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GOVERNANCE AND AUDIT COMMITTEE

25 JUNE 2014

A meeting of the Governance and Audit Committee will be held at **7.00 pm on Wednesday, 25 June 2014** in the Austen Room, Council Offices, Cecil Street, Margate, Kent.

Membership:

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

A G E N D A

Item
No

Subject

1. **TRAINING PRESENTATIONS:- 6.30PM START**

Would Members **PLEASE NOTE** that the training session starts at 6.30pm in the Austen Room

1a **A TRAINING PRESENTATION - CORPORATE RISK REGISTER**

Adrian Halse/Steve Tebbett to lead on the item

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 - 6)

To approve the Minutes of the Governance and Audit Committee meeting held on 20 March 2014, copy attached.

5. **ANNUAL TREASURY MANAGEMENT REVIEW 2013/14** (Pages 7 - 22)

6. **INTERNAL AUDIT PROGRESS REPORT** (Pages 23 - 38)

7. **INTERNAL AUDIT ANNUAL REPORT - ANNUAL FRAUD REPORT 2013-14** (Pages 39 - 44)

8. **INTERNAL AUDIT ANNUAL REPORT** (Pages 45 - 86)

9. **EXTERNAL AUDIT PROGRESS REPORT** (Pages 87 - 102)

Item
No

Subject

10. **INFORMING THE AUDIT RISK ASSESSMENT FOR THANET DISTRICT COUNCIL**
(Pages 103 - 116)
11. **DRAFT ANNUAL GOVERNANCE STATEMENT 2013/14** (Pages 117 - 132)
12. **PLANNED EXTERNAL AUDIT FEE FOR 2014/15** (Pages 133 - 136)

Declaration of Interests Form

GOVERNANCE AND AUDIT COMMITTEE

Minutes of the meeting held on 20 March 2014 at 7.00 pm in Austen Room, Council Offices, Cecil Street, Margate, Kent.

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

333. TRAINING PRESENTATIONS

(a) **A Training Presentation - Internal Audit**

334. APOLOGIES FOR ABSENCE

There were no apologies received at the meeting.

335. DECLARATIONS OF INTEREST

There were no declarations of interest.

336. MINUTES OF PREVIOUS SCHEDULED MEETING

Councillor Campbell proposed, Councillor D. Saunders seconded and Members agreed the minutes.

337. MINUTES OF EXTRAORDINARY MEETING

Councillor Campbell proposed, Councillor Binks seconded and Members agreed the minutes.

338. EXCLUSION OF PUBLIC AND PRESS

Agenda Items 16 (Exclusion of public and press) 17 (Confidential Audit Report) were taken soon after adoption of the minutes.

Councillor Campbell proposed, Councillor Binks seconded and Members agreed that the public and press be excluded from the meeting for agenda item 17 as it contains exempt information as defined in Paragraphs 1 and 2 of Schedule 12A of the Local Government Act 1972 (as amended).

339. CONFIDENTIAL AUDIT REPORT

Simon Webb, Deputy Head of Audit updated the Committee in respect of an investigation which had been undertaken by the East Kent Audit Partnership.

The Committee was advised that the matter was referred to the Police for further investigations. The response from the Police was that they felt that there were other matters which would give better results than this one and that due consequently no investigation would be carried out.

Members queried the elapse of time taken to report this matter to Committee and were advised that this was due to the matter having potentially been the subject of a Police investigation.

Councillor Worrow proposed, Councillor W Scobie seconded and Members unanimously agree that:

The Committee writes to the Police Commissioner to express the disappointment of all the Members of the Committee at the response received from the Police and ask why the Police should not investigate this matter.

340. GOVERNANCE AND AUDIT COMMITTEE ACTION PLAN

Nikki Morris, Business Support & Compliance Manager introduced the item. She provided Members with an update from Charlie Greenway, HR Business Partner (EK Human Resources) who advised that the issue regarding working long hours by staff was an important consideration for Council and once all posts had been filled following the restructure, the situation should improve.

One Member said that staff overworking was becoming endemic and was likely to continue because there will be less staff in a leaner staffing structure.

Members noted the report.

341. REVIEW OF THE EFFECTIVENESS OF THE GOVERNANCE AND AUDIT COMMITTEE REVIEW AND ANNUAL REPORT

Councillor Worrow, Chair of the Governance and Audit Committee introduced the item. Members observed that the subjects covered by the terms of reference for the Governance & Audit Committee were difficult subjects which perhaps required a consistent membership on the Committee. In the first year Members would mostly be familiarising with subject. They suggested a need to make it a principle that Members need to serve far more than one municipal year.

Members generally agreed that political groups could look at this issue and agree to have consistent membership on the Governance & Audit Committee.

Councillor S Tomlinson proposed, Councillor Day seconded and Members AGREED that Members agree the content of this report and the recommended actions within the action plan, and that Members recommend that the Annual Report be forwarded to Full Council.

342. QUARTERLY GOVERNANCE PROGRESS REPORT

Nikki Morris introduced the item on Corporate Risk Register. This has received an extensive review via the managers' forum where a comprehensive document was produced. Details will be confirmed and risks scored by the Directorate Management meetings before signing off by SMT at its June 2014 meeting. Agenda item to be brought to meeting June training Sessions – Corporate Risk Register. A different approach will be used to produce a Programme Action Plan, Programme of reports that will be indicative of the change to officer roles due to restructure. No recent changes to the terms of reference were suggested.

It was proposed by Councillor Tomlinson, seconded by Councillor Binks and AGREED by Members that the next training session is on the Corporate risk Register.

Councillor s. Tomlinson proposed, Councillor Binks seconded and Members also AGREED the following:

1. That Members note the content of annex 1 to the report and identify any issues on which they require more clarification;

2. That Members note the programme of reports for 2014/15, on the understanding that there may be variations to the programme should the need arise.

343. INTERNAL AUDIT SELF ASSESSMENT

Simon Webb introduced the item. An Action Plan had been drawn up after the EKAP had undertaken a self-assessment against the Public Sector Internal Audit Standards (PSIAS) requirements. The East Kent Audit Partnership (EKAP) is required to arrange an external assessment against the PSIAS within 5 years of 1st April 2013. Currently the cost of external assessments is approximately £7k.

