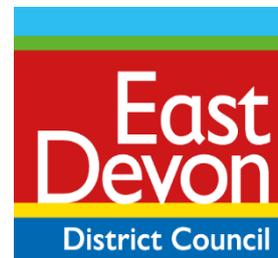


Agenda for consultative meeting of the Audit and Governance Committee

Thursday, 28th July, 2022, 2.30 pm



Members of Audit and Governance Committee

Councillors S Hawkins (Chair), D Barrow, S Gazzard, P Hayward, N Hookway (Vice-Chair), J Kemp, P Twiss, C Brown, R Lawrence and P Millar

East Devon District Council
Blackdown House
Border Road
Heathpark Industrial Estate
Honiton
EX14 1EJ

Venue: Online via the Zoom app.

DX 48808 HONITON

Tel: 01404 515616

Contact: Amanda Coombes 01395 517543; email
acoombes@eastdevon.gov.uk

www.eastdevon.gov.uk

(or group number 01395 517546)

Tuesday, 19 July 2022

Important - this meeting will be conducted online and recorded by Zoom only.

Please do not attend Blackdown House.

Members are asked to follow the [Protocol for Remote Meetings](#)

This meeting is being recorded by EDDC for subsequent publication on the Council's website and will be streamed live to the Council's Youtube Channel at <https://www.youtube.com/channel/UCmNHQruge3LVl4hcgRnbwBw>

Public speakers are now required to register to speak – for more information please use the following link: <https://eastdevon.gov.uk/council-and-democracy/have-your-say-at-meetings/all-other-public-meetings/#article-content>

Until 31st October 2022, the Council has delegated much of the decision making to officers. Any officer decisions arising from recommendations from this consultative meeting will be published on the webpage for this meeting in due course. All meetings held can be found via the [Browse Meetings](#) webpage.

1 Public speaking

Information on [public speaking](#) is available online

2 Minutes of the previous meeting (Pages 3 - 6)

Minutes for 16 March 2022.

3 Apologies

4 Declarations on interest

Guidance is available online to Councillors and co-opted members on making [declarations of interest](#)

5 Matters of urgency

Information on [matters of urgency](#) is available online

6 Confidential/exempt item(s)

To agree any items to be dealt with after the public (including the Press) have been excluded. There are no items which officers recommend should be dealt with in this way.

Matters for Decision

7 **Internal Audit Plan 2021-22 Outturn - to include Seaton Jurassic Centre Lessons Learnt report** (Pages 7 - 28)

8 **Internal Audit Annual Audit Opinion 2021-22** (Pages 29 - 44)

9 **Revenue and Capital Outturn Report 2021-2022** (Pages 45 - 46)

10 **Risk Management Review** (Pages 47 - 50)

11 **Auditor's Annual Report 2020-21 Grant Thornton** (Pages 51 - 94)

12 **Contract Standing Orders update** (Pages 95 - 119)

13 **RIPA update**

At the meeting of 18 January 2018, Members agreed to receive an update on RIPA activity throughout the year (Regulation of Investigatory Powers Act). The RIPA Senior Responsible Officer advised that there had been no requests for RIPA authorisation since the last committee.

14 **Audit and Governance Forward Plan** (Pages 120 - 121)

[Decision making and equalities](#)

For a copy of this agenda in large print, please contact the Democratic Services Team on 01395 517546

EAST DEVON DISTRICT COUNCIL

Minutes of the meeting of Audit and Governance Committee held at Online via the Zoom app. on 16 March 2022

Attendance list at end of document

The meeting started at 2.30 pm and ended at 3.15 pm

39 Public speaking

There were no members of the public registered to speak.

40 Minutes of the previous meeting

The minutes of the Audit and Governance Committee held on 18 November 2021 and 20 January 2022 were recommended for approval.

41 Declarations on interest

None given.

42 Matters of urgency

None

43 Confidential/exempt item(s)

None

44 Internal Audit Plan Progress (2021/22) - SWAP

Alastair Woodland from SWAP provided an update on the 2021/22 Internal Audit Plan.

Having received the report and noted the contents, members;

RECOMMENDED:

To note the progress made in delivery of the 2021/22 internal audit plan and findings reported.

45 Internal Audit Plan and Charter 2022/23 - SWAP

Alastair Woodland from SWAP introduced the Internal Audit Plan for 2022/23 that also incorporated the 'Internal Audit Charter' which set out the operational relationship between EDDC and the South West Audit Partnership (SWAP). This was a flexible plan that may be amended during the year to deal with shifts in priorities or new and emerging risks. Any changes to the plan would be reported to the Committee. The outcomes of each of the audits would provide senior management and Members the assurance that the current risks faced by the Authority in specific areas were adequately controlled and managed.

Having received the report and noted the contents, members;

RECOMMENDED:

that the Internal Audit Plan for 2022/23 and the Internal Audit Charter, be approved.

46 **Audit Findings Report - Grant Thornton**

Jackson Murray and Beth Garner from Grant Thornton explained the report presented the observations arising from the audit that were significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code').

The audit approach was based on a thorough understanding of the Council's business and was risk based, and in particular included:

- an evaluation of the Council's internal controls environment, including its IT systems and controls; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Grant Thornton concluded that having substantially completed the audit of financial statements and subject to outstanding queries being satisfactorily resolved, they anticipated issuing an unqualified audit opinion.

Having received the report and noted the contents, members;

RECOMMENDED:

that the report be noted and that if there were any further changes to the report that they be viewed in consultation with the Chair of Audit and Governance committee, who would update the committee if that was to happen.

47 **Approval of 2020/21 Statement of Accounts and Letter of Representation**

Members were asked to note the letter to Grant Thornton in respect of the audit of the Financial Statements for the year ended 31 March 2021 confirming the council's position, documents produced and the sound processes in place.

Having received the report and noted the contents, members;

RECOMMENDED:

1. To adopt the 2020/21 Statement of Accounts and delegated authority is given to the Chair of Audit & Governance and the Strategic Lead Finance to sign when all matters concluded.
2. That the letter of representation be approved and signed by the Chair of Audit & Governance and the Strategic Lead Finance.

48 **Full Risk Review November - December 2021**

Risk information for the 2021-22 financial year was supplied to allow the Audit and Governance Committee to monitor the risk status of Strategic and Operational Risks. This follows the full review of risks by responsible officers during November / December 2021.

Having received the report and noted the contents, members;

RECOMMENDED:

that the current status of risks following the full risk review undertaken in November / December 2021 be noted.

49 **Statement of Accounts 2021/22 - Review of Accounting Policies**

The Finance Manager explained that it was good practice for the Audit and Governance Committee to approve the Accounting Policies to be adopted in advance of the preparation of the Accounts. At this stage there were no changes for 2021/22 identified.

Having received the report and noted the contents, members;

RECOMMENDED:

that the Accounting Policies for the 2021/22 Statement of Accounts be approved.

50 **RIPA update**

At the meeting of 18 January 2018, Members agreed to receive an update on RIPA activity throughout the year (Regulation of Investigatory Powers Act). The RIPA Senior Responsible Officer advised that there had been no requests for RIPA authorisation since the last committee.

51 **Audit and Governance Forward Plan**

RECOMMENDED that;

Members note the contents of the Committee Forward Plan for 2022/23.

Items to be considered at the July 2022 committee included:

- Auditor's Annual Report
- External Audit Plan 2021/22
- Annual audit letter
- Risk Management Review
- Strata Annual Internal Audit report
- S106 and CIL update
- Review of the Local Code of Corporate Governance
- RIPA update and policy review

Attendance List

Councillors present:

S Hawkins (Chair)

D Barrow

P Hayward

J Kemp

Councillors also present (for some or all the meeting)

J Rowland

Officers in attendance:

Amanda Coombes, Democratic Services Officer

Simon Davey, Strategic Lead Finance

Beth AC Garner, Grant Thornton

Andrew Hancock, Service Lead StreetScene

Jackson Murray, Grant Thornton

John Symes, Finance Manager

Alastair Woodland, SWAP

Councillor apologies:

M Armstrong

S Gazzard

N Hookway

G Pook

P Twiss

Chair

Date:

Report to: Audit and Governance Committee

Date of Meeting 28 July 2022

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



Internal Audit Plan 2021-22 Outturn July 2022

Report summary:

This report is to provide an update on the outturn of the 2021/22 Internal Audit Plan and to highlight to members any significant findings identified through our audit work that impacts on governance, risk and control.

Recommendation:

Members are asked to note the outturn made in delivery of the 2021/22 internal audit plan and significant findings.

Reason for recommendation:

The Committee are required to review the progress of the audit plan.

Officer: Alastair Woodland, Assistant Director, SWAP.

Portfolio(s) (check which apply):

- Climate Action
- Coast, Country and Environment
- Corporate Services and COVID-19 Response and Recovery
- Democracy and Transparency
- Economy and Assets
- Finance
- Policy Co-ordination and Regional Engagement
- Strategic Planning
- Sustainable Homes and Communities

Financial implications:

There are no direct financial implications identified.

Legal implications:

The legal framework is reflected in the report. While there are no direct legal implications arising, ensuring Key Actions are carried out will reduce risk to the Council which in turn will reduce the chance of failures or challenges occurring.

Equalities impact Low Impact

Climate change Low Impact

Risk: Low Risk;

Links to background information [Approval of the Internal Audit Plan 2021-22](#)

Link to [Council Plan](#):

Priorities (check which apply)

- Better homes and communities for all
- A greener East Devon
- A resilient economy



East Devon District Council

Report of Internal Audit Activity

2021-22 Outturn Report July 2022

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The contacts at SWAP in connection with this report are:

David Hill

Chief Executive

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Alastair Woodland

Assistant Director

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Internal Audit Plan Outturn 2021-22

Our audit activity is split between:

- **Operational Audit**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Other Reviews**



Role of Internal Audit

The Internal Audit service for the East Devon District Council is provided by SWAP Internal Audit Services (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter which was presented at the March 2021 Audit and Governance Committee.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:

- Operational Audit Reviews
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- Grants
- Other Special or Unplanned Review

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Senior Management Team in March 2021 following a consultation exercise. The 2021-22 Audit Plan was reported to the Audit and Governance Committee and approved at its meeting in March 2021. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk within East Devon District Council.

Internal Audit Plan Outturn 2021-22

Outturn to Date:

We rank our recommendations on a scale of 1 to 3, with 3 being minor or administrative concerns to 1 being areas of major concern requiring immediate corrective action.



Internal Audit Work programme

The schedule provided at **Appendix B** contains a list of all audits in the draft plan for 2021-22. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed on **Appendix A** of this document.

The following table summarises the Audits finalised from the 2021/22 Plan since our last update in March 2022:

Audit Area	Opinion
Post-Payment Assurance for Grant Schemes	Advisory
Workforce Planning	Reasonable
Housing Payments	Limited
New: Resilience Fund Grant Spotlight Checks	Advisory
New: Whistleblowing	Advisory
New: ARG4 Spotlight checks	Advisory
New: Omicron Spotlight checks	Advisory
New: Seaton Jurassic Centre – Lessons Learnt	Advisory

Significant Corporate Risks

Identified Significant Corporate Risks should be brought to the attention of the Audit Committee.

Completed Assignments:

Summary of work completed with a focus on the high priority issues that we believe should be brought to the attention of the Audit Committee.

- Limited or No Assurance Opinions
- Follow-ups



Significant Corporate Risks

We provide a definition of the 3 Risk Levels applied within audit reports and these are detailed in **Appendix A**. For those audits which have reached report stage through the year, I will report risks we have assessed as 'High'.

In this update there are no final reports included with significant (High) corporate risks.



Summary of Work Completed – Limited or No Assurance Opinions

One audit completed in the period received Limited Assurance, **Housing payments**. A one-page summary of our findings is included in **Appendix C**.

The Seaton Jurassic Centre Lessons Learnt review was completed. This has also been brought forward to Members' attention and one-page summary is included as part of **Appendix C**.

The full audit reports will be made available to Members on the Members Portal.

SWAP Performance

The Assistant Director for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.



SWAP Performance

SWAP now provides the Internal Audit service for 25 public sector bodies. SWAP performance is subject to regular monitoring review by both the Board and the Member Meetings. The respective outturn performance results for East Devon District Council for the 2021/22 (as of 16 June 2022) were as follows:

Performance Target	Target Year End	Average Performance
<p><u>Audit Plan – Percentage Progress</u> Final, Draft and Discussion In progress Not Started</p>	>90%	100% 0% 0%
<p><u>Quality of Audit Work</u> Customer Satisfaction Questionnaire</p>	>95%	100%
<p><u>Outcomes from Audit Work</u> Value to the Organisation <i>(client view of whether our audit work met or exceeded expectations, in terms of value to their area)</i></p>	>95%	Year end

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Changes to the Plan

We keep our audit plans under regular review so as to ensure that we are auditing the right things at the right time. Plan priority areas will be agreed on a quarter-by-quarter basis.



Approved Changes to the Plan

The audit plan for 2021/22 is detailed in **Appendix B**. The Audit Plan remains flexible to changes in priorities and emerging risks. A number of 'Additions' to the Internal Audit Plan were reported to the Audit Committee in September. Since September, in consultation with the Section 151 Officer and Senior Leadership Team, the audits that need to be deferred have now been agreed to accommodate these additional audits. Items that have been deferred will be carried in the rolling plan for inclusion in 2022-23.

The table below shows the changes to the plan since the previous update:

Original Audit Plan	Revised Audit Plan
ICT Assurance	Due to client delays, this work has been deferred to the 22/23 audit plan.

Assurance Definitions	
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control are inadequate to effectively manage risks to the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Substantial	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Non-Opinion/Advisory	In addition to our opinion-based work we will provide consultancy services. The “advice” offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance.

Definition of Corporate Risks	
Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Categorisation of Recommendations	
In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:	
Priority 1	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
FINAL									
Assurance	Payroll	1	Final	Substantial	0	0	0	0	
Assurance	Health and Wellbeing	1	Final	Reasonable	4	0	2	2	
Follow up	S106/CIL	1	Final	Follow up	0	0	0	0	All actions are completed
Advisory	New: Spotlight Checking – Restart Grants	1	Final	Advisory	0	0	0	0	
Assurance	LED	1	Final	Reasonable	5	0	2	3	
Advisory	Fraud Risk Assessment	1	Final	Advisory	0	0	0	0	
Assurance	Corporate H&S – Revised Working arrangements	2	Final	Reasonable	3	0	1	2	
Assurance	New: Election Financing	2	Final	Reasonable	3	0	1	2	
Assurance	New: Annual Leave	2	Final	Advisory	2	0	2	0	
Survey	New: Remote meetings - Benchmarking	2	Final	Advisory	0	0	0	0	

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Assurance	Annual Vehicle Declarations and Compliance	2	Final	Limited	4	-	4	-	Previously listed as Fleet Management. Report on members portal for information
Assurance	Small Works and Contracts	2	Final	Limited	4	1	2	1	
Assurance	Risk Management	2	Final	Reasonable	5	-	4	1	Report on members portal for information
Assurance	Post-Payment Assurance for Grant Schemes	2	Final	Advisory	0	0	0	0	
Assurance	New: DWP Referral	3	Final	Advisory	0	0	0	0	
Assurance	Housing Payments	3	Final	Limited	5	1	1	3	
Advisory	New: Resilience Fund Grant Spotlight Checks	3	Final	Advisory	0	0	0	0	Management Requested piece of work.
Assurance	New: Whistleblowing	3	Final	Advisory	-	-	-	-	
Assurance	Workforce Planning	3	Final	Limited	6	-	3	3	
Assurance	Integrated Housing Management Contract – Follow up	4	Final	Follow up	3	-	3	-	3 Priority-2 and 3 Priority-3 recommendations now complete.
Assurance	Firmstep follow up	4	Final	Follow up	5	-	1	4	

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Advisory	New: ARG4 Spotlight checks	4	Final	Advisory	0	0	0	0	
Advisory	New: Omicron Spotlight checks	4	Final	Advisory	0	0	0	0	
Advisory	New: Seaton Jurassic Centre – Lessons Learnt	4	Final	Advisory	0	0	0	0	Note: Lessons identified rather than formal recommendations.
DRAFT									
Assurance	Homelessness	3	Draft						
Deferred to 2022-23 Rolling Audit Plan									
Assurance	Financial Planning (MFTP)	2		On rolling audit plan for 2022-23					
Assurance	Play Schemes/Areas	3		On rolling audit plan for 2022-23					
Assurance	Main Accounting	3		On rolling audit plan for 2022-23 – earmarked for q2					
Assurance	Decision Making	3		On rolling audit plan for 2022-23					
Assurance	Disabilities Facilities Grants (DFG)	4		On rolling audit plan for 2022-23					
Assurance	Climate Change	4		On rolling audit plan for 2022-23 – earmarked for q1					

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Assurance	Housing Rents	4							Proposed for 2022/23 audit plan
Assurance	Housing Compliance – Asbestos	4							Proposed for 2022/23 audit plan
Assurance	Economic Resilience	4							Proposed for 2022/23 audit plan
Assurance	New: Restart Grants Post Payment Assurance CIA	4							Proposed for 2022/23 audit plan
Assurance	Debtors	3							Proposed for 2022/23 audit plan
Assurance	Council Tax Support/Housing Benefit	3							Proposed for 2022/23 audit plan
Assurance	ICT Assurance	3							Proposed for 2022/23 audit plan

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Housing Invoice Payment Process – Final Report – April 2022



Audit Objective To confirm that the Key Controls around ordering and invoicing within the Housing Services are operating effectively.

Assurance Opinion	Number of Actions	
		Priority
<p>Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.</p>	Priority 1	1
	Priority 2	1
	Priority 3	2
	Total	4

Risks Reviewed	Assessment
Invoices for housing contractors are not correctly processed leading to late payments for incorrect or fraudulent invoices, leading to financial loss, legal and reputational damage.	Medium

Key Findings

	Reconciliations between Open Housing and Finance have not been completed.
	Only six invoices were recorded as being paid within 30 days. All others have been paid later than this.
	Scanned invoices are saved in property folders, but they are not currently accessible to the corporate finance team. Without access they can't review them to ensure they are correctly entered for CIS requirements.
	Reactive work on properties is linked to the invoices via the place reference, planned work is not currently linked to the properties due to this being paid via a central contract but the Property services team are working on linking the costs to the properties.
	Purchase Orders are raised for all jobs but 5% of these were raised after the invoice was received.

Audit Scope

The following controls were tested as part of this audit:

- That there is adequate segregation of duties in place for creating the order, receiving the invoice and authorising the payment.
- There is a mechanism in place to ensure invoices are processed in accordance with supplier payment terms, VAT regulations and set processes.
- Orders are raised for every job and are matched to invoices when received.
- Invoices are scanned in and easily available to all housing and finance staff for queries and checking of CIS requirements.
- Invoices/orders are linked to the relevant asset and the system allows reporting on costs for each asset.
- Process for feeding data into the finance system is robust and reconciled.

Summary

Limited assurance and a medium-risk assessment have been awarded for this audit. The main concern from the audit work was that the lack of reconciliation between the housing and finance systems. If the reconciliation between these systems had been carried out missing invoices could be identified, and issues of transferring data resolved. Post close out meeting we were able to confirm that there is a separation of duties between the invoice entry and invoice approval.

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Seaton Jurassic Centre – Lessons Learnt – Final Report – May 2022



Audit Objective To review the governance and management of the initial build project for the Seaton Jurassic Centre and determine whether future lessons can be learnt from this.

Assurance Opinion	
<h1>Advisory</h1>	This is a non-opinion 'Lessons Learnt' review offered by SWAP Internal Audit in its consultancy role.

Risk
A lack of effective governance and management on the initial build project, resulting in both financial and reputational damage.

Key Lessons to Learn	
	Ensure that significant Council developments have a review and sign off process that includes all planning conditions being appropriately discharged. Appropriate information on the completion of the build and status of planning conditions should be provided to Senior Manager and Members to support in their review and approval.
	Ensure that there are sufficient project reporting arrangements from the Project Management Service Provider that provides updates on progress, key issues and risks. Reporting can also include oversight on planning conditions and, if stated in agreements, contractor performance.
	Ensure there are clear performance indicators and monitoring arrangements detailed within agreements that can form the basis for information sharing with Senior Management and Members.
	Ensure that a lessons learned process is undertaken upon completion of significant developments that compares the outcomes against the original business case. This should be shared with senior managers and Members and lessons can be taken on board for future business case development and project management

Audit Scope
The Audit and Governance Committee requested an audit review on the management of the initial build project. This advisory review covered the governance arrangements and management of the initial build project, and also included a review on the process and earlier decisions that led to the project progressing.
Our work has not duplicated the work being undertaken by Faithful and Gould, external surveyors appointed by the Council to identify the defects and put forward solutions, or Bevan Brittan Solicitors, appointed to determine liability for repairing the defects.
Limitations of Scope
The original business case for the project, the service agreement with Ward Williams Associates (WWA) for project management services; together with the cabinet papers and minutes for their appointment could not be reviewed due to the length of time that has passed since the project's inception. These documents have been destroyed in line with the Local Authority retention requirements. We have also not been able to obtain the minutes of the progress meetings held with WWA.

Summary
As stated under Audit Scope, we have not been able to complete some aspects of the audit review due to some documentation no longer being available. Where documentation was available, however, we were able to confirm that the necessary processes have been followed in the appointment of contractors and that Members received the appropriate documentation and information to make informed decisions relating to the initial build project.
It should be noted that the Council adopted a Project Management Framework in 2017, which included details of performance monitoring and the requirement for end of project reports. This Framework had not been in place at the time of the Seaton Jurassic Centre project.

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Audit Objective

To review the governance and management of the initial build project for the Seaton Jurassic Centre and determine whether future lessons can be learnt from this.

Assurance Opinion

Advisory

This is a non-opinion ‘Lessons Learnt’ review offered by SWAP Internal Audit in its consultancy role.

Risk

A lack of effective governance and management on the initial build project, resulting in both financial and reputational damage.

Key Lessons to Learn



Ensure that significant Council developments have a review and sign off process that includes all planning conditions being appropriately discharged. Appropriate information on the completion of the build and status of planning conditions should be provided to Senior Manager and Members to support in their review and approval.



