficit as a serious risk. The Head of Finance stated that he shared this concern but informed the Committee that the Government were changing the criteria regarding the use of New Homes Bonus and it would not be possible for local authorities to use these monies in the same way going forwards.

It was confirmed that the fee for conducting the audit as quoted in the report was incorrect and should have been stated as £47,700 for the audit and £7418 for the grant certification. This would be corrected today before signing off the accounts.

The Chairman thanked all those involved in the preparation and audit of the accounts. He stated that the Council was in an unusual position in that this was the very first day local authorities could sign off their accounts and Mid Devon was one of the first nationally to do so. As Chairman he would be writing to all those that had taken part in this process to thank them personally and on behalf of the Committee.

Note: * Report previously circulated; copy attached to the signed Minutes.

34. **IDENTIFICATION OF ITEMS FOR THE NEXT MEETING (00:45:30)**

In addition to the items already listed in the work programme for the next meeting, the following item was requested to be on the agenda:

- A general discussion on the impact of Brexit on Mid Devon District Council (as far as could be determined).

(The meeting ended at 11.47 am)

CHAIRMAN

AUDIT COMMITTEE 20 SEPTEMBER 2016:

PERFORMANCE AND RISK FOR THE FIRST QUARTER OF 2016-17

Cabinet Member Cllr Peter Hare-Scott, Leader of the Council
Responsible Officer Amy Tregellas, Head of Communities & Governance

Reason for Report: To provide Members with an update on performance against the corporate plan and local service targets for 2016-17 as well as providing an update on the key business risks.

RECOMMENDATION: That the Committee reviews the Performance Indicators and Risks that are outlined in this report and feeds back any areas of concern to Cabinet.

Relationship to Corporate Plan: Corporate Plan priorities and targets are effectively maintained through the use of appropriate performance indicators and regular monitoring.

Financial Implications: None identified

Legal Implications: None

Risk Assessment: If performance is not monitored we may fail to meet our corporate and local service plan targets or to take appropriate corrective action where necessary. If key business risks are not identified and monitored they cannot be mitigated effectively.

1.0 Introduction

- 1.1 Appendices 1-5 provide Members with details of performance against the Corporate Plan and local service targets for the 2016-17 financial year.
- 1.2 When benchmarking information is available it is included.
- 1.3 Appendix 6 shows the higher impact risks from the Corporate Risk Register. This includes Operational and Health and Safety risks where the score meets the criteria for inclusion
- 1.4 All appendices are produced from the Corporate Service Performance And Risk Management system (SPAR).

2.0 Performance

Environment Portfolio - Appendix 1

The chargeable **garden waste** scheme ended the 2015/16 year well and remains above target; so far 8,431 bin permits have been sold.

- 2.2 Most of the PIs are above target with only 1 showing below target: **% of missed collections logged per quarter (recycling)**; this is only marginally under target and is an improvement on 2015/16, more detail has been added as a note to Appendix 1.

Homes Portfolio - Appendix 2

- 2.3 There were 5 PI's which were slightly below target for quarter 1, the notes on Appendix 1 provide detailed explanations of the reasons.
- 2.4 However, the 100% target for Decent Homes has been achieved again for the second quarter in a row.

Economy Portfolio - Appendix 3

- 2.5 This was the first Performance and Risk report to this PDG; members were asked to consider what targets they would like to monitor but existing metrics are included at Appendix 1.
- 2.6 It should be noted that for **empty shops** a favourable result is achieved when the actual is less than the target.
- 2.7 The funding to support economic projects reflects MDDC's share of the Exeter & Heart of Devon business support funding (£53,092) and the Devon Enabling Fund (£3,750).
- 2.8 There will also be statistics to reflect the general state of MDDC's economy available from time to time.

Community Portfolio - Appendix 4

- 2.9 **Compliance with food safety law** is above target which means that 91% of premises were rated 3 or above under the Food Hygiene Rating Scheme.
- 2.10 The number of users of the **Leisure** centres is above target.

Corporate - Appendix 5

- 2.11 The **sickness** figures were below target for 2015/16. This has been the source of some considerable concern to Members. It is pleasing to see the figure for Q1 is lower this year.
- 2.12 The **Response to FOI requests** is now above target compared to being 'well below target' for 2015/16.
- 2.13 The **Planning Performance Planning Guarantee** figure remains below target for Q1 but other PIs are favourable.

3.0 Risk

- 3.1 The Corporate risk register is reviewed by Management Team (MT) and updated, risk reports to committees include risks with a total score of 15 or more and all those with an impact score of 5. (Appendix 6)

4.0 Conclusion and Recommendation

- 4.1 That the Committee reviews the performance indicators and any risks that are outlined in this report and feeds back any areas of concern to Cabinet.

Contact for more Information: Amy Tregellas, Head of Communities & Governance ext 4246

Circulation of the Report: Management Team and Cabinet Member

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Corporate Plan Quarterly PI Report Environment

Quarterly report for 2016-2017
Arranged by Aims
Filtered by Aim: Priorities Environment
For MDDC - Services

Key to Performance Status:

Performance Indicators:	No Data	Well below target	Below target	On target	Above target	Well above target
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* indicates that an entity is linked to the Aim by its parent Service

Corporate Plan Quarterly PI Report Environment										
Priorities: Environment										
Aims: Increase recycling and reduce the amount of waste										
Performance Indicators										
Title	Prev Year (Period)	Prev Year End	Annual Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act	Actual to Date	Head of Service / Manager	Officer Notes
<u>Residual household waste per household (measured in Kilograms)</u>	117.44 (1/4)	424.08	421.00	95.36				95.36 (1/4)	Stuart Noyce	(Quarter 1) Higher in Q1 than target but 10kg lower than same period in 15/16 (SN)
<u>% of Household Waste Reuse, Recycled and Composted</u>	50.2% (1/4)	50.6%	52.0%	55.9%				55.9% (1/4)	Stuart Noyce	(Quarter 1) Good start to year and well above 15/16 Q1 perf. Will drop in other 1/4s due to reduction in garden waste (SN)
<u>Net annual cost of waste service per household</u>		£60.88	£58.17	n/a	n/a	n/a		n/a	Andrew Jarrett, Stuart Noyce	
<u>Number of Households on Chargeable Garden Waste</u>	0 (1/4)	7,021	10,000	8,431				8,431 (1/4)	Stuart Noyce	(Quarter 1) Still above target and continues to grow. Renewals will start in Q3

Corporate Plan Quarterly PI Report Environment

Priorities: Environment

Aims: Increase recycling and reduce the amount of waste

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act	Actual to Date	Head of Service / Manager	Officer Notes
										(SN)
<u>% of missed collections reported per Quarter (refuse and organic waste)</u>	0.02% (1/4)	0.02%	0.03%	0.03%				0.03% (1/4)	Stuart Noyce	(Quarter 1) Performance back to normal following service changes in 15/16 (SN)
<u>% of Missed Collections logged per Quarter (recycling)</u>	0.05% (1/4)	0.12%	0.03%	0.04%				0.04% (1/4)	Stuart Noyce	(Quarter 1) Missed collections have continued to reduce from 0.12% in 15/16 due to scheme changes. are now 0.01% above target (SN)

Aims: Reduce our carbon footprint

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act	Actual to Date	Head of Service / Manager	Officer Notes
<u>To improve energy efficiency and continue to reduce consumption by 0.5% post degree day adjustment</u>		3.4%	0.5%	n/a	n/a	n/a		n/a	Andrew Busby	

Aims: Protect the natural environment

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Audit Report - High Priority Outstanding Recommendations Appendix 2

Annual report for 2016-2017

Arranged by Service

Filtered by Flag: Include: Audit Recommendations

Filtered by Performance Status: Include Project Status: No Data available,
Milestone Missed, Behind schedule, On / ahead of schedule
Exclude Project Status: Cancelled, Completed and evaluated

Key to Performance Status:

Projects:		No Data available	Milestone Missed	Behind schedule	On / ahead of schedule	Completed and evaluated
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Audit Report - High Priority Outstanding Recommendations Appendix 2

Service: <u>Community Development</u>	Head of Service: Amy Tregellas	Portfolio: n/a
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Projects

Project Status	Code	Objective	Project End	Last Review Date	Achieved
Milestone Missed	A - 2015 - G&D - 1.1 - H	<u>Centralise voluntary payments so that the budget is monitored and funds allocated on a consistent basis in accordance with corporate priorities and scrutinised equally.</u>	31/03/2016 (due)		

Service: <u>Human Resources</u>	Head of Service: Jill May	Portfolio: n/a
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Projects

Project Status	Code	Objective	Project End	Last Review Date	Achieved
Behind schedule	A - 2015 - A&T - A.4 - H	<u>Review the appraisal process to make it more effective and</u>	30/06/2016 (due)	01/09/2016	Due to a change in L & D Manager this has been put on hold for the

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Print Date: 02 September 2016 16:16

Audit Report - High Priority Outstanding Recommendations Appendix 2

<u>Service: Human Resources</u>		Head of Service: Jill May		Portfolio: n/a	
Projects					
Project Status	Code	Objective	Project End	Last Review Date	Achieved
		<u>improve uptake.</u>			time being

<u>Service: Procurement</u>		Head of Service: Andrew Jarrett		Portfolio: n/a	
Projects					
Project Status	Code	Objective	Project End	Last Review Date	Achieved
Milestone Missed	A - 2013 - PC - 1.1 - H	<u>Put contracts in place where spend is over £50,000 in a year in accordance with the Financial Rules.</u>	31/08/2016 (due)	06/11/2015 (overdue)	
Milestone Missed	A - 2016 - PC - B.1 - H	<u>(i) Supplier spend must be monitored on a continual basis.</u> <u>(ii) Set a reasonable spend level for monitoring purposes.</u>	31/08/2016 (due)		

Corporate Plan Quarterly PI Report Economy

Quarterly report for 2016-2017
 Arranged by Aims
 Filtered by Aim: Priorities Economy
 For MDDC - Services

Key to Performance Status:

Performance Indicators:	No Data	Well below target	Below target	On target	Above target	Well above target
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* indicates that an entity is linked to the Aim by its parent Service

Corporate Plan Quarterly PI Report Economy											
Priorities: Economy											
Aims: Attract new businesses to the District											
Performance Indicators											
Title	Prev Year (Period)	Prev Year End	Annual Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act	Actual to Date	Head of Service / Manager	Officer Notes	
<u>Number of business rate accounts</u>		2,872	No target - for information only.	2,868				2,868 (1/4)	John Chumbley		
Aims: Focus on business retention and growth of existing businesses											
Performance Indicators											
Title	Prev Year (Period)	Prev Year End	Annual Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act	Actual to Date	Head of Service / Manager	Officer Notes	
<u>Number of Apprentices at MDDC</u>		13	9	14				14 (1/4)	Jill May	(Quarter 1) Government target proposed is 2.3% of FTEs (JM)	
Aims: Improve and regenerate our town centres											
Performance Indicators											
Title	Prev Year (Period)	Prev Year End	Annual Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act	Actual to Date	Head of Service / Manager	Officer Notes	
<u>Increase in Car Parking Vends</u>	n/a	n/a	No target - for information only.	129,488				129,488 (1/4)	Andrew Jarrett	(Quarter 1) The accountant noticed there was missing data in May and logged this	
Printed by: Catherine Yandle				SPAR.net				Print Date: 06 September 2016 12:11			

Corporate Plan Quarterly PI Report Economy										
Priorities: Economy										
Aims: Improve and regenerate our town centres										
Performance Indicators										
Title	Prev Year (Period)	Prev Year End	Annual Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act	Actual to Date	Head of Service / Manager	Officer Notes
										with the supplier who confirmed there was a "driver error". (JN)
<u>Tiverton Town Centre Masterplan</u>	n/a	n/a		n/a	n/a	n/a		n/a	Jenny Clifford	
<u>The Number of Empty Shops (TIVERTON)</u>	17 (1/4)	16	20	18				18 (1/4)	John Bodley-Scott	
<u>The Number of Empty Shops (CREDITON)</u>	9 (1/4)	7	10	9				9 (1/4)	John Bodley-Scott	
<u>The Number of Empty Shops (CULLOMPTON)</u>	12 (1/4)	8	14	10				10 (1/4)	John Bodley-Scott	

Aims: Other										
Performance Indicators										
Title	Prev Year (Period)	Prev Year End	Annual Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act	Actual to Date	Head of Service / Manager	Officer Notes
<u>Local Plan Review</u>	n/a	n/a		n/a	n/a	n/a		n/a	Jenny Clifford	
<u>Funding awarded to support economic projects</u>	n/a	n/a	No target - for information only	£56,842				£56,842 (1/4)	Amy Tregellas	

Corporate Plan Quarterly PI Report Community

Quarterly report for 2016-2017
 Arranged by Aims
 Filtered by Aim: Priorities Community
 For MDDC - Services

Key to Performance Status:

Performance Indicators:	No Data	Well below target	Below target	On target	Above target	Well above target
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* indicates that an entity is linked to the Aim by its parent Service

Corporate Plan Quarterly PI Report Community

Priorities: Community

Aims: Work with local communities to encourage them to support themselves

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act	Actual to Date	Head of Service / Manager	Officer Notes
<u>£ Council Grants / Head of Population</u>	n/a	n/a							John Bodley-Scott	

Aims: Promote physical activity, health and wellbeing

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act	Actual to Date	Head of Service / Manager	Officer Notes
<u>Introduce Trimtrails across the District</u>	n/a	n/a	1	n/a	n/a	n/a		n/a	Jill May, Simon Newcombe	
<u>Total number of users is at least 900,000</u>	208,965 (1/4)	824,612	900,000	236,000				236,000 (1/4)	Jill May	
<u>Operational Recovery Rate</u>	(1/4)	85.15%	88%						Lee Chester	

Aims: Other

Corporate Plan Quarterly PI Report Community										
Priorities: Community										
Aims: Other										
Performance Indicators										
Title	Prev Year (Period)	Prev Year End	Annual Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act	Actual to Date	Head of Service / Manager	Officer Notes
<u>Local Plan Review</u>	n/a	n/a		n/a	n/a	n/a		n/a	Jenny Clifford	
<u>Number of web hits per month</u>	0 (1/4)	0	For information only	27,980				27,980 (1/4)	Liz Reeves	
<u>Compliance with food safety law</u>	n/a	n/a	90%	91%				91% (1/4)	Simon Newcombe	

Corporate Plan Quarterly PI Report Corporate

Quarterly report for 2016-2017
Arranged by Aims
Filtered by Aim: Priorities Delivering a Well-Managed Council
For MDDC - Services

Key to Performance Status:

Performance Indicators:	No Data	Well below target	Below target	On target	Above target	Well above target
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* Indicates that an entity is linked to the Aim by its parent Service

Corporate Plan Quarterly PI Report Corporate										
Priorities: Delivering a Well-Managed Council										
Aims: Put customers first										
Performance Indicators										
Title	Prev Year (Period)	Prev Year End	Annual Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act	Actual to Date	Head of Service / Manager	Officer Notes
<u>New Performance Planning Guarantee determine within 26 weeks</u>	97% (1/4)	97%	100%	93%				93% (1/4)	Jenny Clifford	
<u>Working Days Lost Due to Sickness Absence</u>	1.64days (1/4)	8.12days	8.00days	1.71days				1.71days (1/4)	Jill May	
<u>Planning Applications: over 13 weeks old</u>	25 (1/4)	32	45	37				37 (1/4)	Jenny Clifford	
<u>% total NNDR collected - monthly</u>	48.30% (5/12)	99.10%	99.20%	33.96%				49.64% (5/12)	John Chumbley	
<u>% of complaints resolved w/in timescales (10 days - 12 weeks)</u>	93% (1/4)	93%	90%	94%				94% (1/4)	Liz Reeves	(Quarter 1) 94% resolved in time (LR)
<u>Number of Complaints</u>	61 (1/4)	95	For information only	106				106 (1/4)	Liz Reeves	(Quarter 1) 106 complaints logged in this period (LR)
<u>Response to FOI Requests</u>	70% (1/4)	87%	90%	95%				95% (1/4)	Lynsey Chilcott, Liz	

Corporate Plan Quarterly PI Report Corporate

Priorities: Delivering a Well-Managed Council

Aims: Put customers first

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act	Actual to Date	Head of Service / Manager	Officer Notes
<u>(within 20 working days)</u>									Reeves	

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Print Date: 05 September 2016
11:55

Risk Report Appendix 6

Report for 2016-2017

Filtered by Flag:Include: * CRR 5+ / 15+

For MDDC - Services

Not Including Risk Child Projects records or Mitigating Action records

Key to Performance Status:

Risks: No Data (0+) High (15+) Medium (5+) Low (1+)

Risk Report Appendix 6

Risk: Asbestos Health risks associated with Asbestos products such as lagging, ceiling/wall tiles, fire control.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Housing Services

Current Status:
Medium (5)

Current Risk Severity: 5 -
Very High

Current Risk Likelihood: 1 -
Very Low

Head of Service: Nick Sanderson

Review Note: Risks largely restricted to trained/professional EH or PSH officers therefore overall status remains low

Risk Report Appendix 6

Risk: Breaches in HR Legislation Failure to keep Council policies up to date, that complement the appropriate legislation

Failure to develop staff knowledge and competence regarding legislation/changes

Effects (Impact/Severity): - The Council could face poor reports from assurance bodies
 - Failure to meet statutory duties could result in paying penalties, stretching already thin financial resources
 - Failure to comply with legislation could lead to legal challenge against individuals or the Council as a whole
 - Future legislation changes, their impact on services and the cost of implementing changes to policies, procedures and service delivery

Causes (Likelihood):

Service: Human Resources

Current Status: Medium (5)	Current Risk Severity: 5 - Very High	Current Risk Likelihood: 1 - Very Low
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Head of Service: Jill May

Review Note: The council employs four Chartered Ins of Personnel and Development (CIPD) staff who undertake regular employment law updates. All policies are reviewed on an three year programme which has slipped lately due to pressure of work (reorganisations, consultations and redundancies) however we always prioritise legislative change. Therefore whilst this is a huge risk it is a risk which is managed.

