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GOVERNANCE AND AUDIT COMMITTEE

29 SEPTEMBER 2011

A meeting of the Governance and Audit Committee will be held at **6.30 pm on Thursday, 29 September 2011** in the Function Suite at the Media Centre King Street, Margate, Kent.

Membership:

Councillor Savage (Chairman); Councillors: Binks, Campbell (Vice-Chairman), Day, D Green, Johnston, 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 MEETINGS** (Pages 1 - 18)
To approve the minutes of the Governance and Audit Committee meetings held on 22 June 2011, 29 June 2011 and 10 August 2011, copies attached.
4. **ACTION POINTS FROM PREVIOUS MEETINGS** (Pages 19 - 34)
5. **HOUSING BENEFITS QUARTERLY TESTING**
To receive a verbal update from Andrew Stevens and Mark Gilmore of EK Services.
6. **DEBT WRITE- OFF PROTOCOL** (Pages 35 - 40)
7. **QUARTERLY GOVERNANCE PROGRESS REPORT** (Pages 41 - 70)
8. **TREASURY MANAGEMENT UPDATE FOR QUARTER 1., 2011** (Pages 71 - 76)
9. **ANNUAL GOVERNANCE REPORT 2010/11** (Pages 77 - 106)
10. **FINAL AUDITED STATEMENT OF ACCOUNTS 2010/2011** (Pages 107 - 110)

Item
No

Subject

The Draft Statement of Accounts for 2010/11 can be found using the following link:-

http://www.thanet.gov.uk/council_democracy/council_budgets_spending/statement_of_accounts_2010.aspx

11. **ANNUAL GOVERNANCE STATEMENT 2010/2011** (Pages 111 - 128)
12. **INTERNAL AUDIT PROGRESS REPORT** (Pages 129 - 148)
13. **FUTURE ITEMS OR TRAINING FOR THE COMMITTEE**

Declaration of Interest form - back of agenda

GOVERNANCE AND AUDIT COMMITTEE

Minutes of the meeting held on 22 June 2011 at 6.30 pm in Austen Room, Council Offices, Cecil Street, Margate, Kent.

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

145. ALSO PRESENT:

Harvey Patterson – Corporate and Regulatory Services Manager
Nikki Morris – Business Support and Compliance 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
Lisa Robertson – Audit Manager - Audit Commission

146. APOLOGIES FOR ABSENCE

No apologies were received.

147. DECLARATIONS OF INTEREST

There were no declarations of interest.

148. MINUTES OF PREVIOUS MEETING

Subject to responses to the following questions raised by Members regarding the minutes:

‘There is an Equalities and Diversities Group that consists 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 Direct of Cabinet Portfolio holder demonstrating the priority assigned to other issues at the current time’

Members were advised that as yet, this had not happened but enquiries were to be made to ensure action was taken.

‘Why does the Council need Auditor’s?’

Members were advised by Christine Parker of the East Kent Audit Partnership that it is a requirement of s.151 of the Local Government Act for the Chief Finance Officer (s.151 Officer) to establish and maintain an effective system of internal audit.

The minutes were then agreed and signed by the Chairman.

149. ACTION POINTS FROM PREVIOUS MEETINGS

The action regarding the breakdown report on tourism grants was queried. This item had been on pink paper at the previous meeting but was now covered at item 7 on the agenda for the meeting of Governance and Audit Committee 29 June 2011 and was a public paper.

Members had requested more information on the decision making process behind the sale of 20 allotments in Dane Valley.

Harvey advised that he would report back to the 29 June 2011 meeting with a verbal update.

Members noted the report.

150. GOVERNANCE AND AUDIT COMMITTEE GUIDANCE PACK

Nikki Morris, Business Support and Compliance Manager presented Members with the new Guidance Pack which contained the revised Terms of Reference for the Committee, Member guidance, a Programme of Reports for 2011-12, the Committee Roles and Core Functions, the Internal Audit Plan 2011-12, Key questions, Final Accounts guidance the Annual Governance Statement timetable, Risk on a page and information on Fraud Facts.

Members had concerns regarding the Council's interest rate policy and how we set our loans. This is to be covered at the meeting 29 June 2011 in the Annual Treasury Management report. It was also noted that this was also covered in the Members Induction Training on Treasury Management.

Members noted the information received within the Guidance Pack.

151. QUARTERLY GOVERNANCE PROGRESS REPORT

Nikki introduced the report which provides Members of Governance and Audit Committee with progress on governance related issues.

The issue regarding Member training and development needs and the intended survey of Members to identify future training and development needs was raised. The deadline date for this was proposed to be June 2011 and Members asked to be updated on the revised schedule.

A further issue that had been identified was concerning Value for Money reviews. A new approach is being considered as part of the analysis work being undertaken with regards to the Business Hub and how processes are improved and communicated.

The involvement of Members in this process was questioned. Members were advised that Scrutiny played a roll in this process and recommendations were then put to Cabinet. The new SMT Performance Board was used to discuss how to improve management and performance.

Members noted the report.

152. INTERNAL AUDIT PROGRESS REPORT

Simon Webb, Audit Manager for the East Kent Internal Audit Partnership, introduced the report which summarises the internal audit work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting. It also includes details of the performance of the EKAP to the 31 March 2011.

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 as these were in respect of quarterly housing benefit testing.

In addition, five follow-up reviews had been completed during the period. Of these, one (Public Health Burials) related to an area which was originally assessed as giving rise to a Limited assurance and the assurance levels for this business areas remained unchanged. Harvey Patterson advised Members that this area fell within his aegis of responsibility and he undertook to ensure that the requisite controls were established and adhered to, to enable a higher level of assurance to be had.

Of the services given limited or no assurance the following are still to be reviewed: Homelessness and the Rent Deposit Scheme, Employee Benefits-in-Kind and Equality and Diversity. Equality and Diversity, having been raised earlier in the meeting, was identified as being an important area and the limited assurance previously reported was considered disappointing. A follow-up review was scheduled and would be reported to the September meeting. Follow-up work in respect of the other two Limited assurance areas was also underway and the results of this would be reported back to the September Committee meeting.

In respect of the Housing Benefit Quarterly testing (for which an assurance level is not applicable), Simon Webb explained that over the course of the 2010/11 financial year the East Kent Audit Partnership had 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.

Overall for 2010/11 there had been 80 benefit claims checked of which there were 12 failures identified that affect the subsidy claim. In addition to this, of the two queried claims outstanding from quarter 3, one had 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

Members expressed concern regarding the findings of the Quarterly Housing Benefit testing undertaken by internal audit throughout 2010-11 which had identified an error rate within the sample selected of 15% and considered the controls which were in place within the Benefits section to identify and minimise errors in processing... Members requested that a representative from EK Services should attend their September meeting to provide an update on what measures are being taken to reduce the error rate. Simon Webb further advised Members that the Housing Benefit Testing for the first Quarter of 2011-12 was due to be undertaken shortly and the results would be reported to the September meeting of the Committee.

The Contract Management and Monitoring audit was discussed and in particular the need to ensure that the Council received value for money from the contracts it lets through vigorous and robust contract monitoring and managements arrangements.

The Council's level of compliance with Contract Standing Orders was discussed and Members were advised that whilst this had been an area in which Limited assurance had been concluded in the past the most recent follow-up audit work had concluded Reasonable Assurance. Members asked why this area was not included within the 2011-12 internal audit plan and were advised that in addition to internal audit, the Council has other complimenting sources of assurance and when preparing the risk based 2011-12 internal audit plan recognition was given to the fact that Senior Management Team receive regular reports from the Procurement Manager on the level of CSO Compliance.

Members agreed that:

"6.1 the report be received by Members

and

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”

MOTION ADOPTED.

153. INTERNAL AUDIT ANNUAL REPORT

Christine Parker outlined the report which gives an opinion on the overall system of internal control in operation throughout 2010-11, the report also summarises the impact of the work of the East Kent Audit Partnership for the year to 31 March 2011 The opinion is fed into the Annual Governance Statement as a key source of assurance.

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. Of these 206 recommendations 54% were said to be of a high risk, 34% were medium and 12% were low.

Taken together 81% of the reviews accounted 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.

Follow up reviews are carried out at an appropriate time after finalising an agreed report to test whether agreed action has taken place. Of the 31 follow up reviews undertaken only 3 were judged to be of limited assurance. The Balanced Scorecard, shown at Appendix C to the report shows that the Council are ahead through the year and the overall conclusion is that the EKAP has performed well against its targets for the year.

Members noted the report.

154. AUDIT COMMISSION PROGRESS REPORT

Lisa Robertson presented the Audit Commission's Progress report for 2010/2011.

The purpose of the progress report is to highlight issues that should be considered during the year. The table shown at Appendix 1 to the report shows the Areas of work identified in the Audit Plan, the Planned Output and the Actual Output. Members asked whether account had been taken of the combining of the roles for Chief Executive and s151 officer. Andy Mack said that the Council had asked for the Audit Commission's views and advised that this combination of roles had been tried successfully at other councils. Harvey Patterson added that the roles had different demands and no compromise was necessary.

Other Members asked whether, with the imminent demise of the Audit Commission, if the IFRS would be replacing their role. In answering Andy Mack advised that in August the Secretary of State would again be looking at the options which could be to privatise the work force or, in the longer term, Local Authorities would have the ability to select their own auditors. More information would be available in 6 to 9 months. Andy is to forward a link for Members to a CLG publication document.

Concerns were raised regarding the CLG document and questionnaire, which closed on 30 June 2011. An emergency meeting was requested by Members, however it was agreed to add the document to the Governance and Audit Committee meeting on 29 June 2011 as an emergency item.

Members noted the report.

155. ANNUAL AUDIT FEE LETTER 2011/12

Andy Mack presented the Audit Commission's Annual Audit Fee Letter 2011/2012.

The planned outputs are shown at Appendix 1 to the report and are discussed and agreed with officers before issuing them to the Governance and Audit Committee. It was noted that the fee was reduced for next year 2011/12.

Members noted the report.

156. FUTURE ITEMS OR TRAINING FOR THE COMMITTEE

For discussion.

Meeting concluded : 8.30 pm

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Agenda Item 3 Annex 1

GOVERNANCE AND AUDIT COMMITTEE

Minutes of the meeting held on 29 June 2011 at 6.30 pm in Austen Room, Council Offices,
Cecil Street, Margate, Kent.

Present: Councillor Jason Savage (Chairman); Councillors Campbell, Day,
Driver, D Green, W Scobie, Wiltshire and Coleman-Cooke

In Attendance: Councillor Mrs Johnston

157. ALSO PRESENT:

Harvey Patterson – Corporate and Regulatory Services Manager
Sarah Martin – Financial Services Manager & Deputy s151 Officer
Nikki Morris – Business Support and Compliance Manager
Lisa Robertson – Audit Manager - Audit Commission

158. RULE 24.1

**THE FOLLOWING MEMBER WAS ALSO PRESENT PURSUANT TO COUNCIL
PROCEDURE RULE 24(1) AND TOOK PART IN THE PROCEEDINGS AS FOLLOWS:**

Councillor Mrs Johnston on Minute No. 165 – European Regional Development Fund.

159. VARIATION OF AGENDA ORDER

Members agreed to vary the order of the agenda and take Item 5 – Draft Annual
Governance Statement, before Item 3 – Annual Report on the Treasury Management
Service.

In addition, agenda Item 10 – Report on the Consultation by the Department for
Communities and Local Government on the Future of Local Public Audit will be taken
after agenda Item 7 – European Regional development Fund.

160. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Binks, Councillor Matterface and Councillor M
Tomlinson.

Councillor Coleman-Cooke was substitute for Councillor Binks, Councillor William Scobie
for Councillor Matterface and Councillor Mrs Wiltshire for Councillor M Tomlinson.

161. DECLARATIONS OF INTEREST

There were no declarations of interest.

162. ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE

Sarah Martin, Financial Services Manager and Deputy s151, officer outlined the report
which summarises the Treasury Management activity and prudential indicators for
2010/2011.

Regulations issued under the Local Government Act 2003 require that the Council produce an annual treasury report reviewing treasury management activities and the actual prudential and treasury indicators for 2010/2011.

The report summarises:

- capital activity during the year;
- Impact of this activity on the Council's underlying indebtedness (the Capital financing Requirement);
- Reporting of the required prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed debt activity; and
- Detailed investment activity.

Sarah advised Members on the borrowing rates and the 2 loans that had been repaid, one of these loans being over 5 years at 2.5% and the other being over 10 years at 3.4%.

The overall position of the debt activity resulted in a fall in the average interest rate by 1.75%, representing net General Fund savings of £149,000pa. Sarah added that the Council policy was that risk was more important than yield and that at 0.76% the interest was double of that in 2009/2010 and higher than benchmarks used.

Some Members had concerns regarding the Council's Treasury Management policy and why Thanet District Council could not borrow at better rates by borrowing more money 'inter council'. Sarah advised Members that this could not be done but that advice would be sought from the Council's treasury advisors.

The following was asked by Members:

'that a report on how the £17 million underborrowing had been financed be brought to the Committee

and are we using revenue money or selling assets?'

in addition the following was asked;

'that Members be advised of any existing guidance for a prudential strategy on borrowing'

Sarah is to respond to the questions asked.

Subject to the above questions being answered the following recommendations were agreed:

"that the Governance and Audit Committee:

- Approve the actual 2010/11 prudential and treasury indicators in this report
- Note the annual treasury management report for 2010/11
- Recommend this report to Cabinet"

MOTION ADOPTED.

163. STATEMENT OF ACCOUNTS 2010/2011

Sarah Martin presented the Statement of Accounts for 2010/2011 to Members and explained why the accounts had been delayed in being supplied to Members.

Previously Members had been required to approve the accounts by 30 June, prior to the audit. This has now been moved to the 30 September, so that Members can be made aware of the findings of the audit and make a more informed decision. The pre-audited accounts would still be presented to Members as an early notification of the financial outcome of the previous financial year.

An explanation of changes to the content and format of the 2010/2011 accounts was given at annex 1 to the report and details the changes that had been introduced as a result of the introduction of the International Financial Reporting Standards. Subsequently the accounts now look very different to previous years. The 1 April 2009 balance sheet has been restated on an IFRS basis to aid comparison between years.

It has been necessary to review all leases where the Council is either the lessor or the lessee. Sarah added that the judgement as to whether a lease is a finance lease or an operating lease is more subjective under IFRS.

Members asked what the difference was between these two types of leases. Sarah explained that a finance lease appeared as an asset on the balance sheet and an operational lease stays on the revenue balance. She added that a finance lease occurs when the risks and rewards are transferred. An operating lease is similar to a hire purchase agreement.

Under the heading of 'Segmental Reporting' a query was raised by Members as to the meaning of BVACOP. Sarah informed Members that it was 'Best Value Accounting Code of Practice' issued by CIPFA. She explained that authorities now have to produce its income and expenditure on the same basis as internal management reporting, as well as in accordance with BVACOP. BVACOP allows comparisons between authorities.

In summarising the Council's outturn position Sarah advised Members that as a result of cuts in discretionary spend, a recruitment freeze and identification of efficiency savings by Managers, savings have resulted in an in-year under-spend of £1.15m.

Members asked when the decision was made on the 'recruitment freeze' and who by. Sarah advised that this was the decision made at CMT (now SMT), Corporate Management Team, and then reported to Members in the Budget Monitoring Reports. Concerns by Members were raised as to how the accounts are scrutinised by Members and when. Lisa Robertson, Audit Manager from the Audit Commission explained that Members had from now until September to scrutinise the accounts and bring attention to any figures not understood or incorrect. Sarah added that when the accounts go to the September meeting, Members will receive a copy at least two weeks in advance.

Harvey Patterson, Corporate and Regulatory Services Manager also advised Members that the Council, when approving the budget, sign it off. Decisions involving expenditure in excess of relevant budget are approved by Cabinet. Any decision on overspend is for Cabinet decision. The decision to deliver an underspend does not need to be approved by Members. Harvey added that 'on-line guidance' was available to Members.

Some Members were dissatisfied with the process and the late receipt of so many papers. Members suggested that another meeting of the Governance and Audit Committee be arranged in July or August so that the accounts can be scrutinised in detail.

Subject to the agreement that 'reserves were kept in the most appropriate place' it was

proposed by Councillor Campbell and seconded by Councillor Day that:

“Governance and Audit Committee note the draft Statement of Accounts for 2010/11 and approve the proposed movements to reserves”

MOTION ADOPTED.

164. DRAFT ANNUAL GOVERNANCE STATEMENT 2010/2011

Nikki Morris, Business Support and Compliance Manager presented Members with the Draft Annual Governance Statement 2010/11. The presentation included information on why the Council produce an Annual Governance Statement, how the document is prepared, the approval process and what happens next.

Referring to page 33 (5.5) of the Annual Governance Statement, Members asked where Councillors were informed of Freedom of Information Requests. Responding to this query Nikki informed Members that these requests are on a quarterly report that is placed on the TDC website and summarised all FOI requests that have been made, when they were received and responded to and the reasons, if appropriate, why they are not disclosed if that is the case.

A further question was raised regarding CRB checks for Members. Harvey advised that the Council cannot have a mandatory policy where Members have to be CRB checked. The Council can facilitate Members who wish to have this check.

Moved by Councillor Campbell and seconded by Councillor Day that:

Members accept the report.

165. DEBT WRITE OFF PROTOCOL

Harvey advised Members that a detailed update would be brought to the September meeting of the Governance and Audit Committee.

Although the protocol for Debt Write Off was in the Financial Procedure Rules within the Constitution a process by which the ‘write offs’ could be scrutinised at Member level was being investigated by the Council’s legal department who were looking at the Data Protection detail.

166. EUROPEAN REGIONAL DEVELOPMENT FUND

In giving Members some background to this report the Chairman emphasised that the projects named within the report between 2000 and 2006 were prior to the Governance and Audit Committee being established. Since 2009 an External Funding Protocol was in place and the Governance and Audit Committee had a framework in place to ensure the process was followed.

Following some concerns raised by Members regarding the Protocol and unexplained misspending it was suggested that Clive Bowen, External Funding Officer should come and to talk to the Governance and Audit Committee to explain the process. Members also asked whether other officers were qualified to administer the External Funding Protocol.

A further suggestion made by Members was that a quarterly report be brought to Governance and Audit Committee giving information on monies and organisations given grant funding. Harvey advised Members that during the period of time in question grant funding had been mismanaged and that the Council are the accountable body responsible for proper use of grants. He added that where possible the Legal department are recovering monies but that lack of evidence made this unlikely. The question Members should be asking is whether, with the protocol now in place, the same situation would happen again. Harvey added that the Governance and Audit Committee is about process and addressing problems should they arise.

Members asked if any other documents were used, apart from the External Funding Protocol and if all officers used this same document. This was confirmed and Sarah added that the External Funding arrangements had recently been audited and received reasonable assurance.

Members agreed that a further report on what evidence there is that the protocol has made the situation better be brought back to this Committee.

Subject to the above it was moved by Councillor Green and seconded by Councillor Campbell that:

“the Governance and Audit Committee note the report contents on ERDF repayments

and

that the Committee note the progress made by the authority regarding systems implemented to avoid future grant reclaims”

MOTION ADOPTED.

167. REPORT ON THE CONSULTATION BY THE DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT ON THE FUTURE OF LOCAL PUBLIC AUDIT

This report is to provide Members of the Governance and Audit Committee with the consultation response to the Department of Communities and Local Government (DCLG) on the Future of Local Public Audit.

This report had been requested as an urgent item of business by Members.

Number 1 – Have we identified the correct design principles? If not what other principles should be considered? Do the proposals in this document meet these design principles?

Do Members prefer response 1 or response 2 (as set out in Annex 1) as an answer.

Response 2 was agreed.

Number 2 – Do you agree that we should replicate the system for approving and controlling statutory auditors under the Companies Act 2006 for statutory local public auditors?

Do Members support an approach to local public audit based on the private sector model. Do Members agree with the answer to question 4 as set out in Annex 1?

Response was No!

Number 3 – Do Members consider that the decision to abolish the Audit Commission and open up the market is likely to increase or reduce audit fees? See question 7, Annex 1.

What additional criteria are required to ensure that auditors have the necessary experience to be able to undertake a robust audit of a local public body, without restricting the market?

Response was 'all agree'.

Number 4 – Do Members support the proposal for an independent (ie non elected) chair and vice-chair, and a majority of independents on the audit committee?

Will it be practical to find suitable independent Members that are acceptable to Council?

Response was 'No'.

Number 5 – Should the mandatory role of the Audit Committee be limited to recommendations on the appointment of an auditor, or should the mandatory role be wider as set out in Option 2, section 3 of the consultation?

Response was 'don't agree'.

Number 6 – Which of the 4 options for the scope of the audit, as set out in Section 4 (paras 4.14 – 4.25) of the consultation, do Members consider most appropriate?

Members response was Option 2.

Number 7 – Do Members want to seek the views of town and parish councils on the proposed arrangement for them (question 42 onwards)?

Members response 'No'.

END.

168. EXCLUSION OF PUBLIC AND PRESS

Moved by Councillor Campbell, seconded by Councillor W Scobie and resolved that the public and press be excluded from the meeting on agenda item 9 it contains exempt information as defined in Paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

169. DEBT WRITE OFFS FOR 2010-11

Members considered the confidential report of the Financial Services Manager regarding Debt Write Offs for 2010/11.

Members asked why the table appended to the report was on pink.

Harvey agreed that the table should be on white but the main report to remain on pink.

Moved by Councillor Green and seconded by Councillor Campbell that:

“the Governance and Audit Committee note the write off position for 2010/11”

MOTION ADOPTED.

Meeting concluded : 9.35 pm

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GOVERNANCE AND AUDIT COMMITTEE

Minutes of the meeting held on 10 August 2011 at 6.30 pm in Austen Room, Council Offices, Cecil Street, Margate, Kent.

Present: Councillor Jason Savage (Chairman); Councillors Binks, Campbell, Day, Johnston, Matterface and M Tomlinson

170. ALSO PRESENT:

Harvey Patterson – Corporate and Regulatory Services Manager
Sarah Martin – Financial Services Manager & Deputy s151 Officer
Harpal Singh – Team Leader - Audit Commission

171. APOLOGIES FOR ABSENCE

No apologies were received.

172. DECLARATIONS OF INTEREST

There were no declarations of interest.

