

Public Document Pack



Date: **13 June 2011**
Our ref: Governance & Audit agendas
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GOVERNANCE AND AUDIT COMMITTEE

22 JUNE 2011

A meeting of the Governance and Audit Committee will be held at **6.30 pm on Wednesday, 22 June 2011** in the Austen Room, Council Offices, Cecil Street, Margate, Kent.

Membership:

Councillor Savage (Chairman); Councillors: Binks, Campbell (Vice-Chairman), Day, Driver, D Green, Matterface and M Tomlinson

A G E N D A

Item
No

1. **APOLOGIES FOR ABSENCE**
2. **DECLARATIONS OF INTEREST**
To receive any declarations of interest. Members are advised to consider the extract from the Standard Board Code of Conduct for Members, which forms part of the Declaration of Interest Form at the back of this Agenda. If a Member declares an interest, they should complete that Form and hand it to the Officer clerking the meeting.
3. **MINUTES OF PREVIOUS MEETING** (Pages 1 - 10)
To approve the Minutes of the Governance and Audit Committee meeting held on 15 March 2011, copy attached.
4. **ACTION POINTS FROM PREVIOUS MEETINGS** (Pages 11 - 12)
5. **GOVERNANCE AND AUDIT COMMITTEE GUIDANCE PACK**
Members to receive a copy of the Guidance Pack.
6. **QUARTERLY GOVERNANCE PROGRESS REPORT** (Pages 13 - 32)
7. **INTERNAL AUDIT PROGRESS REPORT** (Pages 33 - 56)
8. **INTERNAL AUDIT ANNUAL REPORT** (Pages 57 - 74)
9. **AUDIT COMMISSION PROGRESS REPORT** (Pages 75 - 86)
10. **ANNUAL AUDIT FEE LETTER 2011/12** (Pages 87 - 92)

Item
No

Subject

11. **FUTURE ITEMS OR TRAINING FOR THE COMMITTEE**

Declaration of Interest form - back of agenda

GOVERNANCE AND AUDIT COMMITTEE

Minutes of the meeting held on 15 March 2011 at 6.30 pm in Austen Room, Council Offices, Cecil Street, Margate, Kent.

Present: Councillor Jason Savage (Chairman); Councillors Day, Mrs Johnston, Mrs Lodge-Pritchard, McCastree, Mrs B Nicholson and Peppiatt

ALSO PRESENT:

Harvey Patterson – Head of Legal and Democratic Services (Monitoring Officer)
Sarah Martin – Financial Services Officer
Nikki Morris – Corporate Governance and Risk Officer
Natalie Beldin – Estates Surveyor
Geoff Musk – Building Control and Property Manager
Mark Seed – Director of Environmental Services
Mike Marsh – Interim Leisure & Culture Manager
Simon Webb – Audit Manager - East Kent Internal Audit Partnership
Christine Parker – Head of the East Kent Internal Audit Partnership
Andy Mack – District Auditor – Audit Commission
Harpal Singh – Team Leader - Audit Commission

VARIATION OF AGENDA ORDER

Members agreed to vary the order of the agenda and take Item 13 – Internal Audit Progress Report after Item 4 – Action Points from Previous Meetings.

124. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Ms Russell.

125. DECLARATIONS OF INTEREST

There were no declarations of interest.

126. MINUTES OF PREVIOUS MEETING

Subject to an amendment to minute number 115 (Action Points from Previous Meeting) of the meeting held on 13 January 2011 to include the following wording:

“It was noted that the criteria for carrying out valuations had recently changed (April 1st 2010) with changes to the RICS Red Book embedding sustainability as a core part of the valuation process, Members had the following questions:

1. What is being done to evaluate the sustainability of the council's estate?.
2. How is the valuation department determining how sustainability will affect the valuation of the council's estate?
3. Do all buildings covered by Display Energy Certification (DEC) legislation have up to date certificates?
4. What sum of money has the council lost and/or not collected due to the backlog of rent reviews?
5. What action has been taken resulting from the report contained within the DEC's?”

The minutes were approved and signed by the Chairman.

In addition, Members agreed that it be noted that a difference of opinion in relation to the wording of the first paragraph of Minute 115 be recorded.

127. ACTION POINTS FROM PREVIOUS MEETINGS

Officers from the Estates Team were at the meeting to answer questions asked at the previous meeting of Governance and Audit Committee on 13 January 2011. This is to be covered under Item 5 on the agenda.

Members noted the report.

128. ASSET VALUATION AND PROPERTY MANAGEMENT

Members received verbal clarification from Natalie Beldin, Estates Surveyor and Geoff Musk, Building Control and Property Manager on the following queries raised at previous meetings:

What is being done to evaluate the sustainability of the Council's estate?

The Council's properties are inspected for a number of purposes namely:

- In satisfying prescribed clauses under agreement i.e. rent reviews, lease renewals, dilapidations inspections;
- Letting purposes;
- Quinquennial asset valuation inspections;
- Reviewing repairs liabilities;
- Insurance claims;
- If surplus, for disposal;
- Assessing maintenance backlogs, whole life costings etc;
- In relation to renovation, refurbishment, new build works, adaptations.

The perception of what is a sustainable building will change over time and between locations. There are varying interpretations of the concept of sustainability. Buildings are complex structures and every element, from design to construction material to location, is likely to have an impact on the buildings performance against sustainability criteria.

Although surveys are not undertaken specifically to assess the sustainability of a building, elements of sustainability are indirectly considered as part of the above processes, for example, if it is noted on inspection for lease renewal that the physical sustainability is being compromised due to a particular disrepair this will impact on the renewal decision, depending on whether the obligation is on the tenant or landlords part.

With regard to operational buildings involved in direct service delivery, the level of investment justified in addressing sustainability issues such as energy efficiency will depend upon long term operational requirements.

Undertaking a specific review of the portfolio to determine the sustainability of the assets at this time would be unachievable with current resources and potentially not a cost effective exercise if outsourced in that the Council holds an aging stock which has suffered in the past from a shortage of investment, hence the maintenance backlog of £5.5m as at 2010, therefore unless monies are allocated for maintenance the economic sustainability will continue to be impacted.

If the question relates to the economic sustainability of the building/asset, those which have obligations passed to tenants, action is taken to address disrepair under the terms of their

lease agreements, however those which TDC have an obligation are subject to securing funds, as detailed in the Asset Management Strategy.

How is the valuation department determining how sustainability will affect the valuation of the of the Council's estate?

If certain works have been undertaken to an asset to improve the assets sustainability i.e. thermal improvements, double glazing, such factors would be noted on the asset inspection and the asset is revalued once works have been completed in order to consider the improvements to the property in the context of the capital value, this is in accordance with CIPFA guidance.

The issue of sustainability is generally implied in the valuation process, for example, if valuing investment stock it would be expected that yields would be lower for newer build premises with better energy efficiency status compared to older stock which may not benefit from such measures and not have design and configuration benefits of a new build.

If at the date of valuation, the market does not differentiate, in terms of either occupier or investor demand, between a building that displays strong sustainability credentials and one that does not, there will be no impact on value.' RICS Sustainability and Commercial Property Valuation (Valuation Information Paper).

Do all the buildings covered by Display Energy Certification (DEC) legislation have up to date certificates ?

The primary building within the Authorities portfolio requiring a DEC is the Cecil Street offices. The DEC prepared is currently being updated following recent works and it is understood will be completed very soon.

What sum of money has the Council lost and or/not collected due to the backlog of rent reviews?

Following the 2005/06 restructure and the loss of a Chartered Surveyor post, a backlog of lease transactions did develop. The Authority managed this issue by contracting the work to an external surveying firm. In real terms, although there was a backlog, the financial implication to the Authority was minimal as the majority of agreements are not time constrained and reviews could be back dated from the effective date. That said there were a minority of agreements which were time of the essence and could not be back dated and for these further resources were not expended on completing valuations as time was better spent on the other reviews to ensure that contractual dates were met.

For information the Council as at 31/3/10 held 631 commercial assets including operational, non-operational, HRA commercial, community and infrastructure assets the capital value of those assets being £70m. The team of 1.6 Chartered Surveyors (reduced by 1 FTE following 2010 restructure) deals with 411 agreements of which there are on average 89 reviews/renewals per year.

It should be noted that there are situations whereby it is in the Authority's interest not to exercise a renewal, particularly during recession, as the properties may be over rented. In such instances the property remains on the property managers diary until altered which would be at the point when the market amount exceeds the passing amount.

129. THE COUNCIL'S DATA QUALITY AND PERFORMANCE MANAGEMENT FRAMEWORKS

The report outlines the process for the annual review of the council's data quality framework (DQF) and performance management framework (PMF) for 2011-2012.

Moved by Councillor Mrs Johnston and seconded by Councillor Peppiatt that:

“the Committee notes that the current date quality framework and performance management framework remain in place

and that the Committee agrees to receipt of a review of these arrangements in September 2011”

MOTION ADOPTED.

130. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) PROGRESS REPORT AND UPDATED TIMETABLE

Sarah Martin, Finance Manager outlined the report which provides an update on progress in relation to the adoption of International Financial Reporting Standards (IFRS) for 2010/11.

The Implementation Plan was at annex 1 to the report followed by the Balance Sheet as at 1 April 2009 at annex 2, the Restated Core Financial Accounts 2009-10 at annex 3 and the Statement of Accounting Policies at annex 4.

Moved by Councillor Mrs Johnston and seconded by Councillor Peppiatt that:

“to accept the recommendations at 4.1, 4.2 and 4.3 as follows:

4.1 that Governance and Audit Committee note the report and the updated timetable to implement the changes required under IFRS

4.2 that Governance and Audit Committee adopt the revised accounting policies required to comply with the CIPFA Code of Practice on Local Authority Accounting

4.3 that the Governance and Audit Committee approve the 1/4/09 opening balance sheet and the restated core financial accounts for publication in the 2010/11 Statement of Accounts subject to amendment for audit recommendations”

MOTION ADOPTED.

131. REVIEW OF THE EFFECTIVENESS OF THE COUNCIL'S INTERNAL AUDIT ARRANGEMENTS 2010/11

Sarah Martin, Finance Manager outlined the report which presents the review of the effectiveness of the council's Internal Audit arrangements for 2010/11 as required by The Accounts and Audit (Amendment) (England) Regulations 2006.

The East Kent Internal Audit Partnership have met as a team and considered the CIPFA Checklist for compliance with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006. The results of this self-assessment showed that the internal audit function is 97% compliant with the Code against a target of 97%, with no identified actions to improve the score.

Moved by Councillor Mrs Johnston and seconded by Councillor Day that:

“the Governance and Audit Committee accept the findings of the review of the effectiveness of the council's Internal Audit arrangements for 2010/11”

MOTION ADOPTED.

132. GOVERNANCE AND AUDIT COMMITTEE ANNUAL REPORT 2010/11

The Chairman introduced the report which summarises the achievements of the Governance and Audit Committee against its terms of reference for the period 1 April 2010 to 31 March 2011 and details the impact that it has made on the overall system of internal control in operation for that period.

The terms of reference for the Committee were also reviewed and changes recommended.

Moved by Councillor Mrs Johnston and seconded by Councillor Day that:

“Members agree the content of the report and the recommended actions within the action plan, and that Members recommend that the Annual Report be forwarded to Full Council”

MOTION ADOPTED.

133. QUARTERLY GOVERNANCE PROGRESS REPORT

Nikki Morris, Corporate Governance and Risk Officer outlined the report which updates Governance and Audit Committee with progress on governance related issues.

The report includes the Corporate Risk Register, Annual Governance Statement 2009/10 action plan, Programme of reports for 2011/12 and the annual review of the Terms of Reference.

Moved by Councillor Peppiatt and seconded by Councillor Mrs Johnston that:

“5.1 Members note the content of annexes 1 and 2 and identify any issues on which they required more clarification

5.2 that Members agreed the programme of reports for 2011/12, on the understanding that there may be variations to the programme should the need arise

5.3 that Members agreed the changes to the terms of reference and agreed that they go forward to the Constitutional Review Working Party, Standards and Council for formal agreement”

MOTION ADOPTED.

134. CONSTITUTION REVIEW 2010/11

Harvey Patterson, Head of Legal Services and Monitoring Officer updated Members on the changes to the Financial Procedure Rules that had been agreed by Council on 4 February 2011.

The Constitutional Review Working Party meeting of 26 January 2011 were asked to consider and approve amendments to the Financial Procedure Rules which would give the CFO the power to write off debts below £20,000 and to write off debts between £20,000 and £30,000 in consultation with the Cabinet Portfolio holder for Resources. All debts exceeding £30,000 would continue to be reported to Cabinet for write off. The proposed amendments were agreed and it was also recommended that a procedure be developed whereby all members receive regular reports concerning all debts written off at officer level.

The Standards Committee considered the same recommendations at its meeting on 8 February 2011 and concluded that the write off thresholds were too high. Following discussion the Standards Committee decided to recommend to Council that the CFO be authorised to write off debts up to £10,000 and be authorised to write off debts between £10,000 and £20,000 in

Consultation with the Portfolio Holder for Resources. All debts proposed for write off in excess of £20,000 would be reported to Cabinet. The Standards Committee also recommended that the Monitoring Officer consults the CFO on the adoption of a procedure that enables Members to be informed of all debts proposed for write off in advance of write off. As this can be implemented without constitutional amendment it is intended to take suitable proposals to the next meeting of the Governance and Audit Committee.

Moved by Councillor Mrs Johnston and seconded by Councillor Mrs Lodge-Pritchard that:

“the report and the amendments to the Financial Procedure Rules be noted

and

that a report be received at the next meeting of the Governance and Audit Committee setting out proposals for a procedure whereby members are informed of proposed to be written off at officer level”

MOTION ADOPTED.

135. INTERNAL AUDIT CHARTER AND 2011/12 AUDIT PLAN

Christine Parker, Head of the East Kent Audit Partnership outlined the report which gives Members a summary of the way in which the internal audit function provided by the East Kent Audit Partnership intends to deliver its service for the period 1 April 2011 to 31 March 2012 and details of the coverage it intends to provide controls assurance on.

To comply with the CIPFA Code of Practice for Internal Audit 2006, the agreed audit plan should cover a fixed period of no more than 1 year. Members are being asked to approve the 2011-12 plan at the present time and the 2012-13 plan (modified as necessary) will be presented for consideration in March 2012 and similarly the 2013-14 plan will be presented for consideration in March 2013. The purpose of showing an indicative 2012-13 and 2013-14 plan at this time is to provide Members with assurance that internal audit resources are sufficient to provide effective coverage across all areas of the Authority's operations within a rolling cycle.

Members agreed the following recommendations:

6.1 approve to adopt the Internal Audit Charter

6.2 approve to adopt the Internal Audit Strategy for delivery of the internal audit service

6.3 approve the Council's Internal Audit Plan for 2011/12.

136. INTERNAL AUDIT PROGRESS REPORT

Christine Parker, outlined the quarterly internal progress report which included a summary of the work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 31 December 2010.

Christine added that there have been 9 Internal Audit assignments completed during the period. Of these: two concluded Substantial Assurance, two concluded Reasonable Assurance, one concluded Limited Assurance, and one review resulted in a split Assurance level. Additionally, there were three audit assignments for which an assurance level was not applicable.

In addition, six follow-up reviews have been completed during the period. Of these, two related to areas which were originally assessed as giving rise to a partially Limited assurance and the assurance levels for these business areas remains unchanged.

Simon Webb, Audit Manager advised the Committee that the Limited Assurance area related to an audit of Equality and Diversity. The Council no longer has a dedicated Equalities Officer in post since the previous officer left approximately 18 months ago. During this time the Council's responsibilities in respect of equalities and diversity have been dispersed amongst a number of officers. Consequently the Council's Corporate Equality Plan, Equalities and Diversity Policy and Action Plan are now out of date and in need of review. The revised Equality Plan will now be based on level two of the Equality Standard and new legislation.

There is an Equalities and Diversities Group that consist of a representative from each service area. This group meets each quarter and aims to ensure that equalities and diversity is co-ordinated and communicated across departments. Unfortunately this group no longer has the involvement of a Director or Cabinet Portfolio holder demonstrating the priority assigned to other issues at the current time.

Following some discussion on this matter Councillor Mrs Johnston proposed and Councillor Mrs Lodge-Pritchard seconded and Members AGREED that a Cabinet and Shadow Cabinet Member should be invited to the Equalities and Diversities Group meetings.

Simon added that the follow up of Audit report action plans showed that CSO Compliance had a revised assurance level of 'reasonable' and that Thanet Leisure Force had a split assurance level of Substantial/Limited partly due to the absence of up to date agreements.

Mark Seed, Director of Environmental Services indicated that the original agreement 1999 had been mainly superceded by a partnership approach to managing services. Formal approval of a revised management agreement that reflected these changes had been delayed due to pressure of work of greater priority, but all the background preparation was nearing completion, though additional legal input was required before the new agreements could be signed.

Members noted the report.

137. AUDIT COMMISSION PROGRESS REPORT MARCH 2011

Andy Mack, District Auditor from the Audit Commission outlined the report which updates Members on progress to date on the current audit plans and the audit and inspection work undertaken since the last update in September 2010.

Andy advised that the accounts had progressed from a 'red' category to an 'amber' category which was very good news for the Council. The Value for Money conclusion focused on two specific areas, these being:

- securing financial resilience - focusing on whether the Council is managing its financial risks to secure a stable financial position for the foreseeable future; and

- challenging how the Council secures economy, efficiency and effectiveness – focusing on whether the Council is prioritising its resources within tighter budgets and improving productivity and efficiency.

Members noted the report.

138. AUDIT COMMISSION-AUDIT PLAN 2010/2011

Andy Mack, District Auditor from the Audit Commission outlined the report which updates Members on progress to date on Audit Commission's Audit Plan 2010/2011.

Andy added that in order to comply with a number of International Standards on Auditing he is required to obtain an understanding of the following:

- 1) How those charged with governance exercise oversight of management's processes in relation to:
 - undertaking an assessment of the risk that the financial statements may be materially mis-stated due to fraud;
 - identifying and responding to risks of fraud in the organisation;
 - communication to employees of views of business practice and ethical behaviour; and
 - communication to those charged with governance the processes for identifying and responding to fraud.
- 2) How the Audit Committee oversees management processes to identify and respond to the risk of fraud and possible breaches of internal control.
- 3) Whether you have knowledge of any actual, suspected or alleged frauds
- 4) How you gain assurance that all relevant laws and regulations have been complied with.

Sarah Martin, Financial Services Manager advised Members that measures were in place to ensure that separation of duties within the accounting team dealt with possible mis-statements. She also advised that the accountancy staff were fully trained and that a peer review was undertaken of the accounts by neighbouring authorities.

