

# Public Document Pack



Date: **16 September 2013**  
Our ref: Governance & Audit/agenda  
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## GOVERNANCE AND AUDIT COMMITTEE

**25 SEPTEMBER 2013**

A meeting of the Governance and Audit Committee will be held at **7.00 pm on Wednesday, 25 September 2013 (Training at 6.30pm)** in the Council Chamber, Council Offices, Cecil Street, Margate, Kent.

### Membership:

Councillor Worrow (Chairman); Councillors: Binks, Campbell, Day, Lodge-Pritchard (Vice-Chairman), Moore, D Saunders, W Scobie and S Tomlinson

## **A G E N D A**

Item  
No

1. **TRAINING PRESENTATIONS**

To receive a presentation from Nikki Morris, Business Support and Compliance Manager.

1a **ANNUAL GOVERNANCE STATEMENT**

2. **APOLOGIES FOR ABSENCE**

3. **DECLARATIONS OF INTEREST**

'To receive any declarations of interest. Members are advised to consider the advice contained within the Declaration of Interest Form attached 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 and then take the prescribed course of action.'

4. **MINUTES OF PREVIOUS MEETING** (Pages 1 - 10)

To approve the Minutes of the Governance and Audit Committee meeting held on 26 June 2013, copy attached.

5. **GOVERNANCE AND AUDIT COMMITTEE ACTION PLAN** (Pages 11 - 12)

6. **INTERNAL AUDIT PROGRESS REPORT** (Pages 13 - 36)

7. **AUDIT FINDINGS REPORT AND FINANCIAL RESILIENCE REPORT** (Pages 37 - 114)

8. **GRANT CERTIFICATION PLAN 2012/13** (Pages 115 - 124)

9. **QUARTERLY GOVERNANCE PROGRESS REPORT** (Pages 125 - 146)

10. **FINAL ANNUAL GOVERNANCE STATEMENT** (Pages 147 - 166)

Item  
No

Subject

11. **FINAL STATEMENT OF ACCOUNTS** (Pages 167 - 168)  
The Statement of Accounts is attached to the back of your agenda as a Supplementary agenda.
12. **TREASURY MANAGEMENT UPDATE FOR QUARTER 1, 2013** (Pages 169 - 178)
13. **REVISION TO FINANCIAL PROCEDURE RULES ON REPORTING OF BALANCE SHEET DEBTS** (Pages 179 - 182)

**Declaration of Interests Form**

**GOVERNANCE AND AUDIT COMMITTEE**

**Minutes of the meeting held on 26 June 2013 at 7.00 pm in Council Chamber, Council Offices, Cecil Street, Margate, Kent.**

**Present:** Councillor John Worrow (Chairman); Councillors Binks, Campbell, Day, Lodge-Pritchard, Moore, D Saunders, W Scobie and S Tomlinson

**In Attendance:** Councillor Everitt

**287. TRAINING PRESENTATION**

(a) **Risk Register**

**Risk Management and the Risk Register**

A pre-meeting presentation was given by Nikki Morris, Business Support and Compliance Manager.

**288. ALSO PRESENT:**

Sue McGonigal – Chief Executive and s151 Officer  
Harvey Patterson – Corporate and Regulatory Services Manager  
Sarah Martin – Financial Services Manager & Deputy s151 Officer  
Madeline Homer – Director of Community Services  
Nikki Morris – Business Support and Compliance Manager  
Christine Parker - Head of the East Kent Internal Audit Partnership  
Simon Webb – Deputy Head of Audit – East Kent Audit Partnership  
Lee Jones – East Kent Audit Partnership  
Andy Mack – Director – Grant Thornton UK LLP  
Lisa Robertson – Manager – Grant Thornton UK LLP

**289. RULE 24.1**

Councillor King – Item 6 – Minute no. 288 -Transeuropa Debt

Councillor Driver – Item 6 – Minute no. 288 - Transeuropa Debt

**290. APOLOGIES FOR ABSENCE**

No apologies were received.

**291. DECLARATIONS OF INTEREST**

There were no declarations of interest.

**292. MINUTES OF PREVIOUS MEETING**

The minutes of the Governance and Audit Committee meeting held on 21 March 2013, were approved and signed by the Chairman.

**293. GOVERNANCE AND AUDIT COMMITTEE ACTION PLAN**

The Action Plan was noted.

(a) **Museum Procedures**

This item was discussed at the 21 March 2013 Governance and Audit Committee when Members asked for a 'Museums Processes Document' to be brought to the next meeting. In addition Members had requested that 'Procedures for Dealing with TDC Artefacts' be taken to the Overview and Scrutiny Panel.

On the 28 May 2013 the Overview & Scrutiny Panel considered this item and agreed that a 'Task and Finish Group' be formed to scrutinise the procedures for dealing with TDC artefacts. The Membership of the 'Task and Finish Group' was agreed at the Extraordinary Overview and Scrutiny Panel meeting on 25 June 2013.

The report included with this agenda outlined the present processes in place for the TDC artefacts. Madeline Homer, Director of Community Services advised Members that officers had been working on this since March and a Draft Policy and Process document would be brought to the Task and Finish Group. Members asked that this group liaise with the main Panel to ensure that aims are aligned.

Some members wanted assurance that adequate storage was now being used for the artefacts. Madeline Homer advised that this was a 'work in progress' and a lot of work had already been done with storage available and accounting and cataloguing processes in place. The Task and Finish Group were to ensure that robust processes and procedures were now in place. Resources were still an issue of concern.

A Member did suggest that other Members could be 'co-opted' onto the 'Task and Finish Group' as non-voting Member volunteers.

Members agreed that the matter be referred to the overview and Scrutiny Task and Finish Group for consideration.

#### **294. TRANSEUROPA DEBT**

Sarah Martin, Financial Services Manger, outlined the report which asks for Members to note how the Transeuropa debt will be addressed within the 2012/13 statement of accounts.

Councillor King and Councillor Driver, both speaking under Council Procedure rule 24(1) asked a series of questions which the Chief Executive, Sue McGonigal advised would be given written answers to once they had been submitted to her in writing.

A 'point of order' was noted during the 24(1) speaker's questioning, that the terms of reference for the Governance and Audit Committee did not allow for this scrutiny. It was also noted that a 'Task and Finish Group' was currently being looked into being established after the July Council meeting and this would be the appropriate place to undertake scrutiny of the debt arrangements with Transeuropa rather than at this committee. It was added that Members should accept the debt within the Statement of Accounts.

Members asked for confirmation that monies from the Housing Revenue Account had not been used to cover the debt. Sue McGonigal advised that this would be illegal and was definitely 'no'. Other Members asked whether a process existed for dealing with this kind of issue and if so, was it followed and if not should the Council have one for the future? Sue McGonigal advised that although no written process was available, that record keeping was being looked at and each issue was considered individually according to circumstances and on their own merit.

Moved by Councillor W Scobie and seconded by Councillor Day that:

“5.1 the Governance and Audit Committee note the outstanding debt position in relation to Transeuropa and the proposed treatment within the 2012/13 statement of accounts.”

AGREED

## 295. INTERNAL AUDIT ANNUAL REPORT

Christine Parker, Head of the East Kent Internal Audit Partnership outlined the report which provided Members with a summary of the impact of the work of the East Kent Audit Partnership for the year to 31 March 2013.

Christine advised that from 1 April 2013 new Public Sector Internal Audit Standards (PSIAS) come into force and therefore the annual report for 2013-14 will compare EKAP activity against the new standard and any additional requirements placed upon Internal Audit will be reflected in future annual reports thereafter.

In referring to Risk and Assurance Christine added that during 2012-2013, 82 recommendations were made in the agreed final audit reports for TDC. These are analysed as being High, Medium or Low risk in the following table:

| Risk Criticality | No. of Recommendations | Percentage  |
|------------------|------------------------|-------------|
| High             | 35                     | 43%         |
| Medium           | 34                     | 41%         |
| Low              | 13                     | 16%         |
| <b>TOTAL</b>     | <b>82</b>              | <b>100%</b> |

During this period EKAP has raised and reported to the quarterly Governance and Audit Committee meetings 82 recommendations, and whilst 84% were in the High or Medium Risk categories, none are so significant that they need to be escalated at this time.

The summary of Assurance Levels issued on the 29 pieces of work commissioned for Thanet District Council over the course of the year is as follows:

*NB: the percentages shown are calculated on finalised reports with an assurance level*

| Assurance                    | No. | Percentage of Completed Reviews |
|------------------------------|-----|---------------------------------|
| Substantial                  | 8   | 33%                             |
| Reasonable                   | 10  | 42%                             |
| Limited                      | 6*  | 24%                             |
| No                           | 0   | 0%                              |
| Work in Progress at Year-End | 4   | -                               |
| Not Applicable               | 1   | -                               |

\* See list in the table below

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

The results of the follow up activity for 2012-13 are tabled below:

| <b>Total Follow Ups undertaken 10</b> | <b>No Assurance</b> | <b>Limited Assurance</b> | <b>Reasonable Assurance</b> | <b>Substantial Assurance</b> |
|---------------------------------------|---------------------|--------------------------|-----------------------------|------------------------------|
| Original Opinion                      | 0                   | 2                        | 7                           | 1                            |
| Revised Opinion                       | 0                   | 0                        | 8                           | 2                            |

The two reviews with an original limited assurance, together with the result of the follow up report, are shown in the following table:

| <b>Area Under Review</b> | <b>Original Assurance</b> | <b>Follow Up Result</b> |
|--------------------------|---------------------------|-------------------------|
| Equality and Diversity   | Limited                   | Reasonable              |
| Leaseholder Charges      | Limited                   | Reasonable              |

Consequently, there are no fundamental issues of note arising from the audits and follow up undertaken in 2012-13. There are no reviews showing a limited assurance after follow up. Christine added that no fraud investigations had taken place through the year.

The EKAP performance against the agreed 2012-13 Audit Plan shows that 318 days of work were delivered against the 327 days that were planned. The Balanced Scorecard at Appendix D to the report shows the Internal Processes Perspective and Customer Perspective and the savings made to the Council.

Moved by Councillor Lodge-Pritchard and seconded by Councillor W Scobie that:

“the report be received by Members.”

AGREED

## **296. INTERNAL AUDIT PROGRESS REPORT**

Simon Webb, Deputy Head of Audit, East Kent Audit Partnership outlined the report which gives a summary of the internal audit work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting.

The table below shows a summary of reports and the assurance levels:

| <b>Service / Topic</b>                                    | <b>Assurance level</b> |
|---|------------------------|
| 2.1 Risk Management                                       | Substantial            |
| 2.2 EK Services – Housing Benefits Payments               | Substantial            |
| 2.3 EK Services – Housing Benefits Admin & Assessment     | Reasonable             |
| 2.4 Payroll Processing                                    | Reasonable             |
| 2.5 Recruitment and Induction                             | Reasonable             |
| 2.6 EK Services – ICT Software Licensing                  | Limited                |
| 2.7 Absence Management (Sickness, Annual and Flexi Leave) | Limited                |

In referring to 2.5 above, Simon added that some minor areas of improvement were required but at this time a ‘reasonable’ assurance was given. Two areas of concern,

having received a 'limited' assurance were East Kent Service ICT Software Licences and Absence Management.

East Kent Service ICT Software Licences limited assurance is primarily due to the fact that there is no single or comprehensive register of software currently in place. Several registers exist but none can claim to be up to date. It should be noted that management are currently working towards a deadline of April 2014 to produce one centralised register of software licences, which is the date a number of Microsoft software licences in use become unsupported.

Absence Management was also given limited assurance. Whilst not every authority functioned incorrectly in every area there was sufficient evidence to show that each would benefit from improved practices and procedures. The audit had looked at sickness absence monitoring, annual leave and flexitime recording across the four organisations for 2011/12. All three areas showed a lack of consistency in administration.

As part of the follow up of audit report action plans 8 reviews have been completed of those areas previously reported 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 show in the following table:

| <b>Service/ Topic</b> |   | <b>Original Assurance level</b> | <b>Revised Assurance level</b> | <b>Original Number of Recs.</b> |             | <b>No of Recs. Outstanding</b> |             |
|-----------------------|---|---------------------------------|--------------------------------|---------------------------------|-------------|--------------------------------|-------------|
| a)                    | VAT Compliance  | Reasonable                      | Substantial                    | H<br>M<br>L                     | 3<br>0<br>1 | H<br>M<br>L                    | 0<br>0<br>0 |
| b)                    | Procurement, Creditors and Construction Industry Scheme | Substantial                     | Substantial                    | H<br>M<br>L                     | 0<br>2<br>5 | H<br>M<br>L                    | 0<br>0<br>2 |
| c)                    | CSO Compliance  | Reasonable                      | Reasonable                     | H<br>M<br>L                     | 4<br>2<br>0 | H<br>M<br>L                    | 0<br>0<br>0 |
| d)                    | Bank Reconciliation                                     | Substantial                     | Substantial                    | H<br>M<br>L                     | 0<br>1<br>1 | H<br>M<br>L                    | 0<br>0<br>0 |
| e)                    | Dickens House and Margate Museums                       | Reasonable/Limited              | Reasonable/Limited             | H<br>M<br>L                     | 5<br>7<br>0 | H<br>M<br>L                    | 4<br>4<br>0 |
| f)                    | Homelessness  | Reasonable/Limited/ Limited     | Reasonable/No                  | H<br>M<br>L                     | 3<br>1<br>0 | H<br>M<br>L                    | 1<br>0<br>0 |
| g)                    | Partnerships  | Reasonable                      | Reasonable                     | H<br>M<br>L                     | 1<br>6<br>0 | H<br>M<br>L                    | 0<br>2<br>0 |

Although progress has been made to address the weaknesses highlighted regarding Dickens House and Margate Museums in the original audit report, it is important that focus remains to ensure that the ongoing activities continue to progress and strengthen the associated control objectives and improve overall risk management.

The issue of Homelessness remains a concern. A decision is required on what action is necessary to either terminate the contract for the Old School Lodge with Casa Support or

seek to enforce the terms of conditions of this contract which Casa are currently in breach of having let a conflicting contract with Supporting People. Management are currently liaising with the legal section in this regard. Madeline Homer advised that she would speak with the Housing Services Manager and the lawyer in the legal department to ensure this matter is pushed forward as a priority.

Members asked whether an 'action plan' was being considered for the issue of inconsistency in recording of flexi time?

Simon advised that a 'follow up' review would be undertaken.

Members asked whether, regarding the issue of Software Licences, a single system could be used by all partnership councils.

Simon advised that the same software system would be more beneficial and efficient but that each council had made their own procurement decisions.

A question was asked regarding 'Artefacts' and whether the province of items had been addressed?

Simon informed Members that this had been addressed as part of the audit.

Moved by Councillor Campbell and seconded by Councillor S Tomlinson that:

"the report be received by Members."

AGREED

#### **297. EXTERNAL AUDIT PLAN 2012-13**

Andy Mack, Director at Grant Thornton UK LLP summarised their Audit Plan for 2012 to 2013.

In planning their audit Andy advised that they needed to understand the challenges and opportunities the Council is facing. They also needed to consider key developments in the sector and take account of national audit requirement as set out in the Code of Audit Practice.

He added that the Accounts and Value for Money conclusion would be brought to the September Governance and Audit Committee meeting. Referring to the Statement of Accounts, a draft was expected by 30 June 2013 and a public inspection process started in early August.

Members asked whether any changes to the compilation of the 'Statement of Accounts' was expected. Sarah Martin, Financial Services Manager advised that no significant accounting changes were expected.

Moved by Councillor D Saunders and seconded by Councillor Lodge-Pritchard that:

"Members note the report."

AGREED

#### **298. EXTERNAL AUDIT PROGRESS REPORT**

Lisa Robertson, Manager, Grant Thornton UK LLP introduced the report which updates Members on progress to date on the current audit plans and highlights any emerging national issues relevant to the Council.



Lisa advised that interim work was underway and there was nothing to bring to the Committee's attention at this time.

Moved by Councillor S Tomlinson and seconded by Councillor Lodge-Pritchard that:

"Members note the report."

MOTION ADOPTED

**299. AUDIT FEE LETTER 2013/2014**

Lisa Robertson, Manager, Grant Thornton UK LLP introduced the report which sets out the Audit Commissions proposed work programme and scales of fees for 2013/14.

Lisa advised Members that the fee was set by the Audit Commission and that it had been frozen once again. The Council's scale fee for 2013/14 has been set at £87,495 which compares to the audit fee of £87,495 for 2012/13

Moved by Councillor W Scobie and seconded by Councillor Binks that:

"Members note the report."

MOTION ADOPTED

**300. QUARTERLY GOVERNANCE PROGRESS REPORT**

Nikki Morris, Business Support and Compliance Manager, outlined the report which provides Governance and Audit Committee with progress on governance related issues.

The report covered:

- Corporate Risk Register Review
- Data Quality and Performance Management Frameworks

Referring to risk R1001 – The Council relies on staff consistently working for longer than their contracted hours.

*Members asked whether we were any closer to a resolution on this as it appeared to be a perennial item on the register?*

Sue McGonigal, Chief Executive advised that it has become standard practice in the public sector and was partially due to seasonal demand. The Council have a flexi scheme which allows staff to take up to 15 hours each month off. The reduction in central government financial settlements and the consequence of restructure meant that some staff were taking on 'dual roles' Service reviews were being undertaken and procedures looked into to see what we could do less of and do less frequently. Conversations with Members would be scheduled to discuss the 2014/15 and 2015/16 budget and the difficult issue of deciding what we could do less of.

Risk R1010 – There is a mismatch between the large number of assets owned by the council and the low level of funding available to maintain these appropriately. This increases the investment needs for the future to keep these fit for purpose, and to prevent the development of significant health and safety risks. This is particularly relevant for fixed assets that do not generate significant income, but still need to be maintained.

*Members asked whether the Asset Management Strategy was completed?*

Sue McGonigal informed Members that the Strategy was on target for completion but that a new Property Manager was now in place and that she may want to look at what has been proposed, therefore there may be a short delay.

*Other Members were concerned that the Risk Register in general had the same Risks highlighted at every meeting. It was suggested that Member be involved in Managers Workshops to address the issue of excessive hours (R1001.10).*

Sue McGonigal advised that this would change the dynamics of the workshops where open and honest dialogue took place with Managers. Sue added that there may be appropriate training courses and that she would look at the schedule of these.

Moved by Councillor S Tomlinson and seconded by Councillor Lodge-Pritchard that:

“Members note the content of the report and the associated annex.”

AGREED

### **301. DRAFT ANNUAL GOVERNANCE STATEMENT 2012-2013**

Nikki Morris, Business Support and Compliance Manager outlined the report which provides Governance and Audit Committee with the draft Annual Governance Statement for 2012/13.

The methodology for preparing the Annual Governance Statement includes:

- Managers providing an assurance statement as to the extent and quality of internal control arrangements operating within their departments for the year. The declaration covers a comprehensive list of those systems and procedures which deliver good governance. Managers are asked to declare any weaknesses in their governance arrangements.
- Directors / Service Managers reviewing the results of those declarations, identifying those issues which are significant or which are common to more than one area and discussing the outcomes with the Portfolio Holder with responsibility for each service area.
- Assurance statements from the Section 151 Officer, Monitoring Officer and the following key areas: performance management, procurement and risk management identifying any governance issues that have arisen and should be addressed in the forthcoming year.
- Statements from the shared service partners we work with on compliance with the governance arrangements in place.
- Reviewing the annual reports from Governance and Audit Committee, Overview and Scrutiny Panel and Standards Committee.
- Considering the Internal Audit Annual Report, and also the Section 151 Officer's report on the effectiveness of the internal audit arrangements in place.
- The council's Governance and Audit Committee considers the draft Annual Governance Statement in June and is afforded the opportunity to give its input to the statement and to consider whether it accurately reflects the council's control environment.

The Governance and Audit Committee approves the Annual Governance Statement in September and it is signed off by the Chief Executive / Section 151 Officer and Leader of the Council.

Nikki added that actions undertaken during 2012/13 were shown on page 136 to the agenda. Significant Governance Issues were reported to the Governance and Audit Committee on a quarterly basis.

Moved by Councillor Campbell and seconded by Councillor W Scobie that:

“6.1 Members accept the draft Annual Governance Statement 2012/13”

AGREED

**302. ANNUAL TREASURY MANAGEMENT REVIEW**

Sarah Martin, Financial Services Manager introduced the report which summarises treasury management activity and prudential/treasury indicators for 2012/13.

The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2012/13. This report meets the requirements of both the CIPFA code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

The Executive Summary to the report informs that the Council complied with its legislative and regulatory requirements, apart from the investment strategy limit as described in section 11.2 of the report.

Moved by Councillor Campbell and seconded by Councillor Binks that:

“15.1 the Governance and Audit Committee:

Approve the actual 2012/13 prudential and treasury indicators in the report.

Note the annual treasury management report for 2012/13.

Recommend this report to Cabinet.”

AGREED

Meeting concluded: 8.25 pm

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| Action   | Owner | Target date | Progress | Feedback / Comments  |
|--|-------|-------------|----------|--|
| Internal Audit Progress Report-Homelessness - A decision on what action is necessary to either terminate the contract for the Old School Lodge with Casa Support or seek to enforce the terms of conditions of this contract which Casa are currently in breach of having let a conflicting contract with Supporting People. | MH    | 01-Aug-13   | IP       | Management are currently liaising with the Legal Section in this regard. MH advised that she would speak with the Housing Services Manager and the lawyer in the legal department to ensure this matter is pushed forward as a priority.                         |
| Quarterly Governance Progress Report - Service Reviews-Risk R1001 The Council relies on staff consistently working longer than their contracted hours. Members asked whether we were any closer to a resolution.   | SMcG  | 25-Sep-13   | IP       | Conversations with Members would be scheduled to discuss the 2014/15 and 2015/16 budget and the difficult issue of deciding what we could do less of. Managers Workshops'- Sue to look into any available training for Members re staff working excessive hours. |

**Key:**

MH - Madeline Homer  
SMcG - Sue McGonigal

C Completed  
IP In progress  
O Ongoing

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**INTERNAL AUDIT PROGRESS REPORT**

To: **Governance and Audit Committee: 25<sup>h</sup> September 2013**

By: **Head of the Audit Partnership: Christine Parker**

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

Classification: **Unrestricted**

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**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 30<sup>th</sup> June 2013.**

**For Information**

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**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 30<sup>th</sup> June 2013.

**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 Senior Management Team, as well as an appropriate manager for the service reviewed.

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: four concluded Substantial assurance, and three concluded Reasonable assurance. There were two additional piece of work which for which an assurance level was not applicable as it comprised quarterly housing benefit claim testing. Summaries of the report findings are detailed within Annex 1 to this report.

- 3.2 In addition, five follow-up reviews have been completed during the period.

- 3.3 For the three month period to 30<sup>th</sup> June 2013, 61.37 chargeable days were delivered against the planned target of 300 days which equates to 20.46% plan completion.

- 3.4 The financial performance of the EKAP is on target at the present time.

### **4.0 Options**

- 4.1 That Members consider and note the internal audit update report.
- 4.2 That the changes to the agreed 2013-14 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 after 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 2013-14 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 8<sup>th</sup> 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 2013-14 internal audit plans, 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, Deputy Head of Audit, Ext 7190                 |
|                   | Sue McGonigal, Chief Executive (s.151 Officer) Ext. 7002   |

**Annex List:**

|         |  |
|---------|--|
| Annex 1 | East Kent Audit Partnership Update Report – 25-09-2013 |
|---------|--|

**Background Papers:**

| <b>Title</b>                              | <b>Details of where to access copy</b>   |
|---|--|
| <i>Internal Audit Annual Plan 2013-14</i> | Previously presented to and approved at the 21 <sup>st</sup> March 2013 Governance and Audit Committee meeting |
| <i>Internal Audit working papers</i>      | Held by the East Kent Audit Partnership  |

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**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 30<sup>th</sup> June 2013

**2.0 SUMMARY OF REPORTS**

|     | <b>Service / Topic</b>  | <b>Assurance level</b> |
|-----|---|------------------------|
| 2.1 | Imprest Floats & Rail Travel Procurement                                      | Substantial            |
| 2.2 | Members' Allowances   | Substantial            |
| 2.3 | Phones, Mobiles and Utilities   | Substantial            |
| 2.4 | EK Services (ICT Network Security)  | Substantial            |
| 2.5 | Housing Allocations   | Reasonable             |
| 2.6 | Environmental Protection Service Requests                                     | Reasonable             |
| 2.7 | Members' Code of Conduct, Disclosure of Interests, and Standards Arrangements | Reasonable             |
| 2.8 | EK Services – Housing Benefit Quarterly Testing (Qtr 4 of 2012-13)            | Not Applicable         |
| 2.9 | EK Services – Housing Benefit Quarterly Testing (Qtr 1 of 2013-14)            | Not Applicable         |

**2.1 Imprest Floats & Rail Travel Procurement – Substantial Assurance:**

2.1.1 Audit Scope

To ensure that the Council's imprest floats and rail travel procurement arrangements comply with the organisation's standing orders and financial regulations.

2.1.2 Summary of Findings

All of the requisite controls governing both imprest floats and rail travel procurement were found to be in place and consistently adhered to.

**2.2 Members' Allowances – Substantial Assurance:**

2.2.1 Audit Scope

To ensure that Members' allowances and expenses are calculated and paid in accordance with the prevailing rules.

## 2.2.2 Summary of Findings

The Members' Allowances process is working very well and all of the expected controls are effective.

Since the last audit in this area in 2010-11, a project has been completed to introduce the payment administration of member expenses into the CIVICA workflow process. Controls are programmed to replace the elements of manually handled claims and to ensure compliance with the scheme is maintained and can be easily monitored and reported on.

## **2.3 Phones, Mobiles and Utilities – Substantial Assurance:**

### 2.3.1 Audit Scope

To ensure that Council expenditure on telephones, mobiles and utilities is adequately monitored and reviewed.

### 2.3.2 Summary of Findings

From the testing completed during this review a sound system of control was found to currently be managed and achieved to ensure that the Council expenditure on telephones, mobiles and utilities is adequately monitored and reviewed.

Almost all of the necessary, key controls of the system are in place. Any areas for improvement found are minor and not indicative of system faults.

## **2.4 EKS (ICT Network Security) – Substantial Assurance:**

### 2.4.1 Audit Scope

To ensure that the procedures and internal controls established by EK Services are sufficient to provide an effective, efficient, secure and economical ICT service to the three partner authorities of Canterbury CC, Dover DC and Thanet DC. An important aspect of this being the network security being provided on behalf of the partners.

### 2.4.2 Summary of Findings

The function of network security for Canterbury City Council, Dover District Council and Thanet District Council has been delegated to EK Services as part of the ICT function.

The Network & Security Team is a small team of three officers who are responsible for managing the authorities' networks. The team are proficient in ensuring that the controls are in place to ensure that the networks are secure.

Although the individual authorities have their own policies and guidance on information security and ICT access, these are not up to date and ideally one comprehensive policy on ICT usage should be developed for all partners to follow.

## **2.5 Housing Allocations – Reasonable Assurance:**

### 2.5.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that housing property is allocated efficiently and effectively to qualifying tenants in accordance with Council policy and procedures and offers choice to prospective tenants through the allocations process in accordance with prevailing legislation.

### 2.5.2 Summary of Findings

The Housing Allocations process is generally working well and most of the expected controls are effective

A revised Housing Allocations Policy is currently going through the Members approval process which, when approved will sit alongside the Housing and Tenancy Strategies and put in place strategic priorities for housing allocations. In addition all those on the Council's housing list will be required to reapply via the Kent wide Locator housing system which may result in a reduction in the size of the housing list due to some current applicants not reapplying to go back onto the housing list. An equalities impact assessment has been undertaken that has identified various actions that have to be carried in respect of the communication of the new policy and the new registration process to the public.

Within the Council's housing allocation division there are currently various process undertaken which are carried out by East Kent Housing at a neighbouring authority. e.g putting the empty property advert on to Locator). If the processes were reviewed and possibly brought into line with those carried out at the neighbouring authority then this would free up time for the officers to carry out proactive services for housing applicants

A full review of the voids process is to be carried out later in the financial year and the Housing Options Manager has confirmed that she would also include the housing allocation functions as part of this review with East Kent Housing.

## **2.6 Environmental Protection Service Requests – Reasonable Assurance:**

### 2.6.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council has an effective system of controls and procedures for investigating and responding to environmental protection complaints in the following areas:

1. Dust;
2. Smoke;
3. Odour;
4. Fumes;
5. Animals;
6. Noise;
7. Accumulations ;
8. Filthy and verminous premises ;
9. Drainage ; and
10. Fly tipping.

## 2.6.2 Summary of Findings

The Environmental Protection Complaints process is working very well and the expected controls have been established and are effective. Officers within the team are specialists of various environmental health subjects and this can impact on the performance indicators and service delivery should any individual officers be absent. The Environmental Protection Manager has confirmed that a future task is to develop the team to be able to deal with all types of complaints and not just specialise in certain types.

The Environmental Enforcement Policy has not been reviewed since 2006 when it was last presented to Cabinet for their approval. There is therefore a need to put in place a timetable to ensure that all policies and procedures are reviewed on a regular basis to ensure that they are in compliance with current legislation.

## **2.7 Members' Code of Conduct, Disclosure of Interests, and Standards Arrangements – Reasonable Assurance:**

### 2.7.1 Audit Scope

To provide assurance that the key controls and operating procedures surrounding Member compliance with the Code of Conduct, Protocol for Officer/Member relations and Standards arrangements are found to be operative throughout the year and that the business objectives were met.

### 2.7.2 Summary of Findings

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

## **2.8 EK Services Housing Benefit Quarterly Testing (Quarter 4 of 2012-13):**

2.8.1 Over the course of the 2012/13 financial year the East Kent Audit Partnership has been completing 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.

For the final quarter of 2012/13 financial year (January to March June 2013) 20 claims including new and change of circumstances of each benefit type were selected by using Excel software to randomly select the various claims for verification.

In total 20 benefit claims were checked and all of these (100%) were found to have passed the criteria set by the former Audit Commission's verification guidelines. Additionally, there were no data quality errors within the sample.

## **2.9 EK Services Housing Benefit Quarterly Testing (Quarter 1 of 2013-14):**

2.9.1 Over the course of the 2013/14 financial year the East Kent Audit Partnership will be completing 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.

For the first quarter of 2013/14 financial year (April to June 2013) 20 claims including new and change of circumstances of each benefit type were selected by using Excel software to randomly select the various claims for verification.

In total 20 benefit claims were checked and of these just one was found to have failed the criteria set by the former Audit Commission's verification guidelines

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

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

| Service/ Topic |   | Original Assurance level | Revised Assurance level | Original Number of Recs |   |   | No of Recs. Outstanding |  |
|----------------|---|--------------------------|-------------------------|-------------------------|---|---|-------------------------|--|
| a)             | East Kent Housing – Tenancy and Estate Management | Reasonable               | Reasonable              | H                       | 1 | H | 0                       |  |
|                |   |                          |                         | M                       | 7 | M | 1                       |  |
|                |   |                          |                         | L                       | 9 | L | 1                       |  |
| b)             | Monitoring and Performance of <i>Your Leisure</i> | Limited                  | Limited                 | H                       | 2 | H | 2                       |  |
|                |   | Limited                  | Limited                 | M                       | 5 | M | 2                       |  |
|                |   | Limited                  | Substantial             | L                       | 1 | L | 0                       |  |
| c)             | Let Properties and Concessions                    | Reasonable               | Reasonable              | H                       | 2 | H | 2                       |  |
|                |   |                          |                         | M                       | 1 | M | 1                       |  |
|                |   |                          |                         | L                       | 1 | L | 0                       |  |
| d)             | EK Services – ICT Physical & Environmental        | Reasonable               | Reasonable              | H                       | 4 | H | 3                       |  |
|                |   |                          |                         | M                       | 6 | M | 2                       |  |
|                |   |                          |                         | L                       | 3 | L | 0                       |  |
| e)             | EK Services – ICT Procurement & Disposal          | Reasonable               | Reasonable              | H                       | 1 | H | 0                       |  |
|                |   |                          |                         | M                       | 4 | M | 1                       |  |
|                |   |                          |                         | L                       | 1 | L | 0                       |  |

3.2 Details of any individual High priority recommendations outstanding after follow-up are included at Appendix 1 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 Members' of the Governance and Audit Committee.

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

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

b) Monitoring and Performance of Your Leisure:

A considerable amount of work has been undertaken since the original audit review was concluded in September 2012 together with ongoing progress to complete the recommendations made in the audit report, however to date only one recommendation has been fully implemented and therefore it would be premature to increase the assurance levels in this area until the recommendations are fully implemented and embedded within the organisation. The assurance levels therefore currently remain as:

- **Limited Assurance** that the Council currently has in place an up to date lease and terms and conditions of grant which both the Council and Thanet Leisure Force are fully compliant with;
- **Limited Assurance** that there are sufficient processes and indicators in place to ensure that the Council's Corporate Plan – Priority 9 can be met; and
- **Substantial Assurance** that Thanet Leisure Force are fulfilling their requirements to manage the Council's facilities.

Management Response

The report shows that significant progress has been made on the audit recommendations, the remaining actions are of a complex contractual nature and I am satisfied that those actions are being progressed thoroughly and are currently on target to be completed in line with the proposed deadlines.