Risk: Car Park Car Park Overcrowding

Effects (Impact/Severity):

Causes (Likelihood):

Service: Leisure Services

Current Status: High (20)	Current Risk Severity: 5 - Very High	Current Risk Likelihood: 4 - High
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Head of Service: Jill May

Review Note:

Risk: Chemicals Staff using chemicals incorrectly.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Leisure Services

Current Status: Medium (10)	Current Risk Severity: 5 - Very High	Current Risk Likelihood: 2 - Low
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Head of Service: Lee Chester

Review Note:

Risk Report Appendix 6

Risk: Council Finances - Banking Arrangements Problems with banks and online services may affect ability to access funds when we need to or receive / process payments on a timely basis

Effects (Impact/Severity): Unable to promptly pay suppliers or treasury commitments

Causes (Likelihood): ICT systems down at Council or Bank so impossible to review cash position or make urgent payments

Service: Financial Services

Current Status:
Medium (5)

Current Risk Severity: 5 -
Very High

Current Risk Likelihood: 1 -
Very Low

Head of Service: Andrew Jarrett

Review Note:

Risk: Council Finances - Investments Failure to invest in the Council's funds in an efficient and effective manner may cause potential of a loss of monies invested

Effects (Impact/Severity): • Could result in cash flow loss of up to £3M

Causes (Likelihood): • Future banking collapses

Service: Financial Services

Current Status:
Medium (5)

Current Risk Severity: 5 -
Very High

Current Risk Likelihood: 1 -
Very Low

Head of Service: Andrew Jarrett

Review Note: Cabinet have recently agreed to invest in CCLA

Risk: Council Finances - Treasury Management Failure to comply with the CIPFA Code of Practice on Treasury Management /local authority accounting would be a breach in statutory duty

Effects (Impact/Severity):

Causes (Likelihood):

Service: Financial Services

Current Status:
Medium (5)

Current Risk Severity: 5 -
Very High

Current Risk Likelihood: 1 -
Very Low

Head of Service: Andrew Jarrett

Review Note: Strategy is approved by Cabinet annually.
2015 Audit found no issue with this

Risk Report Appendix 6

Risk: Document Retention If documents fail to be retained for the statutory period then we may face financial penalties

Effects (Impact/Severity):

- The Council may be disadvantaged in taking or defending legal action if prime documents are not retained;
- Performance statistics cannot be verified;
- The external auditor may not be able to verify the Council's final accounts and subsidy may be lost.
- Mismanagement of burial records

Causes (Likelihood): • "Data debris" cluttering system and storage space

Service: Management Team

Current Status:
Medium (5)

Current Risk Severity: 5 -
Very High

Current Risk Likelihood: 1 -
Very Low

Head of Service: Liz Reeves

Review Note:

Risk: Failure to comply with card security standards As an organisation we need to comply with the requirements of TrustWave to be authorised as card payment processors.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Management Team

Current Status:
Medium (5)

Current Risk Severity: 5 -
Very High

Current Risk Likelihood: 1 -
Very Low

Head of Service: Liz Reeves

Review Note:

Risk: Fire and Explosion Risks associated with storage of combustible materials, fuels and flammable substances and sources of ignition, as well as emergency procedures (existence, display and knowledge of), accessibility (or obstruction) of emergency exits and walkways to. Also, risks associated with use of fire extinguishers, having correct type in location, in date and trained operatives on site.

Effects (Impact/Severity): Very High (5) – Although the risk is low, a fire in the server or storage room could potentially cause loss of life, have serious financial implications and severely impact the councils ability to provide services due to loss of IT infrastructure.

Causes (Likelihood): Very Low (1) – The likelihood of a fire within ICT is extremely low. No quantities of combustible materials are stored within the work area. There is easy access to the emergency exit and all staff have received fire awareness training.

Service: I C T

Current Status:
Medium (5)

Current Risk Severity: 5 -
Very High

Current Risk Likelihood: 1 -
Very Low

Head of Service: Liz Reeves

Review Note:

Risk Report Appendix 6

Risk: H&S RA - Recycling Depot Operatives Role risk assessment - Highest Risk scored

Effects (Impact/Severity):

Causes (Likelihood):

Service: Street Scene Services

**Current Status:
Medium (10)**

**Current Risk Severity: 5 - Very
High**

**Current Risk Likelihood: 2 -
Low**

Head of Service: Stuart Noyce

Review Note: RA Review

Risk: H&S RA - Refuse Driver/Loader Risk Assessment for Role - Highest risk from role RA. - Risk of RTA from sever weather conditions

Effects (Impact/Severity):

Causes (Likelihood):

Service: Street Scene Services

**Current Status:
Medium (10)**

**Current Risk Severity: 5 - Very
High**

**Current Risk Likelihood: 2 -
Low**

Head of Service: Stuart Noyce

Review Note: Annual Review of Risk Assesment

Risk: Homelessness Insufficient resources to support an increased homeless population could result in failure to meet statutory duty to provide advice and assistance to anyone who is homeless.

Effects (Impact/Severity): • Dissatisfied customers and increase in complaints
• An investigation by DCLG
• Legal costs

Causes (Likelihood): • Social and economic factors like the recession and mortgage repossessions increase the number of homeless.

Service: Housing Services

**Current Status: High
(16)**

**Current Risk Severity: 4 -
High**

**Current Risk Likelihood: 4 -
High**

Head of Service: Nick Sanderson

Review Note:

Risk Report Appendix 6

Risk: Impact of Welfare Reform and other emerging National Housing Policy Changes to benefits available to tenants could impact upon their ability to pay. Other initiatives could impact upon our ability to deliver our 30 year Business Plan.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Housing Services

Current Status: High (15)	Current Risk Severity: 5 - Very High	Current Risk Likelihood: 3 - Medium
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Head of Service: Nick Sanderson

Review Note:

Risk: Information Security Inadequate Information Security could lead to breaches of confidential information, damaged or corrupted data and ultimately Denial of Service. If the council fails to have an effective information strategy in place.

Risk of monetary penalties and fines, and legal action by affected parties

Effects (Impact/Severity):

Causes (Likelihood):

Service: I C T

Current Status: High (15)	Current Risk Severity: 5 - Very High	Current Risk Likelihood: 3 - Medium
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Head of Service: Liz Reeves

Review Note: this should be reviewed 6 monthly, corporate risk is high. Constant checks are in place and firewall etc. but risk of cyber attack constant

Risk: Legionella Legionella

Effects (Impact/Severity):

Causes (Likelihood):

Service: Leisure Services

Current Status: Medium (5)	Current Risk Severity: 5 - Very High	Current Risk Likelihood: 1 - Very Low
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Head of Service: Jill May

Review Note:

Risk Report Appendix 6

Risk: Lone Working Lone Working of centre employees

Effects (Impact/Severity):

Causes (Likelihood):

Service: Leisure Services

Current Status:
Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Head of Service: Jill May

Review Note:

Risk: Noise Risk of hearing damage and headaches from high noise levels above 85 decibels and nuisance noise eg Printers, fans.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Street Scene Services

Current Status:
Medium (5)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 1 - Very Low

Head of Service: Stuart Noyce

Review Note: No change

Risk: Pannier market general risk assessment General risk assessment for the market's day to day operation

Effects (Impact/Severity): Score of 5 as their appears to be a movement in the structure causing the glass doors to bow

Causes (Likelihood): Unclear structural survey required

Service: Pannier Market

Current Status: High
(15)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 3 - Medium

Head of Service: Amy Tregellas

Review Note: A structural survey is required to identify the cause of the bow in some of the glass doors

Risk: Plant Rooms plant rooms

Effects (Impact/Severity):

Causes (Likelihood):

Service: Leisure Services

Current Status:
Medium (5)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 1 - Very Low

Head of Service: Jill May

Review Note:

Risk Report Appendix 6

Risk: Pool Activities Pool Activities

Effects (Impact/Severity):

Causes (Likelihood):

Service: Leisure Services

Current Status:
Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Head of Service: Lee Chester

Review Note:

Risk: St Andrew Street A staircase in the new development does not meet current building regulations due to conservation requirements.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Property Services

Current Status: High (15)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 3 - Medium

Head of Service: Nick Sanderson

Review Note: The staircase has to remain in position, no further issues reported from the housing team. We will continue to monitor and will take action where possible and permitted.

Risk: Vehicles, Transport, Driving Risk of collisions with other moving or stationary vehicles, cycles and/or pedestrians.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Street Scene Services

Current Status: Medium (5)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 1 - Very Low

Head of Service: Stuart Noyce

Review Note: No change

Risk Report Appendix 6

Risk: Waste Management Project 2015 Risks associated with the roll out of the new waste and recycling collection scheme to all households

Effects (Impact/Severity):

Causes (Likelihood):

Service: Street Scene Services

Current Status:
Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Head of Service: Stuart Noyce

Review Note: -Monthly monitoring of budgets and project

- project group set up and meeting monthly

- project plan written and updated

-1/4 reporting to PDG

Risk: Welfare Reform Act - Benefits Failure to implement and communicate the new benefits framework effectively could result in applications not being completed in time

Effects (Impact/Severity): Impact on number of officers required in service

Causes (Likelihood): If the changes from current benefits system to Universal Credit go ahead, the system will require greater staff resource

Service: Revenues - Benefits

Current Status: Medium (12)

Current Risk Severity: 4 - High

Current Risk Likelihood: 3 - Medium

Head of Service: Andrew Jarrett

Review Note:

Risk: Widespread fire in block of flats Failure to carry out adequate fire risk assessments on our multiple occupancy properties, could result in widespread fire and death

Effects (Impact/Severity):

Causes (Likelihood):

Service: Housing Services

Current Status:
Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Head of Service: Nick Sanderson

Review Note:

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AUDIT COMMITTEE 20 SEPTEMBER 2016

INTERNAL AUDIT PROGRESS REPORT

Cabinet Member Cllr Peter Hare-Scott
Responsible Officer Audit Team Leader, Catherine Yandle

Reason for Report: To update the Committee on the work performed by Internal Audit for the 2016/17 financial year.

RECOMMENDATION(S): The Committee notes the contents of this report.

Relationship to Corporate Plan: Effective Internal Audit plays a fundamental role in assisting the Council to deliver its corporate plan.

Financial Implications: None arising from the report

Legal Implications: None arising from the report

Risk Assessment: The role of Internal Audit is providing assurance that the risk management and internal control framework are operating effectively.

1.0 Introduction

1.1 The four-year strategic audit plan for 2016/17 to 2019/20 and annual work plan for 2016/17 were presented to the Audit Committee at its meeting on 15 March 2016, where they were approved.

1.2 The purpose of this report is to provide the Committee with a progress report on performance against the 2016/17 Internal Audit work plan for the period from 1 April to 31 August 2016.

2.0 Progress to date and scope of audit activities

2.1 The Audit Plan is split into the following sections:

- Core Audits
- Systems Audits
- Other Work (including fraud/ irregularity/ consultancy/contingency)

2.2 Core Audits

2.2.1 The Core Audits are given priority as they either cover the Council's key financial controls or the level of income is material in the context of the Council's annual accounts. These audits are allocated a larger number of days, as part of the risk based audit planning process, so they are carried out annually. Trade Waste and Car Park Income are carried out biennially for the same reason.

2.2.2 The Core audits are not scheduled to start until the autumn.

2.3 Systems Audits

2.3.1 Systems Audits have been completed for Refuse & Recycling, Stores and Data Protection & Information Security, Private Sector Housing, Cemeteries & Bereavement Services, Standby, Voids management, Licensing and Sickness & Other Time Off.

2.3.2 The opinions for the last 6 of these are included in full in section 3 below.

2.3.3 Work is almost complete on Lettings, Land Charges and Gifts & Hospitality.

2.4 Other Work

2.4.1 The Internal Audit team report on performance and risk using the Spar system and present the quarterly corporate performance and risk reports to PDGs and Committees.

2.4.2 Data quality checks are carried out on committee and other reports as requested. Tender documents have been verified as usual.

2.4.3 The Audit Team have assisted with 1 investigation and sat on 1 job evaluation panels so far this year.

2.4.4 The Audit Team Leader attends the Corporate Health & Safety Committee as Risk Advisor. The 2 Auditors attend the ICT and Procurement User groups.

2.5 Performance Indicators

2.5.1 As at the end of August 2016 the Internal Audit PIs are as follows:

	Current	Target
Core	0%	0%
System	43%	56%

2.5.2 Nine post-audit surveys have been sent out to clients; eight have been returned scored as 4-5 for all questions, meaning they were satisfied or very satisfied with the process, which is excellent. One was returned with a score of 3 for the timing of the audit as we asked to slot it in at short notice due to a change, which the client kindly agreed to.

3.0 **Audit Opinions**

The following opinions have been issued since the last report:

3.1 **Private Sector Housing**

3.1.1 The Private Sector Housing Service works with multiple agencies to deliver improvements across the sector. At times this can present a challenge when attempting to align processes and objectives to deliver improved housing outcomes.

- 3.1.2 The work of the Private Sector Housing Team provides an essential and invaluable impact on the wider public health agenda. Outcomes from the delivery of disabled facilities grants and improved housing conditions through enforcement activity can assist in reducing bed-blocking, improving the amount of time individuals can remain independent in their own home and delaying the period of time before someone has to enter a care home by an average of four years.
- 3.1.3 In addition to the public health benefits the service also contributes to regeneration by raising the quality of the private housing stock. It can also improve community safety by ensuring homes are safe to live in and by bringing empty homes back into use.
- 3.1.4 It is the overall opinion of the auditor remains that the Private Sector Housing system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	2	2

3.2 Cemeteries & Bereavement Services

- 3.2.1 The procedure notes for the administration of this service are extremely comprehensive and each process that needs to be followed for booking and arranging interments at the Tiverton and Crediton cemeteries is well documented. Fees for the service are paid in advance and the system for collecting these payments is well controlled.
- 3.2.2 The system used to input all the information relating to burials and which also creates the Grounds Maintenance works orders numbers is an Access Database. Although the database contains most of the information required, there is a performance issue with it, as it is extremely slow when accessing/processing information and updating which creates time inefficiency; a further limitation of the database is that there is no 'read only' functionality, so all users can make changes to records and there is no audit trail for these. Another concern is that the system is not supported.
- 3.2.3 All of the documentation received is filed on hard copies and currently 8 years of paperwork is filed within Phoenix House. The documents relating to previous years have been taken for storage off site. These documents should be scanned onto the document management system to enable them to be available to view and to ensure that the Service keeps up with the digitisation program.
- 3.2.4 Following on from these points and as a continuation of the digitisation project, it would be beneficial to carry out an independent lean process review to eradicate any duplication of work and to investigate the possibility of having a fully digitised Cemeteries System. A register of all deaths must be maintained and be available for members of the public to view. This is an extra process that is carried out at present. To have a system with a portal where members of the public were able to access the information on-line would be a vast improvement.