173. STATEMENT OF ACCOUNTS 2010/2011

This report presents the Statement of Accounts 2010/11 as presented to the auditors for Members of the Governance and Audit Committee to scrutinise and note.

Previously Members were required to approve the accounts by 30 June, prior to the audit. This has now been moved to 30 September so that Members can be made aware of the findings of the audit and make a better informed decision. A provisional set of accounts were presented to Members in June 2011 so that Members could have early sight of the draft outturn position. At that meeting it was agreed that a further meeting would be held so that Members could scrutinise the accounts and raise any concerns or questions arising from that scrutiny.

The Financial Services Manager and Deputy s151 officer, Sarah Martin, asked Members to note a couple of errors in the accounts regarding Net Cost of Service. These were noted and the following questions were asked:-

1. Regarding the LOBO loan from Dexia: Dexia can increase the rate every 6 months (must be a clause defining this – Libor + x%??)?
 - Is there a cap on the rise for any period / overall and
 - Is there a borrower's option or repay clause.These structures are not usually one-sided.

Answer:

The Council has the option to pull out and can choose to repay without penalties.

2. Is the list of acceptable institutions (for short-term deposits) subject to very regular scrutiny?

Answer:

Yes. Officers receive daily updates from Sector (our treasury advisors) of any potential rating changes. Regular reviews of relevant websites and literature are also undertaken to keep aware of market movements.

3. Page 95 of the draft accounts regarding criteria for investment counterparties states 'UK institutions with support from the UK Government'. Is that a random definition or does it include for example Northern Rock?

Answer:

This includes those eligible institutions which received Government support (e.g.Lloyds TSB).

4. Page 97 of the draft accounts regarding credit for trade debtors, please advise what the following means: £5,995m of the £3985m balance...?

Answer:

This was a mistype and the figure of £5,995m has now been corrected to £2901m.

5. Note 21 (Creditors) on page 61 of the draft accounts: who are these entities and individuals? The amount is £600k higher than last year.

Answer:

This includes all the Council's sundry creditors including monies owed to suppliers and additional monies regarding contracts.

6. How does the Council decide what rates to borrow at?

Answer:

The Council decides what rates to borrow at by asking our Treasury consultants, who are specialist, for advice on when the best time to borrow is. Once the need to borrow is established, both officers within TDC and Sector look for the lowest rates that are expected and a decision is made to borrow once we are satisfied that the rate is as low as we think is likely in the necessary time frame.

7. How is this considered and what choice do we have?

Answer:

Together with Sector, we look at all possible types of loans. In the past it has been best to take on fixed term maturity loans as this aids cash flow and enabled us to benefit from high interest payment on investments. However, as the market has changed, this is not necessarily now the best course of action. Hence, variable rate borrowing, annuity and EIP maturity loans, LOBO's etc are all being considered. There are very limited products available on the market at present due to the economic climate; however, we are hoping that this will start to change as the HRA self-financing comes in.

8. The Council always borrows long term at a fixed rate and over a twenty year period and this costs the Council a lot more.

Answer:

It is incorrect to assume that we always borrow for a period of 20 years and at a fixed rate. The length of borrowing depends on other loan maturities in order to spread our debt to avoid having it all maturing at once. Sector provides us with a debt maturity profile to help us identify the gaps. The last two loans we took were only 3 years and 5 years long, which was actually detailed in the year end report so proves that statement is incorrect. With rates so low at that time it was decided that fixed rate borrowing would be best as rates are only likely to increase. Soon

after we took out the new debt, rates did exactly that evidencing that we made a good decision. However, this does not mean we will borrow at a fixed rate every time. Each borrowing requirement looks at all of the information and products available to us in order to make the best possible savings for the Council.

9. Asked at previous meetings: Why don't Councils borrow from each other. Is it because we can't or that we don't trust each other?

Answer:

We can borrow from other local authorities but can only do so if we require borrowing for capital purposes or short term cashflow. We cannot borrow from another purely to then lend the money on and invest it at a higher rate as this is ultra vires (some other authorities have been caught out doing this by the Audit Commission). All local authorities are AAA rated and hence appear on our counterparty list as someone we can borrow from and lend to. Trust does not come into it. We cannot currently lend to other authorities as we do not have adequate cash balances or cash flow to do so. Brokers and Sector both send us details of other authorities who are looking to lend money to other authorities. Quite often the length of loan is too short for our needs as we have a lot of debt maturing in the next 3 years, or they are not lending enough. This is still considered to be another option of borrowing and if anything else is available from another authority that meets our requirements at such a time as we need to borrow, we would consider that as a good option and compare it with other products.

In addition the following questions were asked where Sarah has agreed to respond to Members:

Regarding valuations and the legal costs incurred on the M & S site, what are the costs thus far?

A graph showing the pattern in relation to reserves would be helpful.

A fixed asset valuation report to come to the September meeting of Governance and Audit Committee.

More information on windfarm monies to be provided.

A question on underspent funds and £42k of Margate Renewal monies being given to Broadstairs was raised. Sarah said she would investigate this.

The symbols in the report are not consistent (net surplus or net deficit?) Headings at the top would be helpful.

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

“the Governance and Audit Committee note the draft Statement of Accounts for 2010/11”

Members agreed.

Meeting concluded : 7.20 pm

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Action Sheet Governance and Audit Committee 22 June 2011			
Item	Action	Who	Status
<p><u>Minutes of previous meeting</u></p> <p>Regarding the Equalities and Diversity Group – currently has no involvement of a Cabinet Portfolio Holder.</p>	<p>Enquiries are to be made to ensure action is taken.</p>	<p>Sarah Carroll</p>	<p>SMT agreed to set up an Equalities Group whose membership is as shown in Section 3.0 of Annex 1 of the report. The Group would review the internal corporate business processes/decisions to determine whether TDC was in compliance of the Equalities Regulations in the delivery of services to residents.</p> <p>The Equalities Group would members would be provided with training. They would then report back their findings to SMT and then Cabinet.</p> <p>SMT agreed that Sarah Carroll would discuss with the Leader on whether Councillor Bayford would like to appoint a Member to be the Champion of Equalities issues.</p>

Action Sheet Governance and Audit Committee 22 June 2011			
Item	Action	Who	Status
<u>Actions from Previous Meetings</u> Members had requested more information on the decision making process behind the sale of 20 allotments in Dane Valley	Verbal Update	Harvey Patterson	Meant for 29 June meeting, now September meeting.
<u>Quarterly Governance Progress Report</u> Members training and development needs	Update on revised schedule once survey concluded	Nikki Morris/GB/NH	See Annual Governance Statement 10/11 Action Plan for comment – agenda item 10 (annex 2)
<u>Internal Audit Progress report</u> Housing Benefit Testing	A representative of EKS to attend next meeting	EKS	Completed
<u>Audit Commission Progress Report</u>			Completed

Action Sheet			
Governance and Audit Committee 22 June 2011			
Item	Action	Who	Status
CLG Publication Document	Link to be sent to Nikki Morris	Andy Mack	Completed

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Action Sheet Governance and Audit Committee 29 June 2011			
Item	Action	Who	Status
<p><u>Annual report on the Treasury Management Service</u></p> <p>Members had requested more information on the Councils Treasury Management Policy</p>	<p>Advice to be sought from Treasury Management advisors/verbal explanation</p>	<p>Sarah Martin</p>	<p>September meeting</p>
<p>A report on how the £17m underborrowing had been financed, are we using revenue money or selling assets</p>	<p>Report to G & A</p>	<p>Sarah Martin</p>	<p>September meeting</p>
<p>Members be advised of any existing guidance for a prudential strategy on borrowing</p>	<p>Verbal explanation</p>	<p>Sarah Martin</p>	<p>September meeting</p>
<p><u>Debt Write Protocol</u></p> <p>Members asked for a detailed update</p>	<p>Detailed update to be given</p>	<p>Harvey Patterson</p>	<p>September meeting-EKS Report</p>

Action Sheet			
Governance and Audit Committee 29 June 2011			
Item	Action	Who	Status
<u>European Regional Development Fund</u>			
Protocol Process and unexplained misspending	Explanation to be given	Clive Bowen	September or December meeting
Further report on what evidence there is that the protocol has made the situation better	Report providing information	Harvey Patterson	September meeting
<u>Future Meetings</u> For 2012	Rather than having 2 meetings in June, to have 1 in June and 1 in August for 2012	Nikki Morris	For Calendar 2012 (Will need to be agreed by Annual Council)

Action Sheet Governance and Audit Committee 10 August 2011			
Item	Action	Who	Status
<p><u>Statement of Accounts</u> Members had requested answers to the following questions:</p> <p>Is the list of acceptable institutions (for short-term deposits) subject to very regular scrutiny?</p> <p>Page 95 of the draft accounts regarding criteria for investment counterparties states 'UK institutions with support from the UK Government'. Is that a random definition or does it include for example Northern Rock?</p>	<p>Answer to be obtained for Members</p> <p>Answer to be obtained for Members</p>	<p>Sarah Martin</p> <p>Sarah Martin</p>	<p>September meeting</p> <p>September meeting</p>

Action Sheet Governance and Audit Committee 10 August 2011			
Item	Action	Who	Status
Page 97 of the draft accounts regarding credit for trade debtors, please advise what the following means: £5,995m of the £3985m balance...?	Answer to be obtained for Members	Sarah Martin	September meeting
Regarding valuations and the legal costs incurred on the M & S site, what are the costs thus far?	Answer to be obtained for Members	Sarah Martin	September meeting
A graph showing the pattern in relation to reserves would be helpful.	To be obtained for Members	Sarah Martin	September meeting
A fixed asset valuation report to come to the September meeting of Governance and	Report to be written	Sarah Martin	September meeting- see attached document

<p>Audit Committee.</p> <p>More information on windfarm monies to be provided.</p> <p>A question on underspent funds and £42k of Margate Renewal monies being given to Broadstairs was raised..</p> <p>The symbols in the report are not consistent (net surplus or net deficit?) Headings at the top would be helpful.</p>	<p>Answer to be obtained for Members</p> <p>Sarah said she would investigate this</p> <p>More consistency within reports regarding symbols</p>	<p>Sarah Martin</p> <p>Sarah Martin</p> <p>Sarah Martin</p>	<p>September meeting</p> <p>September meeting</p> <p>All meetings</p>
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Agenda Item 4 Annex 3

Statement of Valuation – General Fund Financial Year 01/04/2010 – 31/03/2011

The Council has instructed me as it's Valuer, to value all its Assets. In accordance with this instruction, the assets have been valued on the basis detailed below.

1. The Date of Valuation was 01 April 2010.
2. The Valuations undertaken were in accordance with the requirements of the Royal Institution of Chartered Surveyors Valuation Standards, sixth edition incorporating UKPS 1.12 and the SORP guidance and the CIPFA IFRS based Code of Practice on Local Authority Accounting (the Code).
3. Inspections: In order to ensure sufficient valuations were completed in accordance with the required regulations, in excess of 20% of the portfolio has been inspected and re-valued. Further work is carried out on an annual rolling programme. Provision is also made for the valuations of new assets and those subject to significant changes to be carried out during the current year.
4. Investment Properties: Under the IFRS regulations, Investment properties are required to be revalued every year. TDC has 230 investment properties and with current resources it is not possible to undertake this volume of valuations. Policy was adopted within the year in whereby the annual revaluation of Investment properties will only apply to those properties with a Gross book value in excess of £100,000, or where changes to the property or rental have occurred during the year.
5. It was assumed that, as the Council has a Policy of Maintenance of its Assets, and uses Fully Repairing and Insuring Leases for its investment property, that all the premises were deemed to be in a reasonable state of repair unless stated otherwise. The calculation of useful life and obsolescence for Operational assets does however reflect their age and underlying condition.
6. A initial review has been undertaken of the apportionment between land and buildings which has resulted in higher land apportionments in respect of several assets. These apportionments are derived solely for accounting purposes and the figures do not represent formal valuations of the individual elements.
7. The Council have undertaken a programme of Capital works on its Assets, therefore Capital Cost has been added to the historic cost. This exercise is for Accountancy purposes only and the resulting figures does not constitute a formal Valuation.
8. General Fund: Commercial premises. The premises were valued on the basis of:
 - Fair Value (Market Value) or Existing Use Value derived from market evidence,
 - Profits method for operational car parks
 - Depreciated Replacement Cost (DRC) where no market evidence existed. The DRC method approach depends upon a continuing requirement to use

the asset for the provision of the service in question. The DRC Valuations cannot be relied upon as an indication of the amount that could be recovered if the service was discontinued and the asset retired. (RICS Red Book PS5.5.1)

- Valuation methods were reviewed to determine the methods adopted were appropriate to the asset being valued.
9. Specialist Valuers were employed to undertake the valuations of the following assets requiring specialist knowledge:
- Ramsgate Port and Royal Harbour Ramsgate
 - North Foreland Golf Club, Kingsgate Broadstairs
10. General commentary
- a) Market Conditions: During the financial year there has still been market uncertainty resulting from the continuing global recession, resulting in few sales/comparable evidence in the Thanet area.
- b) The disposal programme has been reviewed and surplus assets may be retained until the market shows signs of further improvement.
- c) Impairments during the year: The ex-Marks and Spencers property was impaired during the year, which is explained below.
11. Impairment: Marks and Spencers (Reference 482/1-1) the valuation of the property to TDC was impaired from £450,000 to £nil to reflect that under the joint venture agreement with SEEDA, SEEDA received rent and capital receipts from the property and not TDC. In addition, a desktop review of the Property Asset Register was undertaken during the financial year, which confirmed that any other minor impairments suffered were de minimis.
12. Downward Valuations: Market Conditions as described in 10a above accounted for other downward valuations.
- a. Eurokent had been treated as a single asset in the past, but now that construction of the industrial/office development has been completed and is now being marketed it was considered appropriate to split it into 25 individual assets.
- b. Ramsgate Harbour. Following this year's revaluation, this asset has also been separated out into individual assets as opposed to be shown on the Asset Register as a single asset.
13. The former Pleasurama site in Ramsgate (237/1-2) is still reported as the Development Agreement remains active and work has commenced on site. An initial receipt has been received and further receipts from the development will be received in stages as the development is completed and sales have been achieved, which has been reflected within the valuation.
14. The Council has acquired the following assets to the Housing Revenue Account
- A) The Embassy Hotel, 50 Surrey Road, Margate - Auction purchase of a vacant House of Multiple Occupation (HMO) with the intention to redevelop it into

2 residential units, thereby reducing the number of single rooms available in Margate.

B) The Council has acquired the following assets to the General Fund account:

The Fort Hotel, Margate (compulsory acquisition) derelict property acquired for the purposes of regeneration and improvement of the area surrounding Turner Contemporary

15. The aggregate figure, given below, has been achieved by individual valuations of the portfolio and the separate valuations are available.
16. Neither the whole nor any part of the Valuation Certificate nor any reference thereto may be included in any published document, circular or statement nor published in any way without the Valuer's written approval of the form and context in which it may appear.

I certify that the Valuations of the Council's General Fund property assets, as at the 1st April 2010, are as follows:

General Fund Property Assets Total	£ 65,232,245.93
Impairments stated at 8b) and 8c) in the Statement Occurring during the financial year	£ 450,000
Housing Revenue Account – Garages	£ 1,187,500.00
Housing Revenue Account – Commercial Property (Retail)	£ 1,025,046.00

J. STEERE, BSc (Hons) MRICS,

Chartered Surveyor

Dated

27/7/2011

Statement of Valuation – Housing Revenue Account Financial year 01/04/2010 – 31/03/2011

The Council has instructed me as it's Valuer, to value all its Assets. In accordance with this instruction, the Housing Revenue assets have been valued on the basis detailed below.

HRA Housing Stock Valuation is based on Existing Use value for Social Housing which should be noted is a departure from the IFRS, but this departure is in accordance with current CIPFA and Treasury guidance.

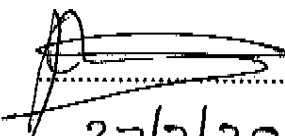
1. The date of Valuation is 31 March 2011.
2. The valuations undertaken were in accordance with the requirements of the Royal Institution of Chartered Surveyors Valuation Standards, sixth edition and the Department of Communities and Local Government (DCLG) Guidance on Stock Valuation for Resource Accounting 2010 (dated January 2011).
3. Housing Revenue Account: Valuations of Housing Stock were carried out by the District Valuer Services on the instructions of the Authority which updated beacon valuations and provided market valuations as at 31 March 2011. These figures have been reviewed and updated to adjust for :
 - * residential disposals during the year - 7 in the current year under the right to buy scheme
 - * 5 new build houses completed during the year.
 - * transfer of 26 properties at the Centre, Ramsgate
 - * properties extended by the Council against the beacon system
4. Market Conditions: From the Autumn 2008, as a result of the global recession, there had been a general deterioration in market conditions which had only started to abate from the Autumn /winter quarter 2009. Market activity is still reduced and a paucity of market transactions have taken place in the Thanet area.
5. DCLG have revised the Vacant Possession Adjustment Factor for Social Housing for the year from 45% to 32%, which has had the effect of reducing the value of the stock by 13%.
6. Neither the whole nor any part of the Valuation Certificate nor any reference thereto may be included in any published document, circular or statement nor published in any way without the Valuer's written approval of the form and context in which it may appear.

I certify that the Valuation of the Housing Revenue Account as at the 31st March 2011, is as follows:

Housing Revenue Account – Dwellings

£84,668,600

J. STEERE, BSc (Hons) MRICS,
Estates Surveyor.
Dated


.....
27/7/2011
.....

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DEBT WRITE-OFF PROTOCOL

To: **Governance and Audit Committee – 29 September 2011**

Main Portfolio Area: **N/A**

By: **Income Manager EK SERVICES**

Classification: **Unrestricted**

Summary: **To provide information to Governance and Audit Committee for the proposed EK Services, Income Management Policy with respect to administration of Write Offs.**

For Decision

1.0 Introduction and Background

1.1 The Income Management Policy has been produced by EK Services and written for the purpose of the collection of monies due for Council Tax, Business Rates, Overpaid Housing Benefit and Sundry Debts (miscellaneous income).

The power to recover monies due has been fully delegated to EK Services.

1.2 This *policy has yet to be agreed* by authorities participating in EK Services: on agreement it will ensure that all customers are treated in a fair, consistent and equal manner. Whilst the majority of income is collected in a routine manner, unpaid charges and arrears do arise for a variety of reasons. This policy sets out the principles that it expects EK Services Officers to follow in the recovery and enforcement of arrears.

1.3 Approval is still required from the three Authorities for the introduction of the full policy. Consideration is asked from the Committee to be given to the Write Off chapter to ensure full agreement and understanding.

2.0 The current Situation

2.1 The policy has been presented at CMT at Dover District Council, Canterbury City Council and Thanet District Council. Approval for the full policy has yet to be given.

2.2 A request was made at the previous meeting to present to the Committee the proposed Write Off procedures.

3.0 External Audit.

3.1 All processes and evidence from workings will be made available by EK Services to any Audit that may be required.

4.0 Options

4.1 The Members review / comment on the Income Management Policy with respect to the Write Off procedures

4.2 The Members contribute to the Policy and amendments made to ensure that all write Off decisions are made within legislation, are timely and efficient.

5.0 Corporate Implications

5.1 Financial

5.1.1 To maintain a low level of debt carried on the Collection / General Fund.

5.3 Legal

5.4 Corporate

5.4.1 The Policy should be agreed to avoid high level debt amounting in the collection and general fund.

5.5 Equity and Equalities.

5.5.1 The Policy has aligned with an Equality Impact Assessment

5.6 Risks

5.6.1 The Members will not have had the opportunity to consult on the document. Once approved may not be able to change document.

6.0 Recommendations

6.1.1 Consult and agree the Policy

7.0 Decision Making Process

7.1 This recommendation does not involve the making of a key decision.

Contact Officer:	Mandie Kerry, Income Manager EK Services 01304 872191
Reporting to:	Andrew Stevens Assistant Director EK Services

Annex List

Income Management Policy	Write Off Procedures

12.0 Bad debt provision

12.1 EK Services will work with each Local Authority to ensure there is adequate provision for bad debt. This is done in accordance with CIPFA Code of Practice on Local Authority Accounting in the United Kingdom – A statement of recommended practice.

12.2 For every type of debt, there must be an identifiable bad debt provision. EK Services will ensure that, where there is little or no likelihood of receiving payment, the arrears are notified as a potential bad debt as soon as possible.

EK Services are committed to demonstrating that we undertake the administration and recovery of all arrears in an efficient and effective manner. EK Services has a legal duty to ensure cost effective billing, collection and recovery of all sums due to each Local Authority.

EK Services will act in accordance with the relevant legislation as detailed below (this list is not exhaustive);

Income Type	Legislation
Council Tax	<ul style="list-style-type: none"> • Local Government Finance Act 1992 • The Council Tax (Administration & Enforcement) Regulations 1992 (as amended)
Business Rates	<ul style="list-style-type: none"> • Local Government Finance Act 1988 • The Non-Domestic Rating (Collection & Enforcement) (Local Lists) Regulations 1989
Housing Benefit Overpayments	<ul style="list-style-type: none"> • Housing Benefit Regulations 2006 • Council Tax Benefit Regulations 2006 • Housing Benefit (Pension Credit) Regulations 2006 • Housing Benefit (Recovery of Overpayments) Regulations 1997
Sundry Debts	<ul style="list-style-type: none"> • Local Government Act 1972 • Accounts and Audit Regulations 2011 (S.I.817) • Harbours Act 1964 • Late Payment of Commercial Debt Regulations 2002

12.2 For every type of debt, there must be an identifiable bad debt provision. EK Services will ensure that, where there is little or no likelihood of receiving payment, the arrears are notified as a potential bad debt as soon as possible.

13.1 Reasons for writing off debts

13.1.1 EK Services recognises that it is important to consider the balance between recovering arrears as effectively and efficiently as possible with the need to be fair and reasonable to the customer and council tax payers as a whole.

13.1.2 EK Services will ensure that all reasonable steps to recover arrears have been taken and that no further recovery action is practicable. We will concentrate our resources on collectable arrears.

13.1.3 It is EK Services aim to collect all taxes and outstanding charges from customers wherever possible, provided that it is cost effective. EK services will only recommend to appropriate councils the write off of arrears where the arrears are non recoverable, uneconomical to recover or we are unable to trace the customer.