With regard to identifying the risk of fraud, she advised that assurance can be gained from the thorough internal audit reviews. The Head of Audit has access to the Chair of this committee at all times. Dedicated staff resource has been built into the organisational structure to promote good governance and risk management. Members have approved the anti-fraud and corruption policy and this is published on TOM for all staff to access. This committee has also recently received a presentation on the National Fraud Initiative.

Some Members had concerns regarding the Tender opening processes which were explained and Harvey Patterson, Head of Legal & Democratic Service and Monitoring Officer added that the Council had adopted Standing Orders which had also been adopted by all Councils. It was noted that a review of Tender procedures was due in June.

Thanks were given to the Audit Commission team.

Members noted the report.

139. AUDIT COMMISSION - CERTIFICATION OF CLAIMS AND RETURNS - ANNUAL REPORT

Andy Mack, District Auditor from the Audit Commission outlined the report which summarises the findings from the certification of 2009/10 claims.

Andy added that he was pleased to note that there are no significant findings arising from the grant certification work that needed to be brought to the attention of those charged with governance which was a good achievement.

Members noted the report.

140. EXCLUSION OF PUBLIC AND PRESS

Moved by Councillor Day, seconded by Councillor Mrs Nicholson and resolved that the public and press be excluded from the meeting on agenda item 18 it contains exempt information as defined in Paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

141. TREASURY MANAGEMENT QUARTERLY UPDATE

Sarah Martin summarised the report which updates Members on what Treasury activity has taken place since the last Governance and Audit meeting on 13 January 2011.

The base rate has not changed and the new forecasts just released from the Council's Treasury consultants show that this is expected to remain the case until at least September 2011. We are continuing to look at opportunities to maximise out investments but whilst always ensuring that risk is minimised. We are doing some work around our cashflow so that we are aware of when money is due into and out of the organisation so that we can place investments for longer terms at more attractive rates.

Members noted the content of the report.

142. EUROPEAN REGIONAL DEVELOPMENT FUND

Members felt that this item was not a restricted item and therefore should be deferred until the next meeting and be a public paper (on white).

Only one section of the confidential paper was to remain as a pink paper.

Moved by Councillor Mrs Johnston and seconded by Councillor Day that this item be deferred to the next meeting of Governance and Audit Committee.

MOTION ADOPTED.

Meeting concluded : 9.05 pm

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Governance and Audit Committee Action Plan

G & A meeting	Action	Owner	Target date	Progress	Feedback / Comments
15-Mar-11	Governance and Audit Committee Annual Report 2010/11 to go forward to Council.	NM		C	Went to Council 21 April 2011
15-Mar-11	Programme of reports for 2011/12 to be updated with change in timeframe for Performance Management and Data Quality Frameworks.	NM	21-Mar-11	C	Programme amended to show revised review date.
15-Mar-11	Reviewed terms of reference to go forward to Constitutional Review Working Party, Standards and Council.	NM	23-Mar-11	C	CRWP - 23 March, Standards - 5 April and Council - 21 April 2011.
15-Mar-11	Debt write off process to be brought to June G & A meeting.	HP	29-Jun-11		
15-Mar-11	Letter be prepared for Chairman to sign in response to Appendix 2 of Audit Commission's Audit Plan report.	NM	30-Apr-11	C	Letter signed and sent 01/04/2011
13-Jan-11	Breakdown to be provided of what tourism grants / grants are outstanding, what is recoverable and what has been written off.	SMcG	15-Mar-11	C	Covered under a separate report on 15 March 2011 agenda.
13-Jan-11	Members agreed they would appreciate a regular update on the National Fraud Initiative to G & A.	ZH		O	The NFI matches for the data sets provided back in October have now been released for investigation. Across 46 reports we have 3,540 matches. 623 are marked as recommended as being investigated. The highest area being Concessionary Travel Passes to DDRI (Disclosure of Death Registration Information) Deceased Persons which is currently being investigated by the relevant officer. In 2008-09 there were 8,072 matches which would indicate that our controls have become more substantial as the amount has decreased by 43%.
13-Jan-11	Members were informed new Fraud Act was coming in shortly, possible detail for a future presentation.	HP		IP	This action is still being progressed, it may be possible to have a presentation at the March G & A meeting.
13-Jan-11	Members requested more information on the decision making process behind the sale of 20 allotments in Dane Valley.	HP	15-Mar-11	IP	Currently in discussion with the Parks and Open Spaces Manager - this will be reported back to Committee as soon as is possible.

G & A meeting	Action	Owner	Target date	Progress	Feedback / Comments
28-Sep-10	Consult through the next Staff Survey on the provision of creche facilities for staff. SC to discuss with SMcG.	SC	31-Aug-11	IP	

Key:

CP Christine Parker
 HP Harvey Patterson
 MH Madeline Homer
 NM Nikki Morris
 SC Sarah Carroll
 SM Sarah Martin
 SMe Sarah Medus
 SW Simon Webb
 SG Sue Glover
 SMcG Sue McGonigal
 ZH Zoe Harrison

Key:

C Completed
 IP In progress
 O Ongoing

QUARTERLY GOVERNANCE PROGRESS REPORT

To: **Governance and Audit Committee – 22 June 2011**

Main Portfolio Area: **Business Services**

By: **Business Support and Compliance Manager**

Classification: **Unrestricted**

Summary: To provide Governance and Audit Committee with a progress report on governance related issues.

For Information

1.0 Introduction and Background

1.1 This report provides Governance and Audit Committee with an update on governance related issues. The items covered in this report are:

- Corporate risk register review
- Annual Governance Statement 2009/10 action plan

2.0 The Current Situation

2.1 Corporate risk register

2.1.1 Attached at **annex 1** is a copy of the corporate risk register. Governance and Audit Committee need to be confident that the risk management process is being followed, such as ensuring reviews are being undertaken and target dates for implementing control measures are met.

2.1.2 The table below provides a summary of the corporate risk register for the period March to May 2011.

Directorate	No of risks per area	Risk review overdue	Risk rating		
			Increased	Reduced	Remained the same
Community Services	2	1	0	0	2
Customer Services and Business Transformation	0	0	0	0	0
Finance and Corporate Services	17	0	0	2	15
Environmental Services	1	0	0	0	1
Regeneration Services	2	0	0	1	1
Total	22	1	0	3	19

2.1.3 Due to the restructure and the changes with Senior Management Team, the corporate risk register is to be discussed at their meeting on the 16 August to re-assign risks as appropriate and to undertake a complete review of the corporate risks and control measures. There will need to be amendments to the system to bring it in line with the new council structure.

2.2 Annual Governance Statement 2009/10 action plan

- 2.2.1 For the period 2009/2010 the Council prepared an Annual Governance Statement (AGS) which was agreed by Governance and Audit Committee on the 22 June 2010.
- 2.2.2 Within the Annual Governance Statement 2009/10 areas of concern identified from the numerous assessments into our governance arrangements were detailed within Section 6 'Significant governance issues'.
- 2.2.3 The Council proposed to take steps to address these matters and report on the action plan to this Committee on a regular basis. The action plan is attached at **annex 2** for Members information. This is the final report on the 2009/10 action plan and any areas of weakness that need to be carried forward to the 2010/11 action plan for continued monitoring have been identified.
- 2.2.4 The table below provides a summary of the Annual Governance Statement 2009/10 action plan.

Section (See key below)	No of actions	Updates outstanding	Ongoing actions	Completed actions	Actions to c/f to 10/11 action plan
1.	2	0	2	0	0
2.	13	0	4	9	0
3.	4	0	0	4	0

Key:

1. Within this section are the governance issues identified in previous Annual Governance Statement action plans, which have not been completed for various reasons and will therefore be updated and incorporated into the 2009/10 action plan, to be undertaken during 2010/11.
2. The identified areas detailed below have arisen from our numerous assessments into the council's governance arrangements for 2009/10 and have been deemed to be significant by the Governance Group. These will be addressed during 2010/11 and for those already actioned an update has been provided.
3. To comply with best practice the Governance and Audit Committee determined that it would consider annually whether it meets its terms of reference and how it has impacted on the internal control environment. The Committee carried out the National Audit Checklist and identified some actions which it recommends will improve performance against best practice for the forthcoming year. These issues have already been actioned and an update is provided but will continue to be monitored to ensure they are effective.

3.0 Options

- 3.1 That Members note the content of this report and associated annexes.

4.0 Corporate Implications

4.1 Financial

- 4.1.1 There are no financial implications arising directly from this report.

4.2 Legal

4.2.1 There are no legal implications arising directly from this report.

4.3 Corporate

4.3.1 The Annual Governance Statement Action Plan is a corporate document that addresses the areas of improvement identified as necessary through the Annual Governance Statement process.

4.4 Equity and Equalities

4.4.1 There are no equity or equalities issues arising from this report.

4.5 Risks

4.5.1 Failure to undertake these processes will impact on the council's approach to Corporate Governance.

5.0 Recommendation(s)

5.1 That Members note the content of this report and associated annexes.

6.0 Decision Making Process

6.1 This recommendation does not involve the making of a key decision and may be taken by the Governance and Audit Committee.

Contact Officer:	Nikki Morris, Business Support and Compliance Manager, DDI 01843 577625
Reporting to:	Sarah Carroll, Business Services Manager, DDI 01843 577188

Annex List

Annex 1	Corporate Risk Register
Annex 2	Annual Governance Statement 2009/10 action plan

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Risk Register

Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
<p>Risk Ref: COM0001</p> <p>There are a number of external funding streams which are used to fund a number of delivery elements. This includes both current and potential future funding streams.</p> <p>Next Review: 10/05/2011 (Reviewed every 4 months)</p> <p>Risk Status: Treat</p>	<p>Unable to secure anticipated future funding or current funding withdrawn</p>	<p>Mainstream services</p> <p>Funding issue</p> <p>Recruitment and retention issues</p> <p>Funding paid back</p> <p>Decision needs to be made</p> <p>Possible overspend due to mainstreaming</p> <p>Possible cessation of delivering service</p> <p>Dissatisfaction / complaints</p>	<p>Homer, Madeline</p>	<p>6</p> <p>P(3) I(2)</p>	<p>6</p> <p>P(3) I(2)</p>	<p>Existing Strategy for SSCF to be agreed by SSCF Board</p> <p><i>Implemented</i></p> <p>Target Date:</p> <p>Next Review: (Reviewed every 0 months)</p> <p>Restructure staff within Community Services as part of the 2010/11 budget build</p> <p><i>Implemented</i></p> <p>Target Date:</p> <p>Next Review: 10/05/2011 (Reviewed every 4 months)</p>	<p>Wenham-Jones, Carla</p> <p>Homer, Madeline</p>	<p>3</p> <p>P(3) I(1)</p>
<p>Risk Ref: COM0002</p> <p>TDC do not respond to a Child Protection issue.</p> <p>Next Review: 05/07/2011 (Reviewed every 6 months)</p> <p>Risk Status: Treat</p>	<p>Staff are not adequately trained to recognise a potential safeguarding issue. TDC do not comply with the KSCB Annual Review and Section 11 Audit.</p>	<p>The child's welfare is at risk. TDC are non-compliant with The Childrens' Act 1989 and 2004.</p>	<p>Phippin, Sarah</p>	<p>9</p> <p>P(3) I(3)</p>	<p>3</p> <p>P(1) I(3)</p>	<p>KSCB Annual Review and Section 11 Audit Completed</p> <p><i>Proposed (0% complete)</i></p> <p>Target Date: 29/04/2011</p> <p>Next Review: 07/01/2012 (Reviewed every 12 months)</p> <p>All staff trained to recognise a child at risk and the LA procedure</p> <p><i>In Progress (75% complete)</i></p> <p>Target Date: 05/07/2011</p> <p>Next Review: 07/07/2011 (Reviewed every 6 months)</p>	<p>Phippin, Sarah</p> <p>Phippin, Sarah</p>	<p>3</p> <p>P(1) I(3)</p>
<p>Risk Ref: ENV0001</p> <p>Health and safety risk assessments not having been completed recently.</p> <p>Next Review: 09/09/2011 (Reviewed every 4 months)</p> <p>Risk Status: Treat</p>	<p>Member of staff injured undertaking Council duties</p>	<p>Possible corporate manslaughter</p> <p>Failure of statutory requirements</p> <p>Insurance claim against the Council</p> <p>Loss of reputation</p> <p>Adverse media</p>	<p>Seed, Mark</p>	<p>9</p> <p>P(3) I(3)</p>	<p>9</p> <p>P(3) I(3)</p>	<p>Liaise with EKHRP to review H&S risk assessment process</p> <p><i>In Progress (75% complete)</i></p> <p>Target Date: 31/08/2011</p> <p>Next Review: 27/08/2011 (Reviewed every 4 months)</p> <p>Liaise with EKHRP to implement recommendations from 2009 internal audit</p> <p><i>In Progress (75% complete)</i></p> <p>Target Date: 31/08/2011</p> <p>Next Review: 13/07/2011 (Reviewed every 4 months)</p>	<p>Chadwick, Sophie</p> <p>Chadwick, Sophie</p>	<p>3</p> <p>P(1) I(3)</p>

Risk Register

Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
<p>Risk Ref: FCS0001</p> <p>The Medium Term Financial Strategy contains a number of plans and assumptions around income and expenditure however there are a number of issues which if they occurred could impact on the plan. This could include issues around the capital programme, pay settlement, pension fund or government legislation changes. This may also include the possibility of one of the council's major customers going out of business. This is further impacted by the current economic volatility - 'credit crunch'.</p> <p>Next Review: 18/07/2011 (Reviewed every 2 months)</p> <p>Risk Status: Treat</p>	<p>Assumptions made differ from actual or something unexpected significantly impacts on the plan</p>	<p>Impact on reserves Requirement for remedial action Supplementary precept Need to prioritise / rationalise some areas Stop doing certain things Impact on service delivery Complaints Adverse media</p>	<p>Martin, Sarah</p>	<p>12 P(4) I(3)</p>	<p>12 P(4) I(3)</p>	<p>Regularly monitor outstanding debt position <i>In Progress</i> (0% complete) Target Date: Next Review: 18/07/2011 (Reviewed every 2 months)</p> <p>Regular liaison with budget Managers and Directors <i>Implemented</i> Target Date: Next Review: 18/07/2011 (Reviewed every 2 months)</p> <p>Clear communication of financial position <i>Implemented</i> Target Date: Next Review: 18/07/2011 (Reviewed every 2 months)</p> <p>Set up process to deliver savings <i>Implemented</i> Target Date: Next Review: 18/07/2011 (Reviewed every 2 months)</p>	<p>Martin, Sarah</p> <p>Martin, Sarah</p> <p>Martin, Sarah</p> <p>Martin, Sarah</p>	<p>4 P(2) I(2)</p>

Risk Register

Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
<p>Risk Ref: FCS0002</p> <p>Procurement and contract management / monitoring are increasingly important and there is a need to measure and monitor effectiveness and value for money (VFM) on key contracts</p> <p>Next Review: 13/09/2011 (Reviewed every 4 months)</p> <p>Risk Status: Treat</p>	<p>Fail to adequately manage / monitor key contracts</p>	<p>Impact on VFM</p> <p>Tenant satisfaction falls</p> <p>Impact on reputation from tenants and marketplace</p> <p>Key contract fails</p> <p>Significant amount of time required to manage situation</p>	<p>Paton, Karen</p>	<p style="text-align: center;">9</p> <p style="text-align: center;">P(3) I(3)</p>	<p style="text-align: center;">3</p> <p style="text-align: center;">P(1) I(3)</p>	<p>Strengthen process for capturing contract details aligned with budget information</p> <p><i>In Progress</i> (50% complete)</p> <p>Target Date:</p> <p>Next Review: 13/07/2011 (Reviewed every 4 months)</p>	<p>Paton, Karen</p>	<p style="text-align: center;">2</p> <p style="text-align: center;">P(1) I(2)</p>
						<p>Increase the resource for monitoring compliance with CSOs</p> <p><i>Implemented</i> (80% complete)</p> <p>Target Date:</p> <p>Next Review: 13/09/2011 (Reviewed every 4 months)</p>	<p>McGonigal, Sue</p>	
						<p>Contract Management Training</p> <p><i>Proposed</i> (25% complete)</p> <p>Target Date:</p> <p>Next Review: 04/09/2011 (Reviewed every 6 months)</p>	<p>Paton, Karen</p>	
						<p>Periodic refresh of the Contract Register</p> <p><i>Implemented</i> (0% complete)</p> <p>Target Date:</p> <p>Next Review: 04/07/2011 (Reviewed every 8 months)</p>	<p>Paton, Karen</p>	
<p>Risk Ref: FCS0003</p> <p>Targets for efficiency savings over 3 years are part of the financial plan however there are costs that are currently funded externally as well as a high level of 'charged for' / demand led services where the removal of grant or reduction in demand could result in significant budget pressures.</p> <p>Next Review: 11/07/2011 (Reviewed every 5 months)</p> <p>Risk Status: Treat</p>	<p>Fail to deliver balanced budget or contain within available funding streams</p>	<p>Draw on reserves</p> <p>Difficult to balance budget</p> <p>Funds need to be secured from other areas</p> <p>Possible reduction in service areas</p> <p>Staffing implications</p> <p>Impact on morale / culture</p> <p>Service delivery affected</p>	<p>Martin, Sarah</p>	<p style="text-align: center;">8</p> <p style="text-align: center;">P(4) I(2)</p>	<p style="text-align: center;">8</p> <p style="text-align: center;">P(4) I(2)</p>	<p>Set out exit strategy for grant funded costs at the point of inception</p> <p><i>In Progress</i> (75% complete)</p> <p>Target Date:</p> <p>Next Review: 11/07/2011 (Reviewed every 5 months)</p>	<p>Martin, Sarah</p>	<p style="text-align: center;">2</p> <p style="text-align: center;">P(1) I(2)</p>
						<p>By adopting a flexible approach to staffing in services where demand is volatile</p> <p><i>Implemented</i></p> <p>Target Date: 31/05/2011</p> <p>Next Review: 30/09/2011 (Reviewed every 4 months)</p>	<p>Carroll, Sarah</p>	