3.2.5 It is the overall opinion of the auditor that the Cemeteries and Bereavement system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	5	0

3.3 Standby

3.3.1 As part of the ongoing channel shift agenda, customers of MDDC are being encouraged to do more things online, such as updating personal information and completing forms on line to enable the council to streamline services and make them more efficient. The Council's Website has been updated since the previous Audit in 2014 to address this. With the increase in online activity the provisions of the Data Protection Act 1998 and principles of information security are an integral part of the process, so that customers can be assured that their information is kept securely and used appropriately.

3.3.2 The Council's Data Protection Policy (DPP) has recently been updated (January 2016) in line with the policy review program, and all employees and Councillors are required to read and accept this policy.

3.3.3 As a 'data controller' Mid Devon District Council and Councillors are required to be registered with the Information Commissioner; it was confirmed that MDDC and all the Councillors were registered.

3.3.4 However, there are still some Councillors who have not yet completed the Council's on-line Data Protection Policy course. As data controllers, they have responsibilities for personal information that they need to be aware of in order to avoid a breach of the Act and possible financial penalty, as well as posing a reputational risk to the individual and organisation.

3.3.5 Although all but one of the online forms sampled contained a Fair Processing Notice, there is not currently an overarching statement available on the Website, and this needs to be addressed.

3.3.6 It is the overall opinion of the auditor that the DPA & IS system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	5	0

3.4 Voids Management

3.4.1 The performance in relation to the time taken to re-let voids (standard and major voids) is monitored closely by the Housing Service, and reported on a monthly basis (see the performance management section below). Any repairs required on standard voids will be given priority over major voids to ensure a quick turn-around time and to reduce any rent lost through properties being unoccupied. It is worth bearing in mind that the work done as part of the voids program is reactive, so setting accurate targets is difficult.

- 3.4.2 It was established that there is regular liaison between the Voids Supervisor and the Planned Maintenance supervisor to ensure any properties which become void and are part of the planned maintenance work program are identified, and so can be transferred into the planned maintenance program. This ensures on-going efficiency and reduces the rent lost through properties being void as the major work can be done while the property is occupied. There were 12 properties where this situation occurred in 2015/16.
- 3.4.3 One of the reasons highlighted for performance issues in respect of major voids in 2014 - 15 was the poor state in which some of the properties were left once the tenant had vacated.
- 3.4.4 Following the review of the Voids Management Policy by the Tenants Together working group during 2015 which aimed to address some of the issues and reduce costs to the Council, one of the recommendations which was adopted was to ensure that pre-vacate inspections were carried out with the tenant by the Housing Options Officers. These inspections give the opportunity to remind tenants of their responsibilities under their tenancy agreement, to leave the property in good condition and to also identify and agree with them any rechargeable repairs that they would be responsible for.
- 3.4.5 Although there was evidence that this had been done for all the samples selected during testing, some of the forms were incomplete which could lead to the risk of property information and any rechargeable repairs being challenged by tenants.
- 3.4.6 It is the overall opinion of the auditor that the Voids Management system is well controlled.

Summary of Recommendations		
High	Medium	Low
0	1	1

3.5 Licensing

- 3.5.1 The Lead Licensing Officer has been in post since 1 June 2014. At the start of this audit it was found that an external review for the area of Licensing had been carried out in April 2015; any areas where recommendations were made have been followed up during this audit.
- 3.5.2 The area of Licensing is very well administrated with Licences being provided in very good time. The external review identified that the service level agreement (SLA) for producing licences was very prompt and this was extended to bring Mid Devon in-line with other Local authorities. It was hoped that this would provide the time required to carry out more inspections; this is now in place and regular inspections are being carried out which is good practice.
- 3.5.3 A lot of work has gone into the setting of fees. This is an area that could be open to challenge but there is a robust system in place to justify the level of fees set.

- 3.5.4 Procedure notes are not available for all Licensing processes and these should be in place to cover any unexpected absence. However, the Licensing team are aware of this and are working towards putting these in place.
- 3.5.5 There is a good Licensing system (Lalpac) which is used to efficiently process all the Licensing applications and provide the Licences. Unfortunately, the reporting side of the system is not as functional meaning that the team have to rely on spreadsheets to record some of their performance figures.
- 3.5.6 It is the overall opinion of the auditor that the Licensing system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
1	6	0

3.6 Sickness & Other Time Off

- 3.6.1 Since the previous audit on Sickness and other time off was carried out in 2012/13 the Northgate Aurora system has been implemented and some of the paper based forms that used to be used for recording sickness have been replaced by an on-line self-service portal. Employees and managers can now update sickness records on line, which should increase efficiency. Although the system is up and running adequately there is still a lot of development required to achieve the full potential of the system which, in turn, will enable the HR service/processes to be more automated and streamlined. A Systems Administrator has recently been employed in HR (12/6/16) to address the development of the system.
- 3.6.2 The Health and Safety Officer (H&SO) currently reports absence to the Health and Safety Committee, with the number of days lost through sickness, the type of sickness and the department affected. Any accidents at work or work related injury has to be notified to the H&SO using the accident reporting form.
- 3.6.3 However, currently there is no report that shows whether illness is work related but this is in the process of being developed. The problem of absenteeism due to stress will be further addressed by the H&SO through training for managers on ways to identify this type of absence.
- 3.6.4 All policies relating to sickness and other time off can be found on SharePoint under the Policies and Strategies tab. The main policies for anyone employed by the Council are the National Conditions and the Local Conditions. It appears that employees find these difficult to interpret and therefore HR have produced numerous policies to mirror the information within the National and Local conditions but in a more user friendly way. Alongside the policies there is also guidance for employees and managers for various processes. It is a lot of work to keep these up to date.
- 3.6.5 Monitoring of sickness absence trigger points is currently a largely manual process, which involves one of the HR Business Partners (HRBPs) running a Business Objects report. The HRBPs then populate a memo for each employee and disseminate these to the relevant managers. The problem of

managers failing to apply the Sickness and other time off policies consistently still remains. HR can only advise and has no means to enforce these policies. However, with the current programme for training all managers, their responsibility and accountability for this process will be made clear.

- 3.6.6 It is the overall opinion of the auditor that the sickness and other time off system in terms of HR's responsibility is adequately controlled, although the part of the process which involves managerial responsibility is weak, and therefore poorly controlled.

Summary of Recommendations		
High	Medium	Low
0	8	0

4.0 Conclusion

- 4.1 We will continue to monitor and report on our progress at each Audit Committee meeting. Outstanding audit recommendations are summarised at Appendix 1.
- 4.2 High Priority deadlines may only be extended with the Audit Committee's agreement. 2 have been made so far this year which have not become due yet but 5 are overdue at this time see Appendix 2.
- 4.3 Where there are insurmountable issues making achieving targets impossible then managers needed to bring these issues to the attention of the Chief Executive.
- 4.4 A request has been made to extend the one regarding appraisals to 31 March 2017 as; this is unable to be addressed until completion of the staff charter and review following the leadership restructure.
- 4.5 A request has also been made to extend the deadline for the recommendation regarding induction training to 31 October 2016 due to; the combination of developing the induction to be able to cover both office based staff and manual workers is proving more difficult than expected and the additional workload due to projects such as Carlu Close and investigations.

Contact for more Information: Catherine Yandle, Audit Team Leader, x4975

Circulation of the Report: Management Team and Cllr Peter Hare-Scott

List of Background Papers: None

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Incomplete Audits	Year	Recommendations									Total		
		High			Medium			Low			C	N	O
		C	N	O	C	N	O	C	N	O			
Appraisals & Training	2015			1	12	2			2		12	4	1
Cemetaries & Bereavement	2016				2	3					2	3	0
Council Tax/NNDR	2015				4	2					4	2	0
Corporate Health & Safety	2015			1	2	4	3	1	1		3	5	4
Creditors	2014				1		1	1			2	0	1
Creditors	2015				1		2				1	0	2
Data Protection	2016		1		2	1					2	2	0
Emergency Planning	2015				1	1		2	1		3	2	0
FOI	2015		1		1		1		1		1	2	1
Housing Repairs & Maintenance	2014				3	1		2			5	1	0
Income & Cash Collection	2015				1	1	2				1	1	2
Insurance	2015				2	1	2			1	2	1	3
Legal Services	2015				2		2				2	0	2
Leisure CVSC	2015				3		3				3	0	3
Licensing	2016		1			4	2				0	5	2
Payroll	2013				2	1		2			4	1	0
Payroll	2014				3	1					3	1	0
Private Sector Housing	2016					2			2		0	4	0
Procurement	2016					4				1	0	4	1
Recruitment & Selection & JE	2015				6		1	4	1		10	1	1
Refuse & Recycling	2016					1				2	0	1	2
Sickness & Other Time Off	2016					8					0	8	0
Standby	2016				1	2					1	2	0
Stores	2016				1				1		1	1	0
Time Recording	2014				7		2				7	0	2
Tiverton Pannier Market	2014				7		2	2			9	0	2
Trade Waste	2015				3		5				3	0	5
Vehicles & Fuel	2015	5	3	2	4	3					9	3	0
		5	3	2	71	42	28	14	9	4	90	54	34

CORE

SYSTEM

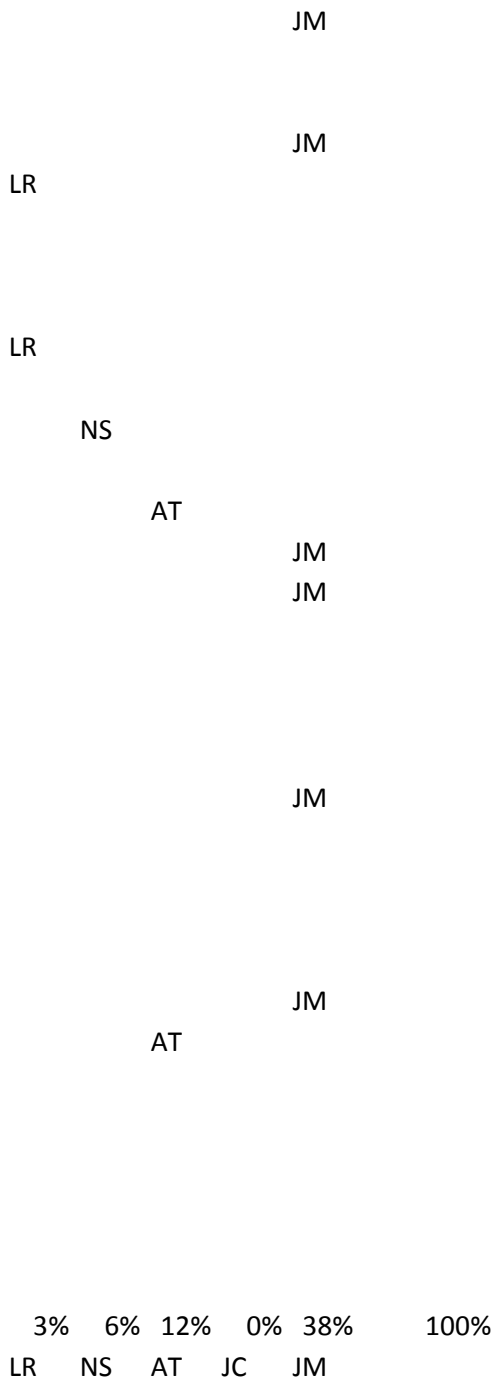
C = Completed
N = Not yet due
O = Overdue

51%

30%

18% 41%

AJ



Audit Report - High Priority Outstanding Recommendations Appendix 2

Annual report for 2016-2017

Arranged by Service

Filtered by Flag: Include: Audit Recommendations

Filtered by Performance Status: Include Project Status: No Data available,
Milestone Missed, Behind schedule, On / ahead of schedule

Exclude Project Status: Cancelled, Completed and evaluated

Key to Performance Status:

Projects:		No Data available	Milestone Missed	Behind schedule	On / ahead of schedule	Completed and evaluated
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Audit Report - High Priority Outstanding Recommendations Appendix 2

Service: Human Resources

Head of Service: Jill May

Portfolio: n/a

Projects

Project Status	Code	Objective	Project End	Last Review Date	Achieved
Behind schedule	A - 2015 - A&T - A.4 - H	<u>Review the appraisal process to make it more effective and improve uptake.</u>	30/06/2016 (due)	01/09/2016	Due to a change in L & D Manager this has been put on hold for the time being
Behind schedule	A - 2015 - H&S - D.1i -H	<u>(i)Need to ensure that there is a prompt induction for high risk areas and agency workers, which includes Safe Systems of working.</u>	30/06/2016 (due)	15/08/2016	Review carried out which has highlighted that the full induction process requires updating

Printed by: Catherine Yandle

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Print Date: 08 September 2016 16:58

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AUDIT COMMITTEE 20 SEPTEMBER 2016

ARRANGEMENTS FOR THE APPOINTMENT OF EXTERNAL AUDITORS FROM 2017/18

Cabinet Member Cllr Peter Hare-Scott
Responsible Officer Audit Team Leader, Catherine Yandle

Reason for Report:

1. This report summarises highlights the key proposals contained in the Public Sector Audit Appointments Ltd (PSAA) prospectus (Appendix A).
2. To decide whether the Committee wish to formulate a reply on behalf of MDDC to the questions posed by PSAA on page 7 of the Prospectus.

RECOMMENDATION(S): None at present, for information only.

Relationship to Corporate Plan: Effective External Audit plays a fundamental role in assisting the Council to deliver its corporate plan.

Financial Implications: The Council's external audit fees are £47,700 for 2016/17.

Legal Implications: In July 2016, the Secretary of State for Communities and Local Government specified Public Sector Audit Appointments Ltd (PSAA) as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. This means that PSAA can make auditor appointments for audits of the accounts of principal authorities, which choose to opt into its arrangements, from 2018/19.

Risk Assessment: There is no immediate risk to the Council; however, early consideration by the Council of its preferred approach will enable detailed planning to take place so as to achieve successful transition to the new arrangement in a timely and efficient manner.

1.0 Introduction

- 1.1 This is a further update to the report which was presented to the Audit Committee on the 28 June 2016;
- 1.2 Nearly 270 councils and local bodies have expressed an interest in opting in to the national scheme. PSAA has published an initial draft prospectus (Appendix A) and is inviting views on proposed arrangements.

2.0 Prospectus for PSAA

2.1 Key points to note in the prospectus include:

- The expiry of the current contracts at the end of the 2017/18 audits will mark the end of the current mandatory regime for auditor appointments. Thereafter, local bodies will exercise choice about whether they opt in to the authorised national scheme, or whether they make other arrangements to appoint their own auditors.
- The scheme will also endeavour to appoint the same auditors to bodies which are involved in formal collaboration/joint working initiatives or within combined authority areas, if the parties consider that a common auditor will enhance efficiency and value for money.
- PSAA will only contract with firms which have a proven track record in undertaking public audit work. In accordance with the 2014 Act, firms must be registered with one of the chartered accountancy institutes acting in the capacity of a Recognised Supervisory Body (RSB).
- Current indications are that fewer than ten large firms will register meaning that small local firms will not be eligible to be appointed to local public audit roles.
- They will include obligations in relation to maintaining and continuously improving quality in our contract terms and quality criteria in our tender evaluation method. Current thinking is that the best prices will be obtained by letting three year contracts, with an option to extend to five years, to a relatively small number of appropriately registered firms in two or three large contract areas nationally.
- By having contracts with a number of firms they will be able to ensure independence and avoid dominance of the market by one or two firms.
- Audit fees must ultimately be met by individual audited bodies. PSAA will ensure that fee levels are carefully managed by securing competitive prices from firms and by minimising PSAA's own costs. The changes to our role and functions will enable us to run the new scheme with a smaller team of staff.
- PSAA is a not-for-profit company and any surplus funds will be returned to scheme members.
- PSAA will pool scheme costs and charge fees to audited bodies in accordance with a fair scale of fees which has regard to size, complexity and audit risk.

3.0 Conclusion and Next Steps

- ### **3.1**
- The date by which principal authorities will need to opt into the appointing person arrangement is not yet finalised. The aim is to award contracts to audit firms by June 2017, giving six months to consult with authorities on appointments before the 31 December 2017 deadline.

- 3.2 The PSAA are working on developing a detailed timetable over the next 3-4 weeks and will advise authorities of the relevant dates as soon as they can. They anticipate that invitations to opt in will be issued before December 2016 at the latest. Therefore a formal recommendation is unlikely to be made to Full Council before the January Audit Committee meeting at this stage.
- 3.3 The Committee needs to decide whether they wish to formulate a reply on behalf of MDDC to the questions posed by PSAA on page 7 of the Prospectus.