- 3.4 After the follow-up review has been completed by the East Kent Audit partnership any recommendations which remain outstanding are tracked through the Council's Policy & Business Planning team, via quarterly reminders, with an expectation that progress reports will be provided quarterly for all high priority matters. If the recommendations remain outstanding the tracking and reminders will continue for three years, which is the usual period between programmed internal audits. The current numbers involved and progress towards achieving currently outstanding recommendations is as follows:

| Service/ Topic |   | Assurance level        | No of Recs. Outstanding |             |
|----------------|---|------------------------|-------------------------|-------------|
| a)             | Employee Health and Safety                        | Reasonable             | H<br>M<br>L             | 1<br>1<br>0 |
| b)             | Homelessness – due for a full audit in 2013-14    | Reasonable<br>/Limited | H<br>M<br>L             | 1<br>0<br>0 |
| c)             | Coast Protection– due for a full audit in 2013-14 | Reasonable             | H<br>M<br>L             | 0<br>1<br>0 |
| d)             | Food Safety– due for a full audit in 2013-14      | Reasonable             | H<br>M<br>L             | 0<br>1<br>0 |
| e)             | HRA Business Plan                                 | Substantial            | H<br>M<br>L             | 1<br>0<br>0 |



| Service/ Topic |                                  | Assurance level             | No of Recs. Outstanding |             |
|----------------|----------------------------------|-----------------------------|-------------------------|-------------|
| f)             | Dickens House and Margate Museum | Reasonable /Limited         | H<br>M<br>L             | 2<br>4<br>0 |
| g)             | Let Properties and Concessions   | Reasonable                  | H<br>M<br>L             | 2<br>1<br>0 |
| h)             | Your Leisure                     | Substantial Limited Limited | H<br>M<br>L             | 2<br>2<br>0 |

#### **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: Child Protection, Performance Management, Public Health Burials, Business Rates, Officers' Code of Conduct and Whistle blowing, Service Contract Monitoring, and Housing Repairs and Maintenance.

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

5.1 The 2013-14 internal audit plan was agreed by Members at the meeting of this Committee on 21<sup>st</sup> March 2013.

5.2 The Head of the Audit Partnership meets on a monthly basis with the Section 151 Officer or their nominated representative to discuss any amendments to the plan. Members of the Committee will be advised of any significant changes through these regular update reports. Minor amendments have been made to the plan during the course of the year as some high profile projects or high-risk areas have been requested to be prioritised at the expense of putting back or deferring to a future year some lower risk planned reviews. The detailed position regarding when resources have been applied and or changed are shown as Appendix 3.

#### **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 new 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 month period to 30<sup>th</sup> June 2013, 61.37 chargeable days were delivered against the planned target of 300 days which equates to 20.46% plan completion.

8.2 The financial performance of the EKAP is on target at the present 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 2013-14 is attached as Appendix 5.

- 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 4.

### **Attachments**

Appendix 1 Summary of High priority recommendations outstanding after follow-up.

Appendix 2 Summary of services with Limited / No Assurances

Appendix 3 Progress to 30<sup>th</sup> June 2013 against the agreed 2013-14 Audit Plan.

Appendix 4 EKAP Balanced Scorecard of Performance Indicators to 30<sup>th</sup> June 2013.

Appendix 5 Assurance statements

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING AFTER FOLLOW-UP – APPENDIX 1**

| Original Recommendation   | Agreed Management Action , Responsibility and Target Date   | Manager’s Comment on Progress Towards Implementation.  |
|---|---|--|
| Monitoring and Performance of <i>Your Leisure</i> :   |   |  |
| <p>Management must ensure that the lease and conditions of grant between the Council and TLF are updated to reflect the current situation and action is taken to check that it is kept up to date.</p>  | <p>Agreed this is to be undertaken by the Community Development Officer.</p> <p><b>Proposed Completion Date:</b><br/>March 2013</p> <p><b>Responsibility:</b><br/>Economic &amp; Regeneration Manager</p>       | <p>A draft deed of variation has been created, including all of the issues raised in the audit report. This is currently being reviewed by Legal for minor amendments.</p> <p>Revised Implementation Date<br/>1<sup>st</sup> September 2013<br/>Community Development Officer</p>                  |
| <p>Action must be taken to introduce some meaningful performance measures to ensure that TLF is meeting the requirements of the Council. Once these are in place they should be monitored regularly.</p>  | <p>Agreed</p> <p><b>Proposed Completion Date:</b><br/>March 2013</p> <p><b>Responsibility:</b><br/>Economic &amp; Regeneration Manager</p>  | <p>Meaningful performance indicators are being included in the new conditions of grant and these will be requested monthly. These will be recorded on I-Trent and reported on annually.</p> <p>Revised Implementation Date<br/>1<sup>st</sup> September 2013<br/>Community Development Officer</p> |
| Let Properties and Concessions  |   |  |
| <p>To formally introduce and approve a new Asset Management Strategy and Plan as soon as possible to ensure the Council:</p> <ul style="list-style-type: none"> <li>• Maximise every possible revenue income stream from the property portfolio;</li> </ul> | <p>To have a draft strategy in place before Christmas 2012 with the aim to have a formal agreed plan by January 2014. Capital receipts are currently reaching the revised Corporate objectives for 2012/13.</p> | <p>The most recent Service Plan was examined and contains a commitment from the new Property Manager to develop a new Asset Management Strategy and Asset</p>  |

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING AFTER FOLLOW-UP – APPENDIX 1**

| Original Recommendation   | Agreed Management Action , Responsibility and Target Date   | Manager’s Comment on Progress Towards Implementation.  |
|---|---|--|
| <ul style="list-style-type: none"> <li>• Help realise some of the capital receipts required to meet the Capital Programme and the Medium Term Financial Strategy;</li> <li>• Meet the objectives contained in the Council’s Corporate Plan and Regeneration Strategy; and</li> <li>• Mentions the use of its office policies and procedures.</li> </ul>   | <p>The Draft Strategy will meet the recommendations required.</p> <p><b>Proposed Completion Date:</b><br/>December 2012</p> <p><b>Responsibility:</b><br/>Property Manager .</p>  | <p>Management Plan by April 2014.</p> <p>This recommendation is now progressing towards completion and should be implemented by April 2014.</p> <p><b>Revised Implementation Date</b><br/>31<sup>st</sup> July 2014</p>  |
| <p>To review and amend the set of office procedures in place by:</p> <ul style="list-style-type: none"> <li>• Carrying out a full review of the manual (for instance the Tendering Process should have its own section as opposed to being part of CSO’s. This process should include the introduction of a Corporate Plan Objective Score Spreadsheet which is currently being used by one of the surveyors;</li> <li>• An electronic copy should be maintained on the shared drive and made available via the intranet;</li> <li>• Each section should be formatted, clearly referenced and labelled consistently</li> <li>• Each individual section should contain a date it was last reviewed;</li> <li>• Any templates should be referenced to and clearly labelled (i.e. memo to legal);</li> <li>• An Income and Debt Monitoring process should be made available and include a step by step guide in order to help anyone other than the normal member of staff carry out this duty; and</li> <li>• To review the New Letting procedure to make it</li> </ul> | <p>The office procedures will be amended to include the recommendations.<br/>Update the procedure file to include CIVICA input.</p> <p><b>Proposed Completion Date:</b><br/>August 2013.</p> <p><b>Responsibility:</b><br/><br/>Estates Surveyors, Technical Officer and Technical Assistant.</p> | <p>This recommendation is in progress with intent to action by July 2014. The Property Manager should be given this time to address other strategic issues in order to maximise the effectiveness and usefulness of these procedure notes.</p> <p><b>Revised Implementation Date</b><br/>31<sup>st</sup> July 2014</p> |

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING AFTER FOLLOW-UP – APPENDIX 1**

| Original Recommendation  | Agreed Management Action , Responsibility and Target Date   | Manager’s Comment on Progress Towards Implementation.  |
|--|---|--|
| <p>easier to follow (perhaps bullet points) on the following:-</p> <p>a) Who and at what stage would show an interested tenant around a property?</p> <p>b) Procedure for drafting the tenancy / legal agreement?</p> <p>c) How and when the keys are issued to tenants?</p> |   |  |
| <p>EK Services – ICT Physical and Environmental:</p>   |   |  |
| <p>The three partner authorities should work with EK Services to agree an up to date single solution IT Security Policy.</p>   | <p>EK Services: ICT are working on developing a single IT security policy. It is at investigation stage and should be completed by March 2013</p> <p><b>Responsibility/Completion date.</b></p> <p>March 2013, Network &amp; Security Manager</p> | <p><b>Follow Up Findings as at 1<sup>st</sup> July 2013</b></p> <p>EKS ICT – the operational work, including compliance related issues, have delayed this. The revised date is the end of 2013, with the Removable Media element due July 2013, for which a TDC NetConsent policy has already been issued. In addition Dover DC has set up a ‘Personal Data and Information Security Project’.</p> |
| <p>EK Services IT should ensure that Netconsent is set up so that staff are annually required to read and accept the IT Security Policy.</p>   | <p>EK Services: This will be an established process documented within the single policy</p> <p><b>Responsibility/Completion date.</b></p> <p>March 2013, Network &amp; Security Manager</p>   | <p><b>Follow Up Findings as at 1<sup>st</sup> July 2013</b></p> <p>Netconsent is now operational across all partner domains and policies can have their own ‘renewal frequency’ set. The Internet Security Policy will slot into this when ready.</p>  |

**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING AFTER FOLLOW-UP – APPENDIX 1**

| Original Recommendation   | Agreed Management Action , Responsibility and Target Date  | Manager’s Comment on Progress Towards Implementation.  |
|---|--|--|
| <p>Each partner authority should ensure that all security ID cards are issued to a specific named person and their photo put on the pass to ensure that all people with a current pass can be identified; with the exception of ‘day’ visitors.</p> | <p>Dover – ID cards will be issued to a specific person to include a photo if on the premises for longer than a week.</p> <p>Thanet - a request will be made for each department, partner group to provide a budget against which visitors who attend for more than a week can be given a photo on their ID security card.</p> <p>Canterbury - Our policy on the issue of ID cards is that all permanent staff have a photo card, temp staff who are here for less than a year have a “Temp” Card and contractors have a day card issued by Reception – neither of these have photos. The cards that do not have a photo can be tracked by the serial number on the back and we record in a book who they have been issued to. These cards are also set to deactivate on an agreed date. We do not wish to issue photo cards for temps and contractors as there will be an additional cost because these cards are reusable. Cost per card is £10 including staff time, printing and materials. Furthermore, we also only have one member of staff available to produce ID cards which could be a problem if contractors turn up unannounced or unplanned for.</p> <p><b>Responsibility/Completion date.</b><br/>March 2013, Partner Authority Client Officers</p> | <p><b>Follow Up Findings as at 1<sup>st</sup> July 2013</b></p> <p><u>Dover</u> – this task is part of the work of the “Personal Data and Information Security Project” and is being completed.</p> <p><u>Thanet</u> - restricted cards are issued to visitors i.e. do not allow access weekends etc. and can be day limited where required. If there are any major works cards are issued and the team leader (clerk of works) is instructed to retrieve them and is responsible for access.</p> <p><u>Canterbury</u> – in addition to the above action Canterbury will introduce photo ID for contractors and temporary staff by September 2013.</p> |

**SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED – APPENDIX 2**

| <b>Service</b>                    | <b>Reported to Committee</b> | <b>Level of Assurance</b> | <b>Management Action</b>  | <b>Follow-up Action Due</b> |
|-----------------------------------|------------------------------|---------------------------|---|-----------------------------|
| Data Protection Act Compliance    | December 2012                | Reasonable/Limited        | On-going management action in progress to remedy the weaknesses identified. | Work-in-Progress            |
| Dog Warden and Litter Enforcement | March 2013                   | Reasonable/Limited        | On-going management action in progress to remedy the weaknesses identified. | Work-in-Progress            |
| EK Services – Software Licences   | June 2013                    | Limited                   | On-going management action in progress to remedy the weaknesses identified. | Work-in-Progress            |
| Absence Management                | June 2013                    | Limited                   | On-going management action in progress to remedy the weaknesses identified. | Work-in-Progress            |

**PROGRESS TO DATE AGAINST THE AGREED 2013-14 AUDIT PLAN – APPENDIX 3**

**THANET DISTRICT COUNCIL:**

| Area   | Original<br>Planned<br>Days | Revised<br>Budgeted<br>Days | Actual<br>days to<br>30-06-2013 | Status and Assurance<br>Level   |
|--|-----------------------------|-----------------------------|---------------------------------|---|
| <b>FINANCIAL SYSTEMS:</b>                                    |                             |                             |                                 |   |
| Main Accounting System                                       | 10                          | 10                          | 0                               | Quarter 3   |
| Budget Monitoring  | 10                          | 10                          | 0                               | Quarter 3   |
| Income   | 10                          | 10                          | 0                               | Quarter 3 if new income system implemented or replace with a Project Mngmt. audit |
| <b>RESIDUAL HOUSING SERVICES:</b>                            |                             |                             |                                 |   |
| Homelessness   | 10                          | 10                          | 0                               | Quarter 3   |
| <b>GOVERNANCE RELATED:</b>                                   |                             |                             |                                 |   |
| Asset Management   | 10                          | 10                          | 0                               | Quarter 4   |
| Members' Code of Conduct & Standards Arrangements            | 10                          | 10                          | 10.65                           | Finalised - Reasonable  |
| Officers Code of Conduct and Whistle blowing Arrangements    | 10                          | 10                          | 2.87                            | Work-in-Progress  |
| Local Code of Corporate Governance                           | 7                           | 7                           | 0.17                            | Work-in-Progress  |
| Performance Management                                       | 10                          | 10                          | 0                               | Work-in-Progress  |
| Corporate Advice/SMT   | 2                           | 2                           | 0.37                            | Work-in-progress throughout 2013-14   |
| s.151 Officer Meetings and Support                           | 9                           | 9                           | 2.11                            | Work-in-progress throughout 2013-14   |
| Governance & Audit Committee Meetings and Report Preparation | 12                          | 12                          | 3.41                            | Work-in-progress throughout 2013-14   |
| 2014-15 Audit Plan and Preparation Meetings                  | 9                           | 9                           | 0                               | Quarter 4   |
| <b>CONTRACT RELATED:</b>                                     |                             |                             |                                 |   |
| Service Contract Monitoring and Management                   | 10                          | 10                          | 0.17                            | Work-in-Progress  |
| Procurement Strategy   | 10                          | 10                          | 0                               | Quarter 4   |
| <b>SERVICE LEVEL:</b>  |                             |                             |                                 |   |
| Cemeteries and Crematoria                                    | 10                          | 10                          | 0.21                            | Work-in-Progress  |
| HMO Licensing and Selective Licensing Scheme                 | 10                          | 10                          | 0                               | Quarter 4   |
| Coast Protection   | 8                           | 8                           | 0.17                            | Quarter 3   |



| Area  | Original Planned Days | Revised Budgeted Days | Actual days to 30-06-2013 | Status and Assurance Level               |
|---|-----------------------|-----------------------|---------------------------|--|
| Environmental Health – Food Safety                            | 10                    | 10                    | 0                         | Quarter 4                                |
| Environmental Health – Public Health Burials                  | 6                     | 6                     | 2.81                      | Work-in-Progress                         |
| Environmental Protection Service Requests                     | 10                    | 10                    | 8.03                      | Finalised - Reasonable                   |
| Equality & Diversity  | 10                    | 10                    | 0                         | Quarter 4                                |
| Disabled Facilities Grants                                    | 10                    | 10                    | 0.17                      | Work-in-Progress                         |
| Maritime – Ramsgate Marina                                    | 10                    | 10                    | 0                         | Work-in-Progress                         |
| Members' Allowances   | 10                    | 10                    | 6.36                      | Finalised – Substantial                  |
| Planning & Building Control                                   | 20                    | 20                    | 0.17                      | Work-in-Progress                         |
| Travel Warrants and Imprest Floats                            | 5                     | 5                     | 4.85                      | Finalised – Substantial                  |
| Phones, Mobiles and Utilities                                 | 7                     | 7                     | 4.85                      | Finalised – Substantial                  |
| <b>OTHER :</b>  |                       |                       |                           |  |
| Liaison With External Auditors                                | 3                     | 3                     | 0                         | Work-in-progress throughout 2013-14      |
| Follow-up Reviews   | 17                    | 16                    | 11.5                      | Work-in-progress throughout 2013-14      |
| <b>UNPLANNED WORK:</b>  |                       |                       |                           |  |
| Election Duty – 1 Presiding Officer at KCC May Elections      | 0                     | 1                     | 1                         | Finalised                                |
| Broadstairs Visitor Information Kiosk –Financial Arrangements | 0                     | 0                     | 0.03                      | Finalised                                |
| <b>FINALISATION OF 2012-13 AUDITS:</b>                        |                       |                       |                           |  |
| Days under delivered in 2012-13                               | 0                     | 0                     | -9.01                     | Completed                                |
| Housing Allocations   |                       |                       | 6.87                      | Finalised - Reasonable                   |
| Child Protection and CRB Checks                               | 5                     | 5                     | 1.86                      |  |
| Recruitment & Induction                                       |                       |                       | 1.75                      | Finalised - Reasonable                   |
| <b>EK HUMAN RESOURCES:</b>                                    |                       |                       |                           |  |
| Payroll, SMP and SSP  | 5                     | 5                     | 0                         | Quarter 3                                |
| Employee Benefits-in-Kind                                     | 5                     | 5                     | 0                         | Quarter 4                                |
| <b>TOTAL - THANET DISTRICT COUNCIL RESIDUAL DAYS</b>          | <b>300</b>            | <b>300</b>            | <b>61.37</b>              | <b>20.46 % Complete as at 30-06-2013</b> |
| <b>UNPLANNED ADDITIONAL WORK</b>                              |                       |                       |                           |  |
| Interreg Grant – Maritime (Yacht Valley)                      | 4                     | 4                     | 0.3                       | Work-in-progress throughout 2013-14      |
| Interreg Grant – LOPINOD                                      | 4                     | 4                     | 0                         | Work-in-progress throughout 2013-14      |

| Area                   | Original Planned Days | Revised Budgeted Days | Actual days to 30-06-2013 | Status and Assurance Level |
|------------------------|-----------------------|-----------------------|---------------------------|----------------------------|
| English Heritage Grant | 2                     | 2                     | 2.4                       | Finalised                  |

**EAST KENT HOUSING LIMITED:**

| Review   | Original Planned Days | Revised Planned Days | Actual days to 30-06-13 | Status and Assurance Level               |
|--|-----------------------|----------------------|-------------------------|--|
| <b>Planned Work:</b>                             |                       |                      |                         |  |
| Audit Ctte/EA Liaison/Follow-up                  | 8                     | 8                    | 2.47                    | Work-in-Progress throughout 2013-14      |
| Rents Accounting, Collection and Debt Management | 12                    | 0                    | 0                       | Postpone until 2013-14                   |
| Leasehold Services                               | 40                    | 36                   | 0                       | Quarter 3                                |
| Sheltered Housing                                | 20                    | 20                   | 0.27                    | Quarter 4                                |
| <b>Finalisation of 2012-13 Audits:</b>           |                       |                      |                         |  |
| Housing Repairs and Maintenance                  | 9                     | 25                   | 19.04                   | Work-in-Progress                         |
| Days over delivered in 2012-13                   | 0                     | 0                    | 6.65                    | Finalised                                |
| <b>Responsive Work:</b>                          |                       |                      |                         |  |
| None in Quarter 1                                |                       |                      |                         |  |
| <b>Total</b>                                     | <b>89</b>             | <b>89</b>            | <b>28.43</b>            | <b>31.94 % Complete as at 30-06-2013</b> |

**EK SERVICES:**

| Review                                       | Original Planned Days | Revised Planned Days | Actual days to 30-06-13 | Status and Assurance Level |
|--|-----------------------|----------------------|-------------------------|----------------------------|
| <b>Planned Work:</b>                         |                       |                      |                         |                            |
| Housing Benefits – Overpayments              | 15                    | 15                   | 0                       | Quarter 4                  |
| Housing Benefits – Fraud Investigations Unit | 15                    | 15                   | 0                       | Quarter 4                  |
| Council Tax Reduction Scheme                 | 0                     | 15                   | 0.10                    | Quarter 3                  |
| Housing Benefits – Quarterly                 | 40                    | 40                   | 4.93                    |                            |

| <b>Review</b>                              | <b>Original Planned Days</b> | <b>Revised Planned Days</b> | <b>Actual days to 30-06-13</b> | <b>Status and Assurance Level</b>       |
|--|------------------------------|-----------------------------|--------------------------------|---|
| Testing                                    |                              |                             |                                |   |
| Business Rates                             | 30                           | 30                          | 0.57                           | Quarter 2                               |
| Debtors and Re-chargeable works            | 15                           | 15                          | 0                              | Quarter 4                               |
| ICT – Change Controls                      | 15                           | 15                          | 0                              | Quarter 3                               |
| ICT – Procurement and Disposal             | 15                           | 15                          | 0.17                           | Quarter 2                               |
| ICT – PC Controls and Application Controls | 15                           | 15                          | 0                              | Ongoing                                 |
| Corporate/Committee                        | 0                            | 5                           | 0.98                           | Ongoing                                 |
| Follow-up                                  | 0                            | 2                           | 1.3                            | Ongoing                                 |
| New Homes Bonus                            | 0                            | 0                           | 0.34                           | Ongoing                                 |
| Days under delivered in 2012-13            | 0                            | 6                           | 12.26                          |   |
| <b>Total</b>                               | <b>160</b>                   | <b>188</b>                  | <b>20.65</b>                   | <b>10.98% Complete as at 30-06-2013</b> |

**BALANCED SCORECARD – QUARTER 1**

| <u>INTERNAL PROCESSES PERSPECTIVE:</u>                            | <u>2013-14 Actual</u> | <u>Target</u> | <u>FINANCIAL PERSPECTIVE:</u>          | <u>2013-14 Actual</u> | <u>Target</u> |
|---|-----------------------|---------------|--|-----------------------|---------------|
|   | <b>Quarter 1</b>      |               |  |                       |               |
| Chargeable as % of available days                                 | 82%                   | 80%           | Cost per Audit Day (Reported Annually) |                       | £319.56       |
| Chargeable days as % of planned days                              |                       |               |  |                       |               |
| CCC   | 30.57%                | 25%           |  |                       |               |
| DDC   | 18.95%                | 25%           |  |                       |               |
| SDC   | 19.17%                | 25%           |  |                       |               |
| TDC   | 20.46%                | 25%           |  |                       |               |
| EKS   | 10.98%                | 25%           |  |                       |               |
| EKH   | 31.94%                | 25%           |  |                       |               |
| Overall   | 22.83%                | 25%           |  |                       |               |
| Follow up/ Progress Reviews;                                      |                       |               |  |                       |               |
| • Issued  | 18                    | -             |  |                       |               |
| • Not yet due   | 34                    | -             |  |                       |               |
| • Now due for Follow Up   | 21                    | -             |  |                       |               |
| Percentage compliance with the CIPFA Code for Internal Audit 2006 | 97%                   | 97%           |  |                       |               |

**BALANCED SCORECARD – QUARTER 1**

| <u>CUSTOMER PERSPECTIVE:</u>  | <u>2013-14 Actual</u> | <u>Target</u> | <u>INNOVATION &amp; LEARNING PERSPECTIVE:</u>                          | <u>2013-14 Actual</u> | <u>Target</u> |
|---|-----------------------|---------------|--|-----------------------|---------------|
|   | Quarter 1             |               |  | Quarter 1             |               |
| Number of Satisfaction Questionnaires Issued;   | 28                    |               | Percentage of staff qualified to relevant technician level             | 75%                   | 75%           |
| Number of completed questionnaires received back;   | 10<br>=36%            |               | Percentage of staff holding a relevant higher level qualification      | 33%                   | 32%           |
| Percentage of Customers who felt that;  |                       |               | Percentage of staff studying for a relevant professional qualification | 13%                   | 13%           |
| <ul style="list-style-type: none"> <li>• Interviews were conducted in a professional manner</li> <li>• The audit report was 'Good' or better</li> <li>• That the audit was worthwhile.</li> </ul> | 100%                  | 100%          | Number of days technical training per FTE                              | 0.52                  | 3.5           |
|   | 100%                  | 100%          | Percentage of staff meeting formal CPD requirements                    | 33%                   | 32%           |



**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.

**AUDIT FINDINGS REPORT AND FINANCIAL RESILIENCE REPORT**

To: **Governance and Audit Committee – 25 September 2013**

Main Portfolio Area: **Finance and Corporate Services**

By: **Director, Grant Thornton**

Classification: **Unrestricted**

**Summary:** **To provide Governance and Audit Committee with the audit findings report and financial resilience report which summarise the findings from the 2012/13 audit.**

**For Information**

**1.0 Introduction**

1.1 Under the Audit Commission's Code of Audit Practice, external auditor are required to report whether the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. External audit are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

**2.0 The Current Situation**

2.1 The audit findings report (annex 1) highlights the key matters arising from the audit of Thanet District Council's financial statements for the year ended 31 March 2013. It is also used to report the audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA)

2.2 The financial resilience report (annex 3) highlights the key findings from the specific review of the Council's arrangements in securing financial resilience, completed to support the Value for Money (VfM) conclusion.

**3.0 Recommendation(s)**

**3.1 That Members note the content of these reports.**

**3.2 That Members approve the letter of management representation.**

|                  |   |
|------------------|---|
| Contact Officer: | Andy Mack, Director, Grant Thornton                     |
| Reporting to:    | Sarah Martin - Financial Services Manager & Deputy S151 |

***Annex List***

|         |  |
|---------|--|
| Annex 1 | Grant Thornton Audit Findings Report       |
| Annex 2 | Management Letter of Representation        |
| Annex 3 | Grant Thornton Financial Resilience Report |

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# The Audit Findings for Thanet District Council

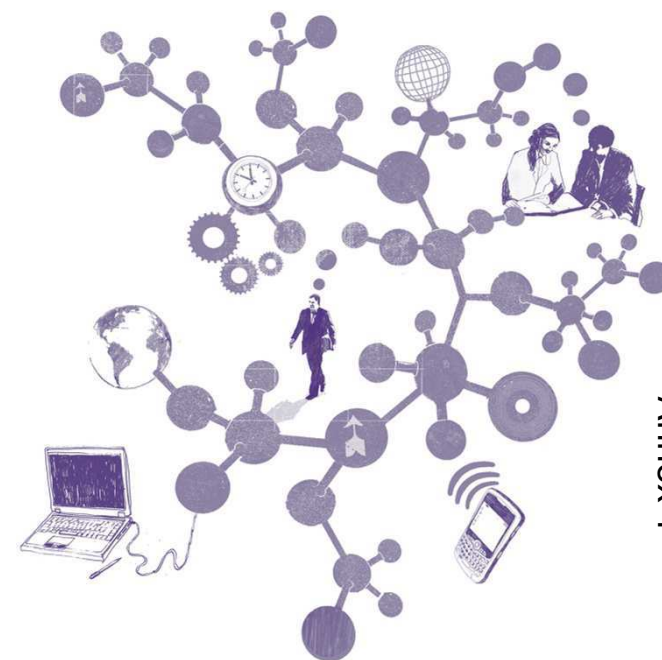
**Year ended 31 March 2013**

9 September 2013

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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## Section 1: Executive summary

**01. Executive summary**

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

# Executive summary

## Purpose of this report

This report highlights the key matters arising from our audit of Thanet District Council's ('the Council') financial statements for the year ended 31 March 2013. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

## Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 25 March 2013

Our audit is substantially complete although we are finalising our work in the following areas:

- completion of outstanding testing including on housing benefits, payroll and income
- review of the final version of the financial statements

- obtaining and reviewing the final management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

## Key issues arising from our audit

### Financial statements opinion

We are pleased to report that the Council has strengthened its closedown process this year and the accounts and working papers were of a higher standard than in 2012/13. We anticipate providing an unqualified opinion on the financial statements. We also note that:

- the accounts were prepared to a high standard and were supported by good working papers.
- there were no amendments arising from the audit which impacted on the Council's reported financial performance
- we identified a number of adjustments and disclosure amendments during the audit which management have agreed to correct.

Further details are set out in section 2 of this report.

### **Value for money conclusion**

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VFM conclusion.

Further detail of our work on Value for Money is set out in section 3 of this report.

### **Whole of Government Accounts (WGA)**

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

### **Objection on the accounts**

We received an objection on the accounts in respect of the debt re Transeuropa Ferries from three local electors in August 2013. Our work to consider this objection is in progress. We will report back on our findings to the next Governance and Audit Committee. We are satisfied that the issue does not impact on our opinion on the accounts or value for money conclusion. However we have held open the certificate of closure on the audit pending completion of this work.

### **Controls**

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section 2 of this report.

### **The way forward**

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Chief Executive and Financial Services Manager.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Chief Executive and Financial Services Manager.

### **Acknowledgment**

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

**Grant Thornton UK LLP**  
**September 2013**

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## Section 2: *Audit findings*

01. Executive summary

**02. Audit findings**

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

# Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Governance and Audit Committee on 25 March 2013. We also set out the adjustments to the financial statements from our audit work and our findings in respect of internal controls.

In the audit plan, we identified that stretched capacity within the finance department was a risk to the quality of accounts preparation. Whilst staff capacity remains tight, the finance team developed a clear action plan to improve year end closedown and this resulted in a tangible improvement in the quality of the statements. The draft statements provided for audit were comprehensive and a lower level of audit adjustments were identified than in previous years. Working papers provided for audit were of a consistently high quality.

## **Changes to Audit Plan**

We have not made any changes to our Audit Plan as previously communicated to you on 25 March 2013.

## **Audit opinion**

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion is set out in Appendix B.



## Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

|    | Risks identified in our audit plan   | Work completed   | Assurance gained and issues arising  |
|----|--|--|--|
| 1. | <p><b>Improper revenue recognition</b></p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p> | <ul style="list-style-type: none"> <li>• review and testing of revenue recognition policies</li> <li>• testing of material revenue streams</li> <li>• review of unusual significant transactions</li> </ul>                  | <p>Our audit work has not identified any issues in respect of revenue recognition.</p>   |
| 2. | <p><b>Management override of controls</b></p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>                    | <ul style="list-style-type: none"> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• testing of journals entries</li> <li>• review of unusual significant transactions</li> </ul> | <p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p> |




## Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

| Transaction cycle                      | Description of risk   | Work completed  | Assurance gained & issues arising   |
|--|---|---|---|
| <b>Operating expenses</b>              | Operating expenses understated<br>Creditors understated or not recorded in the correct period | We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess the whether those controls are designed effectively</li> <li>tested payments for completeness, classification and occurrence</li> </ul>  | Our audit work has not identified any significant issues in relation to the risks identified. |
| <b>Employee remuneration</b>           | Remuneration expenses not correct   | We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess whether those controls are designed effectively</li> <li>tested salary payments to ensure they were made to bona fide employees.</li> </ul>  | Our audit work has not identified any significant issues in relation to the risk identified.  |
| <b>Welfare expenditure</b>             | Welfare benefits improperly computed  | We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess whether those controls are designed effectively</li> <li>tested individual housing benefit cases to ensure that they are correct (this work is in progress)</li> </ul>   | Our audit work has not identified any significant issues in relation to the risk identified.  |
| <b>Housing rent</b>                    | Revenue transactions not recorded.  | We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess whether those controls are designed effectively</li> <li>tested individual rent transactions to ensure correctly included.</li> </ul>  | Our audit work has not identified any significant issues in relation to the risk identified.  |
| <b>Property, plant &amp; equipment</b> | PPE activity not valid<br>Revaluation measurement not correct                                 | We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess whether those controls are designed effectively</li> <li>reviewed the work of the valuer</li> <li>tested a sample of additions, disposals and revaluations to ensure correct</li> <li>tested a sample of assets for existence and ownership</li> </ul> | Our audit work has not identified any significant issues in relation to the risks identified. |

# Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

| Accounting area                  | Summary of policy   | Comments   | Assessment   |
|----------------------------------|---|--|--|
| <b>Revenue recognition</b>       | <p>The accounts, other than cash flow information, have been prepared on an accruals basis. This means that sums due to or from the Council in respect of the year of account are included whether or not the cash has actually been received or paid in the year. Exceptions to this principle are public utility accounts which are charged according to the date of the meter reading and some recurring sundry debtor accounts for which the due dates do not coincide with normal quarter dates. This policy is applied consistently each year and does not have a material effect on the year's accounts.</p> <p>Government grants and other contributions are accounted for on an accruals basis and recognised in the accounts when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.</p> | The accounting policy is adequately disclosed in line with the requirements of the Code.   | <br>Green   |
| <b>Judgements and estimates</b>  | <p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> <li>• useful life of capital equipment</li> <li>• Revaluations / impairments</li> <li>• Provisions</li> <li>• Pensions liability</li> <li>• Recoverability of debtors</li> </ul>  | Estimates are calculated based on the best available information. The level of judgement required is considered to be low as accruals are generally supported by sufficient supporting records or use of expert (i.e. valuations and actuary). | <br>Green   |
| <b>Other accounting policies</b> | We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards..   | Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.   | <br>Green |

## Assessment

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

## Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

### Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the key statements and the reported financial position.

| Detail   | Comprehensive<br>Income and<br>Expenditure<br>Account<br>£'000 | Balance Sheet<br>£'000  | Impact on total<br>net expenditure<br>£'000 |
|--|--|---|---|
| <p><b>1 Grants Received in Advance: (Balance Sheet &amp; Note 33)</b><br/>                     A short term grant of £3,070k was incorrectly included as long term. This has been corrected as follows:</p> <ul style="list-style-type: none"> <li>current liabilities from £1,177k to £4,182k</li> <li>long term liability from £5,445k to £2,440k</li> </ul>   | -  | +£3,005 (current liabilities)<br>- £3,005 (long term liabilities) | -   |
| <p><b>2 Debtors and Creditors (Balance Sheet, Note 18 &amp; 21)</b><br/>                     On review of the working paper, we identified that both short term debtors and creditors had been incorrectly overstated by £614k This has been corrected as follows:</p> <ul style="list-style-type: none"> <li>short term debtors from £16,769k to £16,155k</li> <li>short term creditors from £10,518k to £9,904k</li> </ul> | -  | -£614 (short term debtors)<br>-£614 (short term creditors)        | -   |
| <b>Overall impact</b>  | <b>£0</b>  | <b>£0</b>   | <b>£0</b>                                   |

## Misclassifications & disclosure changes

A number of presentational and cross referencing were identified by the Council before the start of the audit and these have been corrected in the updated statements. The number of these items has significantly reduced from previous years. The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

| Adjustment type | Value £'000 | Account balance                   | Impact on the financial statements   |
|-----------------|-------------|-----------------------------------|--|
| 1 Disclosure    | n/a         | Explanatory Foreword              | We agreed some changes to the disclosure notes during the course of the audit. These included amendments in respect of: Explanatory Foreword; Accounting Policies; and Related Party Transactions to improve the clarity of the disclosures.   |
| 2 Disclosure    | n/a         | Annual Governance Statement (AGS) | Our review identified the following omissions from the draft Annual Governance Statement (AGS): <ul style="list-style-type: none"> <li>• details of how the Council ensured that the performance statements and other financial information produced during the year was reliable and accurate; and</li> <li>• an action plan for the significant deficiencies included within the report.</li> </ul> The AGS has been updated to reflect these. |

## Unadjusted misstatements

The table below provides details of adjustments identified during the audit but which have not been made within the final set of financial statements. The Governance and Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:


| Detail   | Comprehensive<br>Income and<br>Expenditure Account<br>£'000 | Balance Sheet<br>£'000 | Reason for not adjusting  |
|--|---|------------------------|---|
| 1 Note 39 – Defined Benefit Pension Schemes:<br>The CIPFA code requires the disclosure of the Expected Rate of Return for each of the different asset classes used by the Fund. The actuarial assumptions provided within the actuary report, and note 39, only includes the total Expected Rate of Return of £5,718k. | Disclosure only   | -                      | The relevant information has not been provided by the actuary. The total expected rate of return is disclosed and detailed split will no longer be required by the CIPFA code from 2013/14. We do not consider this has any impact on the reader of the accounts. |
| <b>Overall impact</b>  | <b>£0</b>   | <b>£0</b>              |   |

# Internal controls



The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

These and other recommendations, together with management responses, are included in the action plan attached at appendix A.

|    | Assessment  | Issue and risk  | Recommendations   |
|----|---|---|---|
| 1. |  | <p><b>Journals</b></p> <p>Our testing of journals identified that the majority of journals have been posted and approved by the same members of staff. We also noted that one member of staff had more than one account that was used to post journals during the year which could potentially lead to weaknesses in self authorisation.</p> <p>Although an exception report is reviewed by the Financial Services Manager, this process could be strengthened going forward.</p> | <p>The journals process should be revisited to ensure authorisation arrangements are appropriate, in line with levels of risk and resource.</p> |

## Assessment

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

## Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

|    | Issue  | Commentary   |
|----|--|--|
| 1. | <b>Matters in relation to fraud</b>                | We have previously discussed the risk of fraud with the Governance and Audit Committee and been made aware of a number of housing benefit frauds. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.   |
| 2. | <b>Matters in relation to laws and regulations</b> | We are not aware of any significant incidences of non-compliance with relevant laws and regulations.   |
| 3. | <b>Written representations</b>                     | A standard letter of representation has been requested from the Council.   |
| 4. | <b>Disclosures</b>                                 | Our review found no material omissions in the financial statements   |
| 5. | <b>Matters in relation to related parties</b>      | We are not aware of any related party transactions which have not been disclosed. However, we did note at the time of audit that three member declarations remained outstanding. The Council has assessed the potential related parties with the best information available for these individuals. All declarations should be provided in line with the Council's timetable to ensure the accounts preparation can be completed based on the full and correct information. |
| 6. | <b>Going concern</b>                               | Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.   |



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## Section 3: Value for Money

01. Executive summary

02. Audit findings

**03. Value for Money**

04. Fees, non audit services and independence

05. Communication of audit matters

# Value for Money

## Value for Money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

- **The Council has proper arrangements in place for securing financial resilience.** The Council 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.
- **The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

## Key findings

### Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the following three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control

Overall our work highlighted that the Council has sound processes in place for financial governance, planning and control.