Ensure that there are sufficient project reporting arrangements from the Project Management Service Provider that provides updates on progress, key issues and risks. Reporting can also include oversight on planning conditions and, if stated in agreements, contractor performance.



Ensure there are clear performance indicators and monitoring arrangements detailed within agreements that can form the basis for information sharing with Senior Management and Members.



Ensure that a lessons learned process is undertaken upon completion of significant developments that compares the outcomes against the original business case. This should be shared with senior managers and Members and lessons can be taken on board for future business case development and project management

Audit Scope

The Audit and Governance Committee requested an audit review on the management of the initial build project. This advisory review covered the governance arrangements and management of the initial build project, and also included a review on the process and earlier decisions that led to the project progressing.

Our work has not duplicated the work being undertaken by Faithful and Gould, external surveyors appointed by the Council to identify the defects and put forward solutions, or Bevan Brittan Solicitors, appointed to determine liability for repairing the defects.

Limitations of Scope

The original business case for the project, the service agreement with Ward Williams Associates (WWA) for project management services; together with the cabinet papers and minutes for their appointment could not be reviewed due to the length of time that has passed since the project’s inception. These documents have been destroyed in line with the Local Authority retention requirements. We have also not been able to obtain the minutes of the progress meetings held with WWA.

Summary

As stated under Audit Scope, we have not been able to complete some aspects of the audit review due to some documentation no longer being available. Where documentation was available, however, we were able to confirm that the necessary processes have been followed in the appointment of contractors and that Members received the appropriate documentation and information to make informed decisions relating to the initial build project.

It should be noted that the Council adopted a Project Management Framework in 2017, which included details of performance monitoring and the requirement for end of project reports. This Framework had not been in place at the time of the Seaton Jurassic Centre project.

Appendix 1

Lessons to Learn

Area of review	Summary of review findings
<p>The Authority had a formally Signed Agreement with the project management service provider, which set out the responsibilities in relation to the initial build project.</p>	<p>The Council's appointed Project Management Service Provider was Ward Williams Associates (WWA). Only two documents could be sourced in relation to the appointment; one dated January 2010 and the other dated April 2014 – there was also a Project Management fee proposal.</p> <p>The terms of engagement, which would have been the basis of the contract between the Council and WWA, cannot be located. The letter of appointment dated January 2010 suggests that the project agreement was dated 20th January 2009.</p> <p>Limitation: Documentation no longer available due to time that has been passed.</p>
<p>Lessons to be learned: n/a – unable to assess due to the limitations cited above.</p>	

Area of review	Summary of review findings
<p>The Authority had a formally Signed Agreement with the Interpretation Contractor and the contractor responsible for the construction of the Centre, which set out the responsibilities in relation to the initial project build.</p>	<p>Kier were appointed as the contractor responsible for the construction of the building. The Construction (Design and Management) Co-Ordinator was Ward Williams Associates who were also the Employer's Agent. There is an Agreement in place which outlines responsibilities under General Obligations, Materials Goods and Workmanship and Construction information.</p> <p>The Agreement reviewed did not have any reference to Performance Indicators and Monitoring.</p> <p>The Interpretation Contractor contract was awarded to Ecological Construction Solutions (Lloyd Turner Ltd) to complete the design and carry out the delivery of the interpretation for the Seaton Jurassic Visitor Centre. The contractor's responsibilities in relation to materials, goods and workmanship are set out in the agreement, as well as the Council's requirements for the Seaton Jurassic Centre.</p> <p>Similar to the Kier contract, the agreement itself does not set out any specific Performance Indicators and Monitoring.</p>
<p>Lessons to be learned: ensuring there are clear performance indicators and monitoring arrangements detailed within agreements that can form the basis for information sharing with Senior Management and Members.</p>	

Area of review	Summary of review findings
<p>Members and Senior Management were provided with relevant information to make an informed decision on the preferred contractor for the initial build project.</p>	<p>Cabinet would have been responsible for the decision-making in relation to the preferred contractor, following the procurement exercise using the Construction South West Framework. The preferred contractor responsible for constructing the initial build was Kier Contractors.</p> <p>A paper from the Principal Regeneration Project Manager went to Cabinet in September 2014 requesting that the appointment of Kier Contractors be approved. The project team undertook a procurement exercise through the Construction South West Framework in May 2014 and identified Kier as the preferred contractor. The tender return from Kier was in excess of the forecast costs and a value engineering exercise was undertaken to reduce this. Kier subsequently clarified the contract sum at £2,252,000.</p> <p>The Cabinet minutes from Sept 2014 show that they approved Kier Contractors as the preferred contractor for the Seaton Jurassic Centre.</p>
<p>Lessons to be learned: no lessons to be learned identified from the information available during this review.</p>	

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Area of review	Summary of review findings
<p>Members and Senior Management were provided with relevant information to make an informed decision on the preferred project management service provider for the initial build project.</p>	<p>It is not clear which procurement route was used to appoint Ward Williams Associates. A report in 2010 suggests that Ward Williams Associates were already carrying out work for the Council.</p> <p>Limitation: due to the availability of documents prior to 2009.</p> <p>The project manager for the initial build project, through Ward Williams Associates, was appointed in early 2014. This was approved by Cabinet in its meeting of Feb 2014.</p>
<p>Lessons to be learned: no lessons to be learned identified from the information available during this review.</p>	

Area of review	Summary of review findings
<p>Appropriate Planning Approval was obtained on the initial project build and all conditions met, particularly in relation to materials used.</p>	<p>The original planning application was submitted in August 2010; however, the decision on the planning was not given until June 2013. Planning was approved with conditions, and a variation to the plan was approved in January 2015. We reviewed the discharge of conditions online and confirmed with Planning East the following:</p> <ul style="list-style-type: none"> • On application 10/1587/FUL, the following conditions have been discharged: 2, 5, 9 (pre-commencement elements) and 9 (part 2). • On application 14/2493/VAR, the following conditions have been discharged: 4, 5, 6 and 9. <p>Focussing on the variation, the conditions not discharged relate to:</p> <ul style="list-style-type: none"> • 1 – commencement of development • 2 – development being carried out in accordance with approved plans • 3 – development being carried out in accordance with flood risk assessment • 7 – building being constructed to ‘very good’ standard of the BREEAM • 8 – Upon completion of works, a verification plan providing details of data that will be collected in order to demonstrate that the works set out are complete and identifying any requirements for longer term monitoring of pollutant linkages, maintenance and arrangements for contingency action. • 10 – recommendations contained within the habitat survey have been incorporated into the development • 11 – works shall be constructed in accordance with the written scheme of investigation of archaeological works. <p>There is no evidence that Condition 7, in relation to the Standard of the building, has been signed off by the planning department (shown above). However, evidence is available to show compliance via the BREEAM website.</p>
<p>Lessons to be learned: ensure that significant Council developments have a review and sign off process that includes all planning conditions being appropriately discharged. Appropriate information on the completion of the build and status of planning conditions should be provided to Senior Manager and Members to support in their review and approval.</p>	

Area of review	Summary of review findings
<p>The initial build project had an appropriately approved business case.</p>	<p>We were not able to obtain any evidence that demonstrated a business case had been presented to Cabinet. This capital project was part of the capital programme for the Council; however, the minutes and reports do not go back beyond 2009.</p> <p>Limitation: due to the availability of documents.</p>
<p>Lessons to be learned: ensuring that a lessons learned process is undertaken upon completion of significant developments that compares the outcomes against the original business case. This should be shared with senior managers and Members and lessons can be taken on board for future business case development and project management.</p>	

Area of review	Summary of review findings
<p>Members and Senior Management were regularly kept informed of the progress made on, and any issues relating to, the initial build project.</p>	<p>We have been able to confirm that regular reports on the progress with the Seaton Jurassic Centre / Visitor Centre were presented to Cabinet under Part B of the agenda (not public at the time, although these papers are now available). These reports were in the form of updates from the Seaton Regeneration Board.</p> <p>Reports from the Seaton Regeneration Board and Cabinet minutes are available from 2010 to 2015 and provide progress on the project but do not report on any specific issues that arose during the course of the build.</p> <p>Particular notes are in the Cabinet minutes of February 2016:</p> <ul style="list-style-type: none"> • MR referenced that they were still on track for opening in Spring 2016. There had been a couple of building defects which had been identified and dealt with. It does not detail what the defects were. • A progress update was provided by AH – including approval for the appointment of Fruition for the Café and Shop fit out and Bartlett for the Kitchen fit out. The approval suggests that there were some lessons to be learnt but does not provide detail on what these are. <p>We did not see evidence of progress reports being presented by WWA to Cabinet. We were advised that the project team had weekly meetings with WWA in the period before work commenced on site by Kier Construction. Minutes of these meetings would have been taken, highlighting any necessary actions and minutes would have been distributed by email; however, these are no longer accessible.</p>
<p>Lessons to be learned: ensuring that there are sufficient project reporting arrangements from the Project Management Service Provider that provides updates on progress, key issues and risks. Reporting can also include oversight on planning conditions and, if stated in agreements, contractor performance.</p>	

Area of review	Summary of review findings
<p>Members and Senior Management were provided with relevant information to make an informed decision on the appointment of Devon Wildlife Trust as the visitor attraction’s operator.</p>	<p>A report and draft Heads of Terms were presented to Cabinet in January 2013. This was following the December 2012 meeting of the Asset Management Forum where they recommended approval of the Heads of Terms. The minutes of the Asset Management Forum were only available as far back as 2014 and therefore were not available.</p> <p>In January 2013 both parties entered into the agreement with the intention to:</p> <ul style="list-style-type: none"> • Construct a high-quality visitor facility (the Centre), including outdoor space focussing on the Jurassic Coast and associated natural heritage • Secure the support and involvement of the local community; • Run the Centre as a commercial operation – but not at the expense of the heritage and educational aims of the centre • Run the Centre in a spirit of partnership, linking to Axe Estuary Wetlands and neighbouring facilities. <p>In addition, EDDC wished to:-</p> <ul style="list-style-type: none"> • secure a reasonable financial return from the Centre and avoid ongoing financial liability; • ensure the Centre helps to regenerate the economy of Seaton. <p>In addition, DWT wished to: -</p> <ul style="list-style-type: none"> • establish a clear and visible presence, promote its brand and recruit members; • further its mission in education and awareness raising.
<p>Lessons to be learned: no lessons to be learned identified from the information available during this review.</p>	

Area of review	Summary of review findings
<p>The Authority had a formally signed contract/Agreement for the design and fit out of the café, shop and kitchen. Members were provided with sufficient information to make an informed decision on the preferred contractor.</p>	<p>There was evidence of the signed agreement obtained between EDDC and Fruition Creative Solutions Ltd dated 28th November 2015 for the design and fit out of the Café and Shop.</p> <p>There was evidence of the signed agreement between EDDC and K F Bartlett Ltd dated 28th November 2015 for the design and fit out of kitchen and servery.</p> <p>A paper was presented to Cabinet in Feb 2016 for their endorsement of an exemption to standing orders to appoint Fruition as the contractor to fit out the cafe and shop and for Bartlett to fit out the kitchen and servery. The minutes of the meeting show that Cabinet gave their approval at this meeting.</p>
<p>Lessons to be learned: no lessons to be learned identified from the information available during this review.</p>	

Report to: Audit and Governance Committee

Date of Meeting 28 July 2022

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



Internal Audit Annual Assurance Opinion (2021/22)

Report summary:

The Internal Audit function plays a central role in corporate governance by providing assurance to the Annual Audit, Governance and Standards Committee, looking over financial controls and checking on the probity of the organisation.

The 2021-22 Annual Audit Plan provided independent and objective assurance on EDDC Internal Control Environment. This work supported the Annual Governance Statement.

Recommendation:

Members are asked to note the Internal Audit Annual Opinion on the effectiveness of governance, risk and control in the delivery of EDDC Objectives.

Reason for recommendation:

It is a requirement that the Audit and Governance Committee note the Annual Opinion.

Officer: Alastair Woodland, Assistant Director, SWAP.

Portfolio(s) (check which apply):

- Climate Action
- Coast, Country and Environment
- Corporate Services and COVID-19 Response and Recovery
- Democracy and Transparency
- Economy and Assets
- Finance
- Policy Co-ordination and Regional Engagement
- Strategic Planning
- Sustainable Homes and Communities

Financial implications:

There are no direct financial implications identified.

Legal implications:

The legal framework is reflected in the report. While there are no direct legal implications arising, ensuring Key Actions are carried out will reduce risk to the Council which in turn will reduce the chance of failures or challenges occurring.

Equalities impact Low Impact

Climate change Low Impact

Risk: Low Risk;

Links to background information N/A

Link to [Council Plan](#):

Priorities (check which apply)

- Better homes and communities for all
- A greener East Devon
- A resilient economy

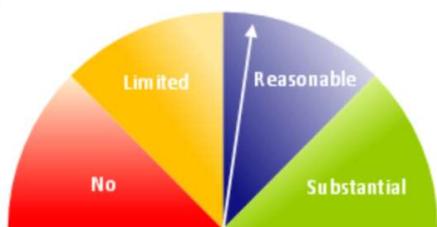
East Devon District Council

Internal Audit Annual Opinion Report 2021/22

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Internal Audit Annual Opinion – 2021/22: ‘At a Glance’

Annual Opinion



There is generally a sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives.

- Medium risk rated weaknesses identified in individual audit engagements
- Isolated high risk related weaknesses identified for isolated issues
- No critical risk rated weaknesses identified
- Internal Audit is broadly satisfied with management’s approach to resolving identified issues

The Headlines

	No Significant Risk identified in year after testing the controls in place.
	25 reviews included in the 2021/22 Internal Audit Plan. Includes assurance, advisory and follow up reviews (24 final/complete and 1 at draft).
	Implementation of agreed actions from Follow up work New recommendation tracking database up and running.
	Internal Audit staff assisted with the COVID response. COVID 19 Grant Spotlight Checking for grants.

Internal Audit Assurance Opinions

	20/21	21/22
Substantial	2	1
Reasonable	8	6
Limited	3	4
No Assurance	0	0
Advisory	9	10
Follow Up	2	3
Total	24	24*

Internal Audit Agreed Actions 2021-22

	20/21	21/22
Priority 1	0	2
Priority 2	25	26
Priority 3	31	21
Total	56	49*

*Final reports only

Internal Audit provides an independent and objective opinion on the effectiveness of the Authority's risk management, control and governance processes.



Purpose

The Head of Internal Audit (SWAP Assistant Director) should provide a written annual report to those charged with governance to support the Authority's Annual Governance Statement (AGS). This report should include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment, including an evaluation of the following:
 - the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities;
 - whether the information technology governance of the organisation supports the organisation's strategies and objectives;
 - the effectiveness of risk management processes; and
 - the potential for the occurrence of fraud and how the organisation manages fraud risk.
- Disclose any qualifications to that opinion, together with the reasons for the qualification.
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies.
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement.
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria.
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content and the Annual Internal Audit Opinion given.

Executive Summary

Three Lines Model

To ensure the effectiveness of an organisation's risk management framework, the Audit and Governance Committee and senior management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the organisation.

The 'Three Lines' model is a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

- the first line – functions that own and manage risk.
- the second line – functions that oversee or specialise in risk management, compliance.
- the third line – functions that provide independent assurance.

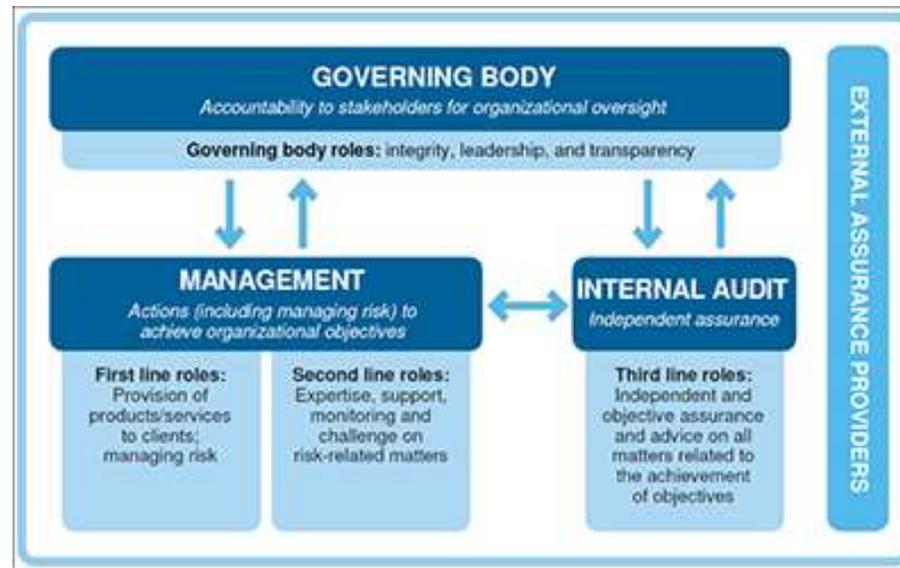


Background

The Internal Audit service for East Devon District Council is provided by SWAP Internal Audit Services. The team's work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. The work of the team is guided by the Internal Audit Charter which is reviewed annually.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. This report summarises the activity of the Internal Audit team for the 2021/22 year.

The position of Internal Audit within an organisation's governance framework is best summarised in the Three Lines model shown below.



Internal Audit Annual Opinion 2021/22

The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.



Annual Opinion

On the balance of our 2021/22 audit work for East Devon District Council, I am able to offer a **Reasonable Assurance** opinion in respect of the areas reviewed during the year.

Opinions are a balanced reflection across the year and not a snapshot in time. In forming this opinion, the following sources of information have been used:

- Completed audits which evaluate risk exposures relating to the organisation's governance, operations and information systems, reliability and integrity of information, efficiency and effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regulations.
- Observations from consultancy/advisory support.
- Follow up of previous audit activity, including agreed actions.
- Grant certification work.
- Assurances from other providers, including third parties, regulator reports etc.

Audit work has been planned to ensure that sufficient assurance will be available to support the annual opinion. The professional requirements of PSIAS have remained unchanged and in line with these, new audit priorities to cover the risks from the ongoing impact of COVID-19 have been agreed throughout the year and that work supports the annual opinion.

In terms of breadth of coverage, audit work has been performed across the Council's key services and in relation to its strategic and operational risks where possible. A summary of audit work carried out against the Council's risks are summarised in table 1 below. It must be noted that it is not possible to cover all key risks in any one year but to provide coverage over the medium term. As with previous years, the scope of our work does not extend to covering ICT services under Strata and therefore ICT services and risks are outside the scope of our opinion.



Audit Coverage by Corporate Risk

Internal audit coverage should be aligned to key corporate priorities and key corporate risks.



Audit Coverage by Corporate Risk

The East Devon District Council Risk Register is a live document and subject to change throughout the year as the risk environment that EDDC operates in changes. Therefore, this table reflects a summary of coverage against shifting priorities throughout the year in terms of corporate and operational risks.

Table 1: Audit Coverage by Strategic Risk

Table Key	Reasonable internal audit coverage 2021-22	Partial internal audit coverage 2021-22	No internal audit coverage 2021-22
Strategic Risk			Coverage*
			2021-22
			**DAP
			2019-20
			2020-21
			2021-22
			2020-21
			2021-22

*If not covered in 2021-22, provides plan year of last coverage

**ICT – coverage by DAP

In addition to the strategic Risks, we also map our work against the operational risk register. Coverage against the operational risk register is:

Number of Operational Risks	83
Number fully Covered by Audit Work	6
Number Partially covered	3

Significant Corporate Risks and Limited Assurance Audits

Definitions of Corporate Risk

High Risk

Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Medium Risk

Issues which should be addressed by management in their areas of responsibility.

Low Risk

Issues of a minor nature or best practice where some improvement can be made.



Significant Corporate Risks

Our audits examine the controls that are in place to manage the risks that are related to the area being audited. We assess the risk at a 'Corporate' level once we have tested the controls in place. Where the controls are found to be ineffective and the 'Corporate risk' as 'High' these are brought to the Audit Committees attention. For those audits which have reached report stage through the year, we have assessed the following risks as 'High'.

Review Name / Risks
<i>No High Corporate risks have been identified through audit work in 2021/22.</i>

Summary of Limited Assurance Audits

Audit Name	Risk Rating	Priority Findings		
		1	2	3
Annual Vehicle Declarations and Compliance	Medium	-	4	-
Small Works and Contracts	Medium	1	2	1
Housing Payments	Medium	1	1	3

Note all these audits have been reported throughout 2021-22 to the Audit Committee.

Summary of audit outcomes

At the conclusion of an audit assignment each review is awarded an Audit Assurance Opinion:

- **Substantial** - A sound system of governance, risk management and control exists.
- **Reasonable** - Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives.
- **Limited** - Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives.
- **None** - The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives.



Summary of Audit Opinion

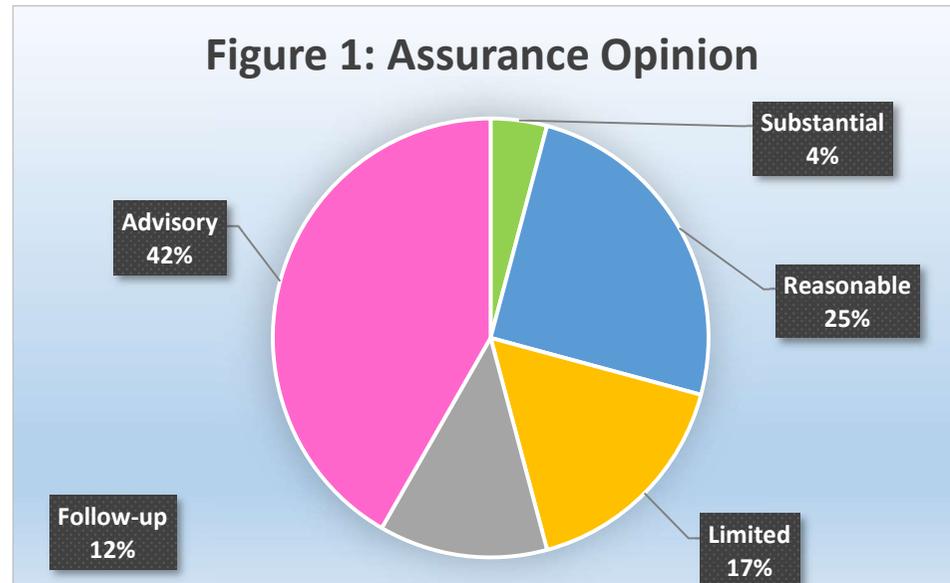


Figure 1 above indicates the spread of assurance opinions across our work during the past year (2021-22). Due to Covid-19 more time has been spent on 'Advisory' work.