13.1.4 Reasons to Write Off Debt

Non recoverable arrears	<ul style="list-style-type: none"> • Customer/Company is insolvent i.e. Bankruptcy, Liquidation and Administrative Receivership cases. • Customer has served a custodial sentence in respect of Council Tax or Business Rate arrears • Customer deceased and there is no funds in the Estate • For Council Tax and Business Rates, where all or part has been remitted by the Magistrates Courts • For Housing Benefit Overpayments, where the overpayment has arisen as a result of an official error and the customer could not reasonably have been expected to realise the overpayment was occurring. • Arrears that cannot be legally enforced
Uneconomical to pursue	<ul style="list-style-type: none"> • Council Tax and Business Rates – Balances below £5.00* • Housing Benefit Overpayments – Balances below £50.00* • Sundry Debts - Balances below £50.00* <p>*Where no payment has been received within 6 months of sending the final demand for payment</p>
Unable to trace	<ul style="list-style-type: none"> • Customer has absconded • Debt collection agency failed to trace • Bailiff failed to trace

13.2 Writing off costs

13.2.1 EK Services will apply and recover costs/fees that are legitimately due from a customer. Only in exceptional cases or where it is established that the arrears are irrecoverable will consideration be given to costs/fees being waived.

13.3 Authority to process and approve write offs

13.3.1 Arrears will normally only be considered for write off where the account is 'closed'. An account is defined as 'closed' when there is no future liability. Only in exceptional circumstances will amounts on a 'live' account be considered for write off and as such the delegated authority lies with the Team Leaders and Income Manager. Delegation will be authorised by the S151 Officer's from each Council.

13.3.2 Credits on account will normally be refunded to customers. Where it is necessary to write off a credit on an account, the delegated authority lies with the Income Officers without the requirement of counter authority.

13.3.3 In the interests of efficiency, the authority to process and approve write offs on closed accounts are delegated as follows;

Write off Thresholds	Position of Authority	Counter Authority
Up to £500.00	Council Tax, Business Rates & Income Officer	Not required. An audit of a percentage of write offs will be undertaken by QA/systems team. Monthly report provided to Section 151 Officer
£500.01 to £5,000	Council Tax, Business Rates & Income Officer	Senior Officer/Team Leader. Monthly report provided to Section 151 Officer
£5,000.01 to £9,999	Council Tax, Business Rates & Income Officer to make recommendation & Team Leader to approve application and refer to Income Manager	Income Manager. Monthly report provided to Section 151 Officer
£10,000 to £20,000	Council Tax, Business Rates & Income Officer to make recommendation & Team Leader to approve application and refer to Income Manager	Income Manager to refer to EK Services Assistant Director to recommend. Income Manager to refer to Section 151 Officer in consultation with portfolio holder and Cabinet leader for Cabinet decision.
Above £20,000	Council Tax, Business Rates & Income Officer to make recommendation & Team Leader to approve application and refer to Income Manager	Income Manager to refer to EK Services Assistant Director to recommend. Income Manager to refer for Cabinet decision.

13.4 Write Off and reporting

13.4.1 Write off reports will be collated for each service on a monthly basis and will be reported to each Local Authority quarterly.

13.4.2 All write offs over £10,000 will be referred to Cabinet for final approval. For efficiency in administration, arrears will be written off before approval is provided by Cabinet but will always be reversed if approval is not given.

13.4.3 Where arrears are written off because a customer could not be traced, if a new address is provided, the write off can be reversed and recovery action can continue.

13.4.4 If a customer is declared bankrupt and a dividend is received, the write off will be reversed to reflect payment received.

13.5 Arrears written back on

13.5.1 Any arrears that have been written off can, if appropriate, be written back on, subject to statute. The reasons arrears may be written back on are as follows;

- Customer returned to area, where previously no trace;
- A customer is declared bankrupt and a dividend is received.

QUARTERLY GOVERNANCE PROGRESS REPORT

To: **Governance and Audit Committee – 29 September 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 and Decision

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:

- 2.1 Corporate risk register review
- 2.2 Risk Management Strategy and Process annual review
- 2.3 Governance Matters newsletter

2.0 The Current Situation

2.1 Corporate risk register

2.1.1 The Corporate Risk Register has recently been reviewed by the Governance Board and is currently being updated. The Risk Register system is also being updated in line with the new corporate structure. Therefore, for this quarterly update report the Corporate Risk Register is not attached, but it will be for the next meeting in December.

2.2 Risk Management Strategy and Process - annual review

2.2.1 The current Risk Management Strategy (Version 7), was agreed by Governance and Audit Committee (28 September 2010) and Cabinet (11 November 2010). The Risk Management Process (Version 4) was reviewed by this Committee also on the 28 September 2010. Both documents are available on the Internet, Intranet and Members Portal.

2.2.2 A review has taken place of both the Strategy and Process documents and copies of the latest versions are attached for Members information. There are no changes to the Risk Management Process, and the intended changes to the Risk Management Strategy are shown as track changes. (Risk Management Strategy – Version 8 at **annex 1** and Risk Management Process – Version 5 at **annex 2**)

2.3 Governance Matters newsletter

2.3.1 As you are aware, the Governance Matters newsletter was produced following each Governance and Audit Committee meeting and issued through the TDC News. As of the 30 August 2011, TDC News is no longer being produced. Therefore a review is being undertaken of the Governance Matters newsletter to see how it can be produced in the future, if indeed it is produced at all.

3.0 Options

3.1 That Members approve the changes to the Risk Management Strategy (annex 1) and Process (annex 2) documents and recommend that the Strategy be sent to the 17 November 2011 Cabinet for approval.

3.2 That Members make any further recommended changes to the Risk Management Strategy and Process documents.

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 Risk Management Strategy and Process documents will assist the council in providing the processes necessary to manage risk and therefore aid in achieving its objectives.

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 approve the changes to the Risk Management Strategy and Process documents and recommend that the Strategy be sent to the 17 November 2011 Cabinet for approval.

6.0 Decision Making Process

6.1 These recommendations do 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:	Barry Mileham, Business Information and Improvement Manager, DDI 01843 577620

Annex List

Annex 1	Risk Management Strategy (Version 8)
Annex 2	Risk Management Process (Version 5)

Risk Management Strategy

Version 8
November 2011



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Foreword

Risk management is an important aspect of all our lives. We are exposed to risk both in terms of **threats** to service provision and from the potential of **lost opportunities**. It is essential that we can demonstrate to our citizens that we are fully considering the implications of risk as we deliver our business for the benefit of the residents of our community.

The council introduced its first Strategy for addressing risk management in November 2004. Since then, steady progress has been made in embedding risk management throughout the council, and risk management is now an integral part of our service planning process and project management toolkit.

Ultimately, **effective risk management** will help to ensure that the council **maximises its opportunities**, and **minimises the risks it faces**, thereby improving our ability to **deliver our priorities and improve outcomes**.

Councillor ~~Bob Bayford~~Martin Wise
Cabinet Portfolio Holder
Member Risk Champion

~~Sue McGonigal~~Richard Samuel
Chief Executive (Section 151 Officer)
Officer Risk Champion

~~Sue McGonigal~~
~~Chief Financial Officer (Section 151 Officer)~~
~~Officer Risk Champion~~

Statement of Commitment

Thanet District Council is committed to adopting best practice in the identification, evaluation and cost effective control of risks to ensure that they are reduced to an acceptable level or eliminated, and also maximise opportunities to achieve the council's objectives and deliver core service provisions. It is acknowledged that some risks will always exist and will never be eliminated.

All employees must understand the nature of the risk and accept responsibility for risks associated with their area of work. In doing this they will receive the necessary support, assistance and commitment from senior management and members.

The council's risk management objectives are a long term commitment and an inherent part of good management and governance practices. The objectives need the full support of members and active participation of managers.

The council, as a corporate body, is bound by legal obligations to provide for the health and safety of its members, employees and those that it serves. The council is also obliged to protect its material assets and to minimise its losses and liabilities.

Definitions

Governance

Governance is the system by which local authorities fulfil their purpose and achieve their intended outcomes for citizens and service users and operate in an effective, efficient, economic and ethical manner. Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users.

Ensuring that the right thing, is done in the right way, for the right people, in an open, honest and timely manner.

Risk

Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation and control of risk. The objective of risk management is to secure the assets and reputation of the organisation and to ensure the continued financial and organisational well-being of the council.

Risk the **chance** of something happening that will have an **impact** on the **council's business or objectives**.

Risk Management

Good risk management is about identifying what might go wrong, what the consequences might be of something going wrong and finally, deciding what can be done to reduce the possibility of something going wrong. If it does go wrong, as some things inevitably will, making sure that the impact is kept to a minimum.

Risk management should ensure that an organisation makes cost effective use of a risk framework that has a series of well-defined steps. The aim is to support better decision making through a good understanding of risks and their likely impact.

Risk management should be a continuous and developing process which runs throughout the organisation's strategy and the implementation of that strategy, methodically addressing all risks surrounding the council's activities past, present and future.

The process of identifying and managing risk, is to increase the probability of success and reduce the opportunity of failure.

Our Objectives

Thanet District Council is committed to establishing and maintaining a systematic approach to the identification and management of risk.

The council's risk management objectives are to:

- Ensure that risk management is clearly and consistently integrated and evidenced in the culture of the council.
- Manage risk in accordance with best practice.
- Anticipate and respond to changing social, environmental and legislative requirements.
- Consider compliance with health and safety, insurance and legal requirements as a minimum standard.
- Prevent death, injury, damage and losses, and reduce the cost of risk.
- Inform policy and operational decisions by identifying risks and their likely impact.
- Raise awareness of the need for risk management by all those connected with the council's delivery of service.

These objectives will be achieved by:

- Clearly defining the roles, responsibilities and reporting lines within the council for risk management.
- Including risk management issues when writing reports and considering decisions.
- Continuing to demonstrate the application of risk management principles in the activities of the council, its employees and members.
- Reinforcing the importance of effective risk management as part of the everyday work of employees and members.
- Maintaining a register of risks linked to the council's business, corporate and operational objectives, also those risks linked to working in partnership.

Thanet District Council – Risk Management Strategy

- Maintaining documented procedures of the control of risk and provision of suitable information, training and supervision.
- Maintaining an appropriate system for recording health and safety incidents and identifying preventative measures against recurrence.
- Preparing contingency plans to secure business continuity where there is a potential for an event to have a major impact upon the council's ability to function.
- Monitor arrangements continually and seek continuous improvement.

Our Approach

It is essential that a single risk management approach be utilised at all levels throughout the council. By effectively managing our risks and opportunities, which is all part of good governance, we will be in a stronger position to deliver our objectives, provide improved services to the public, work better as a partner with other organisations and achieve value for money. This approach to risk management will inform the council's business processes, including:-

- Strategic planning
- Financial planning
- Service planning
- Policy making and review
- Performance management
- Project management
- Partnership working

For those with responsibility for achieving objectives, responsibility also lies for identifying and assessing risks and opportunities; developing and implementing controls and warning mechanisms; and reviewing and reporting on progress. The identified risks and relevant control measures will be managed through a database holding the council's Risk Register.

Some objectives could be reliant upon external groups that the council may work with, such as other organisations, partners, contractors etc. This partnership working could affect the achievement of an objective and therefore the risk management process has been incorporated into the way the council works within these partnerships through the Partnership Framework.

The management of risk will become an integral part of corporate policy decisions and the initiation of major projects, which will include a statement on risk to help inform the decision making process.

This will assist members and officers to ensure that new risks are detected and managed, by providing more detail on the process for managing risk, where each stage builds upon the other and provides basic practical guidance on how to identify, assess and treat risks, and monitor their progress. To assist with this approach to risk management and to ensure consistency across the council, a guidance document on the risk management process has been prepared, which will be reviewed on an annual basis and reported to the Governance and Audit Committee for approval and adoption.

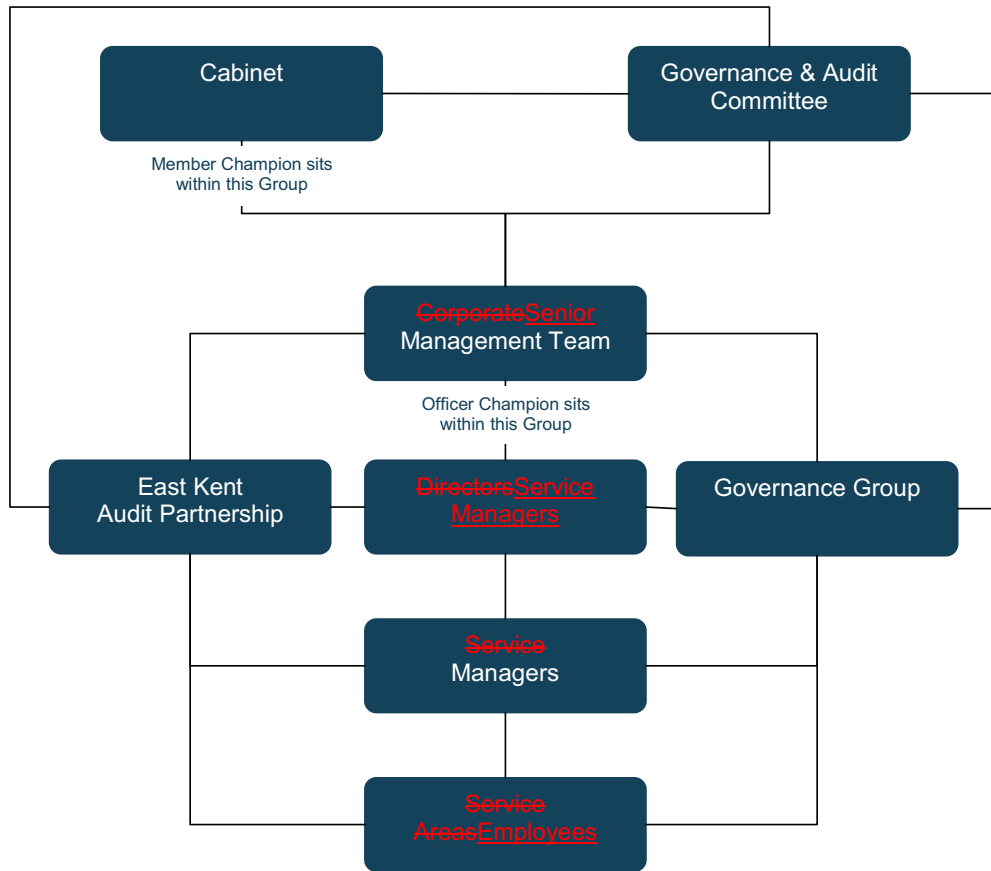
The Benefits



Roles and Responsibilities

Responsibility for risk management should run throughout the council. Clear identification of roles and responsibilities will ensure the successful adoption of risk management and demonstrate that it is embedded in the culture of the council.

Everyone has a role to play in the risk management process.



Thanet District Council – Risk Management Strategy

GROUP OR INDIVIDUAL	ROLE
Member Champion	Gain an understanding and promote risk management and its benefits throughout the council, ensuring members take risk management into consideration when making decisions.
Cabinet and Elected Members	Oversee the effective management of risk throughout the council, and gain an understanding of its benefits, ensuring officers develop and implement an all encompassing approach to risk management.
Governance and Audit Committee	Provide independent assurance of the risk management framework and associated control environment, independent scrutiny of the council's financial and non-financial performance, and oversee the financial reporting process.
Corporate Senior Management Team	Gain an understanding and promote the risk management process and its benefits, oversee the implementation of the risk management strategy and agree any inputs and resources required supporting the work corporately. Support the development of the risk management process, share experience on risk, and aid / advise in the review of risk management issues. Identify areas of overlapping risk and share good practice on all aspects of risk management.
Officer Champion	Champion the risk management process throughout the council with both members and officers, ensuring the process is embedded and effective.
Section 151 Officer	Ensure that the risk management processes are considered as specified in the Finance Procedure Rules.
Service Managers Directors	Ensure that the risk management process is promoted, managed and implemented effectively in their service areas within the organisation. Liaising with external agencies to identify and manage risk. Disseminating relevant information to service managers and employees.
Service-Managers	Raise awareness, manage and implement the risk management process effectively in their service areas, recommending any necessary training for employees on risk management. Incorporating risk ownership through the appraisal scheme with employees and share relevant information with colleagues in other service areas.
Employees	Manage risk effectively in their jobs, liaising with their line manager to assess areas of risk in their job. Identify new or changing risks in their job and feed these back to their line manager.
East Kent Audit Partnership	Challenge the risk management process, including the identification and evaluation of risk and provide assurance to officers and members on the effectiveness of controls.
Governance Group	Support the development of the risk management process, share experience on risk, and aid / advise in the review of risk management issues. Identify areas of overlapping risk and share good practice on all aspects of risk management.
Corporate Governance and	Support the council and its services in the effective

GROUP OR INDIVIDUAL	ROLE
Risk Officer	development, implementation and review of the council's risk management processes. Identify and communicate risk management issues to services, and assist in undertaking risk management activity through training or direct support.

Links to Governance issues

Internal Control

Controls

Ensure that the processes and procedures operate in an orderly and efficient manner, statutory and management requirements are complied with, assets are safeguarded, completeness and accuracy of records are secured and identifies and corrects when something has gone wrong.

Systems of internal control

A term to describe the totality of the way an organisation designs, implements, tests and modifies controls in specific systems, to provide assurance at the corporate level that the organisation is operating efficiently and effectively.

Control environment

The control environment comprises the systems of governance, risk management and internal control. The key elements of the control environment include:

- establishing and monitoring the achievement of the organisations objectives;
- the facilitation of decision ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the organisation, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties;
- ensuring the economic, effective and efficient use of resources and ensuring continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness;
- the financial management of the organisation and the reporting of financial management;
- the performance management of the organisation and the reporting of performance management.

Managers will be responsible for ensuring that proper controls are in place to ensure that resources are used appropriately, to provide value for money and delivery of the council's objectives. The controls will be reported through the Annual Governance Statement, to ensure that the systems and services they are responsible for deliver consistent, predictable, effective results in or to meet service or corporate objectives.

An audit process exists which independently monitors the controls and procedures across the council to enhance value for money, ensure systems' reliance, minimise risk and act upon suspicion of fraud or corruption. The Audit Commission relies on the audit processes in

Thanet District Council – Risk Management Strategy

place in formulating their opinion of the council's control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives.

Performance Monitoring

Performance monitoring of risk management activity will ensure that the treatment of risk remains effective and the benefits of implementing risk control measures outweigh the costs of doing so. Performance monitoring is a continual review not only of the whole process, but also of individual risks or projects and of the benefits gained from implementing risk control measures. The section regarding the communications process includes reporting, which aids the achievement of performance monitoring.

Project Management

Ensuring that we are capable of delivering major and complex projects across many of our services is key to achieving the council's objectives. Achievement of these projects is only possible because good managers take the time to plan, organise and manage their projects well. A project management toolkit has been established for the council, which draws on many areas of good practice that already exist across the council and provides a practical reference point for managers and staff embarking on projects. This tool includes provision for undertaking and continually reviewing the risk management process throughout the life of the project.

Data Quality

The council needs to ensure that the data we use for performance monitoring and to inform decision making is accurate, reliable and fit for purpose. If the information is misleading, decision making may be flawed, resources may be wasted, poor services may not be improved and policy may be ill-founded. These could represent significant risks to the council. There is also a danger that good performance may not be recognised and rewarded. The council has a Data Quality framework which sets out the measures in place to ensure that data is fit for purpose. This framework is reviewed annually by the Governance and Audit Committee.

Anti-Fraud and Corruption

The council has an anti-fraud and corruption framework, which will direct the council towards ensuring a professional and ethical approach to combating fraud. The council has adopted a strategic approach in order to minimise the risk of losses through fraud and corruption.

To further ensure a comprehensive approach to tackling fraud and corruption, it is paramount that the full range of action is taken, integrating all the different strands. The council recognises that this is an ongoing process, with each element building and feeding back to others in a continuous improvement cycle.

Whistleblowing

Thanet District Council is committed to the highest possible standards of propriety and accountability in the conduct of its activities for the community. Employees are often the first

Thanet District Council – Risk Management Strategy

to realise that something wrong may be happening within the council. The Whistleblowing Code is intended to help employees who have concerns over any potential wrong-doing within the council.

Anti Bribery

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The council is committed to the prevention, deterrence and detection of bribery. We have zero-tolerance towards bribery. We aim to maintain anti bribery compliance 'business as usual', rather than as a one off exercise.

Money Laundering

The council's policy is to do all that it can to prevent, wherever possible, the organisation and its staff being exposed to money laundering, to identify the potential areas where it may occur, and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases.

Business Continuity

The business continuity process is essentially risk management applied to the whole organisation and its ability to continue with its service provision in the event of a catastrophic event. The council must ensure risk management processes are applied throughout the business continuity lifecycle.

Reporting

The structure for reporting risk management effectively could exist as follows:-

Timeframe	Description	Involvement from
<u>Annually</u> <u>Every</u> <u>12 weeks</u> <u>within meeting</u> <u>cycle</u> <u>January</u>	Review of the Corporate Risk Register	<u>CSMT (Governance Board)</u>
<u>Annually</u> September	Review of the risk management strategy and process document to identify and agree major changes	<u>Governance Group</u> Governance & Audit Committee Cabinet
<u>Quarterly</u> June September December March	Risk Register reports to member committee with responsibility for risk management	<u>Governance Group</u> Governance & Audit Committee
<u>Ad hoc</u>	Risk / Opportunity reviews	Risk / Control measure owners

Document History

Version	Date	Agreed by	Minute ref
V1	18 Oct 2004 1 Nov 2004 9 Nov 2004	Corporate Risk Management Group Heads of Service Management Team	CRMG 31 201/04-05 222/04-05
V2	1 Mar 2006 24 Jan 2006 7 Feb 2006 23 Feb 2006	Corporate Risk Management Group Finance, Best Value and Performance Review Panel Cabinet Council	CRMG 63 R186 2005/06 C/05 2005/06 66 2005/06
V3	6 Feb 2007 22 Feb 2007	Cabinet Council	C/07 2006/07 67 2006/07
V4	27 Sep 2007 1 Nov 2007 18 Dec 2007	Governance and Audit Committee Cabinet Council	R114 C11 61
V5	18 August 2008 24 September 2008 6 November 2008	Governance Group Governance and Audit Committee Cabinet	GOV08 R115 CR6
V6	1 September 2009 29 September 2009 5 November 2009	Governance Group Governance and Audit Committee Cabinet	GOV05 36. 126
V7	6 September 2010 28 September 2010 11 November 2010	Governance Group Governance and Audit Committee Cabinet	GOV04 102.
<u>V8</u>	<u>29 September 2011</u> <u>17 November 2011</u>	<u>Governance and Audit Committee</u> <u>Cabinet</u>	<u>TBC</u> <u>TBC</u>

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Risk Management Process

Version 5
September 2011



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1. Introduction

Risk management is both a statutory requirement and an indispensable element of good management. As such, its implementation is crucial to the council and essential to its ability to discharge its various functions.