Councillor S Tomlinson proposed, Councillor Worrow seconded and Members AGREED to note the content of the report and the actions required to work towards full compliance with the PSIAS.

344. REVIEW OF THE EFFECTIVENESS OF THE COUNCIL'S INTERNAL AUDIT ARRANGEMENTS 2013/14

Sarah Martin introduced the item and outlined her discussion with the Audit Team and reported that Council had in place an effective audit practice.

It was proposed by Councillor S. Tomlinson, seconded by Councillor Campbell and AGREED by Members that Governance and Audit Committee accept the findings of the review of the effectiveness of the Council's Internal Audit arrangements for 2013/14.

345. THE EXTERNAL AUDIT PLAN 2013/14 FOR THANET DISTRICT COUNCIL

Terry Blackman, Audit Manager, (Grant Thornton UK LLP) introduced the item and reported that currently there were no specific issues of concern. The final accounts audit will take place in July to August this year; this will conclude the systems walkthrough and carry out detailed testing of the draft accounts. Alongside this, the value for money conclusion work will also be completed; the main focus of this would be on the mid-term financial strategy.

Members asked how external audit could walk through the process and practice and how the tests could be applied to verify audit results; Mr Blackman said that the process involved documenting an understanding of the council's financial systems to determine if they were designed effectively, and obtaining documentary evidence to verify that the systems were operating as intended.

Members further asked about the PS50 challenges and opportunities with large scale developments and if the Council had the staff and the skills to manage such projects. They observed that there were a lot of projects but fewer staff (in comparison) to manage them. Members said that these issues were not being flagged up in the report before the Committee. This was an important challenge. In response Terry Blackman said that External Audit had flagged up these challenges previously and had indicated that such a situation could raise risks in value for money reviews. Members expressed the view that these corporate challenges should be flagged up in the Risk Register.

Members noted the report.

346. CERTIFICATION REPORT 2012/13 FOR THANET DISTRICT COUNCIL

Matthew Dean, Audit Executive (Grant Thornton) led the discussion on the item outlining the main issues in the report. He said that the key message in the report was that the Council's submission of claims continued to meet requirements regarding the submission timetable and supporting working papers, although errors had been identified on the

housing benefit claim leading to qualification; a situation which was common with many local Councils.

Members noted the report.

347. EXTERNAL AUDIT COMMITTEE UPDATE REPORT FOR THANET DISTRICT COUNCIL

Terry Blackman said that his team was on track to complete the Audit and drew attention to emerging issues that were reflected in the report.

Members noted the report.

348. TREASURY MANAGEMENT UPDATE FOR QUARTER ENDED 31 DECEMBER 2013

Sarah Martin reported on the summary of the treasury management for the quarter ending 31 December 2013 which showed that Council was facing some challenges to get decent rates of return as it took a loan of £2m to be paid over 7 years. When asked about the long term lending to get good return rates, she said that there were heavy penalties if Council opted out of earlier than originally agreed.

Proposed by Councillor Campbell, seconded by Councillor Binks and Members approved the report.

349. INTERNAL AUDIT PROGRESS REPORT

Simon Webb reported that a total of eight internal audits had been undertaken during the last quarter.

Members asked why EK Housing repairs and maintenance performance targets were not being met. Brendan Ryan indicated that EK Housing had to work with four different sets of Schemes of Officer Delegation which in a way affected implementation of repair and maintenance works. Members suggested that EK Housing brought to Senior Management Team and Cabinet any proposals for rationalising the four different Schemes of Officer Delegation.

Councillor Campbell proposed, Councillor Scobie seconded and Members AGREED the following:

1. That the report be received by Members;
2. That any changes to the agreed 2013-14 internal audit plans, resulting from changes in perceived risk, detailed at point paragraph 5.0 of the report be approved.

350. INTERNAL AUDIT PLAN 2014/15

Simon Webb presented the draft 2014-15 internal audit plan. The plan has been drafted based upon previous audit experience, alignment with the Council's strategic risk register and Corporate Plan objectives, and following discussions with Directors and senior managers to identify emerging risks and opportunities which should be reflected in the plan.

Members indicated that the audit of Airport Health may not be necessary depending upon the future of the airport. It was suggested that this could be replaced with an audit of asset management.

Proposed by Councillor Scobie, seconded by Councillor Campbell and Members approved the Council's Internal Audit Plan for 2014/15.

Meeting concluded: 9.05 pm

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ANNUAL TREASURY MANAGEMENT REVIEW 2013/14

To: **Governance and Audit Committee – 25 June 2014**

Main Portfolio Area: **Finance**

By: **Capital & Treasury Finance Officer**

Classification: **Unrestricted**

Summary: **This report summarises treasury management activity and prudential/treasury indicators for 2013/13.**

For Decision

1.0 Introduction and Background

1.1 This 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 2013/14. 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).

1.2 During 2013/14 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 6 February 2013)
- a mid-year (minimum) treasury update report (Council 6 February 2013)
- an annual review following the end of the year describing the activity compared to the strategy (this report).

In addition, this Council's Governance and Audit Committee has received quarterly treasury management update reports on 25 September 2013 and 20 March 2014.

1.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

1.4 This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Governance and Audit Committee before they were reported to the full Council. Member training on treasury management issues was undertaken during the year on 29 October 2013 in order to support members' scrutiny role.

1.5 This report summarises the following:-

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

Please note that the Council's 2012/13 accounts have not yet been audited and hence that the figures in this report are subject to change.

2.0 Executive Summary

2.1 During 2013/14, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Prudential and treasury indicators	2012/13 Actual £000	2013/14 Estimate £000	2013/14 Actual £000
Capital expenditure			
• Non-HRA	7,315	18,539	6,682
• HRA	2,171	10,636	3,958
• Total	9,486	29,175	10,640
Capital Financing Requirement:			
• Non-HRA	19,450	24,769	20,899
• HRA	22,325	20,869	20,874
• Total	41,775	45,638	41,773
Gross borrowing	26,122	30,652	27,252
Investments			
• Longer than 370 days	0	0	0
• Under 370 days	23,603	23,250	27,615
• Total	23,603	23,250	27,615
Net borrowing	2,519	7,402	(363)

2.2 Other prudential and treasury indicators are to be found in the main body of this report. The Section 151 Officer also confirms that borrowing was only undertaken for a capital purpose and the statutory borrowing limit (the authorised limit) was not breached.

