

Public Document Pack

Mid Devon District Council

Audit Committee

Tuesday, 22 January 2019 at 5.30 pm
Exe Room, Phoenix House, Tiverton

Next ordinary meeting
Tuesday, 19 March 2019 at 5.30 pm

Those attending are advised that this meeting will be recorded

Membership

Cllr R Evans (Chairman)
Cllr Mrs J B Binks
Cllr Mrs C Collis
Cllr R M Deed
Cllr T G Hughes
Cllr R F Radford
Cllr L D Taylor

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. **Declaration of Interests under the Code of Conduct**
Councillors are reminded of the requirement to declare any interest, including the type of interest, and reason for that interest, either at this stage of the meeting or as soon as they become aware of that interest.
3. **Public Question Time**
To receive any questions relating to items on the Agenda from members of the public and replies thereto.
4. **Minutes of the previous meeting (Pages 5 - 10)**
Members to consider whether to approve the minutes as a correct record of the meeting held on 20 November 2018.
5. **Chairman's Announcements**
To receive any announcements that the Chairman may wish to make.

6. **Review of officer responsiveness to Members in Planning**
To receive a verbal update from the Chief Executive regarding responsiveness to Members queries within the Planning service.
7. **Performance & Risk 2018/19** *(Pages 11 - 42)*
To receive a report from the Director of Corporate Affairs & Business Transformation providing Members with an update on performance against the Corporate Plan and local service targets for 2018/19.
8. **Progress update on the Annual Governance Statement Action Plan** *(Pages 43 - 48)*
To receive a report from the Group Manager for Governance and Data Security providing the Committee with an update on progress made against the Annual Governance Statement 2017/18 Action Plan.
9. **Financial Regulations Review** *(Pages 49 - 200)*
To receive a report from the Deputy Chief Executive (S151 Officer) making recommendation for amendments to the Financial Regulations of the Authority, to ensure they are appropriate, reflecting the Authority's latest structure and delegations.
10. **Internal Audit Progress Report 2018-19** *(Pages 201 - 210)*
To receive an Internal Audit progress report from the Head of the Devon Audit Partnership.
11. **Assurance Mapping**
As discussed at the previous meeting, further consideration to be given to the concept of assurance mapping (additional information to follow).
12. **Devon Audit Partnership Review** *(Pages 211 - 212)*
To receive a briefing note regarding the Devon Audit Partnership Review. This will be introduced by the Chairman of the Audit Committee.
13. **External Audit Plan - Grant Thornton** *(Pages 213 - 230)*
To receive a report from the external auditor's providing an overview of the planned scope and timing of the statutory audit of Mid Devon District Council for the year ending 31st March 2019.
14. **External Audit Progress Report and Sector Update (including Grant Certification Outturn for 2017/18)** *(Pages 231 - 242)*
To receive a report from Grant Thornton providing the Audit Committee with a report on progress in delivering their responsibilities as the Council's external auditors. It also includes an outturn report for the Grants Certification work completed in 2017/18.
15. **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

- Progress update on the Annual Governance Statement Action Plan
- Internal Audit Progress Report
- Draft Strategic Audit Plan for 2019/20 to 2022/2023
- Risk and Opportunity Management Strategy
- External Audit Progress Report and Update
- Chairman's Annual Report for 2018/19

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

Stephen Walford
Chief Executive
Monday 14 January 2019

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 to 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

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MID DEVON DISTRICT COUNCIL

MINUTES of a **MEETING** of the **AUDIT COMMITTEE** held on 20 November 2018 at 5.30 pm

Present

Councillors

R Evans (Chairman)
Mrs J B Binks, Mrs C Collis, R M Deed, T G Hughes,
R F Radford and R Wright

Apologies

Councillor

L D Taylor

Present

Officers

Catherine Yandle (Group Manager for Performance, Governance and Data Security), Joanne Nacey (Group Manager for Finance), David Curnow (Deputy Head of Devon Audit Partnership) and Sarah Lees (Member Services Officer)

40. **Apologies**

Apologies were received from Cllr L D Taylor who was substituted by Cllr R Wright.

41. **Declaration of Interests under the Code of Conduct**

There were no interests declared under this item.

42. **Public Question Time**

There were no members of the public present.

43. **Minutes of the previous meeting**

The minutes of the meeting held on 18 September 2018 were confirmed as a true and accurate record and **SIGNED** by the Chairman.

44. **Chairman's Announcements (00:03:11)**

The Chairman had the following announcements to make:

- a) Both he and Cllr R M Deed had attended the joint DAP / South West Audit Partnership (SWAP) training events in October. Both commented that these had been very helpful and informative. Slides were available following the training but the Chairman had had some difficulty in forwarding these to Committee Members. The Clerk would investigate and forward the information as soon as possible to the rest of the Committee.
- b) Both he and Cllr R M Deed had attended the Devon Audit Partnership (DAP) meeting in November.

- c) Geri Daly from Grant Thornton would be moving away from auditing Mid Devon in the near future as part of a 5 year rotational appointment. She would attend the meeting in January with her replacement, Julie Masci, who was an Associate Director at Grant Thornton.
- d) He reminded the Committee that the Chief Executive would be present at the next meeting in January to discuss Planning performance.

45. **Performance & Risk for 2018-19 (00:06:58)**

The Committee had before it, and **NOTED**, a report * from the Director of Corporate Affairs & Business Transformation providing Members with an update on performance against the Corporate Plan and local service targets for 2017-18 as well as providing an update on the key business risks.

The contents of the report were outlined and discussion took place regarding the following:

- The question was asked as to who had decided to place the 2 electric car charging points at each Leisure Centre and had this been advertised. It was explained that Property Services had had the charging points installed. As this was Council owned land it was seen as a positive initiative and one way or reducing the Council's carbon footprint.
- The reporting of affordable housing figures.
- There had been a very slight increase in the percentage of missed collections logged during the summer months. This had been due to staffing issues and the use of agency staff who were perhaps not as familiar with some parts of the District. However, there had been a recent recruitment exercise.
- The Council was also performing well in terms of rent collection during times of financial hardship.
- The Council was performing well in terms of the number of business rate accounts and the number of businesses assisted. However, there was still a comparatively high number of empty shops so whilst there was success in one area there was a challenge in another.
- Of the high risk food premises inspected, 85% were complying with food safety law. 'Scores on the Doors' was a separate issue and was reported annually.
- A plan to reduce the number of working days lost due to sickness had been discussed by the Leadership Team in October. This would continue to be monitored by them and through the Annual Governance Statement Action Plan.
- The disclosure arrangements for the new wholly owned 3 Rivers Development Company were posing technical accounting questions. The Finance department had enlisted the help of a technical expert who was paid a flat fee for advising the Council and therefore this had not incurred any additional costs. The Council would ensure that it maintained an arms-length relationship with the company and would not allow them any competitive advantage.
- The 3 Rivers Development Company would have to manage its own risks, these were explained as being completely separate to those of the Council.
- An audit would be undertaken of the 3 Rivers governance arrangements shortly.

- The risks in relation to Asset Management. It was explained that the scores in relation to this risk needed to be amended to say '5' for the current risk severity and '3' for current risk likelihood.
- A review note was needed with regard to the Culm Garden Village. There was a financial risk if the bid for capacity funding failed as costs were already being incurred. It was explained that the mitigation would be for the Council to use other funds. The Group Manager for Finance confirmed that she would provide a review note to add assurance.
- It was noted that there were a lot of missing review notes in the Street Scene area. It was requested that this be reflected back to the manager and that review notes appear in future.

The Committee requested that they receive further information regarding the following:

- The completion date for the Birchen Lane development.
- Usage levels regarding the electric charging points at the Leisure Centres.
- That the slides presented by the Deputy Chief Executive (S151) at the 3 Rivers Development Company briefing be circulated to the Committee following this meeting.
- Details regarding a claim against the Council regarding losses and damages from a previous contractor at the Palmerston Park development.

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

46. **Progress update on the Annual Governance Statement Action Plan (00:55:15)**

The Committee had before it, and **NOTED**, a report * from the Group Manager for Performance, Governance and Data Security providing it with an update on progress made against the Annual Governance Statement 2017/18 Action Plan.

Discussion took place regarding the planning system which was now being reconciled with the financial system. An updated database of S106 records had now been put in place and it was anticipated that this new specialised software would provide an overview of the 'trigger points' for all of the S106 agreements. However, it was unlikely that the new system would be able to identify the social housing nominated to local people in perpetuity.

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

47. **Anti-fraud and Corruption and Anti-Money Laundering Policies (01:02:25)**

The Committee had before it, a report * from the Group Manager for Governance and Data Security presenting it with the reviewed and updated policies for Anti-Fraud & Corruption and Anti-Money Laundering.

It was explained that the changes to these policies had been very minor in nature and related to job titles not updates with regard to legislation.

A brief discussion took place regarding 'whistleblowing' within the Council. It was confirmed that there had been no instances of whistleblowing in the past few years.

RESOLVED that:

- (i) The revised and updated Anti-Fraud & Corruption and Anti-Money Laundering policies be approved;
- (ii) The Group Manager for Performance, Governance and Data Security be given delegated authority to make minor amendments to these policies e.g. to job titles.

(Proposed by Cllr Mrs J B Binks and seconded by Cllr R M Deed)

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

48. Data Quality Policy (01:05:35)

The Committee had before it a report * from the Group Manager for Governance and Data Security presenting it with the Data Quality Policy and Data Quality Standards.

RESOLVED that the revised Data Quality Policy and Data Quality Standards be approved and that the next review of the policy take place in 4 years' time.

(Proposed by the Chairman)

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

49. Internal Audit Progress Report 2018-2019 (01:08:09)

The Committee had before it, and **NOTED**, a report * from the Head of the Audit Partnership providing an update on work within the Internal Audit area.

Consideration was given to:

- Overall, based on work performed during 2018/19 and experience from the current year progress and previous years' audit, the Head of Internal Audit's opinion was of 'Significant Assurance' on the adequacy and effectiveness of the Authority's internal control framework. 'Full Assurance' could only be achieved by employing more staff in the Internal Audit area.
- Findings of particular interest included the opportunity to improve management level control particularly in performance monitoring which had received increased focus from the Leadership Team.
- The proposed audits to be deferred to the next years audit planning process were the job evaluation system, Culm Valley project, benefits realisation reporting and the asset management plan.
- It was **NOTED** that of the three audits completed they were all of a 'Good Standard'.
- There was still a number of outstanding audit recommendations in the high risk column relating to audits conducted in 2015. The Committee requested that these be resolved as soon as possible.
- Assurance mapping and the '3 lines of Defence Model'. It was explained that this was a pictorial way of seeking further assurance from a particular area. The first line of defence would come from the people on the ground doing the work. The second line of defence consists of activities covered by several components of internal governance e.g. other control departments such as

Finance. The third line of defence would come from internal audit and then there is external audit as well as the regulator. It was further explained that this type of mapping should come from within the authority itself, ideally from Group Managers up to Leadership Team. It might also be possible to link this kind of mapping into the Risk Register. It was **AGREED** that an item be placed on the agenda for the next meeting regarding assurance mapping where this could be discussed in further detail.

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

50. **External Progress Report and Sector Update (01:30:03)**

The Committee had before it, and **NOTED**, a report * from Grant Thornton providing an update on progress in delivering their responsibilities as the Council's external auditors.

- They would be commencing their planning for the audit shortly and an audit plan would be brought to the Committee for their January meeting.
- They were currently in the process of certifying the housing benefit return. The claim was likely to be amended as some errors had been found, however, these were not of a significant nature.
- The Committee's attention was drawn to Grant Thornton's recent report regarding 'Local Government Authority Trading Companies'. This publication brought together their experience in this area and set out some potential pitfalls. Some of these pitfalls related to governance arrangements, the need for assurance and to maintain an arms length relationship. It was **AGREED** that Members attention be brought to this publication via WIS.

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

51. **Identification of items for the next meeting (01:37:55)**

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

- Assurance Mapping

(The meeting ended at 7.15 pm)

CHAIRMAN

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AUDIT COMMITTEE 22 JANUARY 2019

PERFORMANCE AND RISK FOR 2018-19

Cabinet Member Cllr Clive Eginton
Responsible Officer Director of Corporate Affairs & Business Transformation,
Jill May

Reason for Report: To provide Members with an update on performance against the corporate plan and local service targets for 2018-2019 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.

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.

Equality Impact Assessment: No equality issues identified for this report.

1.0 Introduction

- 1.1 Appendices 1-5 provide Members with details of performance against the Corporate Plan and local service targets for the 2018-2019 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 & Safety risks where the score meets the criteria for inclusion. See 3.0 below.
- 1.4 Appendix 7 shows the risk matrix for the Council.
- 1.5 All appendices are produced from the Corporate Service Performance And Risk Management system (SPAR).

2.0 Performance

Environment Portfolio - Appendix 1

- 2.1 Regarding the Corporate Plan Aim: **Increase recycling and reduce the amount of waste:** The % of household waste reused, recycled and composted; the recycling rate for the year so far is 54.1% compared to 52.6% for the same period last year when in Q 1 & 2 street sweeping waste was sent to landfill until the transfer station was built. Since the opening of the transfer station all residual waste is now taken to the Energy from waste plant.
- 2.2 The recycling rate for the whole of England for 2017-18 was 44.8% (2016-17 45.1%). MDDC's rates were 51.9% for 2017-18 (2016-17 53.3%) so exhibiting the same pattern but much better results.
- 2.3 Regarding the Corporate Plan Aim: **Reduce our carbon footprint:** There are now 2 public electric car charging points at each leisure centre, additional chargers are being installed as part of the Premier Inn project.
- 2.4 Savings from the Anesco project are on target after 5 years of operation.
- 2.5 Regarding the Corporate Plan Aim: **Protect the natural environment:** There have been 12 Fixed Penalty Notices (FPNs) issued so far this year with one offender having appeared in court resulting in a fine of £800 for non-payment of the FPN.

Homes Portfolio - Appendix 2

- 2.1 Regarding the Corporate Plan Aim: **Build more council houses:** Birchen Lane (4 units) is completed and the first tenants have moved in. Burlescombe (6 units) is due March 2019 and for Palmerston Park; practical completion is due in March for 12 units with handover of all 26 units due August 2019.
- 2.2 Regarding the Corporate Plan Aim: **Facilitate the housing growth that Mid Devon needs, including affordable housing:** Last year was very successful with both measures well above target. This year the **Affordable homes** delivered figure is currently well below target. But bringing **Empty homes** into use has now well exceeded the annual target.
- 2.3 Regarding the Corporate Plan Aim: **Planning and enhancing the built environment: Performance Planning Guarantee determined within 26 weeks** was just below target for Q2 but all 4 speed and quality measures were well above the required target. These are all reported quarterly.
- 2.4 Regarding the Corporate Plan Aim: **Other: % Properties with a valid Gas Safety Certificate;** two properties' Gas Safety Certificates have expired; both at legal stages (due to access issues) but with appointments. One which had taken a long time to access was finally serviced in November but was immediately replaced by another unfortunately.

- 2.5 Rent Arrears: Performance deteriorated a little, ending outside target for **current tenant arrears**; however, traditionally the position improves in December with the 2 rent-free weeks.
- 2.6 The **Average days to re-let** remains below target. This is reflected in the **Dwelling rent lost due to voids** which has decreased steadily throughout the year and is now at the same level as this time last year i.e. 0.5%.

Economy Portfolio - Appendix 3

- 2.7 Regarding the Corporate Plan Aim: **Focus on business retention and growth of existing businesses**: we record **Businesses assisted** which is above target; they have to be assisted for a minimum of an hour to be included in this figure. MDDC has also been instrumental in two successful bids for LEADER funding for Mid Devon businesses so far this year.
- 2.8 Regarding the Corporate Plan Aim: **Improve and regenerate our town centres with the aim of increasing footfall, dwell-time and spend in our town centres**: for Empty Shops, the vacancy rates have not been done yet for December but are expected to show an improvement over Q2.

Community Portfolio - Appendix 4

- 2.9 Regarding the Corporate Plan Aim: **Promote physical activity, health and wellbeing**: A total refurbishment of the fitness studio at Lords Meadow Leisure Centre has been completed; the official opening ceremony for the facility was on 10 January 2019.
- 2.10 Trim trail commissioning is on target for Q4 2018/19.
- 2.11 **Other: compliance with food safety law** there has been some reclassification of premises which has reduced the number of higher risk premises this PI relates to.
- 2.12 Mid Devon community groups are reminded that the deadline to apply for funding from round two of the Communities Together Fund (CTF) is fast approaching. Community groups must apply to the Communities Together Fund by the 21 February 2019 deadline.

Corporate - Appendix 5

- 2.13 **Working days lost due to sickness** remains well below target. The Sickness Absence Action Plan was approved by Leadership Team in October.
- 2.14 The **Response to FOI requests** remains slightly below target despite reminders being sent to respondents. This will be escalated to the Group Manager Team.
- 2.15 Complaints resolved within set timescales is above target. The average number of complaints recorded each month by Customer First is 29.

2.16 Our retail units at Market Walk were fully let out for Christmas 2018.

2.17 The cash collection project achieved the 1 December go live date.

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 10 or more. (Appendix 6)

3.2 Appendix 7 shows the risk matrix for MDDC for this quarter. If risks are not scored they are included in the matrix at their inherent score which will be higher than their current score would be.

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.

Contact for more Information: Catherine Yandle Group Manager for Performance, Governance and Data Security ext 4975

Circulation of the Report: Leadership Team and Cabinet Member

Corporate Plan PI Report Environment

Monthly report for 2018-2019
 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 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	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group Manager	Officer Notes
<u>Residual household waste per household (measured in Kilograms) (figures have to be verified by DCC)</u>	255.24 (8/12)		378.00	32.70	64.94	93.67	121.38	156.22	186.30	219.50	247.43						Stuart Noyce	
<u>% of Household Waste Reused, Recycled and Composted (figures have to be verified by DCC)</u>	52.7% (8/12)		53.0%	54.3%	55.0%	56.5%	56.1%	54.5%	54.2%	54.1%	54.0%						Stuart Noyce	
<u>Net annual cost of waste service per household</u>			£45.31	n/a	Stuart Noyce													
<u>Number of Households on Chargeable Garden Waste</u>	9,268 (8/12)		9,500	9,613	9,848	9,912	9,953	9,978	10,034	9,967	9,837						Stuart Noyce	
<u>% of missed collections reported (refuse and organic waste)</u>	0.04% (8/12)		0.03%	0.02%	0.02%	0.03%	0.03%	0.03%	0.04%	0.04%	0.04%						Stuart Noyce	
<u>% of Missed Collections logged (recycling)</u>	0.03% (8/12)		0.03%	0.01%	0.01%	0.01%	0.01%	0.02%	0.02%	0.02%	0.02%						Stuart Noyce	

Aims: Protect the natural environment

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group Manager	Officer Notes
	31 (8/12)			3	4	7	8	9	11	12	12							

Corporate Plan PI Report Environment																		
Priorities: Environment																		
Aims: Protect the natural environment																		
Performance Indicators																		
Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group to Manager	Officer Notes
<u>Number of Fixed Penalty Notices (FPNs) Issued (Environment)</u>																	Stuart Noyce	

Corporate Plan PI Report Homes

Monthly report for 2018-2019
 Arranged by Aims
 Filtered by Aim: Priorities Homes
 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 PI Report Homes

Priorities: Homes

Aims: Build more council houses

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group to Manager	Officer Notes
Build Council Houses	0 (8/12)		26	0	0	0	0	0	0	0	4						Angela Haigh	(September) Birchen Lane revised due completion October (CY)

Aims: Facilitate the housing growth that Mid Devon needs, including affordable housing

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group to Manager	Officer Notes
Number of affordable homes delivered (gross)	59 (2/4)		80	n/a	n/a	8	n/a	n/a	12	n/a	n/a		n/a	n/a			Angela Haigh	
Deliver 15 homes per year by bringing Empty Houses into use	84 (8/12)		72	13	19	26	29	56	70	92	107						Simon Newcombe	

Aims: Other

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group to Manager	Off Not
% Decent Council Homes	100.0% (8/12)		100.0%	99.8%	99.9%	99.7%	99.9%	99.9%	99.9%	99.9%	99.9%						Angela Haigh	
% Properties With a Valid Gas Safety Certificate	99.87% (8/12)		100.00%	99.69%	99.78%	99.73%	99.91%	99.91%	99.91%	99.87%	99.91%						Angela Haigh	
Rent Collected as a Proportion of Rent Owed	98.85% (8/12)		100.00%	95.34%	96.76%	97.09%	97.68%	99.26%	99.59%	99.40%	98.61%						Angela Haigh	
Current Tenant Arrears as a Proportion of Annual Rent Debit	1.33% (8/12)		1.00%	1.13%	1.17%	1.29%	1.34%	1.32%	1.31%	1.33%	1.51%						Angela Haigh	
Dwelling rent lost due to voids	0.5% (8/12)			0.71%	0.67%	0.70%	0.65%	0.57%	0.55%	0.52%	0.50%						Angela Haigh	
Average Days to Re-Let Local Authority Housing	16.6days (8/12)		14.0days	16.6days	15.9days	16.1days	15.6days	14.9days	14.2days	13.8days	13.9days						Angela Haigh	

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Corporate Plan PI Report Economy

Monthly report for 2018-2019
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

* indicates that an entity is linked to the Aim by its parent Service

Corporate Plan PI Report Economy

Priorities: Economy

Aims: Attract new businesses to the District

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group to Manager	Officer Notes
<u>Number of business rate accounts</u>	2,963 (7/12)		3,000	3,004	3,004	3,044	3,049	3,049	3,054	3,055							Andrew Jarrett, Fiona Wilkinson	

Aims: Focus on business retention and growth of existing businesses

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group to Manager	Officer Notes
<u>Businesses assisted</u>	195 (8/12)		250	25	49	72	93	113	129	162	190						None	

Aims: Improve and regenerate our town centres

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group to Manager	Officer Notes
<u>Increase in Car Parking Vends</u>	53,420 (7/12)			49,410	51,507	51,931	53,629	53,627	51,547	52,273							Andrew Jarrett	
<u>The Number of Empty Shops (TIVERTON)</u>	23 (3/4)		18	n/a	n/a	22	n/a	n/a	21	n/a	n/a	20	n/a	n/a			Adrian Welsh	(Quarter 3) Vacancy Rate is 8.6% representing 20 vacant units (JB)
<u>The Number of Empty Shops (CREDITON)</u>	8 (3/4)		8	n/a	n/a	10	n/a	n/a	8	n/a	n/a	9	n/a	n/a			Adrian Welsh	(Quarter 3) A vacancy rate of 7.8 % representing 9 vacant units (JB)
<u>The Number of Empty Shops (CULLOMPTON)</u>	9 (3/4)		8	n/a	n/a	6	n/a	n/a	7	n/a	n/a	9	n/a	n/a			Adrian Welsh	(Quarter 3) 10.6 % vacancy rate representing 9 units (JB)

Aims: Other

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group to Manager	Officer Notes
<u>Funding awarded to support economic projects</u>	£25,459 (2/4)			n/a	n/a	£0	n/a	n/a	£160,395	n/a	n/a		n/a	n/a			Adrian Welsh	

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Corporate Plan PI Report Community

Monthly report for 2018-2019
 Arranged by Aims
 Filtered by Aim: Priorities Community
 Filtered by Flag: Exclude: Corporate Plan Aims 2016 to 2020
 For MDDC - Services

Key to Performance Status:

Performance Indicators: No Data Well below target Below target On target Above target Well above target

* indicates that an entity is linked to the Aim by its parent Service

Corporate Plan PI Report Community

Priorities: Community

Aims: Promote physical activity, health and wellbeing

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group to Manager	Officer Notes
<u>GP Referrals</u>	22 (9/12)			22	22	22	22	22	22	22	22					Corinne Parnall	(December) 22 (K)	

Aims: Other

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group to Manager	Officer Notes
<u>Number of social media communications MDDC send out</u>	133 (9/12)		30	69	66	66	75	77	86	125	160	94					Jane Lewis	(December) No. of Facebook Posts Published = 5 No. of Tweets Tweeted = 43 (MA)
<u>Number of web hits per month</u>	24,152 (9/12)			35,191	33,432	29,453	30,317	31,082	29,611	31,193	29,782	28,428					Jane Lewis	
<u>Compliance with food safety law</u>	89% (9/12)		90%	85%	85%	85%	85%	85%	86%	86%	87%	87%					Simon Newcombe	(April - August) The reduction to 85% compliance is statistical issue. The cycle of inspection and interventions has meant a 3-yearly review of the lowest category risk premises has been completed this financial year. This has resulted in a number being identified as no longer active/preparing food and require deregistration. Such low-risk premises (e.g. village halls/pre-prepared food) have the most straightforward compliance targets and typically score above 90% as a result. Having fewer such premises means the overall % compliance across the district is now

Corporate Plan PI Report Community																		
Priorities: Community																		
Aims: Other																		
Performance Indicators																		
Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual Date	Group to Manager	Officer Notes
																		lower. The higher risk premises are still performing as before and the number of food retail premises scoring 4 or 5 on Scores-on-door remain unaffected. (CY)

Corporate Plan PI Report Corporate

Monthly report for 2018-2019
 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

* indicates that an entity is linked to the Aim by its parent Service

Corporate Plan PI Report Corporate																	
Priorities: Delivering a Well-Managed Council																	
Aims: Put customers first																	
Performance Indicators																	
Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Manager Date	Group
% of complaints resolved w/in timescales (10 days - 12 weeks)	93% (9/12)		90%	94%	96%	89%	89%	90%	91%	93%	93%	91%					Lisa Lewis
Number of Complaints	15 (9/12)			18	28	32	37	28	32	38	24	25					Lisa Lewis
New Performance Planning Guarantee determine within 26 weeks	99% (2/4)		100%	n/a	n/a	100%	n/a	n/a	100%	n/a	n/a	n/a	n/a				Jenny Clifford, David Green
Major applications determined within 13 weeks (over last 2 years)	83% (2/4)		60%	n/a	n/a	86%	n/a	n/a	91%	n/a	n/a	n/a	n/a				Jenny Clifford, David Green
Minor applications determined within 8 weeks (over last 2 years)	79% (2/4)		65%	n/a	n/a	73%	n/a	n/a	75%	n/a	n/a	n/a	n/a				Jenny Clifford, David Green
Major applications overturned at appeal (over last 2 years)	4% (2/4)		10%	n/a	n/a	3%	n/a	n/a	3%	n/a	n/a	n/a	n/a				Jenny Clifford, David Green
Minor applications overturned at appeal (over last 2 years)	0% (2/4)		10%	n/a	n/a	0%	n/a	n/a	0%	n/a	n/a	n/a	n/a				Jenny Clifford, David Green
Response to FOI Requests (within 20 working days)	67% (9/12)		100%	97%	98%	98%	98%	98%	97%	97%	96%	95%					Catherine Yandle
Working Days Lost Due to Sickness Absence	5.70days (8/12)		7.00days	0.64days	1.34days	2.18days	2.82days	3.42days	4.13days	4.79days	5.54days						Nicola Cuskeran
Return on Commercial Portfolio			7.5%	n/a	n/a	n/a			n/a	Andrew Busby							
% total Council tax collected - monthly	56.69% (6/12)		98.50%	11.32%	20.63%	29.48%	38.51%	47.43%	56.33%								Andrew Jarrett
% total NNDR collected - monthly	57.38% (6/12)		99.20%	12.15%	23.60%	32.20%	40.39%	47.45%	56.32%								Andrew Jarrett

Corporate Plan PI Report Corporate																	
Priorities: Delivering a Well-Managed Council																	
Aims: Put customers first																	
Performance Indicators																	
Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group Manager
<u>Number of visitors per month</u>	2,714 (8/12)		2,750	2,172	2,351	2,323	2,393	2,341	2,338	2,360	2,315						Lisa Lewis
<u>Satisfaction with front-line services</u>	97.14% (8/12)		80.00%	0.00%	0.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%						Lisa Lewis
<u>Increase Number of Digital payments</u>	56,854 (8/12)		70,960	6,908	14,226	20,885	27,772	34,330	40,987	51,144	60,233						Lisa Lewis

Printed by: Catherine Yandle

SPAR.net

Print Date: 07 January

Risk Report Appendix 6

Report for 2018-2019

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

For MDDC - Services

Filtered by Performance Status: Exclude Risk Status: Low

Not Including Risk Child Projects records or Mitigating Action records

Key to Performance Status:

Risks: No Data (0+) High (15+) Medium (6+) Low (1+)

Risk Report Appendix 6

Risk: 3 Rivers Disclosure requirements The disclosure arrangements for the new wholly owned SPV are posing technical accounting questions which are exercising our external auditors and Finance department

Effects (Impact/Severity):

Causes (Likelihood):

Service: Financial Services

Current Status: High (15)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 3 - Medium

Service Manager: Jo Nacey

Review Note: We have enlisted the help of a technical expert who advises CiPFA to ensure we get this right

Risk: 3 Rivers Governance Arrangements Maintaining arms-length status and not falling foul of state aid legislation, successfully countermanning challenge.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Governance

Current Status: High (15)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 3 - Medium

Service Manager: Catherine Yandle

Review Note: Lots of scrutiny and FOIs at the moment, likely to continue into 2019

Risk Report Appendix 6

Risk: 3 Rivers Loan 3 Rivers are unable to service and repay the loan from MDDC, this will depend on Economic factors and their success in the marketplace commercially.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Financial Services

**Current Status: High
(16)**

**Current Risk Severity: 4 -
High**

**Current Risk Likelihood: 4 -
High**

Service Manager: Jo Nacey

Review Note: Dependent on ability to win contracts and compete in a low margin environment

Risk: Asset Management • The Council may not be optimising its portfolio of assets

- Assets purchased without prior approval may not be supported by Council policies and systems
- Misuse of assets could have a financial impact to the Council
- Inadequate inventory records could invalidate insurance claims, disrupt the business continuity process and hide instances of theft
- Failure to maintain the Asset Management Strategy could result in an inefficient use of resources

Not making a commercial ROI

Effects (Impact/Severity): • Theft of stocks and stores

Causes (Likelihood): • Mismanagement of stocks and stores

Service: Property Services

**Current Status: Medium
(12)**

**Current Risk Severity: 3 -
Medium**

**Current Risk Likelihood: 4 -
High**

Service Manager: Andrew Busby

Review Note: Capital Asset Management Strategy on the website

Risk: Commercial Land supply Failure to identify commercial land supply will stunt economic growth

Effects (Impact/Severity):

Causes (Likelihood):

Service: Planning

**Current Status: Medium
(10)**

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

**Current Risk Likelihood: 2 -
Low**

Service Manager: Jenny Clifford

Review Note: Local Plan Review identifies employment land.

Risk: Contingency - Business Continuity Having an ineffective Business Continuity Plan in place to complement the Emergency Plan, Disaster Recovery Plan and Risk Management Plan leading to service failure and loss in reputation.

Effects (Impact/Severity): • Staff are not enabled or adequately prepared to deal with incidents in the event that senior managers are unavailable

- Poor management of a major incident will affect the Council's reputation
- There is a risk to decision-making processes and maintaining quorate committees in the event of

Risk Report Appendix 6

loss of Members.

- Software Failure, leading to potential inability to pay staff, creditors, benefits etc and inability to access key data affecting service delivery and customer experience
- Increase in workforce homeworking

Causes (Likelihood): • Severe weather including snow, flooding and heatwaves can cause disruption to normal service operation

• Severe space weather can cause disruption to a range of technologies and infrastructure, including communications systems, electronic circuits and power grids.

• Fuel strikes

• Industrial action

Failure to plan for this and implement contingency procedures will affect service delivery.

Service: Governance

Current Status: High (16)

Current Risk Severity: 4 - High

Current Risk Likelihood: 4 - High

Service Manager: Catherine Yandle

Review Note: Local authorities have been warned to prepare for up to three months of disruption in the event of a no-deal Brexit.

We are also coming into the season when inclement weather is likely.

Risk: Corp RA - Recycling Income Reduction in material income levels due to market forces.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Street Scene Services

Current Status: Medium (12)

Current Risk Severity: 4 - High

Current Risk Likelihood: 3 - Medium

Service Manager: Stuart Noyce

Review Note: No further mitigating actions or incidents since the last review.

Risk: Culm Garden Village Financial risk if bid for capacity funding fails as costs are being incurred already

Effects (Impact/Severity):

Causes (Likelihood):

Service: Planning

Current Status: High (15)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 3 - Medium

Service Manager: Jo Nacey

Review Note: needed

Risk: Dangerous Equipment Risks associated with using powered equipment and machinery or that which has moving parts eg fans, woodworking machines, abrasive wheels. Also risks with using powered portable tools eg electric drill, off-hand grinders as well as manual tools eg knife,

Risk Report Appendix 6

guillotine.

There are risks that some equipment may produce electromagnetic interference with pace-makers.

Effects (Impact/Severity): High if no PPE worn or risk assessments not followed

Causes (Likelihood): medium if procedures followed.

Service: Property Services

Current Status: Medium (12)

Current Risk Severity: 4 - High

Current Risk Likelihood: 3 - Medium

Service Manager: Andrew Busby

Review Note:

Risk: Evictions Tenants being evicted could become violent.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Housing Services

Current Status: Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Service Manager: Claire Fry

Review Note: The assessment of the risk remains the same, as the Housing Service is required to house vulnerable people with complex needs who may exhibit challenging behaviour if they feel threatened. An eviction can be a very traumatic event for such people.

Risk: Funding Insufficient resources to deliver growth aspirations of Corporate Plan.

Effects (Impact/Severity): Reputational

Local impact on service provision to Mid Devon businesses resulting in reduced opportunities for those businesses, which other Districts may be able to offer = business migration

Causes (Likelihood): Loss of EU funding

Loss of Central Government funding

Changes to funding priorities

Service: Growth, Economy and Development

Current Status: Medium (12)

Current Risk Severity: 4 - High

Current Risk Likelihood: 3 - Medium

Service Manager: Adrian Welsh

Review Note: Multiple work streams requiring staff resource and wide skill set, lack of success to lever in funding to deliver growth and associated infrastructure.

Consequence: Failure to realise growth aspirations, hampers economic growth, insufficient housing to meet needs, lack of progress on strategic sites, failure to secure business rate growth, Garden Village project does not happen or does not meet GV quality aspirations.

Mitigation: Prioritisation of staff resource, bids and expression of interest submissions to suitable Government funding streams to deliver infrastructure, unlock sites and cover costs of staff resource, effective utilisation of s106 monies, develop collaborative and partnership working

Risk Report Appendix 6

Risk: GDPR compliance That the Council cannot demonstrate that we are prepared for GDPR

Effects (Impact/Severity):

Causes (Likelihood):

Service: Governance

Current Status: Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Service Manager: Catherine Yandle

Review Note: Information audit work now suspended until the New Year, Several departments have been reviewed Building control and Street scene next priorities.

Risk: H&S RA - Carlu Close Depot Inherent risk at Carlu Close site - highest scoring risk

Effects (Impact/Severity):

Causes (Likelihood):

Service: Street Scene Services

Current Status: Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Service Manager: Stuart Noyce

Review Note: Changes have been made to operations at Carlu Close such as not idling engines inside the building, varying fan use, leaving main doors open to improve ventilation etc. Air Quality testing results prove CO2 readings are at an acceptable level.

Risk: H&S RA - Enforcement Officer Enforcement Officer Risk assessment

Effects (Impact/Severity):

Causes (Likelihood):

Service: Street Scene Services

Current Status: Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Service Manager: Stuart Noyce

Review Note: Alert system updated (new provider)

Risk: H&S RA - Litter picking Litter picking - Risk of accident/injury from vehicles when working roadside

Effects (Impact/Severity):

Causes (Likelihood):

Service: Grounds Maintenance

Current Status: Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Service Manager: Darren Beer

Review Note: SSoW/Induction training /PPE - High viz conforming to Class 3 requirements. No working in peak hours 7am -10am & 4pm - 7pm

Risk Report Appendix 6

Operatives to litter pick facing against traffic/Warning beacons on vehicle/Warning signage must be used in correct locations

Risk: H&S RA - Recycling Depot Operatives Risk assessment for role - Highest Risks scored - Vehicle Movements inside Depot/Risk of Fire

Effects (Impact/Severity):

Causes (Likelihood):

Service: Street Scene Services

Current Status: Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Service Manager: Stuart Noyce

Review Note: SSoW/designated walkways/PPE/Reversing Assistants/Equipment servicing. Regular alarm testing and equipment checks/flammable materials outside.