The Council has faced significant financial challenges in year including the need to manage the constraints of public sector austerity, as well as to provide specifically for the Transeuropa debt of £3.3m. The Council has imposed a moratorium on spend and has reviewed and reallocated money from other earmarked reserves, where appropriate.

The Council has maintained an overall level of reserves which is consistent with its Medium Term Financial Strategy, and this reflects good management of finances over a number of years, as well as a willingness to take difficult decisions. However, balances and reserves are slightly lower than the comparison neighbour group average.

A separate financial resilience report has been issued to the Council.

### Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and found this to be satisfactory.

## Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission. Following completion of our work we noted the following residual risks to our VfM conclusion:

| Residual Risk identified  | Assurances obtained  | Conclusion on residual risk   |
|---|--|---|
| <p><b>Financial Resilience</b><br/>                     Since the Chancellor's Autumn statement in 2010, central government funding has been reducing year on year. This poses an increasingly significant challenge to the authority in balancing its budget in future years.</p>    | <p>We have reviewed the Council's arrangements for securing financial resilience in 2012/13.</p> | <p>A separate financial resilience report setting out the detailed findings of the review will be reported to the Audit and Risk Committee in September 2013.</p> <p>Our overall summary against the four arrangements areas we assessed is:</p> <ul style="list-style-type: none"> <li>• Key indicators of performance – Amber</li> <li>• Strategic financial planning – Amber</li> <li>• Financial Governance – Green</li> <li>• Financial Control – Green</li> </ul> <p>The review includes an action plan with the following recommendations to further strengthen the Council's position:</p> <ul style="list-style-type: none"> <li>• Borrowing levels should continue to be monitored carefully to ensure continued affordability.</li> <li>• The Council should continue to implement its service review programme to identify areas of transformational change required to address increasing financial pressures, and particularly the £11m budget gap to 2017/18.</li> <li>• The Council should revisit whether this dual role remains appropriate, given the strategic demands upon the Chief Executives</li> <li>• The Council should improve awareness of key unit costs to aid decision making.</li> <li>• The Council should continue to monitor the capacity of its finance team in ensuring appropriate levels to deliver finance control.</li> </ul> |
| <p><b>Shared service arrangements</b><br/>                     The Council has committed to a number of shared service arrangements with neighbouring authorities in recent years. These include East Kent Housing, East Kent Services and Kent County Council payroll services .</p> | <p>We have reviewed the Council's arrangements in terms of monitoring partnerships</p>           | <p>The Council has in place arrangements to monitor its partnerships. It has a clear understanding of the arrangements in place, clear savings targets and monitoring arrangements. Shared service savings exceeded budget at £400k in 2011/12 with a further £359k in 2012/13.</p>   |

| Residual Risk identified  | Assurances obtained  | Conclusion on residual risk   |
|---|--|---|
| <p><b>Local government reforms</b><br/>The Local Government Finance Act 2012 introduced amendments to council tax support arrangements and business rate retention. These changes increase the council's exposure to finance risks and could have a significant impact on the authority's funding</p> | <p>We have reviewed the Council's arrangements for introducing council tax support and business rate retention for 2013/14 onwards</p> | <p>The Council has made appropriate arrangements to introduce the council tax support and business rate retention schemes. The Council has recognised the risk of uncertainty over reforms, particularly business rates, as a risk. These risks have been incorporated into required savings within the Medium Term Financial Strategy.</p>   |
| <p><b>Large-scale developments</b><br/>The Council faces a number of ongoing and complex cases and projects such as the Dreamland CPO Pleasurama development and Animal Exports dispute.</p>  | <p>We have monitored progress in these areas and considered any implications for accounting treatment in 2012/13.</p>                  | <p>The Council continues to be involved in a number of major projects. We are satisfied that appropriate accounting treatments have been adopted for material items. There are no matters arising which impact on our value for money conclusion.</p>   |
| <p><b>Members' conduct</b><br/>In light of the recent negative press activity surrounding the conviction of the ex-leader and disputes amongst existing members, the Council is currently trying to address the reputational impact.</p>  | <p>We have considered issues raised during the audit.</p>  | <p>From our discussions with the Council's Chief Executive and Monitoring Officer we understand that building the Council's reputation and reducing the instance of negative publicity remains a priority. This has also been recognised by the Standards Committee.</p> <p>There are no matters arising during the year which have impacted on our value for money conclusion for 2012/13.</p> |

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## Section 4: Fees, non audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

**04. Fees, non audit services and independence**

05. Communication of audit matters

## Fees, non audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

### Fees

|                            | Per Audit plan<br>£ | Actual fees<br>£ |
|----------------------------|---------------------|------------------|
| Council audit              | 87,495              | 87,495           |
| Objection on the accounts* | 0                   | TBC *            |
| Grant certification**      | 22,800              | 22,800           |
| <b>Total audit fees</b>    | <b>110,295</b>      | <b>110,295</b>   |

\*\* Our review of the objection on the accounts raised by local electors issues is on-going. We estimate the final fee will be between £5,000 and £10,000. We will report the outcome to the next Governance and Audit meeting.

\*\* Our certification work is in progress. The final fee will be reported to the Governance and Audit Committee later in the year in our annual certification report.

### Fees for other services

| Service | Fees £ |
|---------|--------|
| None    | Nil    |

### Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

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## Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

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04. Fees, non audit services and independence

05. Communication of audit matters

# Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

|  | Audit Plan | Audit Findings |
|--|------------|----------------|
| <b>Our communication plan</b>  |            |                |
| Respective responsibilities of auditor and management/those charged with governance  | ✓          |                |
| Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications   | ✓          |                |
| Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought  |            | ✓              |
| Confirmation of independence and objectivity   | ✓          | ✓              |
| A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.<br>Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged<br>Details of safeguards applied to threats to independence | ✓          | ✓              |
| Material weaknesses in internal control identified during the audit  |            | ✓              |
| Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements   |            | ✓              |
| Compliance with laws and regulations   |            | ✓              |
| Expected auditor's report  |            | ✓              |
| Uncorrected misstatements  |            | ✓              |
| Significant matters arising in connection with related parties   |            | ✓              |
| Significant matters in relation to going concern   |            | ✓              |



# Appendices

# Appendix A: Action plan

## Priority

**High** - Significant effect on control system

**Medium** - Effect on control system

**Low** - Best practice

| Rec No.    | Recommendation   | Priority | Management response   | Implementation date & responsibility                |
|------------|--|----------|---|---|
| 1<br>(p15) | The journals process should be revisited to ensure authorisation arrangements are appropriate, in line with levels of risk and resource.                                       | Low      | Agree to review the policy for journal input once the section is fully staffed, to reconsider the level of risk/resource. However, Financial Services Manager does sign off all journals over £25k on a monthly basis and considers the current process to provide the an appropriate level of control. | Sarah Martin, Financial Services Manager<br>2013/14 |
| 2<br>(p16) | All member declarations should be provided in line with the Council's timetable to ensure the accounts preparation can be completed based on the full and correct information. | Medium   | Agreed  | Members<br>2013/14                                  |

# Appendix B: Audit opinion

**We anticipate we will provide the Council with an unmodified audit report**

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THANET DISTRICT COUNCIL

### Opinion on the Authority financial statements

We have audited the financial statements of Thanet District Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Chief Executive and s151 officer and auditor

As explained more fully in the Statement of Chief Executive and s151 officer's Responsibilities, is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices 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 financial statements sufficient to give reasonable assurance that the financial 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 Chief Executive and s151 officer and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Thanet District Council as at 31 March 2013 and of its expenditure and income 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 2012/13.

### Opinion on other matters

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

### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

#### *Respective responsibilities of the Authority and the auditor*

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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

***Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources***

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, 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 us to consider under the Code of Audit Practice in satisfying ourselves 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 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we 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 our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are 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 ended 31 March 2013.

***Delay in certification of completion of the audit***

We cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters brought to our attention by local authority electors. We are satisfied that these matters do not have a material effect on the financial statements or a significant impact on our value for money conclusion.

Andy Mack  
Director  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton House  
Melton Street  
Euston Square  
LONDON  
NW1 2EP

Date:  
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## Appendix C: Overview of audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work.

### Changes to Audit Plan

We have not had to change our Audit Plan as previously communicated to you on 25 March 2013.

| Account  | Transaction cycle             | Material misstatement risk? | Description of risk                       | Change to the audit plan | Audit findings |
|--|-------------------------------|-----------------------------|---|--------------------------|----------------|
| Cost of services - operating expenses              | Operating expenses            | Other                       | Operating expenses understated            | No                       | None           |
| Cost of services – employee remuneration           | Employee remuneration         | Other                       | Remuneration expenses not correct         | No                       | None           |
| Costs of services – Housing & council tax benefit  | Welfare expenditure           | Other                       | Welfare benefits improperly computed      | No                       | None           |
| Cost of services – Housing revenue                 | HRA                           | Other                       | Housing revenue transactions not recorded | No                       | None           |
| Cost of services – other revenues (fees & charges) | Other revenues                | None                        |   | No                       | None           |
| (Gains)/ Loss on disposal of non current assets    | Property, Plant and Equipment | None                        |   | No                       | None           |
| Payments to Housing Capital Receipts Pool          | Property, Plant & Equipment   | None                        |   | No                       | None           |
| Precepts and Levies                                | Council Tax                   | None                        |   | No                       | None           |

Audit findings

| Account  | Transaction cycle           | Material misstatement risk? | Description of risk | Change to the audit plan | Audit findings   |
|--|-----------------------------|-----------------------------|---------------------|--------------------------|--|
| Interest payable and similar charges   | Borrowings                  | None                        |                     | No                       | None   |
| Pension Interest cost  | Employee remuneration       | None                        |                     | No                       | None   |
| Interest & investment income   | Investments                 | None                        |                     | No                       | None   |
| Return on Pension assets   | Employee remuneration       | None                        |                     | No                       | Yes – minor disclosure issue re note 39 (p14)                        |
| Impairment of investments  | Investments                 | None                        |                     | No                       | None   |
| Investment properties: Income expenditure, valuation, changes & gain on disposal | Property, Plant & Equipment | None                        |                     | No                       | None   |
| Income from council tax  | Council Tax                 | None                        |                     | No                       | None   |
| NNDR Distribution  | NNDR                        | None                        |                     | No                       | None   |
| Revenue Support Grants and other Government Grants                               | Grant Income <sup>9</sup>   | None                        |                     | No                       | None   |
| Capital grants & Contributions (including those received in advance)             | Property, Plant & Equipment | None                        |                     | No                       | Yes – analysis between short and long term (p12). No overall impact. |

Audit findings

| Account  | Transaction cycle           | Material misstatement risk? | Description of risk  | Change to the audit plan | Audit findings   |
|--|-----------------------------|-----------------------------|--|--------------------------|--|
| (Surplus)/ Deficit on revaluation of non current assets        | Property, Plant & Equipment | None                        |  | No                       | None   |
| Actuarial (gains)/ Losses on pension fund assets & liabilities | Employee remuneration       | None                        |  | No                       | None   |
| Other comprehensive (gains)/ Losses                            | Revenue/ Operating expenses | None                        |  | No                       | None   |
| Property, Plant & Equipment                                    | Property, Plant & Equipment | Other                       | PPE activity not valid<br>Revaluation measurements not correct | No                       | None   |
| Heritage assets & Investment property                          | Property, Plant & Equipment | None                        |  | No                       | None   |
| Intangible assets  | Intangible assets           | None                        |  | No                       | None   |
| Investments (long & short term)                                | Investments                 | None                        |  | No                       | None   |
| Debtors (long & short term)                                    | Revenue                     | None                        |  | No                       | Yes – debtors overstated by £614k. No overall impact (p12) |
| Assets held for sale   | Property, Plant & Equipment | None                        |  | No                       | None   |
| Inventories  | Inventories                 | None                        |  | No                       | None   |

## Audit findings

| Account                        | Transaction cycle     | Material misstatement risk? | Description of risk   | Change to the audit plan | Audit findings   |
|--------------------------------|-----------------------|-----------------------------|---|--------------------------|--|
| Cash and cash equivalents      | Bank and Cash         | None                        |   | No                       | None   |
| Borrowing (long & short term)  | Debt                  | None                        |   | No                       | None   |
| Creditors (long & Short term)  | Operating Expenses    | Other                       | Creditors understated or not recorded in the correct period | No                       | Yes – creditors overstated by £614k. No overall impact (p12) |
| Provisions (long & short term) | Provision             | None                        |   | No                       | None   |
| Pension liability              | Employee remuneration | None                        |   | No                       | None   |
| Reserves                       | Equity                | None                        |   | No                       | None   |





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**\*\*\*Prepare on client letterhead\*\*\***

25 September 2013

Dear Sirs

**Thanet District Council**

**Financial Statements for the year ended 31 March 2013**

This representation letter is provided in connection with the audit of the financial statements of Thanet District Council for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

- i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.
- iii We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- iv Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- v We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and

adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.

- vi We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).
- vii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the code.
- viii All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the code requires adjustment or disclosure have been adjusted or disclosed.
- ix We have not adjusted the misstatements brought to our attention in the Audit Findings report, which are considered to be immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- x We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xi We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

### **Information Provided**

- xii We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

- xiii We have communicated to you all deficiencies in internal control of which management is aware.
- xiv All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xv We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xvi We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xvii We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xviii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xix We have disclosed to you the entity of the Council's related parties and all the related party relationships and transactions of which we are aware.

**Annual Governance Statement**

- xx We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS

**Approval**

The approval of this letter of representation was minuted by the Council's Governance and Audit Committee at its meeting on 25 September 2013.

**Signed on behalf of the Board**

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

# Review of the Council's Arrangements for Securing Financial Resilience for Thanet District Council

Year ended 31 March 2013

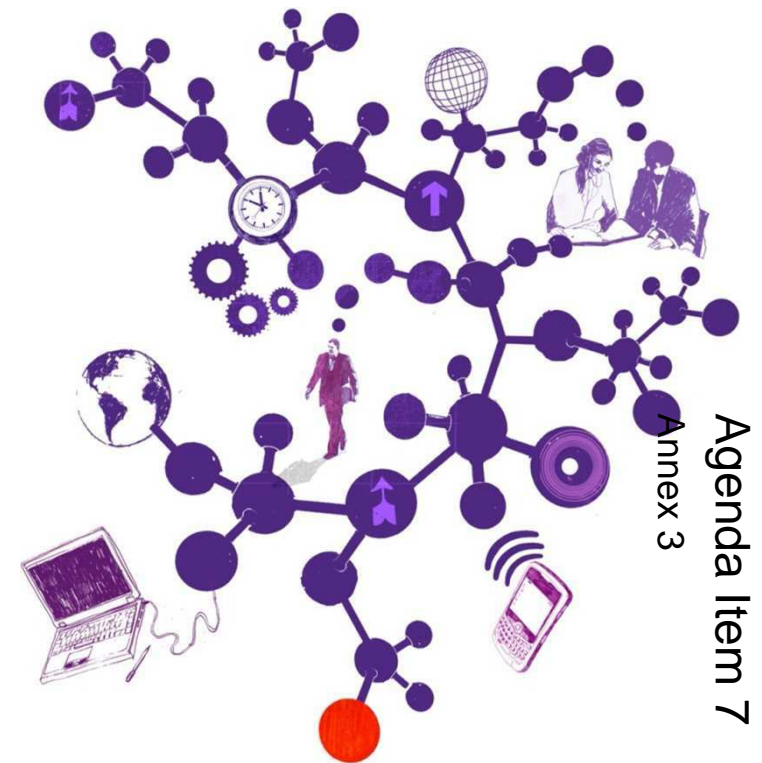
9 September 2013

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Annex 3  
Agenda Item 7

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



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**1 Executive Summary**

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**Appendix - Key indicators of financial performance**

# Executive Summary

## Our approach

### Value for Money Conclusion

Our work supporting our Value for Money (VfM) conclusion, as part of the statutory external audit, includes a review to determine if the Council has proper arrangements in place for securing financial resilience.

In so doing we have considered whether the Council has robust financial systems and processes in place to manage its financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. We have carried out our work in discussion and agreement with officers and completed it in such a way as to minimise disruption to them.

The definition of foreseeable future for the purposes of this financial resilience review is 12 months from the date of this report.

We have reviewed the financial resilience of the Council by looking at:

- Key indicators of financial performance;
- Its approach to strategic financial planning;
- Its approach to financial governance; and
- Its approach to financial control.

Further detail on each of these areas is provided in the sections of the report that follow. Our overall conclusion is that the Council has put sound arrangements in place and adequately approached financial planning, governance and control. The primary scope of our work was the delivery of budgets during 2012/13, the financial planning for 2013/14 and the medium term plan. This report needs to be read in the context that 2012/13 is the second year of the four-year Government spending review period, where some of the potential risks and challenges over the medium term may have yet to materialise.

We have used a red/amber/green (RAG) rating with the following definitions.

|       |   |
|-------|---|
| Green | <b>Arrangements meet or exceed adequate standards.</b> Adequate arrangements identified and key characteristics of good practice appear to be in place.   |
| Amber | <b>Potential risks and/or weaknesses.</b> Adequate arrangements and characteristics are in place in some respects, but not all. Evidence that the Council is taking forward areas where arrangements need to be strengthened. |
| Red   | <b>High risk:</b> The Council's arrangements are generally inadequate or may have a high risk of not succeeding   |

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# Executive Summary

## National and Local Context

### National Context

The Chancellor of the Exchequer announced the current Spending Review (SR10) to Parliament on 20 October 2010. SR10 represented the largest reductions in public spending since the 1920s. Revenue funding to local government was to reduce by 19% by 2014-15 (excluding schools, fire and police). After allowing for inflation, this equates to a 28% reduction in real terms with local government facing some of the largest cuts in the public sector. In addition, local government funding reductions were frontloaded, with 8% cash reductions in 2011-12. This followed a period of sustained growth in local government spending, which increased by 45% during the period 1997 to 2007.

The Chancellor of the Exchequer, in his Autumn Statement in November 2011, announced further public spending reductions of 0.9% in real terms in both 2015-16 and 2016-17. In his Autumn Statement on 5 December 2012, the Chancellor reinforced austerity measures announcing a further £6.6bn of savings during 2013-14 and 2014-15. Whilst health and schools will be continue to be protected in line with the Government's policy set out in SR10, local government will continue to face significant funding reductions. The Department for Communities and Local Government will contribute £470m of these additional savings, £445m of which will come from local authority funding during 2014-15, with local authorities being exempt from additional savings in 2013-14. In his March 2013 Budget the Chancellor announced further departmental 1% savings during each of 2013-14 and 2014-15. The NHS and schools remain protected, but police and local government will need to find an additional 0.5% over both years.

The next spending round period, 2015-16, was announced by the Chancellor on 26 June 2013. Local government will face a further 10% funding reduction for this period.

These funding reductions come at a time when demographic and recession based factors are increasing demand for some services, and there is a decreasing demand for some services, such as car parking, where customers pay a fee or charge.

Financial austerity is expected to continue until at least 2017.

### Local Context

Thanet District Council has a population estimated at 132,300 and is the fourth most populated district in Kent. Most of the population live on the coast that links the towns of Ramsgate, Broadstairs and Margate. Thanet is ranked as the 49th most deprived district out of 326 authorities in England. There is increasing pressure from higher demand on services, including specialist services.





Over recent years, the Council has worked hard to improve its performance and reputation. It has focused on maintaining service levels despite reduced funding. It has achieved this primarily by internal restructuring and developing new ways of working, including shared service delivery with other East Kent authorities.

In common with all other public sector bodies, Thanet DC is facing a significant financial challenge to deliver its current level of services, with reducing funding and increased pressure on services. The Council has identified a budget gap of £11 million from 2014/15 – 2017/18. The Council is looking at various options to address this including a fundamental service review programme.

The Chancellor's Autumn Statement announced a further reduction of 2% for local government in 2014/15. This, added to previous announcements, is likely to mean a reduction of 14.5% in government funding for Thanet DC. This equates to £1.522m. The Council's current approach for setting the budget is to protect its key priority services, such as Street Cleansing, Refuse Collection and Recycling; and Community Safety and Crime Reduction from budget reductions that will threaten service delivery.

# Executive Summary

## Overview of Arrangements

| Risk area                            | Summary observations  | High level risk assessment  |
|--------------------------------------|---|---|
| <b>Key Indicators of Performance</b> | <p>We have reviewed five key indicators of performance using published financial ratios from the Audit Commission and benchmarking against the Council's nearest neighbour group. The review considered liquidity, borrowing, workforce, performance against budgets and reserve balances.</p> <ul style="list-style-type: none"> <li>The ratio analysis has shown an improving position over the past few years for workforce, performance against budget and reserves.</li> <li>At 2.33 in 2012/13, the Council's liquidity ratio is above the acceptable level of current assets to liabilities at 2:1.</li> <li>Although the Council's usable reserves are lower than average, the levels are in line with the medium term financial strategy.</li> <li>The Council is in line with its comparators in terms of the levels of long term borrowing compared to long term assets</li> <li>The Council's sickness absence rate has increased to over 12 days in 2012/13, significantly above average for the public sector.</li> </ul> | <br><b>Amber</b>   |
| <b>Strategic Financial Planning</b>  | <p>The Council has demonstrated good strategic financial planning. Its key challenge is developing a medium term plan in the context of significant change and uncertainty.</p> <ul style="list-style-type: none"> <li>The Council's Medium Term Financial Plan (MTFP) is set for the period 2014/15 to 2017/18 and takes account of local priorities and service plans. There are strong links between the Council's MTFP and key priorities.</li> <li>The latest MTFP covers the period from 2014/15 to 2017/18 and reflects the latest cuts announced in the recent Spending Review. This now shows a budget gap of £11m over 4 years. Various options are being worked up to meet the gap.</li> <li>The Council must deliver challenging savings through recurrent rather than non-recurrent savings. It is using service reviews to identify transformational change.</li> </ul>   | <br><b>Amber</b>  |
| <b>Financial Governance</b>          | <p>The Council has sound financial governance arrangements in place</p> <ul style="list-style-type: none"> <li>There is a robust process for setting the budget and identifying significant savings for the past two years.</li> <li>Cabinet members are engaged and have an understanding of the financial environment the Council operates in. Training is provided for members of the Governance &amp; Audit Committee to ensure they understand the financial accounting environment before approving the financial statements.</li> </ul>  | <br><b>Green</b> |
| <b>Financial Control</b>             | <p>The Council continues to operate a well controlled financial framework:</p> <ul style="list-style-type: none"> <li>The in-year forecasting is closely monitored by directorate managers and the Senior Management Team.</li> <li>The key financial systems are sound</li> <li>Finance have made significant improvements in their closedown arrangements in 2012/13, although capacity remains tight.</li> </ul>   | <br><b>Green</b> |

# Executive Summary

## Next Steps

| Area of review                       | Key points for consideration  | Responsibility | Timescale | Management response  |
|--------------------------------------|---|----------------|-----------|--|
| <b>Key Indicators of Performance</b> | <p>The level of borrowing should continue to be monitored carefully to ensure continued affordability.</p> <p>Senior Management Team must ensure a robust approach to sickness absence monitoring.</p>  |                |           | Management have confirmed that they will provide a full response to this report for the December Governance and Audit Committee. |
| <b>Strategic Financial Planning</b>  | <p>The Council should continue to implement its service review programme to identify areas of transformational change required to address increasing financial pressures.</p> <p>The Council should revisit whether this dual role remains appropriate, given the strategic demands upon the Chief Executives</p> |                |           |  |
| <b>Financial Governance</b>          | <p>The Council should improve awareness and understanding of key unit costs to aid decision making.</p>   |                |           |  |
| <b>Financial Control</b>             | <p>The Council should continue to monitor the capacity of its finance team in ensuring appropriate levels to deliver finance control.</p>   |                |           |  |

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Appendix - Key indicators of financial performance

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# Key Indicators

## Introduction

This section of the report includes analysis of key indicators of financial performance, benchmarked where this data is available. These indicators include:






- Working capital ratio
- Long term borrowing to tax revenue
- Long term borrowing to long term assets
- Sickness absence levels
- Out-turn against budget
- Useable Reserves: Gross Revenue Expenditure

We have used the Audit Commission's nearest neighbours benchmarking group comprising the following authorities:

Weymouth and Portland Borough Council  
Lancaster City Council  
Shepway District Council  
Adur District Council  
Mansfield District Council  
Barrow-in-Furness BC  
Great Yarmouth Borough Council  
Tendring District Council  
Eastbourne Borough Council  
Waveney District Council  
Hastings Borough Council  
Dover District Council  
Scarborough Borough Council  
Gravesham Borough Council  
Swale Borough Council



# Key Indicators

| Area of focus                       | Summary observations   | Assessment  |
|-------------------------------------|--|---|
| <b>Liquidity</b>                    | <ul style="list-style-type: none"> <li>The working capital ratio indicates whether a council has enough current assets to cover its immediate liabilities. Thanet's working capital ratio has been relatively stable since 2009/10 increasing to 2.33 in 2012/13. Comparative information on liquidity from the Council's statistical nearest neighbours shows its performance is within the 'norm'.</li> <li>There are likely to be significant future pressures on the council's working capital as it faces a reduction in its income from central government as well as additional revenue obligations arising from its capital programme and additional planned borrowing. This will require careful budgeting to ensure that a healthy cash flow is maintained.</li> </ul> | <br><b>Green</b>   |
| <b>Borrowing</b>                    | <ul style="list-style-type: none"> <li>The Council's Governance and Audit committee receive quarterly treasury management updates and the annual review is reported to Cabinet.</li> <li>The council's debt levels are similar to the majority of the comparator group. However, despite not having to take on any additional debt for HRA refinancing, the value of Thanet's existing debt is equivalent to more than 100% of its income from taxation. Given that this resource is continuing to decrease, it is important that the council has a plan in place for ensuring that this debt can be repaid without affecting its service provision.</li> </ul>  | <br><b>Amber</b>   |
| <b>Workforce</b>                    | <ul style="list-style-type: none"> <li>Thanet DC's sickness absence levels significantly increased from a historic level of around 8 days to 11.18 days in 2011/12. This further increased to 12.09 days in 2012/13, significantly above the average for all sectors. It will be important for Senior Management Team to maintain a robust approach to sickness absence monitoring for the recent trend to improve.</li> <li>The Council has recognised the issue and has in established monthly workforce meeting to monitor sickness statistics.</li> </ul>  | <br><b>Amber</b>  |
| <b>Performance against budgets.</b> | <ul style="list-style-type: none"> <li>The Council has a good track record in managing its budget.. The shared service has been successful at generating savings for the council. Vacant post savings continue to contribute to the underspend in the operational services budget and cost savings were also achieved on council properties. Corporate services &amp; transformation has made significant savings in both years.</li> </ul>  | <br><b>Green</b> |
| <b>Reserve Balances</b>             | <ul style="list-style-type: none"> <li>The Council has faced significant financial challenges in year including the need to manage the constraints of public sector austerity, as well as to provide specifically for the Transeuropa debt of £3.3m. The Council has imposed a moratorium on spend and has reviewed and reallocated money from other earmarked reserves, where appropriate.</li> <li>The Council has maintained an overall level of reserves which is consistent with the its Medium Term Financial Strategy, and this reflects good management of finances over a number of years, as well as a willingness to take difficult decisions. However, balances and reserves are slightly lower than the comparison neighbour group average.</li> </ul>              | <br><b>Amber</b> |

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# Strategic Financial Planning



## Key characteristics of good strategic financial planning

In conducting our review of strategic financial planning we have assessed the Council's performance against the following indicators:

- Focus on achievement of corporate priorities is evident through the financial planning process. The MTFP focuses resources on priorities.
- The MTFP includes outcome measures, scenario planning, benchmarking, resource planning and details on partnership working. Targets have been set for future periods in respect of reserve balances, prudential indicators etc.
- Annual financial plans follow the longer term financial strategy.
- There is regular review of the MTFP and the assumptions made within it. The Council responds to changing circumstances and manages its financial risks.
- The Council has performed stress testing on its model using a range of economic assumptions including CSR.
- The MTFP is linked to and is consistent with other key strategies, including workforce.
- KPIs can be derived for future periods from the information included within the MTFP.




# Strategic Financial Planning

## Medium Term Financial Strategy

| Area of focus                           | Summary observations   | Assessment  |
|---|--|---|
| <b>Focus of the MTFP</b>                | <ul style="list-style-type: none"> <li>The Council has developed a Medium Term Financial Plan (MTFP) for 2014/15 to 2017/18. This was approved by the Council alongside the revenue and capital budgets for 2013/14 in February 2013. Several versions of the MTFP have been modelled since that taken to Council. The latest MTFP covers the period from 2014/15 to 2017/18 and reflects the latest cuts announced in the recent Spending Review. This now shows a budget gap of £11m over these 4 years. Various options are being worked up to meet the gap in 2014/15.</li> <li>A service review programme has been established to look at alternative service delivery methods with expected savings of £3m over the next four years. The Council will develop its future budget plans to protect its key priority services, such as Street Cleansing, Refuse Collection and Recycling; and Community Safety and Crime Reduction.</li> <li>The MTFP is well linked to the Corporate plan which sets out the vision for the area.</li> </ul> | <br><b>Amber</b>   |
| <b>Adequacy of planning assumptions</b> | <ul style="list-style-type: none"> <li>The assumptions around the national budget announcements and pressures are built into the updated MTFP, with the Council providing a clear assessment of its impact.</li> <li>Arrangements for effective future financial planning are sound. The Council's MTFP is supported by clear and reasonable budget assumptions and savings programme. The Council remains prudent in its spending plans and recognises that savings will be more difficult to achieve in the future without cutting services.</li> <li>a recent benchmarking exercise has been undertaken using CIPFA's VFM benchmarking toolkit. This includes service performance indicators and a comparison of costs. The data will be used to support the service review programme and to ensure priority is given to those services that are showing high costs but poor performance. Benchmarking is also undertaken as part of the annual review of fees and charges to ensure fees are comparable with neighbours.</li> </ul>          | <br><b>Green</b> |

# Strategic Financial Planning

## Medium Term Financial Strategy

| Area of focus   | Summary observations   | Assessment  |
|---|--|---|
| <b>Scope of the MTFP and links to annual planning</b> | <ul style="list-style-type: none"> <li>The MTFP and the annual budget report provide clear links with the corporate plan and other plans including the HRA business plan, Capital and Asset Management Strategy and Procurement Strategy.</li> <li>Services have been broken down into statutory, discretionary and support services and cuts will be focussed on discretionary and those services seen by members as being low priority.</li> <li>Individual meetings are held with service managers to discuss their budgets</li> <li>Consultation with residents has been undertaken including budget roadshows to encourage a wide response. The budget consultation has identified clean streets and community safety as being key priorities for local residents and these areas are protected from cuts wherever possible.</li> </ul>   | <br><b>Green</b>   |
| <b>Review processes</b>                               | <ul style="list-style-type: none"> <li>The MTFP is reviewed and updated as part of the annual planning cycle. It recognises the high level of uncertainty with finance settlements of 2 years only.</li> <li>The Council reviews its financial performance regularly with quarterly Senior Management Team Performance Board sessions for all managers which include a detailed presentation on the council's financial position, the financial implication of the council's key projects and the key financial risks facing the organisation.</li> </ul>  | <br><b>Green</b>   |
| <b>Responsiveness of the Plan</b>                     | <ul style="list-style-type: none"> <li>The Council agreed its MTFP and annual budget in February 2013. Several versions of the MTFP have been modelled since that taken to Council in February. The latest MTFP reflects the latest cuts announced in the recent Spending Review. This now shows a budget gap of £11m over these 4 years. Various options are being worked up to meet the gap in 14/15 and a meeting with SMT is planned in September to discuss the options moving forward.</li> <li>There remains significant uncertainty about the financial position for 2014/15 and beyond. The Council has a good track recording of delivering its annual budgets and savings plans which gives confidence that the business planning process is resilient enough to ensure that good outcomes can be maintained despite major spending reductions.</li> <li>The Council undertakes scenario planning for its major areas of spend and uses this to inform decision making. Members and officers have a clear understanding and awareness of the challenges the Council faces and that new ways of working need to be developed.</li> <li>Weekly policy updates are given to SMT so they are aware of emerging changes that could impact on the council's finances. Further work is then undertaken e.g. modelling has been done around the impact of Welfare Reforms.</li> </ul> | <br><b>Green</b> |

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# Financial Governance

## Key characteristics of effective financial governance

In conducting our review of financial governance we have assessed the Council's performance against the following indicators:

### Understanding

- There is a clear understanding of the financial environment the Council is operating within:
  - Regular reporting to Members. Reports include detail of action planning and variance analysis etc.
  - Actions have been taken to address key risk areas.
  - Officers and managers understand the financial implications of current and alternative policies, programmes and activities.