This risk management process has been designed to support members and officers in ensuring that the council is able to fully discharge its risk management responsibilities in a consistent manner. The Risk Management Strategy outlines the objectives, benefits and approach to the process to ensure that risks, both positive and negative, are successfully managed.

Risk management in Thanet District Council is about improving our ability to deliver outcomes for the community by managing our threats, enhancing our opportunities and creating an environment that adds value to ongoing activities.

Risk management is a key part of corporate governance. Corporate governance is the way an organisation manages its business, determines strategy and objectives and goes about achieving those objectives. Good risk management will help identify and deal with key corporate risks facing the organisation in the pursuit of its goals and is a key part of good management, not simply a compliance exercise.

To help with the process, this guidance document describes a simple methodology working through the following questions:

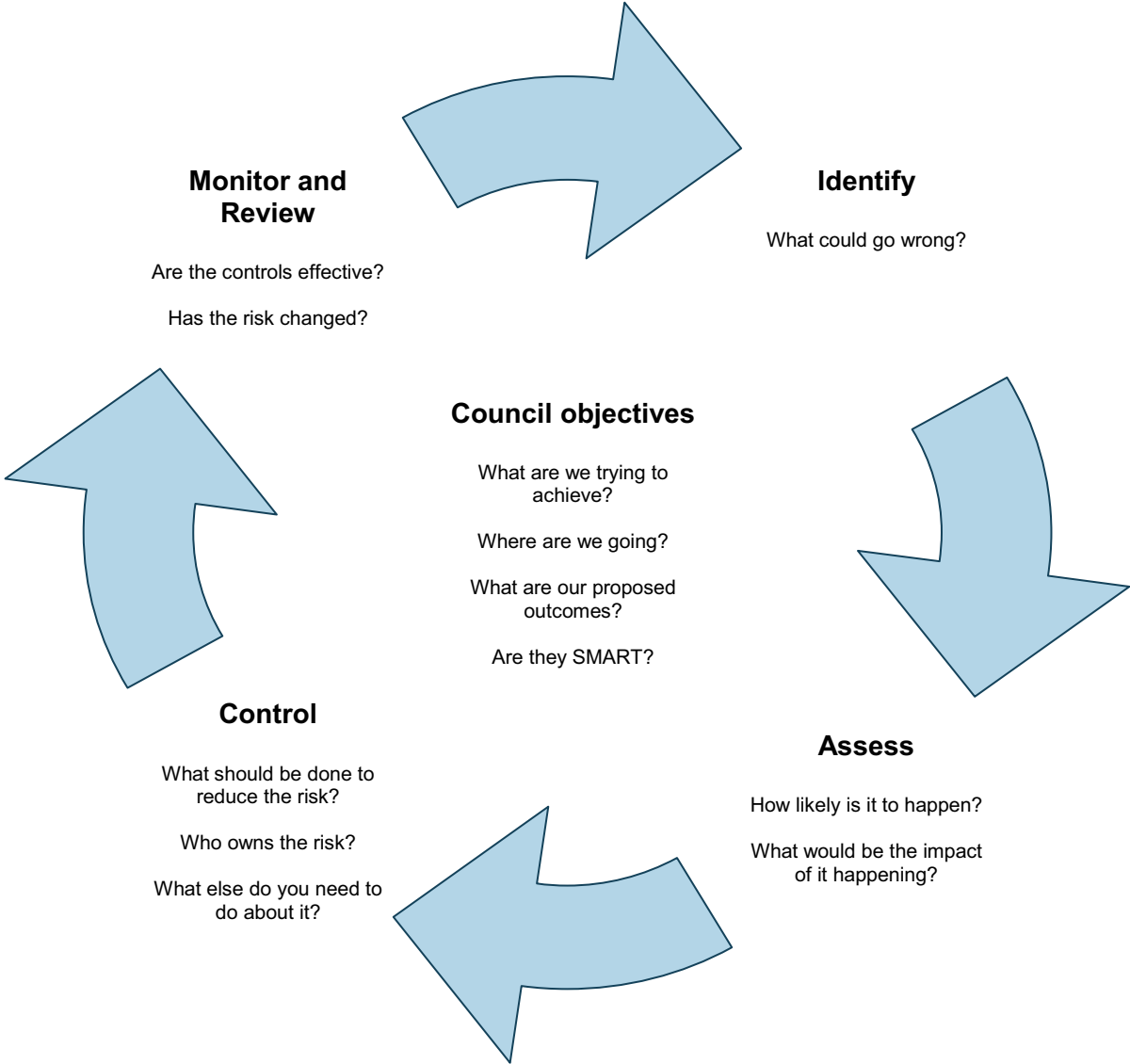
- Are your objectives SMART?
 - **S**pecific
 - **M**easurable
 - **A**chievable
 - **R**ealistic
 - **T**ime bound
- What could go wrong?
- How likely is it to happen?
- What would be the impact of it happening?
- What should be done to reduce the risk?
- Who owns the risk?
- What else do you need to do about it?

2. Risk Management Process

The starting point for risk management is a clear understanding of what the organisation is trying to achieve. Risk management is about managing the threats that may hinder delivery of our priorities and core service provisions, and maximising the opportunities that will help to deliver them. Therefore, effective risk management should be clearly aligned to the following processes:

- Strategic planning
- Financial planning
- Policy making and review
- Performance management
- Project management
- Partnership working

and should take into account the environment within which the council operates.



2.1 Identify

Identify the potential risks or opportunities that may arise. Where taking risks that may benefit the organisation, managing these opportunities increases the chance of success and reduces the possibility of failure. By managing our opportunities well, we will be in a better position to provide improved services and better value for money.

It may help to use the following structure to describe risks and opportunities “If then”.

For example:

“If we do not review and manage our budget, then there is a risk that we will overspend.”

“If the implementation of the new system is achieved according to the action plan, then the overall process will be more effective.”

Risks will be considered under the following headings:

- **Corporate** - those which could impact across the whole council arising from a major event. These should be assessed by the Corporate Management Team and then reported to the Governance and Audit Committee on a regular basis.
- **Operational** - those resulting from inadequate or failed internal processes, people and systems or from external events. In some instances operational risks may escalate to become corporate.
- **Partnership** - those associated with achieving the outcomes set by the partnership. It is essential that the risks the council may face when entering into a partnership are clearly identified and managed prior to the partnership being initiated.
- **Project risks** - those associated with achieving a project within the required time, costs and resources, regardless of its size. Risks associated with the project, both negative and positive, must be clearly identified and managed. (Further information can be obtained from the Project Management Toolkit).

Each risk needs to be allocated an owner who will be responsible for and lead on the management of that risk, taking forward any required action to minimise the risk.

2.2 Assess

Having identified the risks, it is then necessary to assess which are going to pose the greatest threat or opportunity, by looking at both the **probability** of the risk occurring and the **impact** that might result, producing the overall **risk rating**. These scores are not intended to provide precise measurements of risk but to provide a useful basis for identifying vulnerabilities or opportunities, ensuring that any necessary actions are undertaken.

Developing a standard methodology to score risks is intended to help ensure consistent, meaningful scores that can be used to assess risks.

The risk rating needs to be regularly reviewed to check that existing controls are effective and to assess any changes should new controls be established and the score should be amended to reflect this.

Table 1 - Probability

Rating	Score	Indicative Guidelines – provided as examples	
		Threat	Opportunity
Very likely	4	<ul style="list-style-type: none"> • More than a 75% chance of occurrence. • Regular occurrence. • Circumstances frequently encountered. 	<ul style="list-style-type: none"> • Favourable outcome is likely to be achieved in one year. • Better than 75% chance of occurrence.
Likely	3	<ul style="list-style-type: none"> • 41% - 75% chance of occurrence. • Likely to happen at some point in the next 3 years. • Circumstances occasionally encountered. 	<ul style="list-style-type: none"> • Reasonable prospects of favourable results in one year. • 41% - 75% chance of occurrence.
Unlikely	2	<ul style="list-style-type: none"> • 10% - 40% chance of occurrence. • Only likely to happen once every 3 or more years. • Circumstances rarely encountered. 	<ul style="list-style-type: none"> • Some chance of favourable outcome in medium term. • 10% - 40% chance of occurrence.
Remote	1	<ul style="list-style-type: none"> • Less than a 10% chance of occurrence. • Has never happened before. • Circumstance never encountered. 	<ul style="list-style-type: none"> • Less than a 10% chance of occurrence.

Table 2 - Impact

Rating	Score	Indicative Guidelines – provided as examples	
		Threat	Opportunity
Major	4	<ul style="list-style-type: none"> • Major loss of service for more than 5 days. • One or more fatalities. • Major financial variation of more than £300k. • Major national news item. • Major impact on time / costs / resources. • Affect the whole council. 	<ul style="list-style-type: none"> • Major improvement to services, generally or across a broad range. • Major improvement to health, welfare and safety. • Positive national press, national award or recognition, elevated status by national government. • Producing more than £100,000
Serious	3	<ul style="list-style-type: none"> • Loss of service for 3 to 5 days. • Major injury to an individual / several people. • Financial variation between £150k and £300k. • Major local news / professional press item. • Serious impact on time / costs / resources. • Affect many service areas of the council. 	<ul style="list-style-type: none"> • Major improvement to critical service area. • Serious improvement to health, welfare and safety. • Recognition of successful initiative. • Sustained positive recognition and support from local press. • Producing up to £100,000.
Significant	2	<ul style="list-style-type: none"> • Loss of service for 2 to 3 days. • Severe injury to an individual / several people. • Financial variation of £50k to £150k. • Local news / minor professional press items. • Controllable impact on time / costs / resources. • Affect 1 or few service areas of the council. 	<ul style="list-style-type: none"> • Significant improvement to service area. • Significant improvement to health, welfare and safety. • Recognition of successful initiative. • Positive recognition and support from local press.
Minor	1	<ul style="list-style-type: none"> • Brief disruption to service for less than 1 day. • Minor injury to an individual. • Financial variation of less than £50k. • Minimal news / press impact. • Minimal impact on time / costs / resources. • Affect Project Team only. 	<ul style="list-style-type: none"> • Improvement to a process within a service area.

Table 3 – Risk Matrix

Probability	Very likely (4)	Medium-Low (4)	Medium-High (8)	High (12)	High (16)
	Likely (3)	Medium-Low (3)	Medium-High (6)	Medium-High (9)	High (12)
	Unlikely (2)	Low (2)	Medium-Low (4)	Medium-High (6)	Medium-High (8)
	Remote (1)	Low (1)	Low (2)	Medium -Low (3)	Medium-Low (4)
		Minor (1)	Significant (2)	Serious (3)	Major (4)
Impact					

2.3 Control

This stage of the process is to decide on a course of action to address the risks identified, to ensure that they do not develop into an issue, where the potential threat is realised. There are four approaches that can be taken to address the risks that have been identified and assessed, these being terminate, transfer, treat and tolerate

Table 4 – Risk Appetite

Level of Risk	Level of Concern	Recommended review pattern	Approach option(s) available	Other actions required
High	Very concerned	1 – 2 months	Terminate Transfer Treat	Report to Governance and Audit Committee
Medium-High	Concerned	3 – 4 months	Terminate Transfer Treat	
Medium-Low	Tolerate	5 – 6 months	Terminate Transfer Treat Tolerate	If accepted, must have contingency plans in place
Low	Content	7 – 8 months	Tolerate	Treat, if cost effective

Table 5 – Risk control approaches

APPROACH	DESCRIPTION
Terminate	A decision is made not to undertake the activity that is likely to trigger the risk. Where the risks outweigh the possible benefits, terminate the risk by doing things differently and thereby removing the risk.
Transfer	Share the exposure, either totally or in part, with a partner or contractor, or through insurance. Any partnership will need to be carefully monitored as it may not be possible to transfer all risks and certain aspects may remain, such as loss of reputation.
Treat	The most common approach is to introduce preventative actions to reduce the probability or impact if the risk occurs and maximise the potential for success.
Tolerate	The ability of an effective action against some risks may be limited or the cost of taking such action may be disproportionate to the potential benefits gained.

Control measures are concerned with the actions taken to reduce the probability or impact of risks, not wholly to terminate or transfer.

2.4 Monitor and Review

Few risks remain static. New issues and risks are likely to emerge and existing risks may change. Having identified the risks, assessed them and put control measures in place, it is essential that they are routinely monitored. (See table 4 – recommended review pattern).

Risk management needs to be seen as a continuous process. It is essential that the incidence of risk be reviewed to see whether it has changed over time. Risk management is a dynamic process – new risks will be identified, some will be terminated and control measures will need to be updated in response to changing internal and external events. The assessment of probability and impact will also need to be reviewed, particularly in light of our own management actions.

Monitoring progress and regular reviews provides:

- Assurance that progress is being made towards controlling risks
- Assurance that controls are effective
- Knowledge of any changes to the risk brought about shifting circumstances or business priorities.

When undertaking the monitor and review process, guidance is given below on the sorts of questions that should be taken into account:

- Are the risks still relevant?
- Has anything occurred that could impact on them?
- Are performance indicators appropriate?
- Are the controls in place effective?
- Have risk scores changed, and if so are they decreasing or increasing?
- If risk profiles are increasing, what further controls might be needed?
- If risk profiles are decreasing, can controls be relaxed?

The monitoring and review process should be integrated into existing business processes so that it adds value and supports the successful achievement of objectives and is not just seen as a 'bolt on'. Where objectives have not been achieved or are not on course to be achieved, the cause(s) should be investigated to inform and improve the risk assessment process.

3. Categories of risk

Categories are widely used to identify sources of risk, some will be of greater concern at the corporate level and some at the operational level, however there is no clear distinction and all levels of management should be concerned, to varying degrees, with the majority of categories.

These risks can be categorised as follows: -

CATEGORY	DESCRIPTION	INDICATIVE GUIDELINES (given as examples)
Political	those associated with a failure to deliver either local or central government policy.	<ul style="list-style-type: none"> • Wrong political priorities • Not meeting government agenda • Too slow or failure to modernise • Decision based on incorrect information • Unfulfilled promises to electorate • Community planning oversight / errors
Economic	those affecting the ability of the council to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance or the consequences of proposed investment decisions.	<ul style="list-style-type: none"> • General/regional economic problems • Missed business and service opportunities • Failure of major projects • Failure to prioritise, allocate appropriate budgets and monitor • Inadequate control over expenditure or income • Inadequate insurance cover
Social	those relating to the effects of changes in demographic, residential or socio-economic trends on the council's ability to deliver its objectives.	<ul style="list-style-type: none"> • Failing to meet the needs of disadvantaged communities • Failures in partnership working • Problems in delivering life-long learning • Impact of demographic change • Crime and disorder
Technological	those associated with the capacity of the council to deal with the pace / scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the	<ul style="list-style-type: none"> • Breach of confidentiality • Failure in communications • Insufficient disaster recovery for key data/systems • Failure of big technology related project • Breach of security of networks

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CATEGORY	DESCRIPTION	INDICATIVE GUIDELINES (given as examples)
	council's ability to deliver its objectives.	and data <ul style="list-style-type: none"> • Failure to comply with IT Security Policy
Legislative	those associated with current or potential changes in national or European law.	<ul style="list-style-type: none"> • Inadequate response to new legislation • Not meeting statutory duties/deadlines • Failure to implement legislative change • Misinterpretation of legislation • Exposure to liability claims e.g. motor accidents, wrongful advice • Breach of confidentiality / Data Protection Act
Environmental	those relating to environmental consequences of progressing the council's corporate objectives (e.g. in terms of energy, efficiency, pollution, recycling, etc).	<ul style="list-style-type: none"> • Impact on sustainability initiatives • Impact of planning & transportation policies • Noise, contamination and pollution • Crime & Disorder Act implications • Inefficient use energy and water • Incorrect storage/disposal of waste
Competitive	those affecting the competitiveness of the service (in terms of cost of quality) and / or its ability to deliver best value.	<ul style="list-style-type: none"> • Take over of services by government • Failure of bids for government funds • Failure to show value for money • Accusations of anti-competitive practices
Customer / Citizen	those associated with the failure to meet the current and changing needs and expectations of customer and citizens.	<ul style="list-style-type: none"> • Lack of appropriate consultation • Bad public and media relations
Reputation	those relating to public confidence and failure to recruit high calibre staff.	<ul style="list-style-type: none"> • Adverse media attention • Policies misunderstood or misinterpreted • Negative implications identified by other which have not been previously considered • Failure to keep partners on side • Breach of confidentiality • Lack of business continuity plan • Failure to maintain and upkeep land and property
Partnership	those associated with working in partnership with another organisation.	<ul style="list-style-type: none"> • Non compliance with procurement policies • Poor selection of partner • Poor contract specification,

CATEGORY	DESCRIPTION	INDICATIVE GUIDELINES (given as examples)
		deficiencies <ul style="list-style-type: none"> • Failure of partner to deliver • Inadequate contract terms & conditions • Bad management of partnership working

4. Risk Register

It is good governance for the council to maintain and review a register of its corporate and operational risks assigning named individuals as responsible officers. The Risk Register is a tool for capturing important information about a risk or opportunity, and is a continual process. New risks will be identified, some will be terminated, control measures will need to be updated in response to changing internal and external events.

The data contained within the risk register will be used to inform our performance reporting process. Also, as detailed within the risk management strategy, the Governance and Audit committee will be regularly informed on the content of the corporate risk register.

To meet this requirement, the council has a database in place (RISKWeb) to hold this information, which is linked to the corporate objectives. This database is available via the Intranet. Training can be arranged via Nikki Morris (full details given below).

5. Summary

This guidance document is intended to provide a simple methodology to help with the risk management process. It may be helpful to understand how managing risk through this process fits in with the overall approach to managing risk throughout the council. Details of this can be found in the ‘Risk Management Strategy’.

Risk management is not the responsibility of just a few specialists, it must be seen as a responsibility for all members and officers.

For any further advice or assistance, please contact:
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 DDI : 01843 577625

6. Document History

Version	Date	Agreed by	Minute ref
V1 (RMS)	18 Oct 2004 1 Nov 2004 9 Nov 2004	Corporate Risk Management Group Heads of Service Management Team	CRMG 31 201/04-05 222/04-05
V2 (RMS)	1 Mar 2006 24 Jan 2006 7 Feb 2006 23 Feb 2006	Corporate Risk Management Group Finance, Best Value and Performance Review Panel Cabinet Council	CRMG 63 R186 2005/06 C/05 2005/06 66 2005/06
V3 (RMS)	6 Feb 2007 22 Feb 2007	Cabinet Council	C/07 2006/07 67 2006/07
V1 (RMP)	27 Sep 2007	Governance and Audit Committee	R114
V2	18 August 2008 24 September 2008	Governance Group Governance and Audit Committee	GOV08 R115
V3	1 September 2009 29 September 2009	Governance Group Governance and Audit Committee	GOV05 36.
V4	6 September 2010 28 September 2010	Governance Group Governance and Audit Committee	GOV04 102.
V5	29 September 2011	Governance and Audit Committee	TBC

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TREASURY MANAGEMENT UPDATE FOR QUARTER 1, 2011

To: **Governance and Audit Committee – 29th September 2011**

Main Portfolio Area: **Financial Services**

By: **Treasury and Capital Accountant**

Classification: **Unrestricted**

Summary: This report is to update the Governance and Audit Committee with the Treasury Management activity that has occurred up to 30th June 2011.

For Information

1.0 Introduction and Background

1.1 CIPFA (the Chartered Institute of Public Finance and Accountancy) issued the revised Code of Practice for Treasury Management in November 2009; it recommends that members should be updated on treasury management activities at least twice a year, but preferably quarterly. This report therefore ensures this council is implementing best practice in accordance with the Code.

2.0 Economic Background

2.1 The second quarter of 2011 saw:

- The economic recovery struggle to regain momentum;
- Conditions on the high street deteriorate;
- Mixed signals on the strength of the labour market recovery;
- Public sector borrowing come out disappointingly high;
- The near-term outlook for CPI inflation deteriorate further;
- The Monetary Policy Committee move away from raising interest rates;
- UK equities stay broadly flat over the quarter and gilt yields fall;
- Economic growth slow in the US and euro-zone.

The economic recovery has been struggling to regain momentum after underlying activity more or less stagnated between October and March. The additional bank holiday for the Royal Wedding pulled down both industrial and services output in April, but the CIPS/Markit business surveys have failed to pick up by much since. An average of the surveys over the last three months points to quarterly GDP growth in Q2 of just 0.3% - less than half its trend rate.

The industrial recovery appears to have lost momentum quite quickly. The CIPS/Markit manufacturing survey has fallen to a level consistent with falls in manufacturing output. The output expectations balance of the CBI industrial trends survey has fallen more modestly, but has nonetheless dropped for the past three months in a row.

Meanwhile, the consumer outlook has darkened. The pick-up in the consumer sector seen during the spring appears to have been only temporary, reflecting the good weather and extra bank holiday. Retail sales volumes fell in May, more than reversing

April's increase. The CBI's distributive trades survey fell in June, and a number of well-known retailers have recently fallen into administration.

Consumers appear to be reacting to the squeeze on their real incomes. Household real disposable incomes fell by 0.8% in Q1. Inflation is outpacing average earnings by about 2.5%. Consumer confidence also fell back in June and remains consistent with further falls in consumer spending.

Meanwhile, the news on the labour market has been mixed. The Workforce Jobs measure of employment rose strongly in Q1. But the timelier Labour Force Survey measure flattened off in April and May. And the number of job vacancies continued to fall throughout the quarter. The claimant count measure of unemployment also continued to rise over the last three months. This only partly reflected a rise in the number of lone parents claiming Jobseeker's Allowance due to recent benefit changes.

The housing market has continued to tread water. The number of mortgage approvals for new house purchase was broadly unchanged over the quarter at a very low level of just 46,000 or so. House prices have also remained broadly flat. The Nationwide index ended the second quarter at about the same level as it ended the first.