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

Service Manager: Stuart Noyce

Review Note: SSoW/Training & Instruction/Mobile phones

Risk: H&S RA - Street Cleansing Operative Risk assessment for role - highest risk from role - Risk of accident/injury when working roadside

Effects (Impact/Severity):

Causes (Likelihood):

Service: Street Scene Services

Current Status: Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Service Manager: Stuart Noyce

Review Note: Risk assessment for role - highest risk from role - Risk of accident/injury when working roadside. Work is carried out following Chapter 8 Guidance

Risk Report Appendix 6

Risk: H&S RA - Tractor Operations Tractor with Side Arm Flail Operations (Where applicable this RA is to be used in conjunction with the Working by roadside RA and the Hand Held Hedge Cutter RA)

Effects (Impact/Severity):

Causes (Likelihood):

Service: Grounds Maintenance

Current Status: Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Service Manager: Darren Beer

Review Note: SSOW in place for tractor operations

Risk: H&S RA - Tree Operations including the use of a chainsaw Tree Operations

Effects (Impact/Severity):

Causes (Likelihood):

Service: Grounds Maintenance

Current Status: Medium (12)

Current Risk Severity: 4 - High

Current Risk Likelihood: 3 - Medium

Service Manager: Darren Beer

Review Note: Team no longer complete any work at height.
Team only complete work on small or fallen trees from the ground.

Risk: H&S RA - Use of GM vehicles (inc. loading, tipping, trailers and use of water bowser) Loading vehicles + unloading on site

Effects (Impact/Severity):

Causes (Likelihood):

Service: Grounds Maintenance

Current Status: Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Service Manager: Darren Beer

Review Note: SSOW in place for use of MDDC vehicles

Risk: H&S RA - Working at height Use of Ladders

Effects (Impact/Severity):

Causes (Likelihood):

Service: Grounds Maintenance

Current Status: Medium (12)

Current Risk Severity: 4 - High

Current Risk Likelihood: 3 - Medium

Service Manager: Darren Beer

Review Note: Working at Heights training carried out by staff 15.11.2018
Using a MWEP removed from current practice

Risk Report Appendix 6

Risk: H&S RA - Working by Roadside Urban/Rural Carrying out activities and tasks by the roadside.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Grounds Maintenance

Current Status: Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Service Manager: Darren Beer

Review Note: SSOW in place for working by roadside

Risk: H&S RA -Waste Collection - Health and Safety Risk of other vehicle users becoming involved in RTA's

Effects (Impact/Severity):

Causes (Likelihood):

Service: Street Scene Services

Current Status: Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Service Manager: Stuart Noyce

Review Note: SSoW/Training and instruction/Accident and incident reporting system/Mobile phone communication

Risk: Hoarding Some tenants are known hoarders but we have policies in place and we do regular inspections.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Housing Services

Current Status: Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Service Manager: Claire Fry

Review Note: The assessment of the risk remains the same but it should be noted that the Housing Service works closely with partners including the Devon and Somerset Fire and Rescue Service to help those who hoard to understand the possible consequences of their behaviour and to help them to commence addressing the issues.

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.

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Effects (Impact/Severity): - Dissatisfied customers and increase in complaints.

- This will involve an increase in officer time in dealing with Homelessness prevention and early intervention.

- Possible increase in temporary accommodation usage.

Causes (Likelihood): New legislation implemented in April 2018 introduced new statutory duties and as a result the numbers of people presenting as homeless are increased, having an impact upon workloads.

Service: Housing Services

Current Status: Medium (12)

Current Risk Severity: 4 - High

Current Risk Likelihood: 3 - Medium

Service Manager: Claire Fry

Review Note: The new referral procedure implemented in accordance with the provisions of the Homelessness Reduction Act is now resulting in more cases, therefore we monitor this risk as a matter of routine. Mitigating factors are still effective and the team is managing the work load.

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: Medium (12)

Current Risk Severity: 4 - High

Current Risk Likelihood: 3 - Medium

Service Manager: Claire Fry

Review Note: Universal Credit full service has now started in Mid Devon and the number of tenants in receipt of this is increasing. This is having an impact upon our revenue stream. For this reason, the risk assessment remains the same although we now have a team in place which is dedicated to income recovery and we are also reviewing our procedures in order to streamline them.

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 (20)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 4 - High

Service Manager: Alan Keates

Review Note: Although technical controls are in place to help to mitigate this risk, there is still a high probability that human error could potentially cause a severe data breach or malware infection. User awareness training is regularly taking place to help reduce this risk.

Risk Report Appendix 6

Risk: Legionella Legionella

Effects (Impact/Severity):

Causes (Likelihood):

Service: Leisure Services

Current Status: Medium
(10)

Current Risk Severity: 5 - Very
High

Current Risk Likelihood: 2 -
Low

Service Manager: Darren Beer, Heather Hargreaves

Review Note:

Risk: Localism Act - Community Right to Buy / Challenge Transference of services to the community could enable the Council to identify cost savings

Effects (Impact/Severity):

Causes (Likelihood):

Service: Financial Services

Current Status: Medium
(12)

Current Risk Severity: 4 -
High

Current Risk Likelihood: 3 -
Medium

Service Manager: Jo Nacey

Review Note:

Risk: Lone Working Risks associated with working alone (eg on site visits, call-outs, evening, weekend and emergency work and working from home).

Effects (Impact/Severity):

Causes (Likelihood):

Service: Property Services

Current Status: Medium
(12)

Current Risk Severity: 4 -
High

Current Risk Likelihood: 3 -
Medium

Service Manager: Andrew Busby

Review Note: Health & Safety Officer trailing new Lone Working equipment.

Risk: Management of Legionella within Corporate Assets The risk assessment covers the Management control, including practises and procedures, of Legionella across all Commercial Assets

Effects (Impact/Severity):

Causes (Likelihood):

Service: Property Services

Current Status: High
(15)

Current Risk Severity: 5 - Very
High

Current Risk Likelihood: 3 -
Medium

Service Manager: Andrew Busby

Review Note: The Environmental team are now regularly taking water samples from the corporate assets and the h&s officer has passed a legionella management course to assist with

Risk Report Appendix 6

producing schematics of the HWS and CWS systems. The risk remains the same until we have completed a review across all sites as reported to the h&s Committee.

Risk: Overall Funding Availability Changes to Revenue Support Grant, Business Rates, New Homes Bonus and other funding streams in order to finance ongoing expenditure needs.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Financial Services

Current Status: High
(15)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 3 - Medium

Service Manager: Jo Nacey

Review Note:

Risk: Palmerston Park Development of 26 houses - liquidator exploring a claim against us regarding losses and damages re previous contractor.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Property Services

Current Status: Medium
(10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Service Manager: Andrew Busby

Review Note: Development of 26 houses - liquidator exploring a claim against us regarding losses and damages re previous contractor. A response to this claim has been submitted to those representing the liquidator and the Council despite chasing have not received a reply in accordance with the construction protocol.

Risk: Plant Room Plant Room

Effects (Impact/Severity):

Causes (Likelihood):

Service: Leisure Services

Current Status: Medium
(10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Service Manager: Darren Beer, Heather Hargreaves

Review Note:

Risk Report Appendix 6

Risk: Pool Inflatable 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

Service Manager: Darren Beer, Heather Hargreaves

Review Note: improvement through increased staffing resources, or removing the activity. Staff training is undertaken for this activity in addition to the NPLQ qualification

Risk: Premier Inn Construction site Increased difficulty in management of the car parking facility while the Premier Inn is being built

Effects (Impact/Severity):

Causes (Likelihood):

Service: Property Services

Current Status: Medium (8)

Current Risk Severity: 4 - High

Current Risk Likelihood: 2 - Low

Service Manager: Andrew Busby

Review Note: Demolition complete and remaining section now being worked on. Risk reduced due to major demolition works being completed.

Risk: Reduced Funding - Budget Cuts We are subject to continuing budget reductions. If we concentrate on short term cost savings, it may increase long term impact of decisions

Effects (Impact/Severity):

- Increased workforce stress and declining morale can add to the dangers of a major incident if staff come under pressure as budget cuts force changes in operational models
- Budget cuts may limit the financial resources that we can dedicate to network security potentially making us more vulnerable to cyber-attacks
- Use of reserves to supplement reduced funding for budgets could put a strain on reserves in future, with inability to maintain them
- The Council could significantly over or underspend against budget on the provision of Council services
- There may be inefficient use of public money and a failure to comply with the Council's objectives
- The relative scale of impact in an incident will be higher due to decreased organisational resilience as a result of diminishing financial reserves and workforce response capacity

Causes (Likelihood):

- Severe financial pressure caused by a significant reduction to the Council's Revenue Support Grant
- Ceasing of other grants

Service: Financial Services

Current Status: High (20)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 4 - High

Service Manager: Jo Nacey

Risk Report Appendix 6

Review Note: We have managed to balance the budget in previous years with limited use of reserves. This will become increasingly difficult and we will need to continue to implement longer term savings.

Risk: Reduced Funding - Service Cuts With continued reductions in funding, there may be a long-term need to plan reduced or cease non-statutory services.

Effects (Impact/Severity):

- With the economic downturn there is risk of balancing reduced services with customer expectations in an increasing demand-led environment.
- Financial costs arising from reduced services (eg insurance claims due to flicking stones when cutting long grass)

Causes (Likelihood): • Severe financial pressure caused by a significant reduction to the Council's Revenue Support Grant

Service: Financial Services

Current Status: High
(16)

Current Risk Severity: 4 - High

Current Risk Likelihood: 4 - High

Service Manager: Jo Nacey

Review Note:

Risk: Reputational damage - social media impact of reputational damage through social media is a significant risk that warrants inclusion on the Authority's risk register.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Communications

Current Status: Medium
(10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Service Manager: Jane Lewis

Review Note: Now that there is a full time Communication Officer in post this provides the council with improved social media monitoring and we are more likely to respond in a timely manner. The media policy and social media guidelines are also currently being reviewed and will be taken to the Community PDG in November 2018.

Risk: Reputational re Council Housing Stock Failure in handling a disaster/mistake properly

Effects (Impact/Severity):

Causes (Likelihood):

Service: Housing Services

Current Status: Medium
(10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Service Manager: Claire Fry

Review Note: the assessment of the risk remains the same but there are adopted policies and procedures which should mitigate the risk of a disaster happening. Furthermore, we have trained and experienced staff.

Risk Report Appendix 6

Risk: S106 Agreement Inability of the legacy systems to provide a full overview of the 'trigger points' for all of the s106 agreements

Effects (Impact/Severity):

Causes (Likelihood):

Service: Planning

Current Status: High (15)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 3 - Medium

Service Manager: Jenny Clifford

Review Note: Project to update records is progressing and will allow better tracking of payments due /made and trigger dates.

Risk: School Swimming Sessions School Swimming Sessions

Effects (Impact/Severity):

Causes (Likelihood):

Service: Leisure Services

Current Status: Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Service Manager: Darren Beer, Heather Hargreaves

Review Note: Improvement possible by increased staffing resources

Risk: Stress The physical and mental well-being of Officers could be affected by work environment and pressures caused by work demands and work relationships.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Housing Services

Current Status: Medium (12)

Current Risk Severity: 4 - High

Current Risk Likelihood: 3 - Medium

Service Manager: Claire Fry

Review Note: The risk assessment remains the same due to the nature of the work. Whilst we have a strong supervision framework in place, provide appropriate training and access to support as necessary, Officers are often required to work with challenging people, make key decisions which can have a profound impact upon individuals and juggle conflicting priorities.

Risk Report Appendix 6

Risk: Swimming Lessons Swimming Lessons

Effects (Impact/Severity):

Causes (Likelihood):

Service: Leisure Services

Current Status: Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Service Manager: Darren Beer, Heather Hargreaves

Review Note: Improvement possible with increased staffing resources

Risk: Swimming Pool Swimming pool & spectator walkway

Effects (Impact/Severity):

Causes (Likelihood):

Service: Leisure Services

Current Status: Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Service Manager: Darren Beer, Heather Hargreaves

Review Note: Improvement possible by increased staffing resources

Risk: Tenants with Complex Needs As our housing stock shrinks, the proportion of such tenants will increase.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Housing Services

Current Status: Medium (12)

Current Risk Severity: 4 - High

Current Risk Likelihood: 3 - Medium

Service Manager: Claire Fry

Review Note: The risk assessment remains the same because vulnerable people may need support and may also exhibit challenging behaviour which could impact staff wellbeing. We provide appropriate training for staff and have good links with other agencies including the Police, social services, Wiser£money, CHAT, the CA etc

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Risk Matrix

Report For MDDC - Services Current settings

Risk Likelihood	5 - Very High	No Risks	No Risks	No Risks	No Risks	No Risks
	4 - High	No Risks	4 Risks	2 Risks	3 Risks	3 Risks
	3 - Medium	No Risks	2 Risks	18 Risks	15 Risks	7 Risks
	2 - Low	1 Risk	25 Risks	42 Risks	25 Risks	26 Risks
	1 - Very Low	4 Risks	7 Risks	10 Risks	13 Risks	21 Risks
		1 - Very Low	2 - Low	3 - Medium	4 - High	5 - Very High
		Risk Severity				

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AUDIT COMMITTEE 22 JANUARY 2019

PROGRESS UPDATE ON THE ANNUAL GOVERNANCE STATEMENT ACTION PLAN

Cabinet Member Cllr Clive Eginton, Leader
Responsible Officer Catherine Yandle, Group Manager Performance, Governance and Data Security

Reason for Report: To provide the Committee with an update on progress made against the Annual Governance Statement 2017/18 Action Plan.

RECOMMENDATION(S): The Committee note the progress update

Relationship to the Corporate Plan: Having good governance arrangements and an effective internal control environment is a fundamental element of being a well-managed council.

Financial Implications: None arising from this report.

Legal Implications: None arising from this report.

Risk Assessment: Failure to monitor progress against the Annual Governance Statement Action Plan could result in comment from the external auditors when they next review the Annual Governance Statement.

Equality Impact Assessment: No equality issues identified for this report.

1.0 Introduction

- 1.1 The purpose of this report is to provide Members of the Committee with an update on the progress that has been made against the actions in the Annual Governance Statement Action Plan since the Audit Committee approved it on 16 July 2018.
- 1.2 The Action Plan is attached as Appendix A and progress updates have been noted on the document.
- 1.3 There were 10 issues identified in the 2017/18 Annual Governance Statement. Some dates for completion have been amended but progress has been steady.
- 1.4 Progress against the Action Plan will be reported at each Audit Committee. There is a column for RAG status to make progress clearer.

Contact for more Information: Catherine Yandle Group Manager Performance, Governance and Data Security ext 4975

Circulation of the Report: Leadership Team and Cllr Clive Eginton

List of Background Papers: None

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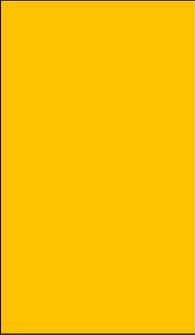
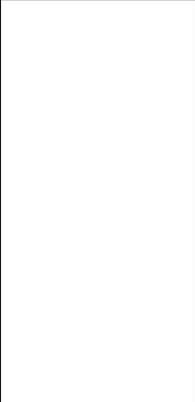
Annual Governance Statement (2017/18)

Annual Governance Statement 2017-18 Action Plan				
Issues Identified	Action to be taken	By whom and progress	When	Status
1. The Internal Audit report for Development Control identified “Improvements Required” with regard to the inability of the legacy systems to provide a full overview of the ‘trigger points’ for all of the s106 agreements.	A project to address this is ongoing through use of specialised software, although populating the system is time consuming as many of the s106 agreements are complex. The current position is being reviewed by senior management and additional temporary staff engaged to clear the backlog.	<p>The Head of Planning, Economy and Regeneration</p> <p>Significant progress has been made; the planning system is now being reconciled with the financial system. An updated database of S106 records has been put in place.</p> <p>Planning S106 Governance proposals were considered at Cabinet in October when it was resolved to agree them for consultation with the Parish and Town Councils. Following consultation a further report will be taken to Cabinet.</p>	<p>31 October 2018</p> <p>31 January 2019</p>	
2. Increase ethics awareness training in the staff induction process	Write an ethics training module in the new Learning Management System for the mandatory induction process	Director of Business Transformation and Corporate Affairs	<p>31 October 2018</p> <p>31 January 2019</p>	
3. Evidence of balancing feedback from more active stakeholders with other stakeholders to ensure inclusivity	The Community Engagement Strategy and Action Plan are due to go to Community PDG	Director of Business Transformation and Corporate Affairs	20 November 2018	

Annual Governance Statement (2017/18)

4. We need processes for dealing with competing demands on the budget from the community	The Community Engagement Strategy and Action Plan are due to go to Community PDG	Director of Business Transformation and Corporate Affairs	20 November 2018	
	All Members' Budget Prioritisation Away Day	Deputy Chief Executive	7 September 2018	
5. Still more benchmarking information is needed and stronger links between financial and performance monitoring	Link between finance and performance to be reinforced in Service Business Plans for 2019/20.	Deputy Chief Executive LT approving the final plans in January	30 September 2018 31 January 2019	
6. Service plans do not yet demonstrate consideration of 'social value'	Link between finance and performance to be reinforced in Service Business Plans for 2019/20.	Deputy Chief Executive LT approving the final plans in January	31 October 2018 31 January 2019	
7. The current economic situation is likely to continue to see a reduction in the number of staff employed by the Authority. We have identified that this presents a potential risk to our ability to retain the skills and experience needed. Measures are being implemented to combat this risk.	Skills Audit to be completed by collecting information as part of the appraisal process and utilisation of the LMS system to record qualifications and experience.	Director of Business Transformation and Corporate Affairs Meeting with SW Councils to scope this project was held on 31 August, project start date was agreed as January 2019.	January to October 2019	
	Succession Planning Policy is required; was included in the revised HR Strategy.	This went to Cabinet on 30 August and was approved.	30 September 2018	

Annual Governance Statement (2017/18)

<p>8. A Sickness Absence Action Plan is being developed by HR and the Health and Safety Officer</p>	<p>This went to Leadership Team for approval in October</p>	<p>Director of Business Transformation and Corporate Affairs</p> <p>HR and Learning have rolled out “return-to-work interview” training for managers.</p> <p>Plan is not yet fully implemented</p>	<p>30 November 2018</p>	
<p>9. GDPR legislation now needs to be followed up with compliance and enforcement work.</p>	<p>A programme of Information audits is planned from Autumn 2018 to ensure, and enforce, compliance with the Data Protection Act 2018</p>	<p>Director of Business Transformation and Corporate Affairs</p> <p>The information audit work started in September and is programmed until the end of November. Work will then re-commence in the new year</p>	<p>31 October 2018 Ongoing</p>	
<p>10. Of the 7 areas where Partial compliance with the Public Sector Internal Audit Standards were identified; 5 are now fully compliant and 2 have identified further actions to achieve full compliance</p>	<p>Address remaining areas with “P” assessment via Quality Assurance Improvement Plan (QAIP). This will entail supporting the Council developing and maintaining an assurance map integrating this with the risk management framework. Review of the risk management framework will commence in September 2018.</p>	<p>DAP Deputy Head of Partnership</p> <p>The QAIP was approved by the Dap Management Board at their meeting on 17 October</p>	<p>September 2018 to March 2019</p>	

Green is completed

Amber is in Progress

Red is not completed

White is not due for completion yet

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AUDIT COMMITTEE

22 JAN 2019

REVIEW AND REVISION OF THE FINANCIAL REGULATIONS

Cabinet Member(s): Cllr Peter Hare-Scott

Responsible Officer: Deputy Chief Executive (S151): Andrew Jarrett

Reason for Report: To make recommendations for amendments to the Financial Regulations of the Authority, to ensure they are appropriate, reflecting the Authority's latest structure and delegations.

RECOMMENDATION: That the revisions to the Regulations are recommended by this Committee for approval by Full Council.

Financial Implications: This is a financial document and the implications are contained within it.

Approved by Finance: Yes. Jo Nacey, Group Manager for Financial Services

Legal Implications: The Financial Regulations form part of the Constitution and are referred to in Article 16. The review has incorporated updated legislative requirements eg. EU Procurement thresholds.

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.

Equality Impact Assessment: None applicable

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

1.0 Introduction/Background

1.1 It is now over two years since the last review of Financial Regulations and during that time a number of changes have occurred. This report highlights the most pertinent changes to the delegations of authority proposed for Officers. The Regulations have also been updated to reflect the change in title of the S151 Officer and the new Group Manager Structure.

1.2 The pertinent revisions have been highlighted in the document using "tracked changes" for easy of review by Members.

2.0 Contract Management and Procurement

2.1 The sections relating to Contract Management and the Procurement thresholds have been updated to reflect the latest legislation and our internal processes. These can be found at Section 5 and Appendix A. The table in 5.1.23 proposes a change to the procurement thresholds to reflect a more appropriate level for operational purposes.

3.0 Delegated Authority Thresholds (Appendix A)

- 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. Appendix A shows the updated position. Group Managers have been included here to approve invoices, orders etc. (within budget) up to £250k.
- 3.2 It is also proposed that the Group Manager for Financial Services may approve write offs up to £10k alongside the relevant Group Manager for the Service. The S151 Officer would need to approve any write off over £10k.
- 3.3 In section 5.1.10 it is proposed that the Deputy S151 Officer, the Group Manager for Financial Services, be authorised to approve procurement waiver forms where appropriate.

4.0 Conclusion

- 4.1 The various recommendations above are proposed to ensure compliance with current legislation and maintain best practice. 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: Jo Nacey, 01884 234254,
jnacey@middevon.gov.uk

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

MID DEVON DISTRICT COUNCIL

FINANCIAL REGULATIONS

Chief Officer: s151 Officer

Revision History

Version	Date	Main Amendment
1.0	Apr 2013	First Release
1.1	Oct 2016	Chapter 5 Procurement/App A Financial Limits
1.2	Jan 2019	Update Full update incl. amended App A

MDDC Financial Regulations

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1.0 GENERAL INTRODUCTION

- 1.0 Introduction and overview**
- 1.1 Status of Financial Regulations**
- 1.2 Financial roles and responsibilities**
- 1.3 Awareness of existence and content of Financial Regulations**
- 1.4 Reviewing and changing Financial Regulations**
- 1.5 Compliance**

1.1 Status of Financial Regulations

- 1.1.1 The Financial Regulations provide the framework for managing the Authority's financial affairs and contribute to good corporate governance, internal control and the management of risks. In addition they assist sound administration, reduce the risk of irregularities and support delivery of effective, efficient and economical services. Article 16 of The Constitution provides for their authority.
- 1.1.2 The Financial Regulations, which include Contract Procedure Rules and financial aspects of the Constitution, are formally adopted by the Council and provide the framework for the financial administration of the Council. The framework is designed to promote sound and proper financial management of the Council's financial affairs, meet Best Value principles and to safeguard the interests of the Council, its employees, or any person acting on behalf of the Council.
- 1.1.3 The Financial Regulations apply to all officers and Members of the Council and anyone acting on behalf of the Council. They also apply to any partnerships that the Council is a member of and for which the Council is the accountable body. Where the Council is not the accountable body then the lead Council officer is responsible for ensuring propriety and proper processes are followed so that the Council's reputation is not at risk.
- 1.1.4 All elected Members, employees of the Council and persons acting on behalf of the Council are responsible for ensuring that they use the Council's resources and assets in a responsible and lawful manner. The Council is under a statutory obligation to secure Best Value and everyone should strive to achieve the principles of Best Value and avoid any legal challenge to the Council.
- 1.1.5 These Financial Regulations cover all areas of Council activity and to assist Members and officers, the Financial Regulations are set out in self-contained sections. Any financial values are summarised in **Appendix A** to allow ease of update.
- 1.1.6 All decisions with financial implications must have regard to proper financial propriety. Where there is any doubt as to the appropriateness of a financial proposal or correctness of a financial action, clarification must be sought from the Deputy Chief Executive (S151) in **advance** of any decision or action.
- 1.1.7 To help you understand the terminology used in the Financial Regulations, a Glossary of Terms is located after Section 18.

1.2 Financial Roles and Responsibilities

1.2.1 Chief Executive

The Chief Executive, as the Head of Paid Service, is responsible for the corporate and overall strategic management of the Council as a whole. He/she must report to, and provide

information for, the Cabinet, the Full Council, the Scrutiny Committee and other committees. He/she is responsible for establishing a framework for management direction, style and standards, and for monitoring the performance of the organisation.

1.2.2 Deputy Chief Executive (S151) Deputy Chief Executive (s151 Officer)

These Regulations (in conjunction with the remainder of the Council's Constitution) identify the financial responsibilities of Council, Cabinet, Scrutiny and Audit Committee Members, the Head of Paid Service, the Monitoring Officer, the Deputy Chief Executive (S151) and other Service managers. The functions of the Deputy Chief Executive (S151) are detailed in the Constitution at section 12.04.

Section 151 of the 1972 Local Government Act requires that every local authority shall make arrangements for the proper administration of its financial affairs. Every authority shall make one officer responsible for the administration of those affairs. Within Mid Devon District Council (MDDC) this role has been assigned to the Deputy Chief Executive (S151). The Financial Regulations assist the Deputy Chief Executive (S151) in discharging his/her duties under the 1972 Act and the Accounts and Audit Regulations [20154996](#).

The Deputy Chief Executive (S151) is responsible for issuing advice and guidance to underpin the Regulations that Members, Officers and others acting on behalf of the authority are required to follow.

His/her responsibilities include:

- (a) To report to Council Members or the Cabinet, in consultation with the Monitoring Officer and Chief Executive, if there is likely to be unlawful expenditure or an unbalanced budget (Section 114, Local Government Finance Act 1988, as amended).
- (b) To advise Members or relevant Officers, in consultation with the Monitoring Officer, about particular decisions where those decisions are likely to be contrary to the agreed policy framework or budget (Local Government Act 2000).
- (c) To ensure the adequacies of accounting records and supporting information, control systems and the statement of accounts (Accounts and Audit Regulations [4996-20032015](#)).
- (d) To ~~maintain~~ ~~undertake~~ an ~~adequate and~~ effective system of internal audit (Accounts and Audit Regulations [4996-20032015](#)).
- (e) To report to the Council, at the time the budget is considered and the Council Tax set, on the robustness of the budget estimates and the adequacy of financial reserves (Section 25, Local Government Act 2003).
- (f) To report to the Council where, in relation to the previous financial year, it appears that a controlled reserve is or is likely to be inadequate (Section 27, Local Government Act 20[1503](#)).
- (g) To set affordable borrowing limits and to arrange the Council's affairs to remain within those limits (Section 3, Local Government Act 2003).
- (h) To prepare ~~three~~ ~~five~~ year capital and revenue forecast plans with their consequential impact on Council Tax, taking account of affordability in both the short and long term (The medium term financial plan).

- (i) To keep the Council's finances under review during the year and to take action if there is evidence that financial pressures will result in budget overspend or if there is a shortfall in income (Section 28(3) Local Government Act 2003).
- (j) Maintaining strong financial management underpinned by effective financial controls.
- (k) Contributing to corporate management and leadership by the provision of financial advice for service delivery, strategic planning and policy making across the authority.
- (l) Supporting and advising Members on financial matters and decisions.
- (m) Supporting and advising Officers in their operational role on financial matters and decisions.
- (n) To produce Financial Regulations for adoption by the Council.
- (o) To advise Group Managers and Directors of any amendments to Financial Regulations.
- (p) To either act as or appoint a Money Laundering Officer in compliance with the Money Laundering, [Terrorist Financing and Transfer of Funds \(Information on the Payer\) Regulations, 2017](#).
- (q) To produce a robust Financial Plan, in consultation with all Group Managers and Directors, to achieve efficiency targets set by the Council and facilitate their delivery.
- (r) To provide advice on the optimum use of available resources in the management of capital and revenue budgets;
- (s) To provide financial management information in a timely manner;
- (t) The preparation of statutory and other accounts, associated grant claims and supporting records;
- (u) The provision of effective financial management systems and procedures
- (v) The provision of effective income collection and payments systems;
- (w) To advise on treasury, investment and cash-flow management;

To ensure that the Deputy Chief Executive (S151) is able to fulfil the responsibilities identified, the post holder shall:

- (x) Be able to contribute to papers for corporate management meetings in advance and have access to decisions made.
- (y) Have the right to attend meetings of corporate management where financial issues are being considered.
- (z) Have unrestricted access to the Chief Executive, the Monitoring Officer, Group Managers and Directors and to Members whenever they consider it appropriate to do so.
- (aa) Have unrestricted access to external organisations where the Council acts either as Accountable Body or enjoys an external relationship with a Specific Entity.
- (bb) Have the right to report to Full Council, the Cabinet and the Scrutiny Committee whenever they consider it appropriate to do so.

- (cc) Have unrestricted access to the Council's Internal Audit team, to external auditors and to other inspectorates.

1.2.3 Group Managers and Directors

Group Managers and Directors duties include:

- (a) Consulting with the Deputy Chief Executive (S151), or his/her Departmental Representative, on any matter, including submission of plans and/or bids for external funding or potential costs identified through external financial relationships, that is likely to have a financial impact on the capital programme or revenue budget, prior to committing the Council to that impact.
- (b) Managing the financial activities of their Departments, within the agreed budgets and procedures determined by the Deputy Chief Executive (S151). Group Managers and Directors must therefore ensure that: Departmental financial arrangements are adequate and effective in order to comply with these Financial Regulations
- (c) Departmental measures are taken to confirm the legality of all financial activities.
- (d) Implementing financial administration and accounting procedures determined by the Deputy Chief Executive (S151) and adopting detailed financial records as agreed with the Deputy Chief Executive (S151).
- (e) Ensuring the operational use of the Council's main financial systems, except in exceptional circumstances, are agreed with the Deputy Chief Executive (S151) prior to use.
- (f) Providing departmental support in the keeping and closing of the Council's accounts, in particular that background documentation is available, which meets the standards set by the Deputy Chief Executive (S151) in liaison with the Council's external auditors.
- (g) Obtaining the approval of the Deputy Chief Executive (S151), or his/her Departmental Representative, prior to introducing or significantly changing financial administration/accounting procedures or associated financial records.
- (h) Ensuring that the Deputy Chief Executive (S151) and/or his/her Departmental Representative are provided with all necessary data to allow the timely submission of grant claims, financial returns or publication of financial information.
- (i) [Ensuring the s](#)Security and confidentiality of financial information within their Department, including adherence to guidance issued relating to data protection legislation.
- (j) Where staff have financial responsibilities to ensure wherever possible that separation of duties exist.
- (k) Acting to implement the recommendations of reports issued by the external and internal auditors in consultation with the Deputy Chief Executive (S151) and their Departmental Representative and the appropriate Service Cabinet Member where relevant.
- (l) Group Managers and Directors may vest their responsibilities to other Officers provided that such authorisation is given in writing. Group Managers and Directors must ensure that they always retain accountability for their responsibilities.

1.2.4 Service Managers/Budgetholders

Service Managers/Budgetholders duties include:

- (a) To plan and agree budget and corresponding service provision with Group Managers and Directors on an annual basis.
- (b) To ensure that financial objectives within their area of responsibility are achieved and Best Value secured.
- (c) To report adverse variances to budget and to agree remedial actions with Group Managers and Directors.
- (d) To vire between cost centres/budgets in their areas of responsibility, subject to Financial Regulations (See Section 4)
- (e) Managers are responsible for ensuring adequate records, financial and otherwise, have been maintained for all externally funded schemes subject to audit by the European Commission or grant awarding bodies.

1.2.5 Personal Responsibility

All Members and Officers have a general responsibility for taking reasonable action to provide for the security of the Council's assets under their control, and for ensuring that the use of these resources is legal, ~~ipropri~~properly authorised, provides value for money and achieves Best Value.

All employees shall inform their line manager immediately about any matter that involves or is thought to involve irregularities concerning cash, stores, income, expenditure, assets (including data held by the Council) or any suspected irregularity concerning the exercise of the functions of the Council. Line managers should consult with their Group Managers and/or Directors without delay.

As an alternative to the Financial Regulation above, employees may raise concerns under the Whistle-Blowing Procedures confidentially.

1.2.6 Emergency Action

In the event of an emergency, the Chief Executive, Group Managers or Directors are empowered to authorise all necessary actions. The Chief Executive, Group Managers or Directors shall notify the Deputy Chief Executive (S151), in writing, of the circumstances and estimated financial impact and report formally to Cabinet subsequently.

1.2.7 Powers of Delegation

The powers of delegation in respect of the Deputy Chief Executive (S151) are detailed in the Constitution at Section 5, page 65. Group managers are required to maintain a written record where decision making has been delegated to members of their staff, including seconded staff. Where decisions have been delegated or devolved to responsible budgetholders/service managers or other designated officers, references to the Service Manager in the Regulations should be read as referring to them.

1.2.8 Money Laundering Reporting Officer

The Group Manager for Performance, Governance and Data Security is appointed as the Money Laundering Reporting Officer. He/ she is responsible for notifying the Serious Organised Crime Unit (SOCA) of any suspected cases of money laundering committed within the Council as soon as possible and fulfilling other duties as defined by legislation or regulations.

1.3 Awareness of Existence and Content of Financial Regulations

1.3.1 Service managers are responsible for ensuring that all of their staff are fully aware of the existence and content of the Regulations and other internal regulatory documents (such as Human Resource and ICT policies and procedures) and that they comply with them.

1.3.2 Any non-compliance with the Regulations must be reported to the Deputy Chief Executive (S151) and the Group Manager for Performance, Governance and Data Security immediately.

1.4 Reviewing and Changing Financial Regulations

1.4.1 The Deputy Chief Executive (S151) is responsible for maintaining a continuous review of these Regulations and submitting any additions or changes necessary to the Council for approval. The Deputy Chief Executive (S151) is also responsible for reporting, where appropriate, breaches of the Financial Regulations to the Council via the Audit Committee.

1.5 Compliance

1.5.1 A failure to comply with these Financial Regulations, or procedures issued under them may constitute misconduct in the case of Officers, or a breach of the Members Code for Members. Reported breaches will be investigated by Internal Audit in the first instance and could lead to disciplinary action. The Deputy Chief Executive (S151) is to be advised immediately.

1.5.2 If you have any queries, comments or concerns on the content of the Regulations, please contact either the Deputy Chief Executive (S151) or the Group Manager for Performance, Governance and Data Security.

2.0 SYSTEMS AND INTERNAL CONTROL

- 2.1 Accounting records**
- 2.2 Controlled stationery**
- 2.3 Officer authorisation procedures**
- 2.4 Security of cash, tills, safes and keys**
- 2.5 Document retention**
- 2.6 Segregation of duties**
- 2.7 Business continuity**
- 2.8 New electronic systems**

2.0 Systems and Internal Control Procedures

Why are these important?

Maintaining proper accounting records is the way in which the Council evidences its responsibility for the stewardship of public resources.

The Council has a statutory responsibility to “present fairly” the financial consequences of its operations during the year, which are subject to external audit. This audit provides assurance that the accounts have been prepared in accordance with the current [Code of Practice on Local Authority Accounting in the United Kingdom](#) ~~Statement of Recommended Practice (SORP)~~ and the Service Reporting Code of Practice for Local Authorities (SeRCOP) and that arrangements have been made for securing economy, efficiency and effectiveness in the use of the Council’s resources.

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Risks:

- The Council cannot account for all income received and expenditure made;
- Financial systems provide inaccurate or misleading information leading to poor decision making;
- Insecure accounting or financial systems give rise to opportunities for fraud or loss;
- Statutory timescales for reporting on the Council’s financial affairs are not met.