### Engagement




- There is engagement with stakeholders including budget consultations.

### Monitoring and review

- There are comprehensive policies and procedures in place for Members, Officers and budget holders which clearly outline responsibilities.
- Number of internal and external recommendations overdue for implementation.
- Committees and Cabinet regularly review performance and it is subject to appropriate levels of scrutiny.
- There are effective recovery plans in place (if required).

# Financial Governance



## Understanding and engagement

| Area of focus   | Summary observations  | Assessment  |
|---|---|---|
| <b>Understanding the Financial Environment</b>        | <ul style="list-style-type: none"> <li>The Senior Management Team has a sound understanding of the financial environment that the Council operates within. The introduction to the annual budget and MTFP sets out the national and local pressures. The Council is aware of the main risks that it faces and has set these out in the MTFP.</li> <li>The Cabinet receives regular revenue and capital budget monitoring reports which include detailed variance analysis and explanations. It also received regular performance reports on the Council's key activity indicators which gives decision makers the relevant information to make informed decisions.</li> <li>Financial awareness training is provided to budget holders and a training session is provided to members of the Governance and Audit Committee to ensure that members are aware of the financial environment and accounting framework before approving the financial statements.</li> <li>The Council has approved and communicated to staff and members the financial instructions and standing orders in which the Council operates.</li> </ul> | <br><b>Green</b>   |
| <b>Executive and Member Engagement</b>                | <ul style="list-style-type: none"> <li>There is strong member and corporate director engagement on financial matters through the Corporate Board, supported by the fact that the Chief Executive is also the s151 officer.</li> <li>Members are aware of the need for greater savings in future years, and that services will need to be provided differently if the Council is to meet the demand against the increasing pressures.</li> <li>There is a good level of internal and external engagement in the budget setting process.</li> <li>The Governance and Audit Committee meet throughout the year and have clear terms of reference for their responsibilities in ensuring the financial governance of the Council.</li> </ul>  | <br><b>Green</b> |
| <b>Overview for controls over key cost categories</b> | <ul style="list-style-type: none"> <li>The Council monitors and reports the revenue budget on a directorates basis. The Council has been going through a restructure and changed its directorate structure in the financial year. The resource allocations note in the 2012/13 financial statements has been prepared on the portfolio basis.</li> <li>The Council's management accountants have been looking at unit costs to get a better understanding of budgets. A detailed understanding of detailed costings and their drivers will be key in ensuring efficiencies are identified and monitored. A complete zero based budgeting exercise has been undertaken for Clean Streets and the Council should consider rolling out this approach more widely.</li> </ul>   | <br><b>Amber</b> |



# Financial Governance

## Understanding and engagement

| Area of focus   | Summary observations   | Assessment  |
|---|--|---|
| <b>Budget reporting: revenue and capital</b>          | <ul style="list-style-type: none"><li>• The budget is monitored on a monthly basis. Monthly reports are sent to managers for them to update their projected forecasts. Finance attend the monthly directorate management meetings to give an update on that directorate's budget position. A quarterly update is then given to all managers on the budget monitoring position as part of the SMT Performance Board. As part of this Board, performance monitoring is also presented which includes looking at performance against key indicators and statistics on customer complaints and compliments etc.</li><li>• The Council reports the revenue and capital budget position regularly to Cabinet. The reports provide clear explanations for all significant variances and enable members to make informed decisions on the budgeted outturn position.</li></ul>                     | <br><b>Green</b> |
| <b>Adequacy of other Committee/ Cabinet Reporting</b> | <ul style="list-style-type: none"><li>• The Cabinet has a clear agenda and forward plan for the meetings. It discusses and takes decisions on the most significant issues facing the Council. The quarterly budget reports include details for general fund, housing revenue accounts, capital and debt levels. This could be strengthened further with reporting of financial health indicators covering financial health indicators such as cash balances, debt, payments made within agreed terms and inflation indices. These would help provide indications of trigger points.</li><li>• The Council has clear committee structure including Governance and Audit Committee and Overview and Scrutiny Committee. It establishes working party's where further detailed review is required in identified areas such as standards, shared services and corporate performance.</li></ul> | <br><b>Amber</b> |

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# Financial Control

## **Key characteristics of effective financial control**

In conducting our review of financial control we have assessed the Council's performance against the following indicators:

### **Budget setting and budget monitoring**

- Budgets are robust and prepared in a timely fashion.
- Budgets are monitored at an officer, member and Cabinet level and officers are held accountable for budgetary performance.
- Financial forecasting is well-developed and forecasts are subject to regular review.

### **Savings Plans**

- Processes for identifying, delivering and monitoring savings plan schemes are robust, well thought through and effective.

### **Financial Systems**

- Key financial systems have received satisfactory reports from internal and external audit.
- Financial systems are adequate for future needs.

### **Finance Department**




- The capacity and capability of the Finance Department is fit for purpose.

### **Internal Control**

- There is an effective internal audit which has the proper profile within the organisation. Agreed Internal Audit recommendations are routinely implemented in a timely manner.
- There is an assurance framework in place which is used effectively by the Council and business risks are managed and controlled.





# Financial Control

## Internal arrangements

| Area of focus  | Summary observations  | Assessment  |
|--|---|---|
| <b>Budget setting and monitoring - revenue and capital</b> | <ul style="list-style-type: none"> <li>The Council has set clear principles in its budget process with the aim to provide a budget that meets day to day business activities as well as progressing its Corporate Plan priorities.</li> <li>The budget is developed by building onto its existing budget provision and updating for inflationary increase, budget growth needed for service developments, savings, income and reserves.</li> <li>The Council has a robust process in place for setting the budget and has a strong record of achieving its budgeted outturn with an underspend in recent years. There is a clear understanding of the financial pressures whilst meeting the priorities set out in the Corporate Plan.</li> </ul> | <br><b>Green</b>   |
| <b>Performance against Savings Plans</b>                   | <ul style="list-style-type: none"> <li>The Council has a robust process in place for identifying and monitoring savings. Historically, the Council has a good track record of meeting its budget and delivering the required savings every year. The savings target for 2012/13 was exceeded with a general fund underspend of £1.331m.</li> <li>The savings target for the 2013-14 financial year is £1.6m. 2013/14 budget setting followed the same process as adopted in previous years and budget savings were identified within each directorate. These savings are built into the budget which is monitored on a monthly basis.</li> </ul>  | <br><b>Green</b>   |
| <b>Key Financial Accounting Systems</b>                    | <ul style="list-style-type: none"> <li>There is a sound understanding of the ledger within the financial systems team. They are able to interrogate the system and run specialist reports as needed by budget holders and directors.</li> <li>Our audit work in 2012/13 did not identify any key weaknesses in internal controls.</li> <li>Internal Audit has provided good levels of assurance over the key financial systems during 2012/13.</li> </ul>   | <br><b>Green</b> |

# Financial Control

## Internal and external assurances

| Area of focus                               | Summary observations  | Assessment  |
|---|---|---|
| <b>Finance Department Resourcing</b>        | <ul style="list-style-type: none"> <li>The Council has undergone a significant restructuring over recent years. The finance function has historically had significant capacity issues. In 2012/13, the team have made a number of internal changes and are now fully staffed. Although this has enabled significant improvement, capacity remains tight to deliver the full finance function and there is little contingency for any resourcing gaps or issues.</li> <li>The Chief Executive and S151 officer is a shared role. This has allowed good oversight of the financial impact of all decisions made and has ensured excellent leadership within finance. However, given the range of complex strategic projects the Council is currently involved in, the joint role is a demanding one. The Council should revisit whether this dual role remains appropriate.</li> <li>The accounts were produced in line with the Council's closedown plan and the supporting working papers were of a high quality, confirming the competency and knowledge of the finance team.</li> </ul> | <br><b>Amber</b>   |
| <b>Internal audit arrangements</b>          | <ul style="list-style-type: none"> <li>Internal Audit is provided by East Kent Audit Partnership. A review of the service against the CIPFA Code of Practice for internal audit was undertaken during February 2013 and it was concluded that the service complies with the applicable professional standards.</li> <li>Internal Audit has a good profile within the Council, are well supported by the leadership team and are often asked by officers to complete additional investigations or audits. A summary of all work completed is reported to the Governance and Audit Committee.</li> <li>The Internal Audit team has reviewed the Public Sector Internal Auditing Standards which came into effect on 1 April 2013. The Council will need to obtain external verification of their compliance with the standards.</li> </ul>  | <br><b>Green</b> |
| <b>External audit arrangements</b>          | <ul style="list-style-type: none"> <li>We propose to issue an unqualified audit opinion and value for money conclusion for 2012/13.</li> <li>Management responded proactively to the recommendation made, and have made a number of significant changes to the process for the preparation of the 2012/13 financial statements. This is reflected in a lower level of errors in the financial statements, with the majority of errors found relating to presentation and disclosure items.</li> </ul>   | <br><b>Green</b> |
| <b>Assurance framework/ risk management</b> | <ul style="list-style-type: none"> <li>The risk management arrangements are clearly set out and both members and officers receive training on its use.</li> <li>The corporate risk register covers all strategic risks and includes all relevant information, including actions required.</li> <li>Risks are mapped to corporate objectives, allocated to a named lead at a senior level, have a raw and residual risk and have relevant controls listed.</li> </ul>  | <br><b>Green</b> |

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# Key Indicators of Financial Performance

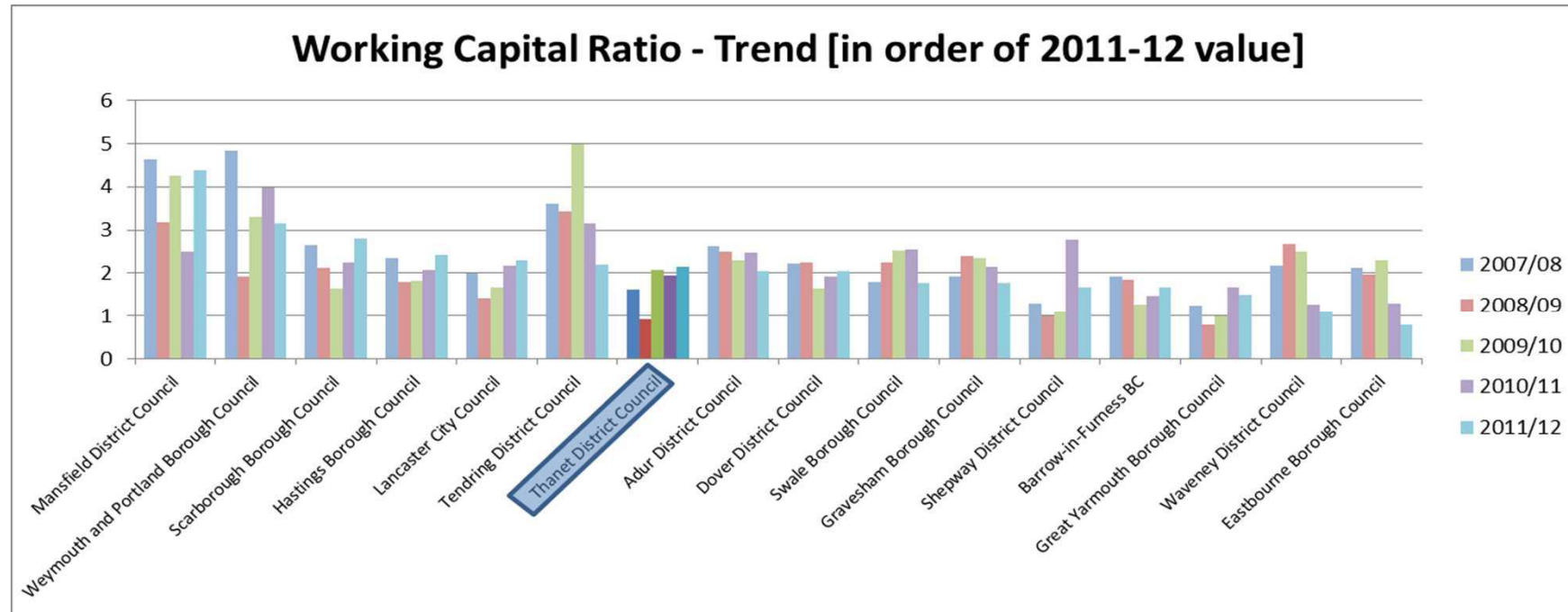
## Working Capital - Benchmarked

### Definition

The working capital ratio indicates if an authority has enough current assets, or resources, to cover its immediate liabilities - i.e. those liabilities to be met over the next twelve month period. A ratio of assets to liabilities of 2:1 is usually considered to be acceptable, whilst a ratio of less than one - i.e. current liabilities exceed current assets - indicates potential liquidity problems. It should be noted that a high working capital ratio isn't always a good thing; it could indicate that an authority is not effectively investing its excess cash.

### Findings

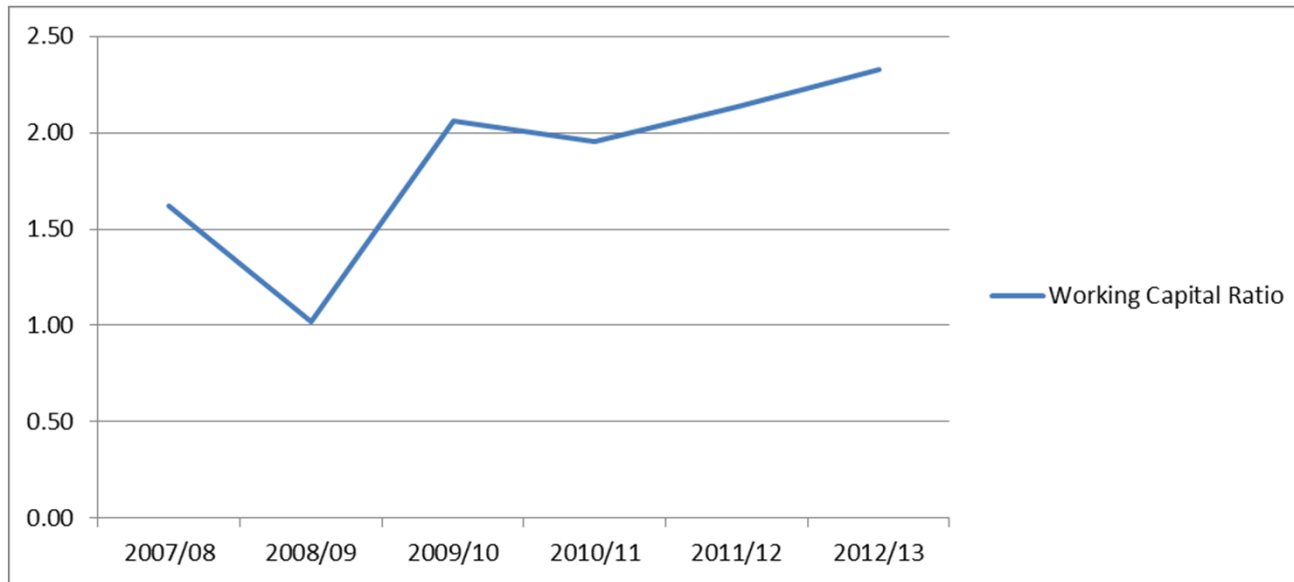
With the exception of Tendring, this graph indicates that those authorities in the middle of this range are managing their working capital around the benchmark 2:1 ratio. The other councils have experienced fluctuations over the period with Waveney's and Eastbourne's ratios dropping significantly over the 10/11 – 11/12 period to well below the benchmark. Contrarily, Thanet's position improved from the first two years covered by this graph to place it very close to the benchmark over the last three years.



Source: Audit Commission Financial Ratios Profile

# Key Indicators of Financial Performance

## Working Capital - Trend



Source: Audit Commission Financial Ratios Profile

Thanet's working capital ratio increased from 2.14 in 2011/12 to 2.33 in 2012/13. The council is therefore still above the preferred range of 2:1. This indicates that the council is maintaining a healthy level of liquidity.

However, there are likely to be significant pressures on the council's working capital as it faces a reduction in its income from central government as well as additional revenue obligations arising from its capital programme and additional planned borrowing. This will require careful budgeting to ensure that a healthy cash flow is maintained.

The council has recognised four contingent liabilities in its 2012/13 financial statements, which could result in additional pressure on working capital if any result in a financial obligation.



# Key Indicators of Financial Performance

## Usable Reserves - Benchmarked

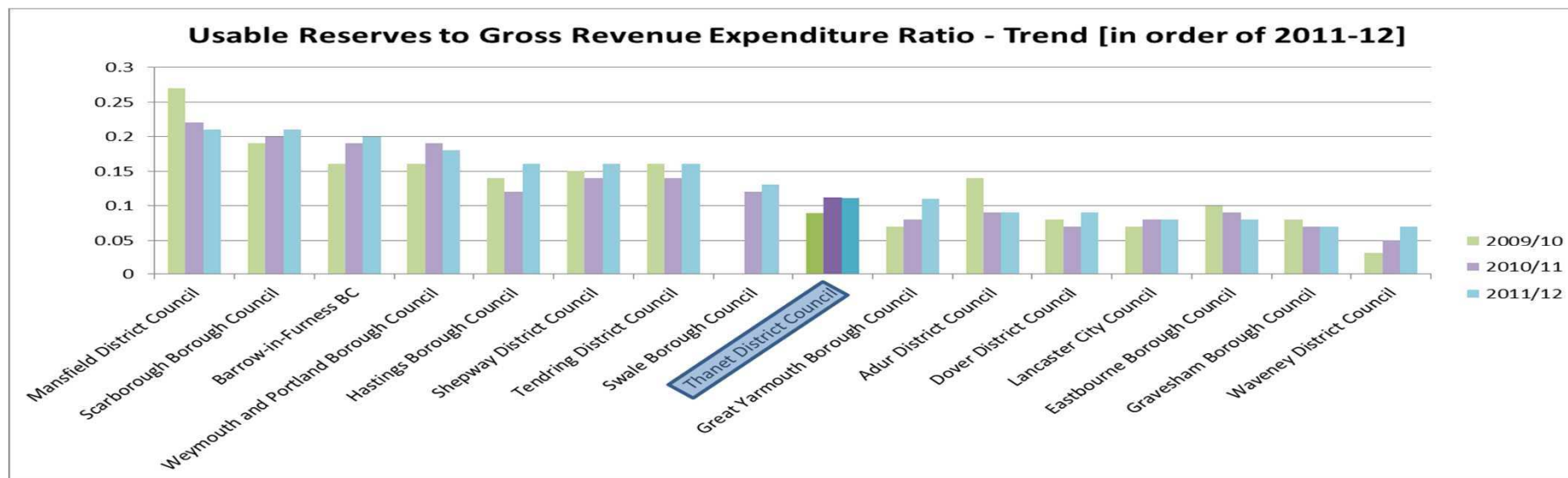
### Definition

This shows useable capital and revenue reserves as a share of expenditure. A ratio of one means the total reserves matches the level of expenditure.

### Findings

Recent years have seen some large value exceptional items being charged to the income and expenditure account, for example the change in calculation of pension liabilities and the HRA settlement payments made to the Secretary of State. To allow an effective comparison to be made of year-on-year data within and between local authorities these items have not been included.

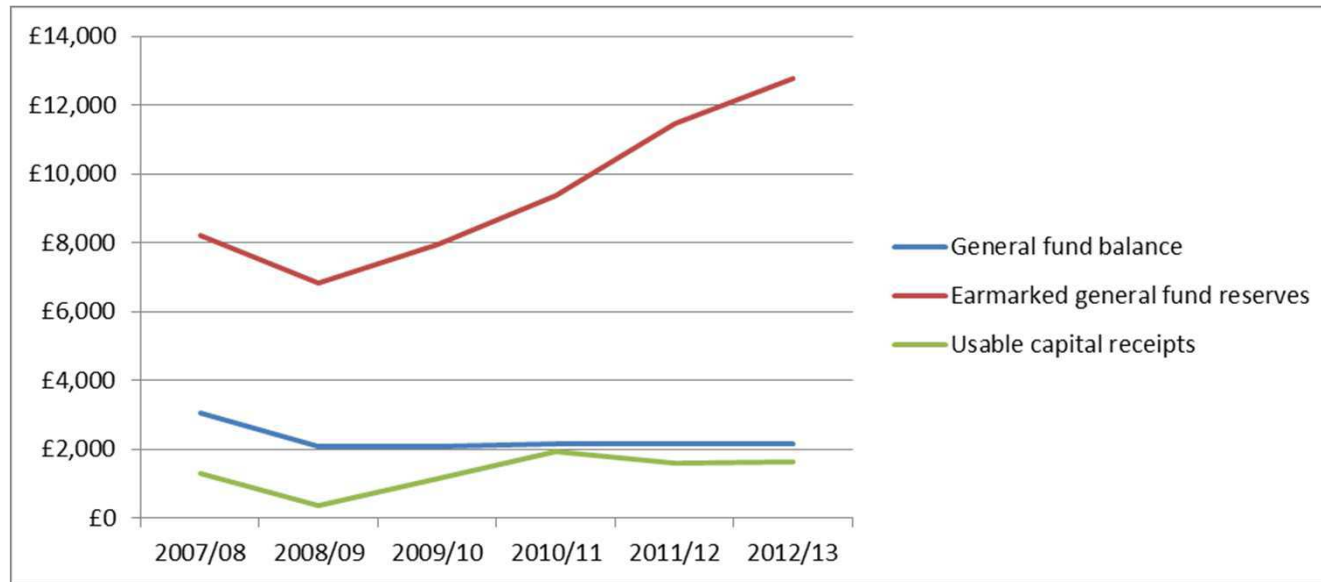
8 of the 15 councils have a higher level of usable reserves as a proportion of gross revenue expenditure than Thanet. At 0.11 Thanet's 11/12 ratio is approximately 17.5% lower than the group average of 0.13. This is not necessarily cause for concern. CIPFA's guidance on reserves is that the level should follow the Section 151 officer's advice to the Council, which should be based on local circumstances. Thanet's level of general reserves is consistent with that specified in its Medium Term Financial Strategy.



Source: Audit Commission Financial Ratios Profile

# Key Indicators of Financial Performance

## Usable Reserves - Trend by Type



Source: Audit Commission Financial Ratios Profile

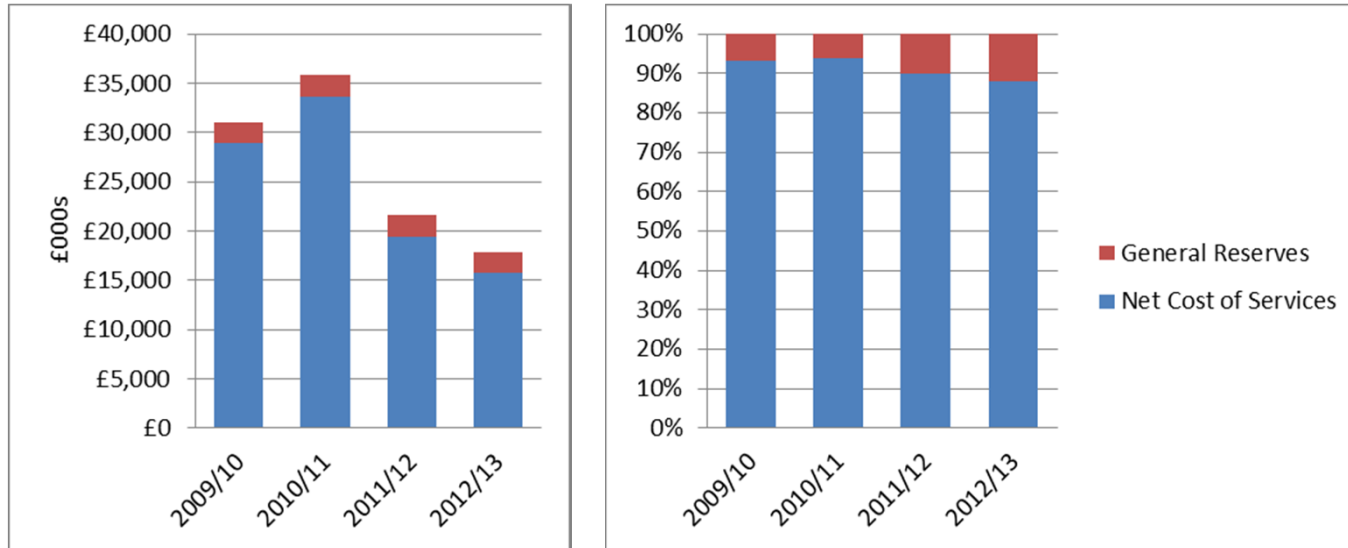
The graph shows that Thanet does not have a significant amount of capital receipts available with which to fund its capital programme. Its level of general reserves have remained steady, indicating that the council has not needed to draw on them to fund unexpected expenditure as the level of the reserve remains at the level specified in the council's Medium Term Financial Strategy.

The council's earmarked general reserves have increased significantly since 08/09. As this is funding put aside for planned future expenditure the council would not be able to draw on these reserves to fund unexpected expenditure without impacting on its future spending plans. Also, as this funding has been set aside from council tax revenues it is important that the council has accurately forecast the level of funding required.

# Key Indicators of Financial Performance

## Reserves

The graphs below show the level of general reserves against the net cost of services balance. The first graph shows this in actual terms, the second in percentage terms.



Source: Audit Commission Financial Ratios Profile

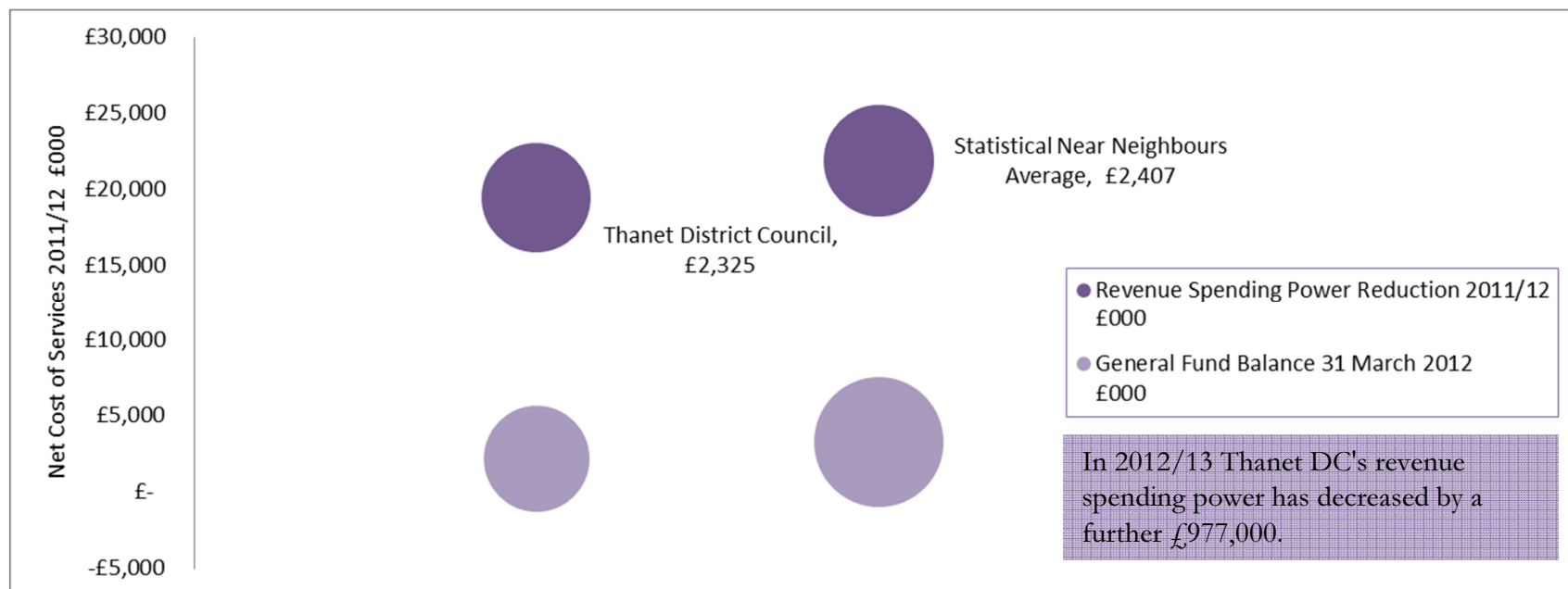
This comparison of Thanet District Council's net cost of services with its general fund balance excludes any exceptional items of income and expenditure to allow for a fair year-on-year comparison.

The spike in the 2010/11 net cost of services is due to a negative revaluation of the council's housing stock in that period. This is something that would have also been experienced by most other authorities who own social housing. Otherwise, the graph demonstrates the downward trend in the net cost of services that has been necessitated by the reduction in the council's income from central government.

The council has identified a need to make £3m in savings over the next four years. This will require careful financial planning if it is not to impact on the delivery of services.

# Key Indicators of Financial Performance

## Reserves: Spending Power Reduction 2011/12 vs. General Fund Reserves



### Source: Audit Commission Financial Ratios Profile

This chart shows the reduction in revenue spending power in the size of the top circles. This represents the reduction from 2010/11 to 2011/12 in the council's income from government grants, council tax, and national non-domestic rates. This shows that Thanet had a slightly lower reduction but that its net cost of services was also lower than the group average. Expressed as a percentage of the net cost of services, the reduction in spending power is 11.96% for Thanet and 11.00% for its group of statistical near neighbours.

The lower circles show the size of the council's and the group average general fund balance. (This is also shown by the circle's position on the y-axis.) It shows that the council had a slightly lower general fund balance than the group average. As explained on page 24, the size of this fund should be determined based on local circumstances. Thanet's general fund balance is consistent with that specified in its Medium Term Financial Strategy.

# Key Indicators of Financial Performance

## Long Term Borrowing to Tax Revenue - Benchmarked

### Definition

Shows long term borrowing as a share of tax revenue. A ratio of more than one means that long term borrowing exceeds council tax revenue.

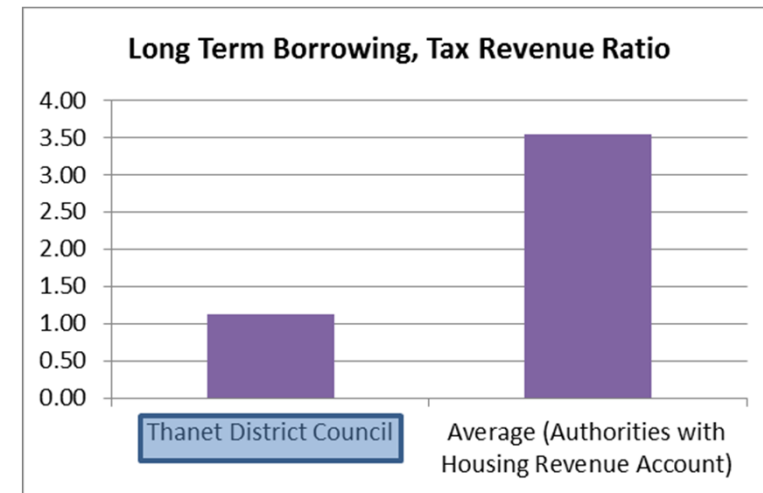
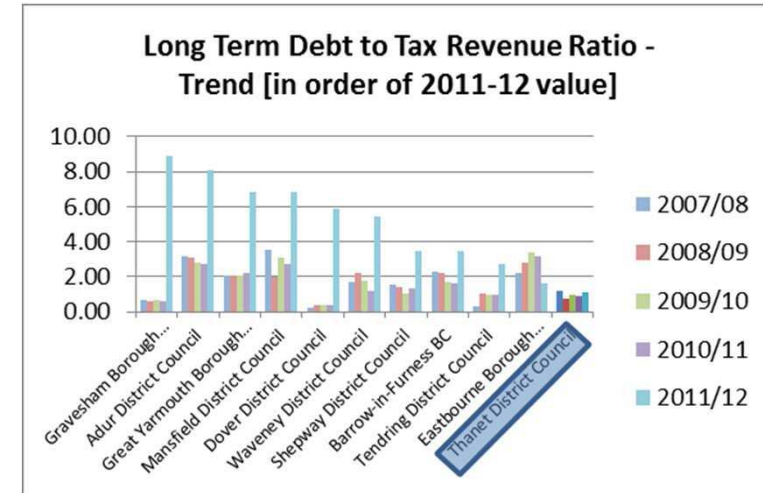
### Findings

Only those authorities with a housing revenue account (HRA) are included in the graphs below. This is because the method of funding the HRA was changed by the government so instead of paying over a proportion of their housing income local authorities get to keep all the income but in return had to make a lump sum payment to the government based on the value of their housing stock. This was a significant amount in most cases and was funded through loans, which explains why the 2011/12 ratios are much higher.