Meanwhile, net trade looks unlikely to provide as big a contribution to GDP growth in Q2 as it did in Q1. Net trade boosted quarterly GDP growth by some 1.4% in Q1. However, the trade deficit was unchanged in April compared to March.

The weakness of the economy appears to be having some adverse effect on the public finances. Borrowing in the first two months of the fiscal year totalled £27.4bn, compared to last year's £25.9bn. It is early days but, at this rate, borrowing will overshoot the OBR's Budget full-year forecast of £122bn.

Oil prices rose but then fell back during the quarter, and so ended Q2 at \$113 per barrel, close to the level seen at the end of Q1. Agricultural prices fell sharply over the past quarter.

But the near-term outlook for inflation has deteriorated further. Although CPI inflation held steady at 4.5% in May, it now looks likely to rise to 5.5% or even higher within the next few months. Food price inflation is likely to rise further and Scottish Power announced in June a 19% rise in gas prices and 10% rise in electricity prices to take effect in August. Other utility suppliers are likely to follow suit.

Households' inflation expectations rose sharply in June. But so far, there are no signs of any pick-up in pay growth. The median pay settlement was unchanged at 2.5% in May.

Most Monetary Policy Committee members still think that the rise in inflation will be only temporary and that inflation will fall back sharply next year. So despite the worsening of the near-term inflation outlook, the weakness of the activity data has pushed most members further away from an interest rate rise.

Some members have even started to discuss the prospect of giving the economy more support. Admittedly, the hurdle for more quantitative easing will be quite high. However, it is certainly possible if the economy remains as weak as we expect.

In financial markets, the FTSE 100 finished the quarter at around 5,950 – about the same level as at the end of the first quarter. This was broadly in line with international stock markets – the S&P500 was also little changed over the period. Ten year gilt

yields fell from 3.69% to 3.38% on the back of a drop in interest rate expectations. At the end of March, markets were expecting interest rates to have risen by this July. But now they expect rates to stay on hold until July next year. Meanwhile, sterling was broadly unchanged against the dollar at about \$1.60, and fell only a touch against the euro.

In the US, the recovery also appears to have lost a significant amount of momentum. The ISM manufacturing index fell sharply in May and reversed only a fraction of this drop in June. Payrolls employment rose by a disappointing 54,000 in May.

Meanwhile, the euro-zone economy expanded at a healthy pace in Q1, but recent falls in most leading indicators suggest that growth is slowing there too. Germany has continued to outperform the rest of the region. The risk of an imminent Greek disaster eased temporarily after an initial draft agreement on a second Greek bailout package but European policymakers' inability to deal with the crisis quickly and effectively created further uncertainty and volatility.

3.0 Interest Rate Forecast

3.1 The Council's treasury adviser, Sector, provides the following forecast:

Sector's Interest Rate View												
	NOW	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
Sector's Bank Rate View	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%
5yr PWLB Rate	3.12%	3.55%	3.65%	3.75%	3.90%	4.00%	4.15%	4.25%	4.45%	4.60%	4.65%	4.75%
10yr PWLB View	4.45%	4.75%	4.75%	4.80%	4.95%	4.95%	5.00%	5.05%	5.15%	5.20%	5.25%	5.25%
25yr PWLB View	5.24%	5.40%	5.40%	5.40%	5.40%	5.40%	5.45%	5.50%	5.50%	5.50%	5.60%	5.65%
50yr PWLB Rate	5.20%	5.40%	5.40%	5.40%	5.40%	5.40%	5.45%	5.50%	5.50%	5.50%	5.60%	5.65%

- The Sector central forecast is for a November 2011 first increase in Bank Rate but with reservations that it could well slip back in time, unless there is some good news on the UK economic recovery before then.
- Sector has undertaken its normal quarterly review of interest rate forecasts after the issue of the Bank of England's quarterly Inflation Report. The key Bank of England comments are shown below:
 - Mervyn King said after the May Inflation Report was published that 'Bank Rate cannot stay down indefinitely' but this does not equate to saying 'there will be a first increase in Bank Rate in November 2011'. Financial markets have over-reacted to this statement.
 - Continuing wage freezes / low pay settlements.
 - BoE forecasts for the speed of recovery and of increases in GDP growth rate have consistently been over optimistic since the recession started in 2009
 - CPI will blip up in 2011 due to temporary supply side shock factors but these will drop out within 12 months - as will VAT increases.
 - Unless the output gap is closed (unlikely for some considerable time) inflation will eventually fall below target.
 - CPIY (CPI less the effects of increase in indirect taxation) has been at or below 2% during 2010 and under 2.9% in 2011.

Summary Outlook

- The key question is how quickly, and strongly, will the UK economy respond to the positive stimulus from low Bank Rate, quantitative easing and the devaluation of sterling?
- Negative growth of -0.5% in Q4 2010 was a huge shock; +0.5% (quarter on quarter) in Q1 2011 meant that growth had been flat for six months. A marginal upgrading of

Q1 growth figures will have only a marginal effect on the big picture for the UK but there is considerable uncertainty as to how the UK economy will evolve in the coming months.

- US Q1 growth of only 1.8% (on an annualised basis) was also a disappointment despite non-farm payroll data showing improvement.
- China and India have embarked on a major thrust to cool their over-heating economies and so may depress the rate of world economic growth.
- An anaemic economic recovery is probably the most likely outcome in the UK and US, after the initial rebound in 2010, for the next three to four years; recovery is likely to be slower and more protracted than normal business cycle recoveries as this is a financial crisis recovery where lack of credit is still stifling growth.
- The Bank of England is likely to determine that further increases in CPI in 2011, towards 5%, as being due to one off factors that will drop out of the index within 12 months, so underpinning the view that inflation will be back to near target within a two to three year time horizon.
- This does assume that raised inflation expectations do not feed through into a significant increase in the general level of wage settlements.
- There has been a significant erosion of the confidence of financial markets in the EU handling of the peripheral debt crisis. There is now a major and escalating risk that the Greek, Irish, Portuguese debt crisis may not be contained and could lead to debt restructurings that could do significant damage to banks which already have weakened balance sheets. It is worth noting that many western governments have already exhausted their capacity to increase government debt to again bail out banks further damaged by any such future events and to counter the dampening of economic growth that would follow.

Upside risks to Central Forecasts

- Bank Rate cuts do finally succeed in feeding through to stimulate a strong economic recovery.
- A major increase in UK exports due to the circa 20% depreciation of Sterling over the last two years and import substitution by UK produced goods and services - assuming a reasonably strong economic recovery in US, EU and emerging markets
- Corporate profitability has improved considerably since the recession due to cost cutting; many larger corporate balance sheets are now awash with cash. This could fuel an increase in investment expenditure and also M&A (merger and acquisitions) activity i.e. drive share prices higher and give investors a feel good factor (to spend more?)

Downside risks to central forecast

- Chinese and Indian economies are now over-heating; Chinese authorities spooked by inflation over 5%. The Chinese central bank has raised the central rate four times and increased bank reserve requirements six times since October 2010 to curtail bank credit creation capacity. This could lead to increased volatility or an outright fall in commodity prices.
- UK emerging market funds are finding it difficult to place the huge investment cash flows they are receiving; Chinese investors with surplus cash are investing it in property and shares as if it is a one way bet! Ideally, there needs to be a rebalancing of Chinese spending on retail sales as opposed to the creation of asset price bubbles in property and shares.
- US economy has disappointed in Q1 2011 limping along at 1.8% annual growth rate after a strong Q4 2010 at 3.1%
- US (and UK) have exhausted their capacity for any further fiscal stimulus for their economies

- US is still not even on the starting line for dealing with cutting back a massive annual fiscal deficit; cut backs to come are likely to dampen the economy further
- US: banks have major risk exposure to a fraught housing market where house prices have gone down 8.2% in the 12 months to April 2011, have fallen 29.5% since the peak in June 2006, where 29.5% of mortgages are now in negative equity and there is no imminent turn around in sight for the housing market
- Peripheral European economies' crisis requires the European Central Bank to adopt a more pragmatic stance to debt restructuring: the longer the delay, the bigger the potential fallout.
- UK consumer confidence at very low levels whilst major cuts in Government expenditure and public sector jobs still to feed through fully into the economy and to dampen growth over the next few years.
- Despite the private sector creating more jobs than the public sector is cutting, the high current total level of unemployment of around 2.5m means that it will take several years to reduce total unemployment down to pre recession levels.
- No significant growth in personal disposable income likely for a couple of years due to:
 - Continuing wage freezes / low pay settlements
 - Inflation exceeding wage increases so disposable income is being eroded
 - Increases in taxation
 - Mortgagors coming off cheap fixed rate mortgage deals onto standard variable rates.
- House prices have fallen to their lowest level since July 2009 and no turn around is in sight in the current economic climate.
- Consumers are focused on reducing over-borrowing by repaying debt rather than spending and are fearful of eventual increases in Bank Rate sending mortgage standard variable rates (SVRs) up in parallel; rebuilding of consumer balance sheets will increase the savings ratio and depress consumer expenditure.
- Banks are still heavily focused on rebuilding their balance sheets – RBS and Lloyds still have massive maturing wholesale borrowing to refinance; the Bank of England Special Liquidity Scheme (SLS) ends in Jan 2012; the BoE has lent £185bn to banks and building societies which must be repaid. The BoE has indicated there will be no extension of this timeframe for the SLS.
- Eventual reversal of Quantitative Easing by selling gilts etc will take cash out of the economy and restrict credit growth; gilt sales will need to be sensitively timed considering the huge level of gilt sales already planned just to fund each year's deficit.

4.0 Annual Investment Strategy

4.1 The Treasury Management Strategy Statement (TMSS) for 2011/12, which includes the Annual Investment Strategy, was approved by the Council on 24 February 2011. It sets out the Council's investment priorities as being:

- Security of Capital;
- Liquidity; and
- Yield

The Council will also aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover short term cash flow needs but also to seek out value available in significantly higher rates in periods up to 12 months with highly credit rated financial institutions, using Sector's suggested creditworthiness approach, including sovereign credit rating and Credit

Default Swap (CDS) overlay information provided by Sector: this applies in particular to nationalised and semi nationalised UK banks.

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30.06.2011.

5.0 New borrowing

5.1 The authority has not had to take on any new borrowing by the end of June 2011. However, it is expected that new borrowing will be required in the next quarter due to an old £3 million loan maturing in December 2011. The authority does not have sufficient cash flow to be able to use cash balances rather than to borrow to repay the existing debt. The loan to be repaid had an interest of 10.75% and current interest rates are still way below this so there will still be a saving to the authority as interest payable will reduce. Borrowing may also be required in order to fund the capital programme. Rates are currently being monitored and advice sought from Sector in order to try and achieve the best borrowing rate possible for the new debt.

6.0 Options

6.1 That the Governance and Audit Committee notes this report.

7.0 Corporate Implications

7.1 Financial and VAT implications

7.1.1 There are no financial implications arising from anything within this report.

7.2 Legal

7.2.1 There are no legal implications arising from this report.

7.3 Corporate

7.3.1 This report is being brought before Members of the Governance and Audit Committee as recommended by the CIPFA Code of Practice as being best practice.

7.4 Equity and Equalities

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

8.0 Recommendation(s)

8.1 That the Governance and Audit Committee notes this report.

7.0 Decision Making Process

7.1 There is no decision to be made and is for reference only.

Contact Officer:	Nicola Walker, Finance Manager
Reporting to:	Sarah Martin, Finance Services Manager

Corporate Consultation Undertaken

Finance	Nicola Walker
Legal	

ANNUAL GOVERNANCE REPORT 2010/2011

To: **Governance and Audit Committee – 29 September 2011**

Main Portfolio Area: **N/A**

By: **Audit Manager, Audit Commission**

Classification: **Unrestricted**

Summary: **To provide Governance and Audit Committee with an annual governance report which summarises the findings from the 2010/11 audit which is substantially complete.**

For Information

1.0 Introduction

1.1 To meet the requirements of the Code of Audit Practice, the Audit Commission are required to:

- give an opinion on whether the Council has presented fairly the financial position within the financial statements; and
- issue a conclusion on the arrangements in place to ensure economy, efficiency and effectiveness in the Council's use of resources.

2.0 The Current Situation

2.1 The 2010/11 audit plan was agreed at the Governance and Audit Committee in June, and the report attached at Annex 1 provides progress to date against both the 2010/11 and 2010/11 audit plans.

3.0 Recommendation(s)

3.1 take note of the adjustments to the financial statements which are set out in the report (Appendix 2);

3.2 approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 3);

3.3 agree your response to the proposed action plan (Appendix 4).

Contact Officer:	Andy Mack, District Auditor, Audit Commission
Reporting to:	Sarah Martin - Financial Services Manager & Deputy S151

Annex List

Annex 1	Audit Commission Annual Governance Report 2010/2011
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Annual Governance Report

Thanet District Council

Audit 2010/11

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Agenda Item 9
Annex 1

 **audit
commission**

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Traffic light explanation

Red ■ Amber ◆ Green ●

Key messages

This report summarises the findings from the 2010/11 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

	Our findings
Unqualified audit opinion	●
Proper arrangements to secure value for money	●

Audit opinion and financial statements

The Council dealt well with the implementation of International Financial Reporting Standards (IFRS) in the financial statements in 2010/11, despite capacity being stretched throughout the year. The financial statements were prepared to a sound standard overall. I agreed some amendments during the course of the audit with officers, the most important of which were in respect of fixed assets. There was no material impact from these on the Council's reported financial position.

Subject to satisfactory completion of the remainder of my audit work, I plan to issue an unqualified opinion on the financial statements before the statutory deadline of 30 September 2011.

Value for money

I intend to issue an unqualified value for money conclusion stating that the Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Council has good financial governance, an effective financial planning framework and sound arrangements for financial control. It has a good understanding of the financial pressures it faces over the medium term and plans in place to deal with these.

Before I complete my audit

I confirm to you

My report includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence. I can also confirm there were no relationships resulting in a threat to independence, objectivity and integrity.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Council during 2010/11.

I ask you to confirm to me

I ask the Governance and Audit Committee to:

- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
 - approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 3); and
 - agree your response to the proposed action plan (Appendix 4).
-

Financial statements

Subject to satisfactory completion of the remainder of my audit work, I plan to issue an unqualified opinion on the financial statements.

Opinion on the financial statements

My work on the financial statements is now substantially complete. The areas where work remains outstanding are:

- completion of my testing of transactions within the Net Cost of Services;
- completion of my testing of shared services expenditure;
- completion of my physical verification testing for fixed assets; and
- review of the final version of the financial statements to ensure all agreed amendments have been processed.

I anticipate that any remaining work will be completed by mid September. I will then issue my audit opinion by the 30 September 2011 statutory deadline, after the financial statements and the letter of representation have been approved by the Committee.

Subject to satisfactory completion of the outstanding work, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Implementation of International Financial Reporting Standards (IFRS)

This is the first year the Council has been required to prepare financial statements under IFRS. Preparing IFRS accounts has involved a significant amount of work for the Council's finance team, including

- review of transactions to identify the appropriate accounting treatment under the new framework;
- restatement and reformatting of all the prime statements;
- restatement of the comparatives for both 1 April 2009 and 31 March 2010; and
- production of a number of new disclosure notes.

Despite capacity issues, the Council produced some really positive early work on the IFRS transition.

Errors in the financial statements

My audit seeks to ensure that the accounts are materially correct and present fairly the financial transactions of the Council. The concept of materiality is defined at Appendix 4. For the 2010/11 accounts I have set materiality at £2,177,000.

Under International Standards on Auditing I also set a threshold below which I assess any errors to be 'trivial' and do not ask for the accounts to be amended. For 2010/11 this triviality threshold is set at £21,000. Under auditing standards where I identify errors above this triviality threshold I must request management to amend the accounts. Where management chooses not to do so, I will draw this to the attention of the Audit and Compliance Committee and ask the Committee for its view on the effect of any uncorrected errors on the accounts.

During my audit I identified several errors in the financial statements and recommended a number of presentational changes. Most of the errors related to fixed asset classification and associated reserve and funding movements. Other areas affected were financial instrument disclosures. Management agreed to adjust the financial statements for all the amendments I recommended. All non-trivial amendments (over £21,000) are in appendix 2 for information.

Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit.

Key audit risk and our findings

Key audit risk	Finding
<p>Implementation of IFRS: The 2010/11 financial statements were produced in accordance with IFRS. The new standards required restatement of both opening and closing balances from the previous year as well as additional disclosures. There was a risk that council's which were not well prepared for the new requirements would not succeed in preparing the necessary information in time.</p>	<p>I monitored the Council's progress with IFRS implementation throughout 2010/11. The Council were committed to producing early work on IFRS which led to early resolution of issues in a number of areas.</p> <p>I identified amendments in the financial statements relating to IFRS implementation. The main issues I highlighted related to asset classifications and related reserve movements. The Council amended the accounts for all the changes I recommended (see appendix 2).</p>
<p>Payroll shared services: Payroll processing was outsourced on 1 April 2010. The Council experienced some problems following the transfer, so there was a risk that key controls over payroll transactions would not be effective in 2010/11. This creates an increased risk of material misstatement of the payroll transactions in the financial statements.</p>	<p>I reviewed the payroll controls at the outsourced provider and the controls over the interface with the Council. This review highlighted weaknesses in the operation of the provider controls, which meant that additional procedures had to be implemented by Council employees. As a result of these weaknesses I have less reliance from controls assurance and therefore carried out further substantive testing of the payroll transactions. My substantive testing did not highlight any errors in payroll expenditure.</p>

Key audit risk

Finding

East Kent Opportunities: I reviewed and am satisfied with the accounting treatment adopted in respect of EKO in 09/10. However, the accounting may be more complex 2010/11 under International Financial Reporting Standards, particularly in relation to future land disposals.

My review of the accounting entries relating to EKO in 2010/11 did not highlight any issues.

Related Party Transactions: Although officers have established appropriate arrangements for the collection of RPT data, obtaining all members' returns appears to remain a difficult exercise.

All returns were obtained by the date of audit.

Financial statements

Significant weaknesses in internal control

I have not identified any significant weaknesses in the design or operation of an internal control that might result in a material error in your financial statements

A material weakness in internal control is a deficiency in design or operation which could adversely affect the Council's ability to record, process, summarise and report financial and other relevant data. I have not identified any weaknesses in the design or operation of internal controls that might result in a material error in your financial statements. However, I identified weaknesses in the key controls at your outsourced payroll provider which reduce the effectiveness of your control environment for payroll transactions. I reported these weaknesses to the Governance and Audit Committee in my June 2011 audit progress report.

Recommendation

R1 Work with your payroll provider to ensure that weaknesses in the key controls over payroll processing are fully rectified for the 2011/12 audit.

These weaknesses are only those I identified during the course of the audit that are relevant to preparing the financial statements. I am not expressing an opinion on the overall effectiveness of internal control.

Quality of your financial statements

I consider aspects of your accounting practices, accounting policies, accounting estimates and financial statements disclosures.

The Council presented a set of accounts at 30 June 2011 which was complete except for the cashflow statement and notes for financial instruments, IFRS transition, Segmental Reporting and Capital Adjustment Account. These notes were completed the following week. Delays were due to the complexity of these areas and the stretched staff capacity during the closedown period.

I have made a recommendation below regarding the timeliness of accounts preparation. However, I am pleased to note an improved quality of working papers provided for audit this year. The statements were supported by comprehensive working papers, which provided a good audit trail for testing. The finance team co-operated well with audit staff to achieve the timely resolution of issues as they arose.

Recommendation

R2 Ensure appropriate arrangements are in place to produce a complete set of financial statements by 30 June, which has been subject to a full internal consistency check.

Letter of representation

Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. A copy of the draft letter of representation prepared by management is included in appendix 3 for your approval.

Value for money

I am required to conclude whether the Council put in place proper corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My conclusion on each of these areas is set out below.

I intend to issue an unqualified conclusion stating that in 2010/11 the Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Value for money criteria and our findings

Criterion	Findings
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2010/11:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>The Council has good financial governance, an effective financial planning framework and adequate arrangements for financial control. It has a good understanding of the financial pressures it faces over the medium term and plans in place to deal with these.</p> <p>Thanet District Council has good systems and processes in place to manage its financial risks in a challenging economic climate. It has a good understanding of its financial position and effective medium term financial planning.</p> <p>Financial monitoring and forecasting is fit for purpose and accruals based. The Council achieved a £1.1 million budget underspend and useable reserves (excluding HRA balances) have increased from £13,544,000 to £15,972,000.</p> <p>Medium term financial planning is robust and sets out a strategy to balance the budget for each of the next four year with minimal resort to reserves. Delivery of these budgets will require continued tight financial management.</p>

Criterion	Findings
<p>2. Securing economy efficiency and effectiveness</p> <p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> <p>Focus for 2010/11:</p> <p>The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>	<p>The Council takes a strategic approach to prioritisation of resources and achievement of cost reductions through improved efficiency and productivity.</p> <p>The Council has reviewed its medium term financial plan and identified strategies to manage the financial position despite the current economic pressures. Medium term service priorities have been clarified and changes have been made to management structures.</p> <p>Management have undertaken a rigorous review of each service and identified a variety of actions for 2011/12 to reduce expenditure and increase income. These include internal restructures as well as participation in partnership working with Dover District Council and Canterbury City Council to deliver key services. A balanced revenue budget has been produced for 2011/12 with no increase in council tax.</p>

Appendix 1 – Draft audit report

Independent Auditor's Report to the members of Thanet District Council

Opinion on the Authority accounting statements

I have audited the accounting statements of Thanet District Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Thanet District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Chief Executive and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Chief Executive is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Thanet District Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Thanet District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the accounts of Thanet District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Andy Mack, Officer of the Audit Commission

Audit Commission,

1st Floor, Millbank Tower,

Millbank, London,

SW1P 4HQ

Date:

Appendix 2 – Amendments to the draft financial statements

I identified the following misstatements during my audit and management have adjusted the financial statements. I bring them to your attention to aid you in fulfilling your governance responsibilities.

As at 30 June 2011, the following were missing from the financial statements:

- Cashflow statement and notes;
- IFRS transition note;
- Segmental reporting note;
- Financial Instruments note; and
- Capital Adjustment Account note

The Council provided a complete set of financial statements for audit during the initial week of our on-site audit work.