2.1 Accounting Records

2.1.1 The Deputy Chief Executive (S151) is responsible for determining the accounting systems and procedures adopted and maintained by the Council. All income, expenditure, assets and liabilities are to be properly accounted for in line with published guidance, with the maintenance of a complete audit trail, either electronic or paper for all entries made.

2.1.2 All financial systems and records of accounting are to be in a form approved by the Deputy Chief Executive (S151), who is to be consulted and must approve any changes to accounting records and procedures prior to them being made.

2.1.3 Financial and accounting systems shall incorporate appropriate controls to ensure that, where relevant:

- All data input is genuine, complete, accurate, timely and not duplicated;
- All processing of data is carried out in an accurate, complete and timely manner;
- Output from the system is complete, accurate and timely;
- Segregation of duties wherever possible is built into business processes to reduce the risk of fraud e.g. a single individual cannot authorise and make payment to others.
- All transactions and activities have a clear trail of accountability by authorised, responsible officers;

- Appropriate authorisation levels are set for all staff dependent upon their level of responsibility;
- Records and data are securely retained and in accordance with data protection guidance.

The Council's transactions, material commitments and contracts and other essential accounting information must be recorded completely, accurately and on a timely basis.

2.2 Controlled Stationery

Why is this important?

Controlled stationery by its very nature has an inherent value. Examples of such stationery are official receipt books, cheque books and cheque stationery. If such stationery is lost or stolen income due to the Council may never reach it or money may be paid out to fraudulent payees.

Risks:

- Stationery could be lost or stolen leading to financial, possibly considerable, loss to the Council;
- Income based services could be put at risk if monies collected are being diverted into fraudsters hands.

Regulations:

- 2.2.1** The Deputy Chief Executive (S151) shall be responsible for controlling financial stationery.
- 2.2.2** The design and use of all financial stationery shall be subject to the approval of the Deputy Chief Executive (S151).
- 2.2.3** The Deputy Chief Executive (S151) shall nominate officers responsible for the ordering, secure storage and issue of financial stationery.
- 2.2.4** Proper arrangements are to be made for the security of financial stationery held. No stationery is to be left in circumstances which could lead to unauthorised use.
- 2.2.5** An adequate, but not excessive stock of financial stationery will be held. Proper and secure arrangements are to be made for the destruction of any out of date stationery.
- 2.2.6** A record of all cheques issued, either electronic or manual is to be made.

2.3 Officer Authorisation Procedures

Why is this important?

Officers can have considerable financial power that needs to be controlled through effective delegation, with clearly defined limits to their delegated authority. Many transactions are now electronically approved and formal paper based lists of authorised signatories are now impractical.

Examples of related areas:

Official orders
Sales invoices
Cheque signatories
Electronic funds transfers
Valuation certificates and fee accounts

Expense claim forms
Travel and subsistence claim forms
Wages/timesheets
Overtime claims

Risks:

- Officers could exceed their authority;
- Fraud, loss, extravagance or waste could arise

Regulations:

2.3.1 Procedures are to be put in place to ensure appropriate officers authorise transactions up to agreed levels. Specific guidance will be cited in relevant sections of the Financial Regulations and HR policies.

2.4 Security of Cash, Tills, Safes and Keys

Why is this important?

Money collected by the Council is extremely vulnerable until it is banked. Up to that point it is the Council's responsibility to ensure the safe storage and transit of cash. The security of cash, tills, keys and safes is therefore, essential if the Council is to fulfil its duty.

Risks:

- Cash could be lost or stolen;
- Suspicion in respect of stolen cash may rest with a number of staff if they all had access keys;
- Claims against the Council's insurers may be invalidated.

Regulations:

2.4.1 Employees of the Council responsible for collecting, holding and the paying in of cash receipts must ensure that it is held under secure arrangements at all times. All cash holdings are to be kept to a minimum and within agreed insurance levels.

2.4.2 Members of staff who are authorised to gain access to any Council safe or till are responsible for the security of the keys at all times.

2.4.3 The combination of any Council safe must not be disclosed to another person without the express authorisation of the relevant Service manager. The combination of a safe must be changed immediately when a member of staff, who is authorised to open that safe, leaves the services of the Council.

2.4.4 All keys held for any official purpose by an authorised member of staff must be held under proper and secure arrangements and not passed or be available to any unauthorised person. The loss or theft of keys is to be reported to the Deputy Chief Executive (S151) immediately.

2.4.5 All staff are to ensure that all windows, safes and drawers are locked in any location wherever cash or keys are held out of hours.

2.4.6 Where a till discrepancy is in excess of the amount cited in Appendix A, they shall be referred to Internal Audit.

2.5 Document Retention

Why is this important?

Although the archiving of documents may cause operational difficulties for management, it is vital that these are retained for as long as necessary, and in an adequate environment, to satisfy legal and all other practical requirements. In particular, prime records used within the Council's financial and key non-financial systems must be given due protection to maintain an adequate trail from source right through to completion of transactions.

Risks:

- Statutory obligations concerning the retention of key documents are not met, e.g. H M Revenue and Customs requirements and penalties may arise;
- 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 grants may be lost.

Regulations:

2.5.1 Financial records, whether electronic or paper, must be retained for [six years plus the current year. a minimum period of seven years.](#) The [Head of ICT Group Manager for Performance, Governance and Data Security](#) will provide guidance to Service managers on the retention of documents which is available on SharePoint.

2.6 Segregation of Duties

2.6.1 Wherever possible the following principles should be complied with when allocating accounting duties:

- (a) The duties of providing information about sums due to, or from, the Council and calculating, checking and recording these sums must be separate from the duty of collecting or dispersing them.
- (b) Employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.

2.7 Business Continuity

2.7.1 The Deputy Chief Executive (S151) is to ensure that accounting and financial records are held securely and procedures are in place to enable accounting records to be reconstituted in the event of a systems failure. Working with the Group Managers and Directors responsible for Business Continuity and ICT, a documented and tested business continuity plan to allow information processing to resume quickly in the event of an interruption, shall be in place.

2.8 New Electronic Systems

2.8.1 The acquisition or renewal of all accounting software must be subject to the approval of the Deputy Chief Executive (S151), the Data Protection Officer and Group Manager for ICT and GIS. The purchasing or leasing of computer and ancillary equipment is only to be undertaken in accordance with the ICT Strategy.

2.8.2 All new financial systems shall be documented, tested in parallel and users trained in their operation, prior to the system being used in a live environment.

3.0 FINANCIAL PLANNING

- 3.1 Overall strategic policy framework**
- 3.2 Service performance plans for financial years**
- 3.3 Asset and vehicle management**
- 3.4 Year end balances - earmarked reserves**
- 3.5 Maintenance of reserves**
- 3.6 Ring-fencing of reserves**
- 3.7 Medium term financial planning**
- 3.8 Reports with financial implications**

3.1 Overall Strategic Policy Framework

3.1.1 The strategic plans of the Council are embraced by ~~two~~ [these](#) key documents:

- the Corporate Plan;
- [the Medium Term Financial Plan](#);
- [Workforce Plan](#);

The Corporate Plan sets out the Council's key service priorities as agreed by Members. Policy Development Groups propose policies to the Cabinet in accordance with these priorities. The Medium Term Financial Plan looks forward to the next five years and examines the forecasted income and expenditure for both revenue and capital linked to the Corporate Plan's priorities. (See 3.7 below). Finally, the Workforce Plan looks at staff deployment and employment strategies linked to the Corporate Plan. Constraints imposed by our financial resources often limit what the Council can achieve, within a given time frame, for both revenue and capital.

3.2 Service Performance Plans for Financial Years

3.2.1 Group Managers and Directors working with their Cabinet Members are required to produce service plans detailing service provision and level of performance linked to their budget for each financial year. Initial draft service plans should be created and available in September of each year to assist in the budget setting process.

3.2.2 These plans should be discussed by the Policy Development Groups when budgets are reviewed and amended accordingly. New Government initiatives and other legislative requirements will need to be brought in, also any possible savings identified to help facilitate an overall balanced budget. The service plans will therefore evolve over the budget setting period.

3.2.3 The final service plans, with agreed budgets and salary estimates, are to be presented to Leadership Team for approval before the commencement of the financial year, April 1, for each service.

3.3 Asset and Vehicle Management

3.3.1 Group Managers, Directors and Service Managers need to consider the equipment and assets used in the provision of their service in relation to their service performance plans. It is vital that we can demonstrate value for money in our decision making. Assets used by services will have finite lives and provision in their service revenue budgets is needed to facilitate the asset's replacement at the end of its useful life.

3.3.2 Where an item of equipment is needed for a service due consideration should be given to:

- the frequency of use by staff;
- the priority of future service provision;
- the asset's expected life;
- the cost of ongoing maintenance and other running costs of the asset;
- the cost to purchase the asset;

- the cost and conditions relating to leasing the asset and;
- the expected residual value of the asset at the end of its useful life.

These factors should then lead to a Best Value decision as to whether the Council:

- purchases the asset;
- procures the asset by way of a finance lease;
- hires the asset for short periods, as and when required or;
- enters into an agreement with another organisation for its use.

3.3.3 In all cases Managers should be able to demonstrate value for money and consideration of these factors if challenged on their decision - the current practice should not be mechanically followed year on year.

3.3.4 The current limit for capitalisation of assets is shown in Appendix A. Assets whose values exceed the threshold shown in Appendix A will be capitalised and recorded in the fixed asset register maintained by the Deputy Chief Executive (S151).

3.3.5 Where acquisitions of capital assets are expected in future periods, these should be planned for and be incorporated into the Medium Term Financial Plan. Although the expenditure is treated as capital in the accounts, Service Managers should make an annual revenue contribution each year towards that asset's replacement. This will help to control demands on the capital programme and ensure ongoing provision for replacement.

e.g. An asset costs £100k today with an expected life of 5 years. The expected replacement cost in five years is £120k. The service should budget for an annual charge of $\frac{£120k}{5} = £24k$ each year to be made into a specific earmarked reserve carried forward to year six so that in year 6 £120k is available to acquire the replacement asset.

Clearly service managers will need to consider their asset provisions made to date annually and if a shortfall is envisaged for replacement, additional provision in future budget(s) will need to be made.

3.3.6 Even if an asset is below the current capitalisation threshold in value, if its cyclical replacement is not budgeted for there can be large spikes in expenditure in financial years when new assets are purchased e.g. there could be a year where large amounts of equipment are to be replaced whose individual values are low. Service managers should therefore consider their future needs and create an earmarked reserve to provide for this eventuality also.

3.3.7 In the case of our vehicle fleet, where non specialist vehicles such as vans can be moved between services an overall strategy for vehicles needs to be made by the Group Manager responsible for Transport Management.

3.4 Year End Balances - Earmarked Reserves

Why is this important?

The Regulations below cover arrangements for the transfer of resources between accounting years i.e. earmarked reserves.

Risk:

- Balances are not carried forward correctly

Regulations:

3.4.1 The Deputy Chief Executive (S151) is to administer the scheme of earmarked reserves within the guidelines approved by the Council.

3.4.2 Net underspends on service estimates may be carried forward, subject to:

- a) The detailed constraints and completion of a request form [FIN751](#) as specified by the Deputy Chief Executive (S151).
- b) Detailing the sources of underspends or additional income and the specific application of those resources for approval by Deputy Chief Executive (S151).

3.4.3 The Deputy Chief Executive (S151) is to report all underspends on service estimates carried forward to the Cabinet.

3.4.4 Where capital projects are part complete their unused budget shall be rolled forward automatically to future year(s) to ensure their completion, without the need for a completed form FIN 751.

3.5 Maintenance of Reserves**Why is this important?**

The Cabinet must decide the level of General Fund and Housing Revenue Account reserves that it wishes to maintain before it can decide the level of council tax or council house rents. Reserves are maintained as a matter of prudence. They enable the Council to provide for unexpected events and thereby protect it from overspending should such events occur. Reserves for specific purposes may also be maintained.

Risks:

- The Council may be unable to meet its financial commitments or any unforeseen costs that may arise during the year;
- The Council fails to comply with standard CIPFA codes of practice on local authority accounting.

Regulations:

3.5.1 The Deputy Chief Executive (S151) shall advise the Cabinet and Full Council on prudent levels of reserves for the Council and take into account the advice of the external auditors and generally accepted practice.

3.5.2 The Deputy Chief Executive (S151) will comply with accepted standard codes of practice in respect of the maintenance of reserves.

3.6 Ring-Fencing of Reserves

3.6.1 Service managers shall only use specific reserves for the purposes for which they were intended.

3.6.2 The Housing Revenue Account and General Fund are ring-fenced and legislation provides that neither can be used to subsidise, or help finance the other. All transactions between the two are required to be at arm's length, fair and equitable to both funds.

3.6.3 Unless funded by a revenue contribution to capital, all capital monies must be expended on capital expenditure. Revenue monies may be used for either revenue expenditure or a revenue contribution to capital expenditure.

3.7 Medium Term Financial Planning

Why is this important?

Without planning for the short/medium/longer term future budget shortfalls could occur impairing the delivery of corporate goals and creating a reactive rather than proactive management style. Future expected trends and the financial "headroom" can be identified and fed into the Corporate Plan. Potential risks are also highlighted.

Regulations:

3.7.1 The Deputy Chief Executive (S151) will produce and update a Medium Term Financial Plan for the Council covering an advanced period of ~~three~~ five years. This is to be presented annually to the Leadership team and the Cabinet for approval prior to budgets for the following year having been set.

3.7.2 Group Managers, Directors and service managers have a duty to inform the Deputy Chief Executive (S151) of any projected major changes (amounts up or down of £20k or more) to their service in future periods.

3.7.3 The Medium Term Financial Plan shall consider the following factors over the life of the plan:

- the Government's current spending review proposals;
- the likely level of Council Tax rises;
- the Corporate Plan goals;
- new service initiatives;
- service savings;
- income from fees and charges;
- the effects of inflation;
- future legislative changes including taxation;
- the demands of a proposed capital programme;

- treasury management considerations;
- any other factors whose impact could exceed £20k.

Its scope shall embrace the General Fund, the future capital programme, the Housing Revenue Account, future treasury management, and identify the expected level of reserves and any shortfalls.

3.7.5 The plan must state what is known, estimated and assumed in producing the plan. Sensitivity analysis should be employed to give the reader an idea of a 1% variation - some factors could have a seriously detrimental effect on budgets or reserves whereas other factors might be far less influential.

3.7.6 In making strategic decisions, amending the Corporate Plan, and approving future budgets, Leadership Team and the Cabinet shall have regard to the Medium Term Financial Plan and its implications.

3.8 Reports with Financial Implications

Why is this important?

Without understanding the financial impact of any proposal a poor decision could be made, exposing the Council to risks, possibly leading to an overspent budget. Significant resources could also be diverted from key corporate goals.

Regulations:

3.8.1 All reports to Members of Policy Development Groups, Scrutiny and the Cabinet shall be reviewed by the Deputy Chief Executive (S151) to quantify as accurately as possible the financial effects and risks of any proposals **before** details are published and to ensure that reports published are fit for purpose.

4.0 BUDGETARY CONTROL

- 4.1 Resource allocation**
- 4.2 Budget preparation**
- 4.3 Budget approval**
- 4.4 Responsibility for budgets**
- 4.5 Budget monitoring**
- 4.6 Budget changes (Virements)**

4.0 Budgetary Control and Monitoring

Why is this important?

Budget management ensures that once Council has approved the budget, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account responsible managers for defined elements of the budget.

By monitoring the budget on a regular basis, variances against budgetary targets can be identified along with changes in trends and resource requirements at the earliest opportunity. Effective budget monitoring will also inform what management intervention is needed.

The scheme of budgetary virements is intended to enable the Council, service managers and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the Council, and therefore optimise the use of resources.

Risks:

- There may be inefficient use of public money and a failure to comply with the Council's objectives;
- Budgets could become overspent with nobody being held accountable for them;
- Systems could fail with nobody being made aware that they have;
- The Council could face prosecution and/or a qualified external audit report for failing to comply with legislation and accepted standards.

4.1 Resource Allocation

The Chief Executive and Deputy Chief Executive (S151) are jointly responsible for developing and maintaining a resource allocation process that ensures that both capital and revenue expenditure plans take account of the Council's policy framework and changing priorities. It is the responsibility of Group Managers and Directors to ensure that the revenue and capital budget estimates reflect agreed service plans and are in line with the Medium Term Financial Plan and the Corporate Plan.

4.2 Budget Preparation

4.2.1 The Deputy Chief Executive (S151), in consultation with Group Managers and Directors, shall prepare a budget timetable to ensure that the draft budget is finalised for approval by the Cabinet and Full Council within statutory timetables.

4.2.2 The Budget will be prepared in consultation with the relevant service manager or his/her nominated representative. In assisting the Deputy Chief Executive (S151) to prepare their budgets, due regard shall be given to:

- a. spending patterns and pressures revealed through the budget monitoring process;
 - b. the prior year's actual outturn;
 - c. legal requirements;
 - d. the Corporate Plan;
 - e. the Workforce Plan;
 - f. initiatives already commenced and;
 - g. the future introduction of new Central and regional Government initiatives.
- 4.2.3** The Deputy Chief Executive (S151) will encourage the best use of resources and value for money by working with service managers to identify opportunities to improve economy, efficiency and effectiveness.
- 4.2.4** The Authority is legally obliged to set a balanced budget.

4.3 Budget Approval

- 4.3.1** The Deputy Chief Executive (S151), as Section 151 Officer, is responsible for ensuring that General Fund, Housing Revenue Account and capital budgets are prepared on an annual basis for consideration by Full Council, and in accordance with professional and statutory requirements.
- 4.3.2** Full Council may amend the budget or ask the Cabinet to reconsider it before approving it.
- 4.3.3** After the budget has been approved by Council there will be no increase in the overall budget, unless sanctioned by the Cabinet. Expenditure is to be committed only against an approved budget head, unless approved virements have been made. (See section 4.6 below)
- 4.3.4** The Deputy Chief Executive (S151) will produce an annual summary Budget Book.

4.4 Responsibility for Budgets

- 4.4.1** Group Managers and Directors are responsible for the budgets relating to their service areas and are required to sign approving their service plans and acknowledging accountability for their budgets annually.
- 4.4.2** If the Group Manager or Director wishes to delegate responsibility for the budget to their service manager(s) then evidence of the onward delegation needs to be documented and the service manager will need to sign to accept the delegated budgetary responsibility. Inclusion of such accountability within the signed Job Description of the Service manager shall be regarded as sufficient documentary evidence.
- 4.4.3** It is the responsibility of Group Managers and Directors to control income and expenditure within their area and to monitor performance. Group Managers and

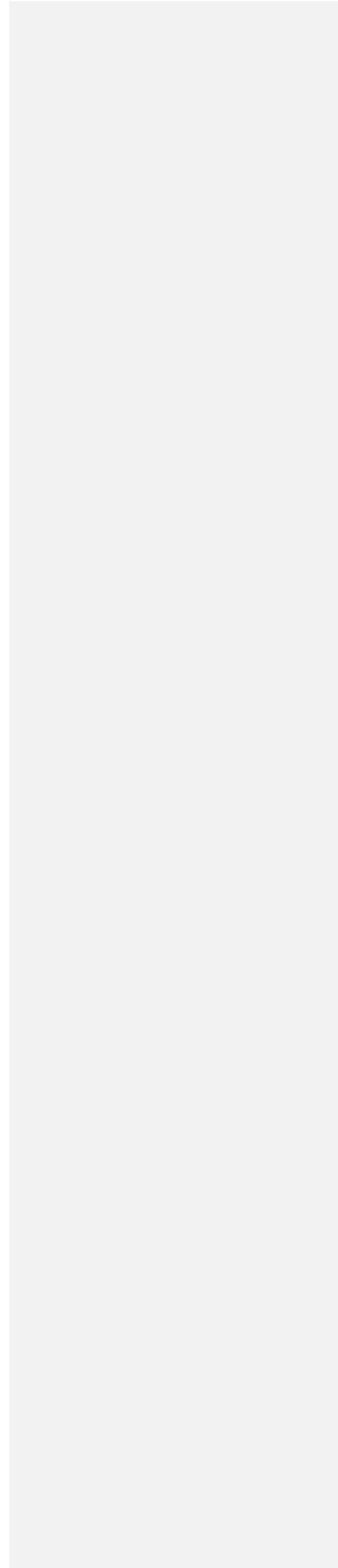
Directors must ensure that there is a clear allocation of responsibility for revenue budget at cost centre level and capital schemes within their areas. Budget responsibility should be aligned as closely as possible to the decision making that commits expenditure. Group Managers and Directors should report on variances within their own areas. They must also take any action necessary to avoid exceeding their budget allocation and alert the Deputy Chief Executive (S151) to any problems. The notification must also include an explanation of any remedial action necessary.

4.5 Budgetary Control and Monitoring

- 4.5.1** It is the responsibility of the service manager to control income and expenditure within their service areas and monitor performance. Any variances (both over and under spends) are to be discussed with their Group Manager and accountant.
- 4.5.2** Service managers should also take any action necessary to avoid exceeding their budget allocation and alert the Deputy Chief Executive (S151) and Group Manager to any problems, immediately as they arise.
- 4.5.3** The Deputy Chief Executive (S151) will present a budget monitoring report to Leadership Team and the Cabinet, outlining any areas of concern (i.e. identified material overspends and shortfalls in income) along with explanations from service managers as to the actions that are recommended to address the concerns.

4.6 Budget Changes (Virements)

- 4.6.1** The scheme of virements is administered by the Deputy Chief Executive (S151).
- 4.6.2** The transfer of budgetary provision from one service unit to another is permissible, providing virement conditions are complied with as detailed below.
- 4.6.3** A budget virement may not be made between the Housing Revenue Account and the General Fund.
- 4.6.4** Service managers are responsible for initiating the virements procedure. Approval for each virement will require the completion of a virement request form [FIN701](#).
- 4.6.5** Budgetary virements may be required by changes in accounting practice issued by CIPFA and other regulatory bodies. In such cases virement request form [FIN701](#) will not be required provided the overall budget, before and after, remains the same.
- 4.6.6** Appendix A shows the thresholds for approval split between those virements within service units and those between service units. Where a virement request has been approved, under no circumstances is income or expenditure to be vired between different financial years (ultimately amending the overall budget liability).
- 4.6.7** Approved virement request forms must be processed by the appropriate accountant who will amend the financial ledger accordingly. Approved forms must be retained for audit purposes.



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**

5.0 PROCUREMENT OF WORK, GOODS AND SERVICES

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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 an authorising officer has any questions about the Contract Procedure Regulations, they should contact the Deputy Chief Executive (S151).

- 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 [the Public Contracts Regulations 2015 \(PCR\) or the concessions Contracts Regulations 2016, as applicable, 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 Deputy Chief Executive (S151) 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 Deputy Chief Executive (S151) 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 Deputy Chief Executive (S151) 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 [Deputy Chief Executive \(S151\) or Group Manager for Financial Services \(Deputy S151\)](#) and use the designated Waiver Form.

- 5.1.11 All instances of working outside these rules, [including those subject to an approved Waiver or an Exemption](#), 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 are 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 as far as possible.
 - 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 the most economically advantageous tender (to the Council). [This encompasses a number of considerations and can include Best Price](#)

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Quality Ratio (BPQR) and such other criteria such as environmental and social value. It is important that the criteria for selection and award are made clear in the tender pack, including any sub-criteria.

- 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 No procurement or award of contract shall be made in a manner which seeks falsely to bring the value of the contract below the European Thresholds or those set out in these Regulations in order to avoid compliance with the applicable laws and these Regulations. This includes dividing the order(s) or contracts in order to give the appearance of being below the relevant threshold. 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 Group Manager and Deputy Chief Executive (S151), 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.

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

- 5.1.19 Contract Procedure Regulations shall not apply where in exceptional circumstances approval to proceed would be given by the official waiver procedure needed from The Leader, the Chief Executive, the Cabinet Member, the Director of Finance, Assets & Resources and the Chair of Scrutiny and that:
- (i) The work, goods or materials are urgently required, and loss would be entailed by delay arising from 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

- 5.1.20 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;
- 5.1.21 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.
- 5.1.22 Advice must be sought from the Procurement Team, prior to purchasing through any purchasing organisation or consortia.

Contracts and Official Orders

5.1.23 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	Decision Route
<=£51,000	Official Purchase Order	Best endeavours	5.1.28	Budget holder
£51,000 - £250,000	Official Purchase Order	Minimum of 3 Quotations	5.1.35	Budget holder
£25,000 - £50,000	Official Purchase Order	3 Quotes and advertise award on Contracts Finder	5.1.35	Service Manager
£50,000 – EU Threshold	Formal Written Contract & Purchase Order	Formal Tender (advertise opportunity and award on Contracts Finder) Tender(advertised locally)	5.1.41	Assuming that there is agreed budget in place, Budget holder Group Manager -+ S151 Officer may approve up to £250k.
Over EU Threshold	Formal Written Contract & Purchase Order	Formal Tender (advertised in OJEU) Tender(advertised in OJEU)	5.1.44	Contracts in excess of £250k will require approval by Cabinet

5.1.24 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.

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

Estimated Contract value less that **£51,000**

5.1.26 In the case of goods, where the Authority purchases a significant number of items and the aggregate total spend exceeds **£51,000** per year, prices must be renegotiated with the supplier annually. If the total spend exceeds £50,000 per year, a contract should be executed in line with the **tender process** below.

- 5.1.27 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 **£54,000** 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.
- 5.1.28 In the case of a contract whose total does not exceed **£54,000**, 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.
- 5.1.29 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, [data protection](#), [equalities](#), contract management and provision of insurance is suitable for the level of the contract.
- 5.1.30 Pre-qualification through an industry recognised method such as Constructionline or Exor will be deemed acceptable although the relevant Group Manager may require further checks to be carried out in this regard.
- 5.1.31 In the event that competitive tenders or quotations are sought, these shall be obtained from such number of contractors/suppliers as the relevant Group Manager deems appropriate having regard to the principles of Best Value
- 5.1.32 The officer is required to obtain written evidence of the quotations and the evidence is required to be kept in accordance with the Council's Document Retention guidance. This is 12 months or the life of the contract, whichever is the greater.

Estimated Contract value between **£54,001 and **£50,000****

- 5.1.33 Competitive quotations shall be invited unless a Group Manager considers that it is not in the best interests of the Council to seek competitive tenders.
- 5.1.34 Where possible quotations should be sought from three contractors. For further details on quotations refer to the section on the quotation process.
- 5.1.35 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

- 5.1.36 Where possible at least three written quotations will be sought.
- 5.1.37 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.

- 5.1.38 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 established 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.
- 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 but without breaching the commercial confidentiality of the other suppliers.

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

~~5.1.39~~~~5.1.54~~ The contract opportunity shall be advertised on the Councils eTendering portal and on Contracts Finder in line with UK Procurement legislation.

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~~5.1.40~~~~5.1.55~~ Competitive tenders shall be invited. Where possible tenders shall be invited from four contractors, however in line with PCR 2015 no shortlisting will be allowed on contract values below the EU threshold. This means that all compliant bids will be evaluated.

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~~5.1.41~~~~5.1.56~~ 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.

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Estimated Contract value exceeds European Thresholds

~~5.1.42~~~~5.1.57~~ Where the estimated Value of the Contract exceeds the thresholds laid down in the European Directive, Public Contract Regulations 2015 EU procurement rules will apply

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~~5.1.43~~~~5.1.58~~ The opportunity will be advertised in the Official Journal of the European Union (OJEU) and all legislative requirements must be met.

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The Tender Process

~~5.1.54~~~~5.1.59~~ Before starting a tender process, and with suitable advance notice, the relevant Officer will inform the Procurement Team of the proposed contract details using a Tender Initiation Form. 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.

~~5.1.55~~~~5.1.60~~ Consultation will occur between the Procurement Team, Group Manager and where necessary Legal Services, and where relevant agree:

i) The roles and responsibilities in respect of:

- The selection process (above EU threshold only)
- 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 [\(to be used above EU threshold only\)](#) 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](#)
- [Data Protection](#)
- [Equalities](#)

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](#)
- [Social Value](#)

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 Group Manager and relevant Cabinet Member.

5.1.59 Tenders will be advertised and submitted electronically via the 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.

Tenders – manner of submission

5.1.61 Every invitation to tender shall state that the tender will be only considered if it is received electronically via Supplying the Southwest Procurement Portal.

- 5.1.62 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

- 5.1.63 All tenders for a Contract shall be opened via the verification process within the eTendering portal.
- 5.1.64 ~~The designated Verifier for the tender will be a member of the Internal Audit section and only~~ Only those Officers delegated with Verifier status will be able to access the tenders and remove the Tender seal.
- 5.1.65 The tenders may then be accepted and released for evaluation or declined and reasons given.
- 5.1.66 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 appears on the Form of Tender.

Tenders – Procedures for acceptance

- 5.1.67 Where tenders have been invited in accordance with these Contract Procedure Regulations, the winning tender based on MEAT as defined at 5.1.15 shall be awarded the contract.
- 5.1.68 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.
- 5.1.69 For contracts under £250k the Group Manager will authorise [the contract award](#).
- 5.1.70 For contracts above £250k, or where there is 10% excess on the budgeted tender provision, the Group Manager, [Director and Cabinet Member will authorise the contract award.](#) ~~will refer to Cabinet prior to authorising the acceptance.~~

Tenders- Record Retention

- 5.1.71 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 supplied to unsuccessful suppliers (if requested)
- 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

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.

~~5.1.66 Each Group Manager 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.~~

~~5.1.67~~ 5.1.66 Each standing list shall be reviewed and updated by the relevant Service Manager at least once in any 24-month period and copy sent to procurement.

~~5.1.68~~ 5.1.67 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 the transactional process of ordering through to payment should be followed.

Rules:

~~5.1.69~~ 5.1.68 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 Deputy Chief Executive (S151). Only orders in a format agreed by the Deputy Chief Executive (S151) shall be used.

Includes:

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

~~5.1.70~~ 5.1.69 Any amendments or changes in procedure to the agreed system must be approved by the Deputy Chief Executive (S151) in consultation with the Group Manager for ICT if appropriate, prior to being updated.

~~5.1.74~~ 5.1.70 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

~~5.1.72~~ 5.1.71 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.

5.1.73 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.

5.1.74 All ordering must be conducted through the Procurement Team. No verbal orders are to be placed except as at 5.1.79.

5.1.75 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.

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

~~5.1.73~~ 5.1.72 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 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.

5.1.745.1.73 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.

5.1.755.1.74 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.

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

5.1.775.1.76 Spending limits will be reviewed and approved by the Group Manager on an annual basis.

5.1.785.1.77 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.

5.1.795.1.78 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.

5.1.805.1.79 Orders are not required for:

- Rents;
- Rates;
- Supply of Utility Services (Gas, Mains Water, Electric, Telephone);
- Petty Cash reimbursements; and
- 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.

~~5.2.25~~2.3 **IR35 is tax legislation that is designed to combat tax avoidance by workers supplying their services to clients via an intermediary, such as a limited company, but who would be an employee if the intermediary was not used. Such workers are called 'disguised employees' by Her Majesty's Revenue and Customs (HMRC).**

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~~5.2.35~~2.4 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.)

~~5.2.45~~2.5 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)

~~5.2.55~~2.6 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.

~~5.2.65~~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

~~5.2.75~~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 Deputy Chief Executive (S151) or Group Manager for HR 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 Deputy Chief Executive (S151) will arrange for nominated staff to check the validation at the HMRC website when Procurement has 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 Deputy Chief Executive (S151).

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 relevant Group Manager 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 Deputy Chief Executive (S151) 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 Council’s 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 Deputy Chief Executive (S151) 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. Where the approval will result in an increase in total contract price following the award of a contract, the Procurement Manager (or in his/her absence, the Group Manager for Finance or Director of Finance, Assets and Resources) must be consulted where:

- (a) the original value of the contract was above the European Thresholds; or
- (b) the original value of the contract was £25,000 or more but below the European Thresholds and the expenditure will result in the original value of the contract being exceeded by more than 10%, taking into account any previously approved expenditure above the original contract value.

~~5.5.25~~ 5.3

~~5.5.35~~ 5.4 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 the relevant Group Manager in advance and approved prior to their use.

~~5.5.45~~ 5.5 HR is to supply a ~~leavers~~leaver’s memo to the Deputy Chief Executive (S151) to ensure prompt removal of former employees.

~~5.5.55~~ 5.6 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 Council pays incorrect suppliers or amounts due to fraud
- 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 Deputy Chief Executive (S151).
- 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 Deputy Chief Executive (S151), 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. proforma 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 [tendered via the Procurement Team](#), a [FIN306](#) Contract Award Notification will be sent by the Procurement Team to the relevant Group Manager, Service Manager, Cabinet Member and Accountant and to the Deputy Chief Executive (S151) to notify them of the award

~~5.7.15~~5.7.2

5.7.3 [Where the service has awarded their own contract, without the input of the Procurement Team, it is the responsibility of the awarding service to provide the Procurement Team with the information that they require to populate the contracts register \(as set out below\)](#)

~~5.7.25~~5.7.4

5.7.35.7.5 It will remain the responsibility of the Procurement Team to maintain a contract register of all contracts over £5,000 awarded on behalf of the Council.

5.7.6 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.

For each contract, the following details must be published:

- reference number
- title of agreement
- local authority department responsible
- description of the goods and/or services being provided
- supplier name and details
- sum to be paid over the length of the contract or the estimated annual spending or budget for the contract
- Value Added Tax that cannot be recovered
- start, end and review dates
- whether or not the contract was the result of an invitation to quote or a published invitation to tender
- whether or not the supplier is a small or medium sized enterprise and/or a voluntary or community sector organisation and where it is, provide the relevant registration number.

5.7.45.7.7

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6.0 Expenditure

- 6.1 Housing and council tax benefit payments**
- 6.2 Housing renovation and associated grants**
- 6.3 Purchase cards**
- 6.4 Credit cards**
- 6.5 Petty cash**
- 6.6 Asset leasing arrangements**
- 6.7 Urgent payments**
- 6.8 Emergency action**

6.1 Housing and Council Tax Benefit Payments

Why are these important?

The Council administers the payment of benefits, on behalf of the Department of Work and Pensions, to assist people in paying their rent and/or Council Tax bills. The Housing Benefit scheme is complex, requires people to declare both personal and financial details and is, as a result, open to error and abuse. This being the case the assessment, calculation and payment of claimants needs to be carefully controlled.

Risks:

- Benefit could be paid to fraudulent claimants;
- Personal domestic and financial details relating to a claimant could be disclosed without authority to do so;
- Benefit entitlement could be incorrectly calculated

Regulations:

- 6.1.1 The Deputy Chief Executive (S151) shall be responsible for arranging the processing, assessment and payment of benefit.
- 6.1.2 The Deputy Chief Executive (S151) shall ensure that periodic checks on the calculations and the entitlement for benefit cases are carried out. Verification Framework checks are to be carried out on all benefit documentation received.
- 6.1.3 All records and files of personal information relating to claims and the calculation of entitlement to benefit are to be held under arrangements that will prevent access by unauthorised persons and enable compliance with the Data Protection Act.
- 6.1.4 Any information gained in the assessment and payment of benefit shall not be divulged by any member of staff to persons not authorised to receive that information. Any person seeking information on behalf of another must provide satisfactory evidence that they are authorised, by the claimant, to do so.
- 6.1.5 Any member of staff with a personal interest in a benefit claim will have no part in the assessment or payment of that claim. All staff involved in the administration of Housing and Council Tax benefit will complete an annual declaration of interests form, and notify the Benefits Manager as soon as they become aware of any personal interest.
- 6.1.6 All benefits cheques returned to the Council, whether by hand or by post, shall be passed immediately to the Accounts Payable section and cancelled. The Benefits Unit is, however, to be notified that any such cheques have been cancelled.
- 6.1.7 Lost cheques will not be reissued until the original has been cancelled or has been stopped. See 14.1.5 relating to crossed cheques.