The first graph shows Thanet's long term debt to tax revenue ratio compared with the ratios for the other ten authorities in its group of statistical near neighbours that have an HRA. The second graph compares Thanet's ratio with the average of all local authorities with an HRA, not just those in its statistical group.

Thanet's ratio is a lot lower than both its statistical neighbours and the average. This is because the council did not have to take on any additional debt and actually received a reduction in its debt of £925k from central government. This reduction in the council's HRA expenditure should allow it to invest in its housing stock.

Despite not having to take on any additional debt, the value of Thanet's existing debt is equivalent to more than 100% of its income from taxation. Given that this resource is continuing to decrease, it is important that the council has a plan in place for ensuring that this debt can be repaid without affecting its service provision.

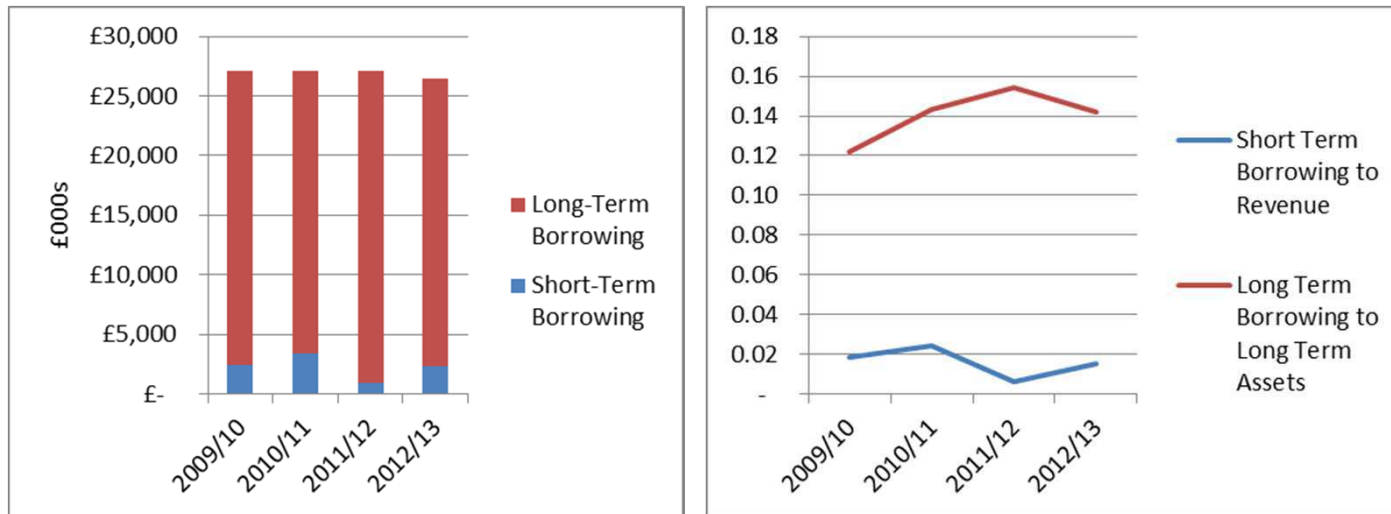


Thanet's ratio has decreased by 3.3% to 1.09 in 12/13

Source: Audit Commission Financial Ratios Profile

# Key Indicators of Financial Performance

## Borrowing



**Source: Thanet District Council Statements of Accounts 2010/11 and 2011/12**

The first graph shows borrowing balances for both long and short term borrowing in actual terms, the second graph shows the respective ratios between long term borrowing and assets and short term borrowing and revenue.

In these charts exceptional items have been excluded from the data to allow for a fair year-on-year comparison.

The first graph shows the total value of the council's debt over the last four years. It is important that the council has a range of maturity dates for its debt to avoid too much becoming due for repayment in any one financial year. Otherwise it may have to repay the debt with new borrowing, which may not provide tax payers with value for money.

The second graph shows that the council's short term debt has been approximately 2% of its revenue for the last four years, which, although not unaffordable, is significant given the pressure to freeze council tax despite decreasing income from central government.

The comparison of long term debt with long term asset shows that the council could sell assets to repay the debt if necessary. In practice, this would be difficult given the statutory nature of many of the council's functions.

# Key Indicators of Financial Performance

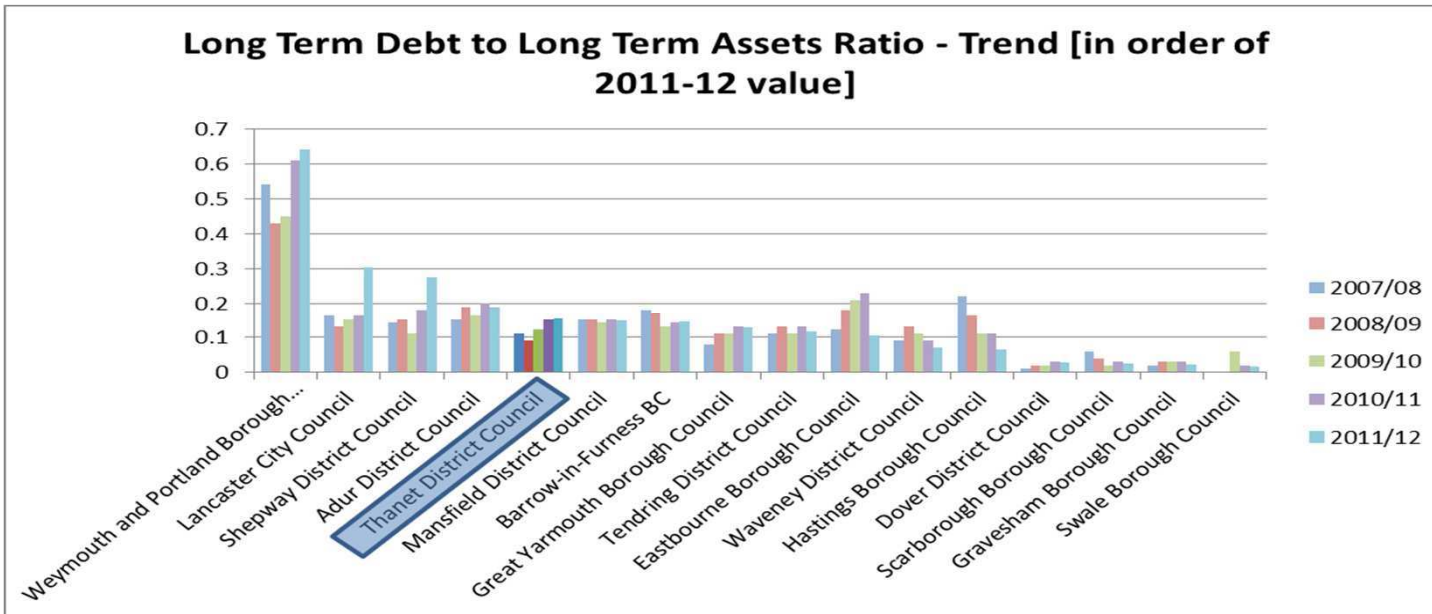
## Long-term borrowing to Long-term assets - Benchmarked

### Definition

This ratio shows long term borrowing as a share of long term assets. A ratio of more than one means that long term borrowing exceeds the value of long term assets.

### Findings

Housing Revenue Account self-financing debt has been excluded to allow for a fair comparison with other authorities. Long term debt is usually used for financing investment in long term assets. All of the council's 15 statistical neighbours have long-term borrowing as at the end of 2011/12. The council's debt levels are similar to the majority of the group, with the bottom four being outliers with very little long term debt and Weymouth and Portland at the other end of the scale with a high value of long term debt in relation to its long term assets. Most of the councils in this comparison did not take out additional long term debt in 2011/12, which may be due to the uncertainty over future levels of income.



Source: Audit Commission Financial Ratios Profile

# Key Indicators of Financial Performance

## Sickness Absence Levels

### Background

The average sickness absence level for the public sector is 9.6 days per FTE, whilst the private sector average is 6.6. Many councils have taken a proactive approach to reducing the number of days lost to sickness each year. For example:

- London Borough of Croydon reduced absence from 12.5 days to 6.4 days over two years due to a new tougher sickness absence management.
- Cambridgeshire County Council reduced sickness absence levels to 5 days per employee using an approach built on a relationship of trust with staff and empowering managers to take control of absence management.

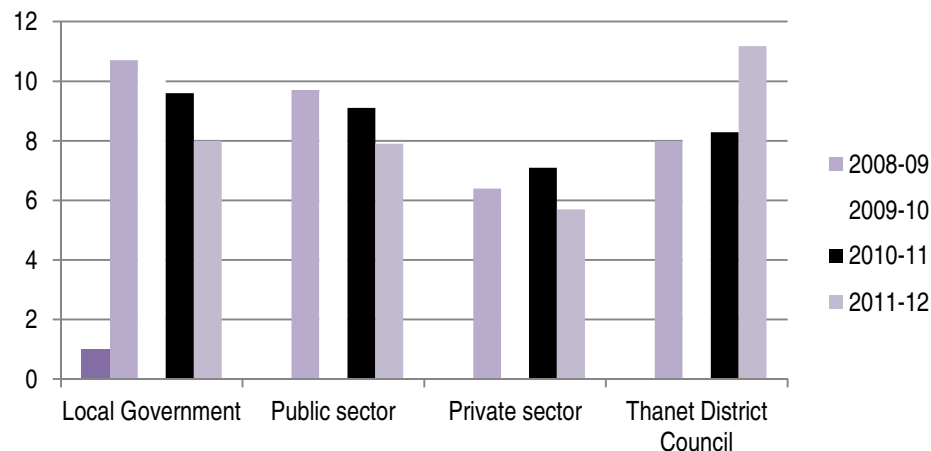
Costs that accrue from sickness absence relate to the hiring of agency staff to cover staff gaps, or from holding a larger workforce complement than is desirable. Absence also damages service levels either through staff shortage or lack of continuity. Reducing absenteeism saves money, improves productivity and can have a positive customer benefit. Absence management will be a particular challenge for all authorities during SR10, given the context of significant pressures on staff to deliver "more for less".

### Findings

Thanet DC's sickness absence levels significantly increased from a historic level of around 8 days to 11.18 days in 2011/12. This further increased to 12.09 days in 2012/13, significantly above the average for all sectors.

The Council has recognised the issue and has in established monthly workforce meeting to monitor sickness statistics. It will be important for Senior Management Team to maintain a robust approach to sickness absence monitoring for the recent trend to improve.

Sickness Absence Rates [Days per FTE]

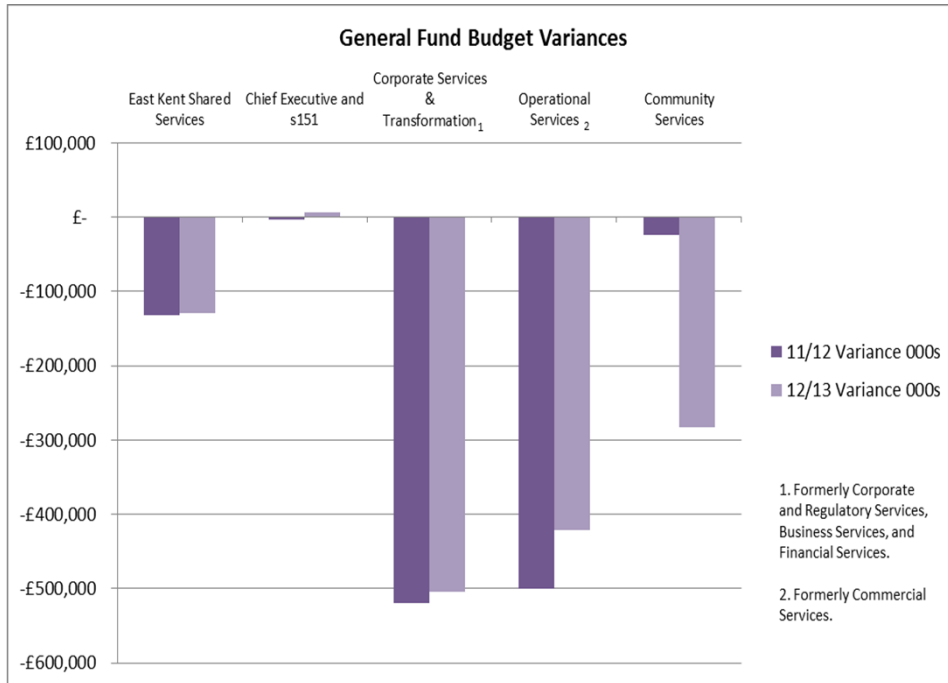


Source: Audit Commission Financial Ratio's



# Key Indicators of Financial Performance

## Performance Against Budget: Major Variances from Working Budget

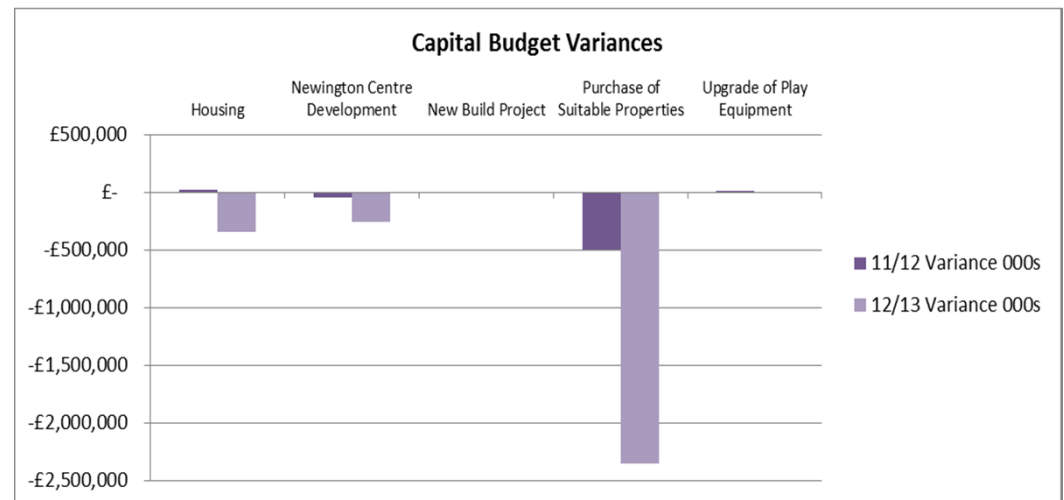


### General Fund

The graph indicates that the shared service is being successful at generating savings for the council. Vacant post savings continue to contribute to the underspend in the operational services budget and cost savings were also achieved on the council's properties. Corporate services & transformation has made significant savings in both years on printing and postage and also generated increased summonses income in 13/14.

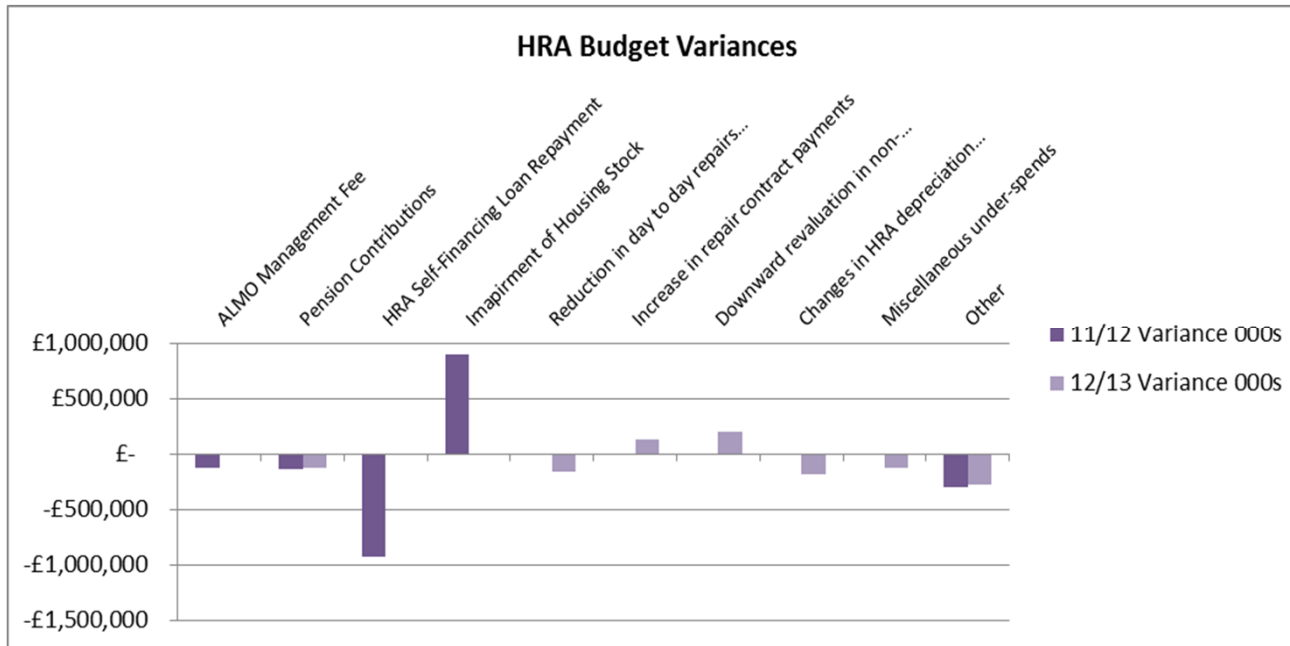
### Capital

The significant underspend in relation to the purchase of suitable properties relates to the purchase of empty properties for the Margate Intervention and Ramsgate empty property schemes. There were delays in the procurement of contract works but the programmes are now under way.



# Key Indicators of Financial Performance

## Performance Against Budget: Major Variances from Working Budget



**Housing Revenue Account**  
 The two significant variances are not recurrent items. The 'underspend' relating to the HRA self-financing was a one-off payment made to council in settlement of the previous housing subsidy arrangements. The 'overspend' on the impairment of the housing stock was due to the downward revaluation of council dwellings being higher than expected. Such an occurrence is not unusual in the economic climate.

Source: Financial Outturn Report to Cabinet 11/12 (July 2012) and 12/13 (August 2013)



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**GRANT CERTIFICATION PLAN 2012/13**

To: **Governance and Audit Committee – 25 September 2013**

Main Portfolio Area: **Finance and Corporate Services**

By: **Director, Grant Thornton**

Classification: **Unrestricted**

---

**Summary:** **To provide Governance and Audit Committee with the grant certification work plan for 2012/13.**

**For Information**

---

**1.0 Introduction**

1.1 The Audit Commission makes certification arrangements with grant-paying bodies, including confirming which claims and returns require certification and issuing certification instructions. These instructions are tailored to each scheme and set out the specific procedures to be applied in examining the claim or return. The Audit Commission agrees the deadline for submission of each claim by authorities and the deadline for certification by auditors.

As the Council's appointed external auditor, Grant Thornton undertake grant certification work acting as an agent of the Audit Commission.

**2.0 The Current Situation**

2.1 The 2012/13 audit plan is attached and sets out the audit approach for certifying the following 3 claims:

- Housing and council tax benefits scheme (BEN01)
- Pooling of housing capital receipts (CFB06)
- National non-domestic rates return (LA01)

**3.0 Recommendation(s)**

**3.1 That Members note the content of this report.**

|                  |   |
|------------------|---|
| Contact Officer: | Andy Mack, Director, Grant Thornton                     |
| Reporting to:    | Sarah Martin - Financial Services Manager & Deputy S151 |

***Annex List***

|         |   |
|---------|---|
| Annex 1 | Grant Thornton 2012/13 Grant Certification Plan |
|---------|---|

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# Grant certification work plan for Thanet District Council

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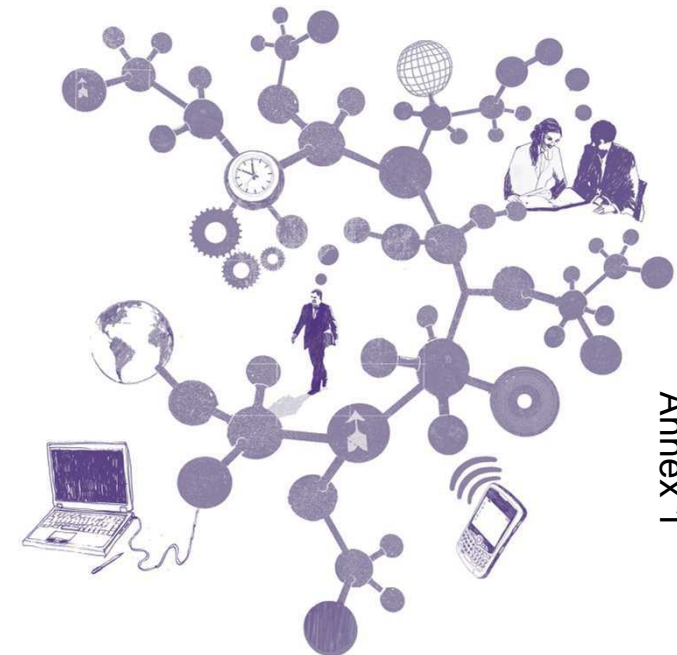
**Year ended 31 March 2013**

26 July 2013

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Executive  
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# Contents

| <b>Section</b>   | <b>Page</b> |
|--|-------------|
| 1. Our approach to grant certification work  | 3           |
| Appendix A Summary of expected claims and returns for the year ended 31 March 2013 | 7           |



---

# Our approach to grant certification work

## Introduction

Various grant-paying bodies require external certification of claims for grant or subsidy and returns of financial information.

The Audit Commission makes certification arrangements with grant-paying bodies, including confirming which claims and returns require certification and issuing certification instructions. These instructions are tailored to each scheme and set out the specific procedures to be applied in examining the claim or return. The Audit Commission agrees the deadline for submission of each claim by authorities and the deadline for certification by auditors.

As the Council's appointed external auditor, we undertake grant certification work acting as an agent of the Audit Commission.

## Certification arrangements

The Audit Commission's certification arrangements are designed to be proportionate to the claim or return. The arrangements for 2012-13 are:

- for claims and returns below £125,000, certification by us is not required, regardless of any statutory certification requirement or any certification requirement set out in grant terms and conditions
- for claims and returns above £125,000 and below £500,000, we are required to perform limited tests to agree entries on the claim or return to underlying records, but are not required to undertake any testing of the eligibility of expenditure or data
- for claims and returns over £500,000, we are required to assess the control environment for the preparation of the claim or return and decide whether or not to place reliance on it. Where reliance is placed on the control environment, we are required to undertake limited tests to agree entries on the claim or return to underlying records but not to undertake any testing of the eligibility of expenditure or data. Where reliance is not placed on the control environment, we are required to undertake all the tests in the relevant certification instruction and use our assessment of the control environment to inform decisions on the level of testing required.

In determining whether we place reliance on the control environment, we consider other work we have undertaken on the Council's financial ledger and any other relevant systems, and make appropriate use of relevant internal audit work where possible.

## Role of all parties

The table below summarises the respective roles and responsibilities of the parties involved in the certification process.

| Party             | Role & responsibility  |
|-------------------|--|
| Grant paying body | Sets conditions of grant and deadline for submission for pre-certified and certified claims                        |
| Audit Commission  | Issues certification instructions for auditor work   |
| Council           | Submits claims for certification to the Appointed Auditor within grant paying body submission deadlines            |
| Appointed Auditor | Certifies claims in accordance with Audit Commission certification instructions and within certification deadlines |

The Council's role is set out in more detail below:

- the s151 officer is responsible for ensuring that supporting accounting records are sufficient to document the transactions for which claims are made. These records should be maintained in accordance with proper practices and kept up to date, including records of income and expenditure in relation to claims and returns
- the Council should ascertain the requirements of schemes at an early stage to allow those responsible for incurring eligible expenditure to assess whether it falls within the scheme rules and to advise those responsible for compiling claims and returns to confirm any entitlement
- the Council should ensure all deadlines for interim and final claims are met to avoid sanctions and penalties from grant paying bodies
- grant-paying bodies usually require the Council's certificate to be given by an appropriate senior officer. This is typically the s151 officer or an officer authorised by written delegated powers
- the Council should monitor arrangements with any third parties involved in the certification process.

---

## Claims history

The most significant claims and returns in 2011-12 were:

- housing and council tax benefit claim and
- national non-domestic rates return

Due to changes in government funding, there are a number of schemes that either finished in 2011-12 or where funding is no longer ring-fenced. For the Council this means that there will be no certification of the following schemes this year:

- HRA (Housing Revenue Account) subsidy

## Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification
- without qualification but with agreed amendments incorporated by the Council or
- with a qualification letter (with or without agreed amendments incorporated by the Council).

Where a claim is qualified because the Council has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the Council or claw back funding which has already been provided or has not been returned.

In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which may impact on the certification fee.

## Certification work fees

The Audit Commission sets an indicative scale fee for grant claim certification based on 2010/11 actual certification fees for each Council. The indicative scale fee for the Council is £22,800. This fee is based on the following assumptions:

- there will be no change in the scope of our work due to the control environment in place during the year
- the Council provides adequate working papers to support each entry in the claim/return
- the Council's staff are available to deal with our queries in a timely manner and provide such explanations and supporting evidence necessary to support entries.

Where there is any significant variation from these assumptions, we will discuss a variation to the indicative scale fee with the Council and the Audit Commission.

The Council has identified all claims and returns requiring certification and this information is incorporated into Appendix A to this plan.

---

## Administration

When each expected claim or return is completed, a copy of the signed claim should be sent to Lisa Robertson at the following address:

**Grant Thornton UK LLP**  
**Grant Thornton House**  
**Melton Street**  
**Euston Square**  
**London**  
**NW1 2EP**

- The **original** claims and returns should be retained by the Council.
- If additional claims and returns are identified by either us or the Council they will be incorporated into the appendix in this plan
- All claims and returns listed in appendix A should be sent to us, even if below the de minimis limit so that we can confirm that no certification is required. We are required to report the value of these claims to the Audit Commission in our annual certification report.

## Managing the certification process – our role

- We intend to certify all claims and returns in accordance within the deadlines set by the Audit Commission. If we receive any claims after the Council's submission deadline, we will endeavour to certify them within the Audit Commission deadline but, where this is not possible, within three months from receipt
- A copy of each certified claim or return will be sent to the relevant named contact when the certification process is complete, along with a copy of the qualification letter, where applicable
- Copies of the certification instructions can be provided on request for any new claims or returns
- We expect to complete the certification of all claims by late 2013 and will issue a grant certification report highlighting any issues that need to be brought to the Council's attention.

## Appendix A: Summary of expected claims & returns for the year ended 31 March 2013

| Claim (CI reference)                            | Authority deadline | Certification deadline | Claim certified in prior year | Prior year outcome  |
|---|--------------------|------------------------|-------------------------------|---|
| Housing and council tax benefits scheme (BEN01) | 30/04/13           | 30/11/13               | Yes                           | Amendment of - £11,012 and qualification as a result of reconciliation differences and under-claimed subsidy. |
| Pooling of housing capital receipts (CFB06)     | 12/07/13           | 27/09/13               | Yes                           | Amendment of -£1,427 and no qualification.  |
| National non-domestic rates return (LA01)       | 28/06/13           | 27/09/13               | Yes                           | No amendment or qualification.  |



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**QUARTERLY GOVERNANCE PROGRESS REPORT**

To: **Governance and Audit Committee – 25 September 2013**

Main Portfolio Area: **Operational Services**

By: **Business Support and Compliance Manager**

Classification: **Unrestricted**

---

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

**For Information**

---

**1.0 Introduction and Background**

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

2.1 Corporate risk register (CRR)

2.2 Risk Management Strategy and Process annual review

**2.0 The Current Situation****2.1 Corporate risk register**

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

2.1.2 For members information, officers have provided an update on the current position of their control measures, and this is attached at **annex 2**.

**2.2 Risk Management Strategy and Process - annual review**

2.2.1 The current Risk Management Strategy (Version 9), was agreed by Governance and Audit Committee (25 September 2012) and Cabinet (8 November 2012). The Risk Management Process (Version 6) was agreed by Governance and Audit Committee also on the 25 September 2012. Both documents are available on the Internet, Intranet and Members Portal.

2.2.2 The review commenced with initial discussions with the Policy and Business Planning Section with regards to the Inphase system, which holds the corporate risk register. It was established that it would be more appropriate for this review to take place following the amendments to the Inphase system to ensure that the planned changes which are due to take place are correctly reflected within the Risk Management Strategy and Process documents.

2.2.3 Therefore, these documents will be brought before Governance and Audit Committee at the December meeting following the review.

### **3.0 Options**

- 3.1 That Members note the content of annexes 1 and 2, the Corporate Risk Register and comments on control measures and identify any issues on which they require more clarification.
- 3.2 That Members note the comments in connection with the annual review of 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 note the content of this report and identify any issues on which they require more clarification.**

### **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:    | Mark Seed, Director of Operational Services                             |

#### ***Annex List***

|         |                              |
|---------|------------------------------|
| Annex 1 | Corporate Risk Register      |
| Annex 2 | Comments on control measures |

#### ***Corporate Consultation Undertaken***

|                            |  |
|----------------------------|--|
| Monitoring Officer / Legal | Harvey Patterson, Corporate and Regulatory Services Manager      |
| Finance                    | Sarah Martin, Financial Services Manager                         |
| Communications             | Justine Wingate, Corporate Communication and Information Manager |







Corporate Risk Register

| Risk Ref | Cause | Trigger | Consequence | Assigned To | Uncntrl'd Rating | Current Rating | Control Measures   | Assigned To     | Residual Rating |
|----------|-------|---------|-------------|-------------|------------------|----------------|--|-----------------|-----------------|
|          |       |         |             |             |                  |                | <p><b>RI005.08 Use the performance management process to monitor the achievements of partnerships</b><br/> <i>Implemented</i><br/> <b>Target date:</b> 31-Mar-13<br/> <b>Review frequency:</b> Quarterly</p>             | Sophie Chadwick |                 |
|          |       |         |             |             |                  |                | <p><b>RI005.09 Record the governance arrangements and agreed benefits / purpose of partnerships</b><br/> <i>Implemented</i><br/> <b>Target date:</b> 30-Sep-13<br/> <b>Review frequency:</b> Quarterly</p>               | Sophie Chadwick |                 |
|          |       |         |             |             |                  |                | <p><b>RI005.10 Request outline business case to be produced to highlight resource requirements up front</b><br/> <i>Implemented</i><br/> <b>Target date:</b> 30-Sep-12<br/> <b>Review frequency:</b> Quarterly</p>       | Karen Paton     |                 |
|          |       |         |             |             |                  |                | <p><b>RI005.12 Contract/ partnership management to ensure arrangements for compliance PSED &amp; Equality Act</b><br/> <i>Implemented</i><br/> <b>Target date:</b> 31-Mar-13<br/> <b>Review frequency:</b> Quarterly</p> | Sophie Chadwick |                 |
|          |       |         |             |             |                  |                | <p><b>RI005.13 Ensure all EK Services staff comply with Equality duty</b></p>  | Sophie Chadwick |                 |

Corporate Risk Register

| Risk Ref | Cause | Trigger | Consequence | Assigned To | Uncntrl'd Rating | Current Rating | Control Measures   | Assigned To   | Residual Rating |
|----------|-------|---------|-------------|-------------|------------------|----------------|--|---|-----------------|
|          |       |         |             |             |                  |                | <p><i>Implemented</i><br/> <b>Target date:</b> 31-Mar-13<br/> <b>Review frequency:</b> Quarterly</p> <p><b>RI005.14 Continued attendance at East Kent Chief Exec forum</b><br/> <i>Implemented</i><br/> <b>Target date:</b> 31-Mar-13<br/> <b>Review frequency:</b> Quarterly</p> <p><b>RI005.15 Continued client side meetings</b><br/> <i>Implemented</i><br/> <b>Target date:</b> 31-Mar-13<br/> <b>Review frequency:</b> Quarterly</p> <p><b>RI005.16 Undertake annual review of partnering for sensitivity and risk</b><br/> <i>In Progress (50% complete)</i><br/> <b>Target date:</b> 31-Mar-13<br/> <b>Review frequency:</b> Quarterly</p> <p><b>RI005.17 Refresh Partnership Framework and update Partnership Register</b><br/> <i>Implemented</i><br/> <b>Target date:</b> 31-Jul-13<br/> <b>Review frequency:</b> Quarterly</p> | <p>Sue McGonigal</p> <p>Sophie Chadwick</p> <p>Sophie Chadwick</p> <p>Sophie Chadwick</p> |                 |
|          |       |         |             |             |                  |                |  |   |                 |

Corporate Risk Register

| Risk Ref  | Cause  | Trigger  | Consequence  | Assigned To      | Uncntrl'd Rating | Current Rating | Control Measures  | Assigned To      | Residual Rating |
|---|--|--|--|------------------|------------------|----------------|---|------------------|-----------------|
| <b>RI007</b><br>Review frequency: Half-yearly<br>Risk Status: Treat | With the need for the Council to reduce expenditure, and amend processes as a result of this, there is an increased likelihood of industrial action. | * Failure to follow agreed industrial relations consultation mechanism<br>* Lack of compliance with agreed processes for staffing issues<br>* Challenge to business decisions by staff<br>* Increase in applications to Employment Tribunals | * Worsening employee/ industrial relations<br>* Damage to Reputation<br>* Financial Cost<br>* Political controversy  | Charlie Greenway | 4<br>P(2) I(2)   | 2<br>P(1) I(2) | <b>RI007.01 Robust HR policies and procedures</b><br><i>Implemented</i><br>Target date: 31-Mar-13<br>Review frequency: Quarterly<br><br><b>RI007.02 Performance monitoring of workforce information</b><br><i>Implemented</i><br>Target date: 31-Mar-13<br>Review frequency: Quarterly<br><br><b>RI007.03 Culture Change Programme</b><br><i>Implemented</i><br>Target date: 31-Mar-13<br>Review frequency: Quarterly<br><br><b>RI007.04 Ongoing Employee Council forum meetings</b><br><i>Implemented</i><br>Target date: 31-Mar-13<br>Review frequency: Quarterly | Charlie Greenway | 2<br>P(1) I(2)  |
| <b>RI008</b><br>Review frequency: Half-yearly<br>Risk Status: Treat | Health and safety procedures are not followed.   | Member of staff injured undertaking Council duties   | * Possible corporate manslaughter<br>* Failure of statutory requirements<br>* Insurance claim against the Council<br>* Loss of reputation<br>* Adverse media<br>* Financial/ reputational loss due to change in HSE requirements | Mark Seed        | 9<br>P(3) I(3)   | 4<br>P(2) I(2) | <b>RI008.01 Use Health and Safety weeks to improve knowledge</b><br><i>Implemented</i><br>Target date: 31-Dec-13<br>Review frequency: Quarterly   | Mark Seed        | 2<br>P(1) I(2)  |