2.3 The financial year 2013/14 continued the challenging investment environment of previous years, namely low investment returns.

3.0 The Council's Capital Expenditure and Financing 2013/14

3.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

3.2 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

£000 General Fund	2012/13 Actual	2013/14 Estimate	2013/14 Actual
Capital expenditure	7,315	18,539	6,682
Financed in year	6,417	12,602	4,615
Unfinanced capital expenditure	898	5,937	2,067

£000 HRA	2012/13 Actual	2013/14 Estimate	2013/14 Actual
Capital expenditure	2,171	10,636	3,958
Financed in year	2,171	10,436	3,753
Unfinanced capital expenditure	0	200	205

4.0 The Council's Overall Borrowing Need

4.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2013/14 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

4.2 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLB] or the money markets), or utilising temporary cash resources within the Council.

4.3 **Reducing the CFR** – the Council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the

asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

- 4.4 The total CFR can also be reduced by:
- the application of additional capital financing resources (such as unapplied capital receipts); or
 - charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council's 2013/14 MRP Policy (as required by CLG Guidance) was approved as part of the Treasury Management Strategy Report for 2013/14 on 6 February 2013.

- 4.5 The Council's CFR for the year is shown below, and represents a key prudential indicator. It includes PFI and leasing schemes on the balance sheet, which increase the Council's borrowing need. No borrowing is actually required against these schemes as a borrowing facility is included in the contract (if applicable).

CFR (£000): General Fund	31 March 2013 Actual	31 March 2014 Estimate	31 March 2014 Actual
Opening balance	19,209	19,450	19,450
Add unfinanced capital expenditure (as above)	898	5,937	2,067
Less MRP/VRP*	(657)	(618)	(618)
Less PFI & finance lease repayments	0	0	0
Closing balance	19,450	24,769	20,899

CFR (£000): HRA	31 March 2013 Actual	31 March 2014 Estimate	31 March 2014 Actual
Opening balance	23,041	22,325	22,325
Add unfinanced capital expenditure (as above)	0	200	205
HRA loan repayments	(516)	(1,656)	(1,656)
HRA downward revaluation	(200)	0	0
Less VRP*	0	0	0
Less PFI & finance lease repayments	0	0	0
Closing balance	22,325	20,869	20,874

* Includes voluntary application of capital receipts

Borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

The HRA CFR includes a £200k deduction for the 2012/13 downward revaluation of HRA non-current assets which has been charged to the Comprehensive Income and Expenditure Statement and not then transferred to the Capital Adjustment Account. The treatment of this £200k is under review by the Department of Communities and Local Government (requiring both Ministerial and Treasury approval) and accordingly is subject to change.

- 4.6 **Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2013/14) plus the estimates of any additional capital financing requirement for the current (2014/15) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2013/14. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

£000	31 March 2013 Actual	31 March 2014 Estimate	31 March 2014 Actual
Gross borrowing position	26,122	30,652	27,252
CFR	41,775	45,638	41,773

- 4.7 **The authorised limit** - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2013/14 the Council has maintained gross borrowing within its authorised limit.
- 4.8 **The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.
- 4.9 **Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

£000	2013/14
Authorised limit	53,000
Maximum gross borrowing position	39,000
Operational boundary	46,000
Average gross borrowing position	26,693
Financing costs as a proportion of net revenue stream	3.76%

– General Fund	
Financing costs as a proportion of net revenue stream - HRA	6.26%

5.0 Treasury Position as at 31 March 2014

5.1 The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the beginning and the end of 2013/14 the Council's treasury (excluding borrowing by PFI and finance leases) position was as follows:

£000	31 March 2013 Principal	Rate/Return	Average Life yrs	31 March 2014 Total Principal	31 March 2014 HRA Principal	31 March 2014 GF Principal	Rate/Return	Average Life yrs
Fixed rate funding:								
-PWLB	21,622	4.62%	12.7	22,752	16,989	5,763	4.27%	12.5
-Market	4,500	4.19%	0.5	4,500	3,880	620	4.19%	0.5
Variable rate funding:								
-PWLB	0			0	0	0		
-Market	0			0	0	0		
Total debt	26,122	4.55%	10.5	27,252	20,869	6,383	4.26%	10.6
CFR	41,775			41,773	20,874	20,899		
Over / (under) borrowing	(15,653)			(14,521)	(5)	(14,516)		
Investments:								
- in house	23,603	0.75%		27,615			0.52%	
- with managers	0			0				
Total investments	23,603	0.75%		27,615			0.52%	

5.2 The maturity structure of the debt portfolio was as follows:

£000	31 March 2013 actual	2013/14 upper limits	31 March 2014 actual
Under 1 year	6,420	13,626	4,500
1 year to under 2 years	0	13,626	960
2 years to under 5 years	960	13,626	0
5 years to under 10 years	8,640	14,988	11,691
10 years to under 20	4,320	13,626	4,341

years			
20 years to under 30 years	3,862	13,626	3,840
30 years to under 40 years	1,920	13,626	1,920
40 years to under 50 years	0	13,626	0
50 years and above	0	13,626	0
Total debt	26,122		27,252

5.3 All investments were for under 370 days. As at 31 March 2014 the amount invested between 365-370 days was £1.2m (limit: £5.0m).