Contact for more Information: Catherine Yandle, Audit Team Leader, x4975

Circulation of the Report: Management Team and Cllr Peter Hare-Scott

List of Background Papers: PSAA Prospectus Appendix A

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Developing the option of a national scheme for local auditor appointments

www.psa.co.uk

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Public Sector
Audit Appointments

“The LGA has worked hard to secure the option for local government to appoint auditors through a dedicated sector-led national procurement body. I am sure that this will deliver significant financial benefits to those who opt in.”

– Lord Porter CBE, Chairman,
Local Government Association

Over the next few months all principal authorities will need to decide how their auditors will be appointed in the future. They may make the appointment themselves, or in conjunction with other bodies. Or they can take advantage of a national collective scheme which is designed to offer them a further choice. Choosing the national scheme should pay dividends in quality, in cost, in responsiveness and in convenience.

Public Sector Audit Appointments Ltd (PSAA) is leading the development of this national option. PSAA is a not-for-profit company which already administers the current audit contracts. It aims to be designated by the Department for Communities & Local Government (DCLG) to operate a collective scheme for auditor appointments for principal authorities (other than NHS bodies) in England. It is currently designing the scheme to reflect the sector's needs and views.

The Local Government Association (LGA) is strongly supportive of this ambition, and 200+ authorities have already signalled their positive interest. This is an opportunity for local government, fire, police and other bodies to act in their own and their communities' best interests.

We hope you will be interested in the national scheme and its development. We would be happy to engage with you to hear your views – please contact us at generalenquiries@psaa.co.uk

You will also find some questions at the end of this booklet which cover areas in which we would particularly welcome your feedback.

Audit does matter

High quality independent audit is one of the cornerstones of public accountability. It gives assurance that taxpayers' money has been well managed and properly expended. It helps to inspire trust and confidence in the organisations and people responsible for managing public money.

Imminent changes to the arrangements for appointing the auditors of local public bodies are therefore very important. Following the abolition of the Audit Commission, local bodies will soon begin to make their own decisions about how and by whom their auditors are appointed. A list of the local government bodies affected can be found at the end of this booklet.

The Local Government Association (LGA) has played a leadership role in anticipating these changes and influencing the range of options available to local bodies. In particular, it has lobbied to ensure that, irrespective of size, scale, responsibilities or location, principal local government bodies can, if they wish, subscribe to a specially authorised national scheme which will take full responsibility for local auditor appointments which offer a high quality professional service and value for money.

The LGA is supporting PSAA in its application to the Department for Communities & Local Government (DCLG) to be appointed to deliver and manage this scheme.

PSAA is well placed to award and manage audit contracts, and appoint local auditors under a national scheme

PSAA is an independent, not-for-profit company limited by guarantee and established by the LGA. It already carries out a number of functions in relation to auditor appointments under powers delegated by the Secretary of State for Communities & Local Government. However, those powers are time-limited and will cease when current contracts with audit firms expire with the completion of the 2017/18 audits for local government bodies, and the completion of the 2016/17 audits for NHS bodies and smaller bodies.

The expiry of contracts will also mark the end of the current mandatory regime for auditor appointments. Thereafter, local bodies will exercise choice about whether they opt in to the authorised national scheme, or whether they make other arrangements to appoint their own auditors.

PSAA wishes to be selected to be the trusted operator of the national scheme, formally specified to undertake this important role by the Secretary of State. The company is staffed by a team with significant experience in appointing auditors, managing contracts with audit firms and setting and determining audit fees. We intend to put in place an advisory group, drawn from the sector, to give us ready access to your views on the design and operation of the scheme. We are confident that we can create a scheme which delivers quality-assured audit services to every participating local body at a price which represents outstanding value for money.

“Many district councils will be very aware of the resource implications of making their own appointment. Joining a well-designed national scheme has significant attractions.”

– Norma Atlay, President,
Society of District Council Treasurers

“Police bodies have expressed very strong interest in a national scheme led by PSAA. Appointing the same auditor to both the PCC and the Chief Constable in any area must be the best way to maximise efficiency.”

– Sean Nolan, President,
Police and Crime Commissioners
Treasurers’ Society (PACCTS)

The national scheme can work for you

We believe that the national scheme can be an excellent option for all local bodies. Early indications are that many bodies agree - in a recent LGA survey more than 200 have expressed an interest in joining the scheme.

We plan to run the scheme in a way that will save time and resources for local bodies - time and resources which can be deployed to address other pressing priorities. Bodies can avoid the necessity to establish an auditor panel (required by the Local Audit & Accountability Act, 2014) and the need to manage their own auditor procurement. The scheme will take away those headaches and, assuming a high level of participation, be able to attract the best audit suppliers and command highly competitive prices.

The scope of public audit is wider than for private sector organisations. For example, it involves forming a conclusion on the body’s arrangements for securing value for money, dealing with electors’ enquiries and objections, and in some circumstances issuing public interest reports. PSAA will ensure that the auditors which it appoints are the most competent to carry out these functions.

Auditors must be independent of the bodies they audit, to enable them to them to carry out their work with objectivity and credibility, and in a way that commands public confidence. PSAA plans to take great care to ensure that every auditor appointment passes this test. It will also monitor any significant proposals, above an agreed threshold, for auditors to carry out consultancy or other non-audit work to ensure that these do not undermine independence and public confidence.

The scheme will also endeavour to appoint the same auditors to bodies which are involved in formal collaboration/joint working initiatives or within combined authority areas, if the parties consider that a common auditor will enhance efficiency and value for money.

PSAA will ensure high quality audits

We will only contract with firms which have a proven track record in undertaking public audit work. In accordance with the 2014 Act, firms must be registered with one of the chartered accountancy institutes acting in the capacity of a Recognised Supervisory Body (RSB). The quality of their work will be subject to scrutiny by both the RSB and the Financial Reporting Council (FRC). Current indications are that fewer than ten large firms will register meaning that small local firms will not be eligible to be appointed to local public audit roles.

PSAA will ensure that firms maintain the appropriate registration and will liaise closely with RSBs and the FRC to ensure that any concerns are detected at an early stage and addressed effectively in the new regime. The company will take a close interest in feedback from audited bodies and in the rigour and effectiveness of firms' own quality assurance arrangements, recognising that these represent some of the earliest and most important safety nets for identifying and remedying any problems arising. We will liaise with the National Audit Office (NAO) to help ensure that guidance to auditors is updated when necessary.

We will include obligations in relation to maintaining and continuously improving quality in our contract terms and quality criteria in our tender evaluation method.

PSAA will secure highly competitive prices

A top priority must be to seek to obtain the best possible prices for local audit services. PSAA's objective will be to make independent auditor appointments at the most competitive aggregate rate achievable.

Our current thinking is that the best prices will be obtained by letting three year contracts, with an option to extend to five years, to a relatively small number of appropriately registered firms in two or three large contract areas nationally. The value of each contract will depend on the prices bid, with the firms offering the best prices being awarded larger amounts of work. By having contracts with a number of firms we will be able to ensure independence and avoid dominance of the market by one or two firms.

Correspondingly, at this stage our thinking is to invite bodies to opt into the scheme for an initial term of three to five years, subject, of course, to the terms of specification by DCLG.

The procurement strategy will need to prioritise the importance of demonstrably independent appointments, in terms of both the audit firm appointed to each audited body and the procurement and appointment processes used. This will require specific safeguards in the design of the procurement and appointment arrangements.

“Early audit planning is a vital element of a timely audit. We need the auditors to be available and ready to go right away at the critical points in the final accounts process.”

– Steven Mair, City Treasurer,
Westminster City Council

“In forming a view on VFM arrangements it is essential that auditors have an awareness of the significant challenges and changes which the service is grappling with.”

– Charles Kerr, Chair,
Fire Finance Network

PSAA will establish a fair scale of fees

Audit fees must ultimately be met by individual audited bodies. PSAA will ensure that fee levels are carefully managed by securing competitive prices from firms and by minimising PSAA's own costs. The changes to our role and functions will enable us to run the new scheme with a smaller team of staff. PSAA is a not-for-profit company and any surplus funds will be returned to scheme members.

PSAA will pool scheme costs and charge fees to audited bodies in accordance with a fair scale of fees which has regard to size, complexity and audit risk. Pooling means that everyone within the scheme will benefit from the most competitive prices. Current scale fees are set on this basis. Responses from audited bodies to recent fee consultations have been positive.

PSAA will continue to consult bodies in connection with any proposals to establish or vary the scale of fees. However, we will not be able to consult on our proposed scale of fees until the initial major procurement has been completed and contracts with audit firms have been let. Fees will also reflect the number of scheme participants - the greater the level of participation, the better the value represented by our scale of fees. We will be looking for principal bodies to give firm commitments to join the scheme during Autumn 2016.

The scheme offers multiple benefits for participating bodies

We believe that PSAA can deliver a national scheme which offers multiple benefits to the bodies which take up the opportunity to collaborate across the sector by opting into scheme membership.

Benefits include:

- assured appointment of a qualified, registered, independent auditor
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives or combined authorities, if the parties believe that it will enhance efficiency and value for money
- on-going management of independence issues
- securing highly competitive prices from audit firms
- minimising scheme overhead costs
- savings from one major procurement as opposed to a multiplicity of small procurements
- distribution of surpluses to participating bodies
- a scale of fees which reflects size, complexity and audit risk
- a strong focus on audit quality to help develop and maintain the market for the sector
- avoiding the necessity for individual bodies to establish an auditor panel and to undertake an auditor procurement
- enabling time and resources to be deployed on other pressing priorities
- setting the benchmark standard for audit arrangements for the whole of the sector

We understand the balance required between ensuring independence and being responsive, and will continually engage with stakeholders to ensure we achieve it.

How can you help?

We are keen to receive feedback from local bodies concerning our plans for the future. Please let us have your views and let us know if a national scheme operated by PSAA would be right for your organisation.

In particular we would welcome your views on the following questions:

1. Is PSAA right to place emphasis on both quality and price as the essential pre-requisites for successful auditor appointments?
2. Is three to five years an appropriate term for initial contracts and for bodies to sign up to scheme membership?
3. Are PSAA's plans for a scale of fees which pools scheme costs and reflects size, complexity and audit risk appropriate? Are there any alternative approaches which would be likely to command the support of the sector?
4. Are the benefits of joining the national scheme, as outlined here, sufficiently attractive? Which specific benefits are most valuable to local bodies? Are there others you would like included?
5. What are the key issues which will influence your decisions about scheme membership?
6. What is the best way of us continuing our engagement with you on these issues?

Please reply to: generalenquiries@psaa.co.uk

The following bodies will be eligible to join the proposed national scheme for appointment of auditors to local bodies:

- county councils in England
- district councils
- London borough councils
- combined authorities
- passenger transport executives
- police and crime commissioners for a police area in England
- chief constables for an area in England
- national park authorities for a national park in England
- conservation boards
- fire and rescue authorities in England
- waste authorities
- the Greater London Authority and its functional bodies.

BOARD MEMBERS

Steve Freer (Chairman), former Chief Executive CIPFA

Caroline Gardner, Auditor General Scotland

Clive Grace, former Deputy Auditor General Wales

Stephen Sellers, Solicitor, Gowling WLG (UK) LLP

CHIEF OFFICER

Jon Hayes, former Audit Commission Associate Controller

“Maintaining audit quality is critically important. We need experienced audit teams who really understand our issues.”

– Andrew Burns, Director of Finance and Resources,
Staffordshire County Council

PSAA Ltd
3rd Floor, Local Government House
Smith Square
London SW1P 3HZ

www.psaa.co.uk

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Public Sector
Audit Appointments

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AUDIT COMMITTEE 20 SEPTEMBER 2016

REVISIONS TO THE FINANCIAL REGULATIONS

Cabinet Member Cllr Peter Hare-Scott
Responsible Officer Director of Finance, Assets and Resources: Andrew Jarrett

Reason for Report: To make recommendations for amendments to the Financial Regulations of the Authority.

RECOMMENDATION(S): That the following proposals be recommended for acceptance by full Council:

- a. **Changes to Procurement Procedures as detailed at Appendix B**
- b. **Changes to various thresholds of the Financial Regulations of the Council as detailed at Appendix A**

Relationship to Corporate Plan: The safeguarding of assets and the provision of practical efficient processes to provide value for money.

Financial Implications:

Legal Implications: No issues.

Risk Assessment: Failure to comply with legislation could lead to prosecution and claims for damages. Failing to review thresholds and procedures could lead to inefficient practices damaging value for money assessments.

1.0 Introduction

1.1 It is now three years since the revised Financial regulations were introduced and subsequently approved by Council. Following their introduction there have been changes to our external regulatory framework and various amendments have been suggested to improve our internal processes. This report collates the various proposals and recommends that changes are made to ensure our procedures and thresholds are fit for purpose.

2.0 Procurement

2.1 Following the incorporation of the EU Procurement Directives 2014 into UK law via the Public Contract Regulations 2015, we have reviewed the Procurement Procedures set out within the Financial Regulations to ensure full alignment and compliance with the legislation.

2.2 There were also some recommendations from a recent internal audit seeking clarification around some parts of this section.

2.3 Appendix B shows the changes which have been made.

3.0 **Thresholds**

3.1 The authorisation to order goods and to pay invoices is an important safeguard to protect the public purse. The existing limits need to be revised to reflect operational demands, whilst not contravening anything contained within the constitution. Some further bands have therefore been added at A1 in appendix A.

3.2 Budget virements – the transfer of budget from one area to another has been consolidated into a single table.

3.3 Till discrepancies, petty cash limits and de minimus refund limits have been rationalised into a single amount of £50.

3.4 The limits for inclusion on the equipment registers have been increased to £1,000.

3.5 The disposal of assets thresholds changed:

- Best price needed from £1,000 and the Capital Strategy Asset Group to give approval for the sale of assets >£20,000.

4.0 **Conclusion**

4.1 The various recommendations above are proposed to ensure compliance with current legislation and maintain best practice. Some of the proposals have been identified as a direct result of the work undertaken by the internal audit team. Improving the efficiency of our operations, whilst safeguarding the Council's assets remains an ongoing commitment. Going forward therefore further revisions will need to be made from time to time to ensure these goals continue to be met.

Contact for more Information: Andrew Jarrett 01884 234242

Circulation of the Report: Cllr Peter Hare-Scott and Management Team

Appendix A

SUMMARY OF FINANCIAL LIMITS APPEARING IN THE MDDC FINANCIAL REGULATIONS

The following tables summarise the financial limits quoted in these Regulations. When looking at a specific level where there are two or more “X” the requirement is that authority needs to be made by **ALL** parties highlighted.

Financial Thresholds

A General Authorisation Limits – To exceed agreed budget for the financial year

Former:

<i>Ref No</i>	<i>Factor</i>	<i>Limit (£)</i>	<i>Cabinet</i>	<i>Portfolio Holder</i>	<i>S151 Officer</i>	<i>Head of Service</i>	<i>Manager</i>	<i>Comments</i>
A1		<i>Up to £10k</i>					X	
A2		<i>£10.01k to £50k</i>				X		
A3		<i>£50.01k to £100k</i>		X	X			
A4		<i>Over £100k</i>	X					

Replaced By:

Ref No	Factor	Limit (£)	Council	Cabinet Member	S151 Officer	Head of Service	Manager	Comments
A1		Up to £10k					X	
A2		£10.01k to £50k			X	X		
A3		£50.01k to £2500k		X				
A4		Over £2500k	X					

A1 Authorisation to Pay Invoices within budget, including relevant earmarked reserves

Former:

Ref No	Factor	Limit (£)	Cabinet	Portfolio Holder	S151 Officer	Head of Service	Manager	Comments
A11		Up to £10k					X	
A12		£10.01k to £50k				X		
A13		£50.01k to £100k		X	X			
A14		Over £100k	X					

Replaced By:

Ref No	Factor	Limit (£)	Cabinet	S151 Officer	Head of Service	Manager	Comments
A11	Level 1	Up to £100k				X	
A12	Level 2	£100k to £250k		X	X		Once approved by Cabinet a Head of Service can approve an individual order up to £5m
A14		Over £250k	X				

B Bank Payment Limits

Unchanged:

Ref No	Factor	Limit (£)	Manager	Comments
B1		Up to £50k	X	One nominated signatory required
B2		Over £50k	XX	Two nominated signatories required

C Budget Virements (Movement of Budget from one service area to another)

Former:

C Budget Virements - Within a service unit

Ref No	Factor	Limit (£)	Cabinet	Portfolio Holder(s)	S151 Officer	Head of Service	Manager	Comments
C1		Up to 10,000					X	
C2		10,001 to 20,000				X	X	
C3		20,001 to 50,000			X	X	X	
C4		Over 50,000	X		X	X	X	

D Budget Virements - Between service units

Ref No	Factor	Limit (£)	Cabinet	Portfolio Holder(s)	S151 Officer	Head of Service	Manager	Comments
D1		Up to 10,000				X	X	
D2		10,001 to 50,000			X	X	X	
D3		Over 50,000	X		X	X	X	

Replaced By:

Ref No	Factor	Limit (£)	Cabinet	S151 Officer	Head of Service	Manager	Comments
C1		Up to 10,000				X	
C2/C3		10,001 to 50,000		X	X	X	
C4		Over 50,000	X	X	X	X	

D Till Discrepancies (See 2.4.6) / Petty Cash claim limit / De Minimis refund limit

Former:

Ref No	Factor	Limit (£)	Cabinet	Portfolio Holder	S151 Officer	Head of Service	Manager	Comments
E1		£20						If greater than £20 report to Internal Audit.