6.2 Housing Renovation and Associated Grants and Loans

Why is this important?

Each year the Council receives applications from the public for grants and loans to assist them financially in renovating their property or associated work such as alterations for the installation of disabled facilities. Many grants and loans are for thousands of pounds and it is therefore essential that applications are correctly assessed, calculated and paid in accordance with both legislative and Council requirements.

Risks:

- Applicants may be paid and yet not be entitled to receive grant or loan monies;
- Grant or loan entitlement may be incorrectly assessed leading to an incorrect payment being made;
- The grant and loan scheme may be manipulated with fraudulent intent

Regulations:

- 6.2.1 The Group Manager for Public Health & Regulatory Services will be responsible for delegating the management and processing of applications for Housing Renovation and other related Grants or loans.
- 6.2.2 The processing of grant and loan applications shall be dealt with expeditiously in accordance with current legislation and Council policy. All applications must be approved by the Group Manager for Public Health & Regulatory Services or his/her nominated representative before any payments are made.
- 6.2.3 Payments must be within the limits for such grants or loans set in the Housing Assistance Policy.
- 6.2.4 Payments of grant or loans are provided before work commences unless there are major adaptations whereby stage payments may be made when staged inspections are completed and signed off as satisfactory by the appointed officer in association with the applicant.
- 6.2.5 Employees of the Council with a personal interest in any grant application must notify the relevant Group Manager who shall record the interest.
- 6.2.6 Employees of the Council who have a personal interest in any grant or loan application must not participate in the processing of the application or payment of the grant or loan and comply with the Officers Code of Conduct.

6.3 Purchase cards

The Council recognises that the cost of its spending is an area which can be reduced by using more efficient payment methods which include the use of Purchase Cards and Credit Cards.

| The Council has an approved purchase card scheme –under the Government Procurement Card (GPC) Policy. Purchase cards are issued to Officers where it has been identified that there is either a large volume of low value transactions or a frequent urgency for a smaller number –being made when at remote locations.

Regulations

- 6.3.1 Authorised Users sign up to the terms and conditions as set out in Appendix C, which clearly set out how the card is to be utilised and that under no circumstances may it be used for personal purposes.
- 6.3.2 The scheme is to be used in line with the Guidance document issued to users with their cards shown at Appendix D.
- 6.3.3 The Deputy Chief Executive (S151) will appoint administrators who shall be able to request information and make amendments on the company account, including the creation of additional cardholders.
- 6.3.4 Where the cardholder purchases goods or services relating to the Building Services department, the cardholder will be required to provide the Job Number which the purchase relates to alongside the receipt to ensure the goods are charged to the correct job.
- 6.3.5 Cardholders shall retain all VAT receipts from the transactions and record them on the prescribed transaction log.
- 6.3.6 The Cardholder, or an authorised user, shall reconcile all the transactions on their transaction log and statement on a monthly basis using the reconciliation software provided by the card issuer. During the reconciliation process, the following items associated with the transaction must be populated:
- Receipt reference
 - VAT amount
 - Accounting codes
 - Description
- 6.3.7 When the cardholder has checked the statement for accuracy the cardholder's approver must complete the summary before the full month's transactions are loaded into the financial management system.
- 6.3.8 The reconciliation, approval and loading of the file will be completed in line with the timetable set out each year.
- 6.3.9 The Deputy Chief Executive (S151) will review the effectiveness of the scheme from time to time and at least at the re-tendering of the contract, usually every 3 years.

6.4 Credit Cards / Purchasing Cards

- 6.4.1 A Corporate Credit Card is used for the purchase of products or services where the only practical method of payment accepted by the supplier is credit card. The credit card is to be held in a secured location by the Procurement Team.
- 6.4.2 The Deputy Chief Executive (S151) will appoint authorised signatories who are able to request information, make changes to the account or create new cardholders.
- 6.4.3 A purchase order must be raised in line with the Financial Regulations before any transaction is made using a card. All transactions made using a credit card are to be recorded on a central log which must be reconciled monthly to the Credit Card statement.
- 6.4.4 The relevant accounting codes and VAT information from each transaction are to be allocated on the financial ledger at the point of posting. VAT receipts are to be held centrally in line with the Council's retention policy.

6.5 Petty Cash

Why is this important?

Petty cash is required to meet minor items of expenditure that may arise from time to time.

Risks:

- Cash is stolen, lost or borrowed without due authority;
- Money is spent on non-work related goods or services
- Petty cash is used as a means to circumvent the proper procurement process

Regulations:

- 6.5.1 The Deputy Chief Executive (S151), in consultation with Service managers, will decide on the fixed amount of the float to be used for meeting petty cash expenses at any satellite establishment.
- 6.5.2 Petty cash made available is for work related transactions only. Under no circumstances are petty cash floats to be used for personal reasons i.e., loans or advances of cash. Any officer found to be in breach of this Rule will be subject to disciplinary proceedings.
- 6.5.3 Payments from petty cash are to be limited to minor non-recurring items of expenditure, not exceeding the thresholds set out in Appendix A.
- 6.5.4 None of the following items of expenditure are to be paid out of petty cash;
- Travel and subsistence expenses of officers;
 - Postage, except where a small supply of stamps is held for specific purposes;
 - Sundries, such as milk, tea, coffee, biscuits, etc. for officers;
 - Stationery;

- Any other payments relating to staff or persons working or providing a service to the Council

6.5.5 Any officers found to be in breach of this Rule will be subject to disciplinary proceedings.

6.5.6 A [FIN321](#) form will be provided by the Deputy Chief Executive (S151) for each officer holding a petty cash float at the 31st March to certify in writing the amount held, either in cash and/or in signed vouchers awaiting reimbursement.

6.5.7 All payments from petty cash are to be recorded on the electronic [FIN320](#) Petty Cash Reconciliation form and are to be supported by vouchers in the approved form. The voucher is to be signed only by the employee entitled to receive the payment and is to be counter-signed by an authorised officer at the time of payment. Full details of the claim are to be recorded on the voucher and an official VAT receipt obtained and attached to the voucher.

6.5.8 On leaving the Council's employment or otherwise ceasing to be entitled to hold a petty cash float, an employee shall account to the Deputy Chief Executive (S151) for the float amount advanced to him/her.

6.5.9 Petty cash floats are to be reconciled and balanced (vouchers to cash balances) on a monthly basis.

~~6.5.10~~ Replenishment of petty cash floats will be via the submission of the [FIN320](#) Petty Cash Reconciliation form using the guidance notes within the workbook. [Floats will be replenished from a "top up" float held by the Customer First Supervisors.](#)

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~~6.5.10~~ [The petty cash "top up" float will be replenished by replacing kiosk cash to be banked with a MDDC cheque of the same value.](#)

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~~6.5.11~~ [The Petty cash top up float should be reconciled quarterly in line with the reconciliation of the petty cash eFinancials cost centre.](#)

~~6.5.11~~~~6.5.12~~ The workbook should be authorised and sent electronically to accountancy@middevon.gov.uk. A hard copy of the 'Vouchers' page and the 'Replenishment' page should be sent to Accounts Payable with all signed vouchers and receipts in support of the amount claimed.

~~6.5.12~~~~6.5.13~~ Once Accounts Payable has verified the replenishment they will authorise the Customer First Team to contact the officer holding the float to collect the replenishment. Council identification must be presented when collecting the cash.

~~6.5.13~~~~6.5.14~~ Cash balances and vouchers shall be available for inspection upon request, by Internal Audit.

~~6.5.14~~~~6.5.15~~ Any till differences in excess of the amount shown at Appendix A shall be referred immediately to Internal Audit.

6.6 Asset Leasing Arrangements

Why is this important?

Capital finances are not always available to purchase an asset outright, especially larger vehicle and equipment purchases. Leasing an asset enables the cost to be spread over several financial years. Asset leasing contracts are legally binding documents which therefore need to be considered and entered into with caution.

International Financial Reporting Standards (IFRS) require Operating Leases and Finance leases to be treated differently within the year end accounts. Whether a lease is a finance lease or an operating lease depends upon the substance of the transaction, rather than the form of the contract. This is not always conclusive. The assessment requires judgement against the lease classification indicators set out in International Accounting Standards (IAS) 17.

Criteria pointing to a finance lease classification include:

- The lease transfers ownership of the asset to the lessee by the end of the lease term.
- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value, so as to make it reasonably certain the option will be exercised.
- The lease term is for the major part of the economic life of the asset.
- The present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset (MDDC applies a rate of 75% and above).
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.

In summary not only is it important to ensure that our lease arrangements are appropriate for our needs, it is also important that each lease is classified and recorded within the correct framework.

Risks:

- The Council may fail to be able to meet future commitments.
- New annual lease payments may exceed budgetary provision.
- Assets are not appraised to ensure leasing is a more viable option than purchasing.
- Assets are not purchased following procurement guidelines or leased following a financing review.
- The asset is disposed of before the lease ends or is ready to be disposed of.
- Lease interest rates are high.
- Lease agreement contracts are not signed or stored correctly.
- Leases are classified incorrectly because IFRS regulations are not followed.

Regulations:

- 6.6.1. A business case analysis should be carried out when considering purchasing a new asset and the Service Accountant should be included in this process. The business case should show that there is a definite business need for the asset, the asset to be acquired has been appraised to be the most operational and cost effective solution and that procurement rules have been followed to obtain quotes or to tender for the asset.
- 6.6.2. At this stage the Deputy Chief Executive (S151) should consider whether finances are available to purchase or whether leasing the asset is more appropriate. In any event if the Council is to purchase the asset and subsequently undertake a sale and leaseback arrangement the normal procurement rules outlined at 5.1 above must be followed. Service Managers must therefore be mindful of lead times before the acquisition of assets.
- 6.6.3. If the asset is to be leased a leasing advisory body will be contacted to carry out a financial review and find the best leasing option. This must only be done after the decision not to purchase has been made. Additional costs could be incurred in instructing a financial review if a decision is then made not to lease.
- 6.6.4. Arranging the financing of a lease will be administered by the Deputy Chief Executive (S151). All contractual documentation should be forwarded to the Deputy Chief Executive (S151). Once signed by an authorised signatory all Contracts will be entered into the Contracts Register ~~within Legal Services~~.
- 6.6.5. Annual payments due on new finance leases will be funded by the service acquiring the asset through a budget virement to the finance lease detail code.

Property Leases

- 6.6.6. If the Authority enters into any new property leases, either as Lessor or Lessee, The Deputy Chief Executive (S151) needs to be immediately advised of the transaction and the nature and terms of the agreement entered into. This is most important because the accounting treatment of the transaction and therefore our financial statements could be different, depending upon the circumstances.

6.7 Urgent Payments

- 6.7.1. Payments to suppliers and others are normally arranged in a series of weekly or monthly runs. Service managers are asked to try wherever possible to adhere to these standard payment runs to maintain efficiency.
- 6.7.2. This will be by BACS as the faster more secure option and the Service Manager will need to obtain all of the relevant details of the payee for this to occur. However in the rare case that circumstances conspire to warrant an urgent payment service managers should endeavour to obtain the bank details and full name and address of the payee so that a BACS payment can be issued without delay by the Finance Team. The monies will always clear faster than a cheque, and the process is both more secure and cheaper for the Council.

- 6.7.3 Group Managers and Directors and service managers must ensure that Financial Regulations and Contract Procedure Rules relating to contracts and tenders have been complied with. However, in a situation which is outside the time framework for a Cabinet decision, the decision could be taken by the Cabinet Member for Finance together with either the Chief Executive or the Deputy Chief Executive (S151) for expenditure up to the EU threshold limits. Any such decision of the Cabinet Member would however need to be reported back to the next Cabinet meeting, so that there is accountability and an audit trail of the decision.

Emergency Action < £50,000

- 6.8.1 In the event of an emergency, there is a need for three authorisations, that is, the Chief Executive, Group Manager and a Cabinet Member to authorise all necessary actions and to incur expenditure outside amounts included within budgets without recourse to the requirements of these Financial Regulations.
- 6.8.2 The Chief Executive and a Cabinet Member or a Group Manager shall notify the Deputy Chief Executive (S151) in writing of the circumstances and estimated financial impact.

Emergency Action > £50,000

- 6.8.3 In the event of an emergency, there is a need for three authorisations, that is, the Chief Executive, Group Manager and a Cabinet Member to authorise all necessary actions and to incur expenditure outside amounts included within budgets without recourse to the requirements of these Financial Regulations. In the event of such an emergency the provisions of the Constitution rules regarding key decisions apply.

7.0 External Expenditure Arrangements

7.1 Work for third parties

7.2 Work by third parties

7.3 Partnerships with external entities

7.4 Projects

7.0 Work for Third Parties

Why is this important?

Current legislation enables the Council to provide a range of services to other bodies. Such work may enable a unit to maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risks associated with this work is minimised and that such work is intra vires.

Risks:

- The Council could make a significant loss by carrying out this work;
- Internal resources are tied up in providing external users a service with a resulting detrimental effect on internal service provision;
- The Council could be held liable for the actions of its staff.

Regulations:

7.1.1 The Deputy Chief Executive (S151) shall provide guidance on the financial aspects of providing third parties with services and the maintenance of a contracts register.

~~7.1.2 The Group Manager for Development in consultation with the Director of Finance, Assets & Resources shall maintain a register of all contracts entered into with third parties in accordance with guidance.~~

Each service manager shall ensure that:

- Appropriate insurance arrangements are in place to the satisfaction of the Deputy Chief Executive (S151);
- The Council is not put at risk from any bad debts;
- Valid sales invoices with the correct vat treatment are created for the service;
- Wherever possible, payment is received in advance of the provision of the service;
- The relevant service has the appropriate expertise to undertake the contract;
- All contracts are properly documented and that the documentation is kept up to date;
- The Deputy Chief Executive (S151) is provided with the appropriate information to enable a note to be entered into the financial statements.

7.1.4 Group Managers and Directors must ensure that work carried out by third parties (for instance by an Arm's Length Management Organisation) for the Council is approved and covered by a suitable contract or agreement so that the responsibilities of each party are clear. Financial, legal, HR and procurement advice should be sought at an early stage. This will ensure that the organisation only carries out work that is within the relevant legal powers, and that financial issues such as responsibility for managing budgets, insurance and taxation are properly considered.

7.2 Partnerships with External Partners/Agencies

Why is this important?

Partnerships are likely to play a key role in delivering community strategies and in helping to promote and improve the wellbeing of the area. The Council is working in partnership with other councils, public agencies, private companies, community groups and voluntary organisations, to bring together the contributions of the various stakeholders to deliver a shared vision of services based on user wishes.

The Council will mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations. The Council will be measured by what it achieves in partnership with others and assist as much as possible depending upon resources.

Risks:

- Important issues and problems are not addressed. Roles and responsibilities for the partnership are not clearly defined at the outset;
- The risks associated with the partnership are not identified or addressed;

- The financial viability of the partnership is not assessed at the outset;
- The partnership may not deliver the level of staffing or expertise anticipated at the outset;
- The objective of a proposed partnership may not be achieved;
- A partnership arrangement may cost the Council more than an existing or singularly administered equivalent, or the quality of service may decline, or both;

Regulations:

- 7.2.1 It is the responsibility of all Service managers to identify any instances of partnership working within their service areas and to keep a written record.
- 7.2.2 Before entering into any partnership agreements the service manager will advise the Deputy Chief Executive (S151) of the key elements of the partnership. This will include an analysis of:
- A cost/benefit appraisal of the financial viability of the partnership, both in the current and future years (including estimated budgetary requirements);
 - Risk assessment and management (including the production of a risk log);
 - Resourcing, including taxation issues;
 - Audit, security and control requirements;
 - Dispute resolution.
- 7.2.3 The Deputy Chief Executive (S151) must be advised and will give advice on effective controls and ensure that accounting arrangements are satisfactory.
- 7.2.4 The Group Manager for Development must be advised and a suitable partnership agreement drawn up and signed before commencement to safeguard all parties.
- 7.2.5 It will be the on-going responsibility of the service manager to:
- Adhere to approved Council policies relating to partnership working;
 - Ensure that such partnership agreements and arrangements do not impact adversely upon the services provided by the Authority;
 - Provide appropriate information to the Deputy Chief Executive (S151) to enable a note to be entered into the Council's statement of accounts concerning material items;
 - Ensure that all partnership agreements and arrangements are properly documented. Such documentation must be sufficiently detailed to allow the performance of the partnership to be effectively monitored and assessed.

- 7.2.6 Service managers are responsible for reviewing all existing partnerships on an annual basis to ensure that the partnership continues to deliver Value for Money, and that it operates in the best interests of the Council and is not in conflict with the Council's objectives.
- 7.2.7 Service managers must notify the Deputy Chief Executive (S151) and the Group Manager for Development, if the Council intends to disengage from an existing partnership who will then advise on appropriate measures to protect the Council's interests when the partnership is dissolved.
- 7.2.8 It is the partners' responsibility to:
- If appropriate, and especially where this Council takes the lead, be aware of their responsibilities under these Financial Regulations;
 - Ensure that risk management processes are in place to identify, assess and monitor all known risks;
 - Ensure that project appraisal processes are in place to assess the viability of the project in terms of resources (including finance), staffing and expertise;
 - Agree and accept formally, the roles and responsibilities of each of the partners involved in the project before the project commences (including the production of terms of reference);
 - Communicate regularly with other partners throughout the project or partnership so that problems can be identified and shared, to achieve their successful resolution;
 - Develop a framework for measuring the performance of the project or partnership and regularly share performance results with partners and stakeholders;
 - Ensure that any financial contributions made to the Council, for the purposes of the Partnership, are made on a timely basis.

7.3 Projects

Why is this important?

The Council normally undertakes projects for "one-off" or unique events. Projects can be caused by many factors including changes in Central Government direction or legislative changes.

All projects that have an intrinsic value (including direct and indirect costs) of £50,000 or more shall be run using structured project management such as PRINCE2 as this is industry standard and can be sized appropriately or other appropriate project methodology.

Risks:

- The project may fail due to an inadequate or inexperienced project manager;
- The project may exceed its budget both in terms of cost and time;
- Important issues and problems are not addressed and roles and responsibilities for the project are not clearly defined at the outset;
- The risks associated with undertaking the project are not identified or addressed;
- The financial viability of the project is not assessed at the outset;
- The project may not deliver the desired objectives and outcomes that were anticipated at the outset;
- Failure of a project may impact on the Council's reputation.

Regulations:

- 7.3.1 Service managers (or Group Manager) own the business case, including the budget for the project, and are accountable to Leadership Team for the project. The service manager is responsible for producing and submitting the business case to Leadership Team for approval. This must include:
- a. Reasons for the project
 - b. Business Options
 - c. Expected Benefits and Issues / Disbenefits
 - d. Timescales
 - e. Costs
 - f. Investment Appraisal
 - g. Major Risks
- 7.3.2 Where the Business Case submissions form part of a Programme or is in competition with other business cases in bids for funding (e.g. capital bids), then scoring criteria will be agreed by Leadership Team. Then each business case can be considered, prioritised or rejected
- 7.3.3 If Leadership Team has approved the Business Case, then at an agreed date a Project Initiation Document (PID) will be submitted by the Service Manager for approval. The PID will contain:

- a. The objectives of the project;
 - b. The scope of the project;
 - c. The measurable outcomes/benefits of the project;
 - d. A list of deliverables for performance monitoring purposes;
 - e. An updated business case (including a cost/benefit analysis);
 - f. A risk log containing risks that have previously been assessed;
 - g. An action plan of how and when the project is to be delivered and;
 - h. the proposed project organisation.
- 7.3.2 Where the project involves the use of consultants, their appointment should be subject to the Council's normal rules - see Chapter 5. The estimated cost of using a consultant is to be set as the Consultant Budget on the project. The Project Manager will be responsible for monitoring the actual spend on the consultant on a monthly basis in conjunction with the Deputy Chief Executive (S151) or designated accountant and report to the Project Board.
- 7.3.3 It is the responsibility of the Deputy Chief Executive (S151) to set up the budget for the project on the financial ledger.
- 7.3.4 It is the responsibility of the Project Manager to monitor the project budget and project progress, in conjunction with the Deputy Chief Executive (S151) or designated accountant, and to provide the Project Board with regular updates, so that any issues or concerns can be fully discussed and action taken, where appropriate.
- 7.3.5 All project documentation must be retained in accordance with the document retention guidelines available on SharePoint.
- 7.3.6 Where the project expenditure is anticipated to be £50,000 or below, it will be the responsibility of Group Manager to monitor the total level of expenditure and hold the Service Manager as Project Owner to account should any variances arise during the course of the project. If the Project requires additional financing for the project, then with the approval of the Project Board, the Project Owner will obtain the approval of Leadership Team prior to committing the expenditure.
- 7.3.7 Where the project expenditure is anticipated to be between £50,001 and £250,000 it will be the responsibility of Leadership Team to monitor the total level of expenditure and hold the Service Manager as Project Owner to account should any variances arise during the course of the project. If the Project requires additional financing for the project, then with the approval of the Project Board and Leadership Team, the

Project Owner will obtain the approval of the Cabinet prior to committing the expenditure.

- 7.3.8 Where the project expenditure is anticipated to be in excess of £250,000, it will be the responsibility of the Cabinet to monitor the total level of expenditure and hold the Group Manager as Project Owner to account, should any variances arise during the course of the project. If the Project requires additional financing for the project, then with the approval of the Project Board and Leadership Team, the Project Owner will obtain the approval of the Cabinet prior to committing the expenditure.

8.0 Staff and Member Related Expenditure

- 8.1 Payroll**
- 8.2 Travel and subsistence**
- 8.3 Car loans and car leases**
- 8.4 Private telephone calls**
- 8.5 ICT auctions**

8.1 Payroll

Why is this important?

Staffing the Council's services is the most expensive cost to fall on the taxpayer. .

Risks:

- Payments may be made to employees who have left;
- Employees may be paid incorrectly;
- The Council could be prosecuted for failing to abide by employment law;
- The Council could be heavily criticised by the external auditors for failing to maintain adequate employment records
- Tax compliance and associated penalties

Regulations:

- 8.1.1 The regulations, set out below, cover all officers employed by the Council and all Elected Members.
- 8.1.2 All claims from Officers and Members must be submitted to the Payroll Manager by the 6th of the month.
- 8.1.3 The Group Manager for HR may review these dates from time to time.

New Employees

- 8.1.4 The Group Manager for HR is responsible for the payment of all salaries, wages, pensions, gratuities and other emoluments to employees, former employees, Members and former Members of the Council.
- 8.1.5 Appointments will be made in accordance with the establishment and rates of remuneration approved by the Council and provided that adequate budget provision is available. Payments will be made in accordance with nationally or locally agreed conditions.
- 8.1.6 In all instances where a new appointment is to be made (whether replacing an existing post or adding to the establishment), the recruiting manager will be required to complete a Vacancy Approval Form (VAF) and justify the business case for recruiting. The VAF must then be signed off by the Group Manager before being passed to Finance to check that there is adequate budget to recruit. The VAF must then be passed to HR and a Director for approval.

8.1.7 Once an appointment has been made, a starter form will be completed by HR and will be signed by the recruiting manager prior to being passed to the Payroll Manager.

8.1.8 The Group Manager for HR will ensure that baseline security checks are undertaken to satisfy eligibility to work and that new employees produce the following:

- ~~Completed Pension Option Form~~ [Satisfactory Identification](#)
- ~~Copy Birth Certificate (if joining the Pension Scheme and married, copies of the marriage certificate and partner's birth certificate)~~
- Tax form P45 or [P46HMRC Starter Declaration](#)

8.1.9 HR and payroll will start and maintain ~~personal~~[personnel](#) files, within document storage, for all new employees and will complete pension documentation as required, in accordance with the Local Government Pension Scheme.

Leavers

8.1.10 The relevant Service manager will notify the Group Manager for HR immediately of all resignations, dismissals, redundancies, or retirements. The Payroll Manager will calculate and initiate the final payment and, where applicable, forward the necessary Pension documentation, to the administering Authority.

Calculation and Payment of Salaries and Wages

8.1.11 Each Service manager will be responsible for notifying HR of all matters affecting the payment of emoluments, including changes in remuneration, other than normal increments, pay awards and agreements of general application.

8.1.12 Overtime must only be worked with the prior approval of the Service manager or his/her representative. Claims for overtime and other allowances must be certified by an authorised officer in accordance with the official Authorised Signatories List for overtime (or Local Conditions of Service where the officer is SCP 35 or above). These must be submitted promptly and at the latest within two months from the end of the month to which the claim relates. If the claim is submitted after two months then it will require the approval of the Director of the service before being processed and paid.

8.1.13 Payments will be calculated by the Payroll team in accordance with the information provided, the relevant Conditions of Service, and statutory payroll legislation. Non statutory deductions and changes to bank accounts are only to be made with the written approval of the employee concerned.

- 8.1.14 The salary in respect of each full calendar month for officers, and the allowances in respect of Members, will be paid no later than the 22nd of that month. The Group Manager for HR may review these dates after consultation, from time to time.
- 8.1.15 Payment will be by monthly BACS for all employees. Pay advices can be viewed electronically on the self-service portal. Staff that don't have access to the self-service portal will have pay advices despatched to the relevant service units where a designated officer will be responsible for their distribution. Any undelivered pay advices must be returned to the Payroll Manager.
- 8.1.16 Payroll will be responsible for the correct accounting and supply of payment information to the relevant bodies for all deductions made from the payroll.
- 8.1.16 The HR Manager will hold a list of signatories authorised to make amendments to payroll/authorise timesheets etc

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Absence

- 8.1.17 Service managers or their authorised officers are responsible for ensuring records of all absences including holidays, sickness, unpaid and other leave are maintained and monitored, using the appropriate time recording system and self-service portal.
- 8.1.18 Service managers or their authorised officers must ensure staff comply with statutory and prescribed certification and notification procedures for periods of sickness and maternity leave. Failure to comply with these procedures may result in delayed or stopped payment. The submission of false information will be treated as gross misconduct.
- 8.1.19 Where an employee returns from sickness absence a return to work interview is to be completed by the line manager on the self-service portal, within one week of the employees return to work.

Regradings from Job Evaluation, Promotions and Transfers

- 8.1.20 The HR Business Partners will be provided with written notification from the Pay and Grading Group and relevant Service manager of any regradings, promotions or transfers. This notification will include the employee's personal and post details, both previous and revised, and the effective date of the change. On receipt of this information, HR Business Partners will instigate the change.

Honorarium

- 8.1.21 Honorarium payments are only to be made in accordance with the Human Resources policy.
- 8.1.22 Honorarium payments will only be made to employees who are acting up to cover a higher graded position. It is the responsibility of the Service Manager to notify the

HR Business Partner of any members of their staff that are covering higher graded positions.

General

- 8.1.23 The names and grades of all employees listed on the payroll shall be annually checked and signed as correct by the appropriate service manager to verify the accuracy of the payroll records.
- 8.1.24 Retention of documents must comply with statutory requirements and be in accordance with section 2.5.

8.2 Travel and Subsistence

Why is this important?

In the course of their duties officers and Members may be required to work away from their normal place of work, attend seminars, training days etc. The officer should be reimbursed for their travel and associated costs at agreed rates and in accordance with agreed procedures. In so doing the officer receives what is due to them and the Council has an acceptable record of what is claimed and by whom.

Risks:

- Fraudulent claims are made, eg. fictitious journeys, embellished claims, incorrect rates, etc.;
- Claims are paid twice;
- Financial and accounting records are not correctly updated

Regulations:

- 8.2.1 Claims for travel and subsistence shall only be made where journeys were authorised and expenses were properly and necessarily incurred. [The cheapest mode of transport should be used where practicable.](#)
- 8.2.2 Claims for travelling and subsistence are to be made monthly on the self-service portal which must be fully completed and submitted to Payroll by the 6th day of the following month. Late submissions will result in delayed payments.
- 8.2.3 Officers claiming travelling and/or subsistence allowances are expected to be aware of the provisions of the Local Conditions of Service before a claim is submitted. If there is any doubt concerning the accuracy of an amount being claimed, the Service manager must be consulted and the advice of Payroll sought, if necessary, to ensure that all claims are in accordance with the relevant Conditions of Service.

- 8.2.4 Claims not submitted within 2 months from the end of the month, to which the claim relates, must be referred to the Director of the service together with a satisfactory explanation, in writing, before any payment will be made.
- 8.2.5 The submitted claim forms pass to the Authorising Officer first to verify the accuracy of the claim prior to submission to Payroll. Claimants are not permitted to approve their own claim. No benefits in kind or other ex-gratia payments to staff are to be made without consulting the Director of the service.
- 8.2.6 Subsistence allowances will be paid for the amount actually spent, subject to the limits approved in Local or National Conditions of Service (which is available on the Intranet).
- 8.2.7 Receipts for the subsistence allowances claimed are to be attached on document storage on the self-service portal. If a receipt is not attached an explanation of the circumstances must be given on the claim form and the allowance paid will be restricted.
- 8.2.8 Travelling and subsistence claims in connection with the taking of examinations or training should be made on the self-service portal and certified by the Service manager. Proof of attendance may be required before payment. This will be paid at the prescribed training rate. All claims must be processed through Payroll.
- 8.2.9 Where an officer is undertaking professional qualification training, in accordance with the Local Conditions of Service, a copy of any invoice that is paid in relation to that professional training is required to be forwarded to the Group Manager for HR.
- 8.2.10 Where an officer travels outside the prescribed boundaries of the Council for travel purposes, the journey and method of travel must be approved in advance by the Service manager. The cheapest mode of transport must be used where possible.
- 8.2.11 Where an officer travels direct from home, without first visiting the administrative centre, then the normal mileage from home to work should be deducted in calculating the car mileage allowance payable.
- 8.2.12 In exceptional circumstances, a Service manager can authorise an officer to claim car mileage allowance for travel from home to office. This must be clearly shown on the claim form. Payment will be made through the Payroll with deductions for Income Tax and National Insurance contributions.
- 8.2.13 Officers claiming car mileage allowance shall be insured for business use (i.e. not just social, domestic and pleasure) and have included and maintained in their policy of insurance a clause indemnifying the Council against all third party claims, including those concerning passengers, arising out of the use of the vehicle on official business.

- 8.2.14 It is the responsibility of the relevant Service manager to verify that the appropriate insurance discussed above is in place, along with a valid driver's licence, and evidence provided on document storage on the self-service portal.
- 8.2.15 It should be noted that these regulations apply equally to Members.

PAYROLL FORMS

STAFF FORMS

Overtime Form	On the HR Group Services page on SharePoint under Payroll
Expenses Claim Form	On the HR Group Services page on SharePoint under Payroll
Mileage Rates	On the HR Group Services page on SharePoint under Payroll
Change of Bank Details	On the HR Group Services page on SharePoint under Payroll
Christmas Club form	On the HR Group Services page on SharePoint under Payroll
HMRC Starter Checklist	Copies held in HR/Payroll
Child Care Vouchers	www.busybeesbenefits.com
Cycle to work scheme	www.cyclescheme.co.uk
Pension Joiner Form	www.peninsulapensions.org.uk
Pension Opt Out Form	www.peninsulapensions.org.uk

MEMBERS FORMS

Expenses Claim Form (paper version)	On the HR Group Services page on SharePoint under payroll
Travel and Subsistence	On the HR Group Services page on SharePoint under payroll
ICT for Elected Members	On the HR Group Services page on SharePoint under payroll

8.3 Personal Telephone Calls

Why is this important?

Telecommunications are a vital part of the Council's infrastructure. These communication channels can be abused, both in terms of the theft of telephone call time and in the theft of work time whilst making private calls.

Risks:

- Telephone calls time could be stolen, i.e. by not declaring
- Extensive use of telephones for private calls in office hours may represent a theft of time.

Regulations:

- 8.4.1 The making and receiving of personal; telephone calls is a privilege and should be kept to a **MINIMUM**. Personal calls should only be made for urgent reasons and ideally when the officer is clocked out, e.g. lunchtime. ~~It is the employee's responsibility to identify and make payment for all private calls made.~~ Line Managers are responsible for monitoring that employees do not make excessive or inappropriate use of this facility.

~~Central Telephone System Calls~~

- ~~8.4.2 All personal telephone calls must be paid for. ICT will provide call lists quarterly to all staff and VAT at the standard rate must be added.~~

~~Mobile Phones and Mobile Devices~~

- ~~8.4.3 All personal calls, including voice or data use, are to be reimbursed to the Council in accordance with the supplier's tariff, even if they are made using free time allotted to each phone. ICT will provide call lists monthly to all staff and VAT at the standard rate must be added.~~

Home Telephones

- ~~8.4.48.4.2~~ All officers who have their telephone line rental and business calls paid for by the Council are to pay the quarterly telephone bill in full and reclaim the line rental and business calls made. Evidence of bill payment must be provided before any claim is processed. Claims for reimbursement of line rental and business calls are to be made within two months of the date of the telephone bill.

- ~~8.4.58.4.3~~ Claims not submitted after the two month deadline must be authorised by the Group Manager for HR upon receipt of a satisfactory explanation in writing before the claim will be processed.

Collection of Monies

- ~~8.4.6 All payments for personal calls should be made to the Cash Desk at Phoenix House or appropriate cash-receiving facility at other Council sites. The receipts and related records are to be retained by the Cashiers.~~

8.5 ICT Auctions

- 8.5.1 All payments for assets purchased from ICT auctions should be made to the Cash Desk at Phoenix House or at other Council sites. ICT are to release assets only upon presentation of official receipts for the payment of the asset. The receipts and related records are to be retained by the Cashiers

9.0 Income

- 9.1 Setting fees and charges**
- 9.2 Rent reviews and annual increases**
- 9.3 Invoicing**
- 9.4 Income collection**
- 9.5 Postal remittances**
- 9.6 Debt collection procedures and the write off of bad debts**
- 9.7 Refunds**
- 9.8 Government subsidies, grants and claims**
- 9.9 External funding**
- 9.10 Housing advances and council house sales**
- 9.11 Asset sales**

9.1 Setting fees and charges

- 9.1.1 Service Managers shall review all fees and charges levied at least annually. Where increases of charges are recommended they shall be reported to the relevant Policy Development Group, unless authority for delegated decision making has been given to an officer. The effective date must be stated.
- 9.1.2 In some instances statutory notice must be given before new charges can be introduced and Service Managers must consider this and the timing of both PDG and Cabinet meetings to ensure that any changes are lawful.

9.2 Rent reviews and annual increases

- 9.2.1 To ensure invoiced amounts are correct Finance are to be advised immediately of any increases in rent, following rent reviews of a property.
- 9.2.2 Service Managers must notify Finance of any increases so that the system can be set for periodic invoices to recur. A failure to do so will result in the old rates of charge being levied, potentially losing income for the Council.

9.3 Invoices

- 9.3.1 Where goods or services are provided which are less than the de minimis shown in Appendix A, invoices are only to be raised if a VAT invoice is requested by a business customer. In all cases, every endeavour must be made to ensure that monies are received **before** providing the goods or services.
- 9.3.2 In terms of customer service, before raising an invoice, service managers must satisfy themselves that:

Is the customer aware of the goods/service to be provided?
Are they aware and have they agreed the scale of fees?

If not, **do not** proceed. Significant time is spent dealing with disputes, issuing credit notes and writing off amounts that should not have been issued in the first instance. There is also the need to declare output VAT, where applicable, to HM Revenue and Customs when raising sales invoices.

- 9.3.4 Service managers are responsible for the prompt raising of invoices associated with the activities of their services. Income for the Council is important as it affects cashflow and the ability of the Council to finance its services . The Council submits VAT returns each month and to ensure these returns are accurate sales invoices need to be within **no more than 14 calendar days** of the service having been provided. Service managers should ensure therefore that sales invoices are requested **no later than 7 calendar days** after the goods or service have been provided. Requests for the creation of sales invoices should be made via SharePoint using the proforma

- 9.3.5 All charges made shall be in accordance with the Council's approved charging policy, tariffs, or as agreed by the Deputy Chief Executive (S151) and shall include VAT at the prevailing rate, if applicable and as required by statute.
- 9.3.6 To assist the Income Team all service managers will ensure that any invoice raised clearly states the nature of the goods or services provided to the customer and the period covered.
- 9.3.7 Where new services are to be introduced Service Managers must advise the Income team and Customer First **before** starting to bill individuals.