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Summary of audit outcomes

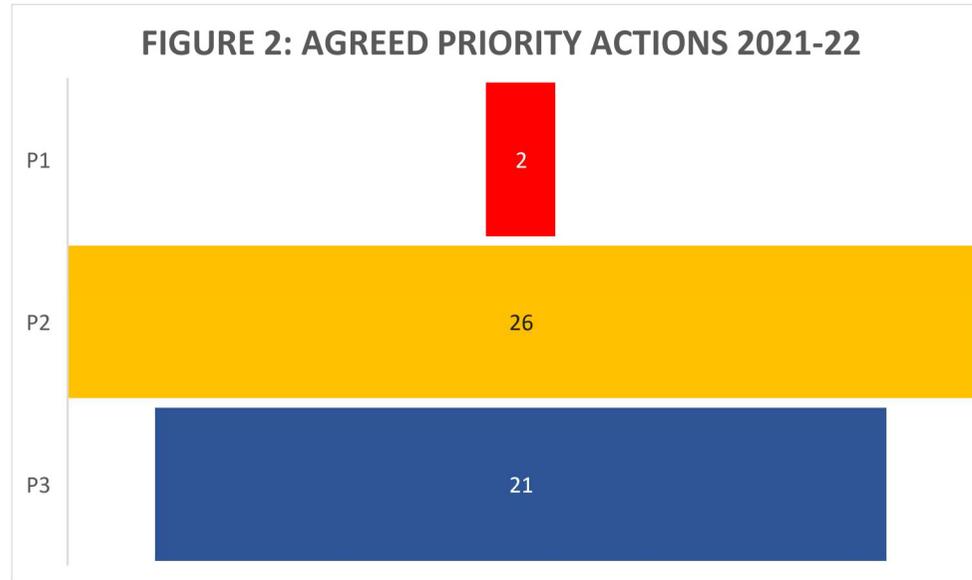
SWAP Performance - Summary of Audit Actions by Priority



Priority Actions

We rank our actions on a scale of 1 to 3, with 3 being medium or administrative concerns to 1 being areas of major concern requiring immediate corrective action

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A number of advisory reviews do not have priorities rating recommendations, such as grant certification and lessons learned.

Plan Performance 2021/22

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).



SWAP Performance

SWAP’s performance is subject to regular monitoring and review by both the SWAP Board of Directors and the Owners Board. The respective outturn performance results for EDDC for the 2021/22 year are as follows:

Performance Target	Average Performance
<u>Audit Plan – Percentage Progress</u> Final, Draft and Discussion > 90% In progress/Review Yet to complete	100% 0% 0%
<u>Customer Satisfaction Questionnaire</u> Feedback Target > 95%	100%

SWAP work is completed to comply with the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Under these standards we are required to be independently externally assessed at least every five years to confirm compliance to the required standards. SWAP was recently assessed in February 2020 and confirmed that we are in conformance to PSIAS.

Attribute Standard 1300 of the IPPF requires Heads of Internal Audit to develop and maintain a Quality Assurance and Improvement Programme (QA&IP). Standard 1310 continues this dual aspect by stating that the programme must include both internal and external assessments. This acknowledges that high standards can be delivered by managers, but it also implies that improvements can be further developed when benchmarking is obtained from outside the organisation and the internal audit function. Following our External Assessment, we have pulled together our QA&IP and included additional improvements and developments identified internally that we want to make, as aligned to SWAP’s Business Plan. The QA&IP is a live document and will be regularly reviewed by the SWAP Board to ensure continuous improvement and delivery on our actions.

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Summary of Internal Audit Work 2021/22

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
FINAL									
Assurance	Payroll	1	Final	Substantial	0	0	0	0	
Assurance	Health and Wellbeing	1	Final	Reasonable	4	0	2	2	
Follow up	S106/CIL	1	Final	Follow up	0	0	0	0	All actions are completed
Advisory	New: Spotlight Checking – Restart Grants	1	Final	Advisory	0	0	0	0	
Assurance	LED	1	Final	Reasonable	5	0	2	3	
Advisory	Fraud Risk Assessment	1	Final	Advisory	0	0	0	0	
Assurance	Corporate H&S – Revised Working arrangements	2	Final	Reasonable	3	0	1	2	
Assurance	New: Election Financing	2	Final	Reasonable	3	0	1	2	
Assurance	New: Annual Leave	2	Final	Advisory	2	0	2	0	
Survey	New: Remote meetings - Benchmarking	2	Final	Advisory	0	0	0	0	
Assurance	Annual Vehicle Declarations and Compliance	2	Final	Limited	4	-	4	-	Previously listed as Fleet Management. Report on members portal for information

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Summary of Internal Audit Work 2021/22

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Assurance	Small Works and Contracts	2	Final	Limited	4	1	2	1	
Assurance	Risk Management	2	Final	Reasonable	5	-	4	1	Report on members portal for information
Assurance	Post-Payment Assurance for Grant Schemes	2	Final	Advisory	0	0	0	0	
Assurance	New: DWP Referral	3	Final	Advisory	0	0	0	0	
Assurance	Housing Payments	3	Final	Limited	5	1	1	3	
Advisory	New: Resilience Fund Grant Spotlight Checks	3	Final	Advisory	0	0	0	0	Management Requested piece of work.
Assurance	New: Whistleblowing	3	Final	Advisory	-	-	-	-	
Assurance	Workforce Planning	3	Final	Reasonable	6	-	3	3	
Assurance	Integrated Housing Management Contract – Follow up	4	Final	Follow up	3	-	3	-	3 Priority-2 and 3 Priority-3 recommendations now complete.
Assurance	Firmstep follow up	4	Final	Follow up	5	-	1	4	No recommendations complete.
Advisory	New: ARG4 Spotlight checks	4	Final	Advisory	0	0	0	0	
Advisory	New: Omicron Spotlight checks	4	Final	Advisory	0	0	0	0	

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Summary of Internal Audit Work 2021/22

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Advisory	New: Seaton Jurassic Centre – Lessons Learnt	4	Final	Advisory	0	0	0	0	Note: Lessons identified rather than formal recommendations.
DRAFT									
Assurance	Homelessness	3	Draft						
Deferred to 2022-23 Audit Plan									
Assurance	Financial Planning (MFTP)	2			On rolling audit plan for 2022-23				
Assurance	Play Schemes/Areas	3			On rolling audit plan for 2022-23				
Assurance	Main Accounting	3			On rolling audit plan for 2022-23 – earmarked for q2				
Assurance	Decision Making	3			On rolling audit plan for 2022-23				
Assurance	Disabilities Facilities Grants (DFG)	4			On rolling audit plan for 2022-23				
Assurance	Climate Change	4			On rolling audit plan for 2022-23 – earmarked for q1				
Assurance	Housing Rents	4			Proposed for 2022/23 audit plan				
Assurance	Housing Compliance – Asbestos	4			Proposed for 2022/23 audit plan				

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Summary of Internal Audit Work 2021/22

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Assurance	Economic Resilience	4							Proposed for 2022/23 audit plan
Assurance	New: Restart Grants Post Payment Assurance CIA	4							Proposed for 2022/23 audit plan
Assurance	Debtors	3							Proposed for 2022/23 audit plan
Assurance	Council Tax Support/Housing Benefit	3							Proposed for 2022/23 audit plan
Assurance	ICT Assurance	3							Proposed for 2022/23 audit plan

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Report to: Audit and Governance Committee



Date of Meeting 28 July 2022

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Revenue and Capital Outturn Report 2021-2022

Report summary:

The following report was presented to Cabinet on 13 July 2022. The report is presented to Audit & Governance Committee to inform the Committee of the financial outturn position for 2021/22 and to note the recommendations to Council.

The draft accounts are due to be published shortly along with the public inspection notice on the Council's website. Following publication the accounts will be presented to members for understanding and questioning.

The accounts will be subject to external audit by the Council's appointed auditors Grant Thornton UK LLP and will be presented back to committee for approval once this work is complete.

Is the proposed decision in accordance with:

Budget Yes No

Policy Framework Yes No

Recommendation:

To note the Revenue and Capital Outturn position for 2021/22 and the recommendations to Cabinet on 13 July 2022.

Reason for recommendation:

To report the Outturn position for the Council's approved budgets for the General Fund, Housing Revenue Account and Capital expenditure.

Members are asked to note the variations from the budgets identified within the report and consider the implications and proposals relating to the Balances and Reserves held by the Council.

Officer: John Symes – Finance Manager, jsymes@eastdevn.gov.uk, 01395 517413

Portfolio(s) (check which apply):

- Climate Action and Emergency Response
- Coast, Country and Environment
- Council and Corporate Co-ordination
- Democracy, Transparency and Communications
- Economy and Assets
- Finance
- Strategic Planning
- Sustainable Homes and Communities
- Tourism, Sports, Leisure and Culture

Equalities impact Low Impact

Climate change Low Impact

Risk: Low Risk; Financial monitoring reports have kept members informed during the year of budget variations and the projected outturn position of the Council's finances. All predetermined Balance and Reserve levels were predicted to be maintained above the adopted minimum levels. This position has now proven correct in the final outturn position presented in this report. The report also looks at the monies the Council holds in balances and reserves and considers these in the light of the Council's future financial position and future Government funding cuts and other emerging financial pressures e.g. inflationary pressures. Consideration is given to the Council's financial track record, internal and external audit reports on financial controls and is reflective of occurrences from external factors which affect the Council's finances.

Links to background information: [Cabinet report 13 July 2022](#) item 14

Link to [Council Plan](#)

Priorities (check which apply)

- Better homes and communities for all
 - A greener East Devon
 - A resilient economy
-

Financial implications:

The financial details are included in the report.

Legal implications:

Any legal implications are identified in the report and no further comment is required.

Report to: Audit and Governance Committee



Date of Meeting 28 July 2022

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Risk Review Summer 2022

Report summary:

Risk information for the 2022/23 financial year is supplied to allow the Audit and Governance Committee to monitor the risk status of Strategic and Operational Risks. This follows the full review of risks by responsible officers during May/June 2022. Most of these reviews were completed by the responsible officers with the Management Information Officer.

Is the proposed decision in accordance with:

Budget Yes No

Policy Framework Yes No

Recommendation:

That the Audit and Governance Committee considers the current status of risks following the full risk review undertaken in May/June 2022.

Reason for recommendation:

To ensure that the Risk Management Policy and Guidance is being followed and all risks are being monitored and control actions implemented.

Officer: Simon Davey, Strategic Lead - Finance sdavey@eastdevon.gov.uk ext 2690 and Joanne Avery, Management Information Officer javery@eastdevon.gov.uk ext 2332

Portfolio(s) (check which apply):

- Climate Action and Emergency Response
- Coast, Country and Environment
- Council and Corporate Co-ordination
- Democracy, Transparency and Communications
- Economy and Assets
- Finance
- Strategic Planning
- Sustainable Homes and Communities
- Tourism, Sports, Leisure and Culture

Equalities impact Low Impact

Climate change Low Impact

Risk: High Risk; Failure to identify, assess, monitor, review and manage risks could impact negatively (i.e. financial, reputational, operationally) on the council.

Links to background information [Appendix A – Operational Risk register summer 2022](#)
[Appendix B – Strategic Risks summer 2022](#) [Appendix C – Explanations and definitions](#)

Link to [Council Plan](#)

Priorities (check which apply)

- Better homes and communities for all
- A greener East Devon
- A resilient economy

Report in full

1. As part of our corporate governance it is appropriate that we maintain and manage a risk register. The risk register allows us to highlight any risks to our organisation and set out how we are going to mitigate against their impact and likelihood.
2. Our risk management policy requires all risks identified by the council to be reviewed bi-annually. Through the months of May and June the risk owners were tasked with reviewing their risks in the SPAR system. For this review, the Management Information Officer meet with several of the risk owners to review the risk entries together. This was a really useful exercise and has resulted a several changes and updates to the risk register.
3. The operational risk register contains 80 risks which have all been reviewed and are available to view in full at [Appendix A](#). The operational risk register is listed by service area and includes all of the control actions. All of the risks have been reviewed and re-scored in light of all mitigating actions being undertaken and in relation to the on-going pandemic. The services were asked to highlight any new and emerging risks with one new risk being put forward at this review.

New operational risk

- Ensure the accessibility and accuracy of our website which if found to be failing could result in fines and reputational damage.

Operational Risks recommended for removal

- **Ability to implement any changes to the Street Trading rules in East Devon** – this work has now been completed and is part of business as usual.
- **Inadequate resources on the legal service to meet the workload** – this forms part of a larger strategic risk around staff resources.
- **The risk relating to introducing new / enhanced requirements in respect of the European wide General Data Protection Regulations.** – The specific work from this has now passed but recommend that a new strategic risk around GDPR is considered as set out in the strategic risk section below.

4. In the operational risk register there are four risks currently scored as high,

- **Failure of LED Leisure through budget, legal, or reputational issues.** - LED income and activities were severely impacted by the Covid-19 pandemic and the associated lockdowns/restrictions. LED had been reliant on furlough payments and the Council increasing its subsidy to remain viable, and the Council has attempted to recover its costs through government support for the leisure industry. Revised monitoring and liaison

arrangements have been put in place going forward to focus on leisure needs, and clear strategy and affordability. A draft Leisure Strategy also recognises the value and importance of leisure for health & wellbeing.

- **Failure of the contractors to deliver the service through pandemic staff shortages, strike action, company liquidation, legal prohibitions and/or other similar circumstances that render this contractor unable to continue with the contract.** - Staffing shortages and driver availability continue to effect the service, BCP in place with daily communications in place regarding catch up collections through app messaging and email communications with members and customers.
- **Failure of performance under the Partnering Agreement by our responsive repair contractor leading to an inability to perform day to day repairs to tenants homes.** - Since January 2022 there has been ongoing concerns regarding KPI performance and ability to meet requirements of the contract. Concerns have been escalated to the directors of the partnering organisation. This has resulted in the creation of a focused action plan to identify areas of concern to ensure improvements are being made. These are being closely monitored by the Housing Service lead
- **Failure to maintain gas safety, fire risk, asbestos register, solid fuel servicing, and legionella testing to meet legal requirements.** - Staff vacancies in this area are of great concern, they directly relate to this risk and recruitment and retention issues are therefore being prioritised in this part of the housing service. The Housing Service Lead recently increased HR support for this area of the service to ensure the managers are being supported.

5. The tables below set out the number of risks in each service by score.

Finance	High	Medium	Low
<i>Risks by score</i>		5	10

Housing	High	Medium	Low
<i>Risks by score</i>	2	15	1

Growth & Development	High	Medium	Low
<i>Risks by score</i>		9	3

Health & Environment	High	Medium	Low
<i>Risks by score</i>	2	7	5

Governance & Licensing	High	Medium	Low
<i>Risks by score</i>		7	3

HR & Communications	High	Medium	Low
<i>Risks by score</i>		3	8

6. As part of this review our strategic risks have been reviewed by their owners and are also submitted for Committee's consideration.

There are 13 risks on the strategic register none of these risks are currently showing as high risk. More details for each risk can be seen in [Appendix B](#).

Strategic Risks	High	Medium	Low
<i>Risks by score</i>	0	11	2

There are three new risks on the strategic risk register.

- The current economic position is exacerbating growing recruitment challenges in occupationally specific known skills shortage areas but also more generally. This could lead to a loss in productivity and ability to meet statutory and other service

responsibilities, as well as impacting upon the remaining workforce. – Joanna Fellows

- Failure to meet the requirements of data protection legislation and good information governance practice or a serious data breach occurring resulting in a significant fine and loss of reputation. – Henry Gordon Lennox
- The reputation of the council is at risk which could impact the organisation financially and politically – Andrew Hopkins

7. An explanation and definitions of all the risks including the risk matrix can be found in [Appendix C](#).

Financial implications:

No direct financial implications

Legal implications:

There are no direct legal implications

Auditor's Annual Report on East Devon District Council

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2020-21

July 2022

Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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Appendices

- A – The responsibilities of the Council
- B – Risks of significant weaknesses – our procedures and findings
- C – An explanatory note on recommendations
- D – Use of formal auditors' powers

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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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Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

2020/21 was an unprecedented year in which the Council operated with the majority of its staff home working whilst supporting local businesses and residents through the pandemic. The Council incurred significant budget pressures relating to Covid-19 that included additional refuse and recycling costs, support to the leisure sector and reductions in income. The Council administered £43m in government funded business support grants and £22m in additional restrictions and lockdown grants during the year. Against this background, and after accounting for government funding of £1.8m in Covid-19 support grant and £0.7m reimbursement for lost income, the Council achieved a surplus on the budgeted position of £0.3m.

We have not identified any significant Value for Money (VFM) weaknesses, but have identified eighteen opportunities for improvement which are set out in detail within our report.

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Criteria	Risk assessment	Finding
Governance	A risk of significant weakness was identified in the audit plan in relation to the findings of the staff survey.	No significant weaknesses in arrangements identified, but nine improvement recommendations made
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but five improvement recommendations made
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but four improvement recommendations made

	No significant weaknesses in arrangements identified.
	No significant weaknesses in arrangements identified, but improvement recommendations made.
	Significant weakness in arrangements identified and key recommendation made.



Governance

We have not identified any areas of significant weakness in the Council's governance arrangements with regard to managing risk, setting ethical standards, internal control and budget monitoring. We have made improvement recommendations with regard to:

- continuing to work to improve Member and officer relations;
- reviewing the Council's position with regard to holding virtual meetings;
- mapping risks within the strategic risk register to corporate priorities;
- routinely reporting the progress made in implementing internal audit recommendations;
- implementing the recommendations agreed with internal audit for data protection;
- reviewing the allocation of Members to the Audit and Governance Committee; and
- providing additional detail in budget monitoring reports, for example in relation to capital slippage and recurring items.

Further details and management responses are provided on pages 10-18.



Financial sustainability

Overall we are satisfied that the Council had appropriate arrangements in place to manage the financial resilience risks it faced with regard to budget setting and the medium term financial plan. We have not identified any significant weaknesses but have identified opportunities for improvement. Specifically, recommendations cover:

- the actual inflation assumptions should be included within the Financial Plan;
- additional monitoring of savings plans and consultation where appropriate;
- expanding the information disclosed in treasury strategy and monitoring reports;
- the Council should provide prudent Minimum Revenue Provision for capital loans; and
- adopting a risk based approach to assess the prudent level of General Fund balances.

Further details and management responses are provided on pages 26-30.



Improving economy, efficiency and effectiveness

We have not identified any areas of significant weakness in arrangements with regard to improving economy, efficiency and effectiveness. We have made improvement recommendations that the Council should:

- consider the need for a data quality policy;
- routinely benchmark service costs in order to identify potential efficiencies;
- consider arranging for a Peer Review follow-up visit from the LGA; and
- approve a new Procurement Strategy.

Further details and management responses are provided on pages 34-37.



Opinion on the financial statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and the Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements, including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed remotely from November 2021. Findings were reported to the Audit & Governance Committee in March 2022.

We have yet to provide our audit opinion due to national issues with accounting for infrastructure assets.



Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:

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Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 6 to 37. Further detail on how we approached our work is included in Appendix B.

Governance



We considered how the Council:

- considered the impact of Covid-19 on the governance arrangements;
- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- approaches and carries out its annual budget setting process;
- ensures effectiveness processes and systems are in place to ensure budgetary control;
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- monitors and ensures appropriate standards.

Member and officer relations

Our audit planning for 2020/21 identified a risk of significant weakness with regard to the findings of the March 2021 staff survey. The survey highlighted the change of political culture and deteriorating Member and officer relationships. A risk was identified that inappropriate standards in Member behaviour could have an impact on the wider governance framework.

We have reviewed the findings of the survey and the Council's response including the actions taken to improve Member and officer relations. Against a background of good working relationships, the survey highlighted staff concerns around bullying and harassing behaviour from Members. These findings were presented to the Scrutiny Committee in March 2021. The core issue identified was the need for all Members to understand the Code of Conduct and uphold standards as expected.

From our review of the actions subsequently taken by the Council and discussions with the Chief Executive and Local Government Association (LGA), there is evidence that the issue has been taken seriously, actions have been implemented, and that the Council is making positive progress to remedy the situation. Actions that the Council has taken include:

- an action plan was approved in October 2021 to address the concerns raised, including training for Members, developing a realistic Council Plan, working with the LGA to promote good behaviour and developing a "one council" ethos;
- the Standards Working Group is reviewing the Members' Code of Conduct;
- a Member Development Group has been established to consider the requirements of induction and annual top up training for Members, including the Code of Conduct and the role of statutory officers;
- the Personnel Committee was established from September 2021 to consider all staffing matters;
- the Council has held series of workshops between the statutory officers and senior Members, supported by the LGA, aimed at developing constructive working relationships; and
- a second staff survey was conducted and presented to the March 2022 Personnel Committee.

The second staff survey reported a consistent proportion of staff experiencing bullying and harassment, but noted that the nature of the concern had changed with customer behaviour now identified as the main contributor. The responses suggest that staff recognise that work has been done to improve Member and officer relations and that the issue is being addressed. Concerns were highlighted that inappropriate behaviour does not return.

There is evidence of the Council being able to work together as "one council", approving the new Council Plan in October 2021, and setting a balanced budget for 2022/23 in February 2022.

We have not found evidence that service delivery was negatively impacted as a result of Member and officer relations. However, this situation should not have arisen, and it had a significant impact on staff morale and the potential to damage

the reputation of the Council. Significant internal resources have had to be applied to implement the actions required to address the situation.