Replaced By:

Ref No	Factor	Limit (£)	Comments
D1		£50	If discrepancy greater than £50 report to Internal Audit.

99
99
99

E Write Off of Individual Bad and Doubtful Debts (Excluding bankruptcy administration or Debt Relief Orders)

Unchanged:

Ref No	Factor	Limit (£)	Cabinet	Cabinet Member	Finance Manager	Head of Service	Manager	Comments
E1		£3,000					X	Revenues Manager has a limit of £100 in respect of Council Tax and NNDR income.
E2		£3,000.01 to £10,000			X	X		
		£10,000.01 to £50,000		X	X			
E3		Over £50,000	X					

F Stock Deficiencies / Obsolete Stock Written Off

Former:

Ref No	Factor	Limit (£)	Cabinet	Cabinet Member	S151 Officer	Head of Service	Manager	Comments
G1		Up to £3,000 on any stock item				X		
G2		Over £3,000 on any stock item			X			
G3		Up to £10,000 in total for one store location, per occasion			X			

Replaced By:

Ref No	Factor	Limit (£)	Cabinet Member	Finance Manager	Head of Service	Manager	Comments
F1		Up to £3,000 on any stock item				X	
F2		Over £3,000 on any stock item		X	X		
F3		Up to £10,000 in total for one store location, per occasion		X	X		
F4		Over £10,000 up to £25,000 in total for one store location, per occasion	X				

G Equipment Registers

Unchanged:

Ref No	Factor	Limit (£)	S151 Officer	Head of Service	Manager	Comments
G1		Over £1,0000 but less than £20k			X	Service manager to record in equipment register - REVENUE
G2		Over £20k	X			Asset recorded in fixed asset register maintained by Finance CAPITAL

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H European Union Procurement Thresholds (Valid up until XXXXX)

Former:

<i>Goods</i>	<i>£173,934</i>
<i>Services</i>	<i>£179,934</i>
<i>Works</i>	<i>£4,348,350</i>

Replaced By:

Goods	£
Services	£
Works	£

I Stock Adjustments/Write Offs

Unchanged:

Ref No	Factor	Limit (£)	Cabinet	Cabinet Member	S151 Officer	Head of Service	Manager	Comments
I1		Up to £10k					X	
I2		£10.01k to £50k			X	X		
I3		£50.01k to £100k		X	X			
I4		Over £100k	X					

J De Minimis Invoice Limit

Unchanged:

Invoice amount	£250.00
----------------	---------

K Disposal of Assets

Former:

N1	Best possible price	Value less than or equal to £500
N2	Competitive tender	Value more than £500

Replaced By:

K1	Best possible price	Value greater than or equal to £1,000
K2	Competitive tender	Value more than £5,000
K3	Capital assets	Value > £20,000 To be approved By the Capital Strategy Asset Group

L Money Laundering Cash Receipt Limits

Former:

<i>Cash Receipt</i>	<i>£2,000</i>
---------------------	---------------

Replaced By:

Cash Receipt	£5,000
---------------------	---------------

5.0 Procurement and Contracts

- 5.1 Contract procedure regulations**
- 5.2 Employment status - Use of consultants and service companies**
- 5.3 Construction industry scheme**
- 5.4 Receipt of goods**
- 5.5 Authorisation for payment**
- 5.6 Payments**
- 5.7 Contract register**

PROCUREMENT OF WORK, GOODS AND SERVICES

Why is this important?

Public money should be spent with demonstrable probity and in accordance with the Council's policies. Local authorities have a statutory duty to achieve best value, in part through economy and efficiency. The Council's procedures should help to ensure that services obtain value for money from their purchasing arrangements and reduce the following risks:

Risks:

- Goods or services may be ordered for personal use and later paid for by the Council;
- The incorrect volume, number or quality of goods and services may be received;
- The Council may be committed to spending on goods and services for which no budgetary provision has been determined;
- Officers failing to follow contract and tendering procedures may leave both themselves and the Council open to accusations of favouritism, unfair contract terms and legal challenge
- Goods or services ordered may fail to meet the Council's environmental, health and safety and other strategies and policies.

The procedures which should be followed when considering any spend of Council money are set out in the Contract Procedure Regulations.

5.1 CONTRACT PROCEDURE REGULATIONS

Why do we have Contract Procedure Regulations?

- 5.1.1 The Council is obligated by Section 135 of the Local Government Act 1972, to make Contract Procedure Regulations for the supply of goods or services or for the execution of works.
- 5.1.2 The purpose of Contract Procedure Regulations is to provide a framework within which the Council can get value for money when obtaining supplies of goods, services and works.
- 5.1.3 Officers must comply with these Contract Procedure Regulations, which lay down minimum requirements for procuring goods, services and works. Guidance on the procurement process can be obtained from the Procurement Team. Officers must always seek advice from the Procurement Team in the first instance and from the Council's Legal Services department when in any doubt and in particular for all contracts where European Law applies. If any authorising officer has any questions about the Contract Procedure Regulations, they should contact the Head of Finance.

- 5.1.4 Every contract made by the Council shall comply with these Contract Procedure Regulations.
- 5.1.5 Every Contract made by the Council shall comply with European Directives. In the event of any conflict between the Contract Procedure Regulations and European Directives the European Directive shall prevail.
- 5.1.6 Contract Procedure Regulations must be followed unless the law (in particular, European Procurement Directives, but also UK law) requires something different.

Who do the Contract Procedure Regulations apply to?

- 5.1.7 These Contract Procedure Regulations apply to:
 - a. All contracts made and to all orders placed by, or on behalf of the Council for the procurement, hire and commissioning of goods, services and works including where the Council is acting on behalf of public bodies;
 - b. All Officers and Members of the Council;
 - c. Any person or organisation engaged to manage a contract or undertake work that involves procurement on behalf of the Council. In each case the requirement to comply with the Contract Procedure Regulations is to be included in the terms of engagement;
 - d. The selection of sub-contractors where these are nominated by the Council under a main contract.

Reviewing and Changing the Contract Procedure Regulations

- 5.1.8 The Head of Finance is responsible for maintaining a continuous review of the Contract Procedure Regulations and submitting any additions or changes necessary to the Council for approval. The Head of Finance is also responsible for reporting, where appropriate, breaches of the Contract Procedure Regulations to the Council via the Cabinet.
- 5.1.9 Any non-compliance with the Contract Procedure Regulations must be reported to the Head of Finance or his representative. Any Officer that breaches the Contract Procedure Regulations may be subject to the Council's disciplinary procedures.
- 5.1.10 Anyone wishing to act outside the provisions of these Contract Procedure Regulations in a specific instance not covered by these Contract Procedure Regulations must seek the prior written approval of the Head of Finance and use the designated [FIN300](#) Waiver Form.

- 5.1.11 All instances of working outside these rules will be reported to the next meeting of the Cabinet, Audit, and Scrutiny Committees.

Compliance with the Contract Procedure Regulations

- 5.1.12 Service managers are responsible for ensuring that all of their staff fully comply with the Contract Procedure Regulations and other internal regulatory documents such as Procurement policies and procedures. The Contract Procedure Regulations is available on a centrally accessible ICT location and hard copies can also be made available.
- 5.1.13 Staff required to use Contract Procedure Regulations as part of their job will be required to confirm that they have read and understood the Contract Procedure Regulations as part of their induction. If further clarification or training is required, this can be provided by the Procurement Team.

Procurement Principles

- 5.1.14 The Council will adopt the following principles relating to the procurement of goods, services and works:-
- Base its procurement requirements on the principles of Best Value to ensure that it achieves efficiency, effectiveness and value for money.
 - Take a long-term strategic view of how it procures its requirements including the potential for alternative methods of service delivery, innovative funding methods and partnership working.
 - Expect that externally sourced requirements will be procured as a result of a competitive process unless there are compelling or practical reasons to the contrary.
 - Ensure that sustainability is an important criterion in any procurement activity and that so far as possible procurement operates in accordance with the Council's Procurement Strategy guidance on Sustainability.
 - Where appropriate develop procurement on a partnering basis in which both the Council and the supplier seek to achieve continuous improvements and maximise mutual benefit through longer term clearly worded contracts. These contracts will be based on measurable outcomes and performance that define the obligations of both parties.
 - Where appropriate seek to work with others and through legitimate consortia in the procurement of its requirements in order to widen the scope of its experience and focus expertise, maximise purchasing power and harness economies of scale.

~~5.1.15~~—The Council acknowledges that cheapest is not always best and shall award the contract based on ~~either:~~

~~5.1.16~~—

~~5.1.17~~—~~Value for money, including price and quality~~

a. The most economically advantageous tender (to the Council)

5.1.16 The method of contract evaluation will be included in the quotation specification or the invitation to tender.

Application and Interpretation of Contract Procedure Regulations

Definitions

Definitions with regard to these Contract Procedure Regulations can be found in the Glossary.

Aggregation of Orders

5.1.17 It is an offence under the European Directives to disaggregate the value of a contract so as to deliberately avoid the European Directive.

Exemption

5.1.18 Exemption from any Contract Procedure Regulations may be authorised by the Head of Service and Head of Finance, provided that:

- The decision maker or authorised officer is satisfied that the exemption is justified by special circumstances; and
- The exemption is reported in writing to the decision maker specifying the circumstances justifying the exemption.

~~Compliance to Contract Procedure Regulations and exceptions to Contract Procedure Regulations~~

~~5.1.19~~—~~All contracts shall comply with these Contract Procedure Regulations. No exception shall be made from any of the following otherwise than by direction of the Cabinet or in an emergency by the Chief Executive or in his absence a Head of Service, in consultation with the relevant Cabinet Member, where he is satisfied that there are.~~

~~5.1.20~~—~~The Cabinet shall be informed of the circumstances of every emergency exception made in accordance with these Contract Procedure Regulations and a record of any such exceptions shall be made in the minutes of the Cabinet.~~

Exceptional cases where Contract Procedure Regulations shall not apply (urgency etc.)

5.1.215.1.19 Contract Procedure Regulations shall not apply where in exceptional circumstances approval to proceed would be needed from The Leader, the Chief Executive, the Cabinet Member, the Head of Finance and the Chair of Scrutiny and that:

(i) The work, goods or materials are urgently required, and loss would be entailed by delay in advertising; or

(ii) The work, goods or materials required are of such special nature that no advantage would accrue by inviting competitive tenders; or

(iii) There is no effective competition for the goods or materials required by reason of the fixing of prices under statutory authority or that such goods or materials are patented or proprietary articles or materials.

(iv) Transactions, which, because of special circumstances, may (either individually or as a class) be excepted from time to time by the Cabinet of the Council.

Transactions effected through public sector purchasing organisations

5.1.225.1.20 Contract Procedure Regulations shall still apply to transactions effected through well-established public sector and other purchasing and distribution organisations. A full list of these is kept by the Procurement team. The procedure will depend on the nature of the framework agreement;

5.1.235.1.21 Further Competition Procedure should be used where the statement of requirements when developed, cannot be met by the standard catalogue of goods or services or if there is no such catalogue. The contract procedure rules will then apply to the further competition process.

5.1.245.1.22 Advice must be sought from the Procurement Team, prior to purchasing through any purchasing organisation or consortia.

Contracts and Official Orders

5.1.255.1.23 The table below provides an overview of the approach to be applied to the different thresholds of spend along with a reference to where the process is explained within these regulations :

Value	Form of Agreement	Methodology	Reference to Regulations	<u>Decision Route</u>
>£1,000	Official Purchase Order	Best endeavours	5.1.28	<u>Budget holder</u>
£1,000 - £50,000	Official Purchase Order	Minimum of 3 Quotations	5.1.35	<u>Budget holder</u>
£50,000 – EU Threshold	Formal Written Contract & Purchase Order	Tender(advertised locally)	5.1.41	<u>Assuming that there is agreed budget in place, Budget holder may approve up to £250k.</u>
Over EU Threshold	Formal Written Contract & Purchase Order	Tender(advertised in OJEU)	5.1.44	<u>Contracts in excess of £250k will require approval by Cabinet</u>

5.1.265.1.24 Prior to commencing any procurement or raising any order, the Officer must be assured that there is sufficient budget in place for the proposed purchase and establish the expenditure code relating to where the budget is held.

5.1.275.1.25 Consideration to both the value of the contract and the risk of exposure to the Council should be made by the relevant Head of service when deciding whether to execute a formal written contract.

Estimated Contract value less than £1,000

5.1.285.1.26 In the case of goods, where the Authority purchases a significant number of items and the aggregate total spend exceed £1,000 per year, prices must be renegotiated with supplier annually. If the total spend exceeds £50,000 per year, a contract should be executed in line with the **tender process** below.

5.1.295.1.27 In the case of works or services, where the Authority appoints a supplier for a significant number of low value jobs and the aggregate total spend exceeds £1,000 per year, quotations for rates should be obtained in line with the **quotation process** outlined below. If the total spend exceeds £50,000 per year, a contract should be executed in line with the **tender process** below.

5.1.305.1.28 In the case of a contract whose total does not exceed £1,000, the officer may place a single order without inviting quotations provided they are satisfied that they have used their Best Endeavours to ensure that the most favourable prices and terms are obtained, having regard to the principles of value for money and that the supplier is financially sound and technically competent.

5.1.315.1.29 If the contract is related to a service or works provision, appropriate pre-qualification of suppliers must be carried out to ensure that their status in relation to Health and Safety, financial standing, customer care, contract management and provision of insurance is suitable for the level of the contract.

5.1.325.1.30 Pre-qualification through an industry recognised method such as Constructionline or Exor will be deemed acceptable although the relevant Head of Service may require further checks to be carried out in this regard.

5.1.335.1.31 In the event that competitive tenders or quotations are sought, these shall be obtained from such number of contractors/suppliers as the relevant Head of Service deems appropriate having regard to the principles of Best Value

5.1.345.1.32 The officer is required to obtain written evidence of the quotations and the evidence is required to be kept in accordance with the Councils Document Retention guidance. [This is 12 months or the life of the contract, whichever is the greater.](#)

Estimated Contract value between £1,000 and £50,000

5.1.355.1.33 Competitive quotations shall be invited unless a Head of Service considers that it is not in the best interests of the Council to seek competitive tenders.

5.1.365.1.34 Where possible quotations should be sought from three contractors. For further details on quotations refer to the section on the quotation process.

5.1.375.1.35 The officer is required to obtain written evidence of the quotations/tenders and the evidence is required to be kept in accordance with the Councils Document Retention guidance.

Quotation Process

5.1.385.1.36 Where possible at least three written quotations will be sought.

5.1.395.1.37 The Service Manager will ensure all appropriate documentation is provided. The [FIN301 Request for Quotation form](#) should be used; however this may be supported by additional supplementary information which will further assist the supplier in providing their quotation. The Service Manager should ensure that such contract documentation shall be approved by Legal Services if required before quotations are requested.

5.1.405.1.38 The information contained in the request for a quotation will state:-

- The description or specification of the requirement avoiding the use of proprietary or brand names and using available recognised standards.
- The quantity required
- The delivery time and place
- The basis of the price to be quoted
- Which conditions or contract or other approved condition will apply to any order
- The date by which quotations are to be received by the Council this will normally be not less than 5 working days from the date of the request.

5.1.45 Suppliers shall be required to address their quotations to the Service manager.

5.1.46 Quotations may be requested and received using recommended electronic methods. The retention and administration is dealt with under the document retention policy.

5.1.47 Quotations received late will be disallowed. They will be retained unopened until after the quotations properly received have been opened and will be returned to the sender with an explanation. Prior to award the Head of Service in consultation with the Cabinet Member may meet with one or more of the lowest tenderers to finish and quantify the value for money being obtained for the Council.