Amendments

- 9.3.8 The Deputy Chief Executive (S151) must be advised promptly where there are changes in the customer's personal details, bank details, amounts or frequency of bills.

9.4 Income Collection

Income is a vulnerable asset. Effective income collection systems are necessary to ensure that all of the income due is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the Council's cash-flow and also avoids the time and cost of administering credit.

Since income collection at the Council can vary in its nature between different services such as leisure centres and social housing, specific procedures will not be addressed here. Rather, it is recommended that each area have their own procedure documents, which have been agreed by the Deputy Chief Executive (S151).

Risks:

- Income is incorrect, i.e. the incorrect rate or tariff is charged
- Financial and accounting records are incorrect
- Money owed to the Council is not pursued adequately
- Income is not collected at all
- Income collected is stolen
- Financial and accounting records are not updated correctly
- VAT returns may not be correct

Regulations:

- 9.4.1 Arrangements for the collection of all money due to the Council shall be subject to the approval and control of the Deputy Chief Executive (S151).
- 9.4.2 The Deputy Chief Executive (S151) will, at least annually, review charging tariffs so as to ensure that they reflect current Council policy reflect an appropriate charge for the goods or services offered and will make recommendations for any changes to the relevant, PDG or Cabinet Member.

- 9.4.3 All receipt forms or books, account forms, till rolls and tickets are to be ordered and controlled in a manner approved by the Deputy Chief Executive (S151). All issues of these documents to other services shall be properly recorded and acknowledged.
- 9.4.4 Services drawing receipts or tickets in bulk will maintain a control record indicating issues made, together with signatures acknowledging receipt.
- 9.4.5 The Deputy Chief Executive (S151) is to be notified promptly of any new, or alterations to existing contracts, leases or other agreements which involve the receipt of money by the Council.
- 9.4.6 An official receipt is to be issued for all cash payments made to the Council. A receipt for any other alternate method of payment will only be issued by request.
[New single payment receipting system.](#)
- ~~9.4.7 The official receipt number or other appropriate reference number is to be recorded on all cheques and postal orders received on behalf of the Council.~~
- ~~9.4.89~~ 9.4.7 Under no circumstances are personal or third party cheques to be cashed, nor money loaned, out of cash held on behalf of the Council. Any officer in breach will be subject to disciplinary proceedings.
- ~~9.4.99~~ 9.4.8 At the close of business each day (and for each individual till point) any Council establishments that receive income on behalf of the Council will be required to:
- Take a daily total income reading, which shows the amounts of cash, cheques and card payments received during the working day;
 - Complete a reconciliation of the cash in the till and the total cash figure on the till reading;
 - Add up the total monetary value of all cheques taken and ensure that this matches the total cheque figure on the till reading;
 - Once the cash and cheque amounts have been correctly agreed, a bank paying in slip must be completed and sealed in a cash collection bag (provided by the Council's nominated Security Collection firm), along with the cash and cheques;
 - The sealed cash collection bag must then be placed in the Council's designated safe, immediately.
- ~~9.4.109~~ 9.4.9 A card payment report is to be generated from the swipe machine and the monetary value of the card payment slips must match the end of day figure. All card payment slips are to be retained for an appropriate period.
- ~~9.4.119~~ 9.4.10 Once the banking has been prepared, the float in each till must be checked to ensure that the balance held matches the designated float total. Income must be banked intact and under no circumstances is the float to be taken out of the till before the takings to be banked.
- ~~9.4.129~~ 9.4.11 All collecting officers must maintain an "unders and overs" record for any discrepancies. Where it is found that there is a discrepancy between the level of

float in the till and the designated float total, the “unders and overs” record must be completed immediately and any discrepancies over the amount specified in Appendix A must be reported to the Internal Audit Manager. The Service manager or his/her representative is required to check the “unders and overs” record on a regular basis and Internal Audit will undertake regular random spot checks.

~~9.4.13~~ 9.4.12 Officers receiving money on behalf of the Council shall keep such records of collections and deposits as the Deputy Chief Executive (S151) directs.

~~9.4.14~~ 9.4.13 Officers collecting income must not also be involved in the reconciliation of that income to the amounts due. An officer who is not involved in the collection process shall ensure that the money reported as collected, has indeed been banked.

~~9.4.15~~ 9.4.14 Refunds will be issued under appropriate circumstances. If it is determined that money is owed to another party, a refund will be issued only where that party has no other relevant arrears with the Council. Where such arrears exist, the amount owed should be used to reduce the outstanding arrears.

~~9.4.16~~ 9.4.15 Where a charge has been raised in error e.g. against an unoccupied (void) property, those charges should be cancelled rather than a credit note raised. The effect for the customer is the same. However, since credit notes and cancellations are used under different circumstances, this approach gives a clearer picture of what has occurred.

9.5 Postal Remittances

~~9.5.1~~ Post is to be opened by Customer First officers based in the Post room. There are exceptions to this, which will be agreed between the Chief Executive, Deputy Chief Executive (S151) and Leadership Team. Post for HR and CRB notifications are to be opened within HR. ~~Post relating to Planning including Development Control, Building Control and Land Charges is to be opened by Officers from that service area in the Post room.~~

9.5.1
9.5.2 The post is to be opened by at least two officers who will record and witness all remittances received. The remittances and accompanying record must then be sealed prior to removal from the post room.

9.5.3 Postal remittances will then be passed to Customer First cashiers who will be required to sign a receipt to state that they have received the sealed remittances.

9.5.4 Where Planning Officers open remittances in the Post room they also complete a daily listing detailing the number of remittances they receive which is given to Cashiers. Planning is then permitted to take the remittances to check against applications and to return these payments to the cash desk the same day, who will then check the numbers received.

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9.5.5 Responsibility for the safe custody of the postal remittances remains with the officer who received such payments until such time as the remittance has been processed and the cash or cheque securely stored in the till.

9.5.6 Under no circumstances are cash and cheques to be held in service areas overnight. Any officer found to be in breach of this rule will be subject to disciplinary proceedings.

9.6 Debt Collection Procedures and the Write Off of Bad Debts

9.6.1 The control and recovery of debts is the responsibility of the, Deputy Chief Executive (S151), as is maintaining adequate bad debt provisions.

9.6.2 No refunds are to be issued for amounts **less than** the de minimis shown within Appendix A, unless specifically requested by a sundry debt account payer.

9.6.3 Invoices raised are to be pursued within the defined timescales with the ~~cost centre~~ [Service](#) concerned being regularly informed of recovery progress so as to ensure that further provision of goods or services is stopped until payment is forthcoming.

The prescribed process:

1st reminder letter - ~~28~~ [24](#) calendar days after issuing the invoice

2nd reminder letter - ~~28~~ [14](#) calendar days after issuing the ~~invoice~~ [first reminder](#)

Final letter - ~~on a case by case basis~~ [35](#) calendar days after issuing the ~~invoice~~

~~Instructions to a debt collection agency or Legal Section~~ [42](#) calendar days after issuing the invoice

9.6.4 Where the debt collection agency is experiencing problems collecting the outstanding monies the relevant service manager is to be consulted. The nature of the debt has to be considered.

- How large is the debt?
- Is it a one off single invoice?
- Is it an invoice relating to a potentially recurring item?
- Does it involve an individual with special needs?

These factors together with the overall likely cost/benefit need to be considered before referral to Legal to take legal proceedings against the individual.

Legal Action

9.6.5 Where the item is referred to Legal their professional advice is to be considered by the Recovery Team and the Service Manager who owns the debt, following the Debt Protocol.

Disputed Invoices

- 9.6.6 Instructions to withhold recovery action on an outstanding account must be made in writing and signed by the relevant Service manager. The written instruction is to include the period of suppression, **normally not to exceed a maximum period of one month**, and the reason for withholding action. Once the period of suppression has ceased the Recovery Team will be able to commence action against the Debtor

Cancellation of Invoices

- 9.6.7 Where a debt is to be removed, Service Managers must identify what is needed:-
- Service billed incorrectly: Credit note issued and replacement invoice for the service/goods provided.
 - Service billed correctly, but inability to recover: The debt written off as non-recoverable after all possible recovery exhausted.

Deputy Chief Executive (S151) must be informed without delay to ensure customer service is maintained and recovery of VAT can take place.

- 9.6.8 Cancellation of invoices raised in error must be approved by the relevant Service manager.
- 9.6.9 Debts can only be written off by the Recovery Team and under no circumstances should the write off of bad debts be processed by the service area.

Write off of Bad debts

- 9.6.10 Copies of the invoices rendered to debtors and all supporting documents in respect of any debt due are to be held in accordance with the Council's document retention guidelines for use by the Recovery Section and Legal Services department if the debtor is in default.
- 9.6.11 The writing off of any due debt (or cumulative total debt from one person) shall be authorised in accordance with the limits set out in Appendix A.
- 9.6.12 The Deputy Chief Executive (S151) is to be informed of any outstanding income relating to the previous financial year as soon as possible after the 31st March. This includes outstanding income data recorded on independent billing and collection systems (both manual and computerised) held outside Finance Services.

~~9.6.13~~ **9.7 Refund** 9.7.1 Where a small cash amount has been received, equal to or below the de minimis level shown at Appendix A, then a refund can be made to the individual by cash on request.

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9.7.2 In cases where customers have overpaid amounts in excess of the de minimis shown at Appendix A, refunds can only be made after approval by Service Managers subject to the following principles:

- Payments that were originally made by electronic cards should be refunded on the same card.
- If the original payment was received by a cheque or BACS then any refund due should be made by BACS refund in the interests of security and costs. All bank details received from customers must be in writing, to protect the Council, and the confidential data must be protected.

9.8 Government Subsidies, Grants and Claims

Why is this important?

Grants and subsidies are a significant source of finance to the Council. As such it is essential that the Council receives all that is due to it and on time.

Risks:

- Potential income from grants may not be received or received late the Council thereby having to meet any shortfall in income or cashflow;
- Grant claim forms may be incorrectly completed;
- The Council could be criticised by external audit for failing to claim and/or record grant income correctly.

Regulations:

- 9.7.1 The Deputy Chief Executive (S151) is to provide advice on the methods available for the funding of resources such as grants from Central Government and borrowing requirements and is to assist in the allocation of resources to service managers.
- 9.7.2 The Deputy Chief Executive (S151) shall be responsible for completion of all forms relating to subsidies, grants and claims submitted to Government Departments on behalf of the Council.
- 9.7.3 The Deputy Chief Executive (S151) shall ensure that subsidy, grant and claim forms are forwarded to the appropriate Government Department by the due date.
- 9.7.4 The Deputy Chief Executive (S151) shall nominate specific officers to complete various subsidy, grant and claim forms and it shall be their duty to deal with these forms expeditiously using the most accurate information available.
- 9.7.5 Copies of subsidy, grant and claim forms, together with adequate supporting working papers shall be prepared and retained and are to be made available for inspection by internal and external auditors, if requested.

- 9.7.6 Any payment by or income due to the Council arising from a submitted subsidy, grant or claim form shall be made known to the Deputy Chief Executive (S151) and the relevant amount recorded for accounting purposes.
- 9.7.7 If the grant is ring-fenced for a specific type of expenditure then it must only be used for that purpose and if capital in nature then only utilised for capital expenditure.
- 9.7.8 If grant conditions are not met within the defined period stipulated and the grant is repayable then repayment to the issuing body must be made without undue delay.

9.8 External Funding

Why is this important?

External funding is potentially an important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council. Local Councils are often encouraged to provide 'seamless' service delivery through working closely with other service providers from the charitable, not-for-profit and private sectors.

Funds from external agencies, such as the National Lottery, can provide additional resources to enable the Council to deliver services to the local community. However, in some instances although the scope for external funding has increased, such funding can be linked to tight specifications and may not be sufficiently flexible to link to the Council's overall plan. [The cost of submitting a bid versus the likelihood of the bid being successful must also be considered when deciding whether to apply for funds for specific projects.](#)

Risks

- Statutory requirements are not complied with;
- Funds are acquired in respect of policies that have not been approved by the Council;
- The Council signs up to long term agreements without securing match funding
- The Council incurs significant costs in preparing a bid for external funds which is ultimately unsuccessful

Regulations:

- 9.8.1 The Deputy Chief Executive (S151) is to ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.
- 9.8.2 The Deputy Chief Executive (S151) is to be made aware of any prospective match funding arrangements and to ensure that the funding requirements are considered prior to entering into the agreements and future revenue budget reflect these requirements.

- 9.8.3 The Deputy Chief Executive (S151) shall ensure that the external funding requirements of the external auditors are met.

9.9 Housing Advances and Council House Sales

Why is this important?

The Council maintains a number of mortgages mainly with ex-Council tenants. It also continues to sell its housing stock to tenants under the Right to Buy legislation. Sales are often at heavily discounted rates and, the scheme is open to abuse.

Risks:

- Property could be purchased by people who do not qualify for the discounts and then sell it on at significant profit within a relatively short period;
- Property could be sold at a price lower than the market rate when not appropriate;
- Property could change hands without the Council having received payment for it;
- Ex-tenants could avoid having to pay service charges for which they are responsible.

Regulations:

- 9.9.1 The Deputy Chief Executive (S151) shall be responsible for the administration and collection of mortgage monies due to the Council. It is assumed that no further advances will be made.

Sale of Council Houses

- 9.9.2 Applications for the buying of Council Houses shall be subject to the provisions of the Housing Act 1985 as amended by Leasehold Reform, Housing and Urban Development Act 1993 and any subsequent amending legislation.
- 9.9.3 The Group Manager for Housing Services shall be responsible for co-ordinating the processing of applications made under the Right to Buy or the Rent to Mortgage schemes.
- 9.9.4 The Group Manager for Housing Services shall be responsible for arranging the valuation of a property to be sold and notifying an applicant of the offer price, taking into account the applicable regulations discount.
- 9.9.5 When the applicant accepts the offer price, the Group Manager for Housing Services shall pass the applicant's documents to the Legal Section who will be responsible for the conveyancing and the preparation of any restrictive covenants affecting the property.
- 9.9.6 After approval of the draft transfer or lease by the purchaser's solicitor, Legal Services will finalise the legal work to completion.

- 9.9.7 The Property Services Manager, in liaison with the Deputy Chief Executive (S151) and Group Manager for Housing Services, shall ensure that any rent arrears have been fully paid before the date of completion. If there is a default of payment, completion is not to take place.
- 9.9.8 Upon completion, the sum due from the purchaser will be exchanged for the conveyance and the money received paid in immediately.
- 9.9.9 Legal Services shall notify the Group Manager for Housing Services and the Deputy Chief Executive (S151) that completion has taken place and provide details of the relevant income. Housing and property maintenance records shall be amended accordingly and the Deputy Chief Executive (S151) will arrange for the relevant accounting entries to be made.
- 9.9.10 Service charges for leased properties are to be calculated in accordance with the relevant legislation.
- 9.9.11 If a leasehold property is sold, the Group Manager for Housing Services shall commence ground rent and service charge records and request the Deputy Chief Executive (S151) to ensure that the periodical income is received on the due dates.

9.10 Asset Sales

- 9.10.1 Where an asset is sold and the initial cost was less than the de minimus shown at Appendix A, the sale proceeds will be treated as **Revenue** and coded to the relevant income code.

See 12.5 for the provisions relating to the sale of capital assets.

10.0 Stock (Inventory)

10.1 Stock (Inventory)

10.2 Stocktakes

10.3 Write Off of Obsolete and Damaged Stocks

10.1 STOCK (INVENTORY)

Why is this important?

The Council holds stock and inventory whose value is considerable. As such these assets need to be safeguarded from loss. In addition, the costs of holding large quantities of stock are high and so it must be used efficiently in the delivery of services.

Risks:

- Loss of stock/inventory would result in a direct adverse financial effect on the Council. This could happen for any of the following reasons.
 - Goods could be lost
 - Goods could be stolen
 - Goods could be sold below the correct selling price
 - Goods could be damaged and decrease in value
- The stores could be holding more inventory than is necessary. This would increase the cost of holding and also increase the likelihood of obsolescence

Regulations:

- 10.1.1. Each Service manager shall designate officers responsible for the custody and physical control of the stock in their departments.
- 10.1.2. The Service manager shall ensure that stock/inventory is not carried in excess of reasonable requirements.

Issuing of stocks

- 10.1.3 Materials are only to be issued to persons authorised to receive those materials. Requisition notes or other approved documents are to be used bearing the signature of the appropriate authorised officer.
- 10.1.4 All requests for stores materials must be made to the stores officer responsible for the control and issuing of those stores and materials.
- 10.1.5 The documents and method of issuing stores materials must be approved jointly by the Service manager and the Deputy Chief Executive (S151). Internal Audit may periodically test that the correct procedures are being followed.
- 10.1.6 Stores officers are to maintain accurate records of all issues and receipts in the prescribed form.

10.2 Stocktakes

- 10.2.1 Any service manager that is responsible for a quantity of stock must arrange for a stocktake to be carried out at least annually. This should be carried out at or in close proximity to the accounting year-end (31st March), since the data will be used in the annual accounts. The only exception to this rule is where a continuous stocktake system is in operation. This might be where a service carries out a count of 25% of its stock lines each quarter, meaning that 100% are covered within each 12 month period. Any such arrangement must be agreed in advance with the Deputy Chief Executive (S151)
- 10.2.2 The stocktaking exercise should be undertaken by a group of officers. This group should include staff from outside of the store i.e. those that are not responsible for the inventory on a day-to-day basis.
- 10.2.3 Those conducting the stocktake must record the quantity counted for each line of stock and identify any obsolescent or damaged items of stock.
- 10.2.4 Internal auditors should be involved on the day of the stocktake. Their role is not to take part in the stocktake, but to check a sample of completed stock sheets and carry out a second count of them. This will mean that Internal Audit can give an opinion as to the level of assurance that can be taken from the stocktake results.
- 10.2.5 Stocktaking sheets must clearly show details of all surpluses and deficiencies identified during the stocktakes. All discrepancies are to be investigated and pursued to a satisfactory conclusion before adjusting entries are approved.
- 10.2.6 Random stock checks may also be carried out by Internal Audit. This can occur at any time of year and without advance warning.
- 10.2.7 Immediately following the end of the financial year each Service manager shall certify a list of all commodities held at 31st March, together with a valuation of those commodities at the lower of cost or net realisable value (the net amount of monies

the Authority might raise in the event of selling the item). These lists must be submitted to Finance no later than the ninth working day of April each year.

- 10.2.8 The Deputy Chief Executive (S151) shall arrange for stock control systems to be reconciled to the Council's accounts regularly at an appropriate frequency, and annually at 31st March as a minimum.
- 10.2.9 Where a discrepancy is identified between the stocktake results and the value held in the accounting system, a stocktake form must be signed/approved in accordance with the thresholds shown in Appendix A.
- 10.2.10 At the point of Finance receiving the stock value listings, they should be forwarded to the officer responsible for insurance cover.

10.3 Write Off of Obsolete and Damaged Stocks

- 10.3.1 Whilst held in stores, stock/inventory may become damaged or obsolete. In such circumstances, the value held in the accounts should be adjusted to reflect this. This is known as writing off or writing down and can only be done with the approval of the Deputy Chief Executive (S151).
- 10.3.2 Where obsolete or damaged stock is identified the stocktake form must be signed/approved in accordance with the thresholds shown in Appendix A.
- 10.3.3 Proposed write-offs shall not be separated to avoid the approval and reporting limits cited at Appendix A.

11.0 Taxation

- 11.1 Value added tax (VAT) basic guidance**
- 11.2 Tax points - vat returns**
- 11.3 Construction industry scheme**
- 11.4 Responsibility**

11.1 Value Added Tax (VAT)

Why is this important?

Section 33 of the VAT Act 1994 enables Mid Devon District Council to recover Input Tax on most expenditure. MDDC also have a duty to pay to HMRC the VAT collected on Vatable sales income.

Risks:

Penalties will be levied by HMRC if we fail to account for VAT in accordance with legislation.

Regulations:

Expenditure

- 11.1.1. All invoices due for payment by the Council are to be addressed to Mid Devon District Council. All expenditure must be supported by valid documentation (If over £250 a VAT invoice) to support the Authority's claim of input VAT. Where VAT invoices addressed to Mid Devon District Council have not been received Officers must request these from suppliers.
- 11.1.2. VAT receipts must be obtained and forwarded to the Payroll Manager to support claims for VAT on mileage expenses.

Sales Income

- 11.1.3. Sales invoices should be raised wherever possible before the goods or services are provided – See Invoices 9.3 above.
- 11.1.4. Where goods or services are provided in advance Finance must be advised within **7 DAYS** to raise an invoice. The invoice must be raised within 14 days or the original supply date will become the tax point and has implications for our VAT returns.
- 11.1.5. Full details of the transaction must be provided to Finance (debtors@middevon.gov.uk) to ensure that the correct VAT treatment of the sales invoice is made.

11.2 Tax Points – VAT returns

Why is this important?

VAT returns are required to be submitted monthly, VAT returns are filed online and the submission date is the 7th of the second month following that of the return, i.e. the VAT return for period 1st – 30th June is to be completed by 7th August. If a VAT return is late HMRC could impose a penalty. As the majority of our VAT returns are repayment returns it is beneficial to complete the VAT return as promptly as possible to improve our cash flow. It is important that all debtor and creditor invoices are recorded in a timely manner to ensure that any VAT is claimed or paid in the correct period.

Risks:

- HMRC can impose a penalty if we fail to submit a VAT return by the due date.
- HMRC can impose a penalty if we fail to account for tax points correctly and account for VAT in an incorrect period.
- Supporting documentation is not retained to support tax point claims.

Regulations:

- 11.2.1. The Deputy Chief Executive (S151) is responsible for ensuring that the monthly VAT return is completed and submitted to HMRC by the submission deadline. Before submission the VAT return working papers will be reviewed and signed by the preparing Officer and a reviewing Officer.
- 11.2.2. Where HMRC makes a change in a VAT rate it is important that supplies made before and after the change are made at the correct rate
- 11.2.3. Both invoices paid and invoices raised are to be kept within Document Retention Guidelines, either in hard copy or stored electronically.
- 11.2.4. All VAT is accounted for through the Council's VAT nominal codes, including any adjustments to VAT. These nominal codes will be balanced monthly as part of the VAT Return to ensure on-going VAT liabilities are accurate.

11.3 Construction Industry Scheme

What are construction operations?

CIS covers construction operations carried out in the UK. The rules of the scheme define the types of work that are classed construction operations. But, as a general rule, the scheme includes almost any work that's done to a:

- permanent building
- temporary structure
- civil engineering work or installation

Some examples of the types of construction work that are covered by the scheme include jobs like:

- site preparation
- general construction - bricklaying, roofing, plastering and so on
- alterations and extensions
- repairs and refurbishment
- decorating
- dismantling work
- demolition

You can find out more about the types of work that are covered by the scheme in HMRC's Construction Industry booklet CIS340. The scheme defines 'construction' as a term with a broad meaning that includes:

- building things
- making things
- putting things together
- assembling things

Some jobs are specifically excluded from the CIS. They include:

- professional work, like architects' services
- scaffolding hire - with no labour
- fire alarm installation
- carpet fitting
- manufacturing things like windows, blinds and shutters off-site
- making and putting up signs
- delivering materials

You'll also need the following information about the subcontractor:

- their name, or the name of their business or company
- their Unique Taxpayer Reference (UTR)
- the partner's name if they're a partnership
- their National Insurance number (if you know it) if they're a sole trader
- the partner's UTR or National Insurance number if they're a partnership (or, if the partner's a company, that company's UTR or company registration number)
- their company registration number if they're a company

HMRC's verification of the subcontractor will advise on the payment status, this will be one of three possibilities:

- gross - meaning you don't make any deductions
- net of deductions at the standard rate (20 per cent)
- net of deductions at the higher rate (30 per cent), because the subcontractor isn't registered or couldn't be verified for some other reason

Making deductions

To make a deduction from a subcontractor's payment, start with the total - gross - amount of the subcontractor's invoice and then take away:

- any VAT they've charged
- the amount of any Construction Industry Training Board (CITB) levy they've paid

Then take away the amount the subcontractor actually paid for each of the following (including VAT if they're not VAT registered):

- materials
- consumable stores
- fuel used - except for travelling
- plant hire
- manufacturing or prefabricating materials

Finally, apply either the standard or the higher rate percentage to the amount that's left to work out how much to deduct.

Each statement must include:

- the name of your business and your employer tax reference
- either the date when the tax month in which you made the payment ended, or the date when you made the payment
- the subcontractor's name and UTR
- the subcontractor's verification reference number if the deduction was at the higher rate
- the gross amount before you made the deduction but after you'd taken off any VAT, CITB levy, materials costs and so on
- the cost of any materials you took off before making the deduction
- the amount you deducted

Regulations:

- 11.3.1. The Deputy Chief Executive (S151) is responsible for providing information to HMRC in relation to the Construction Industry Tax Deduction Scheme as required and advising Group Managers and Directors of their responsibilities under the scheme.

Officers must have consideration of the Construction Industry scheme and liaise with Procurement before suppliers are set up on our systems.

11.4 Responsibility

- 11.4.1. Group Managers and Directors are responsible for ensuring that the appropriate controls and procedures are operated within their service areas in relation to taxation issues.
(See also 5.2 above relating to the Use of Consultants and Employment Status).

12.0 Asset Management

- 12.1 Land and buildings property register**
- 12.2 Fixed asset register**
- 12.3 Equipment register**
- 12.4 Additions of assets**
- 12.5 Disposals of assets**

12.0 Asset Management

Why is this important?

The Council holds assets in the form of land, property, vehicles, equipment, furniture and other items. It is important that assets should be safeguarded and used efficiently in the delivery of services and that there should be arrangements for the security of those assets. Up to date registers are a prerequisite to maintain proper fixed asset accounting and sound asset management. These include:

- Land & Property Register of all Council owned land and buildings (See 12.1)
- Fixed Asset Register (FAR) to ensure a proper fixed asset accounting (See 12.2)
- Departmental equipment registers (See 12.3)

Risks:

- Holders of equipment and furniture may be unaware that items have been lost or stolen without a record of all such items being maintained;
- The Council's insurers may reject claims to replace lost or stolen items if the Council cannot demonstrate that it maintains adequate inventory records;
- Assets could be used for non-council business;
- Assets are not available when required in the provision of a service;
- Assets are lost or stolen;
- Assets may be acquired without prior approval, for which there is no use and/or on financially unacceptable terms;
- Assets could be sold when there remains an operational need for them;
- Assets could be sold for less than the market or expected residual value;
- Assets could be disposed of to officers, Members or others at no, or very little cost, which could be construed as tantamount to theft.

12.1 Land and Buildings Property Register

Regulations:

- 12.1.1 The Land & Property Gazetteer Management System must hold all Land and Buildings owned by MDDC.
- 12.1.2 When any new land plots are identified this needs to be added to the database.
- 12.1.3 When any land plots or buildings are sold/purchased they need to be removed from / added to the database.
- 12.1.4 All title deeds to such property shall be kept secure, under the control of the Group Manager for HR and Development.

12.2 Fixed Asset Register (FAR)

- 12.2.1 It is the responsibility of the Deputy Chief Executive (S151) to set policies to ensure that the Council's assets are managed in an efficient, effective and economic way.
- 12.2.2 The Council shall maintain an asset register to include all land, buildings, plant and equipment owned or subject to a finance lease subject to the thresholds shown in Appendix A. The register shall accurately record acquisitions, disposals (either by sale or transfer of ownership). The Fixed Asset Register will therefore only hold assets previously capitalised or new asset additions whose individual class is over the de minimis.
- 12.2.3 All assets owned by the Council are to be valued in accordance with CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom.
- 12.2.4 The FAR is the responsibility of Finance to maintain. However Service Managers are expected to advise Finance throughout the year of changes to these assets (within 2 weeks of any change), so that amendments can be reflected in the FAR using form [FIN601](#). [Changes may include disposal, acquisition and impairment](#).
- 12.2.5 Asset sales including Council House Right-to Buy (RTB) and Land or Property sales will be advised promptly by Legal to the Deputy Chief Executive (S151) on an asset disposal form. The Group Manager for Housing Services will also arrange for a memo of the RTB sales to be forwarded to the Deputy Chief Executive (S151).
- 12.2.6 Asset purchases subject to the di-minimis referred to in 12.2.2 above, need to be promptly advised by responsible service managers at the earliest so that these changes can be picked up continuously throughout the year.

12.3 Equipment Registers

- 12.3.1 Registers of all vehicles and equipment belonging to or in care of the Council with a replacement value of greater than the thresholds shown at Table H 'Equipment Registers' in Appendix A will be prepared and maintained by the relevant Service Manager.

- 12.3.2 The registers shall be the responsibility of the responsible Service Manager in a form approved by the Deputy Chief Executive (S151). Please see proforma example [FIN603](#). A register of all ICT equipment will be held by the Head of ICT.
- 12.3.3 Each Service manager will arrange for the inventory of the physical assets to be checked at least annually and certify the inventory to that effect.
- 12.3.4 The Deputy Chief Executive (S151) or his/her representative will, at all reasonable times, have access to the property of the Council and may make such checks and tests as he/she deems reasonable and necessary.
- 12.3.5 Council property including ICT equipment will not be used for private purposes without the express approval of the relevant Group Manager Any officer found to be in breach of this Rule will be subject to disciplinary proceedings.
- 12.3.6 All property belonging to the Council, will so far as is practicable, be marked in a suitable manner as being the property of the Council.
- 12.3.7 In the event of items of equipment becoming obsolete or surplus to requirements, and if the value exceeds £500, then the disposal should be by means of competitive tender. [This requirement can be waived if the Group Manager receives evidence that a competitive tender would not be cost effective.](#)
- 12.3.8 All Council land, buildings, vehicles, or items of plant or equipment are to be kept under secure arrangements at all times. Each Service Manager is responsible for ensuring the adequacy of the security arrangements.
- 12.3.9 No unauthorised private use is permitted of any land, buildings, vehicles or items of plant or equipment irrespective of whether it is owned by, or leased to, the Council. Any officer found to be in breach of this Rule will be subject to disciplinary proceedings.
- 12.3.10 All buildings, vehicles, plant or equipment shall be appropriately insured. Any instances of loss or damage to any buildings, vehicles or items of plant or equipment must be reported to the relevant Service manager and the Deputy Chief Executive (S151). The Service Manager is responsible for ensuring that any losses are recorded in the appropriate equipment register.

12.4 Additions of Assets

- 12.4.1 Service Managers must secure best value for money for the Authority on all purchases of assets. Purchase or the leasing of land, buildings and equipment shall be within overall budget provision and the Deputy Chief Executive (S151) will decide on the appropriate method of financing.
- 12.4.2 All purchases or leasing of land and buildings shall be on the best financial terms that can be obtained for the Council. The purchasing or leasing of land and buildings is to be in accordance with the Council's Procurement policies (See Chapter 5).

- 12.4.3 Lessees and other prospective occupiers of Council land or buildings are not allowed to take possession of, or enter the property, until a lease or agreement has been signed.
- 12.4.4 No purchase or leasing of land and buildings shall be undertaken without consideration of:
- i) current and anticipated usage; and
 - ii) consideration of the other availability of owned existing land and buildings. The appraisal should take into account the economic benefits of renting rather than purchasing or leasing.
- 12.4.5 It is the responsibility of the Service manager to notify the Deputy Chief Executive (S151) of any acquisitions of, or disposals of, assets immediately to ensure that the asset register is updated in a timely manner. Insurance requirements, must be amended immediately if necessary.
- 12.4.6 Records must demonstrate that the income received from the disposal of an asset has been properly accounted for. Appropriate accounting entries are to be made to remove the value of the land and/or buildings from the Councils records and to include the sale proceeds.

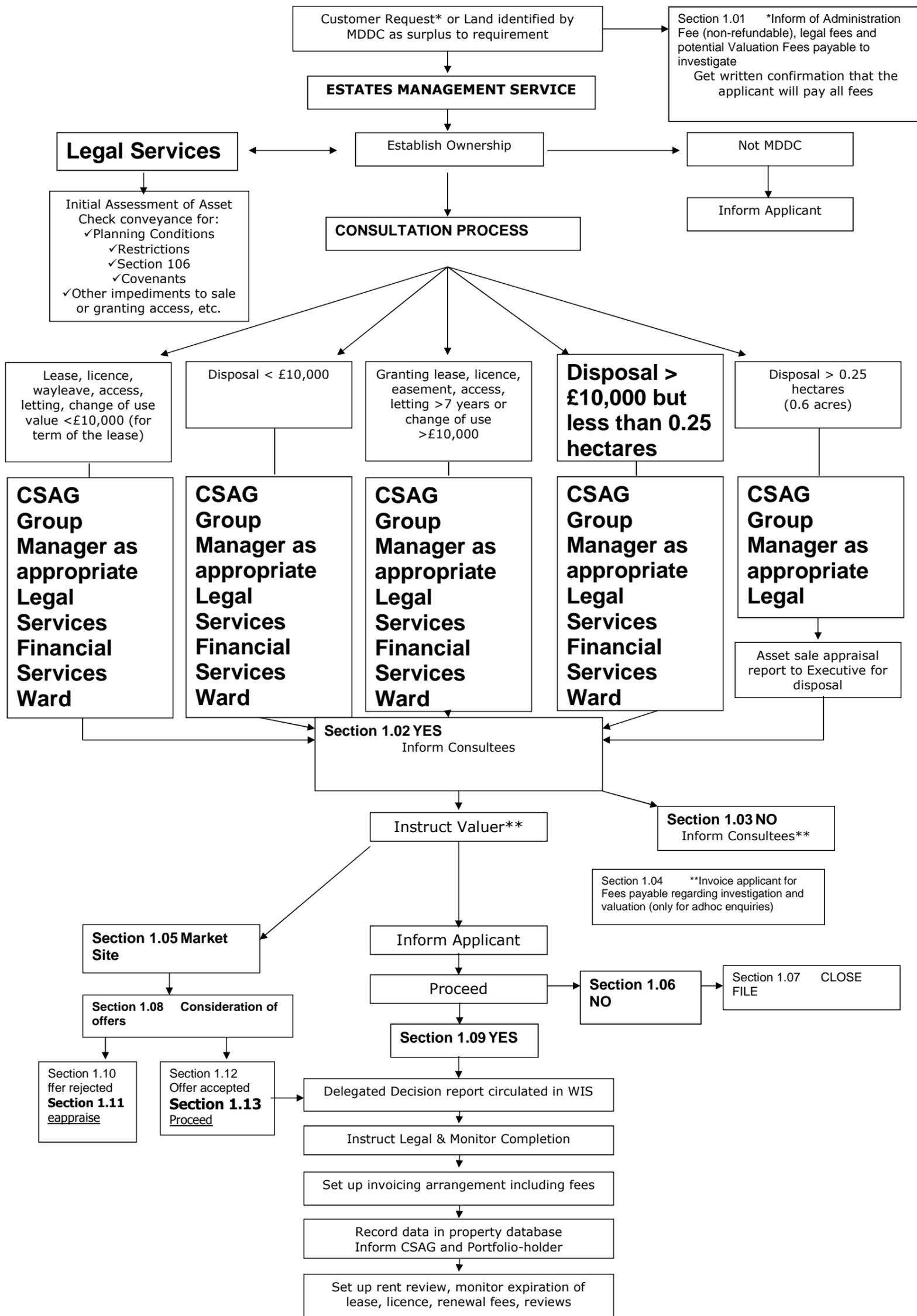
12.5 Disposal of Assets

When assets are found to be surplus to requirements, and the Council takes the decision to dispose of them, they must be disposed of in a manner that ensures the Council receives the maximum sale value but also in accordance with regulations below.