Corporate Risk Register

| Risk Ref  | Cause   | Trigger  | Consequence   | Assigned To | Uncntrl'd Rating       | Current Rating        | Control Measures  | Assigned To | Residual Rating       |
|---|---|--|---|-------------|------------------------|-----------------------|---|-------------|-----------------------|
|   |   |  |   |             |                        |                       | <p><b>RI008.02 Liaise with EKHRP to review H&amp;S risk assessment process</b><br/><i>Implemented</i><br/><b>Target date:</b> 31-Mar-14<br/><b>Review frequency:</b> Governance- non periodical</p> <p><b>RI008.03 Maintain Health &amp; Safety Committee</b><br/><i>Implemented</i><br/><b>Target date:</b> 31-Mar-13<br/><b>Review frequency:</b> Quarterly</p> <p><b>RI008.04 Liaise with EKHRP to implement recommendation from 2009 internal audit</b><br/><i>Implemented</i><br/><b>Target date:</b> 31-Jan-13<br/><b>Review frequency:</b> Quarterly</p> | Mark Seed   |                       |
| <b>RI010</b><br>Review frequency:<br>Half-yearly<br>Risk Status:<br>Treat | There is a mismatch between the large number of assets owned by the council and the low level of funding available to maintain these appropriately. This increases the investment needs for the future to keep these fit for purpose, and to prevent the development of significant health and safety risks. This is particularly relevant for fixed assets that do not generate significant income, but still need to be maintained. | Council has more property than it can afford. This is due to the repairs deficit, of over 4 million pounds. And community/ political tension over many potential asset disposals. Further during recession, our tenants in community buildings are requesting reduced rents, creating more budget pressures. | <ul style="list-style-type: none"> <li>* Gradual deterioration in quality and utility</li> <li>* Decrease in value of property</li> <li>* Loss of income</li> <li>* Potential health and safety issues</li> <li>* Political impact</li> <li>* Loss of reputation</li> <li>* Adverse publicity</li> <li>* Impact on VfM</li> <li>* Complaints</li> </ul> | Mark Seed   | <b>12</b><br>P(3) I(4) | <b>6</b><br>P(3) I(2) | <p><b>RI010.01 Draft &amp; Implement Asset Management Strategy</b><br/><i>In Progress (20% complete)</i><br/><b>Target date:</b> 31-Jul-14<br/><b>Review frequency:</b> Quarterly</p> <p><b>RI010.02 Prioritise maintenance spending on assets to increase revenue returns</b><br/><i>In Progress (30% complete)</i><br/><b>Target date:</b> 31-Mar-14<br/><b>Review frequency:</b> Quarterly</p>   | Mark Seed   | <b>4</b><br>P(2) I(2) |



Corporate Risk Register

| Risk Ref  | Cause  | Trigger  | Consequence   | Assigned To  | Uncntrl'd Rating       | Current Rating        | Control Measures  | Assigned To  | Residual Rating       |
|---|--|--|---|--------------|------------------------|-----------------------|---|--|-----------------------|
|   |  |  |   |              |                        |                       | <i>In Progress (50% complete)</i><br><b>Target date:</b> 31-Mar-14<br><b>Review frequency:</b> Quarterly<br><br><b>RI011.07 Test effectiveness of District Emergency Centre (DEC)</b><br><i>In Progress (5% complete)</i><br><b>Target date:</b> 1-Apr-13<br><b>Review frequency:</b> Quarterly   | Paul Morgan  |                       |
| <b>RI012</b><br><b>Review frequency:</b> Quarterly<br><b>Risk Status:</b> Treat | Requirement to roll-out new waste and recycling collection system by December 2013 | Failure to complete roll-out of required waste & recycling system by December 2013 | * Financial penalties under East Kent five-way agreement<br>* Reputational damage<br>* Reduced recycling rates<br>* Political controversy | Graeme Lawes | <b>12</b><br>P(4) I(3) | <b>9</b><br>P(3) I(3) | <b>RI012.02 Procurement of waste collection fleet</b><br><i>Implemented</i><br><b>Target date:</b> 30-Sep-13<br><b>Review frequency:</b> Quarterly<br><br><b>RI012.03 Delivery of plan for communication with the public</b><br><i>In Progress (75% complete)</i><br><b>Target date:</b> 4-Nov-13<br><b>Review frequency:</b> Quarterly<br><br><b>RI012.04 Ensure suitable location for maintaining the fleet</b><br><i>In Progress (70% complete)</i><br><b>Target date:</b> 31-Aug-13<br><b>Review frequency:</b> Quarterly | Graeme Lawes<br><br><br>Graeme Lawes<br><br><br>Graeme Lawes | <b>6</b><br>P(2) I(3) |
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Corporate Risk Register

| Risk Ref  | Cause  | Trigger  | Consequence  | Assigned To     | Uncntrl'd Rating | Current Rating | Control Measures   | Assigned To                           | Residual Rating |
|---|--|--|--|-----------------|------------------|----------------|--|---------------------------------------|-----------------|
| <b>RI013</b><br>Review frequency: Quarterly<br>Risk Status: Treat   | Market conditions prevent the Council from realising the value of its East Kent Opportunities assets | Market values remain depressed over the medium or long term  | * Inability to sell or let property on realistic terms<br>* Loss of income<br>* Frustration of capital asset strategy<br>* Reputational loss<br>* Failure to meet obligations<br>* Damaged Partner relationships | Madeline Homer  | 9<br>P(3) I(3)   | 6<br>P(3) I(2) | <b>RI013.01 Monitor implementation</b><br><i>In Progress (50% complete)</i><br>Target date: 31-Mar-14<br>Review frequency: Quarterly   | Madeline Homer                        | 3<br>P(3) I(1)  |
| <b>RI015</b><br>Review frequency: Half-yearly<br>Risk Status: Treat | Housing Intervention Project fails to achieve outcomes   | * Government policy works against local initiatives (eg Benefit changes adversely affects people's ability to pay for housing)<br>* Judicial review of selective licensing decides against our model for housing intervention<br>* Double dip recession adversely impacts on housing affordability<br>* Loss of staffing resources | * Cliftonville West housing market remains unbalanced<br>* Reputational damage<br>* The Council is unable to deliver the project<br>* Political Controversy  | Richard Hopkins | 9<br>P(3) I(3)   | 9<br>P(3) I(3) | <b>RI015.01 Monitor effects of Policy &amp; adjust practices</b><br><i>In Progress (50% complete)</i><br>Target date: 31-Mar-17<br>Review frequency: Quarterly<br><br><b>RI015.02 Lobbying of appropriate department of central government via MPs</b><br><i>Approved (0% complete)</i><br>Target date: 31-Dec-13<br>Review frequency: Quarterly | Richard Hopkins<br><br>Madeline Homer | 6<br>P(2) I(3)  |
| <b>RI017</b><br>Review frequency: Quarterly<br>Risk Status: Treat   | Failure to make progress on the Dreamland site   | * Planning appeal determination rules against the Council's Compulsory Purchase Order (CPO)<br>* Planning appeal determination rules in favour of the Council's Compulsory Purchase Order (CPO) but the owners start a legal challenge against the determination<br>* Insufficient funding from the Council                        | * Further delays to start of work on the site<br>* Further costs<br>* Reputational damage<br>* Political controversy   | Madeline Homer  | 12<br>P(3) I(4)  | 8<br>P(2) I(4) | <b>RI017.01 Clear recording of TDC decisions</b><br><i>In Progress (80% complete)</i><br>Target date: 28-Mar-15<br>Review frequency: Quarterly<br><br><b>RI017.02 Regular monitoring of Dreamland project</b><br><i>In Progress (60% complete)</i><br>Target date: 31-Mar-15<br>Review frequency: Quarterly                                      | Madeline Homer<br><br>Madeline Homer  | 4<br>P(1) I(4)  |

Corporate Risk Register

| Risk Ref   | Cause  | Trigger  | Consequence   | Assigned To  | Uncntrl'd Rating               | Current Rating                | Control Measures  | Assigned To   | Residual Rating               |
|--|--|--|---|--------------|--------------------------------|-------------------------------|---|---|-------------------------------|
| <p><b>RI018</b></p> <p><b>Review frequency:</b><br/>Quarterly</p> <p><b>Risk Status:</b><br/>Treat</p> | <p>The Medium Term Financial Strategy contains a number of plans and assumptions around income and expenditure however there are a number of issues which if they occurred could impact on the plan. This could include issues around the capital programme, pay settlement, pension fund or government legislation changes. This may also include the possibility of one of the council's major customers going out of business. This is further impacted by the current economic volatility - 'credit crunch'.</p> | <p>*Assumptions made in the Medium Term Financial Strategy differ from actual or something unexpected significantly impacts on the plan<br/>* Further funding cuts by central government</p> | <p>* Impact on reserves<br/>* Requirement for remedial action<br/>* Supplementary precept<br/>* Need to prioritise / rationalise some areas<br/>* Stop doing certain things<br/>* Impact on service delivery - cuts in services, staff reductions, inability to achieve objectives<br/>* Complaints<br/>* Adverse media</p> | Sarah Martin | <p><b>12</b><br/>P(4) I(3)</p> | <p><b>6</b><br/>P(2) I(3)</p> | <p><b>RI018.01 Regularly attending finance groups to obtain insight into positions on government funding</b><br/><i>Implemented</i><br/><b>Target date:</b> 31-Mar-13<br/><b>Review frequency:</b> Quarterly</p> <p><b>RI018.02 Initiate reviews to identify efficiencies and economies</b><br/><i>Implemented</i><br/><b>Target date:</b> 1-May-13<br/><b>Review frequency:</b> Quarterly</p> <p><b>RI018.04 Monitoring of finance position of the Council</b><br/><i>Implemented</i><br/><b>Target date:</b> 31-Mar-13<br/><b>Review frequency:</b> Quarterly</p> <p><b>RI018.06 Deilver service review programme to provide efficiencies &amp; economies</b><br/><i>In Progress (2% complete)</i><br/><b>Target date:</b> 30-Jun-16<br/><b>Review frequency:</b> Quarterly</p> | <p>Sarah Martin</p> <p>Julie Compton</p> <p>Sarah Martin</p> <p>Julie Compton</p> | <p><b>4</b><br/>P(2) I(2)</p> |
|  |  |  |   |              |                                |                               |   |   |                               |

Corporate Risk Register

| Risk Ref  | Cause   | Trigger   | Consequence   | Assigned To  | Uncntrl'd Rating       | Current Rating        | Control Measures   | Assigned To  | Residual Rating       |
|---|---|---|---|--------------|------------------------|-----------------------|--|--------------|-----------------------|
| <b>RI019</b><br>Review frequency: Half-yearly<br>Risk Status: Treat | The current economic climate may result in individuals and/or criminal fraternities taking greater risks and/or using more innovative technologies in order to obtain monies by illegal means. An officer or member may also be more inclined to offer or accept a bribe. | The Council may not have sufficient resource dedicated to anti-fraud and anti-bribery measures to deal with any increase in fraudulent or bribery activity; or may not have the capacity to keep up to date with new fraudulent or bribery methods. | Increase in incidence of successful frauds or bribery against the Council | Sarah Martin | <b>12</b><br>P(4) I(3) | <b>6</b><br>P(3) I(2) | <b>RI019.01 Ensure anti-fraud &amp; anti-bribery policies remain fit for purpose</b><br><i>Implemented</i><br>Target date: 31-Dec-12<br>Review frequency: Quarterly                  | Sarah Martin | <b>4</b><br>P(2) I(2) |
|   |   |   |   |              |                        |                       | <b>RI019.02 Raise staff awareness of fraud risks &amp; anti-bribery policy &amp; procedure</b><br><i>Implemented</i><br>Target date: 31-Dec-12<br>Review frequency: Quarterly        |              |                       |
|   |   |   |   |              |                        |                       | <b>RI019.03 Provide regular training to managers re fraud &amp; anti-bribery awareness</b><br><i>Implemented</i><br>Target date: 31-Mar-13<br>Review frequency: Quarterly            |              |                       |
|   |   |   |   |              |                        |                       | <b>RI019.04 Carry out checks of ghost employees</b><br><i>Implemented</i><br>Target date: 30-Apr-12<br>Review frequency: Quarterly   |              |                       |
|   |   |   |   |              |                        |                       | <b>RI019.05 Raise Members' awareness of fraud issues &amp; of anti-bribery policy &amp; procedure</b><br><i>Implemented</i><br>Target date: 30-Sep-12<br>Review frequency: Quarterly |              |                       |

Corporate Risk Register

| Risk Ref  | Cause  | Trigger   | Consequence  | Assigned To      | Uncntrl'd Rating       | Current Rating        | Control Measures  | Assigned To  | Residual Rating       |
|---|--|---|--|------------------|------------------------|-----------------------|---|--|-----------------------|
| <b>RI020</b><br>Review frequency: Quarterly<br>Risk Status: Treat | The Council fails to approve a new localised council tax discount scheme by 31 January 2013 for implementation with effect from 1 April 2013. The scheme is to deliver welfare entitlement savings of 10% whilst at the same time protecting payments to pensioners and other (yet to be defined) vulnerable groups. The implementation of a revised scheme is dependent on the software suppliers being able to make the necessary changes to the system within a very tight timeframe. | * The council's software supplier is unable to make the necessary changes within the required deadline.<br>* Members fail to agree a scheme that delivers the required level of savings.  | The council would need to find the savings required (which are approximately £230k) from within existing budgets or from raising council tax.  | Sarah Martin     | <b>9</b><br>P(3) I(3)  | <b>4</b><br>P(2) I(2) | <b>RI020.01 Monitoring of Council's financial Position in respect of CT discounts</b><br><i>In Progress (10% complete)</i><br><b>Target date:</b> 31-Mar-14<br><b>Review frequency:</b> Quarterly   | Sarah Martin   | <b>4</b><br>P(2) I(2) |
| <b>RI023</b><br>Review frequency: Quarterly<br>Risk Status: Treat | The need to develop a new pay & reward structure that is fair, equitable, transparent and affordable; that rewards employees for their contribution to the achievement of organisational priorities and targets increase the possibility of industrial action.   | <ul style="list-style-type: none"> <li>· detrimental financial impact on groups of staff</li> <li>· failure to follow correct consultation processes</li> <li>· combined impact with other economic changes i.e. Welfare Reform</li> <li>· failure to reach agreement on a new scheme with Unions requiring dismissal and reengagement</li> <li>· failure to engage and communicate effectively with staff</li> <li>· decreased staff morale</li> </ul> | <ul style="list-style-type: none"> <li>· loss of staff</li> <li>· damage to employee relations</li> <li>· demotivated workforce</li> <li>· financial cost</li> <li>· reputational damage</li> <li>· provision of limited or no service for a period of time</li> </ul> | Charlie Greenway | <b>12</b><br>P(4) I(3) | <b>1</b><br>P(1) I(1) | <b>RI023.05 Regular meetings between management &amp; unions</b><br><i>Implemented</i><br><b>Target date:</b> 31-Mar-14<br><b>Review frequency:</b> Quarterly<br><br><b>RI023.06 Mitigations for staff detrimentally affected</b><br><i>Implemented</i><br><b>Target date:</b> 31-Mar-14<br><b>Review frequency:</b> Quarterly<br><br><b>RI023.07 CEx Briefings to all staff on Pay &amp; reward project</b><br><i>Implemented</i><br><b>Target date:</b> 31-Mar-14<br><b>Review frequency:</b> Quarterly | Charlie Greenway<br><br>Charlie Greenway<br><br>Charlie Greenway | <b>1</b><br>P(1) I(1) |

Corporate Risk Register

| Risk Ref | Cause | Trigger | Consequence | Assigned To | Uncntrl'd Rating | Current Rating | Control Measures   | Assigned To                                     | Residual Rating |
|----------|-------|---------|-------------|-------------|------------------|----------------|--|---|-----------------|
|          |       |         |             |             |                  |                | <p><b>RI023.08 Training to managers on supporting staff through the process</b><br/> <i>Implemented</i><br/> <b>Target date:</b> 31-Mar-14<br/> <b>Review frequency:</b> Quarterly</p> <p><b>RI023.09 Equality Impact Assessment on proposed scheme</b><br/> <i>Implemented</i><br/> <b>Target date:</b> 31-Mar-13<br/> <b>Review frequency:</b> Quarterly</p> | <p>Charlie Greenway</p> <p>Charlie Greenway</p> |                 |
|          |       |         |             |             |                  |                |  |   |                 |

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| Objective Keyword: Corporate Risk           |                  |   |   |
|---|------------------|---|---|
| Risk title                                  | Lead officer     | Description of control measure  | Latest comment on Inphase   |
| • RI001 Staff work hours and stress         | Charlie Greenway | RI001.01 Analyse outcomes of staff survey to inform improvement programme                   | This is completed and the analysis (both quantitative and qualitative) has been used to inform the strategic priorities for the organisation. Key strategic priorities which directly relate to this analysis are: internal communications, staff evolution and development; corporate leadership capability and capacity and leadership development.   |
| • RI001 Staff work hours and stress         | Charlie Greenway | RI001.04_GOV01.01 Report workforce information through SMT to identify issues and trends    | SMT meet monthly with EKHR who report on key workforce metrics, including a specific focus on sickness absence, and other intelligence collected by EKHR in the performance of their service within TDC. This forms the basis of discussion, escalation of concerns and action where required.  |
| • RI001 Staff work hours and stress         | Mark Seed        | RI001.08 Use stress audit to inform an improvement plan                                     | The initial staff stress audit did not provide sufficient useful information to allow effective analysis leading to to informed actions.<br><br>A further survey will be undertaken, but this will require the Communications section to be fully staffed before this can occur due to other external priority projects underway.<br><br>This has been discussed and agreed with the unions at the Health and Safety Committee.   |
| • RI001 Staff work hours and stress         | Charlie Greenway | RI001.09 End-of-year annual leave carry over & flexi-time                                   | The data relating to this has been collated and analysis will take place during October 2013 to identify whether there are any areas of concern within the organisation.  |
| • RI001 Staff work hours and stress         | Charlie Greenway | RI001.10 Hold managers workshop to address issue of excessive hours                         | Once analysis of the end-of-year annual leave carry-over and flexi-time is completed, services / teams / directors or individual managers will be identified for specific and targeted  |
| • RI005 Shared service arrangements failure | Sophie Chadwick  | RI005.02 Maintain clientside capacity for effective partnership management                  | Handover document drafted which identifies owners for aspects of client role; there is some uncertainty in relation to responsibilities within the client role (notably ICT) where future ownership is not yet clear.   |
| • RI005 Shared service arrangements failure | Sophie Chadwick  | RI005.03 Review governance arrangements & monitoring after transfer of HR to EK Services    | As part of implementing the restructure governance arrangements will need to be reviewed to ensure they are fit for purpose.  |
| • RI005 Shared service arrangements failure | Sue McGonigal    | RI005.06 Donna Reed to attend Senior Management Team and Managers Exchange                  | Regular attendance at SMT enables the strategic and operational risks of TDC and EKS to be identified, considered and appropriate mitigating action planned; in addition, it allows the CEx to be fully briefed on the strategic issues as they relate to the other partner councils, so that the partnership risk is able to be considered by all partners in an informed manner.  |
| • RI005 Shared service arrangements failure | Sue McGonigal    | RI005.07 On-going work at CEx level for increasing partnership working                      | Ongoing discussions with EKS Director and East Kent partners allows the opportunities for future partnerships to be explored; however from recent conversations it appears that the appetite of EK partners to extend the services offered by EKS has diminished. This potentially increases the risk to the partnership as EKS is unable to increase service resilience of economies of scale, which will make it more difficult to deal with service changes brought about by the introduction of Universal Credit. |
| • RI005 Shared service arrangements failure | Sophie Chadwick  | RI005.08 Use the performance management process to monitor the achievements of partnerships | Currently there are regular client meetings where performance is scrutinised. This will need to be continued in a similar form following the restructure.   |

| Objective Keyword: Corporate Risk           |                  |   |   |
|---|------------------|---|---|
| Risk title                                  | Lead officer     | Description of control measure  | Latest comment on Inphase   |
| • RI005 Shared service arrangements failure | Sophie Chadwick  | RI005.09 Record the governance arrangements and agreed benefits / purpose of partnerships           | A partnership register and framework was updated in December 2012. Ownership will need to be clarified as part of the new structure.  |
| • RI005 Shared service arrangements failure | Karen Paton      | RI005.10 Request outline business case to be produced to highlight resource requirements up front   | As the appetite for new shared services has reduced this control measure is not relevant. Suggest this is withdrawn.  |
| • RI005 Shared service arrangements failure | Sophie Chadwick  | RI005.12 Contract/ partnership management to ensure arrangements for compliance PSED & Equality Act | This is addressed in the council's new equalities policy and plan as approved in 2013 by cabinet.   |
| • RI005 Shared service arrangements failure | Sophie Chadwick  | RI005.13 Ensure all EK Services staff comply with Equality duty                                     | Every policy produced by EK Services is now assessed for equalities impact, providing assurance that this control measure is in place. Ownership of equalities responsibilities sits with the managers within EK Services (as it also sits with managers within TDC).   |
| • RI005 Shared service arrangements failure | Sue McGonigal    | RI005.14 Continued attendance at East Kent Chief Exec forum   | Regular attendance at the East Kent Chief Exec Forum allows the partnership strategy to be developed, and its delivery monitored. This allows risks to be properly assessed and mitigating action planned for, and for any future opportunities for expansion of the partnership to be properly explored.   |
| • RI005 Shared service arrangements failure | Sophie Chadwick  | RI005.15 Continued client side meetings   | Currently there are regular client meetings where performance is scrutinised. This will need to be continued in a similar form following the restructure.   |
| • RI005 Shared service arrangements failure | Sophie Chadwick  | RI005.16 Undertake annual review of partnering for sensitivity and risk                             | Initial concerns have now been reconciled through ongoing relationship management. It is proposed that this control measure is withdrawn.   |
| • RI005 Shared service arrangements failure | Sophie Chadwick  | RI005.17 Refresh Partnership Framework and update Partnership Register                              | A partnership register and framework was updated in December 2012. Ownership will need to be clarified as part of the new structure.  |
| • RI007 Industrial action by employees      | Charlie Greenway | RI007.01 Robust HR policies and procedures  | The council have the following policies in place: Employee Council and Trade Union Recognition Agreement and a Unison and GMB Recognition and Collective Bargaining Agreement. These give a robust and agreed framework for the consultation and negotiations relating to HR policies and procedures. Within the last year these have been used successfully for the consultation and negotiation of a new pay and reward policy. Following this exercise a review was undertaken so that areas for improvement for future negotiations can be identified and noted. This is a robust and effective process for managing the risk of industrial action. |
| • RI007 Industrial action by employees      | Charlie Greenway | RI007.02 Performance monitoring of workforce information  | SMT meet monthly with EKHR who report on key workforce information. This provokes discussion and agreement of actions required to ensure that the council manages it's risks in relation to cases that may result in an employment tribunal and the potential for industrial action.  |



| Objective Keyword: Corporate Risk      |                  |   |  |
|--|------------------|---|--|
| Risk title                             | Lead officer     | Description of control measure  | Latest comment on Inphase  |
| • RI007 Industrial action by employees | Charlie Greenway | RI007.03 Culture Change Programme   | Appraisal training for all managers and staff was completed by March 2013. The council achieved a 100% appraisal completion rate for the end of year appraisals 2012/13. All appraisals went through a moderation process to ensure that scoring was applied consistently and with no indirect discrimination. Only 3 appeals against appraisal scores have been received and these will be heard in September. The process has been reviewed to identify areas for improvement prior to the next round of appraisals which will directly affect pay and work is ongoing to develop guidance and tools for managers and staff and to design and deliver training for managers. This work will be complete by November 2013.  |
| • RI007 Industrial action by employees | Charlie Greenway | RI007.04 Ongoing Employee Council forum meetings                                | Employee Council meetings are held monthly with a member of SMT and the Director of EK Services in attendance and the EKHR Business Partner as Chair. Meetings are constructive and an opportunity for 2-way feedback and information sharing. Relations with the unions are good.   |
| • RI008 Health & Safety risk to staff  | Mark Seed        | RI008.01 Use Health and Safety weeks to improve knowledge                       | Health and safety weeks are now being run on an annual basis to coincide with the national week organised by the Health and Safety Executive. These are reviewed by the H&S committee to discuss the areas of focus for the week.  |
| • RI008 Health & Safety risk to staff  | Mark Seed        | RI008.02 Liaise with EKHRP to review H&S risk assessment process                | The EKS health and safety advisors have been working on a proposal that would work across the 3 east Kent districts. As significant progress has been made an update of this was provided at the H&S Committee meeting on 22nd March 2013.   |
| • RI008 Health & Safety risk to staff  | Mark Seed        | RI008.03 Maintain Health & Safety Committee                                     | <p>The H&amp;S committee is running on a quarterly cycle with representation from all the departments and key service risk areas, and includes representation from both Unison and GMB. A regular agenda is set up to concentrate on overall results in key areas, as well as significant issues that arise and cannot be dealt with at a service level.</p> <p>There is good representation from all the main departments across the council, who also contribute to the identification of issues and developing solutions. In addition, the health and safety advisors from EKHR attend each meeting to provide the professional support required.</p> <p>The meeting is very effectively supported by the PA to the Director of Operational Services in organising meeting, dealing with minutes and agendas, and chasing action on the outstanding matters list.</p> |
| • RI008 Health & Safety risk to staff  | Mark Seed        | RI008.04 Liaise with EKHRP to implement recommendation from 2009 internal audit | Health and safety officers from EK Services attend every meeting of the H&S committee, with the audit recommendations delivery being part of the regular business reviewed.  |

| Objective Keyword: Corporate Risk                          |              |  |   |
|--|--------------|--|---|
| Risk title   | Lead officer | Description of control measure   | Latest comment on Inphase   |
| • RI010 Appropriate property Asset management              | Mark Seed    | RI010.01 Draft & Implement Asset Management Strategy                           | With the arrival of the new Property Manager the process to draft the new Asset Management Strategy has started. A review of the disposal process has been identified as a necessary part of a wider Asset Management Strategy. A project group to develop the Asset Management Strategy has been formed. This includes staff from services across the council who have a direct role in the management of significant council assets. It is intended to bring the AMS forward for consideration by Scrutiny and then adoption by Cabinet in the first half of 2014.  |
| • RI010 Appropriate property Asset management              | Mark Seed    | RI010.02 Prioritise maintenance spending on assets to increase revenue returns | <p>The new Property Manager has instituted a programme of assessments of significant properties to ascertain the balance between income and expenditure, together with significant investment needs, to allow a structured programme of improvement, maintenance and disposal decisions to be made.</p> <p>A commercial property audit has been completed and identified areas for more work that is already underway:</p> <ul style="list-style-type: none"> <li>• Inspection of commercial property - enhancing the documentation associated with inspections to ensure lessees are complying with covenants, but also to allow the identification of investment opportunities to increase levels of return. This also includes vacant units to deal with matters associated with insurance cover.</li> <li>• Inspection of public spaces - enhancing the resources available to undertake programmed inspections of facilities, structures and surfaces in public spaces to meet our safety and insurance obligations.</li> <li>• Resources - reviewing of commercial land and property holdings to ensure these are providing a sufficient return in relation to investment needs to help support enhanced maintenance activities across the council's remaining responsibilities.</li> </ul> |
| • RI011 Emergency plan & Business Continuity Plan accuracy | Paul Morgan  | RI011.01 Test effectiveness of Business Continuity Plan (Old)                  | An exercise has been held to review the Business Continuity Plan with relevant managers and staff on the 7th March 2013. Outcomes from the exercise are to be used to re-model the Plan through a Business Continuity working group, with a further test being planned for the early part of 2014.  |
| • RI011 Emergency plan & Business Continuity Plan accuracy | Paul Morgan  | RI011.02 Review and revise the council's BCP                                   | The business Continuity Plan has been revised into a single document. A review exercise held on the 7th March 2013 showed that further work is necessary to update information on service areas and to identify business continuity arrangements with East Kent Services. Consultation with staff needs to include a wider group and provide staff with key information on their roles during an incident.  |
| • RI011 Emergency plan & Business Continuity Plan accuracy | Paul Morgan  | RI011.03 Test effectiveness of revised Business Continuity Plan                | A review of the plan has been undertaken on 7th March 2013, with a proposed test event being planned for early 2014 to reflect the changes that are being undertaken to the plan.   |
| • RI011 Emergency plan & Business Continuity Plan accuracy | Paul Morgan  | RI011.04 2013 Test for effectiveness of emergency plan                         | Major Emergency Plan exercise held on the 7th March 2013. Plan deemed to be robust and fit for purpose.   |
| • RI011 Emergency plan & Business Continuity Plan accuracy | Paul Morgan  | RI011.05 Undertake annual review of Major Emergency Plans                      | Following the initial test exercise different aspects of the Major Emergency Plan will be tested on an annual basis and will lead to plan amendments if these areas are required.   |

| Objective Keyword: Corporate Risk                                    |                 |  |   |
|--|-----------------|--|---|
| Risk title   | Lead officer    | Description of control measure   | Latest comment on Inphase   |
| • RI011 Emergency plan & Business Continuity Plan accuracy           | Paul Morgan     | RI011.06 Undertake annual review of Functional Plans   | These will form part of the review of the wider emergency plan with different services being reviewed annually.   |
| • RI011 Emergency plan & Business Continuity Plan accuracy           | Paul Morgan     | RI011.07 Test effectiveness of District Emergency Centre (DEC)                                     | This forms part of the testing of the Major Emergency Plan and was a feature of the test exercise undertaken on 7th March 2013.   |
| • RI012 New waste & recycling collection system                      | Graeme Lawes    | RI012.02 Procurement of waste collection fleet   | All 26 & 18 tonne vehicles procured - 26t delivered awaiting 18t. Narrow access vehicles design has been approved, will begin procurement procedures  |
| • RI012 New waste & recycling collection system                      | Graeme Lawes    | RI012.03 Delivery of plan for communication with the public  | An extensive and varied communications plan has been undertaken to ensure maximum outreach. The activity undertaken includes: a dedicated website <a href="http://www.thanet.gov.uk/recycle4thanet">www.thanet.gov.uk/recycle4thanet</a> and a dedicated automated information phone line. A Teaser leaflet containing details of the improved scheme and roadshow dates hand delivered to every household in Thanet in July. 17 roadshows showcasing the new containers and frieghters staffed by TDC staff across the district throughout August/September. Press ads have taken out in 6 local publications. Avertising on Thanet Bus rears and interiors. 6 sheet and 48 sheet posters in high footfall areas. An animated education video has been produced and is showing at Westwood Cross for 1 week and then online. Regular press releases and Twitter activity. Presentations to Parish Councils and Community Groups. Staff and member briefings and internal posters. Welcome packs containing a brochure, collection calendar, bin stickers and sample compostable bags will be hand delivered to all households with their new containers. Direct mailing to customers who either will not receive the new scheme or will receive a bespoke version. |
| • RI012 New waste & recycling collection system                      | Graeme Lawes    | RI012.04 Ensure suitable location for maintaining the fleet  | The majority of the previous concerns over the suitability of the facilities at the depot have now been overcome. An assessment is currently being carried out to determine whether a new scissor lift will be needed. The cost of this will be considerably less than the £80,000 that would have been required for a workshop to be set up at the Port.   |
| • RI013 Failure to realise value of East Kent Opportunities assets   | Madeline Homer  | RI013.01 Monitor implementation of management plan   | A planning application regarding Eurokent is due to go to Planning Committee in October for permission to deliver 500 residential units. Manstone Business Park has seen the successful sale of one plot to a new business moving in and the extension of the plot of an already established business.  |
| • RI015 Housing Intervention Project Failure                         | Richard Hopkins | RI015.01 Monitor effects of Policy & adjust practices  | All external and internal influences are being monitored as far as possible and so far there have been no significant impacts on the delivery of the project.   |
| • RI015 Housing Intervention Project Failure                         | Madeline Homer  | RI015.02 Lobbying of appropriate department of central government via MPs                          | The site has transferred putting the council in cotnrol of the site. But we are subject to the Court of Appeal hearing on the 25th and 26th September.  |
| • RI017 Failure of progress on Dreamland site                        | Madeline Homer  | RI017.01 Clear recording of TDC decisions  | There is a project plan for the heritage amusement park site which is being progressed in partnership with the Dreamland Trust. We are now initiating survey work on the scenic railway and other structures.   |
| • RI017 Failure of progress on Dreamland site                        | Grant Burton    | RI017.02 Regular monitoring of Dreamland project   |   |
| • RI018 Assumptions of Medium Term Financial Strategic prove invalid | Sarah Martin    | RI018.01 Regularly attending finance groups to obtain insight into positions on government funding | Finance staff regularly attend Chief Accountants, KFOAs, Treasury Forums and Housing Forums to keep up to date with new developments and with the latest finance issues.  |

| Objective Keyword: Corporate Risk                                    |                  |  |  |
|--|------------------|--|--|
| Risk title   | Lead officer     | Description of control measure   | Latest comment on Inphase  |
| • RI018 Assumptions of Medium Term Financial Strategic prove invalid | Sarah Martin     | RI018.02 Initiate reviews to identify efficiencies and economies                       | Meetings are being held with all managers to identify budget savings and future efficiencies   |
| • RI018 Assumptions of Medium Term Financial Strategic prove invalid | Sarah Martin     | RI018.04 Monitoring of finance position of the Council                                 | The financial position of the Council is reported to SMT and to Cabinet on a quarterly basis.  |
| • RI018 Assumptions of Medium Term Financial Strategic prove invalid | Sarah Martin     | RI018.06 Deliver service review programme to provide efficiencies & economies          | The first service review has now been undertaken and other service areas will follow   |
| • RI019 Problem with fraud / bribery                                 | Sarah Martin     | RI019.01 Ensure anti-fraud & anti-bribery policies remain fit for purpose              | These policies have been regularly updated and taken to G&A for approval   |
| • RI019 Problem with fraud / bribery                                 | Sarah Martin     | RI019.02 Raise staff awareness of fraud risks & anti-bribery policy & procedure        | The policies are available on the intranet for staff. The policies have also been a topic within the staff development sessions  |
| • RI019 Problem with fraud / bribery                                 | Sarah Martin     | RI019.03 Provide regular training to managers re fraud & anti-bribery awareness        | Managers have received training via the Budget Managers forum and at the SMT Managers Forum  |
| • RI019 Problem with fraud / bribery                                 | Sarah Martin     | RI019.04 Carry out checks of ghost employees   | An annual check is carried out on ghost employees  |
| • RI019 Problem with fraud / bribery                                 | Sarah Martin     | RI019.05 Raise Members' awareness of fraud issues & of anti-bribery policy & procedure | Training sessions are carried out annually at Governance and Audit and as part of induction training for new members   |
| • RI020 Failure to implement localised council tax discount scheme   | Sarah Martin     | RI020.01 Monitoring of Council's financial Position in respect of CT discounts         | The Financial Services Manager is meeting regularly with her counterparts at the other Kent authorities to monitor performance against the scheme  |
| • RI022 Welfare Reform Demands                                       | Steve Tebbett    | RI022.01 Ensure by monitoring that Operational controls are implemented                | Regular meetings of a multi-disciplinary welfare reform group update provides updates on welfare reform issues. Following review of monitoring arrangements by other authorities, and in concert with KCC, regular monitoring of changes in housing, benefits and social wellbeing is expected to be finalised in September - so that impacts can be tracked. Also, an overview of effects in Thanet of welfare reform is scheduled to be written by the end of November 2013. |
| • RI023 Pay & Reward Structure                                       | Charlie Greenway | RI023.05 Regular meetings between management & unions                                  | These took place between September 2012 and February 2013.   |
| • RI023 Pay & Reward Structure                                       | Charlie Greenway | RI023.06 Mitigations for staff detrimentally affected                                  | Through the negotiations between management and the unions, mitigations for staff detrimentally affected were agreed.  |
| • RI023 Pay & Reward Structure                                       | Charlie Greenway | RI023.07 CEx Briefings to all staff on Pay & reward project                            | Staff Briefings took place at the start of consultation and at the end of the negotiations.  |
| • RI023 Pay & Reward Structure                                       | Charlie Greenway | RI023.08 Training to managers on supporting staff through the process                  | Regular briefings and guidance was provided to managers throughout the process.  |
| • RI023 Pay & Reward Structure                                       | Charlie Greenway | RI023.09 Equality Impact Assessment on proposed scheme                                 | An equality impact assessment was undertaken during the consultation period and the results were shared with the unions.   |

## ANNUAL GOVERNANCE STATEMENT 2012/2013

To: **Governance and Audit Committee – 25 September 2013**

Main Portfolio Area: **Operational Services**

By: **Business Support and Compliance Manager**

Classification: **Unrestricted**

**Summary:** **To provide Governance and Audit Committee with the Annual Governance Statement 2012/13 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 applied from the financial year 2010/2011. The changes to the regulations meant that the AGS should accompany the Statement of Accounts and does not need to be included within the body of this document. This meant that the AGS is separate from the accounts for the purpose of external audit.
- 1.4 The other change was to the approval process and timeframe. Governance and Audit Committee consider the draft AGS and assurance gathering process in June. The AGS is then audited and Members made aware of the findings of the audit, which enables 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 (see Annex 1 section 3). 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 26 June 2013, and was agreed with no recommended changes. This was then provided to our External Auditors Grant Thornton 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 Grant Thornton have had the opportunity to audit the Draft AGS and their findings were reported to the Business Support and Compliance Manager. An amendment to the AGS has taken place at section 4.1.3 as required.