We note that a further LGA development workshop with statutory officers and senior Members is programmed for May 2022. The Council should continue its work in building better Member and officer relations to ensure that the progress made is not lost. We have made an improvement recommendation that the Council should continue to seek the support of external agencies, such as the LGA, to ensure that working relationships support effective governance and that the Council continues to build on the progress it has made.

Continuing to develop effective working relationships should include implementing the actions identified from the LGA learning review which was undertaken after Council had to resolve an employment matter. The matter related to the approval of a redundancy for a senior officer, which under normal circumstances would be a decision made by the Head of Paid Service after consultation with the Leader and relevant portfolio holders. The Personnel Committee considered the learning review in March 2022 and referred the various recommendations to officers and Committees as appropriate.

In conclusion, while Member behaviour did fall short of the standards required in the Code of Conduct, and relationships with officers suffered as a result, we have not identified this as a significant weakness. The Council recognised the issue, put an action plan in place and all parties have made progress in improving the situation. It is vital that this progress continues to ensure that effective governance can be maintained.

Covid-19 arrangements

During the 2020/21 financial year the Council supported the community, businesses and the delivery of critical services through the pandemic, and adapted governance arrangements to meet these requirements. The majority of staff worked from home during the pandemic, with the Council allocating staff to the Community Hub Team to provide help and support to vulnerable residents. Committee meetings were held remotely throughout the year, allowing for public participation and for the democratic decision making process to continue, as was allowable under the temporary amendment to legislation.

Due to the situation in Devon with a high proportion of Covid-19 cases in the community, the Council took the decision in July 2021 to extend virtual meetings. Meetings continue to be held remotely as consultative meetings, with officers taking delegated decisions that reflect

the Member discussion. The exception is where decisions cannot be delegated, such as setting the 2022/23 budget where a physical Council meeting was held in February 2022. The regulations that provided for remote decision-taking meetings expired in May 2021, but the Council satisfied itself that it had the legal powers to delegate decisions to officers through the provisions of the Local Government Act 1972.

We have made an improvement recommendation that the Council should now review its position with regard to holding virtual consultative meetings, having regard to the ending of restrictions relating to the pandemic and the benefit that physical meetings bring in facilitating open debate and public participation when decisions are made.

The Senior Management Team met weekly during the height of the pandemic, with meetings minuted to evidence decisions made in relation to both the response to the pandemic and recovery from it.

Cabinet received regular reports outlining the approach to the Council's pandemic recovery planning. The Council worked with Team Devon, a partnership comprising representatives from business, education and local authorities, engaging in their strategic recovery work. The Economy and Recovery Prospectus was published in July 2020. This prospectus sets out the vision for recovery and seeks an investment package of £56m to support communities and sustain jobs. The Council also has local place-based service recovery action plans which consider what the "new normal" is for service delivery and which link to the Council Plan.

The Council was able to maintain internal financial and procurement controls with no significant adjustments required. Internal audit completed a Covid-19 fraud risk impact assessment, giving reasonable assurance regarding the control environment and risk of fraud as a result of the pandemic.

The Council administered £43m in government funded business support grants and £22m in additional restrictions and lockdown grants during the year. Internal audit carried out grant pre and post payment check reviews and identified the grant process as low fraud risk due to the application process, the data collected and controls in place.

All of the above provides evidence of appropriate actions being taken to address the risks and challenges presented to governance arrangements by the Covid-19 pandemic.

Managing risk

The Council's Risk Management Policy is available online and defines strategic and operational risk and how risk is identified, assessed and mitigated. The Council uses the risk management system to record risk information and produce the operational and strategic risk registers.

The Audit and Governance Committee is responsible for reviewing risk and considers the Council's risk registers twice a year. The operational and strategic risk registers include most of the features that we would expect to see, including risk description, RAG-rated original and residual risk scores, control actions, responsible officers and supporting narrative. We have made an improvement recommendation that risk should be mapped to corporate priorities so that their impact on the Council Plan is understood and to ensure risks identified on the strategic risk register are appropriate.

From our work we have not identified any significant areas of weakness in the Council's arrangements to manage and report risk.

Internal control

Internal audit is undertaken by the South West Audit Partnership (SWAP). The independent external assessment of SWAP, undertaken in 2020, confirmed that they deliver professional and high quality audit services and conform with public sector internal audit standards.

The Audit and Governance Committee approved the Internal Audit Charter and the Internal Audit Plan in September 2020. The Committee receives regular SWAP progress reports which include details of completed audits against the plan. Additional information is provided relating to the findings for audits given limited assurance. The audit plan was amended during the year due to the impact of the pandemic on services and emergence of new risks relating to Covid-19 business grants and fraud risk.

The SWAP outturn report 2020/21 confirms that 96% of the internal audit plan was completed, with an overall reasonable assurance opinion given. This opinion confirms that there is generally a sound system of governance, risk management and control in place.

The progress implementing previous internal audit recommendations is reported to the Audit and Governance Committee when previous limited assurance opinion audits are followed up.

We have made an improvement recommendation that the progress made in implementing previous internal audit recommendations should be routinely reported for all high priority recommendations as part of the quarterly SWAP progress reports. This will enable the Audit and Governance Committee to hold managers to account where actions to improve internal control have been agreed.

Internal audit gave a partial assurance audit opinion for information governance in 2019/20. The follow up in 2020/21 found that the pandemic had delayed the implementation of some of the agreed recommendations relating to areas such as training, document disposal and the information asset register. We have made an improvement recommendation that the Council should ensure it implements the recommendations agreed as a result of this audit at the earliest opportunity.

We note that during 2020/21 there were Cabinet Members who were also Members of the Audit and Governance Committee and that this practice continues to date. This does not reflect CIPFA best practice for good governance and effective audit committees. To ensure that there is effective and independent challenge, best practice is to ensure that the audit committee is independent of the executive function. We have made an improvement recommendation that the Council should review the allocation of Members to the Audit and Governance Committee with a view to comply with best practice.

From our work we have found no areas of significant weakness in the management and reporting on internal control, but have identified improvement recommendations that will further strengthen arrangements.

Monitoring Standards

There is evidence of an appropriate culture within the Council to prevent and detect fraud and corruption, with the relevant policies in place and subject to review.

The Anti Fraud, Theft and Corruption Policy, Anti Bribery Policy and Whistleblowing Policy are reviewed by the Audit and Governance Committee every three years, with reviews taking place in January 2019 and 2022.

Codes of Conduct are in place for both Members and officers and these include the policies relating to declarations of interest and gifts and hospitality.

Member declarations of interest are available on the Council's website. There were no declarations of gifts and hospitality made by Members during 2020/21, which reflects the

period of lockdown and social distancing where the offer of gifts and hospitality would be limited. The Council does remind Members of the need to record both interests and gifts and hospitality.

The Council maintains a record of staff interests, and sends annual reminders of the requirement to record them. Officers over a certain grade must also confirm if there have been no changes to their declared interests. Again no declarations of gifts and hospitality were made in 2020/21 which does not appear unreasonable against the context of the pandemic.

Internal audit have carried out an advisory baseline assessment on the maturity of fraud within the Council, identifying key findings where arrangements could be strengthened. An action roadmap has been agreed which includes training and management of fraud risk. As part of our 2021/22 VFM work we will follow up the progress made in implementing these actions.

The Council has a range of officers who are responsible for ensuring and monitoring compliance with statutory standards, such as the Monitoring Officer and the Section 151 Officer who both sit on the Council's leadership team.

We have not identified any significant weaknesses with regard to the Council's arrangements for ensuring adherence to laws and regulations or ethical standards.

Budgetary control 2020/21

We have considered the Council's processes for monitoring the 2020/21 budget during what was a difficult year to accurately forecast costs and income due to the effects of the pandemic, periods of lockdown, and incremental announcements of government funding.

Quarterly budget monitoring reports include a detailed analysis of budget variances for the General Fund (GF) and the Housing Revenue Account (HRA). There is clear evidence that trends in expenditure are analysed and forecast to the year end. Although a detailed table of budget variances is included, we consider that reporting would be further strengthened if monitoring and outturn reports include a GF summary of budgets, net spend and variances at directorate level on a similar basis as to when the budget is set. This summary would aid an appreciation of the magnitude of budget variances against the original plan by directorate and we have made an improvement recommendation to reflect this.

While budget monitoring and outturn reports provide detailed information on budget variances, the reporting does not distinguish between recurring and non-recurring elements

relating to the pandemic or other non-Covid-19 related variances. It was not clear at outturn, within the context of an annual surplus of £0.3m, what the cost of the pandemic was to the Council and how this would impact future years. We have made an improvement recommendation that additional analysis should be provided in budget reports to distinguish between recurring and non-recurring variances that together make up the net revenue position. An example would be the on-going impact of the pandemic on future years.

The pandemic also had a significant impact on the delivery of the capital programme in 2020/21 with combined GF and HRA spend of £12.2m incurred against a gross budget of £24.4m. The largest GF capital schemes related to the Enterprise Zone with £2.9m spent together with slippage of £2.8m. Expenditure within the HRA included £4.7m on affordable housing and £2.0m on major repairs. The combined GF and HRA slippage of £12.2m was significant but spend on individual capital schemes is not reported in detail within the quarterly budget monitoring reports. Therefore this slippage was not formally reported until the year end. The outturn report confirms that capital scheme slippage will be reprofiled within the total approved budget, but the detailed scheme analysis does not distinguish between expenditure variances that are caused by slippage compared to those that are caused by scheme underspends.

We have made an improvement recommendation that the quarterly budget monitoring reports should include more detail regarding forecast slippage on a scheme by scheme basis and similarly the outturn report should identify where variances are attributed to slippage or true underspends. This will allow Members to better challenge the delivery of the capital programme and hold budget managers to account.

We have not identified any significant weaknesses with regard to the Council's arrangements for budget monitoring.

Improvement recommendations

Governance

1 Recommendation	The Council should continue its work in building better Member and officer relations to ensure that the progress made is not lost, seeking the support of external agencies such as the LGA to facilitate this process.
Why/impact	Good working relationships between Members and officers support effective governance, contribute to good staff morale, and have an impact on the reputation of the Council.
Summary findings	<p>The audit plan for 2020/21 identified a risk of significant weakness with regard to the findings of the March 2021 staff survey. The survey highlighted the change of political culture and deteriorating Member and officer relationships.</p> <p>From our review of the actions subsequently taken by the Council there is evidence that the issue has been taken seriously, actions have been implemented, and that the Council is making positive progress to remedy the situation.</p> <p>Continuing to develop effective working relationships should include implementing the actions identified from the LGA learning review which was undertaken after Council had to resolve an employment matter. The Personnel Committee considered the learning review in March 2022 and referred the various recommendations to officers and Committees as appropriate.</p>
Management comment	Agreed, as acknowledged positive progress has been made including utilising external support.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Governance

2 Recommendation The Council should review its position with regard to holding virtual consultative meetings.

Why/impact Restrictions relating to the pandemic have ended and holding physical meetings can facilitate open debate and public participation when decisions are made. Continuing to hold virtual meetings in these circumstances may be difficult to justify.

Summary findings The Council took the decision in July 2021 to extend virtual meetings. Meetings are still being held remotely as consultative meetings, with officers taking delegated decisions that reflect the Member discussion. The regulations that provided for remote decision-taking meetings expired in May 2021, but the Council satisfied itself that it had the legal powers to delegate decisions to officers through the provisions of the Local Government Act 1972.

Management comment Under regular review, next review will be Autumn 2022.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

3 Recommendation	Risks within the strategic risk register should be mapped to corporate priorities.
Why/impact	Mapping risk to corporate priorities will ensure that their impact on the Council Plan is understood and ensure that the risks identified on the strategic risk register are appropriate.
Summary findings	The Audit and Governance Committee is responsible for reviewing risk and considers the Council's risk registers twice a year. The operational and strategic risk registers include most of the features that we would expect to see, including risk description, RAG rated original and residual risk scores, control actions, responsible officers and supporting narrative. Risks are not mapped to corporate priorities.
Management comment	The Risk Policy will be updated for members consideration in 2022/23 and this will be incorporated for adoption.

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The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Governance

4 Recommendation	The progress made in implementing previous internal audit recommendations should be routinely reported for all high priority recommendations as part of the quarterly SWAP progress reports.
Why/impact	This will enable the Audit and Governance Committee to hold managers to account where actions to improve internal control have been agreed.
Summary findings	The progress made in implementing previous internal audit recommendations is reported to the Audit and Governance Committee when previous limited assurance opinion audits are followed up.
Management comment	This is being implemented in 2022/23.

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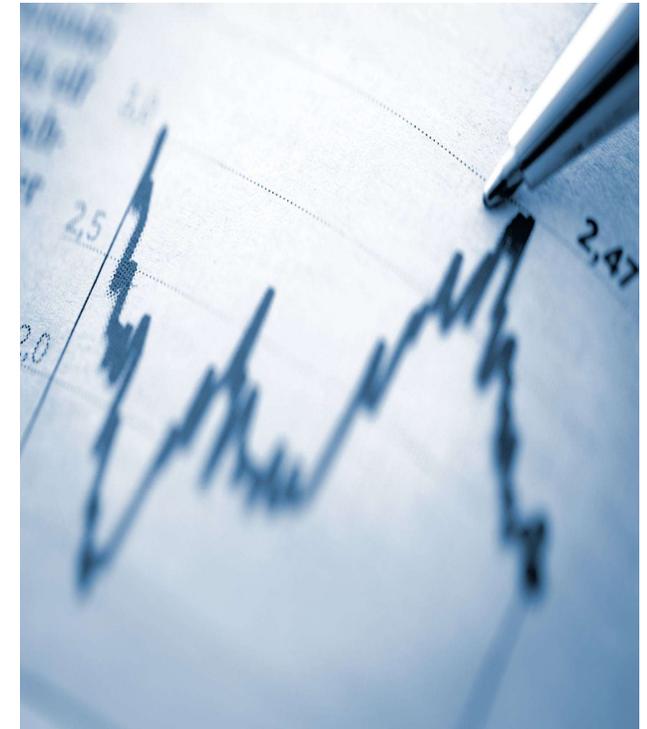
The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

5 Recommendation	The Council should ensure that it implements the recommendations agreed as a result of the partial assurance audit for information governance and data protection.
Why/impact	The Council should have robust controls in place for information governance in order to ensure the security of data, with data protection controls reflecting the new working practices that were accelerated by the pandemic.
Summary findings	Internal audit gave a partial assurance audit opinion for information governance and data protection in 2019/20. The audit follow up in 2020/21 found that the pandemic had delayed the implementation of some of the agreed recommendations relating to areas such as training, document disposal and the information asset register.
Management comment	As we recover from the Pandemic this will become a piece of focussed work in 2022/23.

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The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

6 Recommendation	The Council should review the allocation of Members to the Audit and Governance Committee in order to comply with best practice.
Why/impact	To ensure that there is effective and independent challenge, best practice is to ensure that the audit committee is independent of the executive function.
Summary findings	We note that during 2020/21 there were Cabinet Members who were also Members on the Audit and Governance Committee and that this practice continues to date. This does not reflect CIPFA best practice for good governance and effective audit committees.
Management comment	The Council is aware of this best practice advice.

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The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

7 Recommendation	The quarterly budget monitoring and outturn reports should include a General Fund Summary with budget, spend and variance at directorate level.
Why/impact	Reporting would be further strengthened if monitoring and outturn reports include a GF summary of budgets, net spend and variances at directorate level on a similar basis as to when the budget is set. This summary would aid an appreciation of the magnitude of budget variances against the original plan by directorate
Summary findings	Budget monitoring reports were submitted quarterly during the year to Cabinet, and include a detailed analysis of budget variances for the General Fund and the Housing Revenue Account. There is no overall summary of the GF position with budget, spend and variance at directorate level.
Management comment	This has been reflected in the 2021/22 Outturn position and will be incorporated in quarterly monitoring reports.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

8 Recommendation	Budget monitoring reports should distinguish between recurring and non-recurring variances that together make up the net revenue position. An example would be the on-going impact of the pandemic on future years.
Why/impact	It is not clear within the context of the annual surplus for 2020/21 of £0.3m, what the net cost of the pandemic was and how this would impact on future income and expenditure streams.
Summary findings	The budget monitoring and outturn reports provide detailed information on budget variances. The reporting did not distinguish between recurring and non-recurring elements relating to the pandemic or other non-Covid19 related variances. It was not clear at outturn what the cost of the pandemic was to the Council and how this would impact future years.
Management comment	This is included in the commentary but will be made clear in the tables presented in future reports.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Governance

9 Recommendation The quarterly capital budget monitoring reports should include more detail regarding forecast slippage on a scheme by scheme basis and similarly the outturn report should identify where variances are attributed to slippage or true underspends.

Why/impact Early identification of and explanation for capital programme slippage will allow Members to better challenge the delivery of the capital programme and hold budget managers to account.

Summary findings The pandemic had a significant impact on the delivery of the capital programme in 2020/21 with combined GF and HRA spend of £12.2m incurred against a gross budget of £24.4m. The combined GF and HRA slippage of £12.2m was significant. However, spend on individual capital schemes is not reported in detail within the quarterly budget monitoring reports and so this slippage was not formally reported until the year end. The outturn report confirms that capital scheme slippage will be reprofiled within the total approved budget, but the detailed scheme analysis does not distinguish between expenditure variances that are caused by slippage compared to those that are caused by scheme underspends.

Management comment This has been addressed in part in the Outturn report with scheme by scheme details but further details will be added on reason for variation (slippage or true underspend).



The range of recommendations that external auditors can make is explained in Appendix C.

Financial sustainability



We considered how the Council:

- responded to the financial challenges posed by the Covid-19 pandemic;
- identifies all the significant financial pressures it is facing and builds these into its plans;
- plans to bridge its funding gaps and identify achievable savings;
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning; and
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Outturn 2020/21

The 2020/21 General Fund (GF) outturn position was a £0.3m surplus against the £15.2m net budget. This outturn position reflects financial pressures associated with the pandemic including £1.1m in additional net subsidy paid to support the Council's leisure operator, a £0.9m reduction in car parking income and £0.5m in additional refuse and recycling service costs. The Council received significant financial support from the government to fund the costs of the pandemic, including £1.8m in general Covid-19 support grant and £0.7m in compensation for lost sales, fees and charges income.

Due to the favourable outturn position, the Council was able to make a £0.8m contribution to the Medium Term Financial Risk Reserve and maintain the GF balance at £3.8m. The outturn position provides evidence that the Council implemented adequate arrangements to monitor and manage the emerging financial impact throughout the financial year.

The Housing Revenue Account (HRA) achieved a £4.5m surplus for 2020/21 compared to a budgeted surplus of £0.9m. This increase was largely due to the impact of the pandemic on the delivery of programmed maintenance work which underspent by £2.9m for the year and will need to be re-profiled into future years.

The pandemic also had a significant impact on the delivery of the capital programme with combined GF and HRA spend of £12.2m incurred against a gross budget of £24.4m. Again, the budgeted works will need to be re-profiled to future years or re-assessed for their continued relevance given any potential changes to priorities or working arrangements.

Covid-19 arrangements

Covid-19 posed a significant financial challenge to the Council's financial sustainability and made financial forecasting difficult, with announcements of national lockdowns and additional tranches of government support allocated to councils at short notice. The financial implications of the pandemic were modelled and reported to Cabinet in July 2020. At this point an estimated gross deficit of £4.5m was identified as a result of increased support to leisure and reduced customer income from other services. After accounting for assumed government Covid-19 grant funding and service savings, a residual budget deficit of £1.0m was identified. Options to close this gap included additional service savings, the use of New Homes Bonus grant that was earmarked to fund the capital programme and the favourable 2019/20 outturn position.

Subsequent budget monitoring reported in October 2020 confirmed that emergency action to balance the budget was no longer considered necessary due to the additional government funding received and potential use of the GF balance which was in excess of the minimum prudent level. The position continued to be closely monitored throughout the financial year and reported quarterly to Cabinet. The final outturn position did not require a contribution from the GF balance and was helped through £1.2m of additional business rate income in comparison to the budgeted figure. As noted above in respect of the delivered outturn position, we considered that management's arrangements were appropriate and proportionate in respect of the impact of Covid-19 on the Council's financial sustainability, with initially forecast risks being identified early and ultimately offset in part by the award of additional Government funding and additional unbudgeted surpluses.

Budget 2021/22

The 2021/22 budget was set based on the funding announced in the local government finance settlement. This froze the Council's funding assessment at previous levels but introduced additional measures to support councils through their recovery from the pandemic, such as another tranche of general Covid-19 funding, additional sales, fees and charges (SFC) compensation grant, and a new one-off tranche of New Homes Bonus grant.

The 2021/22 budget recognised that the Council would receive £0.6m in general Covid-19 funding, additional SFC compensation grant based on income reductions in quarter one 2021/22, and £0.7m lower tier services grant. The Council took a prudent approach by holding these funding streams for allocation against future adverse impacts on the budget from the pandemic, rather than directly allocating them at the beginning of the financial year.

Funding within the budget also included a 3.41% or £5 increase in council tax in accordance with national referendum principles.

The 2021/22 budget is not reliant on achieving recurring savings from service reductions to balance the overall financial position and was prepared on the basis of continuing to provide existing levels of service. The 2021/22 Draft Budget Report, approved in January 2021, confirms the approach for balancing the forecast budget gap of £0.7m which includes additional carpark and service income and reduced agency staff costs.

The 2021/22 budget does not rely on the use of one-off reserves to balance the financial position. The approved budget includes a £0.1m contribution from earmarked reserves to fund expenditure relating to transformation, local plan and streetscene, but does not raise indications or concerns that the Council is planning the unsustainable use of reserves in order to bridge revenue funding gaps.

The design of the 2021/22 budget supports corporate priorities, allocating £0.3m to carbon reduction measures and addressing poverty through the financial resilience officer and funding of money advice to residents. The council tax support scheme supports residents on lower incomes, with the Council funding the £0.6m cost of the scheme. Funding to help progress the local plan and support economic development was also identified.

The Council produces a detailed budget book that sets out service budgets and the capital programme. The information provided includes the staffing establishment for each service and identifies the service as mandatory, discretionary or a support service. We consider that this is good practice and facilitates a better understanding of the budget, allowing for

greater challenge when making decisions on how to allocate resources in the future.