Risk Register

Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
<p>Risk Ref: FCS0004</p> <p>The organisation has made significant improvement in performance management, with a clearly defined 'golden thread' through service planning and performance. There is still some concern that the performance information isn't being used by managers, as a tool to manage.</p> <p>Next Review: 30/03/2012 (Reviewed every 4 months)</p> <p>Risk Status: Treat</p>	<p>Council doesn't have or make best use of performance information for service outcomes</p>	<p>Resources used for wrong priorities</p> <p>Missed opportunities (to save and improve)</p> <p>Unable to achieve key targets</p> <p>Don't manage performance effectively</p>	Carroll, Sarah	6 P(3) I(2)	6 P(3) I(2)	<p>Training of managers on the benefits of performance management</p> <p><i>Proposed</i> (0% complete)</p> <p>Target Date: 01/04/2012</p> <p>Next Review: 30/06/2011 (Reviewed every 4 months)</p> <p>Work to change the culture of management around performance management</p> <p><i>In Progress</i> (30% complete)</p> <p>Target Date: 30/03/2012</p> <p>Next Review: 11/07/2011 (Reviewed every 5 months)</p>	<p>Tebbett, Stephen</p> <p>McGonigal, Sue</p>	4 P(2) I(2)
<p>Risk Ref: FCS0005</p> <p>The Council's financial position is severely compromised as a result of its pension liabilities.</p> <p>Next Review: 13/09/2011 (Reviewed every 4 months)</p> <p>Risk Status: Treat</p>	<p>The Council is unable to contain its costs within its funding level.</p>	<p>An unbalanced budget, or cuts in key services needed to balance the budget</p>	Martin, Sarah	9 P(3) I(3)	12 P(3) I(4)	<p>Allow sufficient growth in the Medium Term Financial Plan</p> <p><i>In Progress</i> (50% complete)</p> <p>Target Date:</p> <p>Next Review: 18/07/2011 (Reviewed every 4 months)</p>	Martin, Sarah	4 P(2) I(2)
<p>Risk Ref: FCS0010</p> <p>Business Continuity Plans are not sufficiently drafted or robustly tested; or are not sufficiently understood across the organisation.</p> <p>Next Review: 16/07/2011 (Reviewed every 2 months)</p> <p>Risk Status: Treat</p>	<p>A business continuity incident occurs and the organisation fails to respond effectively</p>	<p>Confusion</p> <p>Mixed messages internally and externally</p> <p>Impact on key services</p> <p>Service failure</p> <p>Impact on vulnerable people</p> <p>Potential health and safety issues</p> <p>Possible corporate manslaughter</p> <p>Drop in standards</p> <p>Possible breach of contract</p>	Humber, Mike	16 P(4) I(4)	6 P(2) I(3)	<p>Review and revise the council's BCP</p> <p><i>In Progress</i> (80% complete)</p> <p>Target Date:</p> <p>Next Review: 16/07/2011 (Reviewed every 2 months)</p> <p>Test the effectiveness of the BCP</p> <p><i>In Progress</i> (60% complete)</p> <p>Target Date:</p> <p>Next Review: 16/07/2011 (Reviewed every 2 months)</p>	<p>Morgan, Paul</p> <p>Morgan, Paul</p>	3 P(1) I(3)

Risk Register

Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
<p>Risk Ref: FCS0011</p> <p>Climate change is increasingly on the agenda and there is a balance between a willingness to address this against the resource requirements. The Council is signed up on a number of targets in the Kent Agreement</p> <p>Next Review: 13/09/2011 (Reviewed every 4 months)</p> <p>Risk Status: Treat</p>	<p>Fail to deliver leadership and corporate commitment on climate change</p>	<p>Unable to change behaviours internally and locally</p> <p>Not seen as a community leader on this issue</p>	<p>McGonigal, Sue</p>	<p>8</p> <p>P(4) I(2)</p>	<p>4</p> <p>P(4) I(1)</p>	<p>Assess what climate change measures are needed in light of restructure</p> <p><i>In Progress</i> (0% complete)</p> <p>Target Date:</p> <p>Next Review: 13/09/2011 (Reviewed every 4 months)</p> <p>Draft an action plan to deal with outstanding climate change related projects</p> <p><i>In Progress</i> (70% complete)</p> <p>Target Date:</p> <p>Next Review: 13/07/2011 (Reviewed every 4 months)</p> <p>Attempt to change the culture of the council's staff in relation to climate change</p> <p><i>In Progress</i> (80% complete)</p> <p>Target Date:</p> <p>Next Review: 13/07/2011 (Reviewed every 4 months)</p>	<p>McGonigal, Sue</p> <p>Wingate, Justine</p> <p>Wingate, Justine</p>	<p>2</p> <p>P(2) I(1)</p>
<p>Risk Ref: FCS0012</p> <p>The Council and other public sector bodies are all striving to deliver against key priorities and targets on both a local level, through the Corporate Plan, and at a county-wide level through the Community Strategy, Local Area Agreement (LAA). The restricted financial position could limit the resources available to do this, which in turn could have an impact on ability to meet the wide range of targets.</p> <p>Next Review: 30/03/2012 (Reviewed every 6 months)</p> <p>Risk Status: Tolerate</p>	<p>Thanet Corporate plan / BVPI's don't align with Community Strategy / LAA, resulting in too many (possibly conflicting) pieces of work being attempted.</p>	<p>Conflicting priorities</p> <p>Try to do too much</p> <p>Fail to achieve priorities</p> <p>Impact on election</p> <p>Adverse publicity</p> <p>Reputation damaged</p>	<p>Carroll, Sarah</p>	<p>3</p> <p>P(3) I(1)</p>	<p>2</p> <p>P(2) I(1)</p>	<p>Input into the development of the Community Strategy that have an impact on Thanet council and the area</p> <p><i>Implemented</i></p> <p>Target Date:</p> <p>Next Review: 27/10/2011 (Reviewed every 6 months)</p> <p>Exercise to align new Corporate Plan with Vision and other key documents</p> <p><i>In Progress</i> (55% complete)</p> <p>Target Date: 31/08/2011</p> <p>Next Review: 11/08/2011 (Reviewed every 3 months)</p>	<p>Halse, Adrian</p> <p>Halse, Adrian</p>	<p>1</p> <p>P(1) I(1)</p>

Risk Register

Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
<p>Risk Ref: FCS0013</p> <p>The Council relies on staff consistently working for longer than their contracted hours</p> <p>Next Review: 30/03/2012 (Reviewed every 4 months)</p> <p>Risk Status: Treat</p>	<p>Increasingly due to staff numbers having reduced to make budget savings</p>	<p>Increased sickness absence</p> <p>Increased levels of overtime requests</p> <p>Potential health and safety issues</p> <p>Breach of contract</p> <p>Impact on service delivery</p> <p>Staff dissatisfaction</p> <p>Recruitment and retention issues</p> <p>Impact on VfM</p>	Carroll, Sarah	<p style="text-align: center;">9</p> <p style="text-align: center;">P(3) I(3)</p>	<p style="text-align: center;">12</p> <p style="text-align: center;">P(4) I(3)</p>	<p>Approve and implement flexible working arrangements</p> <p><i>Implemented</i></p> <p>Target Date: 30/04/2011</p> <p>Next Review: 13/07/2011 (Reviewed every 4 months)</p> <p>Deliver training</p> <p><i>In Progress (50% complete)</i></p> <p>Target Date: 30/03/2012</p> <p>Next Review: 31/08/2011 (Reviewed every 4 months)</p>	<p>Carroll, Sarah</p> <p>Carroll, Sarah</p>	<p style="text-align: center;">4</p> <p style="text-align: center;">P(2) I(2)</p>
<p>Risk Ref: FCS0015</p> <p>The current economic climate may result in individuals and/or criminal fraternities taking greater risks and/or using more innovative technologies in order to obtain monies by illegal means.</p> <p>Next Review: 05/07/2011 (Reviewed every 6 months)</p> <p>Risk Status: Treat</p>	<p>The Council may not have sufficient resource dedicated to anti-fraud measures to deal with any increase in fraudulent activity; or may not have the capacity to keep up to date with new fraudulent methods.</p>	<p>Increase in incidence of successful frauds against the Council</p>	Martin, Sarah	<p style="text-align: center;">12</p> <p style="text-align: center;">P(4) I(3)</p>	<p style="text-align: center;">6</p> <p style="text-align: center;">P(3) I(2)</p>	<p>Raise staff awareness</p> <p><i>In Progress (0% complete)</i></p> <p>Target Date:</p> <p>Next Review: 05/09/2011 (Reviewed every 6 months)</p>	Martin, Sarah	<p style="text-align: center;">3</p> <p style="text-align: center;">P(3) I(1)</p>
<p>Risk Ref: FCS0016</p> <p>Non compliance with local CSO's and public sector contract regulations (as written into UK Law) as and where applicable</p> <p>Next Review: 09/09/2011 (Reviewed every 4 months)</p> <p>Risk Status: Treat</p>	<p>Challenge around probity and transparency by stakeholders</p>	<p>Loss of reputation</p> <p>Financial penalty</p> <p>Cessation of contract (contract deemed ineffective)</p> <p>Additional resource and cost to correct</p> <p>Cost of defending challenge</p>	Paton, Karen	<p style="text-align: center;">9</p> <p style="text-align: center;">P(3) I(3)</p>	<p style="text-align: center;">3</p> <p style="text-align: center;">P(1) I(3)</p>	<p>Monitor the contract process</p> <p><i>Implemented (0% complete)</i></p> <p>Target Date:</p> <p>Next Review: 09/10/2011 (Reviewed every 4 months)</p> <p>Implement Audit recommendations</p> <p><i>Implemented (0% complete)</i></p> <p>Target Date:</p> <p>Next Review: 04/09/2011 (Reviewed every 3 months)</p>	<p>Paton, Karen</p> <p>Paton, Karen</p>	<p style="text-align: center;">3</p> <p style="text-align: center;">P(1) I(3)</p>

Risk Register

Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
<p>Risk Ref: FCS0017</p> <p>The Council is engaging in a shared services programme through a number of projects, with a number of other authorities, particularly at this point around Waste, Housing and HR and Payroll Services. This will have an impact on the viability of the remaining organisation, particularly around corporate support. The Council needs to corporately understand and agree the future shape of the organisation.</p> <p>Next Review: 27/07/2011 (Reviewed every 3 months)</p> <p>Risk Status: Treat</p>	Unable to corporately understand/agree the impact of this programme on the residual organisation	Lack of clarity Differing views Political impact Sub-optimal model Missed opportunities Financial impact Failure to make tough decisions Piecemeal solution Cannot support core function Impact on delivery	McGonigal, Sue	6 P(3) I(2)	6 P(3) I(2)	<p>Project teams identified for Tranche 1 <i>Implemented</i> Target Date: 30/04/2011 Next Review: 27/07/2011 (Reviewed every 3 months)</p>	McGonigal, Sue	3 P(1) I(3)
<p>Risk Ref: FCS0018</p> <p>The Council is engaged in a shared services programme with two other authorities.</p> <p>Next Review: 15/07/2011 (Reviewed every 3 months)</p> <p>Risk Status: Treat</p>	Shared service programme fails to deliver effectively to improve services and save money in shared areas	Financial loss Wasted resources Dissatisfaction Need to unwind and go back Failure of statutory responsibilities Unitary model imposed Political unrest	McGonigal, Sue	9 P(3) I(3)	9 P(3) I(3)	<p>Strategic Business Case <i>In Progress</i> (80% complete) Target Date: Next Review: 18/08/2011 (Reviewed every 3 months)</p>	McGonigal, Sue	3 P(1) I(3)
<p>Risk Ref: FCS0019</p> <p>limited internal specialist support available (such as engineers, property, legal) at peak times.</p> <p>Next Review: 30/03/2012 (Reviewed every 6 months)</p> <p>Risk Status: Treat</p>	Possible claim against the Council under professional / officials indemnity	Delays in service delivery Unable to meet targets Non completion of corporate plan objectives Wasted resources Stop doing certain things Dissatisfaction / complaints Drop in standards	Carroll, Sarah	4 P(2) I(2)	4 P(2) I(2)	<p>Shared Services <i>Withdrawn</i> Target Date: Next Review: (Reviewed every 6 months)</p> <p>Recruitment /appointment process <i>Withdrawn</i> Target Date: Next Review: (Reviewed every 6 months)</p> <p>Take into account when drafting budget savings proposals <i>Implemented</i> Target Date: Next Review: 30/11/2011 (Reviewed every 6 months)</p>	Reed, Donna Carroll, Sarah Martin, Sarah	2 P(1) I(2)

Risk Register

Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
<p>Risk Ref: FCS0020</p> <p>The Council is involved in a number of partnerships and there is a reliance on these to deliver in a number of areas. There are concerns however around the level of resourcing required, the robustness of the management and governance around these and the ability / willingness of partners to participate fully</p> <p>Next Review: 11/07/2011 (Reviewed every 4 months)</p> <p>Risk Status: Treat</p>	<p>Council invests more time and resource into partnerships than the benefit received</p>	<p>Wasted resources Differing priorities Effort expended on other / lower priorities Direction of partnership changes Expend extra effort to manage partnership arrangements Frustration Unable to meet targets Loss of funding Loss of confidence</p>	<p>Carroll, Sarah</p>	<p style="text-align: center;">6 P(3) I(2)</p>	<p style="text-align: center;">6 P(3) I(2)</p>	<p>Use the performance management process to monitor the achievements of partnerships <i>Proposed</i> (0% complete) Target Date: Next Review: 11/07/2011 (Reviewed every 4 months)</p> <p>Record the governance arrangements and agreed benefits / purpose of partnerships <i>In Progress</i> (10% complete) Target Date: Next Review: 11/07/2011 (Reviewed every 4 months)</p> <p>Request outline business case to be produced to highlight resource requirements up front <i>Implemented</i> Target Date: Next Review: 11/11/2011 (Reviewed every 6 months)</p>	<p>Chadwick, Sophie</p> <p>Chadwick, Sophie</p> <p>Carroll, Sarah</p>	<p style="text-align: center;">2 P(1) I(2)</p>
<p>Risk Ref: LDS0001</p> <p>There are corporate standards, policies and procedures which need to be understood and applied consistently throughout the Council. The organisation has a history of focusing on delivery, not corporateness and there could be tensions, particularly with capacity constraints around key areas of focus.</p> <p>Next Review: 13/07/2011 (Reviewed every 4 months)</p> <p>Risk Status: Treat</p>	<p>Inconsistent application of corporate standards, policies and procedures</p>	<p>Some areas more robust than others Poorly tracked decisions Possible litigation Financial loss Qualified accounts Impact on Use of Resources Impact on management</p>	<p>Patterson, Harvey</p>	<p style="text-align: center;">8 P(4) I(2)</p>	<p style="text-align: center;">8 P(4) I(2)</p>	<p>Reinforce the need to follow corporate policy & processes <i>In Progress</i> (50% complete) Target Date: Next Review: 13/07/2011 (Reviewed every 4 months)</p> <p>Implement QA and compliance testing programmes <i>Proposed</i> (0% complete) Target Date: Next Review: 13/07/2011 (Reviewed every 4 months)</p> <p>Manager / Officer Handbook <i>In Progress</i> (20% complete) Target Date: Next Review: 16/09/2011 (Reviewed every 4 months)</p>	<p>Patterson, Harvey</p> <p>Patterson, Harvey</p> <p>Morris, Nikki</p>	<p style="text-align: center;">2 P(1) I(2)</p>

Risk Register

Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
<p>Risk Ref: LDS0002</p> <p>Loss of unencrypted memory stick, loss of laptop computer, loss of paper file, improper use of e-mail system , breach of data protection protocols</p> <p>Next Review: 13/08/2011 (Reviewed every 2 months)</p> <p>Risk Status: Treat</p>	<p>Personal data disclosed in response to FOIA Request in breach of the Data Protection Act , Using personal information for a more than one purpose without notifying the data subject of that intention, personal information not kept up to date, personal information held longer than necessary, failing to comply with a subject access request within the prescribed period</p>	<p>Reputational Damage, ICO Investigation and potential fines, Increased risk of compensation claims for breach of privacy</p>	<p>Patterson, Harvey</p>	<p>12 P(4) I(3)</p>	<p>12 P(4) I(3)</p>	<p>Up to date Data Protection Policy <i>Implemented (0% complete)</i> Target Date: 20/06/2011 Next Review: 13/07/2011 (Reviewed every 1 months)</p> <p>Advanced Training <i>Proposed (0% complete)</i> Target Date: 31/07/2011 Next Review: 13/07/2011 (Reviewed every 1 months)</p> <p>Acquire Data Protection Manual <i>Proposed (0% complete)</i> Target Date: Next Review: 13/07/2011 (Reviewed every 1 months)</p> <p>Review Use of Privacy (formerly Fair Processing) Notices <i>In Progress (90% complete)</i> Target Date: 31/08/2011 Next Review: 05/07/2011 (Reviewed every 1 months)</p> <p>Review Data Sharing Agreements with External Agencies <i>In Progress (90% complete)</i> Target Date: 30/09/2011 Next Review: 05/07/2011 (Reviewed every 1 months)</p> <p>All Staff Training on Data Protection <i>Proposed (0% complete)</i> Target Date: 31/07/2011 Next Review: 05/07/2011 (Reviewed every 1 months)</p>	<p>Patterson, Harvey</p> <p>Patterson, Harvey</p> <p>Patterson, Harvey</p> <p>Cordes, Gary</p> <p>Cordes, Gary</p> <p>Cordes, Gary</p>	<p>6 P(3) I(2)</p>

Risk Register

Cause	Trigger	Consequence	Assigned To	Uncntrl'd Rating	Current Rating	Control Measures	Assigned To	Residual Rating
<p>Risk Ref: REG0001</p> <p>Concerns that the Council is not investing sufficiently in the upkeep of its physical assets due to lack of financial resources.</p> <p>Next Review: 27/07/2011 (Reviewed every 2 months)</p> <p>Risk Status: Treat</p>	<p>Council has more property than it can afford. This is due to the repairs deficit, of over 4 million pounds. And community/ political tension over many potential asset dispoasls. Further during recession, our tenats in community buildings are requesting reduced rents, creating more budget pressures.</p>	<p>Gradual deterioration in quality and utility</p> <p>Decrease in value of property</p> <p>Loss of income</p> <p>Potential health and safety issues</p> <p>Political impact</p> <p>Loss of reputation</p> <p>Adverse publicity</p> <p>Impact on VfM</p> <p>Complaints</p>	Seed, Mark	12 P(3) I(4)	12 P(3) I(4)	<p>Asset Management Strategy</p> <p><i>In Progress</i> (70% complete)</p> <p>Target Date:</p> <p>Next Review: 27/07/2011 (Reviewed every 2 months)</p>	Seed, Mark	4 P(2) I(2)
<p>Risk Ref: REG0002</p> <p>The Council has a role to play within Emergency Planning, but there is a lack of clarity on this currently.</p> <p>Next Review: 27/07/2011 (Reviewed every 2 months)</p> <p>Risk Status: Treat</p>	<p>Council fails to fulfil it's emergency planning role</p>	<p>Council doesn't contribute as required</p> <p>Lack of understanding on requirements and arrangements</p> <p>Confusion on role in an incident</p> <p>Mixed messages internally and externally</p> <p>Impact on vulnerable people</p> <p>Potential health and safety issues</p> <p>Possible corporate manslaughter</p> <p>Drop in standards</p> <p>Possible breach of contract</p>	Seed, Mark	12 P(3) I(4)	4 P(1) I(4)	<p>Emergency Plan and processes updated and disseminated to staff.</p> <p><i>In Progress</i> (90% complete)</p> <p>Target Date:</p> <p>Next Review: 04/10/2011 (Reviewed every 4 months)</p>	Morgan, Paul	4 P(1) I(4)