5.1.48 The quotation from the Supplier who has offered the lowest acceptable price taking into consideration the required quality, delivery, cost of use and cost of disposal will normally be accepted provided this is within the estimated total cost.

5.1.49 Written acceptance will be notified to the Supplier by the officer from the service dealing with the procurement. They will also be responsible for notifying the Procurement Team in order for them to update their records with details of the Contract and how they have selected the chosen supplier.

5.1.50 If the contract is for goods currently maintained or which are going to be maintained on the eProcurement catalogue, a full list of products should be forwarded to procurement on the [FIN302 Product Upload Template](#) to allow them to be added to the catalogue prior to ordering.

5.1.51 The relevant Service Manager may accept a quotation other than the lowest where it is in the best interest of the Council and best value is achieved. Such a decision and its reasons shall be recorded and this information submitted to the Procurement Team.

- 5.1.52 An order will be raised on the Councils eProcurement system at the point of awarding the contract.
- 5.1.53 If requested the unsuccessful suppliers can be notified and given reasons without breaching the commercial confidentiality of the other suppliers.

Estimated Contract value over £50,000 but below European thresholds

[5.1.39 The contract opportunity shall be advertised on the Councils eTendering portal and on UK Contracts Finder in line with UK Procurement legislation.](#)

~~5.1.41~~5.1.40 Competitive tenders shall be invited. Where possible tenders shall be invited from four contractors.

~~5.1.42~~ ~~Where possible there shall be two reserves in the event that any contractor withdraws or is unable to tender.~~

~~5.1.43~~5.1.41 Where it can be demonstrated that there are insufficient suitably qualified contractors to meet the competition requirement set out above all suitably qualified contractors should be invited so far as is practical.

Estimated Contract value exceeds European Thresholds

~~5.1.44~~5.1.42 Where the estimated Value of the Contract exceeds the thresholds laid down in the European Directive Appendix A - Table I, EU procurement rules will apply

~~5.1.45~~5.1.43 The opportunity will be advertised in the Official Journal of the European Union (OJEU) and all legislative requirements must be met.

~~5.1.46~~5.1.44 A full description of the EU procurement rules can be found on the Authorities website.

The Tender Process

- 5.1.55 Before starting a tender process, and with suitable advance notice, the relevant Officer will inform the Procurement Team of the proposed contract details using the [FIN303](#) Tender Initiation Form..
- 5.1.56 Unless the relevant Service manager decides otherwise, all draft contract documents to be sent out with a request for tender shall be approved by Legal Services prior to being sent to any supplier.
- 5.1.57 Consultation will occur between the Procurement Team, Head of Service and where necessary Legal Services, and where relevant agree:

i) The roles and responsibilities in respect of:

- The selection process
- The tender process
- The evaluation of the outcomes
- Post tender negotiations
- The contract award
- Contract management

ii) A procurement plan that:-

- Identifies scope for working with others
- Identifies the use of the best practice contracting and procurement methods including partnerships and partnering
- Reflects any additional requirements and choice of procedure for a contract that exceeds the EU procurement thresholds.
- Identifies the use of European standards where these are available.
- Details timescales and major events
- Identifies and allocates responsibilities.

iii) The selection criteria for suppliers to be invited to tender are based on commercial consideration and include:

- Financial viability and capacity
- Operational capacity
- Technical competence and capacity
- Relevant environmental issues
- The council's policies
- Legislative compliance
- Health and Safety

iv) The evaluation and award criteria for the contract to achieve Value for Money or MEAT taking into account such aspects as:

- Proposed methods and approach
- Total costs to the Council over the life of the contract including disposal costs
- Quality
- Delivery
- Sustainability
- Risk including the suppliers insurance details
- Health and Safety

5.1.58 In the case of contract values in excess of £250,000, and any contracts in respect of which the relevant Service Manager may so direct depending on the strategic relevance of the contract, the evaluation and award criteria to be used for award will be agreed in advance of the Invitation to Tender being issued, by the Head of Service and relevant Cabinet Member.

5.1.59 Tenders will be advertised and submitted electronically via Supplying the Southwest Procurement Portal using the Council's Standard Form of Tender. Any amendment to this form must be approved in advance by Legal Services.

~~5.1.60 If any tenderer is unable to submit their Tender in this way, a written tender will be accepted.~~

Tenders – manner of submission

~~5.1.61 Every invitation to tender shall state that tenders will be only considered if it is received either electronically via Supplying the Southwest Procurement Portal, or by hard copy as described at 5.1.60 above by the date and time specified unless a valid reason is supplied.~~

~~5.1.62 Where a written tender is to be accepted, it must:~~

- ~~▪ Be received in a plain sealed envelope ; and~~
- ~~▪ Bear the word "Tender" followed by the subject to which it relates; and~~
- ~~▪ Bear no name or mark indicating the sender; and~~
- ~~▪ Bear the date and time for the return of the tender as specified in the invitation.~~

~~5.1.63 Such tender envelopes shall remain in the custody of Member Services, until the time appointed for their opening.~~

5.1.65 No tender received by any means after the time and date specified in the invitation shall be accepted or considered under any circumstances

Tenders – Procedures for opening

5.1.66 All tenders for a Contract shall be opened via the verification process within the eTendering portal.

5.1.67 The designated Verifier for the tender will be a member of the Internal Audit section and only those Officers delegated with Verifier status will be able to access the tenders and remove the Tender seal.

5.1.68 The tenders may then be accepted and released for evaluation or declined and reasons given.

5.1.69 Documentation from the eTendering portals audit log should be produced to show the following:

- a) The name of the Tenderers who submitted their tender on-time
- b) The name of the Tenderers who submitted their tender late
- c) The name of the Tenderers who opted out of the Tender process and the opt out reason (if supplied)

- d) The date and time of the submission
- e) The Tendered price for each on-time submission as it appear on the Form of Tender.

~~5.1.70 Where a written tender is to be accepted, all tenders for a Contract shall be opened in the same place and at the same time. Any such tenders shall only be opened in the presence of a minimum of three officers who shall include:-~~

- ~~a) A representative from Member Services; and~~
- ~~b) An officer from the procuring service; and~~
- ~~c) A representative from Internal Audit.~~

~~These should include the same Officer who has verified any electronic tenders received for the same contract.~~

~~5.1.72 During the opening process tenders will not be accepted if:~~

- ~~▪ The submission provided by the company wishing to tender is different to the basis on which tenders have been invited; or~~
- ~~▪ The company submitting the tender cannot be identified from the tender paperwork.~~

~~5.1.73 Details of all written tenders received shall be recorded in a register maintained by the Internal Audit section. That register shall be open to inspection by Members of the Council.~~

Tenders – Procedures for acceptance

~~5.1.74 Prior to award the Head of Service in consultation with the Cabinet Member may meet with one or more of the lowest tenderers to finish and quantify the value for money being obtained for the Council.~~

~~5.1.75~~5.1.73 Where tenders have been invited in accordance with these Contract Procedure Regulations, the winning tender based on ~~VFM or~~ MEAT as defined at 5.1.15 ~~(a) and (b)~~ shall be awarded the contract.

~~5.1.76~~5.1.74 The winning tender will be defined as the one who scores highest based on the pre-defined evaluation criteria which was agreed at 5.1.57 and published with the Invitation to Tender.

~~5.1.77~~5.1.75 For contracts under £250k the Head of Service will authorise.

~~5.1.78~~5.1.76 For contracts above £250k, or where there is 10% excess on the budgeted tender provision, the Head of Service will refer to Cabinet prior to authorising the acceptance.

Tenders- Record Retention

5.1.795.1.77 A full record of the procurement process followed for Quotation and Tenders will be maintained, including but not limited to:

a. Quotations:

- Invitation to Quote
- Submitted quotation
- Waivers
- Reason for not accepting lowest price and post quotation clarification including establishing value for money.
- Communication with successful supplier
- Feedback (if requested) supplied to unsuccessful suppliers

b. Tenders:

- Business case
- Pre-tender market research
- Method of obtaining bids
- Contracting decisions/ reasons
- Waiver
- Award criteria
- Tender documents
- Tender submissions
- Post tender clarification and establishing value for money
- Legal Advice
- Evaluation
- Post contract monitoring

Standing Lists of Selected Suppliers

5.1.805.1.78 Where quotations or tenders are regularly obtained for the same or similar types of goods, services or works that are below the EU tender process value a standing list of selected suppliers may be used in the interest of efficiency and value for money.

5.1.845.1.79 Each Head of Service is authorised to compile maintain and review in consultation with the Procurement Manager such standing lists as are appropriate for the contracts for which they are responsible.

5.1.825.1.80 Each standing list shall be reviewed and updated by the relevant Head of Finance at least once in any 24-month period and copy sent to procurement.

5.1.835.1.81 A list of the established select lists is held by Procurement.

Orders for Goods, Works and Services

Once a contract has been awarded or a quotation accepted, the following rules in relation to transactional process of ordering through to payment should be followed.

Rules:

- 5.1.83 The system to be used for the ordering of works, goods and services shall be the eProcurement Corporate Finance System or any successor system as agreed by the Head of Finance. Only orders in a format agreed by the Head of Finance shall be used.

Includes:

- Hire/ rent/ lease of goods (See 6.6 Asset Leasing arrangements)
- Delivery of recruitment/ consultancy
- Appointment of Counsel
- Obtaining Finance

- 5.1.84 Any amendments or changes in procedure to the agreed system must be approved by the Head of Finance in consultation with the Head of ICT if appropriate, prior to being updated.

- 5.1.85 Every officer and member of the Authority has the responsibility to declare to the Monitoring Officer any links or personal interest that they may have with purchasers, suppliers and/or contractors (including sub-contractors) if they are engaged in contractual or purchasing decisions on behalf of the Authority in accordance with the appropriate Codes of Conduct.

Ordering

- 5.1.86 Official orders, either in whole or in part, must not be used to obtain goods or services for private use. Any officer found to be breaching this Rule, will be subject to disciplinary proceedings.

- 5.1.87 Official eProcurement orders shall be raised for all work, goods and services to be supplied to the Council. No work is to be placed to an outside contractor without an order being raised.

- 5.1.88 All ordering must be conducted through the Procurement Team. Under no circumstances are verbal orders to be placed except as at 5.1.89.

- 5.1.89 In the case of an emergency situation, the order must be placed as soon as is reasonably possible and in all cases prior to the supplier submitting their invoice.

- 5.1.90 Guidance must be sought from the Procurement Team for any officers placing an emergency order or orders relating to exceptional circumstances.

- 5.1.91 Prior to engaging any new supplier, Officers should consult with the Procurement Team to ensure that there is not already a contract in place which could meet their requirement.

To use the new supplier, a [FIN304](#) Request for Supplier set up form should be completed with all relevant details for verification with HMRC including where applicable:

- UTR (unique tax reference)
- National Insurance number
- Company registration number
- VAT registration number

Consideration of employment status, see 5.2 below and if the work involves construction, 5.3 below, also needs to be made before a new supplier is created.

- 5.1.91 All orders must be raised, in advance of the works, goods or services being received by the Council. A designated authorised signatory, will need to authorise orders prior to the order being raised and placed by the Procurement Team.

- 5.1.92 It is the responsibility of the designated service Authoriser to confirm with the relevant budget holder and / or Accountant as to whether there is budget available prior to requisitioning the works, goods or services.

- 5.1.93 Spending limits must be observed at all times and officers must not avoid overspending on the correct expenditure code by applying an incorrect underspend code to an order.

- 5.1.94 Spending limits will be reviewed and approved by the Head of Service on an annual basis.

- 5.1.95 Officers initiating an order must consult the appropriate Accountant and jointly decide if a virement is required from an underspent code to the correct code before the ordering process continues. Any doubt or difficulty in correctly coding an order shall be referred to the appropriate Accountant for advice.

- 5.1.96 Orders are not to be split into smaller orders solely to avoid the value limits and procedures laid down in the Council's Contract Procedure Rules.

- 5.1.97 Orders are not required for:

- a) Rents;
- b) Rates;
- c) Supply of Utility Services (Gas, Mains Water, Electric, Telephone);
- d) Petty Cash reimbursements; and
- e) S151 treasury transfers.

Variations to official orders can be made by submitting a properly completed [FIN305](#) variation order to the Procurement Team.

Full details of how to use the eProcurement system can be found in the eProcurement User Guide which is available on Sharepoint.

5.2 Employment Status - Use of Consultants and Others

- 5.2.1 Employment status of non Mid Devon District Council employees should be a concern for all service managers. This guidance lays out the basic position and shows how to work out the status of an engagement.
- 5.2.2 It is vital to resolve the issue of status and inform the individual how they will be paid, **before** they undertake the work. This will prevent delays in payment and disagreements if someone is paid subject to deductions via payroll, when they were expecting to be paid gross, against invoices submitted via the Creditors system. .
- 5.2.3 The service manager engaging someone to perform a task has the responsibility of determining their employment status and whether they should be paid via payroll. It is not up to the individual being asked to perform the task to indicate what their status is. If the Council treats someone incorrectly, and HMRC imposes interest and penalties these will fall on the service that has commissioned the work. (HMRC will normally go back as far as six years plus the current for unpaid tax, NI, interest and penalties.)
- 5.2.4 Even if an individual can demonstrate that they are registered with HMRC as self-employed this does not mean that they should necessarily be treated as such when they undertake an engagement for Mid Devon District Council. It depends upon the contractual arrangement with the individual (See Below)
- 5.2.5 If the working arrangement is such that the individual is deemed to be employed by the Council then the HR Manager needs to be informed so the appropriate contract of employment can be drawn up and issued **before** the individual commences any work for the Council.
- 5.2.6 If you engage an individual via a registered company or employment agency then so long as payments are made to the registered company or agency name the Council do not have to consider employment status. Payment must not be made to the individual employed in this circumstance
- 5.2.7 Employment status can still be an issue for individuals who fall under the Construction Industry Scheme. (CIS). To avoid this complication the Council should not provide tools and equipment, and ensure these individuals have other self-employment in addition to the works they do for the Council. This will ensure tax is only payable under CIS, and the Council does not have to consider whether they could be employees or not.

Points to consider

- 5.2.8 The following are extracts from: “Are your workers employed or self-employed for tax and National Insurance contributions” HM Revenue and Customs leaflet ES/FS2.

An individual worker is likely to be **employed** if the answer is ‘**yes**’ to most of the following questions:

- Does the worker have to do the work themselves?
- Can you tell the worker where to work, when to work, how to work or what to do?
- Can you move the worker from task to task?
- Does the worker have to work a set number of hours?
- Is the worker paid a regular wage or salary?
- Can the worker get overtime pay or bonus payments?
- Is the worker responsible for managing anyone else engaged by you?

Your worker is likely to be **self-employed** if the answer is ‘**yes**’ to one or more of these questions:

- Can the worker hire someone to do the work, or take on helpers at their own expense?
- Can the worker decide where to provide the services of the job, when to work, how to work and what to do?
- Can the worker make a loss as well as a profit?
- Does the worker agree to do a job for a fixed price regardless of how long the job may take?

If you can’t answer ‘yes’ to any of the above questions, your worker is still likely to be **self-employed** if you can answer ‘**yes**’ to most of the following questions:

- Does the worker risk his own money?
- Does the worker provide the main items of equipment (not the tools that many employees provide for themselves) needed to do the job?
- Does the worker have to correct unsatisfactory work in their own time and at their own expense?

An example:

If an individual contracts to paint Phoenix House for £20k and to complete the work in eighteen months at times that suit him with as many workers as he sees fit to employ it would indicate self-employment. The costs incurred could generate either a profit or a loss and there is a financial risk to him.

However, if he is to report to a service manager on Monday and paints the building using our paint and equipment, cannot contract others to do the work, and effectively works the hours we decree, then there is no financial risk to him and this would be employment.

There is an online tool that can be used to help determine the status of individuals at:

www.hmrc.gov.uk/calcs/esi.htm

However the online ESI tool should **not** be used for determining the status of:

- individuals who provide their services through a limited company (known as IR35)
- contracts with agencies to provide services to another person (client).

If you have any doubt as to the correct treatment, the matter should be referred to the Head of Finance or Head of HR and Development without delay.