There is adequate engagement from Members during the budget setting process. The Budget Setting and Capital Allocations Panel review options for addressing budget gaps and make recommendations for the inclusion of bids in the capital programme. The Scrutiny Committee reviewed the draft Financial Plan 2021-2031 in December 2020, with the Overview Committee reviewing the same in November 2020. This was prior to their consideration of the detailed budget as a Joint Overview and Scrutiny Committee in January 2021. The Housing Review Board also considered the HRA budget in a timely manner. The comments from these Committees are reported to Cabinet before the approval of the final budget in February 2021.

The Joint Overview and Scrutiny Committee reviews the 2021/22 service plans alongside the budget, recommending to Cabinet that they are adopted or recommending adjustments to the plans as appropriate. This ensures that the budget, service plans and Council Plan are aligned and not considered in isolation to one-another.

As a result of our work we have found no evidence of significant weaknesses in the Council's budget setting arrangements. The Council adopts reasonable assumptions during the annual budget setting process.

Medium term financial plan (MTFP)

Review of the Council's MTFP indicates that financial planning is based on realistic assumptions, although annual settlements and the delay of the fair funding review and business rate reset have made financial planning more difficult for all local government entities. The MTFP includes assumptions around key areas such as New Homes Bonus grant, business rate income, council tax increases, fees and charges, pay increases and borrowing costs as we would expect it to.

The Financial Plan 2021 – 2031 approved in October 2020 models a £1.6m of reduction to business rate income in 2022/23, reflecting the anticipated reforms to local government funding and the business rates reset. New Homes Bonus funding is forecast to reduce to zero in 2023/24 once the final legacy payment is received.

Medium term financial planning provides for inflation of approximately £0.6m per annum, with the Financial Plan 2021-2031 including a sensitivity analysis of the financial impact of a 0.5% - 1% change to inflation assumptions. The Financial Plan does not however set out all of the inflation assumptions for individual elements of cost, for example utilities, contracts,

supplies or income. We have made an improvement recommendation that the Financial Plan should set out these assumptions to further inform Members of the basis on which the budget is set and to aid understanding of the sensitivity analysis.

The Council keeps its financial plans under review and Members are kept informed throughout the budget process. Cabinet received a report on the financial implications of Covid-19 in July 2020 which included an update to the MTFP. A further detailed MTFP update was provided in October 2020 as part of the Financial Plan 2021 – 2031. The period of the MTFP is 2021/22 to 2030/31, with a total annual budget shortfall of £5.7m identified by the end of the period if no action is taken. The majority of the budget gap is modelled in the first years of the MTFP and reflects reductions in funding due to the business rates reset and cessation of New Homes Bonus funding as outlined previously.

The budget gaps identified in the October 2020 MTFP for the period 2021/22 to 2023/24 are set out in the table below. The total gap identified over the three year period is £4.9m, with changes to government funding accounting for £3.1m of this total.

Cumulative budget gaps identified in the October 2020 MTFP

Year	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Annual budget gap	0.694	3.010	1.243	4.947

The approach adopted by the Council to balance the budget gap identified in the MTFP reflects the uncertainty of when the local government funding reforms will happen and what the financial impact will be. The Council plan to address the underlying service cost deficit of £1.8m to 2023/24 through various strategies that include the identification of recurring efficiencies, digitalisation and a review of leisure services. The Council will also consider plans on how to achieve the £3.1m of savings that relate to funding reform, but will put them on hold until the timing and extent of funding reductions are clear. This will protect services from potentially unnecessary reductions until there is more clarity on the level of savings needed. The implementation of the funding reforms has since been delayed further and is not now expected until 2023/24 at the earliest.

The risk associated with this approach is mitigated by the Council through the Medium Term Financial Risk Reserve. This reserve has had funds allocated to it through the 2019/20 and 2020/21 favourable outturn positions, and maintained a £2.8m balance as at 31 March 2021. This is available should there be sudden and significant reductions in government funding and will give the Council time to match the revenue budget to resources.

Maximising income from commercialisation has been a key theme to the Council's medium term financial planning. The Council acquired a commercial property in 2019/20 through its Commercial Investment Framework. This property is now leased to the Council's leisure operator and provided a rental income of £0.2m for 2020/21. The Council originally planned further commercial property investments of £7.0m, but these plans are currently on hold and the Commercial Investment Framework is under review.

Commercial investment by local authorities has been under increasing scrutiny from HM Treasury and CIPFA. The Public Works Loan Board (PWLB) introduced new lending terms in November 2020 which support borrowing for Council functions, including housing and regeneration. Councils cannot access PWLB funding if they have investments purely for yield in their 3-year capital programmes. CIPFA, through the revised Prudential Code published in December 2021, have confirmed that commercial investments funded from borrowing are not regarded as prudent activity for Councils to undertake. Going forward if the Council considers further commercial property investment they will need to ensure that they are not investing in assets purely for yield in order to ensure compliance with the Prudential Code and hence maintain access to PWLB funds.

The Council also looks to generate income through making services more commercial, investing in a commercialisation officer post as part of the 2020/21 budget. The Home Safeguard service is a key example of this strategy, providing gross income of £0.8m to the Council in 2020/21.

We note that the 2021/22 budget did not rely on service reductions to balance the financial position. Currently any savings that are included in the budget, for example the pay award assumption for 2021/22, are monitored as part of the overall tracking of the GF budget. In the context of no service reductions for 2021/22 there was no consultation carried out with residents, although a businesses consultation was undertaken.

We have made an improvement recommendation that as the Council considers ways to

bridge the underlying £3.1m MTFP gap that relates to reductions in government funding, it should ensure that the progress made in securing these savings is separately reported to Members. Monitoring should include any in-year savings required to balance the position but also future year savings that will balance the MTFP. The Council should also ensure that it undertakes sufficient consultation with relevant external stakeholders in order to inform the decision making process for resource allocation.

We have found no evidence of significant weakness in the Council's financial planning arrangements. Improvement recommendations have been identified to further strengthen arrangements, including monitoring the delivery of savings and ensuring adequate consultation to inform future decision making.

Capital strategy and treasury management

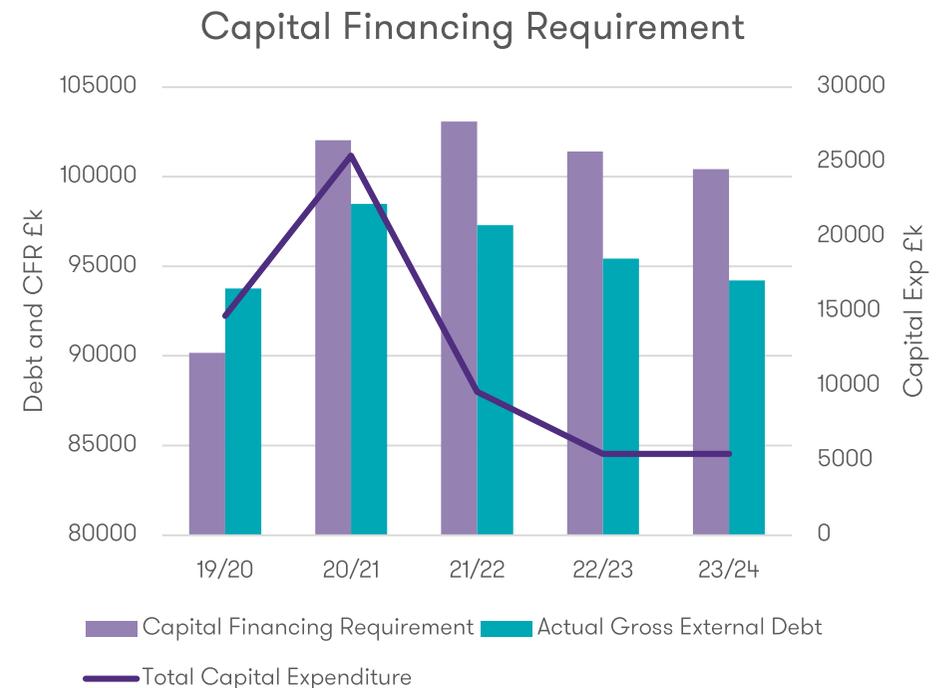
The Council approved the Capital Programme, Capital Strategy and Treasury Management Strategy during February 2021. These documents set out the Council's capital expenditure, capital financing and borrowing projections.

The Council approved a combined GF and HRA gross capital programme of £9.6m for 2021/22, of which £4.7m relates to the GF and £4.9m to the HRA. The Treasury Management Strategy sets out the forecast capital financing plans for the Council's capital expenditure for the period 2019/20 to 2023/24. The Capital Financing Requirement (CFR) is expected to increase from £90.2m in 2019/20 to £102.0m in 2020/21. This increase of £11.9m reflects forecast expenditure to be met from borrowing and mainly relates to GF expenditure. This includes borrowing relating to the Enterprise Zone which will be funded from ring fenced increases in business rate income. Other than this forecast step increase to the GF element of the CFR in 2020/21, the CFR is not forecast to change significantly for the remainder of the period to 2023/24 as additional capital expenditure is forecast to be funded from grants, reserves and capital receipts.

It is noted that due to capital programme slippage, the actual CFR as at 31 March 2021 was lower than forecast at £92.6m. The reprofiling of capital expenditure to future years will result in the CFR increasing as the spend is incurred.

Against the CFR the Council is forecast to maintain an under borrowed position from 2020/21 in accordance with the Treasury Management Strategy. This is a prudent approach, where the Council's internal cash balances are utilised rather than additional borrowing, while

investment returns remain low and counterparty risk exists. The graph below summarises the Council's forecasts for the CFR within the Treasury Management Strategy.



There is evidence that the Council forecasts the revenue costs of major capital investments within its medium term financial planning. The MTFP models increases to loan repayments and interest cost from £0.48m in 2020/21 to £0.58m in 2023/24, after which they remain at £0.6m to 2030/31. The Financial Plan 2021-2031 includes the expected stepped costs for recycling and refuse collection relating to development at Cranbrook.

The Council undertook daily cash flow monitoring during 2020/21. Despite the impact of the pandemic creating cost pressures and reducing income, the Council did not experience any liquidity issues during the year. The Annual Treasury Review report confirms a modest decrease in total borrowing for the year from £93.8m at 31 March 2020 to £92.8m at 31 March 2021. Over the same period total investments increased from £55.0m to £59.4m.

We note that the Treasury Strategy, Mid Year Review and Annual Review reports do not consistently include all of the detailed information that we would expect to be reported, although the information is sometimes available elsewhere. The Treasury Management Strategy does not include the budget for Minimum Revenue Provision (MRP), investment income or interest payable. The Annual Review report does not compare performance to budget for these areas. The Treasury Mid Year Review reports investment returns compared to the budget but does not report interest payable or MRP against the budget. The MRP statement does not contain the actual forecast MRP payments or the policy relating to capital loans.

We recognise that the quarterly and outturn budget monitoring reports do include variances to interest cost and income as part of the detailed list of GF variances, and the GF budget report sets out the budget for interest receipts and PWLB interest and principal payments.

We have made an improvement recommendation that the key reports relating to setting the treasury strategy and monitoring performance against it should consistently include the performance against the budget for MRP, interest payable and interest receivable. They should also be reported in a timely manner to Cabinet. The Mid Year Treasury Review 2020/21 was reported to Cabinet in February 2021 and the Annual Treasury Review 2020/21 was reported in November 2021. We consider this to be too late to provide meaningful monitoring of performance during the year.

We reported in the Audit Findings Report 2020/21 that the Council are not charging MRP against the £4.1m of capital loans that have been made in support of various service priorities such as the Exeter Science Park and for leisure. In our view prudent MRP must be determined with respect to the Council's total capital financing requirement, including capital loans. The government has consulted on revisions to the Local Authorities (Capital Finance and Accounting) Regulations 2003 and proposes to clarify that MRP provision has to be made for capital loans. We have made an improvement recommendation that the

Council should ensure that it complies with the revised 2003 Regulations when they are published.

We have found no evidence of significant weakness in the Council's capital and treasury arrangements. The Council should ensure it complies with the revised Local Authorities (Capital Finance and Accounting) Regulations 2003 once they are published by providing for MRP on capital loans and we have raised improvement recommendations.

Reserves and risk mitigation

The Council holds unallocated GF balances that are maintained to mitigate the impact of unforeseen budget variances. The prudent range for unallocated GF reserves was confirmed as £3.0m-£3.8m during the budget setting process. This calculation is based on 10% of the net budget for two years, with £0.8m added to determine the maximum amount. While this calculation is in accordance with the CIPFA benchmark for prudent levels of GF balances, we have made an improvement recommendation that the Council should consider a risk based calculation. This would ensure that the level of GF balances the Council maintains reflects, and is sufficient to mitigate, the specific budget risks that the Council is exposed to.

As at 31 March 2021 the Council held GF balances of £3.8m and so were maintaining reserves at the upper limit of its range.

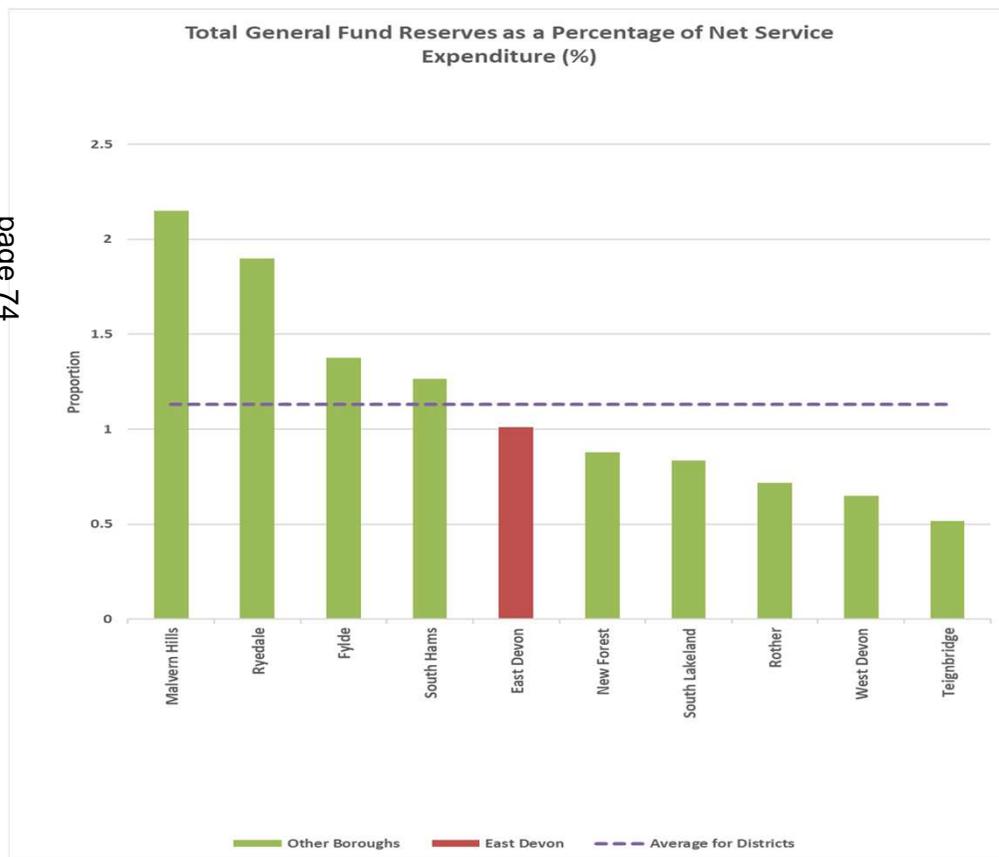
The Council also holds earmarked revenue reserves, which increased from £10.4m at 1 April 2020 to £20.9m as at 31 March 2021. Within this balance are reserves which are also available to mitigate the financial risk that the Council faces. These include:

- business rate volatility reserve £8.3m (including £7.6m Section 31 grant held to fund the deficit relating to 20/21 which will be allocated over the next three financial years in accordance with nationally prescribed treatment);
- medium term financial risk reserve £2.8m;
- transformation reserve £1.3m; and
- asset maintenance reserve £0.9m.

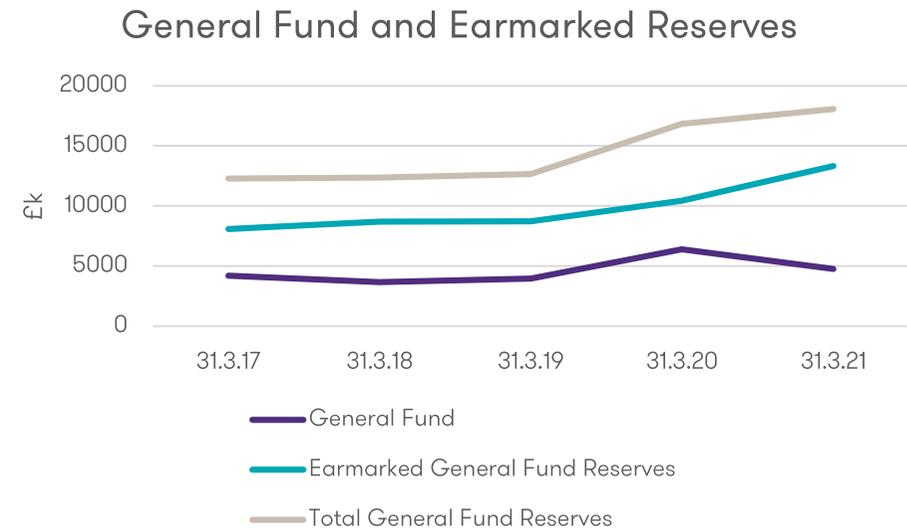
The graph overleaf demonstrates that the Council is not an outlier when compared to nine "nearest neighbours", based on council type and population served, for the total level of

unallocated and earmarked revenue reserves in proportion to net service spend. The Council's reserves represent 101.1% of net service spend compared to an average of 113.0%. The data is derived from the 2019/20 financial statements because 2020/21 includes the significant Section 31 Collection Fund grants thus making comparisons difficult.

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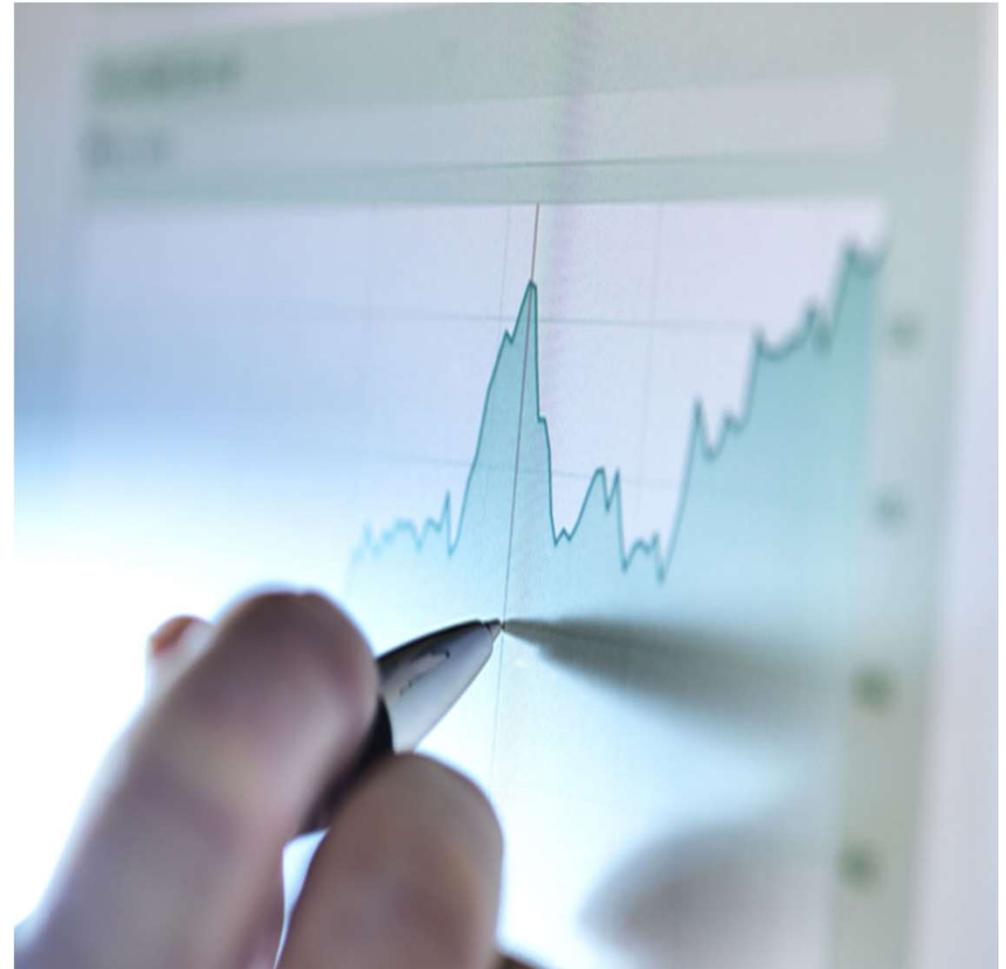
Analysis of the Council's total earmarked and unallocated revenue reserves over the last five years shows that they have increased from £12.3m in 2016/17 to £18.0m in 2020/21 as demonstrated in the graph below. To aid consistency, the £7.6m Section 31 grant that the Council holds as at 31 March 2021 to fund the Collection Fund deficit has been removed. The position reflects that reported in the annual financial statements, before the decision to allocate £0.8m from the GF balance to the Medium Term Financial Risk Reserve was approved.



There is no evidence that the Council is using reserves to support balancing the financial position over the medium term. The 2021/22 and 2022/23 budgets did not rely on the use of the GF reserves to balance the position, and the MTFP models only modest contributions of reserves in future years to fund election costs. Increases to useable reserves over the preceding financial years provides evidence of adequate arrangements in respect of financial planning and sustainability.

We have found no evidence of significant weakness with regard to the Council's reserves strategy and mitigation of risk. The Council should continue to review the level of reserves it holds in order to ensure that they are adequate to mitigate financial risk, and that the Council can respond to unforeseen budget variances without impacting on its ability to deliver corporate priorities. We have made an improvement recommendation that the Council should consider a risk based calculation for the recommended level of GF balances.