Annual Governance Statement 2009/10 Action Plan

Progress report - Governance and Audit Committee

22 June 2011


Deadline met. Progress made in line with deadline date

Slightly off track but underway

Progress off track / deadline not met



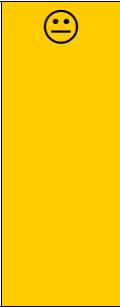
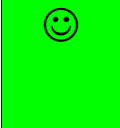
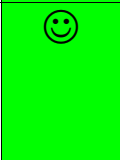
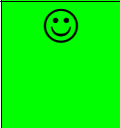
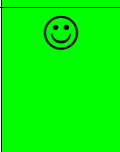
Governance issue identified	Proposed action	Responsible officer / body	Mar - May quarter position / progress made	Carry forward to 10/11 action plan	Deadline date	Completion date
1. Within this section are the governance issues identified in previous Annual Governance Statement action plans, which have not been completed for various reasons and will therefore be updated and incorporated into the 2009/10 action plan, to be undertaken during 2010/11.						
Health and safety risk assessments need a thorough review to ensure they encompass lone working, out of hours and enforcement tasks and a corporate approach is needed, especially in high risk areas such as Grounds Maintenance, the Port and Harbour and Waste & Recycling.	The risk assessment process needs to be addressed and has been identified in the East Kent Human Resources Partnership Health and Safety Strategy, which is currently in draft to provide assurance to the Corporate Management Team.	EKHRP	H&S maps have been completed in line with the recent restructure which has taken place. Appropriate senior managers are now being contacted to arrange for H&S consultants to either attend weekly managers meetings or to contact managers on an individual basis to hand over their maps. At this point the H&S consultants will ensure that they understand the process and confirm that all specific risks have been identified. A meeting of the H&S committee took place in March at which the draft risk assessment guidance note was reviewed. This is now finalised and will be made available to all managers with bite size sessions arranged to ensure managers are aware of the new risk assessment forms and reminded of how to complete them in line with the guidance note.		No	Ongoing

Governance issue identified	Proposed action	Responsible officer / body	Mar - May quarter position / progress made	Carry forward to 10/11 action plan	Deadline date	Completion date
			<p>Following the March H&S committee meeting a premises inspection form was agreed and is being used in office based environments to ensure working conditions, housekeeping etc are in order. These forms are being completed by H&S reps. or supervisors and team leaders with only a minimal input from managers. They will be reviewed by H&S consultants during audits of these areas. An area of concern which was raised by HSE was the ladder leading to the fuel barge at Ramsgate Harbour. This area has been the subject of discussion and it has been decided that several new control measures will be put in place which will include a harness system for staff members using the ladder, reinstatement of a new ladder, better access from the quay and the installation of a lockable cabin on the quay to house an intrinsically safe laptop and printer. This will be used to complete the necessary paperwork following the sale of fuel and which will greatly reduce the need to walk to the harbour office.</p>			
<p>Member training and development needs, especially around specific areas such as planning, scrutiny and governance, needs to be enhanced to ensure that the committees are effective and that members are suitably able to undertake their roles within these committees.</p>	<p>The council plans on surveying members to identify future training and development needs, with a view to establishing a more formally structured Member development programme.</p>	<p>Glenn Back</p>	<p>The council plans on surveying members to identify future training and development needs, with a view to establishing a more formally structured Member development programme. In view of the proximity of the District elections, it is anticipated the survey will take place in June 2011.</p>		<p>No</p>	<p>Jun 2011 (survey)</p>

Governance issue identified	Proposed action	Responsible officer / body	Mar - May quarter position / progress made	Carry forward to 10/11 action plan	Deadline date	Completion date
2. The identified areas detailed below have arisen from our numerous assessments into the council's governance arrangements for 2009/10 and have been deemed to be significant by the Governance Group. These will be addressed during 2010/11 and for those already actioned an update has been provided.						
The East Kent Audit Partnership's work throughout 2009/10 indicated areas of concern regarding systems of internal control in the following areas:	In each of the cases indicated above, actions plans have been agreed with Managers and are being progressed as directed.					
<ul style="list-style-type: none"> CSO Compliance 		Karen Paton	Feb and March 2011 100% compliant.	☺	No	31-Mar-11
<ul style="list-style-type: none"> Creative Margate CSO Arrangements 		Derek Harding	Action completed	☺	No	01-Jun-10
<ul style="list-style-type: none"> Overtime Claims 		Sarah Carroll	VFM review completed and presented to CMT. Recommendations have been agreed and these will enable CMT to monitor spend on overtime, agency, hired & contracted and consultants. The recommendations will be rolled out as work on the Business Hub progresses. A priority for 2011/12 is for the EKHR Partnership to undertake a review of remuneration which will include the council's current overtime policy.	☺	No	31-Mar-12
<ul style="list-style-type: none"> Environmental Health Food Safety 		Penny Button	The shellfish sampling is still outstanding due to changes in requirements. We have this week completed the ten weeks of oyster sampling required by Cefas once these results have been processed and sent to Cefas they will make a decision on the sampling regime required for oysters. Once we have this information we will be able to take a paper to SMT for the possibility of outsourcing.	☹	No	End Sept 2011

Governance issue identified	Proposed action	Responsible officer / body	Mar - May quarter position / progress made	Carry forward to 10/11 action plan	Deadline date	Completion date	
<ul style="list-style-type: none"> Homelessness 		Victoria May / Stuart Clifton	<p>The number of approaches from households for housing advice and as homelessness appears to have risen over the last 3 months in comparison to previous years. The number of households in temporary accommodation has also risen slightly. Homeless prevention work is still continuing and is effective in keeping the number of homelessness acceptances down, however, with one FTE vacant post within the service and a further two FTE posts in the team having their contracts ending over the next 8 weeks, it is going to be extremely difficult to run the service and meet statutory housing advice and homelessness obligations if these posts are not able to be filled.</p> <p>The impact of the changes in Local Housing Allowance and cuts in entitlement has yet to be seen, but this poses a significant risk of an increase in homelessness over the coming months, particularly when the 9 month protection period on claims comes to an end. Rent Deposit debtors are continuing to be chased, but the corporate recovery team have advised that they can no longer write back on rent deposit debts that have previously been written off. Bond Scheme is due to be implemented from 1st July 2011 to replace the Rent Deposit Scheme. Some accounts for Old Schools Lodge has been provided, but no longer using this hostel as temporary accommodation.</p>	☺	No	Ongoing	
A directory of key documents referred to should be produced with a brief summary of their content, purpose, application to managers and where the documents can be located. This should be referred to annually in the staff development notes/team briefings and should be published on TOM. It would also provide a useful induction tool.	Work on a manager / officer handbook to be undertaken during 10/11 which will inform officers of key documents, processes, systems and responsibilities.	Nikki Morris	This project needs to be considered as part of the analysis work being undertaken with regards to the Business Hub and how processes are improved and communicated.	☹	No	31-Mar-12	

Governance issue identified	Proposed action	Responsible officer / body	Mar - May quarter position / progress made		Carry forward to 10/11 action plan	Deadline date	Completion date
The issue of compliance with corporate policies and procedures (especially CSOs and the Gifts and Hospitality procedure) needs to be reviewed to ensure consistency across the council.	To be considered by CMT and the use of sanctions for non-compliance to be made more explicit.	CMT (via Nikki Morris)	See comments below				
<ul style="list-style-type: none"> CSO awareness 	A formalised procurement programme be developed. Risk in procurement management to be added to the council's corporate risk register. A skills audit be undertaken for all managers involved in procurement activity, to be used to inform future training programmes.	Karen Paton	Further training to be undertaken during 2011-12 now the new structure is in place.	😊	No	31-Mar-11	
<ul style="list-style-type: none"> Gifts and Hospitality procedure 	Declaration of interest and gifts and hospitality register processes to be communicated as priority.	Glenn Back	Completed.	😊	No	01-Sep-10	04-Oct-10
A lack of capacity at the managerial level to undertake the statutory functions that the council is required to carry out could result in governance issues for the council.	Regular workforce reporting to CMT ensures that resources are allocated as appropriate.	CMT (via EKHRP)	Workforce reports will now be reported through the Performance Board and a representative from the EKHRP will be in attendance.	😊	No	Ongoing	
There is a lack of knowledge of the council's staff charter, which details mutual expectations between employees and employer.	Due to time elapsed this needs to be revisited to ensure its relevance and communicated to all staff.	Sarah Carroll	The Council has now launched its core values and priorities. This clearly identifies how the council will conduct its business and has superseded the unpublished Staff Charter at this point in time.	😊	No		No further action
There remains gaps across the organisation in staff that have undertaken child protection training. A substantial number of employees have done this training.	The Child Protection Committee should be charged with reviewing compliance and ensuring that this training is included in the induction programme. An annual compliance report is made to Cabinet.	Janice Wason	The council restructure means that a review of staff who are child protection trained needs to be undertaken as many people have moved roles. This review will be conducted over the summer and training organised for the newly identified candidates.	😐	No	01-Sep-11	
The council has tried a number of approaches to carrying out value for money reviews, but there has been a lack of commitment to the process from some areas, which has impacted on the review programme and created problems for the resources allocated to undertake these reviews.	The council's approach and commitment to value for money needs to be discussed and agreed to ensure that future reviews and the overall programme are undertaken in a timely way and add value.	Nikki Morris	Following feedback from those involved with the Improvement Forum, a new approach is being considered, which will then be communicated throughout the authority.	😊	No	Ongoing	

Governance issue identified	Proposed action	Responsible officer / body	Mar - May quarter position / progress made	Carry forward to 10/11 action plan	Deadline date	Completion date	
Changes in staffing structures must be communicated appropriately to ensure there is no confusion over responsibilities and authorities. More changes are taking place and this is still a live issue and clarification needs to take place on the member and officer scheme of delegations.	Delegations to Cabinet Members and officers were reviewed by the Constitutional Review Working Party in 2009/10 for implementation in 2010/11. These will be placed on TOM as a reminder to managers. This also needs to be added to the corporate risk register.	Harvey Patterson	The combination of the officer restructure and the adoption of a 'Strong Leader' Cabinet requires a comprehensive review of the Scheme of Delegations, the completion of which will be a key target for the Monitoring Officer for 2011/12. In the meantime, on 19 May 2011 Council has approved an interim Scheme of Delegations reflecting the revised officer structure		No	31-Aug-11	
3. To comply with best practice the Governance and Audit Committee determined that it would consider annually whether it meets its terms of reference and how it has impacted on the internal control environment. The Committee carried out the National Audit Checklist and identified some actions which it recommends will improve performance against best practice for the forthcoming year. These issues have already been actioned and an update is provided but will continue to be monitored to ensure they are effective.							
The Audit Committee meets on a quarterly basis, however on occasions the agendas for these meetings are quite heavy and meetings tend to go on for a number of hours.	That the Committee consider increasing the number of times the Committee meet to relieve pressure on full agendas, and holding a separate meeting in June to deal with the Statement of Accounts.	G & A (via Nikki Morris)	Action completed. Governance and Audit Committee agenda will continue to be monitored.		No		June 2010
An induction checklist for new Audit Committee members should be available which details key things and explains their key roles and responsibilities	Training requirements to be discussed, a regular item on agenda entitled 'Future items or training for the Committee', making reference to the programme of reports and a Member guidance pack issued at the first meeting of the cycle.	G & A (via Nikki Morris)	Governance and Audit Committee regularly receive training on matters they are to review at their meeting. There is a regular item on each agenda entitled 'Future items or training for the Committee'.		No		June 2010
Members who have missed a meeting need to ensure they are appropriately briefed on the business conducted in their absence. The substitute who attends for the member feeds back on outcomes of the meeting.	Set up a pool of substitutes to ensure they receive appropriate training and ensure that substitutes are aware of their responsibilities to feed back.	G & A (via Nikki Morris)	Guidance on the use of substitutions and their responsibilities has been detailed within the member guidance.		No		June 2010
Ensure that the minutes clearly state all agreed actions, the responsible owner, when they will be done by and any advice given from any stakeholders.	Minutes are currently produced which note any actions required but need to ensure owners and timescales are noted within actions.	G & A (via Nikki Morris)	An action plan is prepared from each meeting which will feature as an item on the agenda to ensure members are confident actions have been carried out and reported back to the Committee.		No		June 2010

INTERNAL AUDIT PROGRESS REPORT

To: **Governance and Audit Committee: 22nd June 2011**

By: **Chief Executive (s.151 Officer): Sue McGonigal**

Subject: **INTERNAL AUDIT PROGRESS REPORT OF THE HEAD OF THE AUDIT PARTNERSHIP.**

Classification: **Unrestricted**

Summary: This report gives Members a summary of the internal audit work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 31st March 2011.

For Information

1.0 Introduction

1.1 This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 31st March 2011.

2.0 Audit Reporting

2.1 For each Audit review, management has agreed a report, and where appropriate, an Action Plan detailing proposed actions and implementation dates relating to each recommendation. Reports continue to be issued in full to each member of Corporate Management Team, as well as an appropriate manager for the service reviewed. Attached as Appendix 1 to the EKAP report is a summary of the Action Plans agreed in respect of the reviews covered during the period.

2.2 Follow-up reviews are performed at an appropriate time, according to the status of the recommendation, timescales for implementation of any agreed actions and the risk to the Council.

2.3 An Assurance Statement is given to each area reviewed. The assurance statements are linked to the potential level of risk, as currently portrayed in the Council's risk assessment process. The assurance rating given may be Substantial, Reasonable, Limited or No assurance.

2.4 Those services with either Limited or No Assurance are monitored, and brought back to Committee until a subsequent review shows sufficient improvement has been made to raise the level of Assurance to either Reasonable or Substantial. A list of those services currently with such levels of assurance is attached as Appendix 2 to the EKAP report.

2.5 The purpose of the Council's Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent review of the Authority's financial and non-financial

performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

- 2.6 To assist the Committee meet its terms of reference with regard to the internal control environment an update report is regularly produced on the work of internal audit. The purpose of this report is to detail the summary findings of completed audit reports and follow-up reviews since the report submitted to the last meeting of this Committee.

3.0 Summary of Work

- 3.1 There have been eight Internal Audit assignments completed during the period. Of these: six concluded Reasonable assurance and there were two audit assignments for which an assurance level was not applicable. Summaries of the report findings and the recommendations made are detailed within Annex 1 to this report.
- 3.2 In addition, five follow-up reviews have been completed during the period. Of these, one related to an area which was originally assessed as giving rise to a partially Limited assurance and the assurance levels for this business areas remains unchanged.
- 3.3 The Thanet District Council audit plan for 2010-11 was 105.79% complete as at 31st March 2011. The performance figures for the East Kent Audit Partnership for 2010-11 showed excellent performance against target.

4.0 Options

- 4.1 That Members consider and note the internal audit update report.
- 4.2 That the changes to the agreed 2010-11 internal audit plan, resulting from changes in perceived risk, detailed at point 5.0 of the attached report be approved.
- 4.3 That Members consider (where appropriate) requesting an update from the relevant Director/s to the next meeting of the Committee in respect of any areas identified as still having either limited or no assurance following follow-up.
- 4.4 That Members consider registering their concerns with Cabinet in respect of any areas of the Council's corporate governance, control framework or risk management arrangements in respect of which they have on-going concerns after the completion of internal audit follow-up reviews and update presentations from the relevant Director.

5.0 Corporate Implications

5.1 Financial Implications

- 5.1.1 There are no financial implications arising directly from this report. The costs of the audit work have been met from the Financial Services 2010-11 and 2011-12 budgets.

5.2 Legal Implications

- 5.2.1 The Council is required by statute (under the Accounts and Audit Regulations and section 151 of the Local Government Act 1972) to have an adequate and effective internal audit function.

5.3 Corporate Implications

5.3.1 Under the Local Code of Corporate Governance accepted by Cabinet on 8th December 2009, the Council is committed to comply with requirements for the independent review of the financial and operational reporting processes, through the external audit and inspection processes, and satisfactory arrangements for internal audit.

6.0 Recommendations

6.1 That the report be received by Members.

6.2 That the changes to the agreed 2010-11 internal audit plan, resulting from changes in perceived risk, detailed at point 5.0 of the attached report be approved.

Contact Officers:	Christine Parker, Head of the Audit Partnership, ext. 7190
	Simon Webb, Audit Manager, ext 7190
	Sue McGonigal, Chief Executive (s.151 Officer) Ext. 7790

Annex List:

Annex 1	East Kent Audit Partnership Update Report – 22-06-2011
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Background Papers:

Title	Details of where to access copy
<i>Internal Audit Annual Plan 2010-11</i>	Previously presented to and approved at the 16 th March 2010 Governance and Audit Committee meeting
<i>Internal Audit Annual Plan 2011-12</i>	Previously presented to and approved at the 15 th March 2011 Governance and Audit Committee meeting
<i>Internal Audit working papers</i>	Held by the East Kent Audit Partnership



INTERNAL AUDIT UPDATE REPORT FROM THE HEAD OF THE EAST KENT AUDIT PARTNERSHIP

1.0 INTRODUCTION AND BACKGROUND

1.1 This report provides Members with an update of the work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 31st March 2011.

2.0 SUMMARY OF REPORTS

	Service / Topic	Assurance level
2.1	Waste (Vehicle Fleet) Management	Reasonable
2.2	Coast Protection	Reasonable
2.3	Performance Management	Reasonable
2.4	Members' Code of Conduct and Standards Arrangements	Reasonable
2.5	Contract Monitoring and Management	Reasonable
2.6	Cemeteries and Crematorium	Reasonable
2.7	Housing Benefits Quarterly Testing (Quarter 3 of 2010-11)	Not Applicable
2.8	Housing Benefits Quarterly Testing (Quarter 4 of 2010-11)	Not Applicable

2.1 Waste (Vehicle Fleet) Management – Reasonable Assurance:

2.1.1 Audit Scope

To ensure that the Waste Management and Street Cleansing service is performed in an efficient and effective manner which safeguards Council assets and minimises the risks associated with the management of a large vehicle fleet.