### **4.0 Options**

4.1 That Members approve the Annual Governance Statement 2012/2013 and associated action plan.

4.2 That Members do not approve the Annual Governance Statement 2012/2013. 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 2012/2013 and 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:    | Mark Seed, Director of Operational Services                             |

***Annex List***

|         |   |
|---------|---|
| Annex 1 | Annual Governance Statement for 2012/2013         |
| Annex 2 | Annual Governance Statement 2012/2013 action plan |

***Background Papers***

| <b>Title</b>  | <b>Details of where to access copy</b>              |
|---|---|
| Completed assurance statements                              | Through the Business Support and Compliance Manager |
| Governance Framework and Local Code of Corporate Governance | Through Internet / TOM & Members Portal             |

***Corporate Consultation Undertaken***

|                            |  |
|----------------------------|--|
| Monitoring Officer / Legal | Harvey Patterson, Corporate and Regulatory Services Manager      |
| Finance                    | Sarah Martin, Financial Services Manager                         |
| Communications             | Justine Wingate, Corporate Communication and Information Manager |

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# Annual Governance Statement 2012/13

## **1.0 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, that public money is safeguarded and properly accounted for and that funding is 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 suitable arrangements for the governance of its affairs, which facilitate the effective exercise of its functions and include arrangements for 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 Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (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.

## **2.0 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, together with the 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 the 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 2013 and up to the date of approval of the Statement of Accounts.

## **3.0 METHODOLOGY FOR PREPARING THE ANNUAL GOVERNANCE STATEMENT**

- 3.1 The Annual Governance Statement is prepared using a method similar to that used in previous years, including:
  - Managers providing an assurance statement as to the extent and quality of internal control arrangements operating within their departments for the year. The declaration covers a comprehensive list of those systems and procedures which deliver good governance. Managers are asked to declare any weaknesses in their governance arrangements.
  - Directors / Service Managers reviewing the results of those declarations, identifying those issues which are significant or which are common to more than one area and discussing the outcomes with the Portfolio Holder with responsibility for each service area.

- Assurance statements from the Section 151 Officer, Monitoring Officer and the following key areas: performance management, procurement and risk management identifying any governance issues that have arisen and should be addressed in the forthcoming year.
- Statements from the shared service partners we work with on compliance with the governance arrangements in place.
- Reviewing the annual reports from Governance and Audit Committee, Overview and Scrutiny Panel and Standards Committee.
- Considering the Internal Audit Annual Report, and also the Section 151 Officer's report on the effectiveness of the internal audit arrangements in place.
- The council's Governance and Audit Committee considers the draft Annual Governance Statement in June and is afforded the opportunity to give its input to the statement and to consider whether it accurately reflects the council's control environment.
- The Governance and Audit Committee approves the Annual Governance Statement in September and it is signed off by the Chief Executive / Section 151 Officer and Leader of the Council.

#### **4.0 THE GOVERNANCE FRAMEWORK**

4.1 There are a number of key elements to the systems and processes that comprise the council's governance arrangements, which are set out below.

- 4.1.1 There is a clear vision of the council's purpose and intended outcomes for citizens and service users that is clearly communicated.
- The Vision for Thanet was adopted by Council in July 2009. This document sets out the 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.
  - The council identified and communicated its aims and ambitions for Thanet in April 2012 for the next four years, when a new Corporate Plan was approved that contains eleven priorities which will be supported by operational plans.
- 4.1.2 Arrangements are in place to review the council's vision and its implications for the council's governance arrangements.
- The Corporate Plan will be reviewed annually to take into account progress against the eleven priorities and outcomes of the annual budget setting process. Each review will evaluate and determine if there are any implications for the council's governance arrangements with appropriate amendments being made as necessary.
- 4.1.3 Arrangements exist for measuring the quality of services, for ensuring they are delivered in accordance with the council's objectives and for ensuring that they represent the best use of resources.
- Performance progress is tracked through monthly monitoring of key performance indicators, service tasks and projects. Progress against the council's Corporate Plan is reported quarterly to Cabinet. Additionally, monthly service reports summarise all key projects, tasks and performance measures specific to each service. The performance framework is operated on Inphase™, a performance management system.

- The Council's data quality framework sets out the Council's requirement that any data used by the authority should be fit for purpose. Fitness for purpose of performance data is assured through the following activity:
  - Challenge of measure definition when new indicators are identified through service planning;
  - Set up of measures at denominator and numerator level to ensure that calculations are not carried out manually;
  - Calculation checking through the data entry process;
  - Manager review of data entered by staff;
  - Training provided to managers and staff on how to use the data entry and reporting system;
  - Challenge through the target setting process;
  - Challenge through monthly monitoring of performance data;
  - Advice and support provided to staff and managers as requested on the capture and use of management data.

4.1.4 The roles and responsibilities of the executive, non-executive, scrutiny and officer functions are clearly defined, with clear delegation arrangements and protocols for effective communication.

  - 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.

4.1.5 Codes of conduct defining the standards of behaviour for members and officers are in place, conform to appropriate ethical standards, and are communicated and embedded across the council.

  - Codes of conduct defining the standards of behaviour for members and staff have been developed and communicated and are available on the council's website and intranet site, Thanet Online Matters (TOM). These include Members' Code of Conduct, Code of Conduct for Staff, Anti-fraud and Corruption Policy, member and officer protocols and regular performance appraisals linked to service and corporate objectives.

4.1.6 Standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals which are reviewed and updated as appropriate, clearly define how decisions are taken and the processes and controls required to manage risks.

  - The council has established policies and procedures to govern its operations. Key within these are the Financial Procedure Rules, Procurement Strategy and Contract Standing Orders, Risk Management Strategy, Codes of Conduct for Members and Officers, Anti-Fraud and Corruption Policy, Anti-Bribery Policy, Whistleblowing Code and Human Resources policies. Ensuring compliance with these policies is the responsibility of everyone throughout the council. These key controls are subject to periodic review, including that by Internal Audit, and are updated to ensure that they are relevant to the needs of the organisation.
  - Contract Standing Orders set out the rules governing the procurement process to ensure that value for money is achieved whilst meeting all legal and statutory requirements and minimising the risk of fraud or corruption. The council's Procurement Strategy is a high level view of how to promote effective procurement across the whole organisation. It outlines what good procurement means in Thanet and details the supporting framework. This Strategy is underpinned by the Procurement Code of Practice which is a step-by-step guide for all purchasing activities providing information, advice and guidance for officers responsible for spending the council's money.

- A risk management framework has been in place across the council for some years with the objective of embedding effective risk management practices at both strategic and operational levels. The Risk Management Strategy and Process documents are reviewed on an annual basis and approved by the Governance and Audit Committee.

4.1.7 The council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

- The council's financial management arrangements conform to CIPFA standards. The Chief Executive (Section 151 Officer) has statutory responsibility for the proper management of the council's finances and is the chair of the Senior Management Team (SMT). The management of the council's finances within departments is devolved to directors / service managers through the Scheme of Delegation for Financial Authority and Accountability. Directors / service managers further devolve decision making to managers and business unit managers through departmental schemes of management.
- The Financial Services Team provide detailed finance protocols, procedures, guidance and training for managers and staff. The structure of the Financial Services Team ensures segregation of duties and all committee reports are reviewed by the appropriate Financial Services staff.
- The internal audit function is an independent appraisal process and for this council is provided by the East Kent Audit Partnership, who have direct access to members. They undertake reviews which 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 perform a wide range of reviews covering both financial matters and other more service / output specific objectives, including value for money assessments. The conclusion 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.

4.1.8 The core functions of an audit committee are undertaken.

- The role of the Governance and Audit Committee is set out in the Constitution and one of its key roles is to provide independent assurance of the adequacy of the risk management framework and the associated control environment. It is a committee comprising nine council members independent of the executive, and oversees the internal audit function and considers all relevant reports of the external auditor.
- The terms of reference for the Governance and Audit Committee are prepared in line with 'CIPFA's Audit Committees – Practical Guidance for Local Authorities' and are reviewed annually whilst undertaking the self-assessment into the committee's effectiveness and achievements against its terms of reference.

4.1.9 Arrangements exist to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

- The council has in place a Monitoring Officer and Deputy Monitoring Officer. The Monitoring Officer has a duty to report on any actual or likely decision which would result in an unlawful act or maladministration. All decisions to be taken by members are supported by a legal assessment provided by the appropriate officer.
- The council has in place a Responsible Finance Officer and Deputy under Section 151 of the Local Government Act 1972. This role ensures lawfulness and financial prudence of decision making, has responsibility for the administration of the financial affairs of the council and provides advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues.

- 4.1.10 Arrangements for whistleblowing and for receiving and investigating complaints from the public are in place and well publicised.
- 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 approved by Governance and Audit Committee, as part of the council's Anti-Fraud and Corruption Policy. The Code is available on the website and is also proactively communicated to those contracting with the council.
  - Thanet District Council wants to provide the best service it can to the community and has a Customer Feedback process in place, which includes complaints, compliments, service requests, member contact and comments. Service improvements take place as a direct result of customer feedback received and are published on the council's website and Members' Portal.
- 4.1.11 Arrangements exist for identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.
- Member Briefing sessions are programmed on a quarterly basis to ensure that members are properly equipped to effectively fulfil their responsibilities in the governance of the council's operations.
  - As part of the annual appraisal process, training and development needs of staff are identified and a development plan is drawn up to meet those needs.
  - The council has developed a new culture change programme, which is supported by all of the SMT. This programme will enable a greater focus on organisational development, service development and performance management.
- 4.1.12 Clear channels of communication with all sections of the community and other stakeholders are in place, ensuring accountability and encouraging open consultation.
- 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. A greater emphasis is being placed on online consultation and social media.
  - 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. The council delivers an extensive programme of consultations throughout the year.
  - The council also regularly communicates and consults with residents online via the council website through social media such as Twitter and Facebook, 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.
- 4.1.13 Governance arrangements in respect of partnerships and other group working incorporate good practice and are reflected in the council's overall governance arrangements.
- Partnership working is governed by agreements, protocols or memoranda of understanding relevant to the type of work or relationship involved. The council's Contracts and Partnership Relationship Manager ensures that all are fit for purpose and the council's interests are protected.

## 5.0 REVIEW OF EFFECTIVENESS

5.1 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 our External Auditors and other review agencies and inspectorates.

5.2 The process that has been applied by the council in maintaining and reviewing the effectiveness of the governance framework, includes the following:

### 5.2.1 The Authority

- The Council comprises 56 Members and, as a whole, takes decisions on budget and policy framework items as defined by the Constitution.

### 5.2.2 The Cabinet

- The Cabinet is responsible for the majority of the functions of the authority, within the budget and policy framework set by Full Council. Executive decisions can be taken by the Cabinet and Cabinet Members acting under delegated powers, depending upon the significance of the decision being made.
- The Forward Plan lists the key decisions to be taken by Cabinet over the forthcoming four months. The plan is updated around the middle of each month to take effect from the 1st of the following month.

### 5.2.3 The Governance and Audit Committee

- The council has an established Governance and Audit Committee, which is independent of the executive function of the council, and is responsible for overseeing internal and external audit, risk management processes and reviewing the adequacy of internal controls.

### 5.2.4 The Overview and Scrutiny Panel

- The Overview and Scrutiny Panel consists of 16 non-executive members and is appointed on a proportional basis, with political groups represented in the same proportion as on Full Council. It does not have any decision-making powers, but monitors the performance of the Leader and Cabinet and scrutinises services and policies throughout the district (both member and officer).

### 5.2.5 The Standards Committee

- The Standards Committee is established by Full Council and is responsible for promoting and maintaining high standards of conduct amongst councillors. In particular, it is responsible for advising the council on the adoption and revision of the Members' Code of Conduct and for monitoring the operation of the Code.

### 5.2.6 The Chief Financial Officer

- The role of the Chief Financial Officer is a fundamental building block of good corporate governance. The two critical aspects of the role are stewardship and probity in the use of resources; and performance, extracting the most value from the use of those resources.

5.2.7 The Monitoring Officer

- The Monitoring Officer has a duty to keep under review the operation of the Constitution to ensure it is lawful, up to date and fit for purpose.

5.2.8 The Internal Audit function

- The internal audit function is undertaken by the East Kent Audit Partnership, which provides this service to not only Thanet District Council but also Dover and Shepway District Councils, and Canterbury City Council. Internal audit is an independent appraisal function, which seeks to provide management with a level of assurance on the adequacy of internal controls and of risks to the council's functions / systems.

5.2.9 Management and officers

- The council's internal management processes are reviewed regularly and any changes or updates are communicated through staff development sessions and any management training that is undertaken.

## 6.0 INTERNAL AUDIT STATEMENT

6.1 During 2012/13 the Internal Auditors completed 318.2 days of review, which was spent undertaking 29 audits. Of these 8 were assessed as being able to offer substantial levels of assurance; 10 reasonable assurance and 6 limited assurance. One other review was consultancy work and did not merit an assurance level and there were four audits at work in progress stage at year-end. Taken together 75% of the reviews accounted for substantial or reasonable assurance, whilst 25% of reviews placed a limited or partially no assurance to management on the system of internal control in operation at the time of the review.

6.2 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.

6.3 The council has 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, which feed into the production of the council's financial statements, have achieved a substantial assurance level following audit reviews. The council can therefore be very assured in these areas.

6.4 The areas where improvement is required and which are considered to be the primary areas of concern arising from partial limited assurances:

- Data Protection
- Absence Management, Flexi and Annual Leave
- Dog Warden and Litter Enforcement
- Thanet Leisure Force
- Museums

6.5 Each of these areas is due to be followed up early in the 2012-13 plan of work. Consequently there is nothing of significant concern that needs to be escalated at this time.



## 7.0 ACTIONS UNDERTAKEN DURING 2012/13

### 7.1 Pay and reward process

- During 2012/13 the council developed a competency framework through employee workshops to ensure that we display the attitudes and approach to our work that will make positive change to the council in the way we deliver our services and undertake our roles as we strive to be the best we can be.
- Alongside the competency framework, a new appraisal process was introduced. Every officer of the council underwent training and the new format documents were used for the year end appraisals for 2012/13, and target setting for 2013/14.

### 7.2 Medium Term Financial Plan

- A Medium Term Financial Plan (MTFP) was presented to Cabinet in January 2012 covering the period 2012/13 to 2015/16. In light of the continuing unprecedented economic climate in which the council finds itself, the document was reviewed and updated, not only to reflect the external environment, but also new developments and changes to internal policies and practices. The revised MTFP covers the period 2013/14 to 2016/17.

### 7.3 East Kent Joint Arrangements review

- Following the decision taken by Shepway District Council not to participate in the sharing of the various services provided by EK Services (EKS) and to withdraw from the East Kent Human Resources Partnership (EKHRP), new governance arrangements to ensure the smooth continuation of the services provided to Thanet District Council, Canterbury City Council and Dover District Council by EKS and EKHRP were developed.

### 7.4 Contract Standing Orders and Purchasing Guide

- A review of Contract Standing Orders (CSOs) and the Purchasing Guide concentrated on four areas: realigning the documents with the council's new structure, increasing the level of control at tender openings, changes in procedure and updating the areas exempt from Contract Standing Orders.

### 7.5 Members' Code of Conduct and voluntary Standards Committee

- The Members' Code of Conduct, arrangements for dealing with complaints and consequential and related matters was reviewed following the revised Members' Standards Framework introduced in the Localism Act 2011 (Chapter 7).

### 7.6 Access to Information Regulations

- The new Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 came into effect in September 2012, which resulted in the council having to amend its procedures and Constitution in relation to the transparency of executive decisions, to ensure compliance with these new rules.

### 7.7 Risk Management Strategy and Process

- Risk management in Thanet District Council is about improving our ability to deliver our objectives by managing our threats, enhancing our opportunities and creating an environment that adds value to ongoing activities. The council's Risk Management Strategy and Process documents were reviewed and the amendments agreed by the Governance and Audit Committee at its September 2012 meeting.

## 7.8 Equalities

- The council underwent a period of consultation on its draft Equality Policy and Action Plan methodology, for approval of the final Policy and Action Plan in 2013.

## 7.9 Local Code of Corporate Governance and Governance Framework

- Good management, good performance and good financial controls all lead to good governance, and enable the council to engage with the public and ultimately demonstrate good outcomes for the community. The council pursues its ambitions as set out in the Corporate Plan effectively, whilst demonstrating our governance principles and management processes through the Local Code of Corporate Governance. Each year the Governance Framework and the Local Code are reviewed to ensure they are fit for purpose, and are agreed by the Governance and Audit Committee.

## 7.10 Corporate Performance Report

- The Corporate Plan 2012-16 was approved in April 2012 which set out the 11 priorities that the council would focus on. In support of the Corporate Plan priorities, activities were captured in service plans.
- The Corporate Performance Report pulls together the different projects and Key Performance Indicators (KPIs) identified through service planning, and aligns them to the Corporate Plan priorities.
- There are 33 projects listed. Of these, thirteen were completed within the year with a further three nearing completion. Of the remainder, twelve are on track, five face some risk and one faces significant risk. There are 39 KPIs listed where tracking data is available. Of these, 26 are on target, four are slightly worse than target and nine are significantly worse than target.

## 7.11 Actions to address 2011/12 Significant Governance Issues

The following section looks at the progress made against the 2011/12 AGS recommendations. Those that are outstanding will be carried forward to the 2012/13 action plan.

- Staff related
- Staff turnover reports were not available from the I-Trent system. A key indicators report is scheduled to be developed during 2012/13 for all Districts.  
Completed action: Workforce information regularly provided to SMT.  
Completed action: Regular report to SMT on sickness absence.
- The operation and adequacy of corporate induction arrangements should be reviewed during 2012/13.  
Completed action: Recruitment toolkit and induction booklet updated.
- There appears to be growing incidents of officers working long hours, which is exacerbated by staff reductions and a lack of alignment of workloads. This includes attendance at evening meetings.  
Outstanding action: Analysis of carry over and flexi leave in progress.  
Outstanding action: Review of officer attendance at evening meetings to be undertaken.
- Corporate processes
- The action to review corporate business continuity processes and plans needs to be completed in 2012, and individual service plans need to be reviewed and brought up to date as part of this.  
Outstanding action: Review and consolidate business continuity plans in progress.
- The council has introduced new health and safety procedures during the year, although preparing and updating appropriate risk assessments remains an area for further

development. The introduction of health and safety maps for each service assists with these, but there has still to be a shift in culture across the council that sees the approach to risk being embedded with managers and staff.

Completed action: Actions arising from health and safety audit undertaken, as well as running health and safety weeks on an annual basis.

- Although training has been provided on the public service equality duty and guidance circulated, this is still an area for further development across the council in 2012. As budget reductions continue, the potentially disproportionate impact on protected groups remains a significant issue. Senior management will need to ensure that staff at all levels are developed in this area.

Completed action: An equality toolkit has been developed and training provided through service team meetings.

- Major projects

- The council is involved in a number of projects and initiatives that are complex in nature, carry the risk of a great financial loss, of a high value or dependent upon working with partners to achieve. There also appears an ease at which new projects are added to work plans.

Completed action: Management accountants have been working closely with service managers to provide support in understanding their costs and developing their projects.

Completed action: Quarterly updates provided to SMT on corporate, service and project targets.

- Corporate issues

- There is a continued need to ensure there is a common platform for corporate standards and codes between the council and its shared service partners to ensure compliance with good governance arrangements.

Completed action: Regular updating of common standards for TDC and shared services. EK Services provided a service plan for 2012/13.

- The political instability of a hung council requires greater detail in support of individual decisions.

Outstanding action: Committee report drafts and decision notices quality check in progress.

## **8.0 ANNUAL REPORTS - GOVERNANCE AND AUDIT COMMITTEE, OVERVIEW AND SCRUTINY PANEL AND STANDARDS COMMITTEE**

- 8.1 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.

8.1.1 Prior to the first meeting of the committee cycle carry out a training session on the remit of the Committee.

8.1.2 Any new members are provided with an induction to the Committee.

8.1.3 Democratic Services to write to Group Leaders seeking their approval to an approach similar to that operated by the Planning Committee.

8.1.4 Ensure substitutes attend training session prior to first meeting of committee cycle.

- 8.2 Thanet District Council's Overview and Scrutiny Panel is entitled to make an annual report to the Annual Meeting of Council. The report summarises the key achievements of the Overview and Scrutiny Panel during 2012/13 and indicates the panels suggested priorities for 2013/14. The following paragraphs (8.2.1 to 8.2.4) have been taken directly from the annual report of the Chairman of Overview and Scrutiny.

- 8.2.1 “It is worth noting that although there had been extensive discussion of options for alternative scrutiny arrangements for TDC, leading to a report to the Standards Committee, the Standards Committee accepted suggestions presented to it to postpone any decision until after the processes for establishing the new Health & Wellbeing Boards at District level have been completed. Their recommendations are elsewhere in the agenda for this meeting. This delay is intended to offer Members the opportunity to determine whether there may be a need to make changes to the current scrutiny arrangements in order to assume possible additional scrutiny functions in relation to the Boards that may be devolved to District Councils at the discretion of Kent County Council. It must be added however that there are currently no indications that KCC would like to devolve such scrutiny functions.
- 8.2.2 The approach of using task and finish groups appeared to have worked very well in 2012/13. Those groups that managed to carry out their assigned tasks were de-commissioned and thereby freeing officer resources to be deployed to other Council activities. It may be worthwhile for the Panel to continue with this approach in 2013/14.
- 8.2.3 Members may wish to reconstitute those groups that did not complete their work in 2012/13 and in instances where there is a clear need to refocus the work of the group; the terms of reference would need to be amended to reflect this.
- 8.2.4 There were no Member training activities specific to the work of the Overview & Scrutiny Panel in 2012/13. The Panel may wish to identify any Member training needs in relation to overview and scrutiny activities, determine training strategies and facilitate training for Panel members in order to improve their contribution to the scrutiny process. Any identified training needs could be included in the Council wide Member Learning & Development Programme for 2013/14.”
- 8.3 The annual report of the Standards Committee summarises the work of the committee for the year and provides assurance that the Standards Committee and its sub-committees during 2012 were complying with their statutory responsibilities. The conclusion from the annual report is given below:
- 8.3.1 The Localism Act introduced a new regime for governing standards of member conduct which was significantly different from the previous system.

## 9.0 SIGNIFICANT GOVERNANCE ISSUES

- 9.1 The identified areas detailed below have arisen from our numerous assessments into the council’s governance arrangements for 2012/13 and have been deemed to be significant by SMT and will be addressed during 2013/14.
- 9.2 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.
- 9.3 Identified issues are:
- 9.3.1 Member related
- The political situation with a hung council and changing political dynamics can add to the time taken to reach a resolution that can be acted on and also may have a higher likelihood of decisions being called in.

9.3.2 Major projects

- The project management process needs to be reviewed and implemented across the council, as highlighted in the internal audit on risk management. Basic minimum templates are required to be in common usage, which can be expanded to deal with more complicated projects.

9.3.5 Corporate issues

- The process for determining disclosure needs to be reviewed, to ensure full publication of information wherever possible to meet with transparency commitment.
- The asset management disposal process needs to be reviewed to ensure appropriate consultation at political level is undertaken to improve public trust.
- There is the need to improve inspection regimes for maintained buildings and land to identify investment needs as well as deal with insurance claims (especially public liability). This will be especially difficult given the pressures on the repairs budget.
- The council is facing a significant budget gap, due to cuts to Government grants and external pressures such as the insolvency of Transeuropa. The council is taking steps to diversify and generate income through the Port, but this still remains an area of concern.
- The process in respect of East Kent Housing's financial management of the repairs and maintenance and leasehold charges needs to be reviewed.

9.3.6 The areas of concern identified from the internal audit reports for Data Protection, Absence Management, Flexi and Annual Leave, Dog Warden and Litter Enforcement, Thanet Leisure Force and Museums, are being addressed through the report recommendations.

## 10.0 ASSURANCE SUMMARY

- 10.1 Good governance is about running things properly. It is the means by which the council shows it is taking decisions for the good of the people of the area, in a fair, equitable and open way. It also requires standards of behaviour that support good decision making – collective and individual integrity, openness and honesty. It is the foundation for the delivery of good quality services that meet all local people's needs. It is fundamental to showing that public money is well spent. Without good governance, councils will struggle to improve services.
- 10.2 From the review, assessment and monitoring work undertaken and supported by the ongoing work undertaken by Internal Audit, we have reached the opinion that, overall, key systems are operating soundly and that there are no fundamental control weaknesses.
- 10.3 We can confirm, to the best of our knowledge and belief, and there having been appropriate enquiries made, that this statement provides an accurate and fair view.

Signed by:  
Councillor Clive Hart  
Leader of the Council  
by the 30 September 2013

Signed by:  
Dr Sue McGonigal  
Chief Executive & Chief Financial Officer  
by the 30 September 2013

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| Governance Statement Action Plan: 2012-2013 retrospective   |   |                                |            |          |                      |             |   |
|---|---|--------------------------------|------------|----------|----------------------|-------------|---|
| G&A minute of concern   | Action Ref & Description  | Action Owner                   | Start Date | Due Date | Estimated Completion | Stage       | Latest Update   |
| <b>9.3.1:</b> The political situation with a hung council and changing political dynamics can add to the time taken to reach a resolution that can be acted on and also may have a higher likelihood of decisions being called in.  | 00154 Assess Numbers of decision call-ins                                     | Back, Glenn                    | Aug-13     | Feb-14   | Feb-14               | In Progress | The data for numbers of decision call-ins over the last seven years are: 2007-2010: No decision call-ins; 2010-11: One decision call-in; 2011-12: No decision call-ins; 2012-13: Four decision call-ins; 2013-14 (first 4 months): No decision call-ins   |
| <b>9.3.2:</b> The project management process needs to be reviewed and implemented across the council, as highlighted in the internal audit on risk management. Basic minimum templates are required to be in common usage, which can be expanded to deal with more complicated projects.  | 00155 Establish council-wide project management templates                     | Halse, Adrian                  | Aug-13     | Feb-14   | Feb-14               | In Progress | Draft process and templates are being developed in discussion with Financial Services, Corporate Governance, Business Transformation & Property Services. The first drafts will be discussed at SMT 20th August.  |
| <b>9.3.5,b4:</b> The council is facing a significant budget gap, due to cuts to Government grants and external pressures such as the insolvency of Transeuropa. The council is taking steps to diversify and generate income through the Port, but this still remains an area of concern. | 00156 Systems to diversify & generate more port income                        | Seed, Mark                     | Aug-13     | Feb-14   | Feb-14               | In Progress | The draft maritime plan outlines the initiatives to increase business. This is approved through the Cabinet Advisory Group who will next discuss the draft on 24 September. The major initiatives become projects in their own right, and as such are monitored as part of the Corporate Plan. Progress against the Corporate Plan is reported to SMT Performance Board, and to Cabinet on a quarterly basis. |
| <b>9.3.5,b4:</b> The council is facing a significant budget gap, due to cuts to Government grants and external pressures such as the insolvency of Transeuropa. The council is taking steps to diversify and generate income through the Port, but this still remains an area of concern. | RI018.04 Monitoring of finance position of the Council                        | Martin, Sarah                  | Apr-12     | Mar-13   | Mar-14               | Implemented | The financial position of the Council is reported to SMT and to Cabinet on a quarterly basis.   |
| <b>9.3.5,b1:</b> The process for determining disclosure needs to be reviewed, to ensure full publication of information wherever possible to meet with transparency commitment  | 00157 Ensure information disclosure complies with law, constitution & policy  | Patterson, Harvey              | Aug-13     | Feb-14   | Feb-14               | In Progress | (1) Review of disclosure practices was undertaken as part of the THANET DISTRICT COUNCIL REVIEW OF POLICIES AND PROCEDURES - PROBITY AND REPUTATION report to Cabinet on 25 April 2013.<br>(2) Report authors are now required to transparently carry out a public interest test on their committee reports<br>(3) A review of 'pinks' is now being instigated a year after the committee date.               |
| <b>9.3.5,b2:</b> The asset management disposal process needs to be reviewed to ensure appropriate consultation at political level is undertaken to improve public trust.  | 00158 Commercial Property Audit & action plan                                 | Seed, Mark/<br>Crowley, Edwina | Aug-13     | Feb-14   | Feb-14               | In Progress | A review of the disposal process has been identified as a necessary part of a wider Asset Management Strategy. A project group to develop the Asset Management Strategy has been formed and it is intended to bring this forward for consideration by Scrutiny and then adoption by Cabinet in November 2013.   |
| <b>9.3.5,b5:</b> Asset management(HRA): The process in respect of East Kent Housing's financial management of the repairs and maintenance and leasehold charges needs to be reviewed  | 00159 Review Leaseholder charging & EK Housing repair finances                | George, Craig                  | Aug-13     | Feb-14   | Feb-14               | In Progress | Leaseholder issues are raised and monitored through quarterly meetings of Joint EK Housing Section 151 Officer meetings, attended by the TDC Finance Manager. The EK Housing maintenance budget is monitored through bi-monthly meetings of EK Housing managers with Housing Services and the TDC Finance Manager - HRA, Capital & External Funding. This includes challenge on financial matters.            |
|   | PR055.01 Review of current Asset Management System, undertake a SWOT analysis | Crowley, Edwina                | Jun-13     | Jun-13   | Jun-13               | Completed   | A review of the current asset management system has been undertaken and a SWOT analysis completed.  |

| Governance Statement Action Plan: 2012-2013 retrospective  |  |                 |            |          |                      |             |  |
|--|--|-----------------|------------|----------|----------------------|-------------|--|
| G&A minute of concern  | Action Ref & Description   | Action Owner    | Start Date | Due Date | Estimated Completion | Stage       | Latest Update  |
| <p><b>9.3.5,b3:</b>There is the need to improve inspection regimes for maintained buildings and land to identify investment needs as well as deal with insurance claims (especially public liability). This will be especially difficult given the pressures on the repairs budget</p> | PR055.02 Research current best practice including Government and Local Authority guidance, RICS, CIP           | Crowley, Edwina | Jun-13     | Jun-13   | Jun-13               | Completed   | Current best practice across public and private sectors has been researched.   |
|  | PR055.03 Meet Property Manager for Dover District Council to network and gain insight into current AM thinking | Crowley, Edwina | Jun-13     | Jun-13   | Jun-13               | Completed   | A meeting with the Property Manager at Dover District Council has provided insight into current practices in a neighbouring authority. |
|  | PR055.04 Discussions with Managers Forum members   | Crowley, Edwina | Jul-13     | Jul-13   | Jul-13               | Completed   | Discussions with affected managers have taken place, to improve understanding of the wider context of asset management within TDC.     |
|  | PR055.05 Prepare strategy, circulate to managers and gain officer approval.                                    | Crowley, Edwina | Jul-13     | Aug-13   | Aug-13               | Completed   | A draft strategy is now being prepared. This will be circulated to officers as consultation on the draft.                              |
|  | PR055.06 Prepare strategy documentation and obtain SMT & portfolio holder approval                             | Crowley, Edwina | Aug-13     | Sep-13   | Sep-13               | In Progress | This will be progressed when actions 1-5 are completed.  |
|  | PR055.07 Submission to Cabinet for approval of strategy  | Crowley, Edwina | Sep-13     | Oct-13   | Oct-13               | Not Started | This will be progressed when actions 1-6 are completed.  |
|  | PR055.08 Five Yr. property asset management plan prepared & agreed with Managers Forum members                 | Crowley, Edwina | Oct-13     | Feb-14   | Feb-14               | Not Started | This will be progressed when actions 1-7 are completed.  |
|  | PR055.09 Prepare Asset Management Plan and obtain SMT & portfolio holder approval                              | Crowley, Edwina | Feb-14     | Mar-14   | Mar-14               | Not Started | This will be progressed when actions 1-8 are completed.  |
|  | PR055.10 Submission to Cabinet for approval of five year property asset management plan                        | Crowley, Edwina | Mar-14     | Apr-14   | Apr-14               | Not Started | This will be progressed when actions 1-9 are completed.  |



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**FINAL AUDITED STATEMENT OF ACCOUNTS 2012/13**

To: **Governance and Audit Committee – 25 September 2013**

Main Portfolio Area: **Financial Services**

By: **Financial Services Manager**

Classification: **Unrestricted**

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**Summary: For Members to approve the audited Statement of Accounts for 2012/13.**

**For Decision**

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**1.0 Introduction**

- 1.1 The Accounts and Audit (England) Regulations require the Governance and Audit Committee to approve the accounts by 30 September. The accounts must also be published by this date.
- 1.2 The draft Statement of Accounts for 2012/13 have now been audited and a number of amendments have been made as a result. Members are now asked to approve the audited accounts.