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Improvement recommendations

Financial sustainability

10 Recommendation	The Council should include the actual inflation assumptions used in financial planning within the Financial Plan report, as well as the monetary amounts.
Why/impact	The Financial Plan report should set out these assumptions to further inform Members of the basis on which the budget is set and to aid understanding of the sensitivity analysis.
Summary findings	Medium term financial planning provides for inflation of approximately £0.6m per annum and the Financial Plan 2021-2031 includes a sensitivity analysis of the financial impact of a 0.5% - 1% change to inflation assumptions. The Financial Plan does not however set out all of the inflation assumptions for individual elements of cost, for example utilities, contracts, supplies or income, although the monetary amounts are provided.
Management comment	This was included in the MTFP model but was excluded from the committee papers presentation to members in error.

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The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Financial sustainability

11 Recommendation	<p>As the Council considers ways to bridge the £3.1m underlying MTFP gap that relates to reductions in government funding it should:</p> <ul style="list-style-type: none"> ensure that the progress made in securing these savings is separately reported to Members, including any in-year savings required to balance the position and also future year savings that will balance the MTFP; ensure that it undertakes sufficient consultation with relevant external stakeholders in order to inform the decision making process for resource allocation.
Why/impact	<p>Balancing the budget to address the underlying gap arising from government funding reductions will require careful and close monitoring to ensure savings delivery is on track. Decisions on resource allocation should be informed by stakeholder engagement.</p>
Summary findings	<p>We note that the 2021/22 budget did not rely on service reductions to balance the financial position. Currently any savings that are included in the budget, for example the pay award assumption for 2021/22, are monitored as part of the overall tracking of the General Fund budget. In the context of no service reductions for 2021/22 there was no consultation carried out with residents.</p>
Management comment	<p>Agreed</p>



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Financial sustainability

12 Recommendation	The key reports relating to setting the treasury strategy and monitoring performance against it should consistently include performance against the budget for MRP, interest payable and interest receivable. They should also be reported in a timely manner to Cabinet.
Why/impact	Treasury reporting should include the budget, and measure performance against the budget where applicable, in order to provide for a full understanding of the Council's treasury activity and an understanding of the risks that the Council is exposed to. Reporting should be on a timely basis to allow for meaningful monitoring of performance.
Summary findings	<p>The Treasury Strategy, Mid Year Review and Annual Review reports do not consistently include all of the detailed information that we would expect to be reported, although the information is sometimes available elsewhere. The Treasury Management Strategy does not include the budget for MRP, investment income or interest payable and the Annual Review does not review performance against budget for these areas. The Treasury Mid Year Review reports investment returns compared to the budget but does not report interest payable or MRP against the budget. The MRP statement does not contain the actual forecast MRP payments.</p> <p>Treasury monitoring should be reported in a timely manner to Cabinet. The Mid Year Treasury Review 2020/21 was reported to Cabinet in February 2021 and the Annual Treasury Review 2020/21 was reported in November 2021.</p>
Management comment	This will be picked up now for 2023/24 strategy.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Financial sustainability

13 Recommendation The Council should ensure that it complies with the revised 2003 Regulations when they are published by providing prudent MRP provision on capital loans made to support service priorities. The Council's policy for providing MRP on capital loans should be included in the MRP Statement.

Why/impact The proposed revisions to the 2003 Regulations will clarify that MRP should be provided on capital loans.

Summary findings We reported in the Audit Findings Report 2020/21 that the Council are not charging minimum revenue provision against the £4.1m of capital loans that have been made in support of various service priorities such as the Exeter Science Park and leisure. In our view prudent MRP must be determined with respect to the Council's total capital financing requirement including capital loans. The government has consulted on revisions to the Local Authorities (Capital Finance and Accounting) Regulations 2003 and proposes to clarify that MRP provision has to be made for capital loans.

The MRP statement does not contain the Council's policy relating to capital loans.

Management comment Agreed.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Financial sustainability

14 Recommendation	The Council should consider a risk based approach to the assessment of the minimum prudent level of General Fund balances.
Why/impact	A risk based assessment of the prudent level of GF balances would ensure that the level of balances the Council maintains reflects, and is sufficient to mitigate, the specific budget risks that the Council is exposed to.
Summary findings	The Council holds unallocated GF balances that are maintained to mitigate the impact of unforeseen budget variances. The prudent range for unallocated GF reserves was confirmed as £3.0m-£3.8m as part of the budget setting process. This calculation is based on 10% of the net budget for two years, with £0.8m added to determine the maximum amount. While this calculation is in accordance with the CIPFA benchmark for prudent levels of GF balances, we recommend that the Council should consider a risk based calculation.
Management comment	The proposal is to increase the General Fund Balance based on key risks identified through a review – report to Cabinet 13/7/22.



The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness



We considered how the Council:

- responded to the changes required as a result of Covid-19;
- uses financial and performance information to assess performance to identify areas for improvement;
- evaluates the services it provides to assess performance and identify areas for improvement;
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve; and
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Performance management

The Scrutiny Committee receive quarterly performance monitoring reports. The covering report includes a RAG-rated dashboard for performance that is on track, which is at variance to target, or where there are concerns. An appendix contains the detailed indicators which are RAG-rated for performance by quarter, direction of travel from the previous year, responsible officer and supporting narrative. Performance indicators are grouped by Council priority. The performance monitoring reports contain the features of best practice that we would expect to see.

At the same time as the draft budget is developed, draft service plans are prepared for Member consideration. The January 2021 Joint Overview and Scrutiny Committee considered the 2021/22 service plans for each area, recommending to Cabinet that they be adopted. The Housing Review Board considers the housing service plan. Service plans include key achievements in 2020/21 which are mapped to the relevant Council Plan priority, and service objectives for 2021/22. Objectives for 2021/22 include the resource required, the lead officer and target dates. Performance indicators are defined for what will be measured, where it will be reported, the corporate priority it relates to and the responsible officer.

While the pandemic and increased workloads impacted performance in some areas, such as the number of days taken to process new housing benefit claims and the number of households in temporary accommodation, performance in other areas was on or above target. The performance for the number of affordable homes delivered, percentage of household waste recycled and determination of minor planning applications was all above target. The percentage of Council Tax collected at 98.7% represents good performance considering the impact of the pandemic on residents.

The Council does not have a data quality policy. We recommend that the Council considers the need for a data quality policy to ensure that the data used for performance monitoring is timely, complete, reliable and consistent.

Our review of the Council's arrangements for managing performance has not identified any significant areas of weakness.

Benchmarking

Benchmarking is an effective tool that enables an organisation to compare and analyse its performance with others. It can provide a basis for collaboration and identify areas for improvement.

We have identified that the Council does undertake performance benchmarking for some service areas. The Council uses Housemark, the national benchmarking tool for housing services, the results of which are reported to the Housing Review Board. The Resource and Waste Management Strategy, which was approved in January 2021, includes benchmarking of the carbon impact of Devon's waste services. A further example of benchmarking is the Covid-19 Economic Response and Recovery update report considered in October 2020. The report includes economic modelling commissioned by the County Council to understand the impact of the pandemic on the local economy and workforce.

There is however no corporate-wide approach to benchmarking services with other organisations to analyse performance.

The benchmarking that we undertook using our management tool 'CFO Insights' compared the unit costs for a range of services and identified areas where the unit costs were very high in comparison to other district councils. These are summarised in the graph opposite have been discussed with the finance team. The Council is aware of high service costs in relation to leisure facilities, bed and breakfast accommodation and public conveniences and these areas are already subject to review.

While the charts opposite are only able to provide an indication of where costs are high, we consider that the Council should be routinely benchmarking service costs in order to identify areas where efficiencies could be achieved. Formal corporate benchmarking of service costs can be used to inform future budget rounds and service redesign.

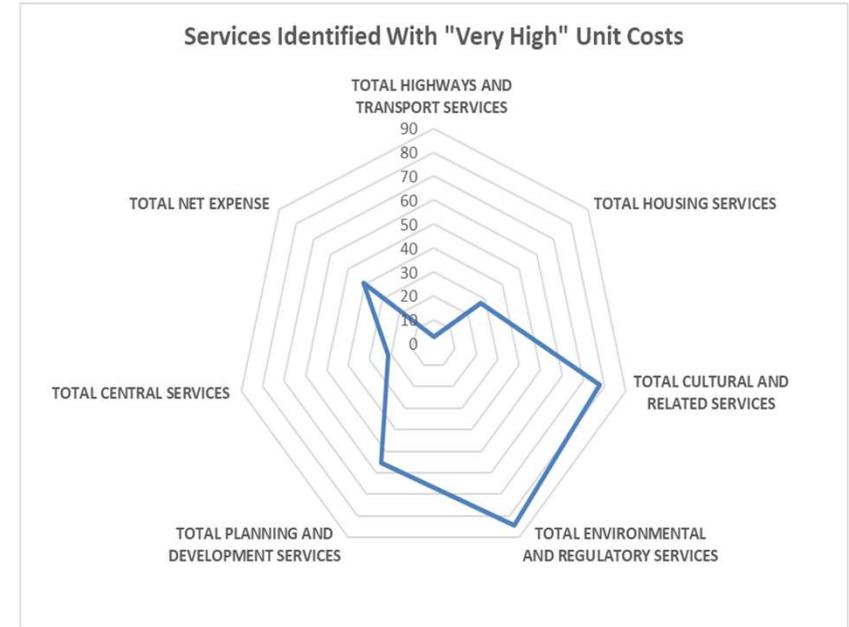
We have made an improvement recommendation that the Council should develop a corporate benchmarking approach to routinely compare performance, to identify areas for improvement and inform the allocation of resources.

The Council undertook an LGA Peer Review in 2019, and has since made progress in some key areas such as developing relationships, approving a new Council Plan and the continual review of the Council's financial position. Other workstreams are in progress such as a review of the Commercial Investment Framework and Governance Working Group.

We have made an improvement recommendation that the Council should consider arranging for a follow-up visit from the LGA to review the progress made and identify areas for further focus. The Council should ensure that it uses the results of third party reviews and inspections to enable it to learn and to continually improve the effectiveness of the services it provides.

On the spider chart a rank of 50 represents the group median. The group in this case is all district councils. If a measure is closer to the outside of the chart it would be classed as 'very high cost', whereas if the line is closer to zero, then it would be classed as 'very low cost' in comparison to the group.

The data is based on the 2020/21 Revenue Outturn submissions to the government.



Significant partnerships and contracts

The Council works with a variety of partners to deliver corporate objectives and priorities for the local area. There are many examples of strategies developed at partnership level being translated into actions for the Council to deliver, and evidence that partnership work is overseen by the Council.

The Council is in partnership with Exeter City Council and Teignbridge District Council to deliver IT services through a jointly-owned company, Strata Service Solutions Limited. The Strata Joint Executive meets regularly to consider Director reports, budget and performance monitoring and to approve business plans. The minutes for these meetings are noted by Cabinet. The partnership has delivered significant savings since 2015, with additional savings delivered in 2020/21 above the business plan target in order to support the partners during the pandemic.

Cabinet approved the draft Resource and Waste Management Strategy for Devon and Torbay in January 2021. The strategy was developed by the Devon Authorities Strategic Waste Committee and includes key targets relating to achieving net zero carbon, increasing recycling and reducing waste.

Team Devon, a partnership comprising representatives from business, education and local authorities, launched the Covid-19 Economy and Business Recovery Prospectus in July 2020. This sets out the vision for Devon's economic recovery and forms the basis for lobbying the government for additional funding. The work of the partnership was reported during the year to Cabinet as part of the Covid-19 economic response updates.

The Council has good arrangements in place to manage and monitor partnerships. The Partnership Policy defines what a partnership is and provides guidance on working in partnership, as well as reviewing and reporting partnership work. The Council maintains a partnership register which is reviewed annually by the Audit and Governance Committee. The annual review of partnerships confirms the budget implications, achievements for the year, forward plan and benefits of continued involvement for each active partnership.

Arrangements are also in place to monitor key contracts that the Council relies on to support service delivery.

The Recycling and Waste Partnership Board meets quarterly and comprises Members,

officers and representatives from Suez, the Council's contractor. The Board monitors current developments such as government consultations and their impact on service delivery, as well as receiving operational updates and performance reports. The minutes from these meetings are noted by Cabinet. The Council approved additional payments to Suez during the year as reimbursement for additional costs incurred in delivering services as a result of the pandemic. Service delivery was not significantly impacted.

During 2020/21 the Council set up the LED Leisure Monitoring Forum to review individual facility costs and monitor service provision. The minutes from these meetings are also noted by Cabinet. During the year the Council approved additional subsidy payments to LED Leisure to reimburse losses incurred during the pandemic and ensure that leisure services could continue to be provided. This was a key challenge for all local authorities with responsible for leisure provision and we have not identified any significant weaknesses in arrangements.

The Housing Review Board monitors the Integrated Asset Management Contract that provides repairs and void management for housing stock. Monitoring seeks to ensure the financial benefits of the contract are achieved and performance is on target. An action plan has been agreed and is being implemented to address identified performance issues, with an independent evaluation undertaken by external consultants.

Our work has not identified any areas of significant weakness regarding how the Council works with its strategic partners.

Procurement

The Council utilises the Devon County Council Procurement Services through a service level agreement. We note that the Council's Procurement Strategy 2012-16 is out of date and that work is progressing to draft a new Strategy. The development of the Strategy was delayed by Brexit and then the pandemic, with the Council following best practice as advised by Devon County Procurement Services in the interim.

We have made an improvement recommendation that the Council should approve a new Procurement Strategy and ensure that this is regularly reviewed so that it remains up to date. An up to date Procurement Strategy ensures that procurement activity is aligned to corporate priorities, complies with legislation, and promotes value for money.

Improvement recommendations



Improving economy, efficiency and effectiveness

15 Recommendation	The Council should consider the need for a data quality policy.
Why/impact	Data quality policies ensure that the data used for performance monitoring is timely, complete, reliable and consistent.
Summary findings	The Council does not have a data quality policy.
Management comment	This is being considered in partnership with Exeter City Council and Teignbridge District Council with the help of Strata. A draft strategy is currently being discussed.

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The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

16 Recommendation	The Council should be routinely benchmarking service costs in order to identify areas where efficiencies could be achieved.
Why/impact	Benchmarking is an effective tool that enables an organisation to compare and analyse its performance with others. It can provide a basis for collaboration and identify areas for improvement. Formal corporate benchmarking of service costs can be used to inform future budget rounds and service redesign.
Summary findings	We have identified that the Council does undertake performance benchmarking for some service areas. There is however no corporate wide approach to benchmarking services with other organisations to analyse performance.
Management comment	Agree. This is currently being considered as part of the Council's performance management data it is pulling together in PowerBI Dashboards.

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The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

17 Recommendation	The Council should consider arranging for a Peer Review follow-up visit from the LGA to review the progress made since 2019 and identify areas for further focus.
Why/impact	The Council should ensure that it uses the results of third party reviews and inspections to enable it to learn and to continually improve the effectiveness of the services it provides.
Summary findings	The Council undertook an LGA Peer Review in 2019, and has since made progress in some key areas such as developing relationships, approving a new Council Plan and the continual review of the Council's financial position. Other workstreams are in progress such as a review of the Commercial Investment Framework and Governance Review working group.
Management comment	The Council has been in regular dialogue with the LGA during the 2020/21 year and the timing of a new Peer Review has been discussed. The Council has been focussed on the work referred to in recommendation 1, and also the development of a more comprehensive member training programme. In discussion with the LGA our initial focus will be the proposed IIP re-accreditation scheduled for February 2023 as it is considered that this process will assess the impact of the pandemic on the organisation, the actions the Council has taken regarding recruitment and retention as well as the information obtained from staff surveys and the actions agreed. The results of the IIP re-accreditation, combined with the election of a new Council in 2023 and the impact of a more comprehensive member training programme will help the Council prepare for a new Peer Review which is likely to be in the winter of 2023 or early 2024.

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The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

18 Recommendation The Council should approve a new Procurement Strategy and ensure that this is regularly reviewed so that it remains up to date.

Why/impact An up to date Procurement Strategy ensures that procurement activity is aligned to corporate priorities, complies with legislation, and promotes value for money.

Summary findings The Council utilises the Devon County Council Procurement Services. We note that the Council's Procurement Strategy is out of date and that work is progressing to draft a new strategy.

Management comment A new procurement strategy will be presented to members in 2022/23 for consideration and intended adoption.



The range of recommendations that external auditors can make is explained in Appendix C.

Opinion on the financial statements



Audit opinion on the financial statements

We have yet to give our audit opinion of the 2020/21 financial statements due to a national issue surrounding the accounting for infrastructure assets.

Audit Findings Report

We have reported findings to date and more detail can be found in our Audit Findings Report, which was published and reported to the Council's Audit & Governance Committee in March 2022.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

These instructions have yet to be issued and as such we cannot complete this work or formally certify the closure of our audit.

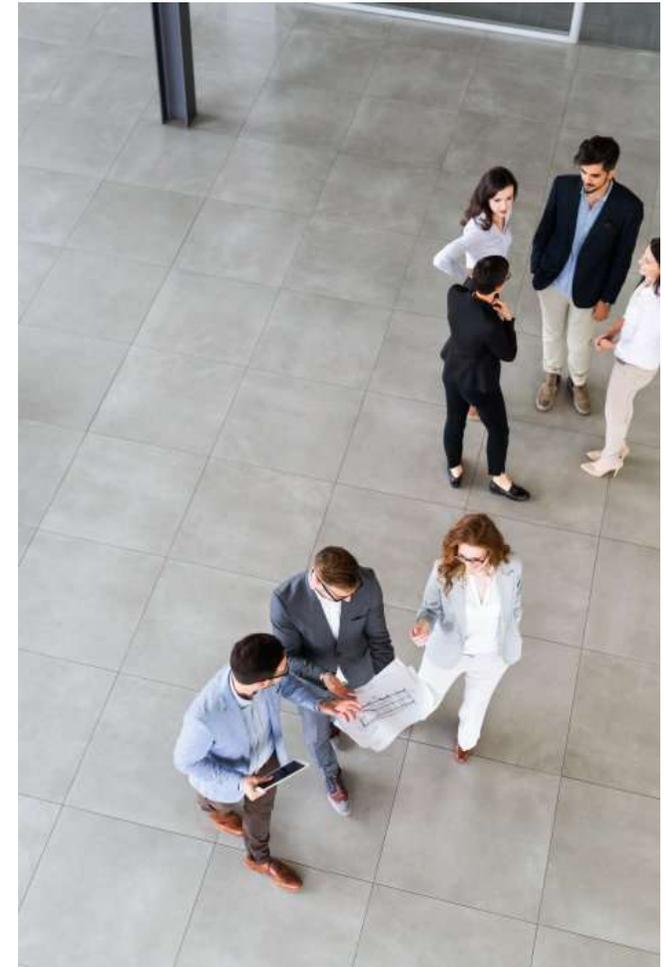
Preparation of the accounts

The revised deadline for approving the draft statement of accounts in accordance with the Accounts and Audit (Amendment) Regulations 2021 was 31 July 2021.

We did not receive the Council's draft accounts until 1 November 2021. We recognise that as a District, the Council has a relatively small finance department and that the pandemic created additional demands on finance officers. As the Council returns to business as usual it should produce the accounts in accordance with the statutory deadline.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair;
- Prepared in accordance with relevant accounting standards; and
- Prepared in accordance with relevant UK legislation.



Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B - Risks of significant weaknesses - our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
Governance was identified as a potential significant weakness at the planning stage, specifically in relation to the results of the staff survey, see pages 6 to 18 for more details.	The Council's response to the staff survey has been reviewed.	No significant weaknesses identified	Appropriate arrangements in place, nine improvement recommendations raised.
Financial sustainability was not identified as a potential significant weakness at the planning stage, see pages 19 to 30 for more details.	No additional procedures undertaken.	No significant weaknesses identified	Appropriate arrangements in place, five improvement recommendations raised.
Improving economy, efficiency and effectiveness was not identified as a potential significant weakness, see pages 31 to 37 for more details	No additional procedures undertaken	No significant weaknesses identified	Appropriate arrangements in place, four improvement recommendations raised.

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Appendix C - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Pages 10 – 18 Pages 26 – 30 Pages 34 – 37

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Appendix D – Use of formal auditor’s powers

We bring the following matters to your attention:

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We have not issued any statutory recommendations.

Public interest report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We have not issued a public interest report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We have not made an application to the Courts.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We have not issued any advisory notices.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We have not applied for a judicial review.



Report to: Audit and Governance Committee



Date of Meeting 28 July 2022

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Update to Contract Standing Orders

Report summary:

Linked to this document is an updated version of the Council's Contract Standing Orders for the Committee to consider and if in agreement to recommend adoption by Council.

Government is introducing new procurement legislation, Transforming Public Procurement /the Procurement Bill, but it is not expected to be in place until mid-2023. Contract Standing Orders will be amended to incorporate this legislation once enacted, but in the meantime an interim update is required to reflect the UK having left the EU and the transition period having ended.

The attached Contract Standing Orders has had reference to EU procedures and thresholds removed and references now to UK Public Procurement Thresholds and the requirement to follow these. Until new legislation is brought in these changes remain very similar and implications for services is not significant. Minor wording amendments have been made to the document and additional referencing included to support the monitoring of contracts once implemented.

Is the proposed decision in accordance with:

Budget Yes No

Policy Framework Yes No

Recommendation:

That the Committee recommend to Council that the attached version of Contract Standing Orders is adopted

Reason for recommendation:

To keep the document in line with current legation and requirements

Officer: Simon Davey, Strategic Lead Finance, sdavey@eastdevon.gov.uk

Portfolio(s) (check which apply):

- Climate Action and Emergency Response
- Coast, Country and Environment
- Council and Corporate Co-ordination
- Democracy, Transparency and Communications
- Economy and Assets
- Finance
- Strategic Planning
- Sustainable Homes and Communities

Tourism, Sports, Leisure and Culture

Equalities impact Low Impact

No significant change to current practices

Climate change Low Impact

Risk: Low Risk;

Links to background information Contract Standing Orders for adoption July 2022

Link to [Council Plan](#)

Priorities (check which apply)

Better homes and communities for all

A greener East Devon

A resilient economy

Financial implications:

No financial implications identified

Legal implications:

The legal issues are covered in the report.