- 12.5.1 Prior to disposal the relevant Service manager must check to confirm that the asset is owned by the Council and that the Council is free to dispose of it. Some Council assets, which were purchased initially, may subsequently have been included in a bulk lease financing arrangement and may not be the Council's to dispose of.
- 12.5.2 The market value of a property asset being disposed of must have been established and the disposal has been approved by the Leadership Team. Where the item(s) are valued up to and including the amount described at Appendix A it is the Service manager's responsibility to ensure that the best possible price is obtained, even if the asset is scrapped.
- 12.5.3 Competitive tenders are to be sought for any item of equipment valued at over the amount shown at Appendix A and it shall be the responsibility of the Service manager to obtain the best possible price, having regard to the likely disposal cost. Land or buildings should be valued by a qualified valuer to ensure that these assets are sold at their market value and at arm's length where transactions take place between the General Fund and the Housing Revenue Account.

- 12.5.4 The Service manager will be required to follow the tender process set out in Procurement (See Chapter 5) and any evidence and/or documentation relating to the transaction must be kept in accordance with the document retention policy.
- 12.5.5 On acceptance of the highest offer, the purchaser must pay the Council and tender a Council official receipt before the item is released.
- 12.5.6 Records must demonstrate that the income received for disposal of an asset has been properly accounted for. Appropriate accounting entries are to be made to remove the value of the asset from the Council's records and to include the sale proceeds if applicable.
- 12.5.7 Any equipment register record relating to the vehicle or item of plant or equipment disposed is to be endorsed with the date of disposal and the receipt number for the income received.
- 12.5.8 It is the responsibility of the Service manager to notify the ~~Director of Group Manager for~~ [Financial Services, Assets & Resources](#) of any acquisition, or disposal of, assets within two weeks of the date of acquisition or disposal to ensure that the asset register is updated in a timely manner.
- 12.5.9 All property sales up to £50,000 must be approved) by the Capital Strategy and Asset Management Group (CSAG) (prior to the sale). This multi stage process, agreed by Members, is depicted below:-

DISPOSAL, ACCESS RIGHTS, EASEMENTS ETC – LAND AND PROPERTY



13.0 The Capital Programme

13.1 Selection and Compilation of the Capital Programme.

13.2 Capital Strategy Asset Group.

13.3 Budgetary Control of the Capital Programme.

13.4 The Prudential Code.

13.5 Utilisation of Capital Receipts.

Introduction

Capital expenditure differs from revenue expenditure in several ways, and falls into the following general categories:

- the purchase or construction of an asset;
- the enhancement of an asset; and
- grants for capital purposes.

Council assets include land, buildings, vehicles, plant and equipment. The Council makes grants for capital purposes such as Private Sector Housing Grants (e.g. Disabled Facilities Grants & Empty Homes Grants) which are classed as capital expenditure. Disabled Facilities grants are mandatory whereas Empty Homes grants are not.

Capital expenditure is often of high value and the benefit is expected to be spread over a number of years. Revenue expenditure refers to the annual running costs relating to the provision of a service which may include revenue costs associated with the capital acquisition.

13.1 Selection and Compilation of Capital Programme

Why is this important?

Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the Council, such as land, buildings, and major items of plant and equipment or vehicles. Capital assets shape the way services are delivered and create financial commitments for the future in the form of financing costs and ongoing revenue expenditure.

The Government places controls on the financing capacity of the Council through the Prudential Framework and Indicators. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit from scarce resources.

Risks:

- The Council could commit itself to capital projects for which no funding is available;
- The final cost of a capital scheme could be considerably higher than that estimated at the outset;
- The Council may spend more on capital schemes than it is legally allowed to.
- The Council may choose a project at the expense of a project which has a better return or is more in keeping with the Council's corporate aims.

Capital Programme and New Schemes Fund Initiatives

- 13.1.1 Each year, the Deputy Chief Executive (S151) will prepare the Medium Term Financial Plan (MTFP). This looks at the current year and the following four years in

respect of the Capital and Revenue Budgets. These budgets will comply with the Prudential Code.

- 13.1.2 Service Managers will prepare provisional estimates for each of their services for each of the next four years of proposed expenditure on capital schemes, including any associated capital income. Consideration will be given to any additional revenue base increases (e.g. Support & maintenance increases for new ICT systems) or additional revenue income (e.g. additional leisure income for a spend to save project). The Deputy Chief Executive (S151) will specify the form these estimates should take and the timetable for their submission.
- 13.1.3 All capital proposals will be scrutinised by the Deputy Chief Executive (S151) and the Capital Accountant. A project appraisal and a capital bid form, constituting the business case, must be prepared for consideration by the Capital Strategy and Asset Management Group (CSAG).
- 13.1.4 The Leadership Team will consider the provisional capital programme as part of the MTFP. After making any necessary amendments, the Deputy Chief Executive (S151) will submit to Cabinet the fully funded Capital Programme in conjunction with the revenue budget (that will include any revenue implications of projects included within the Capital programme). Both Capital & Revenue Budgets will be ratified at Full Council where the final budgets will be agreed and the Council Tax set.

13.2 Capital Strategy and Asset Group

- 13.2.1 The Deputy Chief Executive (S151) and Property Services shall co-ordinate the work of the Capital Strategy Asset Management Group (CSAG) and shall report the Group's recommendations to Leadership Team and the Cabinet as appropriate.
- 13.2.2 The Capital Strategy and Asset Management Group shall comprise those officers who are responsible for delivering schemes within the Capital Programme.
- 13.2.3 The Capital Strategy and Asset Management Group are to meet at least quarterly to ensure that a corporate view of the Capital Programme is taken in accordance with corporate objectives.
- 13.2.4 The responsibilities of the Capital Strategy and Asset Management Group are:
- To monitor the progress of schemes within the Capital Programme;
 - To amend stage and completion timings, if necessary;
 - To ensure the estimated and final cost of schemes are within approved Capital Programme limits;
 - To prepare reports for Leadership Team and the Cabinet as required;
 - To evaluate scheme performance;
 - To consider the sale of capital assets;
 - To evaluate requests for purchase of capital assets

13.3 Budgetary Control of the Capital Programme

- 13.3.1 Service managers are to ensure that all capital transactions are carried out in accordance with current legislation and Government guidelines. Capital works are only to be undertaken in accordance with the approved Capital Programme of the Council. The definition of 'capital' will be determined by the Deputy Chief Executive (S151) having regard to Government regulations accounting requirements and de minimis levels £k referred to in Appendix A.
- 13.3.2 Credit arrangements, such as leasing, if required for a capital asset, are to be arranged through the Deputy Chief Executive (S151).
- 13.3.3 Officers responsible for schemes where external grants are available are to ensure that those grants are claimed in the correct manner and at the proper time and that no loss occurs to the Council. [Those Officers will also be responsible for ensuring any conditions or restrictions associated with the grants are adhered to.](#)
- 13.3.4 The Deputy Chief Executive (S151) must be consulted on the funding or on any financial implications arising from proposed capital transactions. The Cabinet must approve any additional bid for capital funding or borrowing approval not anticipated in the Capital Programme as extra borrowing may create further commitments to financing costs.
- 13.3.5 The officers responsible are to ensure that any overspending on a scheme is reported as part of the budget monitoring cycle and that appropriate management action is agreed.
- 13.3.6 The Deputy Chief Executive (S151) shall be responsible for reporting to the Council on financial matters associated with the Capital Programme. The Capital programme monitoring sits alongside the Revenue Monitoring and is included as an Appendix to the Report. The Report shall state, among other things:
- The method of funding capital expenditure during the previous financial year
 - The actual capital expenditure during the previous financial year
 - Any contributions received from outside bodies

13.4 The Prudential Code - Impact on financing of capital projects

- 13.4.1 The Prudential Code, developed by CIPFA applies to all Local Authorities. Local authorities are required by legislation to have regard to the Prudential Code when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003.
- 13.4.2 The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable.
- 13.4.3 The Prudential Code requires that the capital programme can only be financed by one or more of the following means:
- a) By using capital receipts generated by the sale of capital assets such as land and buildings.

- b) By making a revenue contribution to capital (RCCO) which is a real charge to the General Fund or Housing Revenue account.
- c) By using capital grants unapplied where any conditions associated with the grant have or will be met in full.

13.4.4 If monies are borrowed from an external financial institution the Council still has to meet its capital financing obligation as shown above at 13.4.3. If this cannot be met in full in the first year then this creates a Capital Financing Requirement (CFR). The Authority must make a Minimum Revenue Provision, which is a real revenue charge, similar to a revenue contribution to capital (RCCO), against any CFR that it has at 31 March each year.

13.5 Utilisation of Capital Receipts

13.5.1 Capital receipts, above the de minimis shown at Appendix A, derived from the sale of land and buildings can only be used to finance capital expenditure, [unless there is dispensation from Central Government under a bespoke directive](#)

14.0 Banking and Treasury Management

14.1 Banking arrangements

14.2 Treasury management policy

14.3 Investments

14.4 Loans

14.5 Loans to external bodies (including soft loans)

14.1 Banking Arrangements

Why is this important?

All the Council's income and expenditure is directed via its bank. Every day many transactions take place between the Council, its customers and the Council's bankers. Bank accounts, therefore, are a high risk in terms of their exposure to fraud or error. As a result tight control over setting them up, maintaining them and dealing with the transactions that flow through them is required.

Risks:

- Bank accounts could be opened in the name of the Council with the aim of perpetrating a fraud;
- Unauthorised persons could gain access to a Council bank account and carry out fraudulent transactions;
- Banking instruments, e.g. cheques, money orders etc. could be stolen and used to steal money from the Council's bank account;
- Fraud or error could go undetected or the investigation could be seriously delayed if bank reconciliations did not take place or were late;
- The Council would be heavily criticised by the external auditors if the bank reconciliations were not up to date and accurate.

Regulations:

- 14.1.1 Only the Deputy Chief Executive (S151) together with a member of Finance may close, open or amend the conditions relating to the operation of the Council's bank accounts. All bank accounts are to be in the name of Mid Devon District Council.
- 14.1.2 All cheques shall be ordered only on the authority of the Deputy Chief Executive (S151), who shall ensure that secure arrangements are made for their safe custody.
- 14.1.3 Cheques and payment forms of authorisation, drawn on the Council's banking accounts, shall bear signatories in accordance with Appendix A.
- 14.1.4 Both the Chief Executive and the Deputy Chief Executive (S151), acting jointly or independently shall have the authority to cancel the signature authorisation of any officer if they or either of them considers such action necessary or desirable; in which event the officer effecting the cancellation shall notify the Council's Bankers without delay.
- 14.1.5 Crossed cheques shall only be opened with the express approval and countersignature of the Deputy Chief Executive (S151) or an authorised cheque signatory.
- 14.1.6 The Deputy Chief Executive (S151) shall ensure, as far as practical, the separation of staff duties so that:

- a) the checking and approval of creditors' invoices, benefits, salaries and wages;
- b) the control of cheques;
- c) the preparation of cheques;
- d) the signature or alteration of cheques;
- e) the despatch of cheques;
- f) the entries in cash accounts;
- g) the reconciliation of bank balance;

are the responsibility of separate officers.

- 14.1.7 The Deputy Chief Executive (S151) shall nominate officers responsible for reconciling all bank accounts in the name of the Council with the relevant accounting records.
- 14.1.8 A detailed reconciliation statement is to be prepared, as soon as practicable, following the end of each month and is to be presented to the Deputy Chief Executive (S151).
- 14.1.9 The statement is to be signed jointly by the Deputy Chief Executive (S151) and the officer responsible for its preparation.
- 14.1.10 Any discrepancy [above the de minimus limits in Appendix A](#) arising at the time of reconciling the accounts and records will be made known to the Deputy Chief Executive (S151) and Internal Audit and any such discrepancy clearly stated on the reconciliation statement.

Bank Transactions and Instructions to our Bankers

- 14.1.11 Cheque and electronic bank transfer payments must only be made by authorised individuals registered with our bankers. The Deputy Chief Executive (S151) will register appropriate individuals to ensure business continuity.
- 14.1.12 Electronic bank transfers must involve a minimum of two staff with authorisation procedures and records approved by the Deputy Chief Executive (S151).
- 14.1.13 Only authorised staff may communicate with the Council's bankers.

14.2 Treasury Management Policy

Why is this important?

The Council often invests considerable sums of taxpayer's money so as to make an acceptable return on the investment, which in turn is used to help finance Council services and projects. Investment is not without risk. It is the Council's duty to ensure that such risk is minimised through prudent management of its investments in accordance with legislation and recognised standards.

Risks:

- Money invested by the Council could be lost giving rise to the Council facing serious financial difficulty;
- The Council could face prosecution and a critical external audit report for failing to comply with legislation and accepted standards;
- Council funds could be misused by a member of staff for their own ends;
- Investment returns may fall short of expectation.

Regulations:

14.2.1 The Deputy Chief Executive (S151) shall be responsible for the investment of Council funds in accordance with the Local Government Act [19722003](#), the CIPFA Code of Practice on Treasury Management and the Treasury Management Strategy approved by the Cabinet, annually.

Statutory Requirements:

14.2.2 The Local Government Act 2003, and supporting regulations, requires the Council to “have regard to” the Prudential Code and the CIPFA Treasury Management Code of Practice (CIPFA TMCOP) to set Prudential and Treasury Indicators for a three year period to ensure that the Council’s capital investment plans are affordable, prudent and sustainable.

CIPFA Requirements:

14.2.3 The primary requirements of the Code are as follows:

- a. Creation and Maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council’s treasury management activities.
- b. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
- c. The Full Council receive an annual Treasury Management Strategy Statement (including the Annual Investment Strategy and Minimum Revenue Provision Policy) for the year ahead, a Mid-year Review Report and an Annual Treasury Report (outturn report) covering activities during the previous year.
- d. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions. [In our case this is the S151 Officer.](#)
- e. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specified named body. For this Council the delegated body is the Cabinet.

14.2.4 The S151 Officer is responsible for the administration of the financial affairs of the Council. Implementing this strategy and the CIPFA Code of Practice on Treasury Management manages the risk associated with the Council's treasury management activity.

14.3 Investments

14.3.1 The Authority compiles their cash-flow forecast for a one year period. This is done on the basis that most large items of expenditure and income are known in terms of value and date of payment/receipt. Finance should be notified immediately of any significant items of new expenditure, ~~considered to be~~ over £50,000, as this may impact on investment decisions for the future or, more seriously, cash flow constraints.

~~14.3.2~~ Investment decisions are made based upon the cash flow position on that day and the future requirements on the cash flow of the Authority. This is done under the remit of the approved Treasury Strategy. ~~The Authority retains a small overdraft facility for unforeseen items of expenditure.~~

~~14.3.2~~
14.3.3 The Deputy Chief Executive (S151) shall arrange for the investment of excess funds based upon the counterparty criteria relevant at that time. This can be found on the most recent Treasury Strategy. From the pool of eligible banks or building societies the officer will call to obtain the best rate of interest on that particular day, and proceed on this basis.

14.3.4 All bank accounts of the Authority have a mandate signed, typically by two senior officers of the Finance Department which are filed with all relevant banking documentation.

14.3.5 When any investment is made, a journal is signed by the officer who authorised the payment to be made. This is then processed on E-financials to record the investment has been made.

14.3.6 Repayment of an investment is known in advance and is paid, typically by Clearing House Automated Payment Scheme (CHAPS), by the borrower on the due date. The cashflow spreadsheet is used as the source document to notify when funds are due back to the Authority.

14.3.7 The investment policy is reviewed twice yearly: when both the Annual Strategy and the Half Year Investment Report are compiled.

14.3.8 In the event of a borrower default, the Accountant dealing with Treasury would notify the Section 151 Officer, Cabinet Member for Finance, Leader of the Council and Chief Executive. This would then be communicated to the Leadership Team and the Cabinet. The Accountant would liaise daily with the S151 Officer on any developments and actions to recover the monies due.

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- 14.3.9 All investment transactions shall be in the name of the Council. All securities, which are the property of the Council, are held in the custody of the Deputy Chief Executive (S151).
- 14.3.10 Monies invested will be paid to recipients by way of CHAPS (Clearing House Automated Payments System). Manual CHAPS payments must be checked and signed by two authorised signatories. CHAPS payments using the Payment Manager System are set up by one card holder and authorised by a second card holder.
- 14.3.11 Interest Allocation: Interest accrued on invested funds is allocated between the General Fund and the Housing Revenue Account based on average balances held each year.

14.4 Loans

Why is this important?

The Council may have a need to borrow considerable sums of money so as to help finance Council services and projects. Borrowing is not without risk. It is the Council's duty to ensure that such risk is minimised through prudent management of its borrowing in accordance with legislation and recognised standards.

Risks:

- Money could be borrowed by the Council at less than advantageous interest rates and thereby incurring higher than necessary cost;
- The Council could fail to repay money borrowed on time thereby having penalties invoked against it.
- The Council could receive a critical external audit report for failing to comply with legislation and accepted standards;
- Loans could be taken out in the Council's name by a member of staff for their own ends.

Regulations:

- 14.4.1 The Deputy Chief Executive (S151) shall be responsible for the administration and day to day operation of the Council's borrowing requirements and in so doing comply with the CIPFA Code of Practice on Treasury Management.
- 14.4.2 The Deputy Chief Executive (S151) shall ensure that money required by the Council is borrowed at the most advantageous rates and terms possible. All legal agreements are to be reviewed by the Legal Department before being signed and the Council becoming bound by their terms. All borrowings shall be in the name of the Council.
- 14.4.3 The Deputy Chief Executive (S151) shall be the Council's registrar of mortgages and shall maintain records of all monies borrowed by the Council.

- 14.4.4 Under the criteria of the Prudential Code the Deputy Chief Executive (S151) is to prepare a report prior to the commencement of each financial year for the Council to consider and then set the borrowing limits for the ensuing year.
- 14.4.5 The Council's Aggregate Credit Limit is to be monitored and at no time are the Council's borrowings to exceed the limit.
- 14.4.6 The Deputy Chief Executive (S151) shall report to the Cabinet at regular intervals on treasury management activities for the previous period.
- 14.4.7 Monies may be repaid by way of CHAPS (Clearing House Automated Payments System). Manual CHAPS payments must be checked and signed by two authorised signatories. CHAPS payments using the Payment Manager System are set up by one card holder and authorised by a second card holder.
- 14.4.8 Internal borrowing within the Authority, which will relate to the General Fund and Housing Revenue Account will be done via a service level agreement arranged by the respective Group Managers and Directors and Cabinet Members. The rate of borrowing agreed will be benchmarked against a publicly available rate such as the Public Works Loan Board (PWLB) or Bank of England Base Rate.

14.5 Loans to External Bodies (Including Soft loans)

Mid Devon District Council has the power to provide businesses or social organisations with soft loans.

Definition:

A soft loan is one with no interest or below-market rate of interest.

Lenient terms such as extended grace periods in which only interest or service charges are due, and interest holidays may be present. Typically they offer longer amortisation schedules and lower interest rates than conventional bank loans.

Risks:

- Reduced returns on available cash reserves
- Borrower default

Regulations:

- 14.5.1 Each request will be reviewed on merit and any loan agreement requires Deputy Chief Executive (S151) and Cabinet approval subject to the limits shown in Appendix A Para A.
- 14.5.2 In order to be eligible, the borrowing business or social organisation, shall be resident within the Mid Devon District Council boundary.
- 14.5.3 Any interest premium applied will be benchmarked against an available market rate.

14.5.4 The Council's security requirements will vary depending on the nature of the business, the loan value and the duration of the loan.

14.5.5 The Council must be mindful of the restrictions of State Aid when considering offering loans.

15.0 Insurance

15.1 Insurance

15.2 Notification of New Risks

15.3 Incident Reporting & Claims Handling

15.1 Insurance

Why is this important?

The delivery of Council services is not without inherent risk of death, injury or financial loss to staff, Members, third parties or the Council itself. The Council must make a careful assessment of these risks and how they should be covered. Some will be insurable and a balanced view will need to be taken as to what risks will be insured and those other risks which will be carried by the Council, through maintenance of earmarked funding or otherwise.

Risks:

- The Council may not be adequately insured and be unable to meet some claims made against it;
- The Council may be over insured;
- The Council may be paying too much for its insurance cover.

The Council has an internal team to manage its insurance-related responsibilities, and to help avoid disruption to Council services and finances. The Council's Insurance team:

- provides a claims management service
- arranges and negotiates appropriate insurance cover for the Council
- investigates potential and actual claims against the Council
- collates necessary supporting evidence
- submits claims on behalf of the Council
- provides control of all claims against the Council's insurance policies
- manages insurable risks to minimise potential losses and reduce disturbance to Council services
- advises on the level of claims and insurable risks

Regulations:

15.1. All insurance cover shall be reviewed at least annually by The Deputy Chief Executive (S151) and where new risks are identified due consideration in terms of cost and scope of cover will be made immediately.

Scope and Types of Risk

The Deputy Chief Executive (S151) is responsible for arranging all insurance cover subject to the approval of the Legal Services Manager on the form of policy.

Types of Cover

Public Liability: This insurance covers injury or death to any person on or around the Council's property and damage to Third Party material property.

Land & Buildings: This safeguards the Authority's properties.

Equipment: This covers specified equipment.

Motor: This provides cover for all of the Council's vehicles including plant.

Engineering Insurance: Insurance relating to the Council's plant, machinery and equipment.

Employers Liability: Protects the Council against legal liability to pay damages and legal costs arising from Employees suffering bodily injury, illness or disease and including death in the course of employment.

Fidelity Guarantee Insurance: All appropriate employees of the Council will be included in a suitable fidelity guarantee insurance policy to safeguard the Authority against losses caused by dishonesty of employees.

15.2 Notification of New Risks

15.2.1 Service managers shall promptly notify the Deputy Chief Executive (S151) of the extent and nature of all new risks to be insured and of any alteration affecting insurable risk within their department. Details must be e-mailed to insurance@middevon.gov.uk.

15.2.2 Service managers will consult with the Deputy Chief Executive (S151) in respect of the terms of any indemnity, which the Council is requested to give when entering into a contract with a Third Party. The Deputy Chief Executive (S151) will consult the Council's insurer if appropriate.

15.2.3 When any additions are made to the Corporate Risk Register consideration needs to be given to any insurance implications regarding the new risk. Details must be e-mailed to insurance@middevon.gov.uk.

15.3 Incident Reporting & Claims Handling

15.3.1 Service managers will notify the Deputy Chief Executive (S151) immediately of any loss, liability, damage or any event which seems likely to lead to a claim. The appropriate claim form shall be completed and submitted to the Insurance Section within seven days via e-mail insurance@middevon.gov.uk or Post. Any necessary supporting evidence must be submitted within two weeks of incident date.

Motor Claim Form	FIN801
Public Liability Claim Form	FIN802
Property/Theft Claim Form	FIN803
Employers Liability Claim Form	FIN804

Clear guidance is given on the forms; additional help is available e-mail insurance@middevon.gov.uk

15.3.2 Service managers, staff and Members must ensure that they **do not** accept liability or make any offer to pay compensation, which may prejudice the conduct and outcome of any insurance claim.

15.3.3 The ~~Director of Finance, Assets & Resources~~ [Deputy Chief Executive \(S151\)](#) must be informed and the appropriate claim form completed, where damage is caused to Council property, plant or vehicles, by fire or other insured risk, before work or repairs, other than emergency works, shall be undertaken and necessary authority has been given by the Council's insurers.

15.3.4 The Insurance Section will negotiate all claims in consultation with the Insurers and Service managers.

15.3.5 Policy premiums and any excess required to be paid in the claims process will be charged to relevant service expenditure codes.

Other

15.3.6 Contractors or agents acting for the Council must have insurance arrangements which adequately indemnify the Council against any third party claim. It is the Service Manager's responsibility to require this of contractors at quotation stage and to have details of the relevant insurance documents.

16.0 Postage

16.1 Postage

Why is this important?

Postage stamps, prepaid envelopes and balances held within franking machines are vulnerable to theft or loss.

Risks:

- Stamps could be lost or stolen;
- Franking machine balances could be misused
- Prepaid envelopes could be lost or stolen

Regulations:

16.1.1 Officers responsible for postal franking machines will certify the balance of impressions held in the machine at the 31 March each year. The certificate is to be forwarded to Finance without delay.

16.1.2 Where more than one service use the same franking machine, a record of each services usage must be maintained.

16.1.3 Franking machines, stamps and pre-paid envelopes are only to be used for mail sent in connection with the Council's business. Use for any private mail is not permitted and will lead to disciplinary proceedings.

16.1.4 All services are allocated a number for their post by Customer Services, which is input into the franking machine when the post is franked. Readings from the franking machine allocate postage costs to each service area which will then be charged to the service as part of the year end recharge.

17.0 FINANCIAL STATEMENTS AND REPORTS

17.1 The Annual Statement of Accounts

17.2 Accounting policies

17.3 Reports containing financial information

17.1 The Annual Statement of Accounts

- 17.1.1 The Deputy Chief Executive (S151) is responsible for ensuring that the annual financial statements are prepared in accordance with the Code of Practice on Local Authority Accounting in the United ~~Kingdom: A Statement of Recommended Practice (CIPFA/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and~~ [Kingdom and](#) other legal and regulatory requirements for approval by the Audit Committee. This ensures that the statement of accounts present a true and fair position of the Council at the year end and also provides detail of the expenditure and income for that year.
- 17.1.2 Finance will issue a detailed timetable to Service Managers annually to ensure that all relevant information is collected in a timely manner and that the statutory deadline is achieved.
- 17.1.3 The accounts are subject to external audit, the objective of which is to provide assurance that the accounts have been prepared correctly, that proper accounting practices have been followed and that arrangements have been made for securing economy, efficiency and effectiveness in the use of the Authority's resources.
- 17.1.4 The Audit Committee is responsible for approving the annual statement of accounts, which must be signed by the s151 Officer by ~~31 May~~ [0 June](#) following the end of the financial year. [The Approval by the Audit Committee and publication of the Statement of Accounts with the audit opinion must be completed by 31 July.](#)

17.2 Accounting Policies

Why is this important?

The Accounting policies underpin the preparation of the statement of accounts and must be consistent with the basic accounting concepts of materiality, going concern, matching, consistency, prudence and substance over form.

Key controls

The key controls for the satisfactory completion of the statement of accounts are that:

- suitable accounting policies are determined, communicated and their consistent application monitored;
- a reasonable and prudent policy is created to ensure a consistent approach to all instances where estimates are made and that these are documented;
- statutory and other professional requirements are observed;
- all reasonable steps are taken for the prevention and detection of fraud and other irregularities; and
- the draft statement is available for examination and report by the external auditors in accordance with the previously agreed timetable.

Regulations:

Responsibilities of Deputy Chief Executive (S151)

17.2.1 The Deputy Chief Executive (S151) is responsible for selecting appropriate accounting policies, ensuring that they are applied consistently and that they are fully disclosed in the financial statements.

Responsibilities of Service Managers

17.2.2 Service managers are to adhere to the accounting policies and guidelines approved by the Deputy Chief Executive (S151) throughout the financial year and to submit to Finance any information considered necessary for accounting and costing purposes in accordance with the yearend timetable.

17.3 Internal and External Reports containing Financial Information

Why is this important?

The Council's reputation could be damaged if erroneous or misleading information is published. Poor or ill-advised decisions could be made on incorrect data published within a report.

Key controls

17.3.1 All reports should be reviewed by Finance and where appropriate, Internal Audit to safeguard the integrity of the presented data. Where amendments are required these must be made by officers before the report is published.

18 Risk Management and Governance

- 18.1 Prevention of fraud and corruption**
- 18.2 Risk management and corporate governance**
- 18.3 Internal audit**
- 18.4 External audit**
- 18.5 Financial irregularities**
- 18.6 Money laundering**

18.1 Prevention of Fraud and Corruption

Corporate Fraud

Why is this important?

The Council will not tolerate fraud and corruption whether externally or internally. It is determined that the culture and tone of the organisation is one of honesty and total opposition to fraud and corruption.

The Council has an established Code of Conduct for all Council Officers and Members. The Council has robust policies relating to Fraud, Corruption and Whistle-blowing.

The Council requires its contractors, suppliers, partners and other service providers to adhere to the Council's policies and procedures, which uphold the Council's high standards.

The National Fraud Initiative is actively supported and a range of measures is in place to identify and successfully prosecute anyone claiming Housing and/or Council Tax Benefit fraudulently.

Risks:

- The Council may suffer financially through fraudulent or corrupt practices and failure to maintain high standards of conduct;
- Genuine claimants may be refused;
- The confidence of the public in the Council may be undermined as a result or discovery of fraud or corruption involving Council staff, Members or its partners and contractors;
- The Council's reputation may suffer;
- Staff may be prevented from raising their concerns through 'whistleblowing' procedures under the Public Interest Disclosure Act 1998 and the Council may leave itself open to payment of compensation, (with no upper limit).

Regulations:

- 18.1.1 The Group Manager for Performance, Governance and Data Security is responsible for maintaining the Council's:
- Anti-fraud and Corruption Policy
 - Whistleblowing Policy
 - Anti-Money Laundering Policy

Benefit Fraud

18.1.2 As part of the National Fraud Initiative, the Council undertakes biennial data matching for Housing and Council Tax Benefit.

18.1.3 Where evidence of fraud is found the information will be passed to the DWP for further investigation.

~~18.1.3 Where evidence of fraud is found, persons involved will be prosecuted in accordance with the Prosecution Policy, (Appendix 5 of the Fraud Procedure Manual).~~

Awareness

- 18.1.4 All service managers will ensure that all officers (including any new employees) within their service areas have access to, and regularly refresh their knowledge of:
- The Officers Code of Conduct;
 - The Council's Anti-Money Laundering Policy
 - The Council's Anti-Fraud and Corruption Policy; and
 - The Council's Whistleblowing Policy.
- 18.1.5 All service managers will ensure that any contractors, or any other parties, working on behalf of the Council, within their service areas have access to, and regularly refresh their knowledge of, the Council's Whistleblowing Policy.
- 18.1.6 The Monitoring Officer will ensure that all Members have access to, and regularly refresh their knowledge of, the Members Code of Conduct.
- 18.1.7 All Officers and Members must ensure that they provide the Monitoring Officer with returns relating to the declaration of any personal interests and offers of gifts or hospitality (whether accepted or not).

18.2 Risk Management, Internal Control and Corporate Governance

Why is this Important?

Risk is identified as something that might have a detrimental impact on the Council's objectives or affect service delivery. The Council, therefore, has a duty to ensure that risks are properly identified, managed and controlled.

The objectives and many of the Council's services and activities are not without inherent risks including those of risk of death, injury or financial loss to staff, members of the public or external organisations.

Risk can be mitigated by:

- transferring the risk to a third party, e.g. through insurance;
- implementing additional controls to those that exist to minimise the likelihood of the risk occurring or minimising its potential impact (e.g. through regular inspection and continuous monitoring of identified key risk areas);
- establishing and regularly testing business continuity and disaster recovery procedures to deal with the consequences of events and minimise potential disruption;
- training of officers and staff in key risk areas

The key controls for risk management are:-

- Leadership Team leading and directing risk management at highest level;
- establishing clear roles, responsibilities and reporting lines within the Council for managing risk ;
- incorporating risk management considerations/ systematic benchmarking and a performance management system;
- maintaining documented procedures for the control of risk, the provision of suitable information, training and supervision;
- maintaining an appropriate incident reporting, recording and investigation procedure to prevent recurrence;
- for allocating resources to identified priority risk areas;
- training to reinforce the importance of effective risk management as part of the everyday work of employees;
- maintaining effective communication and the active involvement of every member and employee of the Council;

- including risk management as an agenda item at meetings as appropriate;
- providing opportunities for shared learning on risk management across the Council; and
- preparing contingency plans in areas where there is potential for an occurrence having a catastrophic effect on the Council and its business capability.

Internal controls are one of the tools used to manage the Council's risks, and ensure that it meets its strategic objectives and statutory obligations. The Accounts and Audit Regulations 2015~~03~~ impose an explicit duty on the Council to ensure it has a sound system of [internal control including the publication of an Annual Governance Statement](#).

The system of internal controls is established in order to provide measurable achievement of:

- Efficient and effective operations
- Reliable financial information and reporting
- Compliance with legislation and regulations
- Risk management
- Security of assets.

Risks:

- The opportunity for fraud, loss, extravagance, waste or reputational damage is increased;
- The Council could be in contravention of legislation;
- Incorrect political and managerial decisions could be made because of the absence of consideration of risk.

Regulations:

- 18.2.1 The Group Manager for Performance, Governance and Data Security is responsible for producing, reviewing and updating the Council's Risk Management Strategy to be approved by the Audit Committee annually.
- 18.2.2 It is the responsibility of the service managers to ensure that the risks affecting their service areas are identified on a continuing basis, and documented in a risk register along with the controls for mitigating those risks.
- 18.2.3 Service managers are responsible for ensuring that any actions that have been agreed to put controls in place to mitigate risks are completed in the agreed timescale.

- 18.2.4 The centralised risk register will be held electronically on the SPAR.net system, and will be reviewed regularly. Service managers, or their nominated representatives, will ensure that risks relating to their service area are reviewed and updated using the SPAR.net system.
- 18.2.5 Service managers are to ensure that all staff in their service area have a clear understanding of the risks affecting the Council and their service area and ~~the consequences~~ [the consequences](#) of not controlling those risks.
- 18.2.6 The Leadership Team will act as the Council's Corporate Risk Management Group in order to review those risks likely to have an impact on the achievement of the Council's objectives.

Internal Control

- 18.2.7 Internal Audit will be responsible for conducting an annual review of the effectiveness of the Council's internal control environment, the results of which will be included in the Annual Governance Statement.
- 18.2.8 The Group Manager for Performance, Governance and Data Security will produce an Annual Governance Statement in accordance with current CIPFA guidance, which is to be reviewed and approved by the Audit Committee and signed off by the Leader of the Council and Chief Executive, and published with the statement of accounts.
- 18.2.9 An action plan will be produced as part of the Annual Governance Statement, covering areas of exception. Service managers are responsible for ensuring that any recommendations relating to their service area are implemented by the agreed timescale.
- 18.2.10 Service managers are to manage service processes to ensure that established controls are being adhered to, and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.

Corporate Governance

- 18.2.11 The Council is responsible for approving the Council's Code of Corporate Governance following consideration by the Audit Committee.
- [18.2.12](#) The principle of the Code will be openness, integrity and accountability and will cover the areas required by the CIPFA [/delivering good governance local government framework which includes:](#)
- [Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law](#)
 - [Ensuring openness and comprehensive stakeholder engagement](#)

- [Defining outcomes in terms of sustainable economic, social and environmental benefits](#)
- [Determining the interventions necessary to optimise the achievement of the intended outcomes](#)
- [Developing the entity's capacity, including the capability of its leadership and the individuals within it](#)
- [Managing risks and performance through robust internal control and strong public financial management](#)
- [Implementing good practices in transparency, reporting and audit to deliver effective accountability.](#)

~~18.2.12~~ 18.2.13 Direct responsibility for the monitoring of compliance with the principles and elements of corporate governance and the requirements of the Code are placed with the Council's [Group Manager for Performance, Governance and Data Security Monitoring Officer](#) (with the exception of the application of these Regulations, which are the responsibility of the Deputy Chief Executive (S151)).

~~18.2.13~~ ~~Internal Audit will test compliance with the Code on an annual basis and the results of the monitoring and testing will be reported to the Audit Committee~~

18.3 INTERNAL AUDIT

Why is this important?

The Accounting and Audit Regulations 2003 requires that the Council shall be responsible for ensuring that financial management arrangements are adequate and effective and that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk. The Council shall conduct a review at least once a year of the effectiveness of its system of internal control and shall include a statement on internal control to be published with the statement of accounts.

Internal Audit is an assurance function which provides an opinion to the Council. It objectively examines, evaluates and reports on the adequacy of controls that affect the Council objectives. Its contribution is to the proper economic efficient and effective use of Council's resources on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the Council's objectives. Internal Audit objectively examines, evaluates and reports on the adequacy of the internal control environment as a contribution to the proper, economic, efficient and effective use of resources.