**2.0 Statement of Accounts**

- 2.1 The following adjustments have been made to the accounts following the audit. These adjustments are movements between lines on the Balance Sheet and have no impact on the overall financial position of the Council.
  - A short term grant of £3,070k was incorrectly included as a long term grant. This has now been moved from 'current liabilities' within the Balance Sheet to 'long term liabilities'.
  - Both 'short term debtors' and 'short term creditors' were incorrectly overstated by £614k. The Balance Sheet has been adjusted accordingly.
- 2.2 A number of amendments have been made to the disclosure notes to improve the clarity of the disclosures. These include the Explanatory Foreword, Accounting Policies and the Related Party Transactions note.
- 2.3 The auditors identified one further adjustment during the audit but this adjustment has not been reflected in the accounts. The CIPFA code requires the disclosure of the expected rate of return for each of the different asset classes used by the Pension Fund within the Defined Benefit Pension Scheme note to the accounts (note 39). The actuary report does not include this information and as this split is no longer required under the CIPFA code from 2013/14, management propose to only show the total Expected Rate of Return. It is considered that this does not have any impact on the reader of the accounts, but Members are asked to approve management's proposed treatment.

**3.0 Options**

3.1 That Members approve the audited accounts.

3.2 That Members do not approve the audited accounts.

#### **4.0 Corporate Implications**

##### **4.1 Financial and VAT**

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

##### **4.2 Legal**

4.2.1 The Council has a statutory responsibility under the Accounts and Audit Regulations to publish the 2012/13 accounts by 30 September 2013, together with the auditor's 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 Recommendations**

**5.1 That Governance and Audit Committee approve the Statement of Accounts for 2012/13, including the proposed non full disclosure as highlighted in paragraph 2.3 above.**

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Contact Officer:  
Sarah Martin, Tel. (01843) 577617.

Background Papers: Financial Services' working papers

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## TREASURY MANAGEMENT UPDATE FOR QUARTER 1, 2013

To: **Governance and Audit Committee – 25th September 2013**

Main Portfolio Area: **Finance**

By: **Capital & Treasury Finance Officer**

Classification: **Unrestricted**

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**Summary:** This report is to update the Governance and Audit Committee with the Treasury Management activity that has occurred for the quarter ended 30<sup>th</sup> June 2013.

### For Information

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#### **1.0 Introduction and Background**

1.1 The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that Members be updated on treasury management activities regularly (TMSS, annual and mid year reports). This report therefore ensures this council is implementing best practice in accordance with the Code.

#### **2.0 Economic Background for Q/E 30 June 2013 (issued by the Council's treasury advisor, Sector, on 2 July 2013)**

2.1 During the quarter ended 30<sup>th</sup> June 2013:

- Indicators suggested that the economy accelerated;
- Stronger household spending, both on and off the high street;
- Inflation remained stubbornly above the Monetary Policy Committee's (MPC) 2% target;
- The MPC remained in a state of limbo ahead of Mark Carney's arrival;
- 10-year gilt yields rose above 2.5% and the FTSE 100 fell below 6,100;
- The Federal Reserve discussed tapering the pace of asset purchases under Quantitative Easing 3 (QE3).

- 2.2 After avoiding recession in the first quarter with a 0.3% quarterly expansion, it looks likely that the economy grew even more strongly in Q2. On the basis of past form, the CIPS/Markit business surveys for April and May point to 0.5% quarterly growth in the second quarter of 2013. Official output data echoed the message from the business surveys. The 3m/3m change in industrial production reached 0.9% in April, the strongest pace since July 2010. Similarly, the service sector expanded by 0.8% on the same basis. And while output in the volatile construction sector in April was 1% lower than a year ago, it was the smallest annual fall since the end of 2011, raising the prospect that the sector supported the recovery in Q2.
- 2.3 There have been signs of renewed vigour in household spending in the second quarter. May's 2.1% monthly rise in retail sales overturned April's 1.1% fall. This tallied with information from the Bank of England agents, who reported a further pick-up in retail sales values in May. Non-high street spending looks to have been robust too, with new car registrations up by 20% in the year to May.
- 2.4 The pick-up in economic growth appears to have supported the labour market, with employment rising by 24,000 in the three months to April. Admittedly, this was a lot slower than the 113,000 quarterly gain in employment seen on average over the past twelve months. But the rise in employment was still strong enough to reduce the level of unemployment further. The ILO measure fell by 5,000 in the three months to April while the timelier claimant count measure reported an 8,600 fall in May. Meanwhile, pay growth rebounded strongly in April, though this was mostly driven by high earners delaying bonuses until after April's cut in the additional rate of income tax. Excluding bonuses, earnings rose by just 1.3% y/y, well below the rate of inflation at 2.7% in May.
- 2.5 Meanwhile, the Bank of England extended its Funding for Lending Scheme (FLS) into 2015 and sharpened the incentives for banks to extend more business funding. To date, the mortgage market still appears to have been the biggest beneficiary from the scheme, with the quoted interest rate on a 2-year fixed rate mortgage at a 90% loan-to-value ratio now 4.6%, around 130 basis-points lower in May than when the FLS was introduced in August 2012.
- 2.6 Alongside the Government's Help to Buy scheme, which provides equity loans to credit-constrained borrowers, this is helping to boost demand in the housing market. Mortgage approvals by high street banks, as measured by the BBA, rose from 33,000 to 36,100 in May. Excluding a stamp-duty holiday related spike in January 2012, this was the highest level for over three years. The rise in demand has helped to push up house prices, with both the Halifax and Nationwide measures reporting a 0.4% monthly gain in May. On an annual basis, measured prices were up by 3.7% and 1.1% respectively.
- 2.7 Turning to the fiscal situation, the public borrowing figures continued to be distorted by a number of one-off factors. On an underlying basis, borrowing in Q2 looked to be broadly in line with last year's figures, highlighting the government's difficulty in reducing borrowing while economic growth is relatively lacklustre.
- 2.8 Meanwhile, the 2013 Spending Review, covering only 2015/16, made no changes to the headline Government spending plan. Total expenditure was still

forecast to be broadly flat in real terms in 2015/16 and the £50bn planned capital expenditure announced for that fiscal year was identical to the amount already outlined in March's Budget.

- 2.9 On the monetary policy front, June's MPC meeting, the last chaired by the outgoing Governor Mervyn King, showed that the Committee remained in limbo ahead of the arrival of his replacement, Mark Carney. The Committee voted 6-3 to keep the level of asset purchases unchanged at £375bn, with the majority judging that the current stimulus and Funding for Lending Scheme would be sufficient to support growth in the context of price stability.
- 2.10 Having fallen from 2.8% to 2.4% in April, CPI inflation rose to 2.7% in May. May's rise mostly reflected price changes due to the earlier timing of Easter, which depressed inflation in April. Even so, inflation is still likely to have risen further in June due to base effects, with last year's fuel price falls providing an unfavourable annual comparison. That said, underlying price pressures do seem to be easing, with wages and producer prices both growing at subdued rates. Indeed, if anything, the inflation outlook brightened over the second quarter, with the price of oil falling from \$108pb to \$103pb while sterling appreciated by around 1.5% on a trade-weighted basis.
- 2.11 Having continued to rally over April and May, financial markets sold off in June following a Federal Reserve statement that suggested the central bank may 'taper' its asset purchases earlier than anticipated. The resulting rise in US Treasury yields was replicated in the UK, with 10 year gilt yields rising to 2.5% from 1.8% at the start of the quarter. Equities were hit too, with the FTSE 100 falling from 6,411 at the start of the quarter to below 6,100 before ending the quarter a bit higher at 6,240.
- 2.12 In the US, the statement from the Fed took the limelight. The Fed's comments sparked a sharp sell-off in the Treasury market, with 10-year Treasury yields hitting 2.54%. The Fed move was a response to the improving economic outlook in the US. Indeed, payroll figures showed that the US added 175,000 new jobs in May, helping to pull the unemployment rate down to 7.6%, from 8.2% a year ago. In the housing market, house prices rose by 12% in the year to April, which helped to bring more households out of negative equity.
- 2.13 Meanwhile, tensions in the Eurozone eased over the second quarter, but there remained a number of triggers for a potential flare-up. For example, the Democratic Left party left the Greek governing coalition in June, causing 10 year Greek government bond yields to surge to 11.5% from around 8% a month ago. And while the economic survey data improved consistently over the first half of the year, the composite Eurozone PMI is still pointing to a further contraction in output in Q2. If this materialises, it would be the seventh quarter of Eurozone recession, the longest on record.

### **3.0 Sector's Interest Rate Forecast (issued by Sector on 2 July 2013)**

- 3.1 The Council's treasury advisor, Sector, has provided the following forecast:

|                | Sep-13 | Dec-13 | Mar-14 | Jun-14 | Sep-14 | Dec-14 | Mar-15 |
|----------------|--------|--------|--------|--------|--------|--------|--------|
| Bank rate      | 0.50%  | 0.50%  | 0.50%  | 0.50%  | 0.50%  | 0.50%  | 0.75%  |
| 5yr PWLB rate  | 1.80%  | 1.80%  | 1.90%  | 2.00%  | 2.10%  | 2.20%  | 2.40%  |
| 10yr PWLB rate | 2.90%  | 2.90%  | 3.00%  | 3.10%  | 3.20%  | 3.30%  | 3.50%  |
| 25yr PWLB rate | 4.10%  | 4.10%  | 4.20%  | 4.20%  | 4.30%  | 4.40%  | 4.60%  |
| 50yr PWLB rate | 4.20%  | 4.20%  | 4.40%  | 4.40%  | 4.50%  | 4.60%  | 4.70%  |

3.2 Sector undertook a review of its interest rate forecasts following the issue of the latest Bank of England Inflation Report in May 2013. Sector has left unchanged its forecast for the first increase in Bank Rate to be in March 2015. However, forecasts for PWLB rates have been increased as a result of the marked recovery in confidence in equity markets, anticipating stronger economic recovery in America, supported by growth in the Far East. The rise in equity prices was dented towards the end of the quarter by comments from Ben Bernanke, chairman of the Federal Reserve, that QE3 would be tapered off in the not too distant future. This seemed to catch financial markets by surprise and generated a bit of a stampede out of bonds and equities. This sharp selloff in bonds caused ten year bond yields to jump up nearly 90 basis points between the low and high for the quarter.

#### 4.0 Sector's Summary Outlook (issued by Sector on 2 July 2013)

##### 4.1 UK economy

In Mervyn King's last Inflation Report as Governor of the Bank of England, there was a distinct shift towards optimism in terms of a marginal upgrading of growth forecasts so that the wording changed for the recovery from "remain weak by historical standards" to "modest and sustained recovery over the next three years". In addition, there was a lowering of the inflation forecast to now hit the 2% target within two years. However, this is still a long way away from strong recovery though the chances of there being more quantitative easing (QE) have receded due to business surveys indicating that the economy is on the up. QE has not increased from a total of £375bn since October 2012 and other measures have been implemented in preference to further QE. Thus the Funding for Lending Scheme (FLS), (started in August 2012), was expanded in April to provide further incentive to banks to expand lending to small and medium size enterprises. The FLS certainly seems to be having a positive effect in terms of stimulating house purchases (though levels are still far below the pre crisis level), and a marginal increase in house prices. However, concerns are increasing that QE and FLS are also in danger of causing asset price bubbles. Investors may seek higher returns by switching investment of cash from deposit

accounts (yielding very low rates) and from government and corporate bonds - ahead of the eventual end of QE - to equities, whilst FLS may have the side effect of inflating house prices, creating the potential for prices in each of these markets to be pushed at some point in time to potentially unsustainable levels.

In summary, Sector's views as at 2 July 2013 are centred around the following: -

## **4.2 UK**

- Mark Carney started on 1<sup>st</sup> July as the new Governor of the Bank of England. His appointment could lead to some changes to the way the MPC operates and makes decisions and announcements. It is possible there could be forward guidance e.g. that Bank Rate will not go up until some target rate, e.g. unemployment, had fallen to a specified level. Some commentators are guessing that this could effectively close the door to any increase in Bank Rate until sometime in 2016.
- Growth in Q1 of 2013 was confirmed at +0.3%. Q2 looks likely to be even higher at around +0.5%. The so called double dip recession at the beginning of 2012 was erased by the latest revision of statistics.
- Business surveys, consumer confidence, consumer borrowing and house prices are all on the up and may help to create a wide spread feel good factor. But this is still a long way away from the UK getting back to strong growth.
- A fair proportion of UK GDP is dependent on overseas trade; the high correlation of UK growth to US and EU GDP growth means that the UK economy is likely to register growth rates below the long term average in 2013 and 2014, though this should be on an improving trend.
- Consumers are likely to remain focused on paying down debt and consumer expenditure is likely to remain suppressed by inflation being higher than increases in average earnings i.e. disposable income will continue to be eroded.
- The Coalition government is hampered in promoting growth by the need to tackle the budget deficit. However, the March budget did contain measures to boost house building and the supply of mortgages, and brought forward, by one year to April 2014, the start of a £10,000 tax free allowance for incomes.
- Little sign of a co-ordinated strategy for the private sector to finance a major expansion of infrastructure investment to boost UK growth.
- Government inspired measures to increase the supply of credit to small and medium enterprises (which are key to achieving stronger growth) by banks are not succeeding.
- There is little potential for more QE in 2013 in the UK and so gilt yields are vulnerable to pressures to rise, especially as gilt yields are powerfully influenced by American treasury yields and American investors have been spooked by Bernanke's comments on tapering QE in America.
- In February 2013 Moody's downgraded the UK's AAA credit rating one notch to AA+ and Fitch followed suit in April. There was little reaction in financial markets, as this had been widely anticipated.

## **4.3 Eurozone**

- Most Eurozone countries are now battling against recession, although Germany is experiencing a resurgence of business confidence and surveys are pointing towards a resumption of growth. Growth prospects for many Eurozone countries are poor due to the need to adopt austerity programmes to bring government deficits under control.

- The ECB cut its central rate from 0.75% to 0.5% in this quarter but this is unlikely to lead to much in the way of improvement in the prospects for GDP growth.
- Although market anxiety about Greece has subsided after the agreement to a further major financial support package amounting to nearly €50bn in December, and business surveys are indicating some improvement in the economy, concerns are building that yet another haircut to reduce total debt to a more manageable level will eventually be required, together with more bail out funds. Whether all parties to such a deal would be prepared to pour more money into Greece remains an open question. The eventual end game could therefore still be that Greece is eventually forced to exit (dubbed “Grexit”) the Eurozone and to return to the drachma.
- There is also increasing concern that the contraction in Spain’s economy and the very high level of unemployment of 27%, similar to the level in Greece and Portugal, could mean that all three countries could get into a downward deflationary spiral, which makes achieving fiscal correction increasingly difficult and possibly unachievable. The ECB’s pledge to provide unlimited bond buying support for countries that request an official bailout means that market anxiety about these countries is likely to be subdued in the immediate future. However, the poor economic fundamentals and outlook for these economies could well mean that a storm in financial markets has only been delayed, not cancelled. Spain has resisted asking for an official national bailout, although it has received financial support to recapitalise its four largest banks.
- The general election in Italy has created a highly unstable political situation where the two dominant parties have formed an unlikely coalition due to the blocking power of the new upstart Five Star anti-austerity party which has 25% of seats and has refused to enter a coalition agreement with ANY party. Whether such a coalition could effectively implement an agreed policy of austerity is very much open to question – which will make Italy vulnerable to swings in investor confidence.
- There could therefore be volatility in Spanish and Italian bond yields over the next year, depending on political and economic developments.
- A general election is due in Germany in the autumn of 2013. It currently looks likely that this will lead to little change in current policy on the Euro and support for peripheral countries. However, polls are indicating that 25% of the electorate now favour Germany leaving the Euro and stopping the flow of money from Germany to profligate southern countries. Any further disasters in the Eurozone could see this sentiment increase significantly.
- A bailout for Cyprus was eventually agreed in the last week of March. Slovenia, however, looks increasingly likely to be the next in line for a bailout, so their bond yields have risen. However, huge damage will be done to the Cypriot economy by the fallout from this bailout and many commentators consider it is only a matter of time before another bailout will be needed – or exit from the Euro.
- There are also concerns about the way austerity programmes are affecting economic growth in Ireland and Portugal. The Eurozone remains particularly vulnerable to investor fears of contagion if one country gets into major difficulty. Chancellor Merkel will be hoping that no major blow up occurs before the



German general election which requires Germany to pour yet more money into a floundering country.

#### **4.4 US**

- There has been a marked improvement in consumer, investor and business confidence this year.
- Unemployment has continued on a steady, but unspectacular decline to 7.6%, but still a long way from the target rate of 6.5% for an increase in the Fed. rate.
- The housing market has turned a corner, both in rising price rises and the volume of house sales. Many householders are now not in negative equity.
- US equities reached all time highs, and so added to the feel good factor, until Ben Bernanke's words on tapering QE3 spooked investors.
- There has been a strong resurgence of confidence in US financial markets due to the "fiscal cliff" being largely averted or postponed. However, tax increases and cuts in Government expenditure leading to cuts in jobs, are damping the potential for recovery in growth rates.
- GDP in Q1 was disappointingly downgraded from +2.4% to a sub par +1.8%.
- The shale gas revolution is providing some solid underpinning to the US economy by enhancing its international competitiveness through cheap costs of fuel.
- There has been a start to the rehoming of manufacturing production from China to the USA as Chinese labour costs have continued their inexorable rise and new forms of high tech production have made home based production more viable and flexible.

#### **4.5 China**

- GDP growth has been disappointing in 2013. There are still concerns around an unbalanced economy which is heavily dependent on new investment expenditure, and for a potential bubble in the property sector to burst, as it did in Japan in the 1990s, with its consequent impact on the financial health of the banking sector.
- There are also increasing concerns around the potential size, and dubious creditworthiness, of some bank lending to local government organisations and major corporates during the Government promoted expansion of credit, aimed at protecting the overall rate of growth in the economy since the Lehmans crisis.
- Since the change of national leadership, the new leaders have taken action to test the robustness of the banking system which has caused a rise in fear that there could be a credit crunch looming up in China.

#### **4.6 Japan**

- The initial euphoria generated by "Abenomics", the huge QE operation instituted by the Japanese government to buy Japanese debt, has quickly evaporated as the follow through measures to reform the financial system and introduce other economic reforms, appears to have stalled.

#### **5.0 Sector's forward view (issued by Sector on 2 July 2013)**

- 5.1 Economic forecasting remains difficult with so many external influences weighing on the UK. Major volatility in bond yields is likely during 2013/14 as investor fears and confidence ebb and flow between favouring more risky assets i.e., equities, and safer bonds. Key areas of uncertainty include:

- The potential for a significant increase in negative reactions of populaces in Eurozone countries against austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
- The Italian political situation is frail and unstable.
- Problems in other Eurozone heavily indebted countries could also generate safe haven flows into UK gilts.
- Monetary policy action failing to stimulate growth in western economies, especially the Eurozone and Japan.
- The potential for weak growth or recession in the UK's main trading partners - the EU and US.
- The impact of the UK Government's austerity plan in dampening confidence and growth.
- Geopolitical risks e.g. Syria, Iran, North Korea

5.2 However, there is particular potential for upside risks to UK gilt yields and PWLB rates, especially for longer term PWLB rates, as follows: -

- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.
- A renewed increase in investor confidence that robust world economic growth is firmly expected, together with a reduction or end of QE operations in the US, causing a flow of funds out of bonds into equities.
- A reversal of Sterling's safe-haven status on an improvement in financial stresses in the Eurozone.
- In the longer term - a reversal of QE; this could initially be implemented by allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held.
- Further downgrading by credit rating agencies of the creditworthiness and credit rating of UK Government debt, consequent upon repeated failure to achieve fiscal correction targets and recovery of economic growth.

5.3 The overall balance of risks to economic recovery in the UK is now evenly weighted. Sector believes that the longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Near-term, the prospect of further QE has diminished but measures other than QE may be more favoured by Governor Carney if additional support is viewed as being required.

5.4 Given the generally weak outlook for economic growth, Sector sees the prospects for any increase in Bank Rate before 2015 as limited. Indeed, the first increase could be even further delayed if the tentative signs of growth failed to be maintained.

## **6.0 Annual Investment Strategy**

6.1 The revised Treasury Management Strategy Statement (TMSS) for 2013/14, which includes the Annual Investment Strategy, was approved by the Council on 16 May 2013. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and

- Yield

- 6.2 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 cash flow needs but also to seek out value available in higher rates in periods up to 370 days 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.
- 6.3 Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30<sup>th</sup> June 2013.
- 6.4 The council invests in various money market funds from time to time, including a AAA rated cash plus fund (alternatively called an enhanced money market fund). This cash plus fund is intended to satisfy the requirements to be a money market fund under the European Securities and Markets Authority (or any successor regulatory body) definition as implemented in the Collective Investment Schemes Sourcebook issued by the Financial Services Authority (or any successor regulatory body) as amended or re-enacted from time to time. During the quarter ended 30<sup>th</sup> June 2013 the council had an investment of £4.5m in this fund (which is under the £5m limit stipulated in the Annual Investment Strategy for any AAA rated money market fund).

## **7.0 New Borrowing and Debt Resheduling**

- 7.1 The council has not taken on any new borrowing for the quarter ended 30 June 2013.
- 7.2 Debt rescheduling opportunities have been limited in the current economic climate and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. During the quarter ended 30<sup>th</sup> June 2013, no debt rescheduling was undertaken by the council.

## **8.0 Compliance with Treasury and Prudential Limits**

- 8.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.
- 8.2 During the financial year to date the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.

## **9.0 Options**

- 9.1 That the Governance and Audit Committee notes this report.

## **10.0 Corporate Implications**

## **10.1 Financial and VAT**

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

## **10.2 Legal**

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

## **10.3 Corporate**

10.3.1 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.

## **10.4 Equity and Equalities**

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

## **11.0 Recommendation**

11.1 That the Governance and Audit Committee notes this report.

## **12.0 Decision Making Process**

12.1 There is no decision to be made and this report is for reference only.

## **13.0 Disclaimer**

13.1 This report is a technical document focussing on public sector investments and borrowings and, as such, readers should not use the information contained within the report to inform personal investment or borrowing decisions. Neither Thanet District Council nor any of its officers or employees makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein (such information being subject to change without notice) and shall not be in any way responsible or liable for the contents hereof and no reliance should be placed on the accuracy, fairness or completeness of the information contained in this document. Any opinions, forecasts or estimates herein constitute a judgement and there can be no assurance that they will be consistent with future results or events. No person accepts any liability whatsoever for any loss howsoever arising from any use of this document or its contents or otherwise in connection therewith.

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**REVISION TO FINANCIAL PROCEDURE RULES RE THE REPORTING OF BALANCE SHEET DEBT**

To: **Governance and Audit Committee – 25 September 2013**

Main Portfolio Area: **Financial Services**

By: **Sarah Martin, Financial Services Manager**

Classification: **Unrestricted**

Ward: **All**

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**Summary:** **For the Governance and Audit Committee to consider a revision of the Financial Procedure Rules to require the reporting of aged debts over £150,000 to Council.**

**For Decision**

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**1.0 Introduction**

1.1. The level of outstanding debt is an important indicator of the financial risk being carried by the Council. It was therefore recommended by Cabinet at its meeting on 1 August 2013 that the Constitutional Review Working Party approve a revision to the Financial Procedure Rules to require the reporting to Council of any debt owed by an organisation, or its subsidiaries, where it exceeds £150,000. It is proposed that the report will also include details of the debt recovery measures in place and that the debt will only be reported where it becomes 'aged', i.e. where the standard payment terms have been exceeded and payment remains outstanding after the normal reminder letters have been sent. Such debts will be reported to the next available ordinary council meeting. At its meeting on 21 August 2013 the Constitutional Review Working Party recommended the report to be considered by the Governance and Audit Committee.

**2.0 Background**

2.1 There is currently no requirement within the Financial Procedure Rules for large outstanding debts to be reported to Council. The effective management and collection of debt is an essential contributor to Local Authority financial resources and maximises income available to provide services. As such, the level of outstanding debt is a key indicator of the financial risk being carried by the Council and it is therefore important that Members are aware of any large outstanding debts and the recovery action being taken to pursue them.

2.2 The standard payment terms for our larger debtors are 30 days, although individual contracts with debtors may vary these terms. There are a few of our largest debtors who have agreed payment terms of 60 days.

2.3 The Council's recovery process is that a first reminder is sent if payment, or an arrangement for payment, is not made within 10 days of the payment terms being exceeded. A second reminder notice will be issued after a further 10 days. If payment is not received within the stated terms of the invoice and subsequent reminder

notices, the debt transfers to EK Services who will commence recovery procedures beginning with the issue of a more formal reminder notice, giving the customer a further 7 days to make full payment. If full payment is not made within 7 days of this reminder notice being issued, EK Services will send a final notice requiring payment to be made in full within 7 days. If this doesn't result in payment, EK Services will contact the debtor to negotiate settlement of the arrears. If payment is still not made, then a final notice is sent and formal enforcement action is commenced.

- 2.4 This report proposes that when a debt over £150,000 becomes 'aged' it will be reported to the next available ordinary council meeting. It is proposed that for those debts over £150,000 with payment terms of 30 days, they are reported to Council at day 60. At this stage the debt has been passed to EK Services and the first formal reminder letter has been sent. For those few debtors where the payment terms are 60 days, they will be reported to Council if the debt exceeds £150,000 at day 90.
- 2.5 If the debt is paid between the report being drafted and the next available ordinary council meeting, then the report will be withdrawn.

### **3.0 Options**

- 3.1 Members agree the revision to the Financial Procedure Rules requiring the reporting of aged debts over £150,000 to the next ordinary council meeting in accordance with the timelines proposed above.
- 3.2 Members agree the revision to the Financial Procedure Rules requiring the reporting of aged debts over £150,000 to the next ordinary council meeting but propose alternative timelines for such reporting.
- 3.3 Members do not agree the revision to the Financial Procedure Rules requiring the reporting of aged debts over £150,000 to the next ordinary council meeting.

### **4.0 Corporate Implications**

#### **4.1 Financial and VAT**

- 4.1.1 This report does not result in any additional costs or VAT implications to the authority but does ensure that Council is aware of the financial risk associated with large outstanding debts and the action being taken to recover these debts.

#### **4.2 Legal**

- 4.2.1 All outstanding debts will continue to be pursued in accordance with the appropriate legal powers.

#### **4.3 Corporate**

- 4.3.1 Corporate priorities can only be delivered with robust finances. The effective monitoring and collection of debts is essential to protect the income coming in to the authority.

#### **4.4 Equity and Equalities**

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

## 5.0 Recommendation

- 5.1. That the Governance and Audit Committee considers the amendment to the Financial Procedure Rules to require the reporting of all aged debt over £150,000 to the next available ordinary council meeting.
- 5.2. That the Governance and Audit Committee considers that the timeline for reporting debts shall be 60 days for those debts with standard payment terms of 30 days and 90 days for those debts with payment terms of 60 days.

|                  |   |
|------------------|---|
| Contact Officer: | Sarah Martin, Financial Services Manager        |
| Reporting to:    | Sue McGonigal, Chief Executive and S151 Officer |

### Annex List

|      |     |
|------|-----|
| None | N/A |
|------|-----|

### Corporate Consultation Undertaken

|         |            |
|---------|------------|
| Finance | <i>n/a</i> |
| Legal   |            |

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## THANET DISTRICT COUNCIL DECLARATION OF INTEREST FORM

### Do I have a Disclosable Pecuniary Interest and if so what action should I take?

Your Disclosable Pecuniary Interests (DPI) are those interests that are, or should be, listed on your Register of Interest Form.

If you are at a meeting and the subject relating to one of your DPIs is to be discussed, in so far as you are aware of the DPI, you **must** declare the existence **and** explain the nature of the DPI during the declarations of interest agenda item, at the commencement of the item under discussion, or when the interest has become apparent

Once you have declared that you have a DPI (unless you have been granted a dispensation by the Standards Committee or the Monitoring Officer, for which you will have applied to the Monitoring Officer prior to the meeting) you **must**:-

1. Not speak or vote on the matter;
2. Withdraw from the meeting room during the consideration of the matter;
3. Not seek to improperly influence the decision on the matter.

### Do I have a significant interest and if so what action should I take?

A significant interest is an interest (other than a DPI or an interest in an Authority Function) which:

1. Affects the financial position of yourself and/or an associated person; or Relates to the determination of your application for any approval, consent, licence, permission or registration made by, or on your behalf of, you and/or an associated person;
2. And which, in either case, a member of the public with knowledge of the relevant facts would reasonably regard as being so significant that it is likely to prejudice your judgment of the public interest.

An associated person is defined as:

- A family member or any other person with whom you have a close association, including your spouse, civil partner, or somebody with whom you are living as a husband or wife, or as if you are civil partners; or
- Any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors; or
- Any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000;
- Any body of which you are in a position of general control or management and to which you are appointed or nominated by the Authority; or
- any body in respect of which you are in a position of general control or management and which:
  - exercises functions of a public nature; or
  - is directed to charitable purposes; or
  - has as its principal purpose or one of its principal purposes the influence of public opinion or policy (including any political party or trade union)

An Authority Function is defined as: -

- Housing - where you are a tenant of the Council provided that those functions do not relate particularly to your tenancy or lease; or
- Any allowance, payment or indemnity given to members of the Council;
- Any ceremonial honour given to members of the Council
- Setting the Council Tax or a precept under the Local Government Finance Act 1992

If you are at a meeting and you think that you have a significant interest then you **must** declare the existence **and** nature of the significant interest at the commencement of the

matter, or when the interest has become apparent, or the declarations of interest agenda item.

Once you have declared that you have a significant interest (unless you have been granted a dispensation by the Standards Committee or the Monitoring Officer, for which you will have applied to the Monitoring Officer prior to the meeting) you **must**:-

1. Not speak or vote (unless the public have speaking rights, or you are present to make representations, answer questions or to give evidence relating to the business being discussed in which case you can speak only)
2. Withdraw from the meeting during consideration of the matter or immediately after speaking.
3. Not seek to improperly influence the decision.

### **Gifts, Benefits and Hospitality**

Councillors must declare at meetings any gift, benefit or hospitality with an estimated value (or cumulative value if a series of gifts etc.) of £100 or more. You **must**, at the commencement of the meeting or when the interest becomes apparent, disclose the existence and nature of the gift, benefit or hospitality, the identity of the donor and how the business under consideration relates to that person or body. However you can stay in the meeting unless it constitutes a significant interest, in which case it should be declared as outlined above.

### **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 and Scrutiny Manager well in advance of the meeting.

## **DECLARATION OF DISCLOSABLE PECUNIARY INTERESTS, SIGNIFICANT INTERESTS AND GIFTS, BENEFITS AND HOSPITALITY**

MEETING.....

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

DISCRETIONARY PECUNIARY INTEREST

SIGNIFICANT INTEREST

GIFTS, BENEFITS AND HOSPITALITY

THE NATURE OF THE INTEREST, GIFT, BENEFITS OR HOSPITALITY:

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

NAME (PRINT): .....

SIGNATURE: .....

Please detach and hand this form to the Democratic Services Officer when you are asked to declare any interests.