**East Devon
District Council**

Contract Standing Orders

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DEFINITIONS APPENDIX

A BRIEF GUIDE TO CONTRACT STANDING ORDERS

These Contract Standing Orders, or Rules, are intended to promote good procurement practice, public accountability, commercial enterprise and deter corruption. Following the Rules is the best defence against allegations that a purchase has been made incorrectly or fraudulently.

They are issued in accordance with section 135 of the 1972 Local Government Act; s123 of the Local Government Act 1972; the Public Procurement Regulations 2015 and in the case of commercial enterprise the Localism Act 2011.

Officers responsible for purchasing or disposal **must comply** with these procedures. These procedures lay down **minimum requirements** for the purchase and disposal of goods and services.

Officers must;

- Follow these Rules whenever they purchase goods, services, or building works.
- Take Legal, Financial, Procurement and professional advice from the respective services.
- Declare any personal financial interest in a contract.
- Be minded that Bribery has a very wide interpretation and is a criminal offence.
- Conduct a Most Economic Advantageous Tender (“MEAT”) review and appraise the purchasing/disposal need in accordance with the legislative provisions and obtain Value for Money for the public finance.
- Consider whether there is an existing corporate contract or framework agreement that would satisfy MEAT requirements which you can make use of, before undergoing a competitive process.
- Identify a contract manager with responsibility for ensuring the contract delivers as intended.
- Ensure there is authority to enter into a contract and ensure you complete a written contract or Council order before supply or works begin.
- Keep records of dealings with suppliers.
- Assess and monitor each contract after completion to understand how well it met the purchasing need and quality of delivery requirements, including Value for Money.

Failure to comply with these Contract Standing Orders may lead to disciplinary action.

The Section 151 Officer may propose amendments from time to time to these Contract Standing Orders after consultation with Legal Services. Proposed amendments will then be submitted to the Audit and Governance Committee, with a recommendation from that Committee to Council for approval, if appropriate.

Contract Standing Orders should be read in full, however to aid quick reference key aspects have been drawn out by way of summary below.

Summary of Requirements for the Competitive Process and Contract Completion

Where the Total Value for a contract is within the values in the first column below, the competition and awarding requirements are then as specified. The Cabinet has the power to authorise exemptions from the requirement to seek quotations or invite tenders for specific projects where they are below the Public Procurement Threshold.

All ICT system developments and purchases of computer equipment or software must be approved and purchased through Strata Services Solutions Ltd

Total Value (excl. VAT)	Competition Requirements (see Rule 8.1)	Short listing (See Rule 8.1)	Method of Completion (see Rule 16.2)	Completion Authorised by (See Rule 16.2)
Up to £5,000	Quotation to be obtained in writing from a minimum of one supplier.	Authorised Officer	Electronic order or by signature	Authorised Officer / Budget Manager
£5,001 – £50,000	Quotations to be obtained in writing from a minimum of three suppliers ¹ who have responded to a written tender specification by a defined deadline. Quotations to be formally evaluated. Electronic procurement portal to be used for all quotations above £10,000.	Authorised Officer and Budget Manager	Electronic order or by signature	Budget Manager
£50,001 – £100,000			Electronic order, by signature or under seal (as advised by Legal Services)	
£100,001 – Public Procurement Threshold	Formal tenders to be obtained from a minimum of four suppliers ¹ , who have responded to a written tender specification by a defined deadline. Tenders to be formally evaluated. Electronic procurement portal to be used for all tendering at this level	Budget Manager and Service/Strategic Lead in consultation with Procurement Support	By signature or under seal (as advised by Legal Services)	Budget Manager (in consultation with Service / Strategic Lead)
Above Public Procurement Threshold	The Public Procurement (EU) tender procedures to be used, electronic procurement portal to be used for all Public Procurement (EU) tendering.	Budget Manager in consultation with Procurement Support and Legal Services	Legal Services to advise on form of contract and whether by signature or under seal	Service/ Strategic Lead
Use of collaborative contracting arrangements ²	Purchases using such arrangements are deemed to comply with these Standing Orders. ³	Budget Manager / Strategic or Service Lead in consultation with Procurement Support and Legal Services	Legal Services to advise on form of contract and whether by signature or under seal	Service/ Strategic Lead

¹ Officers to use reasonable endeavours to ensure minimum responses achieved

² e.g. Crown Commercial Services, Devon and Cornwall Procurement Partnership

³ Officers must ensure any arrangements to be used for purchases above the Public Procurement threshold, have been properly established and follow the Public Contract Regulations 2015.

SECTION 1: SCOPE OF CONTRACT STANDING ORDERS

1. BASIC PRINCIPLES

All purchasing procedures must:

- Look to find the Most Economic Advantageous Tender for public money spent in order to achieve Value for Money;
- Be consistent with the highest standards of integrity of Members and Officers, having regard to the Council's Anti Fraud, Theft and Corruption Policy, the Anti-Bribery Policy, and the Office of Fair Trading guidance on Anti-Competitive Behaviour;
- Ensure Open, Transparent and Fair procedures are followed in allocating public contracts;
- Comply with all legal and financial requirements;
- Ensure that only commercial considerations influence any contracting decision in matters pursuant to the Localism Act 2011;
- Support and comply with the Council's Plan, Priorities, and Policies.

2. RESPONSIBILITIES

2.1 **Officers**

2.1.1 Officers responsible for purchasing or disposal must comply with these Contract Standing Orders, Financial Regulations, the Employee Code of Conduct and with all UK legal requirements. Officers must ensure that any agents, consultants and contractual partners acting on their behalf also comply.

2.1.2 Officers must:

- Have regard to the Council's purchasing and contract guidance – details held on the intranet (Procurement pages);
- Ensure that the appropriate approved budgetary provision is in place;
- Ensure appropriate authority is in place prior to purchase being completed;
- Check whether a suitable corporate contract exists before seeking to let another contract; where a suitable corporate contract exists, this must be used unless there is an auditable reason not to – discuss with Procurement Support if unclear;
- Keep the records required by Rule 7;
- Take all necessary procurement, legal, financial, procurement and other professional advice as appropriate.

2.1.3 When any employee either of the authority or of a service provider may be affected by any transfer arrangement, Officers must ensure that the Transfer of Undertaking (Protection of Employment) (TUPE) Regulations 2006 are considered and obtain advice from HR and Legal Services before proceeding with inviting tenders or quotations.

2.2 **Members**

2.2.1 Members considering purchasing or disposal must comply with these Contract Standing Orders, Financial Regulations, the Member Code of Conduct and with all legal binding requirements. Members must promote and maintain high standards of conduct as a representative of the local constituency.

2.2.2 Members must;

- pursue to the best of their ability the seven Nolan principles of; Selflessness, Integrity, Objectivity, Accountability, openness, honesty and leadership.
- Register their pecuniary interests and disclose the same when appropriate
- disclose any personal interests when appropriate
- act in accordance with the Members Code of Conduct

2.3 ***If it comes to the knowledge of an elected Member or an employee of the authority that a contract in which he or she has a pecuniary interest (whether directly or indirectly) has been or is proposed to be entered into by the Council, he or she shall immediately give written notice to the Monitoring Officer.***

3. **EXEMPTIONS from seeking quotations or tenders**

3.1 The Council and its Cabinet have the power to authorise exemptions from the requirement to seek quotations or invite tenders for specific projects if the Public Procurement Threshold has not been reached.

3.2 Where an exemption is necessary because of an unforeseeable emergency or appropriate business reasons (**e.g. Life or Death, Increased Costs/Loss of Income, Limited Markets, or Reputation**) the procuring Officer, with the approval of their Service Lead or Strategic Lead, the S151 officer and the Strategic Lead (Governance and Licensing), may jointly approve the exemption and record as such on the Contract Standing Orders Exemption Form.

Where the Contract sum is £20,001 or above then the use of the exemption must be reported by the Officer, to the next meeting of the Cabinet for them to note their support for the action taken.

NOTE: If prior approval is being sought from Cabinet then a Contract Exemption Form is not required.

Terms are defined as:

Life or Death – Is there a significant chance that the life or health of officers, members or the public will be put at real risk?

Increased Costs/Loss of Income – Will the Council incur significant avoidable costs or lose significant income (significant shall be taken to mean material in the sense that it is either material to the project, the service or the Council)?

Limited Markets – Would the Council be wasting its time obtaining quotations as supply of the product or service is demonstrably restricted to one or few businesses (or an approved list if it is recommended by Central Government which evidences that the market has been tested)?

Reputation – Would the Council be criticised for failing to act promptly or for acting in a certain way?

3.3 **No exemption can be used if the Public Procurement Threshold is exceeded.**

3.4 No exemption is necessary for any purchase below the Public Procurement Threshold where;

- a local authority purchasing consortium is used e.g. Devon Procurement Services

or Eastern Shires Purchasing Organisation (ESPO), or

- any contracts entered into through collaboration with other local authorities or other public bodies, where a competitive process has been followed that complies with the Contract Standing Orders of the leading organisation

3.5 The Contract Standing Orders Exemption form is available on the Council's intranet. All exemptions, and the reasons for them, must be recorded. Exemptions shall be completed as above and a register maintained by S151 Officer.

4. RELEVANT CONTRACTS

4.1 These Contract Standing Orders apply to any arrangement made by, or on behalf of, the authority for the carrying out of works or for the supply of goods, materials or services (a 'Relevant Contract'). These include arrangements for:

- The supply or disposal of goods (see also Financial Regulations);
- The hire, rental or lease of goods or equipment;
- The delivery of services, including (but not limited to) those related to:
 - the recruitment of staff
 - financial and consultancy services

4.2 Relevant Contracts do not include:

- Contracts of employment which make an individual a direct employee of the authority; or
- Agreements regarding the acquisition, disposal, or transfer of land (for which Financial Regulations and other legal duties shall apply); or
- Section 151 Officer dealing in the money market or obtaining finance for the Council.
- Urgent legal advice or support

SECTION 2: REQUIREMENTS FOR ALL CONTRACTS

5. STEPS PRIOR TO PURCHASE

5.1 **Prior to expenditure the Officer must confirm that there is an approved budget and authority for the purchase.**

The Officer must appraise the purchase, or seek suitable advice in a manner commensurate with its complexity, value and associated risk profile, taking into account any purchasing guidance, by:

- Appraising the need for the expenditure and its priority.
 - Defining the objectives of the purchase, and the required product specification.
 - Assessing and documenting the risks associated with the purchase and how to manage them.
 - A business case must be prepared for all procurements with a potential value over the Public Procurement Threshold. Provision for resources for the management of the contract, for its entirety, must be identified in the business case.
 - Considering what procurement method is most likely to achieve the purchasing objectives, including internal or external sourcing, partnering, collaborative procurement arrangements with another local authority, government department, statutory undertaker or public service purchasing consortium.
 - Consulting users as appropriate about the proposed procurement method, contract standards and performance and user satisfaction monitoring.
 - Consider (and where appropriate draft) the terms and conditions that are to apply to the proposed contract.
 - For Service contracts above the Public Procurement Threshold, the Officer must consider the requirements of the Social Value Act 2012. Here, the Officer must consider:
 - (a) how what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area, and
 - (b) how, in conducting the process of procurement, the Officer may act with a view to securing that improvement.
- www.legislation.gov.uk/ukpga/2012/3/enacted)

6. ADVERTISING AND FRAMEWORK AGREEMENTS

6.1 **Identifying and Assessing Potential Suppliers**

6.1.1 For all contracts above the Public Procurement Threshold, a Find a Tender Service advertisement must be published via the electronic procurement portal and the Public Procurement Procedure followed.

6.1.2 For contracts below the Public Procurement Threshold, Officers shall consider the most appropriate advertising strategy. Officers should consider whether proposed contracts might be of interest to potential suppliers located in other GPA member states, and take this into account in the advertising strategy for the contract. Examples of where advertisements for procurements may be placed include:

- The Council's e-tendering website: 'Supplying the South West Procurement Portal'
- Domestic websites, newspapers or journals
- Government Contracts Finder (automatically populated via the SW Procurement Portal for contracts above £100,000)
- Find a Tender Service.

6.1.3 Officers are responsible for ensuring that all suppliers for a relevant contract are suitably assessed. The assessment process shall establish that the potential suppliers have the requisite:

- Technical ability to deliver the contract
- Capacity to deliver the contract
- Economic and financial standing
- And meet all relevant qualifying criteria

in order to fulfill the requirements of the authority.

6.1.4 It is acceptable to use purchasing consortiums / collaborative arrangements or a Framework Agreement in lieu of conducting an above the public procurement threshold exercise where the Authority has been named and the Public Contracts Regulations 2015 were followed in establishing the consortium or framework. Similarly such arrangements can be used in lieu of the requirements of these Rules for below public procurement threshold contracts provided competitive arrangements were used in establishing them. It is the Officers responsibility to check whether this requirement is satisfied.

6.2 Approved Lists

Approved Lists will not be maintained by EDDC due to the administration involved and the need to ensure that competition is maximised.

Suppliers interested in doing business with the Council must register online as a prospective EDDC supplier via the Supplying the South West Procurement Portal.

A register of pre-qualified contractors and consultants maintained by or on behalf of central government or other parties (e.g. Constructionline, Exor, Quidos, Achilles) will not normally be deemed to be an Approved List for the purpose of these Contract Standing Orders.

6.3 Framework Agreements

6.3.1 The duration of a Framework Agreement must not exceed four years, as per the Public Contracts Regulations 2015.

6.3.2 Contracts may be awarded under Framework Agreements by either:

i Applying the terms laid down in the Framework Agreement without reopening competition (where such terms are sufficiently precise to cover the particular call-off),

or:

ii where the terms laid down in the Framework Agreement are not precise enough or complete for the particular call off, by holding a mini competition in accordance with the following procedure:

- Inviting the organisations within the Framework Agreement that are capable of executing the subject of the contract to submit written Tenders (via mini competition)
- Fixing a time limit of a sufficient period to enable Tenders for each specific contract

to be submitted, taking into account factors such as the complexity of the subject matter of the contract.

- Awarding each contract to the tenderer which has submitted the best Tender on the basis of the award criteria set out in the specifications of the underlying Framework Agreement.

7. RECORD KEEPING

7.1 Where the Total Value is less than £100,000 the following records must be kept:

- Invitations to quote and quotations received (where e-tendering is used, the Archive record of the e-tendering system will suffice).
- Written records of communications with the successful contractor or an electronic record if a written record of the transaction would not normally be produced.
- Any exemption obtained under Rules 3 and the reasons for it.
- If the lowest price is not accepted, the reasons why.
- The contract documentation.

7.2 Where the Total Value exceeds £100,000 the following records must be kept:

- The method for obtaining bids (see Rule 8.1).
- Any exemption obtained under Rule 3 together with the reasons for it.
- The award criteria in descending order of importance.
- Tender documents sent to and received from suppliers.
- Pre-tender market research.
- Clarification and post-tender negotiation (to include minutes of meetings).
- Legal advice.
- Any Contracting Decision and the reasons for it.
- The contract documentation.
- Post-contract evaluation and monitoring.
- Communications with suppliers and with the successful contractor throughout the period of the contract.
- Where relevant, all documentation relating to above public procurement threshold procurement not covered above (e.g. the FTS notice)

7.3 Records must be kept for six years (12 years if completed under Seal) after the end of the contract. However, written documents which relate to unsuccessful suppliers may be electronically scanned or stored by some other suitable method after 12 months from award of contract, provided there is no dispute about the award.

7.4 Legal Services must be provided with the original of all contracts completed by signature or under seal for secure storage if they do not already hold them.

SECTION 3: CONDUCTING PURCHASE AND DISPOSAL

8 COMPETITION REQUIREMENTS FOR PURCHASE, DISPOSAL AND PARTNERSHIP ARRANGEMENTS

The Officer must calculate the **Total Value** (excluding VAT) for the period of the contract. This should include the total lifetime value where possible.

The following procedures apply where there are no other procedures which take precedence. Other procedures may include agency agreements with Government. If

in doubt, Officers must seek the advice of Procurement Support or Legal Services.

8.1 Requirements for the Competitive Process

8.1.1 Where the Total Value for a contract is within the values in the first column below, the competition requirements in the second column must be followed. Short listing shall be done as per the roles specified in the third column.

Total Value (excl. VAT)	Competition Requirements	Short listing
Up to £5,000	Quotation to be obtained in writing from a minimum of one supplier.	Authorised Officer
£5,001 – £100,000	Quotations to be obtained in writing from a minimum of three suppliers ⁴ who have responded to a written tender specification by a defined deadline. Quotations to be formally evaluated. Electronic procurement portal to be used for all contracts above £10,000.	Authorised Officer and Budget Manager
£100,001 – Public Procurement Threshold	Formal tenders to be obtained from a minimum of four suppliers ⁴ , who have responded to a written tender specification by a defined deadline. Tenders to be formally evaluated. Electronic procurement portal to be used for all tendering at this level.	Budget Manager and Service/Strategic Lead in consultation with Procurement Support
Above Public Procurement Threshold	Public Procurement Procedures to be used, electronic portal to be used for all tendering.	Strategic / Service Lead in consultation with Procurement Support and Legal Services
Use of collaborative contracting arrangements See Rule 6.1.4	Purchases made via collaborative contracting arrangements (e.g. Crown Commercial Services, Devon and Cornwall Procurement Partnership) are deemed to comply with these Standing Orders. Officers must ensure any arrangements to be used for purchases above Public procurement (EU) threshold, have been properly established. <i>Procurement Support should be consulted prior to commencing any procurement process using collaborative contracts.</i> <i>The terms and conditions of contract applicable to any collaborative contract, including the requirement to undertake competition between providers, must be fully complied with.</i>	Same as requirements above

All ICT system developments and purchases of computer equipment or software must

⁴ Officers to use reasonable endeavours to ensure minimum responses achieved

be approved and purchased through Strata Services Solutions Ltd

For legislation pertinent to contracts see link to Public Contract Regulations 2015:
http://www.legislation.gov.uk/ukxi/2015/102/pdfs/ukxi_20150102_en.pdf

- 8.1.2 Where it can be demonstrated that there are insufficient suitably qualified suppliers to meet the competition requirement, all suitably qualified suppliers must be invited.
- 8.1.3 There must be no attempt to artificially disaggregate any contract requirement to avoid the or these Contract Standing Orders. However within the procurement process, officers should consider assigning the component parts of a properly advertised contract into smaller Lots, to support accessibility for SME's.
- 8.1.4 Where an above Public Procurement Threshold procedure is required, the Officer shall also consult Procurement Support as appropriate, to agree the method of conducting the purchase.

8.2 Assets for Disposal

- 8.2.1 Assets for disposal must be sent to public auction except where better overall Value for Money (including staff administrative costs) is likely to be obtained by inviting quotations and tenders. (These may be invited by advertising on the Council's internet site). In the latter event, the method of disposal of surplus or obsolete stocks / stores or assets (other than land) must be formally agreed as required by Financial Regulations and the Scheme of Delegation.

8.3 Contracts to Provide Services to External Purchasers

- 8.3.1 Legal Services must be consulted where contracts to work for organisations other than the authority are contemplated.

8.4 Collaborative and Partnership Arrangements

- 8.4.1. Collaborative and partnership arrangements are subject to UK procurement legislation and must follow these Contract Standing Orders (although see Rule 6.1.4). If in doubt, officers must seek the advice of Legal Services and / or Procurement Support. However, arrangements to share staff with other public bodies may not require a formal procurement process and Legal Services should be consulted.

8.5 The Appointment of Consultants to Provide Services

- 8.5.1 The appointment of Consultants (such as architects, engineers, surveyors and other professionals) who are directly providing services to East Devon District Council as the client shall be selected and commissions awarded in accordance with the procedures detailed within these contract standing orders and as outlined at Rule 8.1.1 and 16.
- 8.5.2 The engagement of a Consultant shall follow the agreement of a brief that adequately describes the scope of the services to be provided and shall be subject to completion of a formal letter or contract of appointment to be in a form agreed by Legal Services.
- 8.5.3 Records of Consultants appointments shall be maintained in accordance with Rule 7, and be readily accessible by Procurement and Audit.
- 8.5.4 Consultants shall be required to provide evidence of, and maintain professional indemnity insurance policy for the duration of the respective agreement unless the Strategic Lead (Finance) is prepared to accept the uninsured risk as being "Low" but

in any event indemnity must be held for the duration of the respective agreement and for a minimum term of 3 years thereafter where the Councils Legal Services team deem the risk to be "Medium" or higher.

9 PRE-TENDER MARKET RESEARCH AND CONSULTATION

9.1 The Officer responsible for the purchase may, prior to the issue of the Invitation to Tender or Quote, consult potential suppliers in general terms about the nature, level and standard of the supply, contract packaging and other relevant matters, provided this does not prejudice any potential Supplier. The Officer must not seek or accept technical advice on the preparation of an Invitation to Tender or Quote from anyone who may have a commercial interest in them, if this may prejudice the equal treatment of all potential Suppliers or distort competition. If in any doubt, the Officer should seek advice from Legal Services.

10. STANDARDS AND AWARD CRITERIA

10.1 The Officer must ascertain what are the relevant European, British or international standards which apply to the subject matter of the contract. The Officer must include those standards which are necessary to properly describe the required quality, and invite open to equal or equivalents. This includes sustainability standards. Legal Services and Procurement Support must be consulted if it is proposed to use standards other than European standards.

10.2 The Officer must define and document award criteria that are appropriate for the purchase and relevant to the matter at hand. Award criteria should be designed to secure an outcome giving 'Value for Money' for the authority, before quotations and tenders are sought. The basic criteria shall be:

- 'Most economically advantageous', where considerations of overall value apply, or :
- 'Lowest price to specification' where payment is to be made by the authority when the award criteria is price alone and the specifications are clear, or:
- 'Highest price' if payment is to be received

If the first criterion is adopted, it must be further defined by reference to sub-criteria which may refer only to relevant considerations. These may include price, service quality, product quality, running costs, technical merit, delivery, cost effectiveness, relevant environmental considerations, implementation planning, decommissioning considerations, aesthetic and functional characteristics (including security and control features), safety (which is likely to be a pass / fail criteria), after-sales services, technical assistance and any other relevant project specific considerations.