2.1.2 Summary of Findings

The level of maintenance for vehicles is regulated by guidance given by the Vehicle and Operator Service Agency (VOSA) and the regime recommended is closely followed. The service is also a member of the Freight Transport Association (FTA) and as such is subject to an annual audit by their inspectors. The last of these audits, in November 2010, was complimentary.

The findings of this audit confirmed that vehicle safety is maintained through a rigorous structure of defect reporting, routine vehicle inspections and regular maintenance. Some minor administrative recording procedure errors were noted during the audit which should be addressed.

Fuel delivery and use is well recorded and managed through a dedicated computerised system provided by an outside contractor. The system can generate numerous reports and these are used on an irregular basis. A more frequent use of six monthly fuel use reports could enhance the opportunity to identify trends and possible problems.

2.1.3 Management Response

The findings and Reasonable Assurance conclusion of this review are welcomed. Officers are now working towards the implementation of the recommendations contained within the report.

2.2 Coast Protection – Reasonable Assurance:

2.2.1 Audit Scope

- To reduce the risk to people and the developed and natural environment from flooding and coastal erosion by encouraging the provision of technically, environmentally and economically sound and sustainable defence measures.
- To support the provision of adequate and cost effective flood warning systems.
- To support the provision of adequate, economically, technically and environmentally sound and sustainable flood and coastal defence measures.
- To discourage inappropriate development in areas at risk from flooding and coastal erosion.

2.2.2 Summary of Findings

The aims and objectives of the government are reflected within the *Policy Statement on Flood and Coastal Defence*. Working practices, supporting documentation and legislative guidance were found to exist to facilitate the effective implementation of this document. A refresh of the *Policy Statement* however would now be appropriate as per the two-year policy statement review period.

2.2.3 Management Response

The content of the Audit Report on this subject is broadly accepted, however the outcome that the Council can place Reasonable Assurance is not considered to be the appropriate conclusion. The action plan which forms the outcome of the audit contains only one recommendation. This recommendation has been assigned a medium risk and refers to the need to update the Flood and Coastal Defence policy statement. It is agreed that this statement requires updating but the direction of current national policy on coastal management has changed little since the statement was written and the majority of the existing policy's content is still appropriate.

The Margate Flood and Coast Protection Scheme has been developed by the Engineering section and through partnership working with Canterbury City Council. The scheme was presented to the funders, the Environment Agency in August last year by the Engineering and Technical Services Manager following more than a year of feasibility work. The outcome of this application was a grant award (at 100% rate of grant) in the value of £6.2m. This scheme will protect the Marine Drive frontage and more than 300 households that are currently at a moderate risk of flooding in the Margate Old Town area. The grant award represents the largest single investment in coastal management in the District for more than 30 years.

The Engineering section continues to prioritise the maintenance of the District's 11 miles of hard defenses on a limited annual revenue budget. No major sea wall failures have been suffered since the early 1990's due largely to effective and efficient management of inspection and maintenance work.

It is considered by management that given the performance of this section and the existence of only one medium priority recommendation in the action plan that the Council can comfortably place Substantial Assurance on the Engineering Service in relation to coastal management.

2.3 Performance Management – Reasonable Assurance:

2.3.1 Audit Scope

To ensure that the Council is taking action in response to actual performances to make outcomes for users and the public better than they would otherwise be.

2.3.2 Summary of Findings

The Council has committed to the collection of statistical data using the comprehensive and effective PerformancePlus (P+) data recording system. Investment has been made in the creation of the Performance Management Framework and this is supported by the Data Quality Framework. Both documents have been reviewed and approved by Management and the Governance and Audit Committee. These documents deliver a powerful message of the intent of the Council to measure performance and use the information to drive improvements.

The Performance Management team have made good progress in introducing and maintaining the PerformancePlus system and in developing the Council's approach to collecting and reporting reliable statistical data. Most of the expected controls are in place and effective.

2.3.3 Management Response

The findings of this review are welcomed. Officers are actively working to implement the recommendations found in the report. We believe these changes will help to strengthen and improve the Council's performance management arrangements.

2.4 Members' Code of Conduct/Standards Arrangements – Reasonable Assurance:

2.4.1 Audit Scope

To ensure that the highest possible standards of conduct, probity and propriety are maintained by all Members of Thanet District Council and to thereby preserve the integrity and reputation of the organisation.

2.4.2 Summary of Findings

The audit found that there is good practice in place through the Member Code of Conduct, specialist training and administrative support to ensure that probity is maintained. The Standards Committee arrangements were strong and the processes generally working well. Most of the expected controls are effective.

2.4.3 Management Response

Management are pleased with the Reasonable Assurance level concluded by the audit. Work is in progress towards the implementation of the agreed management action plan.

2.5 Contract Monitoring and Management – Reasonable Assurance:

2.5.1 Audit Scope

To ensure that the Council's derives the maximum possible value and the highest level of performance and customer satisfaction from its contracts.

2.5.2 Summary of Findings

Thanet District Council maintains a contract register that includes contracts above £30,000 recorded on the register. For the purpose of this review five contracts were selected and testing undertaken to ascertain how adequately these contracts are managed and monitored.

The Contract Monitoring process is generally working well however there are no documented guidelines for Managers to follow and as such each officer undertakes things differently. Therefore there is no consistency with approach and the different methods are applied depending upon the contract type and size of budget therein.

There were no serious concerns identified during the review other than highlighting the importance of knowledge of a contract, the terms within and necessary action to be taken in respect of monitoring performance, progress and financial implications.

2.5.3 Management Response

Within this audit review a number of excellent examples of good practice in the management and monitoring of contracts is evidenced. It is accepted that there is some inconsistency in approach which will be addressed through awareness raising/management training during the course of 2011/12.

2.6 Cemeteries and Crematoria – Reasonable Assurance:

2.6.1 Audit Scope

To ensure that the Council's cemetery and crematoria activities are undertaken efficiently and effectively in accordance with Council policy and procedures.

2.6.2 Summary of Findings

The Council's Cemeteries and Crematoria arrangements are working well and most of the expected controls are effective as reflected in the awarding of the Silver Standard by the Institute of Cemetery and Crematorium Management.

The Council needs to establish a regular inspection programme of headstones and memorials which will reduce the risk of accident and possible claims against the organisation. This is something that has been identified as needing to be addressed by the officers at the Crematorium prior to this audit and will be reviewed as part of

the follow up audit process to ensure that the inspections are being carried. The implementation of this process is hoped will have a further positive impact on the assurance level given at the time of the follow up review.

2.6.3 Management Response

The audit findings and conclusion of Reasonable Assurance are welcomed. Work is in hand to implement the recommendations for improvement identified by the audit process.

2.7 Housing Benefit Testing (Quarter 3 of 2010-11) – An assurance level is not applicable for this work:

- 2.7.1 Over the course of the 2010/11 financial year the East Kent Audit Partnership completed a sample check of council tax, rent allowance and rent rebate and Local Housing Allowance benefit claims to support the Audit Commission's verification work.
- 2.7.2 For the third quarter of the 2010/11 financial year (October to December 2010) five claims including new, cancellation and change of circumstances of each benefit type were randomly selected for verification.
- 2.7.3 In total 20 benefit claims were checked and of these 4 have failed the criteria set by the Audit Commission's verification guidelines, 2 have been queried and are currently outstanding and they may also impact on the subsidy claim.

2.8 Housing Benefit Testing (Quarter 4 of 2010-11) – An assurance level is not applicable for this work:

- 2.8.1 Over the course of the 2010/11 financial year the East Kent Audit Partnership completed a sample check of council tax, rent allowance and rent rebate and Local Housing Allowance benefit claims to support the Audit Commission's verification work.
- 2.8.2 For the fourth quarter of the 2010/11 financial year (January to March 2011) five claims including new, cancellation and change of circumstances of each benefit type were randomly selected for verification.
- 2.8.3 In total 20 benefit claims were checked and of these 4 have failed the criteria set by the Audit Commission's verification guidelines as they impact on the subsidy claim and 0 failed on data quality.
- 2.8.4 Overall for 2010/11 there have been 80 benefit claims checked of which there have been 12 failures identified that affect the subsidy claim. In addition to this, of the two queried claims outstanding from quarter 3, one has passed but the other is still outstanding. In total this represents a failure rate of 15% (12/80) which is an increase of 2.5% based on the previous year's figures. This failure rate may increase further to 16.25% if the 1 outstanding Quarter 3 query is found to also be incorrect
- 2.8.5 Below is table of comparison against the other neighbouring authorities where a similar testing regime is carried out. It can be seen there has been an increase in the number of benefit claims across the four authorities over the twelve months and Thanet has the highest number of claims overall. Therefore it could be fair to suggest that a higher error rate is tolerable. Furthermore the errors detected do not show any trend and neither do they appear to be by the same assessor at each authority

therefore no indication of a training issue, however self employed claims do appear at all of the authorities as a weaker area where assessment is made.

- 2.8.6 Now that shared working arrangements are in place it is important that a consistent approach to assessment is implemented across the authorities. Quality Assurance testing from within the Shared Partnership will hopefully highlight any areas of concern. The Managers at each authority have been made aware of the individual errors detected.

AUTHORITY	No of Claims Checked 2010/11	No of Failures Subsidy impact 2010/11	% of Failures Subsidy impact 2010/11	2009/10 Failure Subsidy Impact Rate %
Neighbouring Council A	30	1	3.33%	8% (based on 20 claims checked)
Neighbouring Council B	80	8	10%	8.75%
Thanet District Council	80	12	15%	12.5% (Figure for full year based on 80 claims)

AUTHORITY	No of housing benefit claims at 01/04/2010	No of housing benefit claims at 31/03/2011	No of council tax benefit claims at 01/04/2010	No of council tax benefit claims at 31/03/2011	2010/2011 % Increase	
					HB	CTB
Neighbouring Council A	8628	8987	11,056	11,482	4.16%	3.85%
Neighbouring Council B	8229	8615	10,393	10,749	4.69%	3.43%
Thanet District Council	13,843	14,554	17,502	18,262	5.14%	4.34%

3.0. **FOLLOW UP OF AUDIT REPORT ACTION PLANS:**

- 3.1 As part of the period's work, five follow up reviews have been completed of those areas previously reported upon to ensure that the recommendations made have been implemented, and the internal control weaknesses leading to those recommendations have been mitigated. Those completed during the period under review are shown in the following table.

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs Outstanding	
a)	Public Health Burials	Limited	Limited	H	6	H	5
				M	2	M	2
				L	0	L	0

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs Outstanding	
b)	External Funding Protocol	Reasonable	Reasonable	H	3	H	3
				M	0	M	0
				L	0	L	0
c)	Business Rates	Substantial	Substantial	H	0	H	0
				M	1	M	1
				L	0	L	0
d)	Events Management	Reasonable	Substantial	H	0	H	0
				M	9	M	0
				L	1	L	0
e)	Asset Management	Reasonable	Reasonable	H	2	H	0
				M	0	M	0
				L	0	L	0

- 3.2 Details of each of the individual High priority recommendations outstanding after follow-up are included at Appendix 2 and on the grounds that these recommendations have not been implemented by the dates originally agreed with management, they are now being escalated for the attention of the s.151 officer and Member's of the Governance Committee.

The purpose of escalating outstanding high-risk matters is to try to gain support for any additional resources (if required) to resolve the risk, or to ensure that risk acceptance or tolerance is approved at an appropriate level.

- 3.3 As highlighted in the above table, those areas previously reported as having either Limited or No assurance have been reviewed and Members are advised as follows:

a) Public Health Burials:

Whilst a reasonable amount of work has been undertaken towards the implementation of the recommendations contained within the original report with all of these recommendations still in progress (and a revised implementation date of July 2011 now set) it would be premature to increase the Assurance level from Limited until such time as these recommendations are fully implemented and have had sufficient time to become embedded within the working practices of the Council.

4.0 WORK-IN-PROGRESS:

- 4.1 During the period under review, work has also been undertaken on the following topics, which will be reported to this Committee at future meetings: Procurement, RIPA, Car Parks, Anti-Money Laundering Arrangements, CCTV, Community Safety, Complaints Monitoring, and the Receipt and Opening of Tenders

5.0 CHANGES TO THE AGREED AUDIT PLAN:

- 5.1 The 2010-11 internal audit plan was agreed by Members at the meeting of this Committee on 16th March 2010.
- 5.2 The Head of the Audit Partnership meets on a monthly basis with the Section 151 Officer or their nominated representative to discuss any amendments to the plan.

Members of the Committee will be advised of any significant changes through these regular update reports. Minor amendments have been made to the plan during the course of the year as some high profile projects or high-risk areas have been requested to be prioritised at the expense of putting back or deferring to a future year some lower risk planned reviews. The detailed position regarding when resources have been applied and or changed are shown as Appendix 4.

6.0 FRAUD AND CORRUPTION:

There are no known instances of fraud or corruption to bring to Members attention at the present time.

7.0 UNPLANNED WORK:

There was no unplanned work arising during the period to bring to Members attention at the present time.

8.0 INTERNAL AUDIT PERFORMANCE

8.1 For the year to 31st March 2011, 466.04 chargeable days were delivered against a planned target of 440.57. Accordingly EKAP have been able to deliver an additional 25.52 days during 2010-11 which equates to achievement of 105.79% of the original planned number of days. All of the recommendations made within reports to management have been accepted by them.

8.2 In addition, EKAP have also been able to deliver a cost saving to the Council against the estimated costs for 2010-11.

8.3 As part of its commitment to continuous improvement and following discussions with the s.151 Officer Client Group, the EKAP has established a range of performance indicators which it records and measures. The performance against each of these indicators for the fourth quarter of 2010-11 is attached as Appendix 5. There are no concerns regarding the resources engaged or outputs achieved at this time, and the East Kent Audit Partnership has performed extremely well against its targets for the 2010-11 financial year.

8.4 The EKAP maintains an electronic client satisfaction questionnaire which is used across the partnership. The satisfaction questionnaires are sent out at the conclusion of each audit to receive feedback on the quality of the service. Current feedback arising from the customer satisfaction surveys is featured in the Balanced Scorecard attached as Appendix 5.

Attachments

Appendix 1 Summary of High priority recommendations resulting from the period's work.

Appendix 2 Summary of High priority recommendations outstanding after follow-up.

Appendix 3 Summary of services with Limited / No Assurances

Appendix 4 Progress to 31st March 2011 against the agreed 2010-11 Audit Plan.

Appendix 5 EKAP Balanced Scorecard of Performance Indicators to 31st March 2011.

Appendix 6 Assurance statements

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK - APPENDIX 1

RECOMMENDATION/ WEAKNESS	AGREED ACTION, RESPONSIBILITY & TARTGET DATE	RESPONSIBILITY AND TARGET DATE
Members' Code of Conduct and Standards Arrangements – May 2011		
<p>The Council should consider the establishment of a voluntary Standards Committee and associated Local Code of Conduct for elected Members ahead of the abolition of the existing Standards Board regime.</p>	<p>Agreed in principle. Chapter Five of the Localism Bill proposes the establishment of a revised Standards Framework by Local Authorities to promote and maintain high standards of conduct. The Standards Committee will be an advisory body to the council, not a statutory body with no voting rights for Independent Members.</p> <p>Next steps: Further consultation with the Standards Committee and Group Leaders to establish how a voluntary code of conduct could work.</p> <p>Following the May elections, new councillors will be trained on the 2007 Code of Conduct. Estimated timescale for the establishment and adoption of a voluntary code is November 2011 by which time more details of the Localism Bill will be available.</p>	<p>Monitoring Officer</p> <p>November 2011</p>
Contract Monitoring and Management – May 2011		
<p>Contract Managers should ensure that they are aware of the contractor's obligations in accordance with the terms and conditions of the contract they are responsible for managing and that these are being fulfilled in every aspect. They should implement the necessary controls to highlight any anticipated delays or non conformance with the contract and take prompt action to resolve this.</p>	<p>With the new management structure now in place it is proposed that Contract Monitoring and Contract Standing Order training will be delivered to all managers responsible for TDC contracts. It is envisaged that this will remedy this recommendation</p>	<p>During 2011/12 April 2012</p>

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK - APPENDIX 1

RECOMMENDATION/ WEAKNESS	AGREED ACTION, RESPONSIBILITY & TARTGET DATE	RESPONSIBILITY AND TARGET DATE
Contract managers should ensure that they are fully aware of the default and liquidation damages clauses within each contract that they monitor and how they should be applied should it be necessary to do so.	This will be reiterated as part of the proposed training ensuring Managers are aware of the remedies available to them in the event of default.	During 2011/12 April 2012
Contract Managers should ensure that where a contractor is not fulfilling their contractual duties. Damages for non performance should be implemented and applied correctly, ensuring that the contractual procedures are followed when the contractor has failed to meet the contractual obligations.	All Contract Managers will be reminded of the importance of ensuring this is undertaken as part of the proposed training in 2011/12.	During 2011/12 April 2012
Cemeteries and Crematoria – May 2011		
Inspections to be put in place to ensure that newly erected headstones have been placed on the correct grave and are in accordance with the application that has been submitted.	Process to be incorporated into imminent Memorial Stability Programme. 'Informal' observations are also made by all Staff on site.	Crematorium & Cemeteries Officer and Registrar 30th September 2011
Waste (Vehicle Fleet) Management – May 2011		
A certification system should be introduced to ensure that goods invoiced have been received before payment is authorised.	A list of 6 nominated persons to check and agree delivery notes will be set up, following a simple set of instructions of action to be taken. A central record will be kept of delivery notes within the administration office for these 6 staff to update.	Waste Collection Manager July 2011
A procedure should be introduced to accurately record all vehicle hire periods and an invoice certification system should be established to ensure that vehicle hire invoices are accurate prior to payment. The hire procedure should include a process to ensure that insurance is provided only for the correct period.	This appears to relate to a single incident, but hire arrangements have already been tightened up for other reasons (based on vehicle conditions when they arrive so that a full survey is done on arrival). The other improvement is to ensure that the insurance company are advised when vehicles go off hire, which was missed on one occasion.	Completed 12.5.11

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK - APPENDIX 1

RECOMMENDATION/ WEAKNESS	AGREED ACTION, RESPONSIBILITY & TARTGET DATE	RESPONSIBILITY AND TARGET DATE
A CSO waiver application should be submitted for the vehicle hire contractor and for the major tyre supplier.	CSO waiver to be submitted for additional vehicle hire provider. Tyres will be done through the issue of a new tender.	Waste Collection Manager September 2011
Site Management should complete a Fire Risk Assessment in accordance with the Fire Safety Act 2005. Once completed, the Fire Risk Assessment should be made available to the KFRS, where this service is still available, to ensure that they can make their own risk assessment of the Manston Road Depot.	Assistance has been sought from the H&S officers in the HR Partnership to undertake the assessment and provide recommendations for implementation. This will provide basis for reviews as indicated in recommendation 9 below.	Waste Collection Manager July 2011
Management should ensure that time is allocated in advance to review the Fire Risk Assessment which should be updated either annually or when any material fire related change takes place to the site.	Agreed.	Waste Collection Manager July 2011