I did identify a number of internal inconsistencies and disclosure issues which management agreed to amend, leading to several changes in the financial statements. For example, internal consistency between note 12, Capital Adjustment account and Revaluation Reserve, enhanced cashflow disclosures and improved pensions disclosures. I recommended some other agreed presentational changes to the financial statements, to amend or expand the disclosures in some areas.

I also identified the following non trivial misstatements in the financial statements and notes during my audit (over £21,000), which management also agreed to adjust in the financial statements. I bring them to your attention to aid you in fulfilling your governance responsibilities:

Adjusted misstatement	Nature of adjustment	Value £ 000's
<p>Comprehensive Income and Expenditure Account: HRA impairment and the impact on pensions of change from RPI to CPI are exceptional items and should be separately disclosed on the face of the Comprehensive Income and Expenditure Account</p> <p>Investment Property Gains/Losses on Asset Disposal have been included in Gains/Losses on non current assets(Other Operating Expenditure) instead of Financing and Investment I&E</p>	<p>Remove disclosure from note 5: material items of income and expenditure. Disclose HRA impairment (£38.9m) and impact of change from RPI to CPI (£12.8m) as exceptional items on the face of the Comprehensive Income and Expenditure Account. This represents additional disclosure with no overall impact.</p> <p>Move £57k from other operating expenditure to financing and investment income and expenditure on the face of the Comprehensive Income and Expenditure Account. No overall impact.</p>	<p>£38,904</p> <p>£12,803</p> <p>£57</p>
<p>Balance Sheet: £3 million short term borrowing incorrectly disclosed as long term borrowing, In addition, interest payable on long term borrowing of £455,000 should be disclosed as short term borrowing.</p>	<p>£3,455,000 moved from long term borrowing to short term borrowing on the balance sheet. No overall impact on balance sheet.</p>	<p>£3,455</p>
<p>Note 4: Note re Major Sources of Estimation Uncertainty. Calculation error in applying overall asset revaluations for investment properties to those not revalued.</p>	<p>Amend disclosure in note 4 - asset revaluations for investment properties - from £873,000 to £287,000.</p>	<p>£586</p>
<p>Note 11: Taxation and Non-Specific Grant Income Area Based grants of £1,652,000 should be included as Non Ringed fenced rather than Capital Grants & Contributions</p>	<p>Amend note 11 and note 33 to reflect Area Based Grants as ring fenced. No overall impact on note 11.</p>	<p>£1,652</p>
<p>Note 12: Property, Plant and Equipment A number of adjustments were agreed to correct disclosures within note 12. These primarily relate to classification corrections between additions and valuations and accounting for depreciation.</p>	<p>Adjustments within note 12 disclosure - no overall impact on Net Book Value.</p>	<p>Various adjustments to analysis - no overall impact.</p>

Adjusted misstatement	Nature of adjustment	Value £ 000's
<p>Note 10 and 13: Investment Property £1,015,000 revaluation was incorrectly disclosed as additions. £291,000 movement in fair value incorrectly disclosed in note 10.</p>	<p>£1,105,000 moved from additions to valuations. Also the movement in fair value of £291,000 corrected in note 10 and correctly disclosed in the Comprehensive Income and Expenditure. This is then reversed out through the Capital Adjustment Account with no impact on the general fund.</p>	<p>£1,105 £291</p>
<p>Note 20: Current Assets Held for Sale A number of assets were transferred to assets held for sale and sold within the year. Assets should only be reclassified as held for sale if they are still unsold at the year end. Assets were transferred in year and sold in year would be treated as disposals in year and disclosed in Note 12. Also £101,000 included as 'other movements' should be disclosed within additions</p>	<p>Corrected to ensure assets that were transferred in year and sold in year would be treated as disposals in year and disclosed in Note 12. Other movements transferred to additions. The net impact of amendments to note 20 is a reduction of assets held for sale of £132,000 and increase in PPE other land and buildings of £132,000. No overall impact on balance sheet.</p>	<p>£132</p>
<p>Note 22: Provisions In light of further information relating to potential concessionary fares settlement, the provision for concessionary fares was updated.</p>	<p>Reduction in provision to reflect more up to date information. This is reflected in the net cost of services for cultural, environmental, regulatory and planning net cost of services. The overall impact is an increase in net assets, reduction in deficit and increase in earmarked reserves of £374,000.</p>	<p>£374</p>
<p>Note 24: Unusable Reserves A number of adjustments were made to the revaluation reserve and capital adjustment account to reflect other corrections for items such as depreciation and investment properties.</p>	<p>Various adjustments resulted in an increase to the revaluation reserve and reduction to the capital adjustment account of £5,124,000. There is no overall impact to unusable reserves.</p>	<p>£5,124</p>
<p>Note 25: Cashflow note Note 25 - cash flow statement: operating activities is incorrectly accounted for the disposals of fixed assets</p>	<p>Amended disclosure to £1,456,000. Disclosure only.</p>	<p>£5,254</p>

Adjusted misstatement	Nature of adjustment	Value £ 000's
<p>Note 44: Nature and Extent of risk arising from Financial Instruments.</p> <p>Trade debtors in this note incorrectly includes HB/CTB debtors within the balance. Updated disclosures made to estimated exposure to default also made.</p>	<p>Updated note 15 disclosures, reducing past due amount of trade debtors by £3,094,000 and reducing estimated maximum exposure to default by £1,415,000. No impact on core statements.</p>	<p>£3,094</p> <p>£1,415</p>

Appendix 3 – Draft Letter of Representation

To: Andy Mack
Appointed Auditor
Audit Commission
1st Floor Millbank Tower
Millbank
London
SW1P 4HQ

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Thanet District Council - Audit for the year ended 31 March 2011

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors and officers of Thanet District Council the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2011.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Council, for the completeness of the information provided to you, and for making accurate representations to you.

Supporting records

All relevant information and access to persons within the entity has been made available to you for the purpose of your audit, and all the transactions undertaken by the Council have been properly reflected and recorded in the financial statements.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

All unfunded pension liabilities, including discretionary added years awarded to staff in the Local Government Pension Scheme are reflected in the accounts.

Segmental Reporting

I have reviewed the operating segments reported internally to the Authority and I am satisfied that it is appropriate to aggregate these as, in accordance with IFRS 8: Operating Segments, they are similar in each of the following respects:

- a. the nature of the products and services;
- b. the nature of the production processes;
- c. the type or class of customer for their products and services;
- d. the methods used to distribute their products or provide their services; and
- e. the nature of the regulatory environment.

Related party transactions

I confirm that I have disclosed the identity of Thanet District Council related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirement of the framework.

Subsequent events

All events subsequent to the date of the financial statements, which would require additional adjustment or disclosure in the financial statements, have been adjusted or disclosed.

Signed on behalf of Thanet District Council

.....
Sue McGonigal CPFA, Chief Executive & Section 151 Officer

Date

I confirm that this letter has been discussed and agreed by the Governance and Audit Committee on 29 September 2011.

Signed

.....

(Chair)

Date

Appendix 4 – Glossary

Annual governance statement

A statement of internal control prepared by an audited body and published with the financial statements.

Audit closure certificate

A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the financial statements.

Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

Materiality and significance

The Auditing Practices Board (APB) defines this concept as ‘an expression of the relative significance or importance of a particular matter for the financial statements as a whole. A matter is material if its omission would reasonably influence users of the financial statements, such as the addressees of the auditor’s report; also a misstatement is material if it would have a similar influence. Materiality may also be considered for any individual primary statement within the financial statements or of individual items included in them. We cannot define materiality mathematically, as it has both numerical and non-numerical aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

‘Significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit in relation to the financial statements. Significance has both qualitative and quantitative aspects.

Weaknesses in internal control

A weakness in internal control exists when:

- a control is designed, set up or used in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements quickly; or
- a control necessary to prevent, or detect and correct, misstatements in the financial statements quickly is missing.

An important weakness in internal control is a weakness, or a combination of weaknesses that, in my professional judgement, are important enough that I should report them to you.

Value for money conclusion

The auditor’s conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

The Code of Audit Practice defines proper arrangements as corporate performance management and financial management arrangements that form a key part of the system of internal control. These comprise the arrangements for:

- planning finances effectively to deliver strategic priorities and secure sound financial health;
- having a sound understanding of costs and performance and achieving efficiencies in activities;
- reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people;
- commissioning and buying quality services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money;
- producing relevant and reliable data and information to support decision making and manage performance;
- promoting and displaying the principles and values of good governance;
- managing risks and maintaining a sound system of internal control;

- making effective use of natural resources;
- managing assets effectively to help deliver strategic priorities and service needs; and
- planning, organising and developing the workforce effectively to support the achievement of strategic priorities.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

Appendix 5 – Action plan

Recommendations

Recommendation 1

Work with your payroll provider to ensure that weaknesses in the key controls over payroll processing are fully rectified for the 2011/12 audit.

Responsibility	Sarah Martin
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Priority	High
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Date	1 March 2012
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Comments	Payroll reports are to be reconciled on a monthly basis and regular meetings held with KCC to discuss any issues arising.
-----------------	---------------------------------------------------------------------------------------------------------------------------

Recommendation 2

Ensure appropriate arrangements are in place to produce a complete set of financial statements by 30th June, which has been subject to a full internal consistency check.

Responsibility	Sarah Martin
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Priority	High
-----------------	------

Date	30 June 2012
-------------	--------------

Comments	Protocols and an action plan are being worked on to ensure that all deadlines are met.
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0844 798 7070

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The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.



FINAL AUDITED STATEMENT OF ACCOUNTS 2010/11

To: **Governance & Audit Committee – 29th September 2011**

By: **Financial Services Manager**

Classification: **Unrestricted**

Summary: For Members to approve the audited Statement of Accounts for 2010/11.

For Decision

1.0 Introduction and Background

- 1.1 The Accounts and Audit (England) Regulations 2011 require the Governance and Audit Committee to approve the accounts by 30 September. Previously Members were required to approve the accounts by 30 June prior to audit.
- 1.2 The draft Statement of Accounts for 2010/11 was presented to the Governance and Audit Committee on 29 June 2011 and was further scrutinised at a subsequent meeting on 10 August 2010/11. These accounts have now been audited and a number of amendments have been made as a result.

2.0 Financial Statements

- 2.1 All recommended amendments identified during the audit and referred to in Appendix 2 to the Annual Governance Report have been adjusted for, although none of these have had a material impact on the Council's reported financial position. A table summarising the changes to the face of each core statement is attached at Annex 1 to this report to aid clarity.
- 2.2 Additional disclosures have been added to the notes for the following:
- IFRS transition, (previously reported to this committee as part of the transition process), note 5
 - 1/4/09 comparators for all balance sheet notes
 - Adjustments to cash flow for non cash movements on the provision of services, note 26
 - Contingent liability regarding Municipal Mutual Insurance (MMI) relating to emerging unsettled claims that could result in claw back from local authorities and housing associations, note 42
 - Other minor changes have been made to comply with the Code of Practice on Local Authority Accounting and to improve consistency and clarity for the reader

3.0 Options

- 3.1 That Members approve the audited set of accounts.
- 3.2 That Members do not approve the audited set of accounts.

4.0 Corporate Implications

4.1 Financial and VAT

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

4.2 Legal

4.2.1 The Council has a statutory responsibility under the Accounts and Audit (England) Regulations 2011 to publish the 2010/11 accounts by 30th September 2011 together with the auditors report.

4.3 Corporate

4.3.1 Under the Local Code of Corporate Governance accepted by Cabinet on 10 November 2004, the Council is committed to publish and make available reports that give an objective and understandable account of its activities, achievements, financial position and performance.

4.3.2 The published accounts must have been subject to Member scrutiny, and must give a true and fair view of the Council's financial position and its income and expenditure for the year.

4.4 Equity and Equalities

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

5.0 Recommendation

5.1 That Governance and Audit Committee approve the Statement of Accounts for 2010/11.

Annex List

<i>Annex 1</i>	<i>Summary of Amendments to Draft Statement of Accounts 2010/11</i>
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Background Papers

Title	Details of where to access copy
<i>Financial Services Working Papers</i>	<i>Financial Services Electronic Folders</i>

Summary of amendments to Draft Statement of Accounts 2010/11

Amendments due to post balance sheet events:

Amount £000's	Reason	Statement	Heading
- 374	A provision of £605k was originally included in the accounts to reflect the claim pending from Stagecoach for the provision of concessionary bus fares. In a subsequent meeting after the balance sheet date settlement was agreed at £231k leading to a reduction in the provision. The surplus income was transferred to earmarked reserves.	Movement in Reserves Comprehensive Income & Expenditure Balance Sheet Cash Flow Statement	Surplus / Deficit on Provision of Services Cost of Services Provisions / Earmarked Reserves Surplus / Deficit on Provision of Services
- 28	The forecasted growth in the pension asset base was amended by the actuary after the balance sheet date and required reflection in the accounts on the grounds of materiality.	Movement in Reserves Comprehensive Income & Expenditure Balance Sheet	Surplus / Deficit on Provision of Services Cost of Services Other Long Term Liabilities / Pension Reserve
- 1,265	Revised actuary reports were issued to all authorities in the KCC pension scheme.	Movement in Reserves Comprehensive Income & Expenditure Balance Sheet	Other Comprehensive Income & Expenditure Actuarial Gains / Losses on Pension Assets Other Long Term Liabilities / Pension Reserve

Line Disclosure Amendments:

Amount £000's	Reason	Statement	Heading
291	Impairment charge on Investment Property now reflected under Finance & Investment Income & Expenditure instead of the Cost of Services.	Comprehensive Income & Expenditure	Cost of Services Finance & Investment Income & Expenditure
57	Gains/losses on Investment Property disposal now reflected under Finance & Investment Income & Expenditure instead of Other Operating Income & Expenditure	Comprehensive Income & Expenditure	Other Operating Expenditure Finance & Investment Income & Expenditure
6,608	Contra entry (£3,304k) reflected under non cash movement and investing and financing activity adjustments shown the wrong way round in each line (debit instead of credit).	Cash Flow Statement	Non Cash Movement Adjustment Investing & Financing Activity Adjustment
132	Change in classification of units at Eurokent from held for sale to other land & buildings as change was effected within the year.	Balance Sheet	Other Land & Buildings Assets Held for Sale
3,455	Borrowing to be repaid within 1yr (£3,000m) and £455k of accrued interest relating to that debt originally classified as long term borrowing, now both reflected as short term borrowing.	Balance Sheet	Short Term Borrowing Long Term Borrowing
97	Accrual for flexi and annual leave now classified as short term creditors instead of provisions.	Balance Sheet	Short Term Creditors Provisions
5,124	The write out of accumulated depreciation as part of the revaluation of assets should have been charged to the Revaluation Reserve instead of the Capital Adjustment A/c.	Balance Sheet	Revaluation Reserve Capital Adjustment Account

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ANNUAL GOVERNANCE STATEMENT 2010/2011

To: **Governance and Audit Committee – 29 September 2011**

Main Portfolio Area: **Business Services**

By: **Business Support and Compliance Manager**

Classification: **Unrestricted**

Summary: **To provide Governance and Audit Committee with the Annual Governance Statement 2010/11 for approval.**

For Decision

1.0 Introduction and Background

- 1.1 The Accounts and Audit Regulations 2003 (amended 2006) introduced the requirement for a Statement on Internal Control (SIC) to be prepared by local government bodies from the financial year 2003/2004.
- 1.2 From 2007/2008 this process changed and the council was required to prepare an Annual Governance Statement (AGS) which must be included within the Financial Statement and should be signed by the Leader and Chief Executive.
- 1.3 The Accounts and Audit (England) Regulations 2011 have been published. The new regulations apply for accounts and reports relating to the financial year 2010/2011. The changes to the regulations means that the AGS should accompany the Statement of Accounts and does not need to be included within the body of this document. This means that the AGS is separate from the accounts for the purpose of external audit.
- 1.4 The other change is to the approval process and timeframe. Governance and Audit Committee should consider the draft AGS and assurance gathering process at their meeting in June. The AGS will then be audited and Members made aware of the findings of the audit, which will enable Governance and Audit Committee Members to make an informed decision when approving the AGS in September.

2.0 The Current Situation

- 2.1 The Annual Governance Statement, which is attached at **Annex 1**, should reflect the corporate governance environment of the council as detailed in the adopted Local Code of Corporate Governance. In essence, the AGS is the formal statement that recognises, records and publishes the council's governance arrangements.
- 2.2 The AGS is a key corporate document, and the Leader and Chief Executive have joint responsibility as signatories for its accuracy and completeness. In order to ensure that the AGS accurately reflects our Governance Framework, a number of sources of assurance were gathered to feed into the preparation of the document. It has also been consulted upon with the Leader, Chief Executive, the Section 151 officer, all Directors and the Head of Legal and Democratic Services (Monitoring Officer) through the Governance Board and following the approval process it will be formally signed as required.

2.3 The Draft AGS came before the Governance and Audit Committee on the 29 June 2011, and was agreed with no recommended changes. This was then provided to the Audit Commission for them to audit.

2.4 An action plan for the 'significant governance issues' identified has been prepared which is attached at **Annex 2**. Following approval of the AGS this action plan will be entered into the performance management system and reported back to this Committee on a regular basis.

3.0 External audit

3.1 The Audit Commission have had the opportunity to audit the Draft AGS and their comments are contained within the Annual Governance Report 2010/2011 which is included as a separate item with the 29 September 2011 Governance and Audit Committee agenda.

3.2 In conclusion the Audit Commission have no issues to raise with the AGS 2010/2011 and have signed it off.

4.0 Options

4.1 That Members approve the Annual Governance Statement 2010/2011 and associated action plan.

4.2 That Members do not approve the Annual Governance Statement 2010/2011. This is not recommended as the AGS reinforces the council's governance arrangements.

5.0 Corporate Implications

5.1 Financial

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

5.2 Legal

5.2.1 The Accounts and Audit Regulations and other accounting guidance requires the council to follow prescribed formats in the completion of the Annual Governance Statement.

5.3 Corporate

5.3.1 The Annual Governance Statement is a corporate document and as such should be owned by all senior officers and members of the authority.

5.4 Equity and Equalities

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

5.5 Risks

5.5.1 Failure to approve the AGS will diminish the council's governance arrangements.

6.0 Recommendation(s)

6.1 That Members approve the Annual Governance Statement for 2010/2011 and it's associated action plan.

7.0 Decision Making Process

- 7.1 This recommendation does not involve the making of a key decision.
- 7.2 This recommendation is within the Council's Budgetary and Policy Framework and the decision may be taken by the Governance and Audit Committee.

Contact Officer:	Nikki Morris, Business Support and Compliance Manager, DDI 01843 577625
Reporting to:	Barry Mileham, Business Information and Improvement Manager

Annex List

Annex 1	Annual Governance Statement for 2010/2011
Annex 2	Annual Governance Statement 2010/2011 action plan

Background Papers

Title	Details of where to access copy
Completed assurance statements	Through Business Services
Governance Framework and Local Code of Corporate Governance	Through Business Services / Internet / TOM & Members Portal

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Annual Governance Statement 2010/11

1. SCOPE OF RESPONSIBILITY

- 1.1 Thanet District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Thanet District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Thanet District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and the management of risk.
- 1.3 Thanet District Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government. A copy of the Local Code is available on our website or can be obtained from the council offices, Cecil Street, Margate, Kent, CT9 1XZ. This statement explains how Thanet District Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of an annual governance statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of Thanet District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Thanet District Council for the year ended 31 March 2011 and up to the date of approval of the statement of accounts.

3. THE GOVERNANCE FRAMEWORK

To strengthen the council's governance framework the activities and actions undertaken during the year are set out in line with the six core principles from the council's Local Code of Corporate Governance.

Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

- 3.1 The Vision for Thanet was adopted by Council in July 2009. This document sets out future plans for what Thanet will look and be like in 2030. It was consulted on widely with staff and members, the residents' panel, partners and stakeholders including Kent County Council, Police, NHS, Manston Airport, Highways Agency and Transeuropa. Details of the consultation were covered in a full page spread in the spring 2009 edition of Thanet Matters (delivered to 64,000 properties) and was published on the front page of TDC's website throughout the consultation period and the consultation pages featured an online survey for residents/partners to complete.
- 3.2 The council identifies and communicates its aims and ambitions for Thanet for 2011 - 2012 through our Interim Corporate Plan. The Interim Corporate Plan was agreed by Cabinet (17 March 2011) and Council (21 April 2011) and actions are now being fed into Service Plans and appraisals. This year a new Corporate Plan will be drawn up, which will be a rolling 4 year plan which will be reviewed every year. The council is committed to ensuring that all key stakeholders, including local people, are able to influence the Corporate Plan and will be developing a consultation programme to facilitate this. Consultation is likely to occur between September and December 2011.
- 3.3 The council has adopted a Local Code of Corporate Governance (Governance and Audit Committee – 13 January 2011), which is reviewed on an annual basis ensuring that the council's governance arrangements are in place and are demonstrating good outcomes for our community and service users through good risk management, performance, financial and internal control processes. An audit of the Local Code gives the assurance level of substantial, which demonstrates the council has sound governance arrangements in place.
- 3.4 Performance progress is tracked through monthly monitoring of key performance indicators, service tasks and corporate plan projects. Indicators and projects within the council's Corporate Plan are reported quarterly through Cabinet. Additionally, monthly service reports summarise all key projects, tasks and performance measures specific to each service. The performance framework is based on PerformancePlus™, a performance management system. This framework is due for next annual review in September 2011.
- 3.5 The council is committed to delivering value for money, and publishes its Value for Money Strategy in its Medium Term Financial Plan which is approved by Council in February each year. A flexible toolkit for undertaking reviews has been developed that will be used to test the value for money that is derived from services and assess the areas for improvement. During 2010/11 the council commenced an organisational development programme, which would deliver an organisation which is fit for the future and can deliver the significant savings imposed by government cuts.

Members and Officers working together to achieve a common purpose with clearly defined functions and roles

- 3.6 Roles and responsibilities for Cabinet, Council, Overview and Scrutiny and all Committees of the council, along with officer functions are defined and documented, with clear delegation arrangements and protocols for effective communication within the council's Constitution. The Constitution is regularly reviewed and updated, with amendments agreed at Council Meetings in May 2010, July 2010 and February 2011.

- 3.7 The Cabinet is the part of the council that is responsible for most executive decisions and for the period 2010/11 was made up of the Leader and 4 other Councillors. Each theme of the Corporate Plan is sponsored by a Cabinet Member as a Portfolio Holder. When key decisions are to be discussed or made these are published in the council's Forward Plan and will generally be discussed in a meeting open to the public. The Cabinet has to make decisions that are in line with the council's overall policies and budgets. Decisions outside the budget and policy framework must be referred to the full Council. A "call in" procedure allows a Scrutiny Committee to review Cabinet decisions before they are implemented.

Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- 3.8 Codes of conduct defining the standards of behaviour for members, staff, our partners and the community have been developed and communicated and are available on the council's web site and on TOM. These include Members' Code of Conduct, Code of Conduct for staff, Anti-fraud and Corruption Policy, member and officer protocols, regular performance appraisals linked to service and corporate objectives, and a Standards Committee comprising 7 Members, 4 independent members of the public (1 of which is Chair) and 3 Parish Council representatives.
- 3.9 The principle of the formation of a Governance and Audit Committee was agreed by the Cabinet on the 23 March 2006 and adopted by Council on the 11 May 2006, and then re-constituted each year since by Council. The terms of reference for the Committee were prepared in line with 'CIPFA's Audit Committees – Practical Guidance for Local Authorities' and the annual review of these terms of reference has taken place, the latest having been agreed by Council in April 2011. There was also a Governance Group in place, which was made up of all of the Directors, a representative from the East Kent Audit Partnership, the Head of Legal and Democratic Services, the Communications and Marketing Manager, the Corporate Resources Manager and the Corporate Governance and Risk Officer. This group met on a quarterly basis in line with the timetable of the Governance and Audit Committee and was chaired by the Director of Finance and Corporate Services who is the Section 151 Officer.
- 3.10 Thanet District Council is required to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. To this end, the council has in place a number of procedures, protocols and processes that underpin the delivery of its services and functions. The council's protocols or procedures are reviewed and updated on a regular basis for standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals, clearly defining how decisions are taken and the process and controls required to manage risks.
- 3.11 The council has in place a Whistleblowing Code whereby staff and others can report concerns about various sorts of wrongdoing or alleged impropriety. The Whistleblowing Code was revised and approved by Governance and Audit Committee, as part of the council's Anti-Fraud and Corruption Policy, on 22 June 2010. A presentation was given to members at this meeting on this policy which covered the purpose of the Whistleblowing Code. The Code is available to staff via the intranet and is referred to in the induction training programme. The Code is also proactively communicated to those contracting with the council.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

- 3.12 The contribution by the Overview and Scrutiny Panel, its working parties and sub-groups to the council decisions has been significant. The role of the Panel continues to evolve in response to issues generated in part by the needs of the residents, economic development challenges and new legislation; particularly the development of the Kent International Airport, shared services (joint arrangements), Councillor Call for Action (CCfA) and Crime and Disorder Reduction Partnership (CDRP). The work of the Panel for the year was largely constituted of working party and sub-group activities.

3.13 The Overview and Scrutiny Panel made 16 recommendations to Cabinet and Council in the 2010/11 municipal year 14 of which were accepted.

3.14 The Risk Management Strategy and associated process document underwent an annual review, which were approved by Governance and Audit Committee in September 2010 and then Cabinet in November 2010. Regular reports from the council's corporate risk register system were provided to the Governance and Audit Committee.

Developing the capacity and capability of members and officers to be effective

3.15 The development needs of senior officers in relation to their strategic roles, have been identified and the East Kent HR Partnership Learning & Development Strategy 2010-2014 outlines activities as follows:

- Review current management/leadership development programmes to determine future needs for partner authorities.
- Review and determine individual requirements as appropriate (e.g. individual bespoke leadership development).
- Incorporate coaching and mentoring programmes into leadership/management development programme.
- Subsequent to review, identify suitable management and leadership programme/development interventions that will meet the needs of all authorities.
- Establish partnership working with KCC/other appropriate providers for our leadership/management development programmes.
- Undertake diagnosis and design process with customer group.
- Commence programme delivery.
- Work to ensure that all future management/leadership development supports and complements the wider organisational change agenda and related projects.

3.16 A survey of Elected Members has been undertaken to identify future training needs, with a view to establishing a more formally structured member development programme. Member development sessions will be programmed to reflect the results of the survey. The council has also undertaken a comprehensive induction programme for Members following the 2011 District Council elections, which included training sessions on the code of conduct, planning law, regeneration, housing, equality and diversity, local government finance and overview and scrutiny.

Engaging with local people and other stakeholders to ensure robust local public accountability

3.17 The council has established clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation. TDC ensures that clear opportunities are provided to inform, consult and involve residents and community groups across the district whether it is regarding a routine council function or is a one off significant decision.

3.18 The council has increased the level of community input into its decision making processes by increasing the number and variety of opportunities made available to the community. This includes online conversations and feedback as well as focus groups, workshops and the more traditional methods such as postal questionnaires. The council has a well-established and effective consultation function which includes a wide range of consultation methods to ensure that as many groups and individuals as possible are able to participate. Before undertaking any consultation or communication, action plans are completed by the Corporate Communications Officers to detail exactly how key groups will be targeted. One of the components of the council's consultation is the Residents' Panel - Community Matters - which, along with many other mechanisms, delivers an extensive programme of consultations throughout the year. The council also regularly communicates and consults with residents via Thanet Matters, online via the council website, through local press, via secondary and primary schools, through local forums and organisations and also through the Thanet wide communications database. This database is made up of residents across Thanet who have registered an interest in being kept up to date with any new council projects, campaigns and consultations.

- 3.19 All communication campaigns and community wide consultations are promoted to the council's database of local groups and organisations. Included in this list are organisations that represent more vulnerable and harder to reach groups. This includes organisations who work with children, the elderly, those with mental and physical disabilities, ethnic minority groups, people not in training, education and employment, the homeless, faith groups as well as many other specific interest groups in Thanet. Specific groups and forums are also attended regularly by council officers, including the Senior Citizens Forum, Engage (Youth) Forum, Schools Partnership Council, Disability Forum, Thanet Sports Network and Kent Waste Partnership to promote any current or new council campaigns to members and to encourage participation. The council also co-ordinates an online Community Portal of approximately 400 local groups and organisations who are communicated with on a regular basis.
- 3.20 There are strategies in place such as the Youth Strategy and Older People's Plan, which were produced in consultation with younger and older people to ensure that the council is communicating and involving these groups in the most appropriate ways. A new Youth Strategy 2011-15 is being drafted following extensive consultation with providers and over 500 young people. The council's Child Protection Policy has been up dated to contain the statutory duty to refer a staff member to the Independent Safeguarding Authority when the local authority believes that an individual satisfies the criteria.
- 3.21 The Compact has been successfully active in Thanet for over five years. The Thanet Compact (known as "Working Together") is supported by the enthusiastic Core Implementation Group. A Compact event was held in July 2010 alongside the launch of the Community Engagement Action Plan. The Compact provides guidance for improving working relations between the statutory and third sectors in Thanet. It sets out commitments on all sides to guide the way in which they work together for the benefit of the community and residents.

4. REVIEW OF EFFECTIVENESS

- 4.1 Thanet District Council has responsibility for conducting, at least annually, a review of effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the East Kent Audit Partnership's annual report, and also by comments made by the Audit Commission and other review agencies and inspectorates.
- 4.2 The results of the review of the effectiveness of the governance framework are presented later in section 6 of this document.
- 4.3 The processes that have been applied in maintaining and reviewing the effectiveness of the governance framework, have been undertaken through the following methods:
- 4.3.1 Gaining assurances from various areas such as managers, human resources, performance management, risk management, the Section 151 and Monitoring Officers and also members of the Governance and Audit Committee.
- 4.3.2 Cabinet receiving quarterly performance packs to monitor achievement against key priorities from the Corporate Plan.
- 4.3.3 Overview and Scrutiny reviewing the work and decisions of the Cabinet, and areas of the council's work, as well as carrying out specific projects and investigations and considering matters or services provided by an outside organisation that could affect the local residents. The Overview and Scrutiny Panel Chairman provided an annual report for 2010/11 at Council in May 2011.
- 4.3.4 In March 2011 the Governance and Audit Committee agreed its annual report which went to Council in April 2011. This report details the achievements of the Committee against its terms of reference for the period 2010/11 and details the impact that it has made on the overall system of internal control in operation for that period. One of the responsibilities of the Governance and Audit Committee is to approve the Internal Audit Plan each year. They receive regular reports from the East Kent Audit Partnership on their progress against this annual Audit Plan which provides detail on the assurance levels that can be placed against the various systems and processes in place, and they also provide an annual assessment at year end.
- 4.3.5 An officer Governance Group has been set up whose purpose is to monitor and review the risk, control and governance processes that have been established and address any upcoming processes when required. They report formally to Corporate Management Team (CMT) following each meeting where appropriate, and copies of the agenda and minutes have been made available to CMT, the Member risk champion and the chair of the Governance and Audit Committee.
- 4.3.6 The local Standards Framework was introduced in May 2008, when local authorities' standards committees became responsible for receiving and assessing complaints about elected and co-opted members. In addition, the Standards Board for England became a strategic organisation that monitors the local standards framework and sets the national standards agenda. Local authorities now have greater responsibility for their own ethical agenda, with standards committees and monitoring officers having an essential role to play in ensuring the Code of Conduct is adhered to and championing high standards in public life. The Council has also undertaken works in preparation for the anticipated change to the standards regime in the forthcoming Localism Bill.

- 4.3.7 The internal audit function is an independent appraisal process. The internal audit function for this council is provided by the East Kent Audit Partnership who have direct access to members. They undertake reviews which seek to provide management with a level of assurance on the adequacy of internal controls and of risks to the council's functions / systems. They give sound objectivity as well as benefiting from a large resource-pool which brings with it a good level of robustness. Throughout the year, the Internal Auditors have performed a wide range of reviews covering both financial matters and other more service / output specific objectives, including value for money assessments, the conclusion of which is a report that is produced for management, which includes an assessment of the level of assurance that can be derived from the system of internal controls related to the service that is reviewed.
- 4.3.8 During 2010/11 the Internal Auditors completed 466.09 days of review, which was spent undertaking 40 audits. Of these 10 were assessed as being able to offer substantial levels of assurance; 13 reasonable assurance; 4 limited assurance and none were found to have no assurance. 9 audits on quarterly housing benefit testing, and other topics did not merit an assurance level and 4 audits were a work in progress as at year-end for which the assurance level had yet to be determined. Taken together 85% of the reviews accounted for substantial or reasonable assurance, whilst 15% of reviews placed a limited assurance to management on the system of internal control in operation at the time of the review. Additional work outside of these percentages includes work in progress at the year-end or work not giving rise to an assurance. Where appropriate, the audit report provides management with a set of recommendations that are designed to address weaknesses in the system of internal control. The outcomes of these Internal Audit reviews are reported to the Governance and Audit Committee on a quarterly basis, giving Members an opportunity to understand the Council's compliance with key controls and to discuss any areas of concern with the Auditors.
- 4.3.9 The Council can have very high levels of assurance in respect of all of its main financial systems and the majority of its governance arrangements. Almost all of the main financial systems that were reviewed within 2010/11, which feed into the production of the council's Financial Statements, have achieved a substantial assurance level. The areas that did not achieve substantial were Car Parking and the External Funding Protocol, but these both have reasonable assurance. The Council can therefore be very assured in these areas.
- 4.3.10 In contrast the areas where improvement is required and which are considered to be the primary areas of concern arising from 2010/11 audits are:
- Homelessness and Rent Deposit Scheme – Limited Assurance.
 - Public Health Burials – Limited Assurance;
 - Employee Benefit in Kind Payments – Limited Assurance;
 - Equality and Diversity – Limited Assurance;
- Each of these areas is due to be followed up early in the 2011/12 plan of work. Consequently there is nothing of significant concern that needs to be escalated at this time.
- 4.3.11 The external auditors are appointed to the authority by the Audit Commission. They are required to conduct their audit work to the strictest standards as laid down by the Audit Code of Practice, which ensures that they approach the work with the highest level of objectivity. In addition to being appointed by a third party, their independence is further reinforced by the restrictions put into place on the levels of non-audit work able to be purchased from external auditors. The external auditors provide another area of assurance, which is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of the council. They undertake a series of thorough and comprehensive audits that cover matters including financial reporting, financial stewardship and the council's approach to value for money.

5. IMPROVEMENTS DURING THE YEAR

- 5.1 The Child Protection Policy has been rolled out on NETconsent, the policy management tool that assures governance by making policies more visible and enforceable and which will enable the profile of this policy to be maintained and the staff engagement to be evidenced. The council is now able to report child protection concerns electronically using a secure email to Kent County Council Social Services. A comprehensive training programme for council staff on the Child Protection Policy has been completed.
- 5.2 Following on from the stringent cuts to government funding, the council agreed an organisation change programme to take positive action and implement a programme of activities to achieve the improvements and radical changes required to gain the necessary savings. The Improvement Forum was set up to review the methods of working whilst prioritising efforts to ensure the limited resources are directed to those areas that can make the biggest difference. It was open to any officer in the council who was positive about taking the council forward in challenging times, and could come up with constructive solutions to issues facing the organisation.
- 5.3 The council introduced the Star Chamber process where service managers were asked to justify their service. They were asked to account for their key areas of spending, where service cuts could be made and whether their service could be delivered in a different way. Directors and service managers were then tasked with discussing the recommendations from the Star Chamber with their Portfolio Holder and progressing those that could improve their service delivery or reduce spend within their areas.
- 5.4 The council concluded a three-year accommodation programme which has achieved a number of successes:
- 86% of staff are now based in the Cecil Street offices. This has enabled us so far to make annual savings on running costs of £75k cashable and £21k efficiency savings.
 - 47% reduction in localised paper storage (within the Cecil Street offices).
 - £255,000 capital receipt income from the sale of 44 Hawley Square and vacating Mill Lane areas which has achieved £48k cashable and £47k efficiency operational savings.
 - Improved stairs access and enhancement of disabled toilet facilities contributing to Disability Discrimination Act compliance.
 - Substantial assurance given by an internal audit, concluding that 'The original aims and objectives of the project have not only been achieved but in many instances have been surpassed.
- 5.5 In October 2010 a system of advance 'alert' warnings was introduced to the Information Request (Freedom of Information) process that gives three warnings of the deadline. The first at 15 days is sent to the manager. The second at 20 days to the manager and approving director. The third at 25 days to both at the second stage but also escalated to the Chief Executive. This monitoring process is carried out on a daily basis and, in addition, the deadline date is now clearly shown on the CIVICA 'Main Details' pane of the case itself. Since introducing these changes there has been a marked reduction in late responses i.e. October 22%, November 14% and December 15%.
- 5.6 During 2010/11 the new Communications Strategy for the council was launched. All of the council's communications will now be based on five basic principles that are essential for effective communication, these are:
- 1) simple, clear and concise (using plain English);
 - 2) timely;
 - 3) tailored to meet the needs of the intended audience;
 - 4) presented in a professional manner, correctly branded and comply with the council's standards;
 - 5) use the most effective channel(s) and provide the best possible value for money.

As well as the above, the Communications team will also take into account wider corporate objectives such as environmental, value for money and equality and diversity implications in the design and delivery of their work.

5.7 A 'State of the District' report has been compiled which summarises data for key indicators of social wellbeing in Thanet, comparing the most recently available data with other districts and county averages. The report is the first in an annual series aimed at helping improvement of local reporting by Thanet District Council. It will be combined with material on the website in the 'knowledge hub' section, to give a fuller picture of comparative population, employment, crime, educational attainment, health, and housing data, as well as Thanet lifestyles and residents' perceptions of Thanet.

5.8 The Audit Commission reported the findings from the 2009/10 audit to the Governance and Audit Committee on the 28 September 2010. This included messages arising from the audit into the council's financial statements and the results of the work undertaken to assess the council's arrangements to secure value for money in the use of our resources. The Audit Commission issued an unqualified audit opinion, detailing that the Financial Statements are free from material error and that the council has an adequate internal control environment. It has also issued an unqualified value for money conclusion on the arrangements the council has in place for securing economy, efficiency and effectiveness in the use of its resources.

5.9 Under the Government's transparency agenda, all public spend over £500 must be published. This was effective from 1 January 2011. The council has met this deadline and now publishes a monthly report on the website showing the following: date of transaction, transaction number, amount, supplier name, supplier reference number, service area, whether the spend is revenue or relates to the balance sheet and the expense type (e.g. stationery, equipment etc.). These were the mandatory elements identified in the guidance on publishing spend.

5.10 At the Staff Conference in June 2010, the council launched the new corporate priorities:

- Prosperity – Attracting employment especially by supporting tourism and the green economy
- Place – Keeping Thanet beautiful by making the place clean, green and a healthy place to be
- People – Working together to make Thanet safe and improve the quality of life for all
- Performance – Delivering services we are proud of and provide value for money for our residents.

The Council will conduct its business in accordance with the following core values:

We will be:

- Fair
- Respectful and considerate
- Focussed on quality
- Interested in listening to your views
- Measured and thoughtful
- Committed to do the right thing, the right way at the right time

5.11 In September 2010 a presentation was given at a Member Development Session looking at factors that contribute to a council's reputation and the role that members have. The presentation was based on the Local Government Communications Guide, which is a recognised national standard taking in account web, press and meeting conduct. This presentation was included within the Member Induction programme in May/June 2011.

6. SIGNIFICANT GOVERNANCE ISSUES

6.1 The identified areas detailed below have arisen from our numerous assessments into the council's governance arrangements for 2010/11 and have been deemed to be significant by the Governance Board and will be addressed during 2011/12.

6.2 An action plan will be compiled and regularly reported to the Governance and Audit Committee. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

- Following the organisation restructure, there are some governance issues that need to be addressed, these being:
 - a comprehensive review of the Scheme of Delegations,
 - a review of staff who are trained to the appropriate standard in child protection due to the changes in roles,
 - agree objectives, targets and development needs for all staff,
 - assess any skills gaps to inform a comprehensive training and development programme and staff induction programme, with particular emphasis on core competencies around health and safety, risk management and managing contracts,
 - develop a formalised process to enable an effective procurement programme to be compiled and maintained.
- Not all health and safety risk assessments are documented, complete and up to date, this is a priority that is being taken forward with a view to having all activities adequately risk assessed in line with the new health and safety map process.
- The governance processes surrounding shared services need to be reviewed given the council's role as host authority.
- Work needs to be undertaken to ensure that the council is meeting its obligations under the Data Protection Act, to avoid financial penalties or potential reputational damage or harm to individuals and/or the Council.
- Undertake a review of the way that corporate information, including corporate policies and strategies, is communicated to assist managers in front line delivery services, especially those that employ manual staff.
- Back office processes are to be reviewed to reduce the burden of bureaucratic procedures on front line managers, to release time for service improvement and increasing value for money.
- To improve the quality of decision making Member role descriptions and a programme for Members continual professional development are to be introduced.
- The payroll function for the council was outsourced to Kent County Council which went live in April 2010. Officers have identified that some key controls are not operating effectively at the provider, these are to be monitored and addressed over the forthcoming year.

7. REVIEW OF EFFECTIVENESS OF THE GOVERNANCE AND AUDIT COMMITTEE

7.1 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. Detailed below are improvements that were identified through this process.

- The Governance and Audit Committee terms of reference need to be reviewed to ensure they are fit for purpose.
Action completed: the terms of reference were reviewed and amended as necessary, with the changes agreed by Council on the 21 April 2011.
- Member training and development.
 - Specific section on governance and finance within Member Induction programme.
Action completed: Presentation given as part of the Member Induction programme in May 2011.
 - Member guidance pack for Governance and Audit Committee be updated.
Action completed: the guidance pack has been updated as necessary.
 - Review the terms of reference and programme of reports documents to produce a simple document that shows a timeline or flowchart on why certain reports have to be received at certain times.
Action completed: a revised format agreed by Chairman of the Committee and included within guidance pack.