5.3 Construction Industry Scheme

- 5.3.1 Under current tax legislation the Council is a deemed Contractor and those working for the Council are sub-contractors. The Head of Finance will arrange for nominated staff to check the validation at the HMRC website when Procurement have advised of a new potential CIS subcontractor.
- 5.3.2 Payment in full can **only** be made to such a sub-contractor (company or individual) in the construction industry who has been validated by HMRC and is allowed to be paid Gross. Procurement will check the status of individuals with HMRC when creating new suppliers
- 5.3.3 Those classified to receive monies net by HMRC, will be paid with a tax deduction of 20% from the labour element of the invoice. These individuals or companies should submit invoices which clearly apportion the materials element of the charge from other elements before VAT is added. A failure to do so will mean that the invoice is not paid and returned to the supplier.
- 5.3.4 If the subcontractor is not validated the payment can only be made with 30% tax deduction.
- 5.3.5 Monthly electronic returns of CIS deductions will be made to HM Revenue and Customs by no later than 19th of each calendar month by officers nominated by the Head of Finance.

Retentions

- 5.3.6 Payments to contractors will only be made on a certificated invoice of the designated service manager, or where engaged by the Council, the Private Architect, Engineer or Consultant. Certificated invoices shall show the value of the work, retention money, amounts previously certified and amounts now certified.
- 5.3.7 All variations to contracts are to be in writing and in the form of a properly authorised [FIN305](#) Variation Order.

- 5.3.8 The final payment for any contract will not be issued until the Head of Service has had a copy of the final account and has carried out such examination as he/she considers necessary in order to satisfy themselves as to the accuracy of the account.
- 5.3.9 It is recommended that for contracts in excess of £100,000, best practice would be to include a standard retention of 5% until practical completion of a contract and then 2.5% to be held until 12 months after practical completion of the contract, which should be specified in the contract.
- 5.3.10 It is the responsibility of the Service Manager in conjunction with the Head of Finance to agree a suitable level of retention for the specific contract on a case by case basis.

5.4 Receipt of Goods and Services

- 5.4.1 Goods works and services received by the Council will be “delivered” by approved staff on the financial system upon **receipt** of the goods or services so as to ensure the liability is promptly recorded on the financial ledger.
- 5.4.2 Certification of work undertaken by external contractors engaged by the Council is to be authorised by suitably experienced and qualified staff prior to delivery being entered on the financial system.
- 5.4.3 Documentation relating to deliveries such as Delivery notes or Job completion sheets should be kept in accordance with the Councils Document Retention guidance.
- 5.4.4 Where possible the delivery note should be scanned and attached to the eProcurement system at the point of entering the Good Received Note.

5.5 Authorisation for Payment

- 5.5.1 The Head of Finance will ensure that procedures are in place to ensure that orders made for goods and services on behalf of the Council can only be placed by suitably trained authorised individuals, up to authorised limits, covered by an appropriate budget provision.
- 5.5.2 The limits for approval of expenditure are set out in Appendix A.
- 5.5.3 Service managers will be responsible for the authorisation of orders raised in the pursuit of their agreed service plans. All requests to add or amend authorisation amounts must be made to Head of Finance in advance and approved prior to their use..
- 5.5.4 HR are to supply a monthly report to the Head of Finance to ensure prompt removal of former employees.

- 5.5.5 Contract retentions in accordance with contractual arrangements are always to be made and the Accounts Payable section is to be authorised only to pay net amounts due.

5.6 Payments

Why is this important?

The Council spends significant amounts of public money on the purchase of goods and services in order to provide its services in accordance with statute and policy decisions. .

Risks:

- The Council pays for goods and services that have not been received;
- The Council pays for goods and service twice or more in error;
- The opportunity for fraud or loss is increased;
- Financial and accounting records are not correctly updated.

Regulations:

- 5.6.1 The Council will pay invoices within 30 days from receipt of invoice or on other terms as maybe agreed. All staff involved with paying creditors shall ensure that invoices are dealt with promptly.
- 5.6.2 In the cases of invoices relating to work which is covered by the Construction Act 2009, payment will be made in accordance with the protocol set out in the statutory scheme for Construction Contracts.
- 5.6.3 No amendments, changes or avoidance of the system laid down for the processing of invoices for payment must be undertaken without the approval of the Head of Finance.
- 5.6.4 Invoices will only be accepted on which details are written in ink, typewritten, printed or generated by computer. Payment against faxed or photocopied invoices require the prior approval of the Head of Finance, or his/her appointed representative..
- 5.6.5 All Invoices must be received centrally in the Accounts Payable section of Financial Services.
- 5.6.6 It is the responsibility of the paying department to check the following:
- That an order has been raised, where appropriate and in accordance with
5.1 Procurement of Work, Goods and Services.

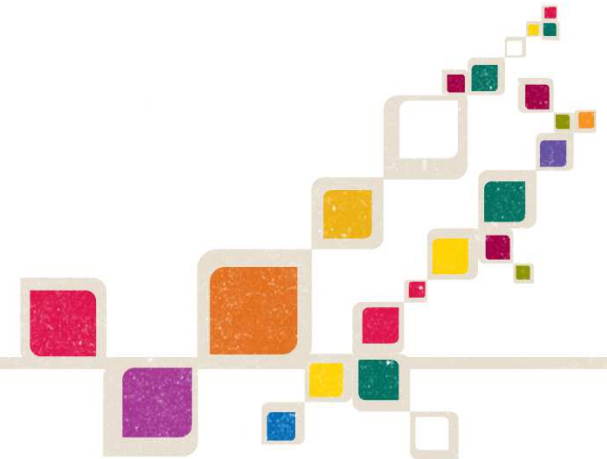
- The invoice is addressed to Mid Devon District Council
 - That the details listed on the invoice match the order, including the description, units, amount and VAT and that they are within the acceptable validity limit of +/- 5%.
 - That the goods and services have been supplied/delivered to the Council and recorded via the 'enter goods receipt' section of the eProcurement system.
- 5.6.7 It is the responsibility of the Accounts Payable section to check the following:
- That any trade and cash discounts have been deducted
 - That the invoice is a genuine invoice and is not faxed or photocopied
 - That the invoice has not previously been paid.
- 5.6.8 The refunding of any payment made by a member of the public can only be considered if there are genuine reasons for doing so, e.g. cancellation of event, overpayment of Council Tax, etc. The refund request must be correctly authorised and accompanied by proof that a payment was made to the Council.
- 5.6.9 Payments on Council pre-printed forms, e.g. pro forma invoices such as Petty Cash reimbursement are to be signed by the appropriate authorising officer and checked for correct completion by the appropriate Officers and Accounts Payable staff before payment.
- 5.6.10 The Internal Audit Section will carry out checks on the Creditors system in accordance with the Audit Plan.
- 5.6.11 Payment for goods and services not yet received i.e. training courses should only occur in exceptional circumstances and with the prior approval of an authorising officer. A record of the payment should be made on the order and checks should be carried out to ensure that delivery subsequently takes place.
- 5.6.12 All Creditors cheques returned to the Council, whether by hand or by post, shall be passed immediately to the Accounts Payable section of Financial Services and not to the instigating officer. The instigating officer is, however, to be informed of any cheque having been returned.
- 5.6.13 Creditors will be paid by BACS whenever possible with a remittance advice forwarded within 24 hours of payment. All Bank details to enable payment will be held on the Creditor's individual file records and amended by Procurement staff only on receipt of official notification in writing, from the Creditor.

5.7 Contracts Register

- 5.7.1 Upon award of any contract, a [FIN306](#) Contract Award Notification will be sent by the Procurement Team to the relevant Head of Service, Service Manager, Cabinet Member and Accountant and to the Head of Finance to notify them of the award.
- 5.7.2 It will remain the responsibility of the Procurement Team to maintain a contract register of all contracts awarded on behalf of the Council.
- 5.7.3 The register will document the supplier, value and duration of the contract and be available for review on a centrally held electronic file by Officers and Members.

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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 your business 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

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

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

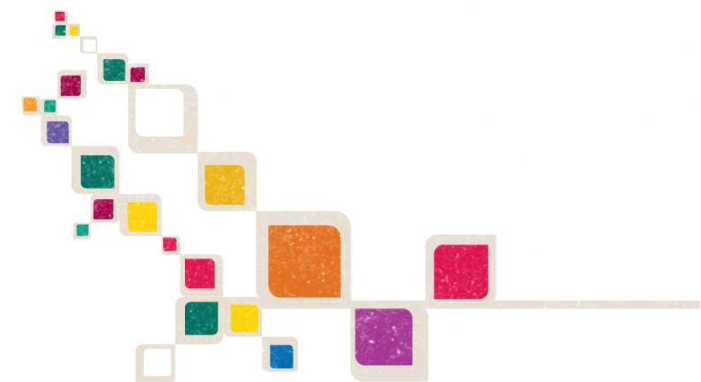
- Innovation in public financial management (December 2015); www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/
- Knowing the Ropes – Audit Committee; Effectiveness Review (October 2015); www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/
- Making devolution work: A practical guide for local leaders (October 2015) www.grantthornton.co.uk/en/insights/making-devolution-work/
- Reforging local government: Summary findings of financial health checks and governance reviews (December 2015) <http://www.grantthornton.co.uk/en/insights/reforging-local-government/>,

Members and officers may also be interested in our recent webinars:

Alternative delivery models: Interview with Helen Randall of Trowers and Hamlins, discussing LATCs and JVs in local government. <http://www.grantthornton.co.uk/en/insights/qa-on-local-authority-alternative-delivery-models/>

Cyber security in the public sector: Our short video outlines questions for public sector organisations to ask in defending against cyber crime <http://www.grantthornton.co.uk/en/insights/cyber-security-in-the-public-sector/>

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.



Introduction

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

At previous Audit Committees we alerted Members of the Audit Committee to four publications that Grant Thornton has produced at the time. In this report, we have included the links so that Members can access these reports electronically.

- Better Together: Building a successful joint venture company; <http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>
- Knowing the Ropes – Audit Committee; Effectiveness Review ; www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/
- Making devolution work: A practical guide for local leaders (October 2015) www.grantthornton.co.uk/en/insights/making-devolution-work/
- Joining up the dots, not picking up the pieces - Partnership working in mental health (April 2016) <http://www.grantthornton.co.uk/en/insights/partnership-working-in-mental-health/>

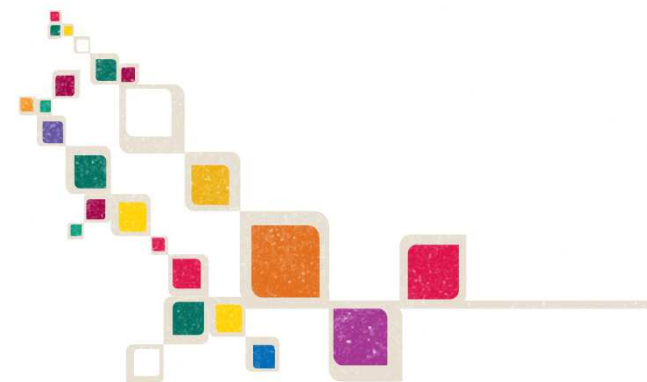
If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.



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Progress at 9 September 2016

Work	Planned date	Complete?	Comments
<p>2015/16 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2014-15 financial statements.</p>	January 2016 to March 2016.	Yes	Audit plan was presented to the March Audit Committee agenda.
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	January to March 2016.	Yes	We had no findings to report following the interim audit. The summary of our interim review was presented to the March Audit Committee.
<p>2015/16 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2015/16 financial statements • proposed opinion on the Council 's accounts 	July 2016.	Yes	The opinion was given on 15 th July 2016. The earliest date possible for 2015/16

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Progress at 9 September 2016

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The following sub-criteria are intended to guide auditors in reaching their overall judgements:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties. <p>We will be required to report by exception if we conclude that we are not satisfied that the Council has in place proper arrangements to secure value for money in the use of its resources for the relevant period.</p>	January to July 2016	Yes	An unqualified Value for money conclusion was given on the 15 th July 2016.
<p>Certify the Council's WGA accounts</p>	August 2016.	Yes	The Council's WGA return assurance statement was submitted on September 6 th 2016.
<p>Grant claims and certification.</p> <p>We anticipate that we will be required to certify the Council's 2015/16 Housing benefit and council tax subsidy claim.</p>	June 2016 to November 2015.	Not yet due	The work on the 2015/16 claim is ongoing and will be completed by 30 November 2016.
<p>Other grant claims</p> <p>In addition, in 2015, we have undertaken the, under a separate engagement, certification of the Council's:</p> <ul style="list-style-type: none"> - HCA Backlog maintenance claim; and - Pooling of capital receipts claim. <p>Should these be required</p>	August 2016 – September 2016.	Not yet due.	The work on the 2015/16 claim is ongoing and will be completed by 30 September 2016.

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Brexit: What happens next and what does it mean for you?

The people of the UK have made a decision to leave the EU. What happens next - and the implications for businesses and organisations in the UK - is less clear.

We have produced an analysis of what we know about the mechanics of leaving the EU, our assessment of some of the external factors that may affect organisations over the coming months and years, and a summary of the different models for trading relationships outside the EU. This can be found on our website and we have attached copies to this report.

In thinking about the impact organisations will want to consider not only legal and regulatory changes but also market reactions, consumer and business behaviours, and the wider political and economic environment. The Council will have a role in both shaping its own response and in helping organisations in the City respond to a changing environment. We can expect three broad phases of reaction to Brexit:

- initial volatility
- medium term uncertainty and instability
- longer term transition

The impact of this will be different for every organisation. In looking at the threats and opportunities these phases create, and planning how the Council can create and protect value, you may wish to consider the short, medium and long term implications for issues like people and talent, strategic ambitions, financing, risk, operations and protecting investment.

We believe that in the coming weeks and months, dynamic organisations have a critical role to play in helping to shape the future of Britain. Grant Thornton is leading a campaign which explores how we can build a vibrant economy. You can find out more here: <http://vibranteconomy.co.uk/>

We would welcome views on what the priorities should be for government and the UK to create a new economy outside the EU.

Emerging issues

How is the Council responding to the outcome of the EU referendum?

Financial sustainability of local authorities: capital expenditure and resourcing

National Audit Office

According to the NAO, Local authorities in England have maintained their overall capital spending levels but face pressure to meet debt servicing costs and to maintain investment levels in their existing asset bases.

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Since 2010-11, local authorities have faced less pressure on their resources to support capital expenditure as compared to revenue. Although local authorities' revenue spending power fell by over 25 per cent in real terms from 2010-11 to 2015-16, the NAO estimates that capital grants to authorities marginally increased from 2010-11 to 2014-15, (excluding education).

Capital spending by authorities increased by more than five per cent in real terms overall between 2010-11 and 2014-15, but this is uneven across local authorities and service areas. Almost half of authorities reduced their capital spending. Most service areas saw an increase in capital spend with the exception of culture and leisure: capital spending fell by 22 per cent overall in this area.

The NAO's report, published on 15 June, found that authorities face a growing challenge to continue long-term investment in their existing assets. Total spending has remained stable, but increasingly capital activities are focused on 'invest to save' and growth schemes that cover their costs or have potential to deliver a revenue return. Many areas of authorities' asset management programmes do not meet these criteria and are now seen as a lower priority.

The report also notes that local authorities' debt servicing costs have grown as a proportion of revenue spending as revenue resources have fallen. A quarter of single-tier and county councils now spend the equivalent of 10 per cent or more of their revenue expenditure on debt servicing, with metropolitan district councils being particularly exposed.

According to the NAO, DCLG has rightly focused on revenue issues in the 2015 Spending Review but in future reviews will need to focus more on capital. The Department is confident from its engagement with authorities that revenue pressures are their main concern, however the NAO's analysis demonstrates that capital costs exert significant and growing pressure on revenue resources.

The full report is available at:

<https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-capital-expenditure-and-resourcing/>

The changing face of Corporate Reporting

We have established a global network of public sector auditors and advisors to share good practice and to provide informed solutions to the corporate reporting challenges our clients face.

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We were fortunate to have the CEO of the IIRC speak at our most recent meeting. Integrated Reporting, <IR>, is a new approach to corporate reporting and it is building a world-wide following in both the public and private sectors.

In the commercial sector, <IR> has led to improvements in business decision making, the understanding of risks and opportunities as well as better collaborative thinking by boards about goals and targets..

<IR> is based on integrated thinking that results in a report by an organisation about sustainable value creation. It requires a more cohesive and efficient approach to organisational reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of an organisation to create value over time.

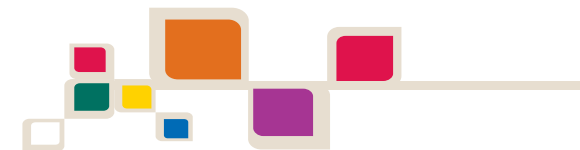
By moving the focus away from only short-term, backward looking, financial reporting, <IR> encourages organisations to report on a broader range of measures that link their strategic objectives to their performance. The result is an overview of an organisation's activities and performance in a much wider, more holistic, context.