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING AFTER FOLLOW-UP - APPENDIX 2

Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
Public Health Burials – May 2011		
<p>As a short term measure, all Public Health Burial case files should be reviewed and signed off by the Environmental Protection Manager until there is a demonstrable improvement in the quality of documentation. Thereafter, it would be advisable for a random sample of files to be examined periodically.</p>	<p>Target Date: This will be fully introduced as part of the revision of the procedure. Responsibility: However with immediate effect all funerals will be authorised by EHM before order being placed with Dignity.</p>	<p>All burials are discussed with Team Leader during 1:1's prior to being undertaken. Revised implementation date: July 2011. Recommendation still in progress.</p>
<p>(a) If the next of kin are not prepared to arrange and pay for the funeral they should be asked to make a written statement to confirm this and confirm TDC's first claim on any monies to recover its expenses and that they fully understand what the funeral arranged by TDC consists of.</p> <p>(b) The Council should ensure that it only undertakes a public health burial after every robust attempt has been made to ensure that any next of kin (or the NHS if the deceased dies in hospital) accept their responsibility to deal with the burial of the deceased themselves.</p>	<p>As a whole these two items are undertaken but the need to undertake them on all occasions is understood therefore this will be included in the revised procedure</p> <p>Target Date: Complete implementation by February 2011. Responsibility Environmental Health Manager with Environmental Protection Team & Business Support Team.</p>	<p>Written confirmation is requested prior to funeral arrangements being undertaken, this is also highlighted in the new procedure.</p> <p>Cases have been handed back to Coroner's Officer when it became obvious that next of kin hadn't been contacted. None have been received from NHS since audit but this has been included in new procedures.</p> <p>Revised implementation date: July 2011. Recommendation still in progress.</p>
<p>The Public Health Officer should communicate with other Council departments in respect of the affairs of the deceased e.g. Housing Benefits, Council Tax and Housing and adequately document this. This would be beneficial to ensure that other departments are aware of the death and are advised of any funds</p>	<p>This will be introduced fully in the new procedures but the Public Health Officer has been advised to begin undertaking this with immediate effect.</p> <p>Target Date: Complete implementation by</p>	<p>Public Health Officer was advised of this but will be included in new procedures as well.</p> <p>Revised implementation date: July 2011.</p>

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING AFTER FOLLOW-UP - APPENDIX 2

Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
which may be available to claim against should there be outstanding Council Tax or rent due to the Council.	February 2011. Responsibility Environmental Health Manager with Environmental Protection Team & Business Support Team.	Recommendation still in progress.
Where there is sufficient value in the deceased's estate, the Council should consistently levy an administration charge of £100 as a contribution towards the officer time consumed in arranging the burial.	This will be introduced fully in the new procedures but the Public Health Officer has been advised to begin undertaking this with immediate effect. Target Date: Complete implementation by February 2011. Responsibility Environmental Health Manager with Environmental Protection Team & Business Support Team.	This will be introduced where funds are available and is part of the new procedure Revised implementation date: July 2011. Recommendation still in progress.
In instances in which the possessions of the deceased are sold, a receipt must be obtained for these items which is either on headed paper or contains the name and address of the person to whom the goods were sold.	An immediate reminder to the Public Health Officer & inclusion in the new procedures. Target Date: Complete implementation by February 2011. Responsibility Environmental Health Manager with Environmental Protection Team & Business Support Team.	The reminder has been issued and this will be in the new procedure. Revised implementation date: July 2011. Recommendation still in progress.

SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED – APPENDIX 3

Service	Reported to Committee	Level of Assurance	Management Action	Follow-up Action Due
Homelessness and the Rent Deposit Scheme	January 2011	Reasonable/ Limited	On-going management action in progress to remedy the weaknesses identified.	Quarter 2 of the 2011-12 Plan
Employee Benefits-in-Kind	January 2011	Limited	On-going management action in progress to remedy the weaknesses identified.	Work-in-Progress
Equality and Diversity	March 2011	Limited	On-going management action in progress to remedy the weaknesses identified.	Summer 2011

PROGRESS TO DATE AGAINST THE AGREED 2010-11 AUDIT PLAN – APPENDIX 4

Area	Original Planned Days	Revised Budgeted Days as at 31-03-11	Actual days to 31-03-11	Status and Assurance Level
FINANCIAL SYSTEMS:				
Housing Benefits – Shared Revenues and Benefits Database with Dover District Council	5	3.2	3.2	Finalised
Housing Benefits – Quarterly Testing	20	14.85	14.85	2009-10 Quarter 4 – Finalised 2010-11 Quarter 1 – Finalised 2010-11 Quarter 2 – Finalised 2010-11 Quarter 3 - Finalised
Payroll	5	3.47	3.47	Finalised
Car Parking and PCNs	8	0.17	0.17	Work-in-Progress (Qtr 1 of 2011-12)
Bank Reconciliation	5	5.91	5.91	Finalised - Substantial
Creditors and CIS	8	10.28	10.28	Finalised - Substantial
Miscellaneous Income/Cash Collection	8	0	0	Delete from plan to accommodate higher risk reviews. Include in 2011-12 plan.
Financial Stewardship	8	6.1	6.1	Finalised
Council Tax	12	12.68	12.68	Finalised – Substantial
Business Rates	12	8.32	8.32	Finalised - Substantial
External Funding Protocol	8	4.35	4.35	Finalised – Reasonable
HOUSING SERVICES:				
Housing Rents	10	9.89	9.89	Finalised – Substantial
Housing Repairs and Maintenance	10	10.73	10.73	Finalised - Reasonable
Leasehold Services	10	11.15	11.15	Finalised - Reasonable
HRA Business Plan	8	8.6	8.6	Finalised - Substantial
Rent Deposit Scheme/Homelessness	5	7.63	7.63	Finalised – Reasonable/Limited
Housing Estate Management	8	0	0	Delete from plan to accommodate higher risk reviews. Include in 2011-12 plan.
ICT SYSTEMS:				
ICT Change Control and File Security	8	0	0	Delete from plan to accommodate higher risk reviews. Include in 2011-12 plan.

Area	Original Planned Days	Revised Budgeted Days as at 31-03-11	Actual days to 31-03-11	Status and Assurance Level
HUMAN RESOURCES RELATED:				
Recruitment and CRB	8	0.17	0.17	Delete from plan due to low levels of recruitment at the present time. CRB element covered by Child Protection audit.
Employee Benefits-in-Kind	8	12.61	12.61	Finalised - Limited
GOVERNANCE RELATED:				
Asset Management	8	12.23	12.23	Finalised - Reasonable
Members' Code of Conduct and Standards Arrangements	8	8.34	8.34	Finalised - Reasonable
Officers' Code of Conduct and Whistleblowing Arrangements	8	7.64	7.64	Finalised - Reasonable
Performance Management	9	11.44	11.44	Finalised - Reasonable
Corporate/CMT/Committee	30	42.94	42.94	Finalised
East Kent Shared Services – Validation of Performance Indicators for Tranche 1 Services	2	0	0	Delete from plan to accommodate higher risk reviews.
CONTRACT RELATED:				
Contract Standing Order Compliance	10	0	0	Delete from plan to accommodate higher risk reviews. Include in 2011-12 plan.
Contract Monitoring	10	9.54	9.54	Finalised - Reasonable
Procurement	10	0.15	0.15	Work-in-Progress (Qtr 1 of 2011-12)
SERVICE LEVEL:				
Accommodation Strategy	7	5.04	5.04	Finalised - Substantial
Members' Allowances	8	8.99	8.99	Finalised - Reasonable
Public Health Burials	6	7.05	7.05	Finalised - Limited
Coast Protection/Management	9	11.81	11.81	Finalised - Reasonable
Cemeteries and Crematorium	9	10.18	10.18	Finalised - Reasonable
Planning, Building Control and s.106 Agreements	20	20.02	20.02	Finalised – Reasonable/Substantial/ Substantial
Events Management	10	10.43	10.43	Finalised - Reasonable

Area	Original Planned Days	Revised Budgeted Days as at 31-03-11	Actual days to 31-03-11	Status and Assurance Level
Electoral Registration	8	0	0	Delete from plan to accommodate higher risk reviews. Include in 2011-12 plan.
Equality and Diversity	8	8.88	8.88	Finalised - Limited
Thanet Works	9	14.84	14.84	Finalised - Reasonable
Disabled Facilities Grants	9	9.57	9.57	Finalised - Substantial
Maritime – Visiting Yachts and Ancillary Services	10	11.34	11.34	Finalised - Reasonable
Maritime – Permanent Berths and let Properties	10	10.89	10.89	Finalised - Reasonable
Waste Management	10	11.77	11.77	Finalised - Substantial
OTHER				
Liaison With External Auditors	5	2.08	2.08	Finalised
Follow-up Reviews	13	31.83	31.83	Finalised
FINALISATION OF 2009-10 AUDITS				
Child Protection	20.57	41.31	7.38	Finalised – Reasonable
Homelessness			0.39	Finalised - Limited
Housing Benefit – Fraud Investigation Arrangements			1.11	Finalised – Reasonable
Thanet Leisure Force			6.75	Finalised – Substantial/Limited
Information Management, FOI and Data Protection			12.89	Finalised – Substantial/Reasonable/Limited
CSO Compliance			0.61	Finalised – Limited
Green Waste Service			4.36	Finalised – Substantial
Local Code of Corporate Governance			0.1	Finalised - Substantial
Choice Based Lettings			7.72	Finalised - Substantial
UNPLANNED WORK				
Creative Margate Consultancy Arrangements (Balance of time from 2009-10 audit)	0	0.07	0.07	Finalised - Limited
Overtime	0	6.01	6.01	Finalised – Reasonable
EK Services – Tranche 1 Performance Indicator Validation	0	3.27	3.27	Finalised
External Funding – ERDF Grants	0	13.55	13.55	Finalised – Reasonable
Standards Investigation	0	4.85	4.85	Finalised

Area	Original Planned Days	Revised Budgeted Days as at 31-03-11	Actual days to 31-03-11	Status and Assurance Level
Total (Including 10.57 days brought forward from 2009-10)	440.57	466.04	466.04	105.79% Complete as at 31-03-11
UNPLANNED ADDITIONAL WORK				
Meridian Village	2	2.07	2.07	Audit verification of costs deductible from income arising from development
Interreg Grant – Customer Services	4	5.45	5.45	First Level Controller sign off charged to project
MACH Grant	0	1.13	1.13	Audit costs for sign off of grant claim charged to project
Interreg Grant – Tudor House	4	5.42	5.42	First Level Controller sign off charged to project
Interreg Grant – Maritime (Off-Shore Wind Farm)	4	3.76	3.76	First Level Controller sign off charged to project

BALANCED SCORECARD – QUARTER 4

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2010-11 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2010-11 Actual</u>	<u>Target</u>
	Quarter 4				
Chargeable as % of available days	88%	75%	Cost per Audit Day (Reported Annually)	£268	£300
Chargeable days as % of planned days	106%	100%			
Follow up Reviews;					
<ul style="list-style-type: none"> • Issued • Not yet due • Now overdue for Follow Up 	31	-			
	10	-			
	2	0			
Percentage compliance with the CIPFA Code for Internal Audit 2006	97%	97%			

BALANCED SCORECARD – QUARTER 4

<u>CUSTOMER PERSPECTIVE:</u>	<u>2010-11 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2010-11 Actual</u>	<u>Target</u>
	Quarter 4			Quarter 4	
Number of Satisfaction Questionnaires Issued;	44		Percentage of staff qualified to relevant technician level	76%	75%
Number of completed questionnaires received back;	21		Percentage of staff holding a relevant higher level qualification	32%	32%
Percentage of Customers who felt that;			Percentage of staff studying for a relevant professional qualification	24%	24%
<ul style="list-style-type: none"> • Interviews were conducted in a professional manner • The audit report was 'Excellent or Very Good' • That the audit was worthwhile. 	100%	100%	Number of days technical training per FTE	3.07	3.5
	100%	90%	Percentage of staff meeting formal CPD requirements	32%	32%
	100%	100%	Number of business efficiency/ service Improvement recommendations introduced	35	-



AUDIT ASSURANCE

Definition of Audit Assurance Statements

Substantial Assurance

From the testing completed during this review a sound system of control is currently being managed and achieved. All of the necessary, key controls of the system are in place. Any errors found were minor and not indicative of system faults. These may however result in a negligible level of risk to the achievement of the system objectives.

Reasonable Assurance

From the testing completed during this review most of the necessary controls of the system in place are managed and achieved. There is evidence of non-compliance with some of the key controls resulting in a marginal level of risk to the achievement of the system objectives. Scope for improvement has been identified, strengthening existing controls or recommending new controls.

Limited Assurance

From the testing completed during this review some of the necessary controls of the system are in place, managed and achieved. There is evidence of significant errors or non-compliance with many key controls not operating as intended resulting in a risk to the achievement of the system objectives. Scope for improvement has been identified, improving existing controls or recommending new controls.

No Assurance

From the testing completed during this review a substantial number of the necessary key controls of the system have been identified as absent or weak. There is evidence of substantial errors or non-compliance with many key controls leaving the system open to fundamental error or abuse. The requirement for urgent improvement has been identified, to improve existing controls or new controls should be introduced to reduce the critical risk.

INTERNAL AUDIT ANNUAL REPORT

To: **Governance and Audit Committee: 22nd June 2011**

By: **Chief Executive (s.151 Officer): Sue McGonigal**

Subject: **INTERNAL AUDIT ANNUAL REPORT OF THE HEAD OF THE AUDIT PARTNERSHIP FOR 2010-11.**

Classification: **Unrestricted**

Summary: **This report provides the summary of the impact of the work of the East Kent Audit Partnership for the year to 31st March 2011.**

For Information

1.0 Introduction

1.1 The primary objective of Internal Audit is to provide independent assurance to Members, the Chief Executive, Directors and the Section 151 Officer on the adequacy and security of those systems on which the Authority relies for its internal control. The purpose of bringing forward an annual report to members is to:

- Provide an opinion on the overall adequacy and effectiveness of the Council's internal control environment.
- Present a summary of the internal audit work undertaken to formulate the opinion.
- Draw attention to any issues the Head of the Audit Partnership judges particularly relevant to the preparation of the Governance Assurance Statement.
- Compare actual audit activity with that planned, and summarise the performance of Internal Audit against its performance criteria.
- Comment on compliance with the CiPFA Code of Practice for Internal Audit in Local Government, and report the results of the Internal Audit quality assurance programme.

1.2 The report attached as Annex A therefore summarises the performance of the East Kent Audit Partnership (EKAP) and the work it has performed over the financial year 2010/11 for Thanet District Council, and provides an overall assurance on the system for internal control based on the audit work undertaken throughout the year, in accordance with best practice.

1.3 The internal audit team is proactive in providing guidance on procedures where particular issues are identified during audit reviews. The aim is to minimise the risk of loss to the Authority by securing adequate internal controls. Partnership working for the service has added the opportunity for the EKAP to port best practice across the four sites within the East Kent Cluster to help drive forward continuous service improvement. For example;-

- The cemeteries review identified risks regarding headstone and monument maintenance, the best practice was ported to all partners.

- An audit regarding benefits in kind was paid for by the savings identified in National Insurance and Tax in that review.

The audit plan for this year has been delivered with an additional 25.47 days delivered as work in progress at the year-end. The performance figures for the East Kent Audit Partnership as a whole for the year show impressive performance against target, and indeed the EKAP has once again delivered financial savings against its agreed budget to all its partners in the delivery of the service.

4.0 Options

- 4.1 That Members consider and note the annual internal audit report for 2010-11.
- 4.2 That Members consider registering their concerns with Cabinet in respect of any areas of the Council's corporate governance, control framework or risk management arrangements in respect of which they have on-going concerns after considering the work or coverage of internal audit for the year 2010-11.

5.0 Corporate Implications

5.1 Financial Implications

- 5.1.1 There are no financial implications arising directly from this report. The costs of the audit work have been met from the Financial Services 2010-11 budget.

5.2 Legal Implications

- 5.2.1 The Council is required by statute (under the Accounts and Audit Regulations and section 151 of the Local Government Act 1972) to have an adequate and effective internal audit function.

5.3 Corporate Implications

- 5.3.1 Under the Local Code of Corporate Governance accepted by Cabinet on 8th December 2009, the Council is committed to comply with requirements for the independent review of the financial and operational reporting processes, through the external audit and inspection processes, and satisfactory arrangements for internal audit.

6.0 Recommendations

- 6.1 That the report be received by Members.

Contact Officers:	Christine Parker, Head of the Audit Partnership, ext. 7190
	Simon Webb, Audit Manager, ext 7190
	Sue McGonigal, Chief Executive (s.151 Officer) Ext. 7790

Annex List:

Annex 1	East Kent Audit Partnership Annual Report 2010/11
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Background Papers:

Title	Details of where to access copy
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<i>Internal Audit Annual Plan 2010-11</i>	Previously presented to and approved at the March 2010 Governance and Audit Committee meeting
<i>Internal Audit Follow Up 2010-11</i>	Previously presented to Governance and Audit Committee Meetings in quarterly updates
<i>Internal Audit working papers</i>	Held by the East Kent Audit Partnership

Annual Internal Audit Report for Thanet District Council 2010-11

1. Introduction

The CIPFA Code of Practice for Internal Audit in Local Government for the United Kingdom 2006 defines internal audit as:

"An assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic efficient and effective use of resources."

A more detailed explanation, of the role and responsibilities of internal audit, is set out in the approved Audit Charter. The East Kent Audit Partnership (EKAP) aims to comply with the CIPFA Code of Practice, and to this end has produced evidence to the s.151 and Monitoring Officers to assist the Council's review of the system of internal control in operation throughout the year.

The key aim of the EKAP is to deliver a professional, cost effective, efficient, internal audit function to the partner organisations. The EKAP aims to have an enabling role in raising the standards of services across the partners through its unique position in assessing the relative standards of services across the partners. The EKAP is also a key element of each council's anti fraud and corruption system by acting as a deterrent to would be internal perpetrators.

The four partners are all committed to the principles and benefits of a shared internal audit service, and have agreed a formal legal document setting out detailed arrangements. The statutory officers from each partner site (the s.151 Officer) together form the Client Officer Group and govern the partnership through bi-annual meetings.