Risks:

- Changes in the delivery of services lead to internal financial control systems failing, thereby increasing the possibility of fraud, loss, extravagance, waste or ~~embarrassment~~ reputational damage to the Council;
- The Council could face legal action for failing to maintain an adequate internal audit service;
- The absence of ~~the an~~ internal review process increases the opportunity for fraud, corruption or lax service delivery;
- Increased external audit costs may be incurred if the external auditor is not satisfied that the Internal Audit service is adequate.

Regulations:

~~18.3.1~~ 18.3.1 The Council shall make provision for Internal Audit in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The Accounts and Audit Regulations 2015~~03~~ state that a relevant body must 'maintain an adequate and effective system of internal audit of the Council's accounting records, and of its system of internal control in accordance with the proper internal audit practices'.

~~18.3.2~~ 18.3.2 The Council has entered into a shared service arrangement with The Devon Audit partnership (DAP), constituted under section 20 of the Local Government Act 2000, for the provision of Internal Audit services.

~~18.3.2~~ 18.3.3 The Internal Audit Manager, or representative from Internal Audit, shall, with full regard to the Data Protection and Human Rights requirements, have authority to:

- (a) Enter at all reasonable times on to any Council premises or land;
- (b) Have access to all records, documents and correspondence (both manual and electronic) relating to any transaction of the Council;
- (c) Require and receive such information and explanations from any officer as are necessary concerning any matter under investigation;
- (d) Require any employee or agent of the Council to account for cash, stores or any other Council property under their control; and
- (e) Access records belonging to third parties, such as contractors or partnerships, if required.

18.3.3 The Internal Audit Manager has direct access to the Chief Executive, Deputy Chief Executive (S151), Leader and Chairman/Vice Chairman of the Cabinet and the Audit Committee.

18.3.4 The Internal Audit Manager shall produce an operational internal audit plan and also a three year strategic audit plan, which will cover the full range of services provided by the Council. The core financial systems of the Council will be audited on an annual basis and the remaining systems will be audited on a rolling programme, according to the level of risk.

18.3.5 It shall be the responsibility of Internal Audit to review, appraise and report upon:

- (a) The soundness, adequacy and application of internal financial controls;
- (b) The extent to which the Council's assets and interests are accounted for and are safeguarded from losses of all kinds including:
 - Fraud and other offences
 - Waste, extravagance, inefficient administration, poor value for money or any other cause.
- (c) The suitability, reliability and use of financial and other management information available within the Council.

18.3.6 Service managers (in consultation with their line manager) are to consider, and promptly respond to agreed recommendations set out in Internal Audit reports and to ensure that any agreed actions are carried out within the timescale agreed.

18.3.7 The Internal Audit Manager will report to the Audit Committee at each meeting. Reports will contain details of Internal Audit activities and actions agreed on any high priority recommendations.

18.3.8 Internal Audit shall be informed of, and can act in a consultancy capacity to officers and others acting on the Council's behalf in respect of the creation, amendment or removal of systems of a direct or indirect financial nature. [This may incur an additional charge from the Internal Audit provider, DAP.](#)

18.4 External Audit

Why is this important?

Each financial year the Council is subject to an external audit of statutory financial statements. The external auditor has rights of access to all documents and information, necessary for audit purposes.

In carrying out their duties the external auditor is required to comply with statutory requirements governing them, and in particular the [Audit Commission Act 1998](#) [Local Audit and Accountability Act 2014](#), the Code of Audit Practice, the Local Government Act [1999-2010](#) and the Accounts and Audit Regulations 2015. The Code of Audit Practice sets out the auditor's objectives to review and report upon:

- The audited body's financial statements and its [Statement on Internal Control/Annual Governance Statement](#); and
- Whether the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Council's accounts are scrutinised by external auditors, who must be satisfied that the statement of accounts 'present true and fairly' the financial position of the Council and its income and expenditure for the year in question and complies with the statutory requirements as set out in the current [Code of Practice on Local Authority Accounting in the United Kingdom Statement of Recommended Practice \(SORP\)](#) and the Services Reporting Code of Practice (SERCOP).

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Risk:

- The Council's accounts are not signed off by the external auditors or are signed off with a qualifying comment to the effect that they fail to present fairly the financial position of the Council.

Regulations:

18.4.2 The Deputy Chief Executive (S151) will work with the external audit staff to ensure that there is effective liaison between external and internal audit to optimise use of audit resources and that all Members and Finance staff are advised of their roles and responsibilities in relation to external audit. Service managers shall ensure that external auditors are given access (at reasonable times) to premises, personnel, documents and assets which are considered necessary for the purposes of their work.

18.4.3 Service managers shall ensure that all records and systems are up to date and available for inspection.

18.5 Financial Irregularities

18.5.1 All suspected frauds or irregularities involving cash, property or financial transactions of the Council shall be notified immediately to the Internal Audit Manager, and the Deputy Chief Executive as Section 151 Officer.

18.5.2 Where fraud or irregularity is suspected:

- (a) The relevant service manager will take immediate action and all possible steps to prevent further loss and to secure records against removal or alteration.
- (b) The Group Manager for Performance, Governance and Data Security and/or the Group Manager for HR will initiate an immediate investigation and the Deputy Chief Executive (S151) as S151 officer will be informed.

18.5.3 Where sufficient evidence exists that a criminal offence may have been committed, the ~~Monitoring Officer~~[Group Manager for Performance, Governance and Data Security](#), in consultation with the Chief Executive, and Deputy Chief Executive (S151) (as Section 151 Officer), will inform the police to further investigate and decide on possible future proceedings.

18.5.4 The relevant service manager with the Group Manager for HR and Development will instigate the Council's disciplinary procedures where the outcome of an investigation indicates misconduct, fraudulent or otherwise.

18.6 Money Laundering

WHAT IS MONEY LAUNDERING?

Money Laundering can be defined as “the crime of moving money that has been obtained illegally through banks and other businesses to make it appear that the money has been obtained legally”.

When the Council (or any of its employees or Members) is accepting or dealing with money or other assets there is a risk that such money or assets could come from a criminal source. In the vast majority of cases this is unlikely, but everyone should bear in mind that they could contravene the law if they become aware of or suspect criminal activity and continue to be involved in the matter without reporting their concerns.

RECOGNISING MONEY LAUNDERING

18.6.1 Possible indicators of money laundering may include:

- Cash based businesses which are more likely to add criminal funds to legitimate business takings;
- Large cash receipts generally and always amounts over the equivalent of 15,000 Euros.
- A person who is reluctant to supply evidence of identity or address;
- Large overpayment of fees or money on account;
- Cancelled transactions without good reason, requiring a repayment;
- Requests to forward balances on to a third party;
- Information received about an individual which may reveal criminality or association with criminality;
- The use of over-complicated financial systems or funds received from third parties;

- A buyer's or seller's financial profile not "fitting" the transaction they are undertaking;
- Unexplained use of an out of area solicitor/agent in relation to a property transaction.

No payments over £5k shall be accepted without the formal consent of the Money Laundering Reporting Officer. [The Council's nominated Money Reporting Officer is the Group Manager for Performance, Governance and Data Security](#)

18.6.2 This list is not exhaustive but gives examples of when employees should consider whether their suspicions should be aroused and in such circumstances should suggest to the employee that they should be asking themselves questions such as *Would I expect this individual to have this amount of cash?; why do they wish to pay in cash?; Why is this person offering to pay more than the going rate for this item/service? etc.*

LEGISLATION RELATING TO MONEY LAUNDERING

18.6.3 Legislation concerning money laundering has broadened the definition of money laundering and increased the range of activities caught by the statutory framework. The obligations impact on areas of local authority business and require local authorities to establish internal procedures to prevent the use of their services for money laundering.

18.6.4 There are several pieces of legislation relating to money laundering which include:

- The Terrorism Act 2006
- The ~~Anti-Terrorist Crime~~Counter-Terrorism and Security Act 2015
- The Proceeds of Crime Act 2002
- Serious Organised Crime and Police Act 2005
- Money ~~Laundering Regulations 2003~~Laundering Regulations 2017 & 2007
- Third European Union Money Laundering Directive 2005

PURPOSE AND SCOPE

18.6.5 The aim is to maintain the high standards of conduct which currently exist within the Council by preventing criminal activity through money laundering.

18.6.6 The legislative requirements concerning anti-money laundering procedures are extensive and complex. These regulations have been written so as to enable the Council to meet its' legal requirement in a way which is proportionate to the very low risk the Council faces.

18.6.7 These regulations apply to **all employees** (including agency staff and contractors) and **elected Members**. All employees must be aware of their responsibilities and the consequences of noncompliance. Service managers must ensure that all employees are aware of these regulations during new employee induction. The Council's Money Laundering Reporting Officer (MLRO) will arrange suitable training of all staff and elected Members

18.6.8 An employee could potentially be caught by the money laundering provisions (if they suspect money laundering and either become involved with it in some way and/or do nothing about it) – e.g. if they:

- Assist a money launderer;
- “Tip off” a person suspected to be involved in money laundering that they are suspected or that they are the subject of police investigations;
- Fail to report a suspicion of money laundering; and
- Acquire, use of or possess criminal property.

18.6.11 It is extremely important that all employees are familiar with their legal responsibilities. Employees found guilty at trial of contravening the legislation may be faced with imprisonment, a fine or both.

18.6.12 Failure by an employee to comply with the procedures set out may lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the Council's Disciplinary Procedure.

REPORTING/DISCLOSING INFORMATION

18.6.13 If an employee/Member suspects money laundering or has any suspicions relating to any transaction then they must report their suspicions to the Council's Money Laundering Reporting Officer (MLRO).

18.6.14 The employee/Member will need to supply as much information as possible to the MLRO about the individual or company concerned i.e. name, address and their reasons for suspicion. If any other employees/Members have been involved with the transaction the names of these persons should also be passed to the MLRO.

18.6.15 Any disclosures must be reported using the Form at Appendix C to the Anti-Money Laundering Policy found on SharePoint.. Upon receiving the completed form the MLRO will consider all of the applicable information in order to determine whether

the grounds to suspect money laundering are valid. If the MLRO determines that the information or matter should be disclosed it will be reported to the UK Financial Intelligence Unit (UKFIU), the branch of the Serious Organised Crime Agency (SOCA) that deals with money laundering.

18.6.16 Disclosures should be kept confidential and not discussed with colleagues. It is important to ensure that the person(s) suspected of money laundering is not “tipped off” regarding the disclosures. It is an offence to prejudice an investigation by informing anyone of the disclosure or by tampering with evidence. If found guilty there is a punishment of up to 5 years in prison available to courts on indictment.

AFTER DISCLOSURE

18.6.17 No transactions can be completed where it is believed that money laundering is involved until clearance has been received from either the UKFIU or the SOCA, or seven days have elapsed since the disclosure was made to them and no instructions have been received. Employees must **always** check the position with the MLRO before taking any action.

Glossary of Terms

Accounting Policies	Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented. Accounting policies do not include estimation techniques.
Accounts Payable	The ledger and process relating to the payment of trade creditors and other payments
Accounts Receivable	The ledger and process relating to the raising of sales invoices and their collection
Accrual	A sum included in the final accounts to cover income or expenditure attributable to that year but for which payment was not received/made during that year. Local authorities only accrue for revenue expenditure; capital expenditure is recorded on a receipts and payments basis.
Appropriation	The transfer of ownership of land or buildings from one service to another.
Asset	An asset is anything that is owed by the Council that has a value.
Asset Management Plan and Capital Strategy	A document that explains how the Council will maintain its assets over the next few years and where it is intending to spend money on new or improvements to its existing assets.

Bad Debt	Money owed to the Council that is unlikely to be paid.
Balances	The total revenue reserves required to provide a working balance during the financial year, for example in periods when expenditure exceeds income.
Best Practice	The term used to describe the methods used by local government to share procedures and practices in order to learn and improve from each other
Best Value	Arrangements to secure continuous improvement in the way its functions are exercised having regard to a combination of economy, efficiency and effectiveness.
Budget	A statement of the Authority's plans for revenue and capital expenditure and income over a specified period of time. The forecast of net revenue and capital expenditure over the accounting period.
Budgetary Control	The process of ensuring actual expenditure and income does not exceed the budget available and taking corrective action where variances are identified.
Budget Monitoring	The process of reviewing actual expenditure or income against the sum allocated for the year enabling action to be taken to reallocate budgets to or from other budget lines in a timely manner where variances are found.
Budget Head	A specific area of activity where expenditure may be incurred or income collected.
Capital Adjustment Account	This records the timing difference between the costs of fixed assets used and the capital financing set aside to pay for them.
Capital Charges	This is a general term used for the notional charges made to service revenue accounts for the use of fixed assets. The term covers: Depreciation of buildings and equipment, amortisation of intangible assets, impairment charges and amortisation of REFFCUS expenditure.
Capital Discharged	The amount of capital expenditure which has been paid for out of revenue or other sources.
Capital Expenditure	Money spent to either acquire or improve an asset owned by the Council which will be used over a period of years or money awarded to a third party towards an asset owned by them for example a grant to improve their property. Includes the purchase of land, purchase or cost of construction of buildings and the acquisition of plant, equipment and vehicles.
Capital Outlay	Expenditure on the acquisition of significant fixed assets which will be of use or benefit in providing services beyond the year of account.
Capital Programme	The Council's capital expenditure plans for the next few years. The capital programme will show the anticipated cost, usually on a scheme by scheme basis, and how it intends to finance this.

Capital Receipts	Proceeds from the sale of assets and other receipts of a capital nature.
Capital Receipts Unapplied	Capital receipts not yet used for repayment of debt, or to finance capital expenditure.
Capital Strategy Asset Group (CSAG)	A working group of senior officers set up to oversee the capital programme. The CSAG reviews new expenditure plans before they are recommended for inclusion onto the capital programme, and monitors both the capital expenditure and the financing resources on schemes in the capital programme ensuring timely action is taken for any variances identified.
Central Establishment Charges	Salaries and associated expenses of central departments together with the cost of maintaining administrative buildings and other central services.
Commitments	A commitment arises when an order is raised to purchase goods or services but the goods or services have not yet been received.
CIPFA	The Chartered Institute of Public Finance and Accountancy. This body is responsible for interpreting accounting standards and recommending working practices to be followed by all local authorities.
Collection Fund	A separate fund that records the income and expenditure relating to council tax and non-domestic rates.
Corporate Plan	A document outlining what the Council wants to achieve and how it will get there. The Corporate Plan generally covers a period of 3 years, but is reviewed and updated on an annual basis.
Corporate Democratic Core	Those activities which the local authority is engaged in specifically because it is an elected multi-purpose authority. This includes the costs of corporate policy making, representing local interests, representatives and duties arising from public accountability.
Cost Centre	An individual reference used within the Council's financial system to enable the allocation and monitoring of expenditure and income in a meaningful way.
Creditors	Persons/businesses owed money by the Council
Debtors	Persons owing monies to the Council.
Decision Maker	Refers to the Council, Policy Committee or any other group to whom a function has been delegated in accordance with the Council's Constitution and shall include a Group Manager exercising authorised powers or a delegation under the Council'
Depreciation	The allocation of the cost of the useful economic life of the Council's fixed assets for the accounting period through general wear and tear, consumption or obsolescence.

Deferred Capital Receipts	Deferred Capital Receipts are the amounts derived from sales of assets which will be received in instalments over agreed periods of time.
Earmarked Reserve	Money allocated for a specific purpose which will be spent in a future year.
Emergency	An occurrence involving or likely to 'involve danger to life or health' or 'serious damage to property' or 'destruction of property'.
Fidelity Guarantee	Insurance against fraudulent losses.
Finance Lease	A lease whereby all the risks and rewards of ownership of a fixed asset are with the lessee. In substance the asset belongs to the lessee.
Financial Regulations	A written code of procedures approved by the authority, intended to provide a framework for proper financial management. Financial regulations set out rules on accounting, audit, administrative procedures and budgeting systems.
Financial Year	A Local Authority financial year runs from 1 April to 31 March.
Fixed Asset	An asset intended to be held for a period of more than one year, such as a machine or building.
Forecast	A prediction of spend for future months/years.
General Fund	The main revenue fund of the Council. Income from the council tax precept and Government grants are paid into the fund, from which the cost of providing services are met.
Government Grants	Payments by Central Government towards local authority expenditure. They are specific for a particular service; and are receivable in respect of both revenue and capital expenditure.
Grants	Income received by the Council to support the undertaking of Council services or to support the capital programme. Grants may have terms and conditions as to use attached.
Housing Revenue Account	Statutory ring-fenced account required to represent the landlord/tenant obligations for the Council in relation to managing and maintaining its housing stock in return for rental income from tenants.
Impairment	A reduction in the value of a fixed asset to below its carrying amount on the balance sheet due to damage, obsolescence or a general decrease in market value
Income & Expenditure Account	The net cost for the year for services provided by the Council for which it is responsible and showing how the cost has been financed from precepts, grants and other income
Internal Control	The system of control devised by management to help ensure the Council's objectives are achieved in a manner which promotes economical, efficient and effective use of resources and that the Council's

	assets and interests are safeguarded.
Internal Recharge	A charge made by one council department to another for provision of a service.
Inventories (previously Stock)	Items of raw materials, work in progress or finished goods held at the financial year end normally valued at the lower of cost or net realisable value.
Lease	An asset not owned by the Council but which the Council has an agreement to use in providing its day to day services in return for a regular cash payment.
Liquid Resources	Cash and current asset investments that can be easily converted to known amounts of cash without penalty, or can be traded on the active market.
Long Term Borrowing	Amounts borrowed in excess of one year.
Long-Term Contract	A contract entered into for the design, manufacture or construction of a single substantial asset, or the provision of a service (or a combination of assets and services which together constitute a single project), where the project falls into more than one accounting period.
Long Term Debtors	Sums of money due to the Authority originally repayable within a period in excess of twelve months but where payment is not due until future years.
MEAT	Most economically advantageous tender.
Medium term Financial Plan	A document outlining the Council's spending plans and forecast resources over the next three years.
Money Laundering	The term used where an individual uses legal payment routes to disguise income earned from illegal activities or to avoid the payment of Government taxes. In terms of the Council's activities this could include the payment of rents and council tax at the Council's payment counters with large cash payments.
Monitoring Officer	The Council is required to designate an officer as its monitoring officer. This officer is responsible for promoting and maintaining high standards of overall conduct, for reporting any actual or potential breaches of the law, or instances of maladministration either to the Council directly or via the Cabinet.
Net Book Value	The value of fixed assets included on the balance sheet, being the historical cost or a current revaluation less the cumulative amounts of depreciation.
Nominal Ledger	The nominal ledger is the main accounting record of the Council. It is basically a library of financial transactions.
Non-distributed Costs	In the main this represents support service area charges. E.g.: Corporate Management, Finance, Legal, ICT, HR services, etc. In addition to this a number of non-service specific corporate fees are included. these relate to costs which are not specific to a service eg. past service costs and settlements

	relating to post-employment benefits
Operating Lease	A lease where the risks and rewards, and therefore the ownership of the asset, remains with the lessor.
Outturn	The actual income and expenditure for a financial year disclosed by the final accounts.
Overspend	This is where the actual net expenditure exceeds the budget for the same period.
Performance Indicators	A set of local authority service performance indicators.
Petty Cash	A small amount of cash held by departments and available to purchase minor items of expenditure such as postage stamps.
Policy Framework	The collective term used to describe all the Council's agreed policies and strategies which identify what the Council aims to do, how it plans to do this and what resources it has available over a period of years.
Precept	The amount levied by one authority which is collected by another. E.g. the County Council is the precepting authority and the District Council is the collecting authority.
Prepayment	An adjustment to a sum paid where the period covered by an item of expenditure partly relates to a future accounting period e.g. A single road fund tax payment partly covering two financial years.
Provisions	An amount set aside by the authority to meet a known item of expenditure but for which the actual timing and amount of the payment is not known. The main provisions relate to the Council's various insurance funds. Reserve Money set aside for future policy initiatives.
Rateable Value	The annual assumed rental value of a property, to which rate poundages are applied to arrive at rates payable.
Revenue Expenditure Funded from Capital under Statute (REFFCUS)	Expenditure which may properly be capitalised but which does not result in assets owned by the Council. These charges are amortised to revenue immediately in the year of acquisition.
Reserves	Funds set aside to meet future expenditure on specific items or as a contingency against future losses. Reserves. The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure
Revaluation Reserve	This records net gains from revaluations made after 1 April 2007 not yet realised through sales.
Revenue Contributions to Capital	This refers to the financing of capital expenditure directly from revenue rather than from loans or other sources.

Revenue Expenditure	Expenditure incurred by the Council on a day to day basis in the provision of services to the public.
Revenue Support Grant	The general grant paid by government to local authorities to enable all authorities to levy similar rate levels for similar levels of service.
Risk Management	The planned and systematic approach to the identification, evaluation and control of risk.
Section 151 Officer	Under section 151 of the Local Government Act 1972 each Council is required to have a nominated Officer with responsibility to ensure the proper administration of the Council's financial affairs. At Mid Devon this role is undertaken by the Deputy Chief Executive (S151). This Officer must be a member of a professional accountancy body.
Service Reporting Code of Practice (SERCOP)	Produced by CIPFA and required to be followed by local authorities. Preparing accounts in line with the SERCOP ensures consistency and allows comparison between authorities.
Statement of Accounts	Councils are required to produce an annual Statement of Accounts which shows how the Council has spent its money and what resources and reserves it has available. The Statement of Accounts includes the Council's statutory income and expenditure account, its balance sheet and a cash flow statement.
Support Service	The term used to describe those Council departments or services that do not provide a service direct to the public, but provide a back office function to support the staff directly working with the public. Support services include finance, IT, HR, legal, as well as property services etc.
Treasury Management	The term used to describe the Council's management of its cash, investments and borrowing requirements.
Underspend	A favourable variance. Actual net expenditure including any commitments is less than the budget set for the same period.
Value Added Tax (VAT)	Tax levied on goods and services.
Variation	A variation is an increase or decrease in a budget after the budget has been approved at the start of the year.
Virement	A switch of budget resource between cost centres or service units.

Definitions in respect of the Contract Procedure Regulations

“Approved List” means a list of contractors maintained by the Council, which is regularly reviewed and admission to which is the outcome of a selection process which verifies the financial soundness and technical competence of a contractor.

“Authorised Officer” means the officer who has delegated authority to exercise the relevant function in accordance with the Council’s Scheme of Delegation within the Constitution.

“Best Endeavours” means that the officer has reasonably done all he/she can to ensure that the best possible value for money has been obtained on behalf of the Council.

“Best Interest” means that the officer has reasonably done all he/she can to ensure that the Council’s best interests are met.

“Best Value” means the Council’s duty under section 3 of the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised having regard to a combination of economy, efficiency and effectiveness.

“Contract” means a contract for supplies, services or for the execution of any works which the Council is procuring and also includes framework agreements.

“Contractor” means any person on, or applying to be on an Approved List, Select List or European List or whom is invited to tender, negotiate or submit a quotation, or to whom a Contract has been awarded.

“Decision Maker” means the Council, Policy Committee or any other group to whom a function has been delegated in accordance with the Council’s Constitution and shall include a Group Manager exercising authorised powers or a delegation under the Council’

Economy – Doing less with fewer resources, i.e. making savings.

Efficiency – Doing the same as before, but with fewer resources (money, staff, and space).

Effectiveness – Doing more than before with the same resources but to the same standard.

“Estimated Total Cost” means the aggregate total cost of the supplies or services to be provided or works to be performed under a contract (as distinct from the annual value) estimated prior to its procurement.

“European Directives” means the procurement directives of the European Union and any regulations that implement them within the United Kingdom.

“European List” means a list of contractors compiled by another contracting authority including the Office of Government Commerce, in accordance with European Directives admission to which is the outcome of a selection process which verifies the financial soundness and technical competence of a Contractor.

“European Thresholds” means the threshold limits which the European Union have set for the procurement of goods and services and works for public sector authorities.

“Framework Agreements” are where there are multiple suppliers or multiple purchasing organisations contracting under an umbrella set of terms and conditions and for a fixed price.

“MEAT” – Most Economic Advantageous Tender.

“Procurement” means the acquisition of goods, services and works in exchange for payment.

“Select List” means a list of Contractors prepared by the Council for a particular contract only and admission to which is the outcome of a selection process which verifies the financial soundness and technical competence of a contractor.

“Supplier” means an individual or business that provides goods, services or works in exchange for payment.

“Value For Money” is the term used to assess whether or not the organisation has obtained the maximum benefit from the goods and services it acquires within the resources available to it. It not only measures the cost of goods and services, but also takes account of the mix of quality, cost, resource use, fitness for purpose, timeliness and convenience to judge whether or not, when taken together, they constitute good value. Achieving Value for Money may be described in terms of the ‘three E’s’ – economy, efficiency and effectiveness:

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

Ref No	Factor	Limit (£)	Council	Cabinet	S151 Officer	Group Manager	Manager	Comments
A1		Up to £10k					X	
A2		£10.01k to £50k			X	X		
A3		£50.01k to £250k		X				
A4		Over £250k	X					

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

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

B Bank Payment Limits

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)

Ref No	Factor	Limit (£)	Cabinet	S151 Officer	Group Manager	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

Replaced By:

Ref No	Factor	Limit (£)	Comments
DE1		£50	If discrepancy greater than £50 report to Internal Audit.

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

Ref No	Factor	Limit (£)	Cabinet	Cabinet Member	S151 Officer	Finance Manager Group Manager Finance	Group Manager	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		
E3		£10,000.01 to £50,000		X	X				
E4		Over £50,000	X						

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F Stock Deficiencies / Obsolete Stock Written Off

Ref No	Factor	Limit (£)	Cabinet	s151 Officer	Group Manager	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				

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G Equipment Registers

Ref No	Factor	Limit (£)	S151 Officer	Head of Service	Manager	Comments
G1		Over £1,000 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

H ~~European Union~~Public Procurement Thresholds ([OJEU etc.](#))

Replaced By:

Goods	Refer to latest legislation
Services	Refer to latest legislation
Works	Refer to latest legislation

The thresholds which apply in this country derive from the current EC thresholds. These are announced every two years and apply from 1 January. The current thresholds (see below) apply from 1 January 2018 to 31 December 2019. Thereafter the thresholds which are then announced will apply, unless national legislation indicates otherwise. It is essential that you liaise with the Council's procurement team to check the applicable threshold for your procurement before going to market – sometimes a contract may comprise a mix of services and works and it is important to understand the implications before proceeding.

From 1 January 2018 – 31 December 2019 and then by reference to latest EC thresholds and national legislation:

<u>Goods and services:</u>	<u>£181,302</u>
<u>Works and concessions:</u>	<u>£4,551,413</u>
<u>Light Touch (social & specified other):</u>	<u>£615,278</u>

I Stock Adjustments/Write Offs

Ref No	Factor	Limit (£)	Cabinet	Cabinet Member	S151 Officer	Group Manager	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

Invoice amount	£250.00
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K Disposal of Assets

K1	Best possible price	Value less than or equal to £1,000
K2	Sealed Bids/Auction	Value >£1,000 or equal to £5,000
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

Cash Receipt	£5,000
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Internal Audit

Audit Progress Report 2018-19

Mid Devon District Council
Audit Committee

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January 2019
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Robert Hutchins
Head of Audit Partnership

Auditing for achievement

Agenda Item 10.

Introduction

The Audit Committee, under its Terms of Reference contained in Mid Devon District Council's Constitution, is required to consider the Chief Internal Auditor's annual report, to review and approve the Internal Audit programme, and to monitor the progress and performance of Internal Audit.

The Accounts and Audit (Amendment) (England) Regulations 2015 introduced the requirement that all Authorities need to carry out an annual review of the effectiveness of their internal audit system, and need to incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The Internal Audit plan for 2018/19 was presented and approved by the Audit Committee in March 2018. The following report and appendices set out the background to audit service provision; a review of work undertaken in 2018/19, and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual report providing an opinion that can be used by the organisation to inform its governance statement. This report provides that opinion.

Expectations of the Audit Committee from this progress report

Audit Committee members are requested to consider:

- the assurance statement within this report;
- the basis of our opinion and the completion of audit work against the plan;
- the scope and ability of audit to complete the audit work;
- audit coverage and findings provided;
- the overall performance and customer satisfaction on audit delivery.

In review of the above the Audit Committee are required to consider the assurance provided alongside that of the Executive, Corporate Risk Management and external assurance including that of the External Auditor as part of the Governance Framework and satisfy themselves from this assurance that the internal control framework continues to be maintained.

Robert Hutchins
Head of Devon Audit Partnership

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Opinion Statement

Overall, based on work performed during 2018/19 and our experience from the current year progress and previous years' audit, the Head of Internal Audit's Opinion is of "Significant Assurance" on the adequacy and effectiveness of the Authority's internal control framework.

This opinion statement will support Members in their consideration for signing the Annual Governance Statement.

Internal Audit assesses whether key, and other, controls are operating satisfactorily within audit reviews, and an opinion on the adequacy of controls is provided to management as part of the audit report.

All final audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified.

Implementation of action plans is the responsibility of management yet may be reviewed during subsequent audits or as part of a specific follow-up process.

Directors and Senior Management have been provided with details of Internal Audit's opinion on each audit review to assist them with compilation of their individual annual governance assurance statements at year end.

Full Assurance	Risk management arrangements are properly established, effective and fully embedded, aligned to the risk appetite of the organisation. The systems and control framework mitigate exposure to risks identified & are being consistently applied in the areas reviewed.
Significant Assurance	Risk management and the system of internal control are generally sound and designed to meet the organisation's objectives. However, some weaknesses in design and / or inconsistent application of controls do not mitigate all risks identified, putting the achievement of particular objectives at risk.
Limited Assurance	Inadequate risk management arrangements and weaknesses in design, and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in a number of areas reviewed.
No Assurance	Risks are not mitigated and weaknesses in control, and /or consistent non-compliance with controls could result / has resulted in failure to achieve the organisation's objectives in the areas reviewed, to the extent that the resources of the Council may be at risk, and the ability to deliver the services may be adversely affected.

Executive Summary of Audit Results

Core Audits we progressing work covering the Council's key financial controls or where the level of income and expenditure is material in the context of the Council's annual accounts. The coverage is on track to be completed by year end.

The Findings of particular interest include:

- there remains no major concerns on controls from the reviews completed though as has been previously reported systems user access controls are not fully reviewed/ amended on staff changes.

No material issues have been identified to date.

Risk Based Audits have formed the majority of the work to date. Opinions for the current period are included in appendix 2 to this report.

Findings of particular interest remains the opportunity to improve management level control particularly in performance monitoring which continues to received increased focus from Leadership and received comment in recent audit reviews including that of council tax here.

Additionally, we have commented upon succession planning in areas of procurement, council tax and leisure where staff changes have increased business continuity risks.

Reviews in other areas including:

- construction design and management;
- creditor payments;

provide assurance of an sound internal control framework that is generally operating as required.

Other Work

- Assurance Mapping (see appendices 3)
- Counter Fraud Services
- Job Evaluation Panel – monitoring and evaluation.

We are currently considering risk management arrangements and how this links to the assurance mapping for the Authority. We have included some further examples here for consideration by the Audit Committee on how this looks.

Value Added

We know that it is important that the internal audit service seeks to "add value" whenever it can and we believe internal audit activity has added value to the organisation and its stakeholders by:

- Providing objective and relevant assurance;
- Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.

Feedback has led us to change the clearance process of audit findings with the introduction of a debrief at the close of audit. This will bring the feedback to an earlier stage and smooth the clearance process of the draft report.

Recent audit feedback surveys have stated:-

"in-depth look at a support service handling of permits"

"t has helped us to identify areas that we should focus on more or improve our procedures around."

"reviewed areas we had concerns with"

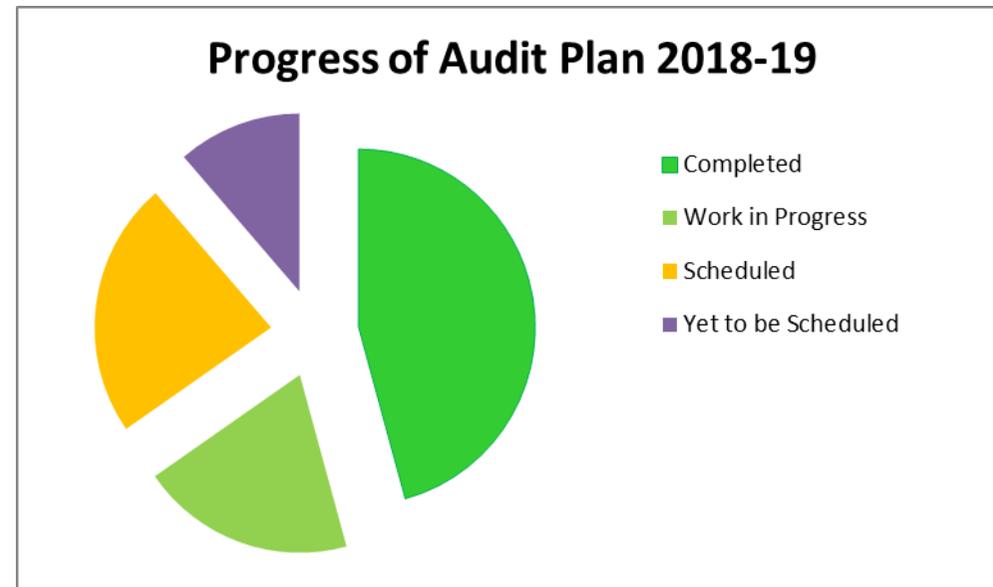
We trust that officers have found our engagement, support as a "trusted advisor" effective and constructive in these significantly changing times.

Audit Coverage and Performance Against Plan

Performance against plan is generally as expected with the larger proportion of the work to be completed in the second half of the year as previously reported. We are utilising wider partnership staff where other skills are required for audit reviews e.g. ICT Cyber Security, VAT and partner governance arrangements. As agreed at the previous Audit Committees it is expected that DAP will complete the amended plan within the budget The audits to be deferred to the next years audit plan are being taken into account in the current process of building next years audit plan.

The pie charts right shows the progress of audit against plan. The work completed in this period is primarily risk based work with some core key financial systems completed.

Appendix 1 to this report provides a summary of the audits undertaken since our last progress report in 2018/19, along with our assurance opinion. Where a "high standard" or "good standard" of audit opinion has been provided we can confirm that, overall, sound controls are in place to mitigate exposure to risks identified; where an opinion of "improvements required" has been provided then issues were identified during the audit



process that required attention. We have provided a summary of the key issues reported. We are content that management are appropriately addressing these issues.

Key performance indicators on progress against audit recommendations reveals that the Council is making progress though there remain several recommendations outstanding from prior year audits. See appendix 2.

Fraud Prevention and Detection

We are analysis NFI data to support the Authority on its review to improve single persons discount for council tax.

Customer Satisfaction – survey returns score 98% satisfaction year to date.

Appendix 1 – Summary of audit reports and findings for 2018/19

Risk Assessment Key

Spar – Local Authority Risk Register score Impact x Likelihood = Total & Level
 ANA - Audit Needs Assessment risk level as agreed with Client Senior Management
 Client Request – additional audit at request of Client Senior Management; no risk assessment information available

Direction of Travel Assurance Key

Green – action plan agreed with client for delivery over an appropriate timescale;
 Amber – agreement of action plan delayed or we are aware progress is hindered;
 Red – action plan not agreed or we are aware progress on key risks is not being made.
 * report recently issued, assurance progress is of managers feedback at debrief meeting.