5.4 The exposure to fixed and variable rates was as follows:

£000	31 March 2013 Actual	2013/14 Upper Limits	31 March 2014 Actual
Fixed rate	26,122 debt 3,700 investments	53,000 debt 45,000 investments	27,252 debt 6,800 investments
Variable rate	0 debt 19,903 investments	53,000 debt 45,000 investments	0 debt 20,815 investments

6.0 The Strategy for 2013/14

6.1 The Council uses Capita (previously called Sector) as its external treasury management advisor. Capita's expectation for interest rates within the strategy for 2013/14 anticipated a low but rising Bank Rate, and gradual rises in medium and longer term fixed borrowing rates during 2013/14. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

6.2 In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk.

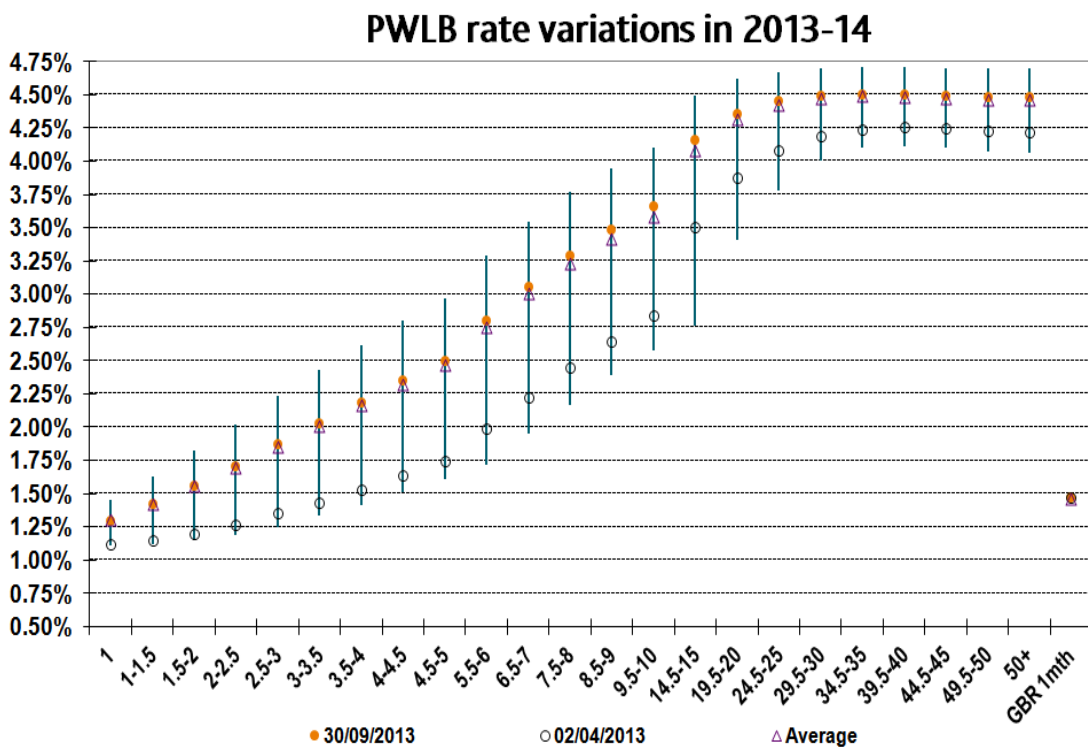
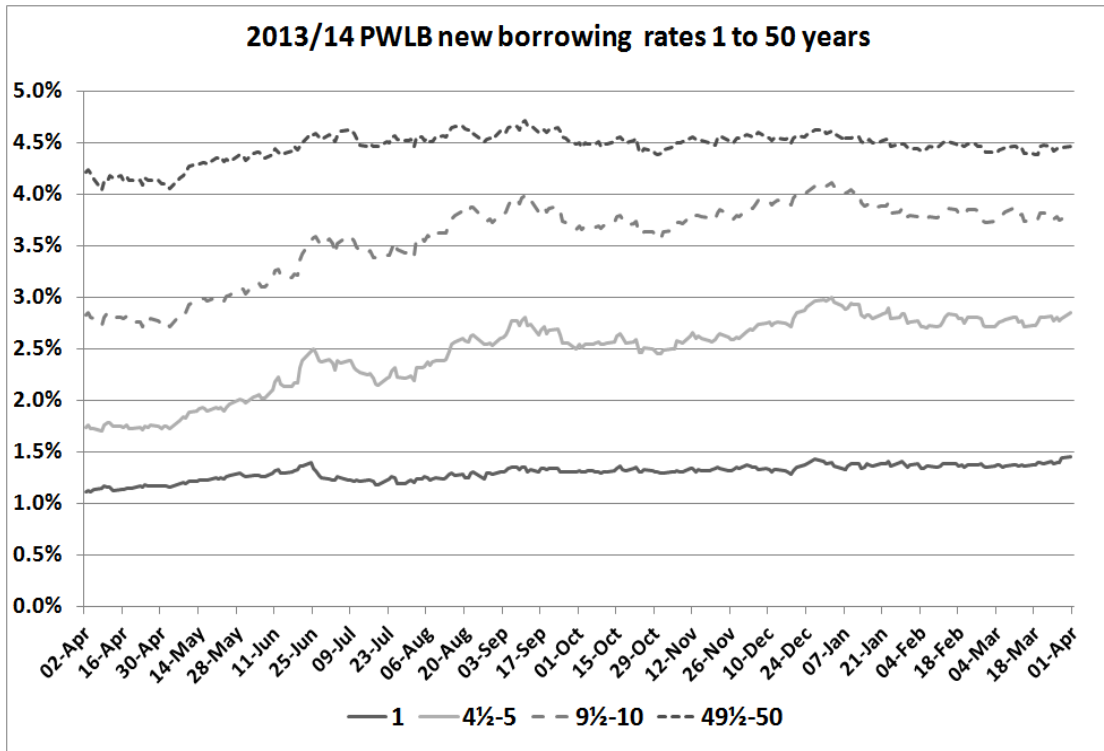
6.3 The actual movement in gilt yields meant that PWLB rates were on a sharply rising trend during 2013 as markets anticipated the start of tapering of asset purchases by the Fed. This duly started in December 2013 and the US FOMC (the Fed.), adopted a future course of monthly reductions of \$10bn (from a starting position of \$85bn), meaning that asset purchases were likely to stop by the end of 2014. However, volatility set in during the first quarter of 2014 as fears around emerging markets, various vulnerabilities in the Chinese economy, the increasing danger for the Eurozone to drop into a deflationary spiral, and the situation in the Ukraine, caused rates to dip down, reflecting a flight to quality into UK gilts.