10.3 Award criteria must not include:

- Non-commercial considerations
- Matters which discriminate against suppliers, irrespective of size, from the European Economic Area or signatories to the Government Procurement Agreement.

11 INVITATIONS TO TENDER/QUOTATIONS

11.1 All Invitations to Tender or Quote must specify the goods, service or works that are required, together with the terms and conditions of contract that will apply (Rule 16).

11.2 The Invitation to Tender or Quote must state;

- 11.2.1 that the Council is not bound to accept any Quotation or Tender, either as a whole or in part,
- 11.2.2 that Tenders / Quotes are submitted to the Council on the basis that they are compiled at the tenderer or quoter's expense,
- 11.2.3 that no Tender or Quote will be considered unless it is received by the date, time and manner stipulated in the Invitation to Tender or Quote. No Tender or Quote delivered in contravention of this clause shall be considered.
- 11.4 In addition all Invitations to Tender shall include the following:
- (a) A specification that describes the Council's requirements in sufficient detail to enable the submission of competitive and comparable offers.
 - (b) A requirement for tenderers to declare that the Tender content, price or any other figure or particulars concerning the Tender have not been disclosed by the tenderer to any other party (except where such a disclosure is made in confidence for a necessary purpose).
 - (c) A requirement for tenderers to complete fully and sign all Tender documents including a form of Tender and certificates relating to canvassing and non-collusion.
 - (d) A description of the award procedure and, unless defined in a prior advertisement, a definition of the award criteria in objective terms and ideally in descending order of importance.
 - (e) All contracts above £10,000 must be undertaken using the Council's e-tendering system. If by exception, hard copy Tenders are used, there must be notification that no Tender will be considered unless it is enclosed in a sealed envelope or container which bears the word 'Tender' followed by the subject to which it relates.
 - (f) The method by which any arithmetical errors discovered in the submitted Tenders is to be dealt with. In particular, whether the overall price prevails over the rates in the Tender or vice versa.
- 11.5 All Suppliers invited to Tender or Quote must be issued with the same information at the same time and subject to the same conditions. Any supplementary information must be given on the same basis, and any pre-tender questions and answers must be shared (anonymously) with all tenderers.

12. SHORTLISTING

- 12.1 Any Shortlisting must be in line with the financial and technical standards relevant to the contract and the shortlisting criteria. Special rules apply in respect of the above public procurement threshold procedure and Legal / or Procurement Services should be consulted.
- 12.2 Evaluation criteria (which may include a scoring system for larger value or complex tenders) must be transparent and any sub-criteria specified. Shortlisting records must be kept and held for the period specified in the Council's Document Retention Policy.
- 12.3 The officers responsible for shortlisting are specified in Rule 8.1.1.

13. SUBMISSION, RECEIPT AND OPENING OF TENDERS/QUOTATIONS

13.1 Suppliers must be given an adequate period in which to prepare and submit a proper Quotation or Tender, consistent with the complexity of the contract requirement. Normally at least four weeks should be allowed for submission of Tenders. The Public Contracts Regulations lays down specific time periods, please consult Procurement Support.

13.2 All Tenders and Quotations above £10,000 must be submitted electronically, through the Council's approved and secure electronic tendering system, with controlled opening and independent registration. Staff will have the relevant training to use Procurement Portal.

13.3 Where Electronic Tenders are not used:

13.3.1 The Officer must not disclose the names of potential Suppliers to any staff involved in the receipt, custody or opening of Tenders. Democratic Services shall be responsible for the safekeeping custody of Quotations / Tenders until the appointed time of opening.

Each Tender must be:

- Suitably recorded so as to subsequently verify the date and precise time it was received
- Adequately protected immediately on receipt to guard against amendment of its contents
- Recorded immediately on opening the Tender Register.

13.3.2 The Democratic Services team must ensure that all Tenders are opened at the same time when the period for their submission has ended. An Officer representing the Strategic or Service Lead in question must be present.

13.3.3 Upon opening, a summary of the main terms of each Tender (i.e. significant issues that are unique to each Tender submission and were not stated in the Invitation to Tender documents such as tender sum) must be recorded in the Tender Register. The summary must be signed by all present.

14. CLARIFICATION PROCEDURES

14.1 Clarification of an Invitation to Quote / Tender with potential or actual Suppliers or seeking clarification of a Tender should be in writing, email or if using the Supplying the South West Procurement Portal via the question function. In doing so, Officers must be mindful to maintain equal treatment of all tenderers in the clarification process. Discussions with tenderers after submission of a Tender and before the award of a contract with a view to obtaining adjustments in price, delivery or content (i.e. post Tender negotiations) is not permitted.

15. EVALUATION, AWARD OF CONTRACT, AND DEBRIEFING OF TENDERERS

15.1 Subject to the disclosures required under law, and apart from the debriefing required or permitted by these Contract Standing Orders, the confidentiality of Quotations, Tenders and the identity of Suppliers must be preserved at all times and information about one Supplier's response must not be given to another Supplier. Formal debriefing must be provided to the extent required in law, particularly in relation to

contracts above the relevant public procurement threshold. A standstill procedure must be observed prior to award of contract as stated in the Public Contracts Regulations 2015, and is discretionary for below public procurement threshold contracts.

- 15.2 Contracts must be evaluated and awarded in accordance with the published award criteria. During this process, Officers shall ensure that submitted Tender prices are compared with any pre-tender estimates and that any discrepancies are examined and satisfactorily resolved.
- 15.3 The arithmetic in compliant Tenders must be checked. If arithmetical errors are found those may need to be clarified and advice should be sought from Procurement Support in respect of how this should be done.
- 15.4 Officers may accept Quotations and Tenders received in respect of proposed contracts, provided they have been sought and evaluated fully in accordance with these Contract Standing Orders. Awarding of contracts that are expected to exceed the approved budget sum shall be referred back to Cabinet subject to consultation with the Strategic Lead (Finance).
- 15.5 Where the **Total Value** is over £100,000, the Officer must notify all Suppliers simultaneously and as soon as possible of the intention to award the contract to the successful Supplier and include the reasons why for unsuccessful bidders. The Officer must provide unsuccessful Suppliers with a period of at least ten days in which to review / or challenge the decision if they wish to before the Officer awards the contract.

If the decision is challenged by an unsuccessful Supplier then the Officer shall not award the contract without first seeking the advice of Legal Services. The Officer shall debrief in writing all those Suppliers which submitted a bid about the characteristics and relative advantages of the leading bidder. No information, other than the following, should be given without taking the advice of Legal Services:

- How the award criteria were applied.
- The prices or range of prices submitted, in either case not correlated to suppliers' names.
- The name of the successful tenderer(s)
- The scores of the successful tenderer(s), and the reasons for those scores.
- The scores of the unsuccessful tenderer being debriefed, and the reasons for those scores
- The relative advantages of the successful Tender, above the unsuccessful tenderer being debriefed

The debriefing process should only be carried out in writing.

SECTION 4: LEGAL FORMALITIES

16. CONTRACT DOCUMENTS

16.1 Relevant Contracts

16.1.1 The formal advice of Legal Services must be sought for all Relevant Contracts where any of the following apply:

- Appointment of Consultants (see Rule 8.5); or

- Where the total contract value exceeds £50,000; or
- Those involving leasing arrangements; or
- Where it is proposed to use a supplier's own terms; or
- Contracts to carry out work for other organisations; or
- Those that are complex, High Profile or High Risk in any other way.

16.1.2 The Council's order form or standard terms and conditions must be used wherever possible. Notwithstanding, all Relevant Contracts above £50,000 shall be in writing in a form approved by Legal Services. If any doubt exists, refer to the advice of Legal Services.

16.1.3 All Relevant Contracts, irrespective of value, shall clearly specify:

- What is to be supplied (i.e. the works, materials, services, matters or things to be furnished, had or done).
- The provisions for payment (i.e. the price to be paid and when).
- The time, or times, within which the contract is to be performed.
- The provisions for the Council to terminate the contract.
- Anti bribery / corruption clauses

16.1.4 In addition, every Relevant Contract above £50,000 must also state clearly as a minimum:

- That the contractor may not assign or sub-contract without prior written consent.
- Any insurance requirements.
- Health and safety requirements.
- Ombudsman requirements.
- Data protection requirements, if relevant.
- That charter standards are to be met if relevant.
- The Council's requirements concerning Equality, detailed in EDDC's Equality Policy
- Freedom of Information Act requirements.
- Anti bribery / corruption clause
- Where agents are used to let contracts, the agents must comply with the Council's Contract Standing Orders.
- A right of access to relevant documentation and records of the contractor.
- The use of penalty clauses for non or unacceptable performance e.g. quality issues, late delivery. This will be aided by the inclusion of Key Performance Indicators within the contract.

16.2 Contract Formalities

16.2.1 Agreements shall be completed as follows:

Contract Value	Method of Completion	Completion by
Up to £5,000	Electronic order or by signature	Authorised Officer / Budget Manager
Between £5,001 to £50,000	Electronic order or by signature	Budget Manager
Between £50,001 to £100,000	Electronic order, by signature or under seal (as advised by Legal Services)	Budget Manager
Above £100,001 or if any of para 16.1.1 applies	By signature or under seal (as advised by Legal	Service/Strategic Lead if by signature and by

	Services)	Authorised Signatory if under seal
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16.2.2 The Officer responsible for securing signature of the contract must ensure that the person signing for the other contracting party has authority to bind it.

16.3 Sealing

16.3.1 Where appropriate, contracts are completed by each side adding their formal seal. The fixing of the Council's seal must be witnessed by an Authorised Signatory – Legal Services can advise on this process.

16.3.2 Every Council sealing will be consecutively numbered, recorded and signed by the person witnessing the seal. The seal must not be affixed except in accordance with the Council's Constitution.

16.3.3 A contract must be sealed where:

- The Council may wish to enforce the contract more than six years after its end
- The price paid or received under the contract is a nominal price and does not reflect the value of the goods or services, or
- There is any doubt about the authority of the person signing for the other contracting party.

16.4 Records

16.4.1 All contracts that are completed by way of signature, irrespective of the contract sum, the Officer responsible for securing a signature must provide Legal Services with the original copy for secure storage. An electronic copy must be held on file.

16.4.2 All contracts completed under seal must be kept by Legal Services for secure storage. An electronic copy must be held on file.

17. BONDS AND PARENT COMPANY GUARANTEES

17.1 The Officer must consult the Strategic Lead (Finance) about whether a Parent Company Guarantee is necessary when a supplier is a subsidiary of a parent company and:

- The total value exceeds £100,000, or
- Award is based on evaluation of the parent company, if there is some concern about the stability of the supplier.

17.2 The Officer must consult the Strategic Lead (Finance) whether a Bond is needed

- Where the total value exceeds £1,000,000, or
- Where a Parent Company Guarantee is not available if there is no parent company
- Where it is proposed to make stage or other payments in advance of receiving the whole of the contract and there is concern about the stability of the Supplier i.e. following a formal risk assessment

18. PREVENTION OF CORRUPTION, AND ANTI COMPETITIVE BEHAVIOUR

18.1 Prevention of Corruption

- 18.1.1 The Officer needs to be aware of the Bribery Act 2010 which introduces general offences of offering or receiving bribes, a specific offence of bribing a foreign public official, and the new corporate offence of failing to prevent bribery. Officers should also be aware of the Council's Anti Fraud, Theft and Corruption Policy and the Anti Bribery Policy.
- 18.1.2 The Officer must comply with these above requirements and the Employee Code of Conduct and must not invite or accept any gift or reward in respect of the award or performance of any contract. It will be for the Officer to prove that anything received was not received corruptly. High standards of conduct are obligatory. Corrupt behaviour will lead to dismissal and is a crime under the Bribery Act 2010.
- 18.1.3 Anti-Bribery Clauses must be written into every written Council contract except where doing so would conflict with the contract rules associated with a national or local framework

18.2 Anti-Competitive Behaviour

- 18.2.1 In its guidance for public sector procurers, the Office of Fair Trading has highlighted practical steps to take to reduce the risks of anti-competitive behaviour, which should be followed where practical:
- (a) Use non-collusion clauses, certificates of independent bids and requests;
 - (b) Ensure sufficient credible bidders;
 - (c) Look for suspicious bidding patterns
 - (d) Keep comprehensive notes of all discussions and potential bidders and systematically scrutinise them for suspicious patterns.
- 18.2.2 If there is any doubt concerning anti-competitive behaviour during a procurement exercise, or for further guidance, the Officer should contact Procurement Support or Legal Services.

SECTION 5: CONTRACT MANAGEMENT

19. MANAGING CONTRACTS

- 19.1 Strategic or Service Leads are to name contract managers ('the Contract Manager') for all new contracts and all contracts must have a named Council Contract Manager for the entirety of the contract.
- 19.2 Contract Managers must follow the procedures set out in the Council's Contract Standing Orders.
- 19.3 All variations to contracts are to be in writing in the form of an appropriately authorised variation order.
- 19.4 Payments to contractors will only be made on certification by the designated contract manager or nominated alternative officer(s), or, where engaged by the Council, the appropriate Consultant.
- 19.5 Liquidated and ascertained damages may need to be deducted for periods of delay in line with the terms of the contract. Any instance, where in the opinion of the

Officer/Contract Manager, this does not apply, must be fully justified and authorised by the Council's Monitoring Officer and the Section 151 Officer.

- 19.6 The Officer/Contract Manager will consult with the Council's Monitoring Officer and the Section 151 Officer promptly on becoming aware of any significant dispute, claim for additional payment in connection with a contract.

20. CONTINGENCY PLANNING

- 20.1 In entering into contract agreements or reviewing existing contracts, Officers must consider risk implications and ensure that the Council's Risk Register is updated with any identified risks and that mitigating controls are recorded appropriately and complete a contract risk register for all contracts with a value over £100,000.

21. CONTRACT MONITORING, EVALUATION AND REVIEW

- 22.1 All contracts which have a value higher than the public procurement threshold limits, or **which are High Risk**, are to be subject to formal review(s) by the Contract Manager with the contractor. The review may be conducted at a frequency that is determined by the risk value and profile of the contract.
- 22.2 A contract review process must be applied to all contracts deemed to be High Risk, High Value, or High Profile. This process must be applied at key stages of major procurements.
- 22.3 During the life of the contract, the Contract Manager must monitor and take any necessary corrective action in respect of:
- Performance
 - Compliance with specification and contract
 - Cost
 - Any Value for Money requirements
 - User satisfaction and risk management
 - Key performance indicators included within the contract.
- 22.4 Further support and advice on Contract Management including online training available can be found on the Procurement page on the Council's intranet

DEFINITIONS APPENDIX

Authorised Officer	An officer with authority and responsibility for dealing with contracts within the course of their employment.
Authorised Signatory	An officer authorised by Rule 22 of Part 4 of the Constitution to attest the use of the Council's seal
Bond	An insurance policy: if the contractor does not do what it has promised under a contract with the Council, the Council can claim from the insurer the sum of money specified in the bond (often 10% of the contract value). A bond is intended to protect the Council against a level of cost arising from the contractor's failure.
Budget Manager	An officer in charge of or responsibility for overseeing the budget relating to the contract. Finance will allocate a budget manager to all budget areas and these are approved by the Service/Strategic Leads.
Consultant	Someone employed for a specific length of time to work to a defined project brief with clear outcomes to be delivered, who brings specialist skills or knowledge to the role, and where the Council has no ready access to employees with the skills, experience or capacity to undertake the work (including architects, engineers, surveyors, lawyers and other professionals).
Contracting Decision	Any of the following decisions: <ul style="list-style-type: none"> ┆ withdrawal of Invitation to Tender ┆ whom to invite to submit a Quotation or Tender ┆ short listing ┆ award of contract ┆ any decision to terminate a contract.
Contract Manager	An officer with the responsibility of overseeing and monitoring delivery of a contract who may also be an Authorised Officer
Public Contracts Regulation 2015 Procedure	The procedure required by the UK law where the Total Value exceeds the <i>Public Procurement Threshold</i> .
Public Procurement Threshold	The contract value at which the Public Contracts Regulations and Procurement directives apply, for Goods, Services and Works. Available at UK Procurement Legislation
European Economic Area	The members of the European Union, and Norway, Iceland and Liechtenstein.
Financial Regulations	The Financial Regulations outlining Officer responsibilities contained in the Constitution.
Framework Agreement	An agreement between one or more authorities and one or more economic operators, the purpose of which is to establish the terms governing contracts to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged.
Government Procurement Agreement	The successor agreement to the General Agreement on Trade and Tariffs. The main signatories other than those in the European Economic Area are the USA, Canada,

	Japan, Israel, South Korea, Switzerland, Norway, Aruba, Hong Kong, China, Liechtenstein and Singapore.
High Profile	A high-profile purchase is one that could have an impact on functions integral to Council service delivery should it fail or go wrong.
High Risk	A high-risk purchase is one which presents the potential for substantial exposure on the Council's part should it fail or go wrong.
High Value	A high-value purchase is where the value exceeds the Public Procurement Threshold values.
Invitation to Tender (ITT)	Invitation to tender documents in the form required by these contract standing orders.
Invitation to Quote	Invitation to quote in the form required by these contract standing orders.
Non-commercial Considerations	<p>(a) The terms and conditions of employment by contractors of their workers or the composition of, the arrangements for the promotion, transfer or training of or the other opportunities afforded to, their workforces ('workforce matters').</p> <p>(b) Whether the terms on which contractor's contract with their sub-contractors constitute, in the case of contracts with individuals, contracts for the provision by them as self-employed persons of their services only.</p> <p>(c) Any involvement of the business activities or interests of contractors with irrelevant fields of government policy.</p> <p>(d) The conduct of contractors or workers in industrial disputes between them or any involvement of the business activities of contractors in industrial disputes between other persons ('industrial disputes').</p> <p>(e) The country or territory of origin of supplies to, or the location in any country or territory of the business activities or interests of, contractors.</p> <p>(f) Any political, industrial or sectarian affiliations or interests of contractors or their directors, partners or employees.</p> <p>(g) Financial support or lack of financial support by contractors for any institution to or from which the authority gives or withholds support.</p> <p>(h) Use or non-use by contractors of technical or professional services provided by the authority under the Building Act 1984 or the Building (Scotland) Act 1959.</p> <p>Workforce matters and industrial disputes, as defined in paragraphs (a) and (d), cease to be non-commercial considerations to the extent necessary or expedient to comply with Best Value; or where there is a transfer of staff to which the Transfer of undertakings (Protection of Employment) Regulations 1981 (TUPE) may apply.</p>
Officer	The officer designated by the Service Manager to deal with the contract in question.
Parent Company Guarantee	A contract which binds the parent of a subsidiary company as follows: if the subsidiary company fails to do what it has promised under a contract with the Council,

	the Council can require the parent company to do so instead.
Procurement support	Refers to the Council's arrangements for specialist procurement assistance
Quotation	A quotation of price and any other relevant matter (without the formal issue of an Invitation to Tender).
Relevant Contract	Contracts to which these contract standing orders apply (see Rule 4).
Section 151 Officer	The Service Lead for Financial Services or such other officer as may be designated Section 151 Officer by the Council, including the appointed Deputy S.151 Officer.
Shortlisting	The process of selecting suppliers who are to be invited to quote or bid or to proceed to final evaluation.
Supplier	Any person who asks or is invited to submit a Quotation or Tender.
Tender	A supplier's proposal submitted in response to an Invitation to Tender.
Tender Register	The log kept by Democratic Services to record details of Tenders (see Rule 13.5).
Total Value	The whole of the value or estimated value (in money or equivalent value) for a single purchase or disposal calculated as follows: (a) where the contract is for a fixed period, by taking the total price to be paid or which might be paid during the whole of the period (b) where the purchase involves recurrent transactions for the same type of item, by aggregating the value of those transactions in the coming 12 months (c) where the contract is for an uncertain duration, by multiplying the monthly payment by 48 (d) for feasibility studies, the value of the scheme or contracts which may be awarded as a result (e) for Nominated Suppliers and Sub-contractors, the total value shall be the value of that part of the main contract to be fulfilled by the Nominated Supplier or Sub-contractor.
Value for Money	'Value for money' does not necessarily mean the lowest possible price. It combines goods or services that fully meet your needs, with the level of quality required, delivery at the time you need it, at an appropriate price, from an effective supplier.

Audit and Governance Committee
28 July 2022

Audit and Governance Committee		
Forward Plan 2022/23		
Date of Committee	Report	Lead Officer
22 September 2022	<ul style="list-style-type: none"> • Audit Committee Update • External Audit Plan 2021/22 • Review of the Local Code of Corporate Governance • RIPA update • Strata Annual Internal Audit report • Internal Audit Activity – Quarter 2 2021/22 • Partnership Register 	Grant Thornton Grant Thornton Strategic Lead Governance & Licensing DAP SWAP Management Information Officer
17 November 2022	<ul style="list-style-type: none"> • Audit Findings Report • Auditor’s Annual Report • Statement of Accounts including Governance Statement 2020/21 • RIPA update 	Grant Thornton Grant Thornton Strategic Lead Finance Strategic Lead Governance & Licensing

<p>19 January 2023</p>	<ul style="list-style-type: none"> • Internal Audit Activity – Quarter 3 2021/22 • Audit Committee update • Risk Management review – half year review • Review of the Anti-Fraud Theft and Corruption Policy, Anti-Bribery Policy and Whistleblowing Policy • Review of the Local Code of Corporate Governance • Strata Annual Internal Audit report • RIPA update 	<p>SWAP Grant Thornton Management Information Officer Strategic Lead – Governance & Licensing Strategic Lead – Governance & Licensing DAP Strategic Lead Governance & Licensing</p>
<p>16 March 2023</p>	<ul style="list-style-type: none"> • Annual Audit Plan 2022/23 and Review of Internal Audit Charter • Internal Audit Plan Progress • External Audit Plan • Audit Committee update • Accounting Policies Approval • RIPA update 	<p>SWAP SWAP Grant Thornton Grant Thornton Financial Services Manager Strategic Lead Governance & Licensing</p>