Risk Area / Audit Entity	Audit Report			Direction of Travel Assurance
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low	
Core Audit – Key Financial Systems				
Council Tax, NNDR and Debt Recovery Risk / ANA: ANA – High Spar 3x2=6 Low / Orange Page 205	Good Standard Status: Final	The controls relating to the day to day processes for Council Tax and NNDR operate effectively, with customer and ratepayer accounts being updated accurately and in a timely manner. Monitoring of Council Tax arrears is carried out on a regular basis and the process for escalating outstanding debt is well documented and the controls for this process also operate effectively. We noted the following improvement opportunities. <ul style="list-style-type: none"> • The application of Small Business Rates Relief would benefit from a review to ensure the Authority maximises income from Non - Domestic Rates. • The process for writing off Council Tax and NNDR irrecoverable debt should be better reflected in the Financial Regulations. • Reconciliations between the cash receipting system and the Northgate Council Tax/NNDR system need to be brought up to date. • Although debt recovery for Sundry Debts is mainly well controlled, there is currently one notable outstanding debt relating to a S106 agreement that may require escalation to Legal Services. 	1 3 3	
Creditors Risk / ANA: ANA – high Spar -	Good Standard Status: Draft	Overall, the controls in place which ensure that the correct supplier is paid the correct amount within payment terms operates to a good standard. Approval and validation controls in relation to pro-forma invoices will be improved through implementation of a new form developed by ICT; before this can go 'live' the budget holder codes and limits need to be reviewed to ensure they are still appropriate. Performance for the percentage of invoices paid within terms are slightly below target but is being monitored.	0 2 1	

Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
ICT Core – Follow-up Risk / ANA: ANA – Medium Spar -	Good Standard Status: Final	We followed-up the Council's compliance and organisational controls and found them to be generally sound in terms of policies, inventories, licencing and compliance with PSN requirements. Some policies are overdue review to ensure appropriateness of need. The Council's physical and environmental controls have improved. However, we have highlighted: <ul style="list-style-type: none"> periodic checks are not carried out to confirm the ability to restore key business have yet to tested though tis test is now imminent. 	0	4	0	
Risk Based Reviews						
Vat – Partial Exemption Risk / ANA: ANA – Med Spar - Page 206	Good Standard Status: Final	Our walkthrough review confirms that there is a sound VAT control environment and processes are in place to ensure the Input and Output tax is accurately and promptly recorded in the financial systems. These processes and controls underpin the partial exemption assessment and are noted as being of a High Standard where staff are very experienced and seek guidance where required from a VAT Specialist. There is, however, little retained evidence that monitoring and review of the Council's business flows, new objectives and Partial Exemption Calculation has taken place beyond the VAT Accountant's preparation of the working papers to achieve the calculation exercise. This has been recognised by Finance and plans are already in place to strengthen this key control requirement.	2	2	2	
Housing Maintenance – Construction Design Management Risk / ANA: ANA – Med Spar: - Health and Safety related not specific to CDM	High Standard Status: Final	Controls in place for cashing up and security of cash at CVSC operate effectively although, there is increased risk in income management where supervision of income reconciliation is not effective. There is clear evidence in specific circumstances that mandatory training has been completed although not in all cases. Management control records over mandatory training of staff are ineffective to demonstrate training received and required and reduce assurance that can be given.	0	0	0	

Audit Report						
Risk Area / Audit Entity	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
Cyber Security Risk / ANA: ANA – High Spar -	Good Standard Status: Draft	<p>Our review considered the Authority’s controls against the Governments recommended Cyber Essentials programme and found that much good practice is in place to reduce the risk of serious incident and to be able to recover from an event. Technical controls are generally in place to maintain resilience though there are improvement needs in some areas. Of note is the need to fully test back-up recover arrangements and business continuity should there be a serious incident – this testing is planned for January 2019.</p> <p>The Authority has completed the LGA Cyber security self-assessment and identified several areas where improvement is required. Of particular note are the governance arrangements for cyber security and other areas that cross relate to improvements identified through our audit.</p> <p>No computer network connected to the internet can ever be completely secure and mitigation measures can never fully prevent incidents from occurring, they can only manage and will only ever be as good as the people using them.</p>	7	7	0	 *

The following audits have been completed:
 - draft reports are being prepared – Income Collection – Cashless systems
 The following audits are in progress Grounds Maintenance – Service Management, Payroll, Main Accounting Systems and Risk Management.
 No material concerns have been identified with these reviews. Opinions will be provided in the March progress report.

The remaining plan work is scheduled for completion by the year end and incorporated into the annual report.

Appendix 2 – Performance Indicators

Incomplete Audits	Year	Recommendations									Direction of Travel R,A,G	Comments			
		High			Medium			Low					Total		
		C	N	O	C	N	O	C	N	O			C	N	O
Creditors	2017	1			1	1		1			3	0	1	↑	System accountant recently appointed and will progress with the invoice scanning project asap
Housing Benefits	2018				2			1			0	3	0	↑	
Income & Cash Collection	2017					3		1	1		1	0	4	↔	These outstanding recommendations have reduced significance with the reduction in cash handling.
Main Accounting System	2017				3	1		1			4	1	0	↑	
Payroll	2017	2	1		5	2					7	3	0	↔	
Treasury	2017	2			1	1					3	0	1	↑	Delegation of powers need to be formalised
Appraisals & Training	2015	1			13	1		2			16	0	1	↔	Setting of performance indicators
Care Services - Alarm Call	2017	2	1	1	3						5	1	1	↑	Data sharing agreement - in progress for completion Nov 2018
Car Park	2018	1			1			4	1		6	0	1	↑	
Leisure CVLC	2018					1	5							↔	
Development Management S106	2017			2			3				0	0	5	↔	Progress being monitored by LT. S106 Governance arrangements to be approved by Cabinet
Electronic Payments/ Online Forms	2017	1			1	1					2	1	0	↑	
Emergency Planning	2015				3	1		1			4	0	1	↑	Business Continuity Plan - documents available and training provided
Equality Impact Assessment	2018		1		2	1			1		2	1	2	↔	Incorporated some actions into Customer Engagement Strategy. Attending DCC equality forum 6th Nov. Target extended to 31March2019.
Housing H&S Management	2017	2			8	1					10	0	1	↔	Performance indicator are in the process of being set up and scored
ICT Inventory	2017	2			3	1					5	0	1	↔	
Insurance	2017	1			1	2			1		2	3	0	↑	
Legal Services	2015				2	2					2	0	2	↔	Date extended, digital archiving system required
Procurement	2018		1			6					0	7	0	↑	
Recruitment, Selection & Succession Planning	2018	1			1	1					2	1	0	↑	
Refuse and recycling	2018		1		2	1					2	2	0	↑	
Safeguarding	2017	1			3	1					4	1	0	↑	
Sickness & Other Time Off	2016				6	2					6	2	0	↔	Policy update not yet due
Standby	2016				2	1					2	0	1	↔	Will be taken into account during a review of the whole Standby service, due by the end of 2018.
Vehicles & Fuel	2015	5			6	1					11	1	0	↑	Transport policy (fleet management)
		22	5	3	67	21	21	10	2	3	99	27	22		

CORE
SYSTEM

C = Completed 67%
N= Not yet due 18%
O= Overdue 15%

Not progressing 
 Progressing some overdue 
 On Target 
 * report just issued

Assurance Mapping – possible model for Mid Devon

Risk Area	Mitigation Controls								3 rd Line defence	External / Regulatory	
	1st Line defence		2 nd Line defence						Internal Audit	External Audit	Regulatory Bodies
	Internal Control Measures	Management Controls	Financial Controller	Security	Risk Management	Quality	Inspection	Compliance			
Housing Benefits	G	G	G	-	G	-	-	G	G	G	-
Procurement	G	A	A	-	A	G	-	A	A	-	-
Culm Valley Leisure Centre	G	A	G	G	G	-	A	G	G	-	-
Council Tax and NNDR	G	G	G	G	A	G	-	-	G		
Creditors	G	G	G	G	A	-	-	-	G		
VAT – Partial Exemption	G	G	A	-	R	G	G	-	G		
Construction Design and Maintenance	G	G	G	-	A	-	-	G	G		
Cyber Security	G	A	-	G	R	A	G	-	A		
Key - Red - Amber - Green											

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Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon & Torridge councils. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at robert.hutchins@devonaudit.gov.uk.

Briefing Note - Devon Audit Partnership Review

Are there any areas where service has not met expectation?

Catherine Yandle - When we had a maternity leave absence (1 of our staff TUPE'd across) partial cover was provided by experienced auditors from DAP but a risk based appraisal of the audit plan being only 85% completed was carried out and the results presented to and accepted by AC, of course I didn't cover the previous maternity leave and adjusted the plan in very much the same way so this is not really a complaint, more an observation.

Are there any reviews on service provision required ? (not costs for this review please)

Catherine Yandle - The intention was to maintain the audit days at the level they were when provision was in-house (and the budget transferred across accordingly) the basis of provision will not change unless we agree a change in the number of required days with DAP, this would be a management decision on the notice period determined in the agreement with DAP and could be up or down depending upon our requirements. When I last benchmarked audit days we had a similar level of provision to comparable sized authorities but this is something we could look at in future perhaps.

Any areas that have exceeded expectation and or greater value than expected been met.

Catherine Yandle - I believe access to auditors with expertise in certain areas such as ICT has lived up to expectations. This was one of the hoped for synergies. We also had some maternity cover provided as above without having to back fill or employ a temp.

Catherine Yandle - I have attended 2 of the Management Board meetings as Andrew's deputy and found them to be considered and serious reviews of DAP's performance with well-prepared papers as you would expect.

Service costs X which buys in Y audit days of audit service – which is roughly comparable with previous in-house service(?)

The 2018-19 Audit Plan from DAP allowed for 395 direct audit days; our budgeted share of the partnership cost for 2018-19 is £89,100. This is directly comparable to the previous costings.

Resilience/increased opps/experience

1 of our staff (TUPE'd) has carried out an audit at Torridge. Our staff have some specialism to offer DAP in conducting Housing audits as we are one of the few to have our own Housing stock locally. The 2 staff have taken part in DAP staff training days and been taught to use the audit software DAP use (MKI). The staff have also

learnt from exposure to a different approach from DAP and the huge experience of the Audit Manager who is DAP's Deputy Head of Partnership.

In Summary, the service is efficient and provides opportunity to feedback areas which could be improved at the end of each audit. The reports are timely and understandable and the findings are agreed with officers prior to finalisation and are constructive.

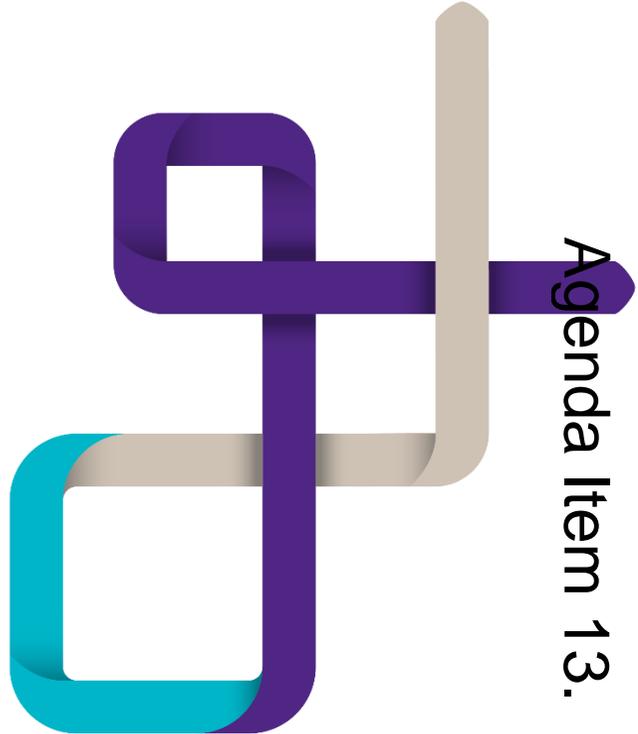
The arms' length nature of the management of DAP adds to the perception of independence, which is a positive feature giving assurance to Audit Committee and other stakeholders of the objective approach employed.

External Audit Plan

Year ending 31 March 2019

Mid Devon District Council
22 January 2019

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

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Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Mid Devon District Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Mid Devon District Council. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based. We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation.

Group Accounts

The Council is required to prepare group financial statements that consolidate the financial information of 3 Rivers Development Company Limited. At the time of drafting this Audit Plan, interim financial information was not available. Based on conversations with officers we have assessed the Company as not being individually significant and propose to undertake analytical procedures to gain our assurance. We will continue to review Company information as it becomes available and revise our Group approach accordingly.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as management over-ride of controls, the valuation of land and buildings, and the valuation of pension liability.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £0.960m (PY £0.935m) for the group and £0.960m (PY £0.935m) for the Council, which equates to 2% of your prior year gross revenue expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.048m (PY £0.047m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Financial Sustainability, and
- Group Governance.

More detail can be found at page 11.

Audit logistics

Our interim visit will take place in February 2019 and our final visit will take place in June 2019. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £36,729 (PY: £47,700) for the Council, subject to the Council meeting our requirements set out on page 13.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Key matters impacting our audit

Factors

The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents.

For Mid Devon District Council, there remain uncertainties around Business Rates Retention. The Council are currently forecasting a circa £0.300m overspend for 2018/19 and the medium term financial plan shows a budget gap to 2023/24 of circa £1.2m.

At a national level, the government continues its negotiation with the EU over Brexit, and future arrangements remain clouded in uncertainty (update as appropriate). The Council will need to ensure that it is prepared for all outcomes, including in terms of any impact on contracts, on service delivery and on its support for local people and businesses.

Capital and Housing Developments

The Council have recently set up a Housing Development Company and have a number of other schemes in the pipeline which involve closer working with neighbouring authorities.

Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.

No significant impact is expected to occur on the accounts from these changes although discussions are ongoing with financial management to monitor the impact.

New audit methodology

We will be using our new audit methodology and tool, LEAP for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation and more easily incorporate our knowledge of the Trust into our risk assessment and testing approach. We can ensure that our resources and testing are best directed to address your risks in an effective way.

Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion, as well as the governance/monitoring arrangements in place for reviewing the performance of the company.
- We will consider whether your financial position leads to material uncertainty about the going concern of the group and will review related disclosures in the financial statements.
- We will follow up prior year recommendations as part of our interim visit.

- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Audit Scope	Risks identified	Planned audit approach
Mid Devon District Council	Yes		The risks identified for Mid Devon District Council are set out on pages 6 to 9 of this report.	Full scope UK statutory audit performed by Grant Thornton UK LLP.
3 Rivers Development Company	No		None.	Analytical review performed by Grant Thornton UK LLP.

At the time of drafting this Audit Plan, interim financial information was not available. Based on conversations with officers we have assessed the Company as not being individually significant and propose to undertake analytical procedures to gain our assurance. We will continue to review Company information as it becomes available and revise our Group approach accordingly.

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>The revenue cycle includes fraudulent transactions</p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. 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 the Council, we have determined that the risk of fraud arising from revenue recognition can 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 • the culture and ethical frameworks of local authorities, including Mid Devon District Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Mid Devon District Council.</p>
<p>Management over-ride of controls</p>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	<p>The Council revalues its land and buildings on an annual basis to ensure that the carrying value is not materially different from the current value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£197 million – Net Book Value) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2019.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none">• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work;• evaluate the competence, capabilities and objectivity of the valuation expert;• write to the valuer to confirm the basis on which the valuations were carried out;• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding;• test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register;• evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

Significant risks identified (cont)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Pension Fund Net Liability	<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements and group accounts.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£60 million in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of Devon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions, where applicable.
- We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
 - issue of a report in the public interest or written recommendations to the Council under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Council's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

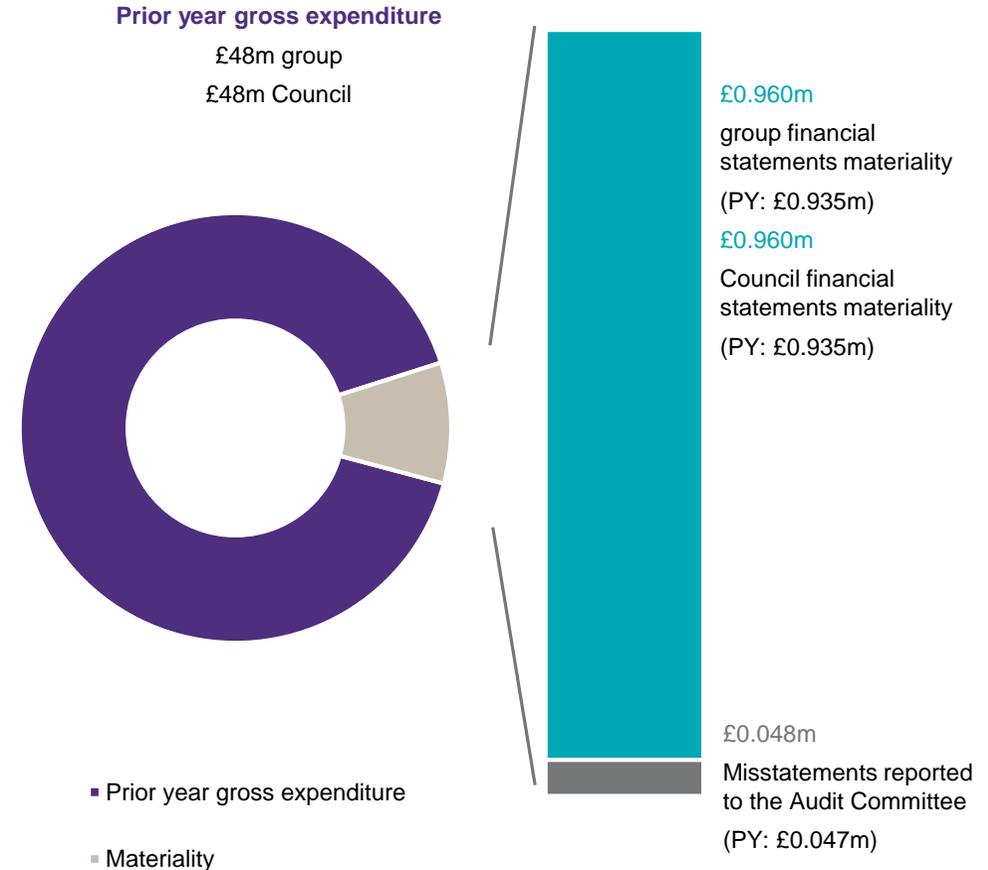
We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £0.960m (PY £0.935m) for the group and £0.960m (PY £0.935mm) for the Council, which equates to 2% of your prior year gross revenue expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £5,000 for Senior officer remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.048m (PY £0.047m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



Value for Money arrangements

Background to our VFM approach

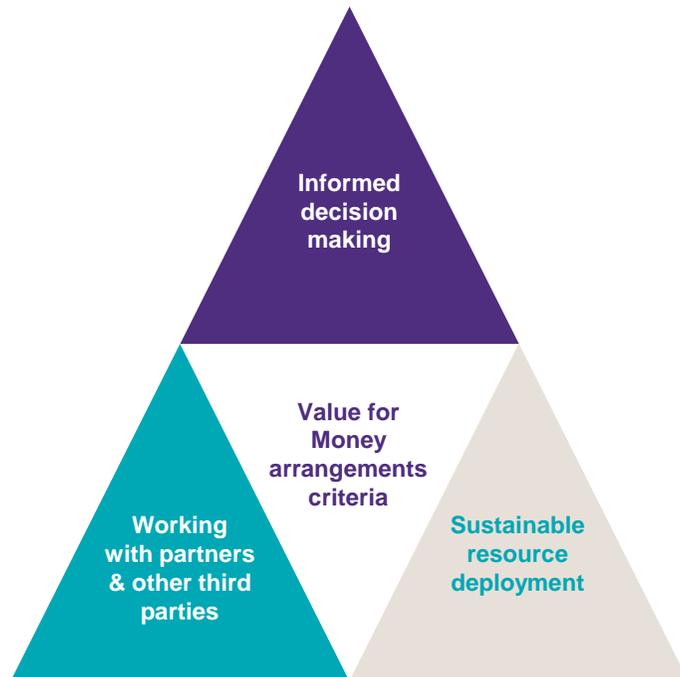
The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place to secure value for money.

The guidance identifies one single 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.”

This is supported by three sub-criteria, as set out below:

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Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Council to deliver value for money.



Financial resilience

Like the majority of councils Mid Devon District Council face significant financial challenges over the medium term. The Council is forecasting an overspend of circa £0.300m in 2018/19 and has a funding gap of circa £1.2m through to 2023/24. The Council currently has a General Fund Reserve of £2.602m, which is above the approved minimum level of £2.100m.

In response to this risk we will review the significant assumptions made in the Council's medium term financial plan and progress towards closing the funding gap.



Group Governance

The Council set up the 3 Rivers Development Ltd in the 2017/18 financial year. Last year, we reviewed the initial arrangements put in place and made recommendations for the Council to consider going forward. The key recommendations was that *'the Council should review governance and monitoring arrangements to ensure that these remain appropriate and on an arms length basis'*. The Governance arrangements for monitoring the Company remain a significant risk until we have followed up this recommendation.

We will review the governance arrangements in place. We have noted that Internal Audit's plan covers this area and any findings from their work will be taken into consideration in drawing our conclusions.

Audit logistics, team & fees



Julie Masci, Engagement Lead

Responsible for overall quality control; accounts opinions; final authorisation of reports; attendance at Audit Committee.



Andrew Davies, Audit Manager

Responsible for the overall management of the audit; consideration of VFM work; quality assurance of audit work and outputs.



James Stevenson, Audit In-charge

Responsible for management of audit fieldwork, including accounts; coordination of work completed by audit assistants; coordination of work of specialists and advisors where delegated by the Manager.

Audit fees

The planned audit fees are £36,729 (PY: £47,700) for the financial statements audit completed under the Code, which are in line with the scale fee published by PSAA. In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Early close

Meeting the 31 July audit timeframe

In the prior year, the statutory date for publication of audited local government accounts was brought forward to 31 July, across the whole sector. This was a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 12). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following other services were identified/ No other services were identified.

Service	£	Threats	Safeguards
Audit related			
Housing Benefit Certification	14,685	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £14,685 in comparison to the total fee for the audit of £36,729 and in particular is not significant relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing capital receipts grant	1,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £1,500 in comparison to the total fee for the audit of £36,729 and in particular is not significant relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Appendices

A. Audit Approach

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Audit approach

Use of audit, data interrogation and analytics software

LEAP



Audit software

- A globally developed ISA-aligned methodology and software tool that aims to re-engineer our audit approach to fundamentally improve quality and efficiency
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform cost effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- A cloud-based industry-leading audit tool developed in partnership with Microsoft



IDEA



- We use one of the world's leading data interrogation software tools, called 'IDEA' which integrates the latest data analytics techniques into our audit approach
- We have used IDEA since its inception in the 1980's and we were part of the original development team. We still have heavy involvement in both its development and delivery which is further enforced through our chairmanship of the UK IDEA User Group
- In addition to IDEA, we also use other tools like ACL and Microsoft SQL server
- Analysing large volumes of data very quickly and easily enables us to identify exceptions which potentially highlight business controls that are not operating effectively

Appian



Business process management

- Clear timeline for account review:
 - disclosure dealing
 - analytical review
- Simple version control
- Allow content team to identify potential risk areas for auditors to focus on

Info



Cloud based software which uses data analytics to identify trends and high risk transactions, generating insights to focus audit work and share with clients.



REQUEST & SHARE

- Communicate & transfer documents securely
- Extract data directly from client systems
- Work flow assignment & progress monitoring



ASSESS & SCOPE

- Compare balances & visualise trends
- Understand trends and perform more granular risk assessment



VERIFY & REVIEW

- Automate sampling requests
- Download automated work papers



INTERROGATE & EVALUATE

- Analyse 100% of transactions quickly & easily
- Identify high risk transactions for investigation & testing
- Provide client reports & relevant benchmarking KPIs



FOCUS & ASSURE

- Visualise relationships impacting core business cycles
- Analyse 100% of transactions to focus audit on unusual items
- Combine business process analytics with related testing to provide greater audit and process assurance



INSIGHTS

- Detailed visualisations to add value to meetings and reports
- Demonstrates own performance and benchmark comparisons

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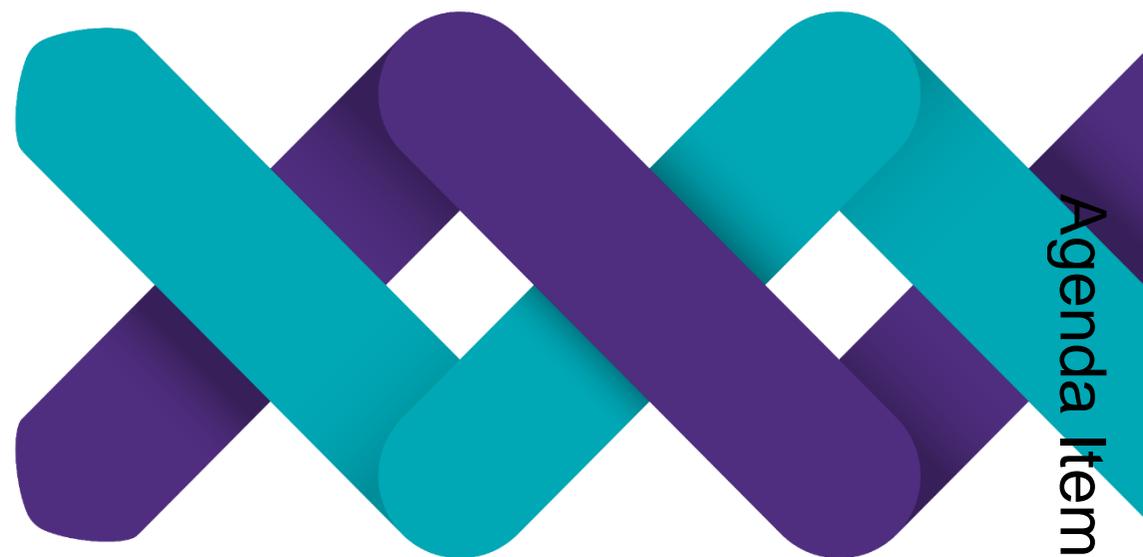
Audit Progress Report and Sector Update

Including Grant Certification Outturn 2017/18

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Mid Devon District Council
Year ending 31 March 2019

22 January 2019



Agenda Item 14.

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Introduction



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

The paper also includes:

- An outturn report for the Grants Certification work completed in 2017/18.

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

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

Progress at January 2019

Financial Statements Audit

We commenced our planning in December 2018. This included meetings with officers and review of Council (and other committee) papers.

Our audit risks are set out in our Audit Plan included as a separate item on the January 2019 audit committee agenda. This plan also sets out our proposed testing to address each of the risks identified.

Our interim audit is planned for January/February 2019. This will include:

- Review of the Council's control environment;
- Updating our understanding of the Council's financial systems;
- Review of Internal Audit reports on core financial systems;
- Early work on emerging accounting issues;
- Early substantive testing;
- A detailed review of management's assessment of going concern; and
- A detailed review of significant accounting estimates proposed by the Council for the 2018-19 accounts.

The results of this work will be reported in our update paper to be presented at the 19 March 2019 Audit Committee.

As a firm we are introducing a new audit approach in 2018/19. We will discuss this early with your finance team to ensure they are aware of what is required and what impact this might have.

Value for Money

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

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

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

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

At present the NAO requirements remained unchanged from those in 2017/18.

We have undertaken our initial risk assessment and have set out in our Audit Plan the significant risks identified. These are:

- The arrangements for delivering Financial Sustainability, and
- The governance arrangements in place to monitor the performance of the 3 Rivers Development Company.

We will report the findings of our work in the Audit Findings Report by the deadline in July 2019.

Other areas

Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. This certification work for 2017/18 was concluded in November 2018. The claim was certified subject to amendment and qualification.

The detailed results of the certification work are reported to you later in this report.

At the time of writing this report, our work to certify the Council's pooling of capital receipts return is currently ongoing and will be concluded by the deadline of 31 January 2019.

Meetings

We will continue to meet regularly with the Deputy Chief Executive (S151) and Finance Officers. We will continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We will also meet with your Chief Executive to discuss the Council's strategic priorities and plans.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your finance team are due to attend our technical accounting update in Bristol on 7 February 2019.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018/19.	April 2018	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.	January 2019	Included on the January 2019 agenda
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2019	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	July 2019	Not yet due
Auditors Report This is the opinion on your financial statements, annual governance statement and value for money conclusion.	July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out throughout the period.	December 2019	Not yet due

Grant Certification Outturn 2017/18

This section summarises our grants certification work and fees charged for 2017/18.

Introduction

We are required to certify the Housing Benefit subsidy claim submitted by Mid Devon District Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) have taken on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

Certification of the Housing Benefit subsidy claim

We have certified the Housing Benefit subsidy claim for the financial year 2017/18 relating to expenditure of £17.148 million.

There were no significant issues arising from our certification work which we wish to highlight for your attention. Grant Thornton completed all initial testing, with the Council completing the required additional work.

This initial testing identified four errors. Of these, three cases required further testing to be undertaken, as the nature of the issue impacted on the amount of subsidy claimed. Where the errors identified did not impact on the amount of subsidy claimed there is no longer a requirement to undertake additional testing. This was relevant for one of the four errors identified and was reported in our letter to the Department for Work and Pensions (DWP) as a observation item only. Our letter to the DWP, dated 29 November 2018, is set out in Appendix C of this report.

For the three additional errors, 100% of the affected population was tested for two of these cases. This approach has allowed for an amendment to be made to the claim rather than the issue being reported. The overall amendment to the claim is set out in Appendix A.

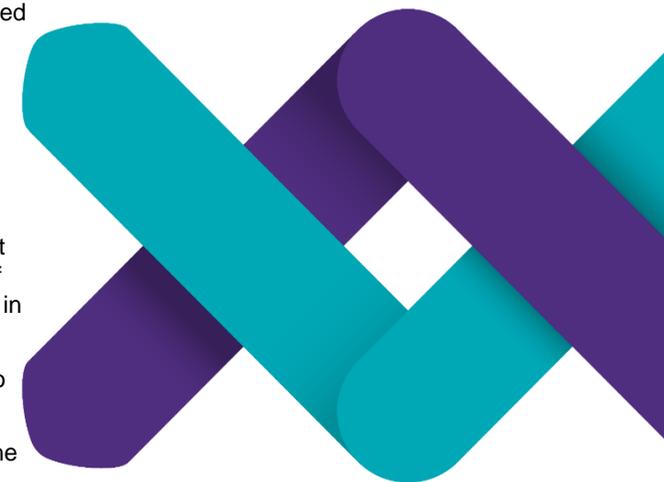
In one case we were unable to agree a cell amendment due to the number of potential cases impacted. The error related to the incorrect income being used in the assessment of entitlement. We therefore completed an additional sample of 40 cases from a sub-population of earned income cases in line with auditor guidance. This identified four additional fails. The results of our testing in this area were set out in our letter to the DWP dated 29 November 2018. The extrapolated impact of the error reported was an overpayment of benefit of £938.

Our work also identified that the in-year reconciliation cells on the claim form did not agree. This was reported in our qualification letter to the department.

The indicative fee for 2017/18 for the Council is based on the final 2015/16 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by PSAA for the Council for 2017/18 is £9,343. Our final fees for this work remain in line with the indicative scale fee set by PSAA. This is set out in more detail in Appendix A.

Certification of other claims and returns

We have also certified a number of other claims where the work is not prescribed by PSAA. The fee for this work is agreed locally with officers and the details of this claims and their associated fees are set out in Appendix A and B.



Appendix A – Summary of Claims Certified

Housing Benefit return

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim	£17,148,154	Yes	(£293)	Yes	A qualification letter was issued to the DWP setting out the areas where we have been unable to agree a cell amendment. The letter is included at appendix C to this report.

Claim or return	2016/17 fee (£)	2017/18 indicative fee (£)	2017/18 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim	£6,908	£9,343	£9,343	£2,435	The fee has increased in line with the scale fee set by PSAA. Additional work required was in line with the levels required in 2015/16. Therefore no fee variation has been applied.

Appendix A - Summary of Claims Certified (Continued)

Other claims and returns

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Homes and Communities Agency (HCA)	£1,611,019	No	N/A	No	No significant issues were noted as part of our work.
Pooling of Capital Receipts	£248,100	At the time of writing this report our work has not yet commenced. The deadline for certifying this claim is 31 January 2019.			

Appendix B – Fees for other Certification Work

Claim or return	2016/17 fee (£)	2017/18 actual fee (£)	Variance (£)	Explanation for variances
Homes and Communities Agency	£2,000	£2,000	N/A	The fee for this work was agreed locally. The fee was held at the 2016/17 rate.
Pooling of Capital Receipts	£1,500	£1,500	N/A	The fee for this work was agreed locally. The fee was held at the 2016/17 rate.
Total	£3,500	£3,500	N/A	

Appendix C – DWP qualification letter

Based on the work completed we have two qualifications to bring to your attention.

In year reconciliation cells 037, 077 and 130 should agree to the entries in cells 011, 055 and 094 respectively. The following differences are noted:

Claim cell	£ amount:	Claim reconciliation cell:	£ amount:	Difference:
011 – Non HRA Rent Rebates	52,123	037	52,323	£200
055 – Rent Rebates	6,287,525	077	6,287,534	£9
094 – Rent Allowance	10,949,097	130	10,948,692	£405

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Cell 094: Rent Allowances – Total expenditure (Benefit Granted)
Cell Total £10,949,097
Cell Population 2932
Cell Sub-Total £1,876,231 – sub population of claims with earned income
Cell Sub-Population 569 – sub population of claims with earned income
Headline Cell (Cell 094) £10,949,097

Testing of the initial sample of 20 cases identified 1 case where benefit had been overpaid as a result of the Authority miscalculating the claimant's average weekly income. As reported in the 2016-17 qualification letter, testing in prior years identified that rent amounts in Cell 094 were incorrectly stated. Consequently, 40+ testing was required again in 2017-18 and an additional random sample of 40 cases was tested. Each of these error types are dealt with separately below.

Testing of the initial sample identified 1 case (total value £7.84) where benefit had been overpaid as a result of the authority miscalculating the claimant's weekly income, the effect of this error is that cell 102 is overstated and cell 114 understated.

Given the nature of the population and the errors found, an additional random sample of 40 cases was selected for testing from the subpopulation of earned income cases (£1,876,231).

Our additional testing identified three cases (total value £87.21) where benefit had been overpaid as a result of the Authority miscalculating the claimant's average weekly income; by inputting the provided information incorrectly. Consequently, Cell 102 is overstated, with a corresponding understatement in Cell 114; there is no effect on Cell 094.

Our additional testing also identified one case where benefit was underpaid as a result of the authority miscalculating the claimant's average weekly income. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as errors for subsidy purposes.

Sample:	Movement / brief note of error	Original cell total – sub population	Sample error:	Sample value:	Percentage error rate	Cell adjustment
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]
Initial sample - 20 cases	Earned income error	£1,876,231.36	(£7.84)	£24,456.26		
Additional sample - 40 cases	Earned income error	£1,876,231.36	(£87.21)	£165,258.01		
Combined Sample – 60 cases	Earned income error	£1,876,231.36	(£95.05)	£189,714.27	0.05%	(£938.12)
Adjustment	Combined sample. Cell 102 is overstated	£1,876,231.36	(£95.05)	£189,714.27	0.05%	(£938.12)
Total Corresponding Adjustment	Total understatement of cell 114					£938.12

Appendix C (continued)

The percentage error rate in the sample reflects the individual cases selected. The value of the errors found range from £0.15 to £70.70 and the benefit periods range from 1 week to 7 weeks.

Given the nature of the population and the variation in the errors found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow me to conclude that it is fairly stated.

Similar findings have not been included in my qualification letters for the last two years.

Observations

Cell 055: Rent Rebates – Total expenditure (Benefit Granted)

Cell Total £6,287,525

Cell Population 1999

Headline Cell (Cell 055) - £6,287,525

Underpaid benefit

Testing of the initial sample identified 1 case where benefit had been underpaid (total value £93.46) as a result of the authority entering the working tax income credit figure twice.

As there is no eligibility for subsidy for benefit which has not been paid, the underpayment identified does not affect the subsidy and has not been classified as an error for subsidy purposes. Because this error will always result in an underpayment of benefit, additional testing has not been undertaken.

Similar findings have not been included in my previous qualification letters.