7.0 Capita's Review of the Economy and Interest Rates (issued by Capita on 3 April 2014)

- 7.1 The original expectation for 2013/14 was that Bank Rate would start gently rising from quarter 4 2014. This forecast rise has now been pushed back to a start in quarter 3 2015. Economic growth (GDP) in the UK was virtually flat during 2012/13 but surged strongly during the year. Consequently there was no additional quantitative easing during 2013/14 and Bank Rate ended the year unchanged at 0.5% for the fifth successive year. While CPI inflation had remained stubbornly high and substantially above the 2% target during 2012, by January 2014 it had, at last, fallen below the target rate to 1.9% and then fell further to 1.7% in February. It is also expected to remain slightly below the target rate for most of the two years ahead.
- 7.2 Gilt yields were on a sharply rising trend during 2013 but volatility returned in the first quarter of 2014 as various fears sparked a flight to quality (see paragraph 6.3.) The Funding for Lending Scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks which then resulted in money market investment rates falling drastically in the second half of that year and continuing into 2013/14. That part of the Scheme which supported the provision of credit for mortgages was terminated in the first quarter of 2014 as concerns rose over resurging house prices.
- 7.3 The UK coalition Government maintained its tight fiscal policy stance but recent strong economic growth has led to a cumulative, (in the Autumn Statement and the March Budget), reduction in the forecasts for total borrowing, of £97bn over the next five years, culminating in a £5bn surplus in 2018-19.
- 7.4 The EU sovereign debt crisis subsided during the year and confidence in the ability of the Eurozone to remain intact increased substantially. Perceptions of counterparty risk improved after the European Central Bank (ECB) statement in July 2012 that it would do "whatever it takes" to support struggling Eurozone countries; this led to a return of confidence in its banking system which has continued into 2013/14 and led to a move away from only very short term investing. However, this is not to say that the problems of the Eurozone, or its banks, have ended as the zone faces the likelihood of weak growth over the next few years at a time when the total size of government debt for some nations is likely to continue rising. Upcoming stress tests of Eurozone banks could also reveal some areas of concern.

8.0 Borrowing Rates in 2013/14

- 8.1 **PWLB borrowing rates** - the graphs and table for PWLB certainty maturity rates below show, for a selection of maturity periods, the high and low points in rates, the average rates, spreads and individual rates at the start and the end of the financial year.



PWLB borrowing rates 2013/14 for 1 to 50 years									
	1	1-15	25-3	35-4	45-5	95-10	24.5-25	49.5-50	1 month variable
2/4/13	1.120%	1.150%	1.350%	1.530%	1.750%	2.840%	4.080%	4.230%	1.470%
30/9/13	1.300%	1.420%	1.870%	2.190%	2.500%	3.660%	4.450%	4.480%	1.470%
High	1.450%	1.630%	2.230%	2.620%	2.970%	4.100%	4.670%	4.700%	1.480%
Low	1.110%	1.120%	1.250%	1.410%	1.610%	2.580%	3.780%	4.070%	1.450%
Average	1.305%	1.421%	1.853%	2.164%	2.469%	3.584%	4.427%	4.467%	1.466%
Spread	0.340%	0.510%	0.980%	1.210%	1.360%	1.520%	0.890%	0.630%	0.030%
High date	31/3/14	31/3/14	27/12/13	27/12/13	27/12/13	2/1/14	10/9/13	10/9/13	9/4/13
Low date	5/4/13	15/4/13	15/4/13	15/4/13	15/4/13	19/4/13	19/4/13	3/5/13	10/5/13

9.0 Borrowing Outturn for 2013/14

9.1 **Treasury Borrowing**– Council debt at 31 March 2014 was:

Lender	Principal £000	Principal HRA £000	Principal GF £000	Interest Rate %	Maturity Date	Start Date
PWLB	960	828	132	2.75	03/05/15	07/05/10
PWLB	960	828	132	3.84	31/03/19	07/05/10
PWLB	3,840	3,311	529	3.57	01/10/19	15/10/09
PWLB	3,840	3,311	529	3.31	15/09/21	15/09/11
PWLB	584	503	81	4.875	30/06/24	12/03/99
PWLB	1,817	1,567	250	4.875	30/06/24	12/03/99
PWLB	1,920	1,656	264	4.04	01/10/29	15/10/09
PWLB	21	18	3	11.625	05/08/33	25/09/73
PWLB	3,840	3,311	529	4.42	31/12/35	24/01/08
PWLB	1,920	1,656	264	4.22	01/10/49	15/10/09
PWLB	1,000	0	1,000	2.48	27/11/23	27/11/13

PWLB	2,050	0	2,050	1.97	27/11/20	27/11/13
Market	4,500	3,880	620	4.19	09/06/65	09/06/05
Total	27,252	20,869	6,383			

The Market Loan is subject to six monthly LOBO (Lender Option Borrower Option) arrangements.

9.2 **Borrowing** – The following General Fund loans were drawn to fund net unfinanced capital expenditure and naturally maturing debt:

Lender	Principal £000	Type	Interest Rate	Maturity	General Fund Average Interest Rate for 2013/14
PWLB	1,000	Fixed interest rate	2.48%	10 years	3.84%
PWLB	2,050	Fixed interest rate	1.97%	7 years	3.84%

9.3 Rescheduling

No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

9.4 Repayments

On 31 December 2013 the Council repaid £1,920k of maturing debt (having an interest rate of 10.375%) using investment balances.