- <IR> encourages organisations to consider whether there are any gaps in the information that is currently available to them, so that integrated thinking becomes embedded in mainstream practice.
- <IR> is underpinned by the International <IR> Framework published in December 2013. It is principles- based, allowing organisations to innovate and develop their reporting in the context of their own regulatory framework, strategy, key drivers, goals and objectives.
- <IR> is consistent with the Strategic Reports required from UK companies, the Performance Reports that government departments, agencies and NHS bodies produce and the developing Narrative Reporting in local government.

The IIRC has established a Public Sector Pioneer Network to consider why and how the public sector can adopt <IR>, with the end goal of improving transparency and building trust. There is already a core of UK organisations within this.

<Integrated Reporting>

Further information is available on the IIRC's website



Accounting and audit issues

Flexible use of capital receipts

DCLG has issued a [Direction and Statutory Guidance](#) on the flexible use of capital receipts to fund the revenue costs of reform projects. The direction applies from 1 April 2016 to 31 March 2019.

The Direction sets out that expenditure which 'is incurred by the Authorities that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners' can be treated as capital expenditure.

Capital receipts can only be used from the disposals received in the years in which the flexibility is offered rather than those received in previous years.

Authorities must have regard to the Statutory Guidance when applying the Direction.

Challenge questions:

- Is your **Head of Finance** *[change to appropriate title]* aware of this new direction?

Better Together: Building a successful joint venture company

Local government is evolving as it looks for ways to protect front-line services. These changes are picking up pace as more councils introduce alternative delivery models to generate additional income and savings.

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'Better together' is the next report in our series looking at alternative delivery models and focuses on the key areas to consider when deciding to set up a joint venture (JV), setting it up and making it successful.

JVs have been in use for many years in local government and remain a common means of delivering services differently. This report draws on our research across a range of JVs to provide inspiring ideas from those that have been a success and the lessons learnt from those that have encountered challenges.

Key findings from the report:

- JVs continue to be a viable option – Where they have been successful they have supported councils to improve service delivery, reduce costs, bring investment and expertise and generate income
- There is reason to be cautious – Our research found a number of JVs between public and private bodies had mixed success in achieving outcomes for councils
- There is a new breed of JVs between public sector bodies – These JVs can be more successful at working and staying together. There are an increasing number being set up between councils and wholly-owned commercial subsidiaries that can provide both the commercialism required and the understanding of the public sector culture.

Our report, Better Together: Building a successful joint venture company, can be downloaded from our website: <http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>

Grant Thornton reports

 Grant Thornton
An instinct for growth™

ALTERNATIVE SERVICE DELIVERY MODELS IN LOCAL GOVERNMENT

Better together
Building a successful
joint venture company



Advancing closure: the benefits to local authorities

With new regulation bringing forward the required publishing date for accounts local authorities must consider the areas needed to accelerate financial reporting.

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In February 2015, regulations were laid before parliament confirming proposals to bring forward the date by which local authority accounts must be published in England. From 2017-18, authorities will need to publish their audited financial statements by 31 July, with Wales seeking to follow a similar approach over the next few years.

Many local government bodies are already experiencing the benefits of advancing their financial reporting processes and preparing their accounts early, including:

- raising the profile of the finance function within the organisation and transforming its role from a back office function to a key enabler of change and improvement across the organisation;
- high quality financial statements as a result of improved quality assurance arrangements;
- greater certainty over in-year monitoring arrangements and financial outturn position for the year, supporting members to make more informed financial decisions for the future;

- improved financial controls and accounting systems, resulting from more efficient and refined financial processes; and
- allowing finance officers more time to focus on forward looking medium term financial planning and transformational projects, to address future financial challenges.
- While there is no standard set of actions to achieve faster close there are a number of consistent key factors across the organisations successfully delivering accelerated closedown of their accounts, which our report explores in further details:
 - Enabling sustainable change requires committed leadership underpinned by a culture for success
 - Efficient and effective systems and processes are essential
 - Auditors and other external parties need to be on board and kept informed throughout

Grant Thornton are promoting two seminars to highlight the contents of this report, in Bristol and Exeter. Your officers, together with Geraldine Daly, are presenting at the Exeter event on 19th October on the outcome of your audit this year. This will highlight Mid Devon's success in achieving a faster close.

Grant Thornton reports

Grant Thornton
An instinct for growth

Advancing closure
Transforming the financial reporting of
local authority accounts

<http://www.grantthornton.co.uk/en/insights/advancing-closure-the-benefits-to-local-authorities/>

CFO Insights – driving performance improvement

CFO insights is an online analysis tool that gives those aspiring to improve the financial position of their local authority instant access to insight on the financial performance, socio- economy context and service outcomes of every council in England, Scotland and Wales.

The tool provides a three-dimensional lens through which to understand council income and spend by category, the outcomes for that spend and the socio-economic context within which a council operates. This enables comparison against others, not only nationally, but in the context of their geographical and statistical neighbours. CFO Insights is an invaluable tool providing focused insight to develop, and the evidence to support, financial decisions.

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We are happy to organise a demonstration of the tool if you want to know more.



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The Annual Audit Letter for Mid Devon District Council

Year ended 31 March 2016

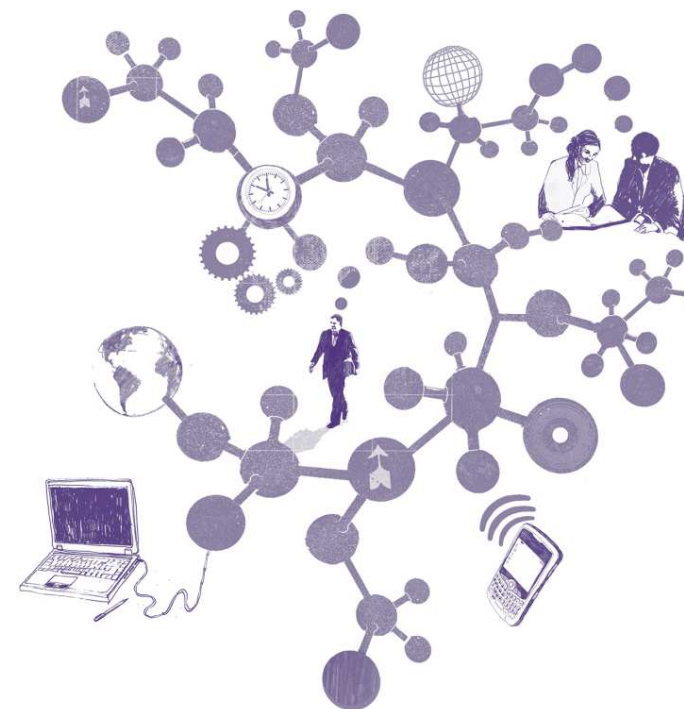
20 September 2016

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Agenda Item 11.

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Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Mid Devon District Council (the Council) for the year ended 31 March 2016.

This Letter is intended to provide a commentary on the results of our work to the Council and its external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Audit Committee as those charged with governance in our Audit Findings Report on 15 July 2016.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work

Financial statements opinion

We gave an unqualified opinion on the Council's financial statements on 15 July 2016. Through our liaison and the commitment by the Council's finance staff we are pleased to report that this was the earliest point that we could issue our opinion. The Council have shown that they are well equipped to meet the forthcoming early deadline of audit sign off on 31 July 2016 when it commences in 2017/18.

Value for money conclusion

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2016. We reflected this in our audit opinion on 15 July 2016.

Certificate

We certified that we had completed the audit of the accounts of Mid Devon District Council in accordance with the requirements of the Code on 6 September 2016.

Certification of grants

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2016. We will report the results of this work to the Audit Committee in our Annual Certification Letter.

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

Grant Thornton UK LLP
September 2016

Audit of the accounts

Our audit approach

Materiality

In our audit of the Council's accounts, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Council's accounts to be £900k, which is 2% of the Council's gross revenue expenditure. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it spent the income it raised from taxation and grants during the year.

We also set a lower level of specific materiality for certain areas such as cash, auditor's remuneration and senior officer remuneration.

We set a lower threshold of £45k, above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error.

This includes assessing whether:

- the Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts on which we give our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Table 1: Audit risks

Risks identified in our audit plan	How we responded to the risk
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Mid Devon District Council, we determined that the risk of fraud arising from revenue recognition could be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Mid Devon District Council, mean that all forms of fraud are seen as unacceptable. <p>We reviewed the accounting policies for revenue recognition.</p> <p>Our audit work did not identify any issues in respect of revenue recognition.</p>
<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>We undertook:</p> <ul style="list-style-type: none"> • a review of accounting estimates, judgments and decisions made by management; • testing of journal entries and a review of the control environment around posting; and • a review of unusual significant transactions. <p>Our audit work did not identify any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries did not identify any significant issues.</p>

Audit of the accounts (continued)

Risks identified in our audit plan	How we responded to the risk
<p>Valuation of property, plant and equipment - Valuation gross, revaluation measurement not correct</p> <p>The Council is required to revalue its assets, this represents a significant estimate by management in the financial statements. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from current value.</p> <p>Mid Devon District Council revalues its assets annually, at the 31st March each year.</p>	<p>As part of our work we:</p> <ul style="list-style-type: none"> documented and walked through the key controls; reviewed management's processes and assumptions for the calculation of the estimate; reviewed the competence, expertise and objectivity of the valuer; reviewed the instructions and information issued to the valuer and the scope of their work; discussed with the Council's valuer the basis on which the valuation was carried out, challenging the key assumptions; and tested the revaluations made during the year to ensure they were input correctly into the Council's asset register. <p>Our work did not identify any issues in this area.</p>
<p>Valuation of pension fund net liability - valuation net</p> <p>The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.</p>	<p>As part of our work we:</p> <ul style="list-style-type: none"> documented the key controls that have been put in place by management to ensure that the pension fund liability was not materially misstated; walked through the key controls to assess whether they were implemented as expected and mitigate the risk of material misstatement in the financial statements; reviewed the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation; gained an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made; and reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from the actuary. <p>Our audit work did not identify one issue in respect of the pension fund net liability.</p> <p>Management identified an incorrect disclosure in respect of the return on plan assets, and the presentation was corrected for 2015/16. There is also a requirement to re-present the 2014/15 comparatives; this was subsequently adjusted.</p>

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the Council's accounts on 15 July 2016, well in advance of the 30 September 2016 national deadline.

The Council made the accounts available for audit in line with the agreed timetable, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the accounts

No significant issues were identified during the course of the audit.

Annual Governance Statement and Narrative Report

We are also required to review the Council's Annual Governance Statement and Narrative Report. The Council published them on its website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Council and with our knowledge of the Council.

Other statutory duties

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

We were not required to use our additional powers during the 2015/16 audit.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2015 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out in table 2 overleaf.

As part of our Audit Findings report agreed with the Council on 15 July 2016, we recommended that the Council need to continue to review the financial resilience and robustness of future budget assumptions and savings plans.

Management have responded and the Council has already commenced the budget process for 2017/18 and started to update the assumptions in the Medium Term Financial Plan (MTFP). All Service managers have been tasked with providing details of the impact on service provision together with any associated risks following the identified budget cuts.

However, there is considerable uncertainty going forward in respect of local government funding and the Council will need to revisit central government grants and assistance from other bodies such as Devon County Council, especially following the BREXIT vote. The Council will continue to follow developments closely and base its medium term financial plan on the best available information prior to publication, highlighting the assumptions made in the model.

Overall VfM conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016.

Value for Money

Table 2: Value for money risks

Risk identified	Work carried out	Findings and conclusions
<p>Financial outturn</p> <p>The Council originally forecast an overspend of £372k for 2015/16; a budget for 2016/17 that is balanced using £743k of New Homes Bonus, and whose future is uncertain; and finally a preliminary grant settlement that shows the elimination of the Revenue Support Grant (£1.7m in 2015/16) by 2019/20.</p>	<p>We reviewed the Council's MTFP and savings plans, and discussed the projected plans with management.</p>	<p>The Month 12 outturn report was presented at the May Cabinet meeting and the financial position is reported to Cabinet at each meeting. The financial statements show a net overspend of £169k for 2015/16.</p> <p>The MTFP shows an overall deficit on General Fund totalling £3.3m over the life of the plan, meaning GF reserve would be overdrawn by £1m by the end of 19/20. The deficit for forecast for 2016/17 is £508k, which increases annually peaking at £1.2m in 2019/20. The MTFP Capital Programme is balanced until 2018/19 but has £3.1m deficit for 2019/20.</p> <p>The 2016/17 budget has been balanced with a temporary £326k transfer from NHB reserve. Work on strategic planning for delivering balanced budgets in the future to commence with the new corporate plan.</p> <p>Presented in October 2015 the MTFP shows a cumulative deficit of £3.3m over the five year period. Management have identified potential service savings of £1,811k which could be delivered over the next 4 financial years. The General Fund Balance stands at £2.3m at the 31 March 2016.</p> <p>The Council has identified the extent of savings required for the next four years and has already identified areas of savings that address the majority of the shortfall. The Council has shown that it can manage the savings process and has a good record of identifying and delivering savings. However, the delivery of the MTFP will be challenging for the Council.</p>

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Working with the Council

Our work with you in 2015/16

We are really pleased to have worked with you over the past year. We have established a positive and constructive relationship. Together we have delivered some great outcomes.

An efficient audit – we delivered the accounts audit on the 15th July 2016, at the earliest possible signing date, well before the deadline and in line with the timescale we agreed with you. Our audit team are knowledgeable and experienced in your financial accounts and systems. Our relationship with your team provides you with a financial statements audit that continues to finish ahead of schedule releasing your finance team for other important work.

Improved financial processes – during the year we reviewed your financial systems and processes including employee remuneration, non- pay expenditure and property plant and equipment. We worked with you to streamline your processes to ensure that the Council is well placed to produce a compliant set of financial statements that is prepared, and audited, within the condensed timescales proposed for 2017/18.

Understanding your operational health – through the value for money conclusion we provided you with assurance on your operational effectiveness. We highlighted the need to monitor, track and achieve the identified savings plans.

Sharing our insight – we provided regular Audit Committee updates covering best practice. Areas we covered included. Innovation in public financial management; Knowing the Ropes – Audit Committee; Effectiveness Review; Making devolution work; Reforging local government. We have also shared with you our insights on advanced closure of local authority accounts, in our publication "Transforming the financial reporting of local authority accounts" and will continue to provide you with our insights as you bring forward your production of your year-end accounts. The Council's finance team have agreed to present their success at our early closure seminar in October 2016.

Thought leadership – We have shared with you our publication on "Building a successful joint venture" and will continue to support you as you consider greater use of alternative delivery models for your services.

Supporting development – Over the last year we have hosted a number of events and workshops over the year. These are designed to support and inform Council officers, and members, on current issues and topics:

- November 2015: Audit Quality and Efficiency and Early Close workshops
- February 2016: Building a successful trading company
- March 2016: Undertaking the 2015/16 accounts closedown (with CIPFA-FAN)

Working with the Council

Our work with you in 2015/16 (continued)

Events already planned for later this year, are:

- October: 6th: Income Generation: Local Government and Private Sector Roundtable Event
- October 19th: South West LG Faster Close & Highways Network Assets client workshops:
- TBA: Building a successful joint venture.

Grant Thornton has also been pro-active in supporting Local Government in Devon with regular input and attendance to the Devon Chief Accountants group and the Devon Audit group. This facilitates our working together with organisations as the largest provider of external audit to the Public Sector in Devon.

Providing information – Alongside our national publications, above, we also shared data analytics information highlighting health and social conditions and lifestyle needs in your area. The key reports we have shared are:

- District Profile: An Economic, Social and Environmental Summary Profile of Cornwall
- Health and wellbeing Index
- Business Location Index-Mid Devon

Similarly we support these offerings with the opportunity to subscribe to our extensive bespoke databases:

- Place analytics
- CFO Insights

We will continue to liaise closely with the senior finance team during 2016/17 on important accounting developments, with timely feedback on any emerging issues.

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	Proposed Fee £	Final Fee £	2014/15 fees £
Council audit	47,700	47,700	63,600
Grant certification	7,418	*7,418	10,374
Total audit fees (excluding VAT)	55,118	55,118	73,974

* Certification work is not yet complete

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Reports issued

Report	Date issued
Audit Plan	15 March 2016
Audit Findings Report	15 July 2016
Annual Audit Letter	20 September 2016

Fees for other services

Service	Fees £
Audit related services:	None
Non-audit services	
- Pooling of capital receipts 2014/15	1,400
- HCA Decent Homes backlog claim 2014/15	1,500



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