This report is a summary of the year, a snapshot of the areas at the time they were reviewed and the results of follow up reviews to reflect the actions taken by management to address the control issues identified. The process that the EKAP adopts regarding following up the agreed recommendations will bring any outstanding high-risk areas to the attention of members via the quarterly reports, and through this annual report if there are any issues outstanding at the year-end.

2. Review of the Internal Control Environment

2.1 Risks and Assurances

The audit plan is agreed with members annually following a risk assessment of all the key systems and issues facing the Council. This assessment also ensures suitable time and resources are devoted to reviewing areas on a cyclical basis. The work of Internal Audit includes agreeing with service managers that a control risk exists and setting out a course of action to rectify this. The value of the advice given by Internal Audit is evidenced through the acceptance of the majority of audit recommendations, and the feedback from the customer satisfaction survey.

During 2010/2011, 206 recommendations were made in the agreed final audit reports to Thanet District Council. These are analysed as being High, Medium or Low risk in the following table:

Risk Criticality	No. of Recommendations	Percentage
High	112	54%
Medium	70	34%
Low	24	12%
TOTAL	206	100%

Naturally, more emphasis is placed on recommendations for improvement regarding high risks. Any high-risk recommendations where management has not made progress in implementing the agreed system improvement are brought to management and Members' attention through Internal Audit's quarterly update reports. During 2010-11 the EKAP has further analysed the Council's progress in implementing agreed recommendations - out of 206 recommendations whilst 88% were in the High or Medium Risk categories, none are so significant that they need to be escalated at this time.

Internal Audit applies one of four 'assurance opinions' to each review, please see Appendix A for the definitions. This provides a level of reliance that management can place on the system of internal control to deliver the goals and objectives covered in that particular review. Where the assurance level is either 'no' or 'limited', or where high risks have been identified a follow up review is undertaken and, where appropriate, the assurance level is revised.

The summary of Assurance Levels issued on 40 reports to Thanet District Council over the course of the year is as follows:

Assurance	No.	Percentage
Substantial	9	33%
Reasonable	13	48%
Limited	5	19%
No	0	0%
Work in Progress at Year-End	5	
Not Applicable	8	

NB: 'Not Applicable' is shown against quarterly benefit check work, special investigations or work commissioned by management that did not merit an assurance level.

Taken together 81% of the reviews account for substantial or reasonable assurance, whilst only 19% of reviews placed a limited or gave no assurance to management on the system of internal control in operation at the time of the review.

2.2 Follow Up

In agreeing the final Internal Audit Report, management accepts responsibility to take action to resolve all the risks highlighted in that final report. The EKAP carries out a follow up review at an appropriate time after finalising an agreed report to test whether agreed action has in fact taken place and whether it has been effective in reducing risk.

As part of the follow up action taken by the responsible auditor, the recommendations under review are either:

- “closed” as they are successfully implemented, or
- “closed” as the recommendation is yet to be implemented but is on target, or
- (for medium or low risks only) “closed” as management has decided to tolerate the risk.

At the conclusion of the follow up review the overall assurance level is re-assessed. The results for follow up for 2010/11 is set out below. The obvious shift to the right in the table from the original opinion to the revised opinion also measures the positive impact that the EKAP has made on the system of internal control in operation throughout 2010-11.

Total Follow Ups Done 31	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Original Opinion	1	7	17	6
Revised Opinion	0	3	20	8

There are no fundamental issues of note arising from the audits undertaken in 2010/11. There is however a number of matters reported in section 3 below.

Understandably, the follow up review is timed to allow the service manager sufficient time to make progress in implementing the agreed actions. To reassure the committee, those areas receiving limited or no assurance that are yet to be followed up are detailed in the following table, these areas are also recorded as an appendix to the quarterly report so that their progress is transparently monitored. The results of the follow up reviews will be reported to the quarterly committee at the appropriate time:

Area Under Review	Original Assurance	Follow Up Due
Homelessness/ Rent Deposit Scheme	Reasonable/Limited	Quarter 2 2011/12 Plan
Employee BIK Payments	Limited	WIP May 2011
Equality & Diversity	Limited	Summer 2011

2.3 Special Investigations and Fraud Related Work

The prevention and detection of fraud and corruption is ultimately the responsibility of management however, the EKAP is aware of its role in this area and is alert to the risk of fraud and corruption when undertaking its work. The EKAP will immediately report to the relevant officer any detected fraud or corruption identified during the course of its work; or any areas where such risks exist.

The EKAP is, from time to time, required to carry out special investigations, including suspected fraud and irregularity investigations and other special projects. Any such matters have been reported to the Governance and Audit Committee during the year as part of the quarterly update report.

2.4 Completion of Audit Plan

Appendix B shows the planned time for reviews undertaken, against actual time taken, follow up reviews and unplanned reviews resulting from a special investigation or management request. Going into 2010-11 the EKAP needed to deliver the 430 days from the agreed plan and the 10.57 days brought forward from the previous two years, a total of 440.57 days. In total 466.04 audit days (105.78%) were completed for

Thanet District Council during 2010-2011, consequently as we go into 2011-12 the EKAP is slightly ahead in the number of days due to Thanet District Council.

The EKAP was formed in October 2007 and fully implemented in April 2008. The progress in ensuring adequate coverage against the agreed audit plan of work is shown in the table below. The number of days 'owing' or 'ahead' as at the 31st March for projects that have started and are work in progress at the year-end is simply completed and adjusted for in the April of the following year:

	TDC Audit Days Required from EKAP			
	2008-09	2009-10	2010-11	Total
	400	408	430	1238
EKAP Days Delivered	397.61	399.82	466.04	1263.47
Percentage	99.4%	97.99%	108.38%	102.06%
Days rolled forward	-2.39	-8.18	+36.04	+25.47

3. Overall assessment of the System of Internal Controls 2010-11

Based on the work of the EKAP on behalf of Thanet District Council during 2010-11, the overall opinion is:

There are no major areas of concern, which would give rise to a qualified audit statement regarding the systems of internal control concerning either the main financial systems or overall systems of corporate governance. The Council can have very good level of assurance in respect of all of its main financial systems and the majority of its Governance arrangements. Many of the main financial systems which feed into the production of the Council's Financial Statements have achieved a Substantial assurance level following audit reviews. The Council can therefore be very assured in these areas. This position is the result of improvements to the systems and procedures over recent years and the willingness of management to address areas of concern that have been raised.

There were five areas where Limited Assurance and three areas where No Assurance was given which reflected a lack of confidence in arrangements, and this was brought to officers' attention. These reviews are shown in the tables above along with the details of our follow up activity.

4. Significant issues arising form in 2010-11

From the work undertaken during 2010-11, there were no instances of unsatisfactory responses to key control issues raised in internal audit reports. There are occasions when audit recommendations are not accepted for operational reasons such as a manager's opinion that costs outweigh the risk, but none of these are significant and require reporting or escalation at this time. It is particularly pleasing to report that after follow up there were no high-risk recommendations outstanding at the year-end.

5. Internal Audit Performance

5.1 EKAP Resources

The EKAP has provided the service to the partners based on a FTE of 8.2. Additional audit days have been provided via audit consultants or contractors in order to meet the planned workloads. How much Internal Audit resource is provided to each of the partner authorities depends on a variety of factors, including the council's historical

internal control environment and the new demands of meeting the requirements of corporate governance. Any changes in the agreed plans or the level of resources are reported quarterly to each audit committee and through regular meetings with each Section 151 Officer.

5.2 Skills and Development

The East Kent Audit Partnership is staffed by a mix of qualified and part-qualified officers, who all continue to develop their skills through a range of on-the-job training, external and in-house training courses and seminars and use of the corporate e-learning resource. Skills development during 2010-11 included:

- (a) Attendance by all Kent local authority internal audit staff at the Kent Audit Conference. This provides an opportunity to exchange knowledge and skills and to receive guidance on current developments in the internal audit profession.
- (b) Two members of staff continuing studies for ACCA with continued examination success during 2010-11.
- (c) In house training on the use of specialised auditing software used to manipulate and test databases called IDEA.
- (d) Use of modules on the corporate e-learning package to include diversity and equalities and child protection awareness.
- (e) Continuing to engage external audit providers, for specific audit assignments to maximise the skills that can be bought-in to enhance internal audit resources.

By using a mix of in-house expertise through the East Kent Audit Partnership and other outside resources the team is able to call upon a number of auditors with a wide range of skills and experience and also bring fresh insight into areas being audited as a means of securing the most effective and economic delivery of the service.

5.3. Plan Performance

The analysis in Appendix B shows the individual reviews that were completed during the year. As at 31st March 2011 the EKAP was slightly ahead and had delivered 466.04 days against 440.57 owed. These days will be adjusted in 2011/12 as part of the rolling three-year plan process.

5.4 Internal Audit Performance against its Targets

Internal Audit is committed to continuous improvement and has various measures to ensure the service can strive to achieve its goals and ambitions. When compared against the agreed audit plan for the year the performance measures and indicators for the year are shown in the table of performance measures at Appendix C.

5.4.1 Satisfaction with Internal Audit Service

EKAP uses an electronic client satisfaction questionnaire, which is issued at the conclusion of each audit to receive feedback on the quality and perception of the service. The results and comments made by auditees and service managers are reported quarterly to committee. Additional requests for advice and specific audit requests by management are also indicative of the value placed upon the service received from EKAP. Customer feedback is used to drive continuous improvement within the service, where appropriate constructive feedback is received it is discussed at a team meeting and any improvement actions taken as a result are reflected in a change to the Audit Manual, which records in detail all the work instructions to the auditors.

5.4.2 Internal Quality Assurance and Performance Management.

All internal audit reports are subject to review, either by the relevant EKAP Audit Manager or Head of the Audit Partnership. In each case this includes a detailed examination of the working papers, action and review points, at all stages of report. The review process is recorded and evidenced within the working paper index and in a table at the end of each audit report. Detailed work instructions are documented within the Audit Manual. The Head of Audit Partnership collates performance data monthly and, together with the monitoring of the delivery of the agreed audit plan carried out by the relevant Audit Manager, regular meetings are held with the s.151 Officer. The minutes to these meetings are additional evidence to the strategic management of the EKAP performance.

5.4.3 External Quality Assurance

The Audit Commission has always carried out an annual assessment each year and a detailed quality assessment of internal audit every three years. The Audit Commission reviewed the EKAP arrangements in detail during 2009/10 and the results of that review were reported to committee. It is pleasing to report that no areas for improvement were raised during that review and the EKAP was found to comply with the CIPFA code. The requirement for the Audit Commission to complete this review has been removed and the EKAP will look for other sources of assurance on the quality of its processes and outputs.

The EKAP self-assessment of the level of CIPFA Code compliance shows that EKAP is currently 97% compliant against a target of 97%. At present there are no identified actions to improve this score.

The Accounts & Audit Regulations require that each authority undertake an annual review of the effectiveness of internal audit arrangements and to report this alongside the Governance Assurance Statement within the Council's Statement of Accounts. Therefore this report, summarising the achievements of Internal Audit for the year to March 2011, is also designed to feed into that overall assessment process.

5.4.4 Liaison between Internal Audit and External Audit.

Joint liaison meetings with the Audit Commission's audit managers for the partner authorities and the EKAP audit managers are held regularly to ensure adequate audit coverage, to agree any complementary work and to avoid any duplication of effort. The EKAP has not met with any other review body during the year in its role as the Internal Auditor to Thanet District Council. Consequently, the assurance, which follows is based on EKAP reviews of Thanet District Council's services.

5.4.5 Financial Performance

Expenditure and recharges for year 2010/11 are all in line with the budget. The financial management of the Internal Audit cost centre held by Dover District Council (as host partner) has been on target, and 10% savings have been achieved.

As can be seen, the EKAP has been able to exceed its targets for financial performance for 2010/11. The EKAP now has a track record for bringing down daily rates (see table below). This daily rate excludes any internal recharges that are added to the service by the Council, which are not under the control or management of the EKAP. This equates to a saving of £32 per day against the original target for 2010/11 of £300/day; a total financial saving to Thanet District Council £13,676.48 for 2010/11 (or 10% against the original budget of £300/day).

Year	Cost / Audit Day
2006-07	£288
2007-08	£277
2008-09	£262 (Reserve Refunded to Partners)
2009-10	£281
2010-11	£268

The EKAP was formed to provide a resilient, professional service and therefore to achieve financial savings was not the main driver, despite this considerable efficiencies have been gained through forming the partnership. Additionally, any external fee earning work that has been carried out, this year some £17,255.75 was procured by other public sector bodies from EKAP reduces the costs to the partners. The net result is a reduced EKAP cost per audit day of some £32 per day below the original budget estimate. In the current climate this is excellent performance and the partner authorities have all enjoyed the savings generated by the EKAP.

6. Overall Conclusion

The Internal Audit function provided by the EKAP has performed well against its targets for the year. Clearly there have been some adjustments to the original audit plan for the year 2010/2011, however, this is as expected and there are no matters of concern to be raised at this time.

The work of Internal Audit and this report contribute to the overall internal control environment in operation within the Council, and also assists in providing an audit trail to the statements that must be published annually with the financial accounts. The EKAP assesses the overall system of internal control in operation throughout 2010/11 as providing reasonable assurance. No system of control can provide absolute assurance, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance that there is an ongoing process for identifying, evaluating and managing the key risks.

AUDIT ASSURANCE

Definition of Audit Assurance Statements

Substantial Assurance

From the testing completed during this review a sound system of control is currently being managed and achieved. All of the necessary, key controls of the system are in place. Any errors found were minor and not indicative of system faults. These may however result in a negligible level of risk to the achievement of the system objectives.

Reasonable Assurance

From the testing completed during this review most of the necessary controls of the system in place are managed and achieved. There is evidence of non-compliance with some of the key controls resulting in a marginal level of risk to the achievement of the system objectives. Scope for improvement has been identified, strengthening existing controls or recommending new controls.

Limited Assurance

From the testing completed during this review some of the necessary controls of the system are in place, managed and achieved. There is evidence of significant errors or non-compliance with many key controls not operating as intended resulting in a risk to the achievement of the system objectives. Scope for improvement has been identified, improving existing controls or recommending new controls.

No Assurance

From the testing completed during this review a substantial number of the necessary key controls of the system have been identified as absent or weak. There is evidence of substantial errors or non-compliance with many key controls leaving the system open to fundamental error or abuse. The requirement for urgent improvement has been identified, to improve existing controls or new controls should be introduced to reduce the critical risk.

Performance Against the Agreed 2010/11 Audit Plan

Area	Original Planned Days	Revised Budgeted Days as at 31-03-11	Actual days to 31-03-11	Status and Assurance Level
FINANCIAL SYSTEMS:				
Housing Benefits – Shared Revenues and Benefits Database with Dover District Council	5	3.2	3.2	Finalised
Housing Benefits – Quarterly Testing	20	14.85	14.85	2009-10 Quarter 4 – Finalised 2010-11 Quarter 1 – Finalised 2010-11 Quarter 2 – Finalised 2010-11 Quarter 3 - Finalised
Payroll	5	3.47	3.47	Finalised
Car Parking and PCNs	8	0.17	0.17	Work-in-Progress (Qtr 1 of 2011-12)
Bank Reconciliation	5	5.91	5.91	Finalised - Substantial
Creditors and CIS	8	10.28	10.28	Finalised - Substantial
Miscellaneous Income/Cash Collection	8	0	0	Delete from plan to accommodate higher risk reviews. Include in 2011-12 plan.
Financial Stewardship	8	6.1	6.1	Finalised
Council Tax	12	12.68	12.68	Finalised – Substantial
Business Rates	12	8.32	8.32	Finalised - Substantial
External Funding Protocol	8	4.35	4.35	Finalised – Reasonable
HOUSING SERVICES:				
Housing Rents	10	9.89	9.89	Finalised – Substantial
Housing Repairs and Maintenance	10	10.73	10.73	Finalised - Reasonable
Leasehold Services	10	11.15	11.15	Finalised - Reasonable
HRA Business Plan	8	8.6	8.6	Finalised - Substantial
Rent Deposit Scheme/Homelessness	5	7.63	7.63	Finalised – Reasonable/Limited
Housing Estate Management	8	0	0	Delete from plan to accommodate higher risk reviews. Include in 2011-12 plan.
ICT SYSTEMS:				
ICT Change Control and File Security	8	0	0	Delete from plan to accommodate higher risk reviews. Include in 2011-12 plan.
HUMAN RESOURCES RELATED:				

Area	Original Planned Days	Revised Budgeted Days as at 31-03-11	Actual days to 31-03-11	Status and Assurance Level
Recruitment and CRB	8	0.17	0.17	Delete from plan due to low levels of recruitment at the present time. CRB element covered by Child Protection audit.
Employee Benefits-in-Kind	8	12.61	12.61	Finalised - Limited
GOVERNANCE RELATED:				
Asset Management	8	12.23	12.23	Finalised - Reasonable
Members' Code of Conduct and Standards Arrangements	8	8.34	8.34	Finalised - Reasonable
Officers' Code of Conduct and Whistleblowing Arrangements	8	7.64	7.64	Finalised - Reasonable
Performance Management	9	11.44	11.44	Finalised - Reasonable
Corporate/CMT/Committee	30	42.94	42.94	Finalised
East Kent Shared Services – Validation of Performance Indicators for Tranche 1 Services	2	0	0	Delete from plan to accommodate higher risk reviews.
CONTRACT RELATED:				
Contract Standing Order Compliance	10	0	0	Delete from plan to accommodate higher risk reviews. Include in 2011-12 plan.
Contract Monitoring	10	9.54	9.54	Finalised - Reasonable
Procurement	10	0.15	0.15	Work-in-Progress (Qtr 1 of 2011-12)
SERVICE LEVEL:				
Accommodation Strategy	7	5.04	5.04	Finalised - Substantial
Members' Allowances	8	8.99	8.99	Finalised - Reasonable
Public Health Burials	6	7.05	7.05	Finalised - Limited
Coast Protection/Management	9	11.81	11.81	Finalised - Reasonable
Cemeteries and Crematorium	9	10.18	10.18	Finalised - Reasonable
Planning, Building Control and s.106 Agreements	20	20.02	20.02	Finalised – Reasonable/Substantial/Substantial
Events Management	10	10.43	10.43	Finalised - Reasonable
Electoral Registration	8	0	0	Delete from plan to accommodate higher risk reviews. Include in 2011-12 plan.
Equality and Diversity	8	8.88	8.88	Finalised - Limited
Thanet Works	9	14.84	14.84	Finalised - Reasonable
Disabled Facilities Grants	9	9.57	9.57	Finalised - Substantial