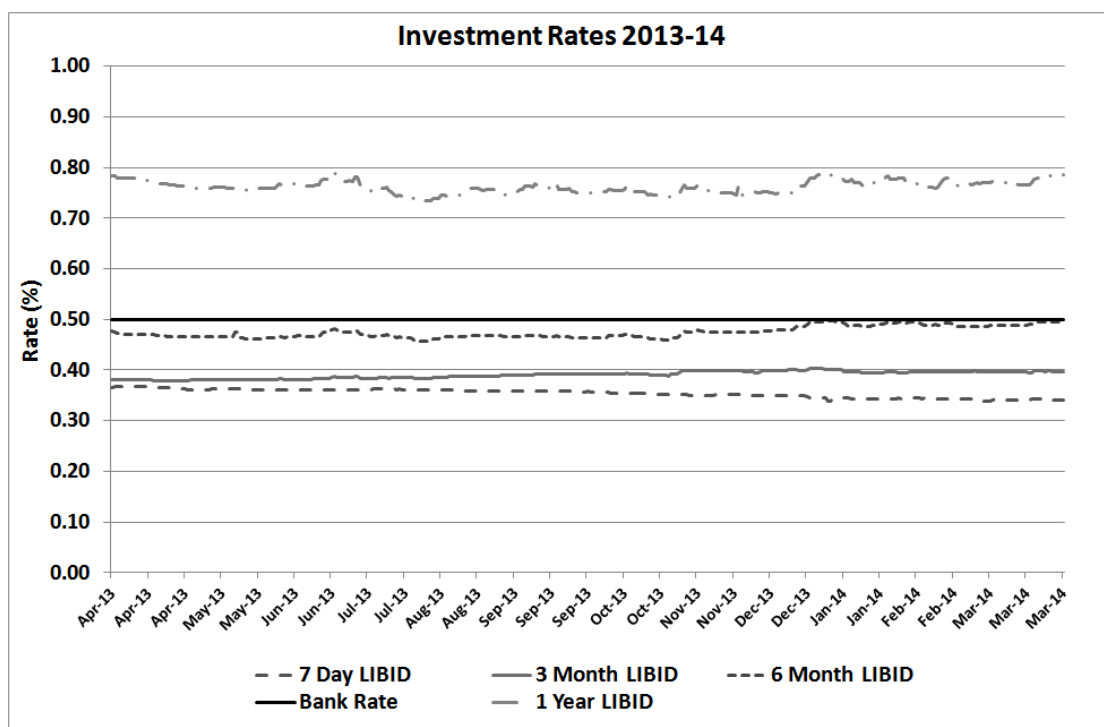
9.5 Summary of debt transactions

Management of the debt portfolio resulted in a fall in the average interest rate of 0.29%, representing net savings of £77k p.a.

10.0 Investment Rates in 2013/14

Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for five years. Market expectations from Capita (as at 3 April 2014) as to the timing of the start of monetary tightening ended up almost unchanged at around the end of 2014 / start of 2015. The Funding for Lending Scheme resulted in deposit rates remaining depressed during the whole of the year, although the part of the scheme supporting provision of credit for mortgages came to an end in the first quarter of 2014.

Money market investment rates 2013/14						
	overnight	7 day	1 month	3 month	6 month	1 year
1/4/13	0.361	0.365	0.371	0.382	0.478	0.784
31/3/14	0.321	0.342	0.363	0.397	0.497	0.786
High %	0.361	0.368	0.371	0.403	0.498	0.790
Low %	0.258	0.338	0.357	0.379	0.457	0.734
Average %	0.347	0.354	0.364	0.391	0.475	0.762
Spread %	0.104	0.029	0.015	0.023	0.041	0.056
High date	1/4/13	2/4/13	1/4/13	24/12/13	31/12/13	24/6/13
Low date	31/12/13	26/3/14	18/3/14	17/4/13	31/7/13	1/8/13



11.0 Investment Outturn for 2013/14

11.1 **Investment Policy** – the Council’s investment policy is governed by CLG guidance, which was implemented in the annual investment strategy approved by the Council on 6 February 2013. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

11.2 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

- 11.3 **Resources** – the Council’s cash balances comprise revenue and capital resources and cash flow monies. The Council’s core cash resources comprised as follows:

Balance Sheet Resources (£000)	31 March 2013	31 March 2014
Balances (General Fund & HRA)	12,422	12,422
Earmarked reserves (incl MRR & Capital Grants Unapplied)	16,632	22,913
Usable capital receipts	1,619	1,633
Total	30,673	36,968

- 11.4 **Investments held by fund managers** – the Council does not use external fund managers and hence no investments were held by fund managers in 2013/14.

- 11.5 **Investments held by the Council** - the Council maintained an average balance of £37,355k of internally managed funds. The internally managed funds earned an average rate of return of 0.52%. The comparable performance indicator is the average 7-day LIBID rate, which was 0.35%. This compares with a budget assumption of £20,000k investment balances earning an average rate of 0.75%.

12.0 Performance Measurement

- 12.1 One of the key requirements in the Code is the formal introduction of performance measurement relating to investments, debt and capital financing activities. Whilst investment performance criteria have been well developed and universally accepted, debt performance indicators continue to be a more problematic area with the traditional average portfolio rate of interest acting as the main guide (as incorporated in the table in section 5). The Council’s performance indicators were set out in the Annual Treasury Management Strategy.

- 12.2 This service has set the following performance indicators:

- Investments – internal returns above the 7 day LIBID rate.

The Council exceeded this return as reported above, achieving an average investment rate of 0.52% compared to the average 7 day LIBID rate of 0.35%.

The Council’s maximum security risk benchmark for the investment portfolio, when compared to historic default tables, was set as follows:

- 0.05% historic risk of default when compared to the whole portfolio.

The Section 151 Officer can report that the default risk of investments was within this criterion throughout 2013/14.

- 12.3 Liquidity – The Council set facilities/benchmarks to maintain:

- Bank overdraft - £0.5m
- Liquid short term deposits of at least £10m available with a week’s notice

- Weighted Average Life benchmark is expected to be 0.5 years, with a maximum of 1 year.

The Section 151 Officer can report that the liquidity of investments were within these criteria throughout 2013/14.

13.0 Options

13.1 That the Governance and Audit Committee:

- Approve the actual 2013/14 prudential and treasury indicators in this report.
- Note the annual treasury management report for 2013/14.
- Recommend this report to Cabinet.

14.0 Corporate implications

14.1 Financial and VAT

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

14.2 Legal

This report is required to be brought before the Governance and Audit Committee, Cabinet and Council for approval, under the CIPFA Treasury Management Code of Practice.

14.3 Corporate

This report evidences that the officers are continuing to carefully manage the risk associated with the Council's treasury management activities.

14.4 Equity and Equalities

There are no equality or equity issues resulting from this report.

15.0 Recommendations

15.1 That the Governance and Audit Committee:

- Approve the actual 2013/14 prudential and treasury indicators in this report.
- Note the annual treasury management report for 2013/14.
- Recommend this report to Cabinet.

16.0 Decision Making Process

16.1 This report is to go to Cabinet and then Council for approval.
The next Cabinet meeting is on 31 July 2014.

17.0 Disclaimer

17.1 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.