Signed by:
Councillor Robert Bayford
Leader of the Council
On the 30 June 2011

Signed by:
Dr Sue McGonigal
Chief Executive & Chief Financial Officer
On the 30 June 2011

Annual Governance Statement 2010/11 Action Plan

Governance issue identified	Proposed action	Responsible officer / body	Start date	Due date
Following the organisation restructure, there are some governance issues that need to be addressed, these being:				
<ul style="list-style-type: none"> a comprehensive review of the Scheme of Delegations 	The reviewed Scheme of Delegations will be going to the Governance Board on 27 September 2011.	Harvey Patterson		27-Sep-11
<ul style="list-style-type: none"> a review of staff who are trained to the appropriate standard in child protection due to the changes in roles 	A comprehensive list of staff that require both Level 2 and 3 Child Protection training is currently being compiled between EK HR Partnership and the Lead Officer for Child Protection. This will need SMT agreement before training takes place, and there is a related option going to Star Chamber in relation to in-house training rather than payment for external. Until the list of staff is approved by SMT and the option for Star Chamber is considered, all staff have undertaken training on either the Ivysoft e-learning system or through the Child Protection guidance that was put on NET consent.	Janice Wason	22-Aug-11	31-Mar-12
<ul style="list-style-type: none"> agree objectives, targets and development needs for all staff assess any skills gaps to inform a comprehensive training and development programme and staff induction programme, with particular emphasis on core competencies around health and safety, risk management and managing contracts 	Establishing a series of behaviours and the Vision for the council. Working with EKHRP to improve appraisal and one-to-one meeting process, and monitoring the development needs of staff.	Barry Mileham	01-Jul-11	31-Mar-12
<ul style="list-style-type: none"> develop a formalised process to enable an effective procurement programme to be compiled and maintained 	Incorporate information gathering within budget build programme for 2012/13.	Karen Paton	01-Apr-12	31-Mar-13
Not all health and safety risk assessments are documented, complete and up to date, this is a priority that is being taken forward with a view to having all activities adequately risk assessed in line with the new health and safety map process	SMT Policy Board will be requested on 20th September 2011 to adopt the new format for risk assessments and related guidance together with the new H&S Inspection form and H&S Safety Maps process, and then roll this out to managers and staff across TDC	Mark Seed (Health and Safety Committee)	20-Sep-11	31-Mar-12
The governance processes surrounding shared services need to be reviewed given the council's role as host authority	Clarify roles and responsibilities of TDC, EK Services and EKHRP to include all decision making bodies.	Sophie Chadwick	01-Sep-11	29-Feb-12

Governance issue identified	Proposed action	Responsible officer / body	Start date	Due date
Work needs to be undertaken to ensure that the council is meeting its obligations under the Data Protection Act, to avoid financial penalties or potential reputational damage or harm to individuals and/or the Council	Comprehensive set of policies and procedures now in place and available on Internet and TOM, all Managers now have a DPA toolkit explaining how to ensure DPA obligations are met. All staff to undergo DPA training on Ivysoft.	Gary Cordes	Sept/Oct 2011	31-Dec-11
Undertake a review of the way that corporate information, including corporate policies and strategies, is communicated to assist managers in front line delivery services, especially those that employ manual staff	This will form part of the new Internal Communications Plan currently being put together.	Justine Wingate	01-Oct-11	01-Dec-11
Back office processes are to be reviewed to reduce the burden of bureaucratic procedures on front line managers, to release time for service improvement and increasing value for money	Implementation of the Business Hub proposals agreed by Senior Management Team at the end of October 2011.	Barry Mileham	01-Apr-11	31-Mar-12
To improve the quality of decision making Member role descriptions and a programme for Members continual professional development are to be introduced	Member role descriptions was first discussed at the Constitutional Review Working Party (CRWP) on 28 July and it was requested that the report be amended. The report will go back to CRWP on 17 August and if it is agreed it will go to Standards Committee on 7 September and if agreed will go to Council on the 13 October. If agreed at Council the role descriptions will be form part of the Council's constitution. Councillors are not required to undertake any CPD, as CPD is only for those persons with specific qualifications that require regular updating. However Democratic Services have asked Members to identify any training needs they may have through the learning and development questionnaire. This has been sent to all Members and Democratic Services are currently awaiting responses. Once this has been completed Democratic Services will then formulate a training programme within the available resources that reflects Members requests.	Glenn Back	01-Jul-11	30-Nov-11
The payroll function for the council was outsourced to Kent County Council which went live in April 2010. Officers have identified that some key controls are not operating effectively at the provider, these are to be monitored and addressed over the forthcoming year	Payroll reports are to be reconciled on a monthly basis and regular meetings held with KCC to discuss any issues arising.	Sarah Martin	01-Apr-11	01-Mar-12

INTERNAL AUDIT PROGRESS REPORT

To: **Governance and Audit Committee: 29th September 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 30th June 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 30th June 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 nine Internal Audit assignments completed during the period. Of these: seven concluded Substantial Assurance and two concluded Reasonable assurance. Summaries of the report findings and the recommendations made are detailed within Annex 1 to this report.
- 3.2 In addition, three follow-up reviews have been completed during the period. Of these, one related to an area which was originally assessed as giving rise to Limited assurance and the assurance level for this business area has increased to Reasonable.
- 3.3 For the three months to 30th June 2011, 112.46 chargeable days were delivered against the planned target of 342 which equates to 32.88% plan completion.
- 3.4 The financial performance of the EKAP is on target and there are no concerns to highlight at this time.

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 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 any changes to the agreed 2011-12 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. 7002

Annex List:

Annex 1	East Kent Audit Partnership Update Report – 29-09-2011
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Background Papers:

Title	Details of where to access copy
<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 30th June 2011.

2.0 SUMMARY OF REPORTS

	Service / Topic	Assurance level
2.1	Anti-Money Laundering Arrangements	Substantial
2.2	RIPA	Substantial
2.3	Procurement	Substantial
2.4	Receipt and Opening of Tenders	Substantial
2.5	Complaints Monitoring	Substantial
2.6	Community Safety	Substantial
2.7	Right to Buy	Substantial
2.8	Pest Control	Reasonable
2.9	Car Parks	Reasonable

2.1 Anti-Money Laundering Arrangements – Substantial Assurance:

2.1.1 Audit Scope

To ensure that the Council's obligations and responsibilities regarding money laundering are adequately discharged, specifically to do all we can to prevent, wherever possible, the organisation and its staff being exposed to money laundering, to identify the potential areas where it may occur, and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases.

2.1.2 Summary of Findings

The Anti-Money Laundering process is working well. Appropriate arrangements are in place to ensure that all relevant staff within the Council are aware of the Policy, procedures, reporting arrangements and the action that needs to be taken if they identify anything suspicious.

2.1.3 Management Response

As a result of the substantial assurance, a management response is not required.

2.2 RIPA – Substantial Assurance:

2.2.1 Audit Scope

To ensure that all directed surveillance is undertaken in accordance with the Regulation of Investigatory Power Act.

2.2.2 Summary of Findings

The Council's processes and procedures for the authorisation, administration, monitoring and review are very well maintained and the only recommendations arising from this review are a minor housekeeping amendment to the list of authorising officers and a suggestion for further awareness raising of RIPA amongst staff via a future staff development session.

2.2.3 Management Response

As a result of the substantial assurance, a management response is not required.

2.3 Procurement – Substantial Assurance:

2.3.1 Audit Scope

To promote and develop Procurement strategies and policies to improve benefits to the Council and its partners and stakeholders, including the development of e-procurement options.

2.3.2 Summary of Findings

The Procurement Strategy and Code of Practice are comprehensive documents incorporating reference and links to a multitude of information sources to facilitate effective and appropriate procurement activities. Audit review of the Strategy and the supporting Code of Practice, current government guidance and interview with the Procurement and Facilities Manager confirmed that the Procurement Strategy continues to reflect the sound and relevant working practices developed and implemented in response to the various Central Government guidelines and policies.

2.3.3 Management Response

As a result of the substantial assurance, a management response is not required.

2.4 Receipt and Opening of Tenders – Substantial Assurance:

2.4.1 Audit Scope

To ensure that the procedure for the receipt of tenders is in accordance with Contract Standing Orders and ensures the probity of the tendering procedure.

2.4.2 Summary of Findings

The Receipt and Opening of Tenders process is working well and almost all of the expected controls have been established, are consistently adhered to and are effective.

2.4.3 Management Response

As a result of the substantial assurance, a management response is not required.

2.5 Complaints Monitoring – Substantial Assurance:

2.5.1 Audit Scope

The Council recognises that: complaints, comments and compliments are an important source of feedback. They can tell the organisation a lot about the way they work, and provide opportunities to improve and affect perception. How an organisation handles it's complaints is crucial; handling them well can have a lasting positive effect on reputation; handling them poorly can be very damaging and can make a negative perception even worse.

2.5.2 Summary of Findings

The Council's business objective for handling complaints recognises the acknowledged risks on reputation and perception if these are not handled well, and identifies that repeated complaints could be generated if each one is not viewed as an opportunity to improve in areas where the expected standard is not met. The procedures and working practices in place effectively support the achievement of this objective.

2.5.3 Management Response

As a result of the substantial assurance, a management response is not required.

2.6 Community Safety – Substantial Assurance:

2.6.1 Audit Scope

To review the Community Safety work and initiatives carried out by the Council to achieve the business objective of making Thanet a safer place to work and to thereby achieve the stated corporate aims.

2.6.2 Summary of Findings

The Thanet Community Partnership process is working very well and almost all of the expected controls are in place and effective. Positive action is taken to meet the statutory obligations and identified targets.

2.6.3 Management Response

As a result of the substantial assurance, a management response is not required.

2.7 Right to Buy – Substantial Assurance:

2.7.1 Audit Scope

To ensure that to ensuring that tenants are able to exercise their rights in accordance with the Housing Act 1985 (Part V) which provides for the Right to Buy.

2.7.2 Summary of Findings

The right to buy process is working very well with all of the expected controls having been established and being adhered to on a consistent basis.

2.7.3 Management Response

As a result of the substantial assurance, a management response is not required.

2.8 Pest Control – Reasonable Assurance:

2.8.1 Audit Scope

To provide an efficient, economic and effective pest control service within the district.

2.8.2 Summary of Findings

The Pest Control process is generally working well and most of the expected controls are effective. The contract is due for renewal in 2012 and the three authorities are already investigating an improved more efficient and value for money service.

This review has coincided with the same review at Canterbury, Dover and Shepway District and comparisons have been made between how the service is operated at each of the East Kent cluster Council sites.

The way the work is organised is efficient and the processes in place are working well. The cash collection is more efficient at Thanet because all payments are collected electronically or by payment at the Council offices prior to an appointment being made and treatment taking place, the contractor is not responsible for any cash handling.

2.8.3 Management Response

Management are pleased to accept the findings of the report and are working upon the implementation of the agreed recommendations.

2.9 Car Parks – Reasonable Assurance:

2.9.1 Audit Scope

To ensure that car park income for both on-street and off-street (as well as Penalty Charge Notices) is collected efficiently in accordance with Council policy and procedures.

2.9.2 Summary of Findings

The Car Park process is generally working well and most of the expected controls are effective. The operational elements of the car park service continue to work within established systems, processes and procedures supported by experienced office based staff, Patrolling and Civil Enforcement Officers, all of which assist in maintaining the effectiveness of the overall control environment.

The main issue resulting from this review is the missing Cash Security Collection Contract document. Without knowledge of the contract content and its expiry date there is a possibility of non compliance with Contract Standing Orders.

2.9.3 Management Response

The audit has provided assurance that the vast majority of the expected controls are in place and are consistently adhered to. A few areas for improvement have been identified and action is now underway to implement the agreed recommendations. indicator.

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

- 3.1 As part of the period's work, three 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)	Overtime	Reasonable	Reasonable	H	7	H	2
				M	0	M	0
				L	0	L	0
b)	Employee BIKs	Limited	Reasonable	H	8	H	0
				M	7	M	4
				L	4	L	0
c)	Members' Allowances	Reasonable	Reasonable	H	1	H	0
				M	2	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.

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: Ramsgate Townscape Heritage Scheme, CCTV, Licensing, Ramsgate Port and Marina, HMO and Selective Licensing, Homelessness and the Rent Deposit Scheme, Electoral Registration and Election Management, Partnerships, and Climate Change.

5.0 **CHANGES TO THE AGREED AUDIT PLAN:**

- 5.1 The 2011-12 internal audit plan was agreed by Members at the meeting of this Committee on 15th March 2010.

- 5.2 The Head of the Audit Partnership meets on a regular 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 quarter to bring to Members attention at the present time.

8.0 INTERNAL AUDIT PERFORMANCE

- 8.1 For the three months to 30th June 2011, 112.46 chargeable days were delivered against the planned target of 342 which equates to 32.88% plan completion.
- 8.2 The financial performance of the EKAP is on target and there are no concerns to highlight at this time.
- 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 first quarter of 2011-12 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 well against its targets for the 2011-12 financial year.
- 8.4 The EKAP audit 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 30th June 2011 against the agreed 2011-12 Audit Plan.
- Appendix 5 EKAP Balanced Scorecard of Performance Indicators to 30th June 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
Car Parks – June 2011		
<p>1. A copy of the Cash Security Collection Contract from Loomis should be obtained. The contract should be examined and should consider</p> <ul style="list-style-type: none"> • the Council's Contract Standing Orders compliance requirements • security requirements within the cash contract collection process ie notification of contractor employees and any subsequent changes of staff • where appropriate, the requirements of additional banking within the terms of the collection contract ie when income is exceptionally high • Cash collection regularity and service contingency arrangements <p>Assistance from the Procurement Manager should be sought as necessary if the contract is to be renewed/re-tendered</p>	<p>Civil Enforcement Manager has contacted Loomis and is now awaiting a copy of the contract to be sent to him.</p>	<p>Date: 30/6/2011 Civil Enforcement Manager (RCS)</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
Pest Control – August 2011		
<p>There should be a monthly reconciliation of income undertaken between the jobs raised within the Northgate M3 system, and that which is recorded within the Cedar e-financials system ensuring that all jobs raised have been paid for in full and accurately coded.</p>	<p>No work is undertaken prior to receipt of payment via the call centre. However, information breakdown of types of treatment conducted (ie. commercial, discounted, 4 bed, etc...) is not easy to collate currently via a Northgate report as payment information is recorded under 'Details'. Therefore, review date is set to look at recording payment information in Northgate under 'Costings' tab instead so that monthly reports for figures can be generated.</p> <p>N.B. In the example quoted in the audit report, the cost codes for Fleas are the same as those for Bed Bugs, Cockroaches and Carpet Beetles so these would need to be altered to reconcile figures with Cedar financial system.</p>	<p>28th Nov 2011 – Systems Administrator Community Services (AB) & Environmental Health Manager</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
<p>Where discounts are awarded to customers because they are in receipt of a qualifying benefit, details of the evidence seen together with the customer's national insurance number should be recorded on each relevant job reference raised in respect of this customer. Where evidence is not provided, discounts should not be awarded.</p>	<p>Having taken advice from the EH Business Support Manager, it was suggested that asking a customer to come in to the TDC offices with evidence of benefits (rather than taking details by phone) was a significant impediment which would adversely affect the number of treatments that would be booked in future.</p> <p>Therefore, the proposed action is to seek agreement for the following changes to our system for awarding discounts to those with qualifying benefit:</p> <p>Either:</p> <ol style="list-style-type: none"> 1. National Insurance Number of customer and code for appropriate qualifying benefit will be taken by the Call Centre before taking payment. The caller will be advised to provide a copy of current paperwork for the pest control operative to review on commencing treatment. If this information is not provided, then treatment will not be undertaken unless further full payment is made. <p>Or:</p> <ol style="list-style-type: none"> 2. The call centre will take qualifying benefit details and request authorisation from customer to check this information against details on electronic benefits system in order to comply with Data Protection requirements before accepting payment. 	<p>28th Nov 2011 – EKS Area Operations Manager (TH) & EKS Area Operations Manager (CG) Monitor Services Managers PR & B S, EKS Senior Payments Officer, Environmental Protection and Contaminated Land Officer & Environmental Health Manager</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.
Overtime – June 2011		
<p>The identity of the authorising officer should be clear to ensure they are properly payable. This is particularly important bearing in mind the new remote payroll services shortly to come into force across four councils.</p>	<p>Claim forms are currently forwarded directly to KCC. Self service will require the electronic submission of claims, authorised by the relevant managers. Assurances will be sought from KCC with regard to relevant controls as the system is developed.</p> <p>Responsibility: EKHRP</p>	<p>The ITrent implementation programme has been re-scoped and the roll out of phase 1 'self service' is expected to be completed by March 2012.</p> <p>Revised Target Date: 31-03-2012</p>
<p>Staff should be reminded that they have a duty to query actions which appear to be outside of the normal operating rules for overtime and to seek written confirmation that it is proper to proceed.</p>	<p>The EKHRP is currently working on an induction checklist for managers to work through with any new member of staff. HR have recommended that an introduction to and guidance on how to access the Whistleblowing Policy/Code of Conduct (including time set aside to read the policies) is added to the induction checklist.</p> <p>Responsibility: EKHRP</p>	<p>The EKHRP is currently looking at induction and will ensure that this is included in the induction checklist. Estimated completion March 2012 however EKHRP priorities are still to be confirmed by the SHRB.</p> <p>Revised Target Date: 31-03-2012</p>

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.	Work-in-Progress
Equality and Diversity	March 2011	Limited	On-going management action in progress to remedy the weaknesses identified.	Work-in-Progress

PROGRESS TO DATE AGAINST THE AGREED 2011-12 AUDIT PLAN – APPENDIX 4

Area	Original Planned Days	Revised Budgeted Days	Actual days to 30-06-2011	Status and Assurance Level
FINANCIAL SYSTEMS:				
Capital	8	8	0.17	Quarter 3
Treasury Management	8	8	0.17	Quarter 3
Main Accounting System	8	8	0.17	Quarter 3
Budgetary Control	10	10	0.17	Quarter 3
Insurance	8	8	0.24	Quarter 3
RESIDUAL HOUSING SERVICES:				
Homelessness	6	3.5	1.63	Work-in-Progress
Right to Buy	7	7	0.31	Finalised - Substantial
GOVERNANCE RELATED:				
Anti-Money Laundering	5	3.39	3.39	Finalised - Substantial
Complaints Monitoring	8	8	5.87	Finalised - Substantial
RIPA	8	7.5	7.5	Finalised – Substantial
Partnerships	10	10	0.37	Work-in-Progress
Climate Change	8	8	0.24	Work-in-Progress
Business Continuity	6	6	0.17	Quarter 4
Risk Management	10	0.17	0.17	Postpone until Quarter 1 of 2012-13
Corporate Advice/SMT	2	2	0.73	Work-in-Progress throughout 2011-12
s.151 Officer Meetings and Support	9	9	0.35	Work-in-Progress throughout 2011-12
Governance & Audit Committee Meetings and Report Preparation	12	12	3.26	Work-in-Progress throughout 2011-12
Audit Plan and Preparation Meetings	9	9	0.14	Work-in-Progress throughout 2011-12
CONTRACT RELATED:				
Receipt & Opening of Tenders	6	6.48	6.48	Finalised - Substantial
SERVICE LEVEL:				
Private Sector Housing – HMO and Selective Licensing	10	10	0.27	Work-in-Progress
Community Safety	10	10	3.15	Finalised - Substantial
CCTV	8	8	8.81	Work-in-Progress
Dog Wardens and Litter Enforcement	8	0	0	Postpone until Quarter 1 of 2012-13

Area	Original Planned Days	Revised Budgeted Days	Actual days to 30-06-2011	Status and Assurance Level
Electoral Registration & Election Management	10	10	2.43	Work-in-Progress
Pest Control	8	8	6.58	Finalised - Reasonable
Ramsgate Townscape Heritage Grants	8	8	0.31	Work-in-Progress
Inventories of Portable Assets	8	8	0.26	Quarter 3
Land Charges	8	8	0.17	Quarter 4
Licensing	10	10	0	Work-in-Progress
Maritime – Port Operations and Pricing Structure	20	20	0.27	Work-in-Progress
Regeneration	10	0	0	Postpone until Quarter 1 of 2012-13
Visitor Information Arrangements	8	0	0	Postpone until Quarter 1 of 2012-13
OTHER :				
Liaison With External Auditors	3	2.5	0.36	Work-in-Progress throughout 2011-12
Follow-up Reviews	27	26.97	2.87	Work-in-Progress throughout 2011-12
Carry forward from last year	25.47	25.47	25.47	Completed
UNPLANNED WORK:				
Maritime - Electricity VAT Query	0	0.91	0.91	Finalised
Council Offices - Cleaning Stock Controls	0	1.32	1.32	Finalised
Election Duty	0	1	1	Polling Duty – May 2011 District Elections and Referendum
FINALISATION OF 2010-11 AUDITS:				
Procurement	-15.47	26.79	11.12	Finalised - Substantial
Car Parks			8.98	Finalised - Reasonable
Coastal Protection			0.2	Finalised - Reasonable
Waste (Vehicle Fleet) Management			2.46	Finalised - Reasonable
Cemeteries and Crematoria			3.69	Finalised - Reasonable
Contract Monitoring and Management			0.34	Finalised - Reasonable
EAST KENT HR PARTNERSHIP:				
Absence Management, Flexi and Annual Leave	5	5	0	Quarter 4
Payroll, SMP and SSP	5	5	0	Work-in-Progress
Employee Expenses	5	5	0	Quarter 4

Area	Original Planned Days	Revised Budgeted Days	Actual days to 30-06-2011	Status and Assurance Level
HR Systems Development	5	0	0	Contingency
Employee Health and Safety	8	8	0	Work-in-Progress
TOTAL - THANET DISTRICT COUNCIL RESIDUAL DAYS	342	342	112.50	32.88% Complete as at 30-06-2011
EK SERVICES:				
Housing Benefits - Overpayments	5	5	0.06	Quarter 4
Housing Benefits – Fraud Investigations	5	5	0.06	Quarter 3
Housing Benefit Testing	20	20	9.14	2010-11 Quarter 4 – Finalised 2011-12 Quarter 1 – WIP 2011-12 Quarter 2 – WIP
Business Rates	8	8	0	Work-in-Progress
Customer Services/Gateway	5	5	0.16	Work-in-Progress
Debtors and Rechargeable Works	5	5	0.06	Quarter 3
ICT – Management & Finance Controls	5	5	0.06	Work-in-Progress
ICT – Physical & Environment Controls	5	5	0.06	Quarter 3
ICT – Internet & e-mail Controls	5	5	0	Quarter 4
Total EK Services	63	63	9.6	
EAST KENT HOUSING:				
Governance Arrangements	3	3	0.18	Quarter 3
Internal Controls and Finance	3	3		Quarter 4
Interfaces with Finance and ICT Systems	2	2		Quarter 4
Audit Committee/Follow-up work	1	1	0.3	Work-in-Progress 2011-12
Rent Setting, Collection & Debt Management	8	8	0.16	Work-in-Progress
Fire and Gas Safety Inspections	0	8	0.11	Work-in-Progress
Tenancy & Estate Management	8	0	0.1	Postponed until 2013-14 to accommodate the Fire and Gas safety audit instead
Total EK Housing	25	25	0.85	
UNPLANNED ADDITIONAL WORK				
Interreg Grant – Customer Services	4	4	0	First Level Controller sign off charged to project
Interreg Grant – Tudor House	4	4	0	First Level Controller sign off charged to project
Interreg Grant – Maritime (Off-Shore Wind Farm)	4	4	0.2	First Level Controller sign off charged to project

BALANCED SCORECARD – QUARTER 1

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2011-12 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2011-12 Actual</u>	<u>Target</u>
	Quarter 1				
Chargeable as % of available days	85%	80%	Cost per Audit Day (Reported Annually)		£300.15
Chargeable days as % of planned days					
CCC	31.44%	25%			
DDC	26.38%	25%			
SDC	29.38%	25%			
TDC	32.88%	25%			
EKS	13.19%	25%			
EKH	3.36%	25%			
Overall	26.05%	25%			
Follow up/ Progress Reviews;					
• Issued	28	-			
• Not yet due	40	-			
• Now overdue for Follow Up	7	2			
Percentage compliance with the CIPFA Code for Internal Audit 2006	97%	97%			

BALANCED SCORECARD – QUARTER 1

<u>CUSTOMER PERSPECTIVE:</u>	<u>2011-12 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2011-12 Actual</u>	<u>Target</u>
	Quarter 1			Quarter 1	
Number of Satisfaction Questionnaires Issued;	36		Percentage of staff qualified to relevant technician level	76%	75%
Number of completed questionnaires received back;	11		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 	100%	100%	Number of days technical training per FTE	0.22	3.5
<ul style="list-style-type: none"> • The audit report was 'Excellent or Very Good' 	90%	90%	Percentage of staff meeting formal CPD requirements	32%	32%
<ul style="list-style-type: none"> • That the audit was worthwhile. 	94%	100%			



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.

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.