Area	Original Planned Days	Revised Budgeted Days as at 31-03-11	Actual days to 31-03-11	Status and Assurance Level
Maritime – Visiting Yachts and Ancillary Services	10	11.34	11.34	Finalised - Reasonable
Maritime – Permanent Berths and let Properties	10	10.89	10.89	Finalised - Reasonable
Waste Management	10	11.77	11.77	Finalised - Substantial
OTHER				
Liaison With External Auditors	5	2.08	2.08	Finalised
Follow-up Reviews	13	31.83	31.83	Finalised
FINALISATION OF 2009-10 AUDITS				
Child Protection	20.57	41.31	7.38	Finalised – Reasonable
Homelessness			0.39	Finalised - Limited
Housing Benefit – Fraud Investigation Arrangements			1.11	Finalised – Reasonable
Thanet Leisure Force			6.75	Finalised – Substantial/Limited
Information Management, FOI and Data Protection			12.89	Finalised – Substantial/Reasonable/Limited
CSO Compliance			0.61	Finalised – Limited
Green Waste Service			4.36	Finalised – Substantial
Local Code of Corporate Governance			0.1	Finalised - Substantial
Choice Based Lettings			7.72	Finalised - Substantial
UNPLANNED WORK				
Creative Margate Consultancy Arrangements (Balance of time from 2009-10 audit)	0	0.07	0.07	Finalised - Limited
Overtime	0	6.01	6.01	Finalised – Reasonable
EK Services – Tranche 1 Performance Indicator Validation	0	3.27	3.27	Finalised
External Funding – ERDF Grants	0	13.55	13.55	Finalised – Reasonable
Standards Investigation	0	4.85	4.85	Finalised
Total (Including 10.57 days brought forward from 2009-10)	440.57	466.04	466.04	105.78% Complete as at 31-03-11
UNPLANNED ADDITIONAL WORK				
Meridian Village	2	2.07	2.07	Audit verification of costs deductible from income arising from development
Interreg Grant – Customer Services	4	5.45	5.45	First Level Controller sign off charged to project
MACH Grant	0	1.13	1.13	Audit costs for sign off of grant claim charged to project
Interreg Grant – Tudor House	4	5.42	5.42	First Level Controller sign off charged to project

Area	Original Planned Days	Revised Budgeted Days as at 31-03-11	Actual days to 31-03-11	Status and Assurance Level
Interreg Grant – Maritime (Off-Shore Wind Farm)	4	3.76	3.76	First Level Controller sign off charged to project



Thanet District Council Balanced Scorecard

INTERNAL PROCESSES PERSPECTIVE:	2010-11 Actual	Target	FINANCIAL PERSPECTIVE:	2010-11 Actual	Target
	Quarter 4				
Chargeable as % of available days	88%	75%	Cost per Audit Day (Reported Annually)	£268	£300
Chargeable days as % of planned days	106%	100%			
Follow up Reviews;					
• Issued	31	-			
• Not yet due	10	-			
• Now overdue for Follow Up	2	0			
Percentage compliance with the CIPFA Code for Internal Audit 2006	97%	97%			

<u>CUSTOMER PERSPECTIVE:</u>	<u>2010-11 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2010-11 Actual</u>	<u>Target</u>
	Quarter 4		Quarter 4		
Number of Satisfaction Questionnaires Issued;	44		Percentage of staff qualified to relevant technician level	76%	75%
Number of completed questionnaires received back;	21		Percentage of staff holding a relevant higher level qualification	32%	32%
Percentage of Customers who felt that;			Percentage of staff studying for a relevant professional qualification	24%	24%
<ul style="list-style-type: none"> • Interviews were conducted in a professional manner • The audit report was 'Excellent or Very Good' • That the audit was worthwhile. 	100%	100%	Number of days technical training per FTE	3.07	3.5
	100%	90%	Percentage of staff meeting formal CPD requirements	32%	32%
	100%	100%	Number of business efficiency/ service Improvement recommendations introduced	35	-

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AUDIT COMMISSION PROGRESS REPORT

To: **Governance and Audit Committee: 22 June 2011**

By: **Chief Executive (s151 officer) Sue McGonigal**

Classification: **Unrestricted**

Summary: **To present the Audit Commission's Progress Report 2010/2011.**

For Information

1.0 Introduction

1.1 To update Members on progress to date on the current audit plans. Audit and Inspection work undertaken since the last update in March 2011.

2.0 Corporate Implications

2.1 Financial

2.1.1 There are no financial implications arising directly from this report.

2.2 Legal

2.2.1 There are no legal implications arising directly from this report.

2.3 Corporate

2.3.1 The report summarises progress to date on current audit plans.

2.4 Equity and Equalities

2.4.1 There are no equity and equalities implications arising from this report.

3.0 Recommendation

3.1 That Members note the report.

Contact Officer: Chief Executive and s151 Officer Ext. 7790

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Audit Commission Progress Report

Thanet District Council

June 2011

DRAFT

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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Introduction

- 1 Our audit is designed to meet the requirements of the Audit Commission's Code of Audit Practice. Under the Code we are required to:
 - give our opinion on whether the financial statements give a true and fair view of the financial position and the income and expenditure for the year; and
 - issue a conclusion on whether the Council has proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 2 We design a programme of work to address the significant operational and financial risks facing you, which impact on our responsibilities. This report outlines progress against the 2010/11 audit plan.
- 3 We will issue quarterly update reports throughout the audit year to keep the Audit and Compliance Committee informed of progress.
- 4 This report sets out progress on the 2010/11 audits. Further details of specific work undertaken are set out in Appendix 1.

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Opinion audit

Overview

5 We have completed the majority of our pre-statements work, with a final visit scheduled in early June 2011. During this period we will finalise our controls testing and complete early substantive testing on the Council's bank reconciliations and housing repairs.

6 We will report back to the Committee in September on the final results of our work. The following are the key areas which we need to raise in this report:

- IFRS
- Shared service payroll.

IFRS

7 We have continued to work with the Council as it prepares for the first year of IFRS. We are pleased to report that the Council has made good progress in its preparations and has now substantially completed its restatement of the previous year accounts.

8 We will review the following areas as part of our post-statements audit:

- Accounting Policies: We will review the 2010/11 policies and disclosure notes against IFRS requirements as part of our work on the financial statements.

Payroll

9 As part of our pre-statements work, we have reviewed the new payroll system provided across East Kent by the shared service provider (the provider). During the course of our work both we and officers identified that some key controls were not operating effectively at the provider. In particular:

- General ledger coding: During the initial period of the contract there appeared to be a lack of controls in place to ensure payroll costs were appropriately classified. Officers had to intervene manually several times to correct errors.
- Data security: Council staff were able to view very high level records relating to a non East Kent client. They were not able to see any personal details for employees or other sensitive information. However the officers did raise concerns about the security of data on the system.
- Incorrect payments: Officers identified incorrect payments made outside the payroll system via CHAPS (relating to other bodies within the shared service). Manual corrections were required to address this.

- Expense and Overtime Claims: Weak controls were identified over expense and overtime forms. These are authorised by Thanet officers and sent directly to the provider for processing. However, the provider do not have authorised signatory lists to confirm appropriateness of authorisation.
- Evidencing of controls: We identified scope for improved documentation of controls by the provider.

10 We have discussed our findings with officers. We understand action has been taken by the provider to strengthen project management and internal controls in addressing the issues raised during the year. We will review arrangements in 2011/12 to confirm controls are now embedded and operating as expected.

11 On this basis, we propose to supplement our controls testing with year end substantive agreement of a sample of payroll items to ensure we have the required assurance for our opinion.

DRAFT

2010/11 VFM Conclusion

12 As detailed in our last report, the Audit Commission has introduced a new approach to its value for money assessment. In summary, the new approach is intended to be proportionate and risk based. This is based on two criteria, specified by the Commission, related to your arrangements for:

- securing financial resilience – focusing on whether the Council is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how the Council secures economy, efficiency and effectiveness – focusing on whether the Council is prioritising its resources within tighter budgets and improving productivity and efficiency.

13 Our review is still in progress and we will conclude our work by September 2011. There are no significant issues arising at this stage which we need to bring to your attention. We will set out full details of our findings in Annual Audit Letter.

DRAFT

Recent Publications

14 This section of the update report provides reference to our national reports that may be of particular interest to members. If you would like further information on any items, please feel free to contact either your Engagement Lead (Andy Mack 07765 898682) or Engagement Manager (Lisa Robertson 07779 576218).

15 Alternatively, all Audit Commission reports can be found on our website: www.audit-commission.gov.uk.

The final countdown: IFRS in local government (March 2011)

16 The Commission has published the final briefing paper in its countdown to IFRS series, reporting on findings from a January 2011 auditor survey on implementation of IFRS in local government. It outlines key actions authorities should be taking at this stage as follows:

- complete any key outstanding IFRS implementation tasks, such as restatement work, without further delay;
- integrate any remaining tasks into their accounts closedown timetable;
- leave enough time to prepare the increased number of IFRS disclosures and to resolve any remaining financial reporting issues;
- ensure their accounts closedown timetable is realistic, building in enough time and staff resource to deal with issues that will inevitably arise during the closedown period;
- keep their auditors informed on their progress in resolving IFRS financial reporting issues and seek to agree time in advance to review work as they enter the closedown period;
- continue to discuss progress of IFRS implementation with their audit committees; and
- take steps now to ensure that IFRS knowledge and skills are captured and embedded, to enable good financial reporting in future years.

17 As highlighted earlier in this report, the Council is making good progress in this area.

Appendix 1 – Delivery of specific work against audit plan

Table 1: **Audit Progress**

18 The table below sets out the agreed work programme included in the 2010/11 audit plans, with progress to date

Area of work identified in Audit Plan	Planned Output	Actual Output
2010/11 Audit Fee Letters	March 2010	April 2010
2010/11 Audit Plan	March 2011	March 2011
2011/12 Audit Fee Letters	June 2011	April 2011
2010/11 Annual Governance Report	September 2011	
2010/11 Opinion and VFM Conclusion	September 2011	
2010/11 Whole of Government A/c's return	September 2011	
2010/11 Annual Audit Letter	November 2011	
2010/11 Annual Grant Claims Report	January 2012	

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ANNUAL AUDIT FEE LETTER 2011/12

To: **Governance and Audit Committee – 22 June 2011**

Main Portfolio Area: **Chief Executive**

By: **Audit Manager, Audit Commission**

Classification: **Unrestricted**

Summary: **To present the Audit Commission's Annual Audit Fee Letter 2011/12.**
For Information

1.0 Introduction

1.1 The Audit Commission's Annual Audit Fee Letter confirms the work that the Audit Commission proposes to undertake for the 2011/12 financial year.

2.0 Corporate Implications

2.1 Financial

2.1.1 The financial details are contained within the report.

2.2 Legal

2.2.1 There are no legal implications arising directly from this report.

2.3 Corporate

2.3.1 This report summarises the Audit Commission's proposed scale of fees for 2011/12.

2.4 Equity and Equalities

2.4.1 There are no equity and equalities implications arising from this report.

3.0 Recommendation(s)

3.1 That Members note the report.

Contact Officer:	Andy Mack, District Auditor, Audit Commission
Reporting to:	Sue McGonigal, Chief Executive and s151 Officer

Annex List

Annex 1	Audit Commission Annual Audit Fee Letter
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18 April 2011

Richard Samuel
Chief Executive
Thanet District Council
PO Box 9
Cecil Street
Margate
Kent CT9 1XZ

Mobile line 07765 898682
Email a-mack@audit-
commission.gov.uk

— Dear Richard

Annual audit fee 2011/12

I am writing to confirm the audit work that we propose to undertake for the 2011/12 financial year at Thanet District Council. The fee reflects the risk-based approach to audit planning set out in the Code of Audit Practice and work mandated by the Commission for 2011/12. The audit fee covers the:

- The audit of financial statements
- Value for money conclusion
- Whole of Government accounts.

As I have not yet completed my audit for 2010/11 the audit planning process for 2011/12, including the risk assessment, will continue as the year progresses.

Audit fee

The Audit Commission proposes to set the scale fee for each audited body for 2011/12, rather than providing a scale fee with fixed and variable elements. The scale fee reflects proposed decreases in the total audit fee, as follows:

- no inflationary increase in 2011/12 for audit and inspection scales of fees and the hourly rates for certifying claims and returns;
- a cut in scale fees resulting from our new approach to local VFM audit work; and
- a cut in scale audit fees of 3 per cent for local authorities, police and fire and rescue authorities, reflecting lower continuing audit costs after implementing IFRS.

The scale fee for Thanet District Council is £145,825. Variations from the scale fee will only occur where my assessments of audit risk and complexity are significantly different from those identified and reflected in the 2010/11 fee.

Audit Commission, 1st Floor, Millbank Tower, Millbank, London, SW1P 4HQ
T 0844 798 1212 F 0844 798 6187 www.audit-commission.gov.uk

Audit area	Scale fee 2011/12	Planned fee 2010/11
Audit fee	£145,825	£153,500

In addition, I will be required to certify a number of grant claims and returns prepared by the Council. The work required in this area is variable and depends on the approach specified by government departments. I will seek to place reliance on the Council's control environment and the work of internal audit in order to minimise the cost to the Council. At this stage, I anticipate fees in the region of £34,500, which is the same as my planned fee for 2010/11.

I will issue a detailed audit plan in early 2012. This will set out any risks I have identified in respect of the financial statements audit and the vfm conclusion. The plan will also set out the audit procedures I plan to undertake and any changes in fee. If I need to make any significant amendments to the audit fee, I will first discuss this with the Director of Corporate Services. I will then prepare a report outlining the reasons the fee needs to change for discussion with the audit committee.

I propose to review your updated Medium Term Financial Plan and new arrangements with other councils for the provision of shared services to support the vfm conclusion. I will issue a detailed project plan before work begins.

I will issue several reports over the course of the audit. I have listed these at Appendix 1.

The fee excludes work the Commission may agree to undertake using its advice and assistance powers. We will negotiate each piece of work separately and agree a detailed project specification.

Audit team

Your audit team must meet high specifications and must:

- understand you, your priorities and provide you with fresh, innovative and useful support;
- be readily accessible and responsive to your needs, but independent and challenging to deliver a rigorous audit;
- understand national developments and have a good knowledge of local circumstances; and
- communicate relevant information to you in a prompt, clear and concise manner.

The key members of the audit team for 2011/12 are:

Name	Contact details	Responsibilities
Andy Mack District Auditor	a-mack@audit-commission.gov.uk 07765 898682	Andy is responsible for the overall delivery of the audit including the quality of outputs, liaison with the Chief Executive and Chair of Audit Committee and issuing the auditor's report.
Lisa Robertson Audit Manager	l-robertson@audit-commission.gov.uk 07715 116818	Lisa manages and coordinates the different elements of the audit work. Key point of contact for the Director of Finance and Corporate Services
Harpal Singh Principal Auditor	h-singh@audit-commission.gov.uk 07791 022119	Harpal leads the on-site team in delivering the audit.

I am committed to providing you with a high-quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me. Alternatively you may wish to contact Chris Westwood, Director of Professional Practice, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk)

Yours sincerely

Andy Mack, District Auditor

cc Sue McGonigal, Director of Finance and Corporate Services
cc Cllr Savage, Chair of the Audit Committee

Appendix 1- Planned outputs

We will discuss and agree our reports with officers before issuing them to the audit committee.

Table 1

Planned output	Indicative date
Audit plan	February 2012
Annual governance report	September 2012
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2012
Final accounts memorandum (to the Director of Finance and Corporate Services) if required	October 2012
Annual audit letter	November 2012
Annual claims and returns report	February 2013

THANET DISTRICT COUNCIL DECLARATION OF INTEREST FORM

Do I have a personal interest?

You have a **personal interest** in any business of your authority where it relates to or is likely to affect:

- a) An interest you must **register**.
- b) An interest that is not on your register, but where the well-being or financial position or you, members of your family (spouse; partner; parents; in laws; step/children; nieces and nephews), or people with whom you have a close association (friends; colleagues; business associates and social contacts that can be friendly and unfriendly) is likely to be affected by the business of your authority more than it would affect the majority of:
 - Inhabitants of the ward or electoral division affected by the decision (in the case of the authorities with electoral divisions or wards.)
 - Inhabitants of the authority's area (in all other cases)

These two categories of personal interests are explained in this section. If you declare a personal interest you can remain in the meeting, speak and vote on the matter, unless your personal interest is also a prejudicial interest.

Effect of having a personal interest in a matter

You must declare that you have a personal interest, **and the nature of that interest**, before the matter is discussed or as soon as it becomes apparent to you except in limited circumstances. Even if your interest is on the register of interests, you must declare it in the meetings where matters relating to that interest are discussed, unless an exemption applies.

When an exemption may be applied

An exemption applies where your interest arises solely from your Membership of, or position of control or management on:

1. Any other body to which you were appointed or nominated by the authority.
2. Any other body exercising functions of a public nature (e.g. another local authority)

Is my personal interest also a prejudicial interest?

Your personal interest will also be a **prejudicial interest** in a matter if all of the following conditions are met:

- a) The matter does not fall within one of the **exempt categories** of decisions
- b) The matter affects **your financial interests** or relates to a **licensing or regulatory matter**.
- c) A member of public, who knows the relevant facts, would **reasonably think your personal interest is so significant** that it is likely to prejudice your judgement of the public interest.

What action do I take if I have a prejudicial interest?

- a) If you have a **prejudicial interest** in a matter being discussed at a meeting, you must declare that you have a prejudicial interest as the nature of that interest becomes apparent to you.
- b) You should then leave the room, **unless members of the public are allowed to make representations, give evidence or answer questions about the matter**, by statutory right or otherwise. If that is case, you can also attend the meeting for that purpose.
- c) However, you must immediately leave the room once you have finished or when the meeting decides that you have finished (if that is earlier). You cannot remain in the public gallery to observe the vote on the matter.

d) In addition you must not seek to **improperly influence** a decision in which you have a prejudicial interest.

This rule is similar to your general obligation not to use your position as a Member improperly to your or someone else's advantage or disadvantage.

What if I am unsure?

If you are in any doubt, Members are strongly advised to seek advice from the Monitoring Officer or the Democratic Services Manager well in advance of the meeting.

DECLARATION OF PERSONAL AND, PERSONAL AND PREJUDICIAL INTERESTS

MEETING

DATE..... **AGENDA ITEM**

IS YOUR INTEREST:

PERSONAL

PERSONAL AND PREJUDICIAL

NATURE OF INTEREST:

.....
.....
.....

NAME (PRINT):

SIGNATURE:

Please detach and hand this form to the Committee Clerk when you are asked to declare any interests.