Contact Officer:	Paul Cook, Interim Director of Corporate Resources extn 7617
Reporting to:	Sue McGonigal, Chief Executive and S151 Officer

Annex List

N/A	
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Corporate Consultation Undertaken

Finance	N/A
Legal	N/A

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INTERNAL AUDIT PROGRESS REPORT

To: **Governance and Audit Committee: 25th June 2014**

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

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

Classification: **Unrestricted**

Ward: **Thanet Wide**

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.**

For Information

1.0 Introduction

1.1 This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 31st March 2014.

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 seven internal audit assignments completed during the period. Of these: four concluded Substantial assurance, one concluded Reasonable assurance, and one concluded Limited assurance. There was one additional piece of work 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, three follow-up reviews have been completed during the period.
- 3.3 For the year to 31st March 2014, 288.70 chargeable days were delivered against the planned target of 309.01 days which equates to 93.43% 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 in December 2013, 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 – 25-06-2014
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Background Papers:

Title	Details of where to access copy
<i>Internal Audit Annual Plan 2013-14</i>	Previously presented to and approved at the 21 st 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.

2.0 SUMMARY OF REPORTS

	Service / Topic	Assurance level
2.1	Main Accounting System	Substantial
2.2	Budgetary Control	Substantial
2.3	EK Services – Housing Benefit Fraud	Substantial
2.4	EK Services – Housing Benefit Overpayments	Substantial
2.5	EK Services – Business Rates	Reasonable
2.6	EK Services – ICT Change Controls	Limited
2.7	EK Services – Housing Benefit Quarterly Testing (Qtr 4 of 2013-14)	Not Applicable

2.1 Main Accounting System – Substantial Assurance:

2.1.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the main accounting system provides complete and accurate data for the production of the annual accounts and financial returns.

2.1.2 Summary of Findings

Maintaining proper accounting records is one of the ways in which the Council discharges its responsibility for stewardship of public resources. The Council has a statutory responsibility to prepare its annual accounts to present fairly its operations during the year. These are subject to external audit. This review provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the Council's resources.

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- The Council received an unqualified audit opinion from the External Auditors for the 2012/13 accounts.

- Journals can only be uploaded by the Finance Team preventing unnecessary and incorrect journals.
- The feeder systems have adequate controls in place to ensure all necessary information is transferred to the financial systems.
- All income and expenditure has a cost centre.
- Hierarchical coding structures are utilised to allow analysis of income and expenditure.

2.2 Budgetary Control – Substantial Assurance:

2.2.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that Budgetary Control is exercised across the Council on a corporate wide basis.

2.2.2 Summary of Findings

The Section 151 Officer is responsible for ensuring that a revenue budget is prepared on an annual basis and a general revenue plan on a three-yearly basis for consideration by the Cabinet, before submission to Full Council; who may amend the budget or ask the Cabinet to reconsider it before approving it.

The Section 151 Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively. They must arrange for expenditure and income to be controlled and monitored against budget allocations and report to the Cabinet on such regular basis as it may determine.

It is the responsibility of directors of service to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Section 151 Officer. They must report on variances within their own areas. They must also take any action necessary to avoid exceeding their budget allocation and alert the Section 151 Officer of any problems, or potential problems, at the earliest opportunity.

The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- Regular, informative reports are made to SMT and to Cabinet which include amounts and details of significant over and under spends.
- Budget monitoring is performed regularly, with the Finance team offering appropriate support to budget holders.
- Budget setting is conducted according to a timetable that takes into account all statutory deadlines and allows for the Cabinet and the Council to make enquiries and amendments should they wish.
- The annual budget is uploaded into the financial system in a timely fashion, and any budget updates during the year are uploaded monthly.

2.3 EK Services – Housing Benefit Fraud - Substantial Assurance

2.3.1 Audit Scope

To ensure that the processes and procedures established by EK Services are sufficient to provide the level of service required by the partner Councils and these incorporate relevant internal controls regarding the administration of Housing Benefit Fraud, especially at preventing, detecting, investigating and taking action against applicants for fraudulent claims for benefit.

2.3.2 Summary of Findings

Criminal investigations are undertaken by EK Services Benefit Investigation Section, in accordance with the Police and Criminal Evidence Act 1984 (PACE), its Codes of Practice, and all other relevant legislation and common-law rules, and with advice from the relevant council's Legal section.

Management can currently place Substantial Assurance on the system of internal controls which have been put in place by EK Services for the detection and investigation of Housing Benefit and Council Tax fraud. The primary findings giving rise to the Substantial Assurance opinion are as follows:

- A standard Anti-Fraud and Anti-Corruption Policy has been adopted across all three partner councils.
- Suitable facilities are being provided to members of the public to allow them to report benefit fraud.
- Benefit Assessment Officers are reminded of the ongoing requirement to be mindful of Benefit Fraud.
- All Investigation Officers are suitably qualified and experienced.
- All investigations are undertaken in accordance with the requirements laid down by the DWP with regard to fraud investigation and ensure that the service meets these targets and complies with all relevant legislation.
- The risks associated with lone working have been considered and mitigated wherever practical as part of the investigation process.
- All cases receive suitable approval from management and the relevant legal department prior to proceeding to prosecution.

2.4 EK Services – Housing Benefit Overpayments - Substantial Assurance

2.4.1 Audit Scope

To ensure that the processes and procedures established by EK Services are sufficient to provide the level of service required by the partner Councils and incorporate relevant internal controls regarding the administration of overpayments of Housing Benefit.

2.4.2 Summary of Findings

EK Services manage the housing benefit overpayment process for Canterbury City Council, Dover District Council and Thanet District Council. EK Services are responsible for the billing and collection of overpaid housing benefits by raising

invoices, agreeing and monitoring repayment arrangements. A Customer Delivery Service Level Agreement is in place detailing the service that will be supplied by EK Services and how the performance will be monitored and reported.

The specifics of how the housing benefit overpayments are administered, is detailed in the Income Management Policy which was drafted by EK Services and approved by the partner authorities.

The primary findings giving rise to this Substantial Assurance opinion are as follows:

- Effective processes are in place to ensure that there is a consistent approach used at all partner authorities when dealing with housing benefit overpayments.
- Management information is produced regularly for the partner authorities for them to monitor EK Services' delivery of the service.
- EK Services have introduced various preventative measures to ensure that overpayments are kept to a minimum.

2.5 EK Services – Business Rates – Reasonable Assurance

2.5.1 Audit Scope

To ensure that the processes and procedures established by EK Services are sufficient to provide the level of service required by the partner Councils and incorporate relevant internal controls regarding the administration of Business Rates, especially the income collection, monitoring of accounts, debt recovery and write off. The audit will also review the change in legislation, which now allows the Councils to keep all newly generated business rates receipts relating to growth.

2.5.2 Summary of Findings

EK Services are responsible for the collection of Business Rates for the three East Kent authorities. The collection rates for the last five years and the target for current financial year are as follows:

	CCC	DDC	TDC
2008/9	99.10%	94.72%	97.70%
2009/10	99.70%	90.03%	98.57%
2010/11	99.05%	98.10%	98.05%
2011/12	99.73%	98.75%	97.88%
2012/13 Target	99.05%	98.10%	98.05%
2012/13 Actual	98.78%	95.53%	97.39%
2013/14 Target	99.50%	98.10%	98.05%
2013/14 Actual as 30.09.13	61.68%	58.62%	61.75%

Overall the Business Rates processes are working well in EK Services. There is a need to ensure that the discretionary relief reviews are programmed in to be carried out on a regular basis for all three authorities. This will ensure that only those entitled to discretionary relief will continue to receive it providing they met the criteria and those no longer eligible will cease to have the benefit of a relief that they are no longer entitled to.

The EK Services Income Manager should ensure that the Income Management Policy should be complied with for write offs so that debts under £10,000 are written off on the Business Rates System prior to approval being received from the Section 151 Officer and that the debts are being accounted for correctly.

2.6 EK Services – ICT Change Control - Limited Assurance

2.6.1 Audit Scope

To ensure that the procedures and internal controls established by EK Services used in relation to ICT change controls are sufficiently robust to safeguard the partner councils where new systems and upgrades are introduced.

2.6.2 Summary of Findings

EK Services operates a flexible and proactive ICT service to ensure the business needs of their partners are met. The operational processes of ICT change control are generally working well and support the effective implementation of the expected controls however due to the lack of change control structure or framework only a few areas have a change control system in place which they use to document the action taken.

Some officers are qualified in various levels of Information Technology Infrastructure Library (ITIL) V3 and there is a general knowledge of the ITIL framework within ICT. Action has not been taken to implement this framework or an alternative best practice to assist in change control management. This has been recognised and the ICT Business Plan is to include the implementation of incident management and change management during 2014/15.

Although EK Services are responsible for ICT, the partner authorities have software systems which are not part of the SLA and are therefore not supported. In addition to this there are numerous system administrators who are employed by the partner authorities e.g. e-financials at Thanet or Dover; that manage the systems and are able to make changes to the software and these are not recorded by EK Services as the partner authorities are making the changes and therefore should have their own method of recording change control within their service area and this should be subject to continuous review under best practice change control guidance.

Management can place Limited Assurance on the system of internal controls in operation at present regarding change control. However once a change management system has been implemented and successfully embedded throughout ICT the assurance level should increase to reflect all of the work undertaken. The primary findings giving rise to this Limited Assurance opinion are as follows:

- There are no documented standards or procedures detailing management's expectations of change control.
- Change control best practice such as ITIL or ISO 27001 are not followed.
- There is an inconsistent approach to change control throughout ICT
- In some areas the teams are small and this can lead to a lack of resilience. As a result of this it can cause duplication of work when the designated officer is absent from work and the details of the action taken have not been recorded.

Effective control was however evidenced in the following areas:

- Track It is used to record all partner ICT requests received via the Service Desk.
- There appears to be effective communication between the individual teams throughout major projects and changes.
- When 3rd party suppliers access the network, procedures are in place to ensure that their access is recorded in Track It and controlled.

Management comment

At the end of April 2014 EK Services released a draft Change Management Policy for internal consultation. This policy included the change management process and workflow required to efficiently control change, and roles and responsibilities.

At the end of May 2014 the policy will be finalised and the process implemented for EK Services ICT staff, further discussion will also take place with Council system administrators to achieve full integration of the policy.

EK Services are seeking to use current technology to manage change management activities so there will be no need for further investment in software or hardware.
(Head of ICT - EK Services)

2.7 EK Services Housing Benefit Quarterly Testing (Quarter 4 of 2013-14):

- 2.7.1 Over the course of the 2013/14 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 External Auditor's verification work.

For the fourth quarter of 2013/14 financial year (January to March 2014) 20 claims including new and change of circumstances of each benefit type were selected by using Excel software to randomly select the claims for verification.

In total 40 benefit claims were checked and of these 37 (92.50%) were found to have passed the criteria set by the former Audit Commission's verification guidelines. Two claims were however found to have errors on the weekly income figures and there is a further case that has been reported as a fail as it requires further investigation into the state pension calculation. However this case can be revised in the future to a pass if the figures are indeed correct.

3.0. FOLLOW UP OF AUDIT REPORT ACTION PLANS:

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

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs. Outstanding	
a)	Performance Management	Reasonable	Substantial	H M L	0 7 1	H M L	0 0 0
b)	Local Code of Corporate Governance	Substantial	Substantial	H M L	0 1 1	H M L	0 0 0
c)	Service Contract Monitoring	Reasonable	Substantial	H M L	0 2 0	H M L	0 0 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.

- 3.4 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)	HRA Business Plan – 2009/10	Substantial	H M L	1 0 0
b)	Your Leisure – 2012/13	Substantial Limited Limited	H M L	1 2 0
c)	Business Continuity and Emergency Planning – 2012/13	Reasonable	H M L	0 1 1
d)	Telephones, Mobiles and Utilities – 2013/14	Substantial	H M L	0 1 0
e)	Officer Code of Conduct and Prevention of Fraud & Corruption – 2013/14	Substantial	H M L	0 2 2

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: Equality and Diversity, Procurement, Payroll, Employee Benefits-in-Kind, Debtors, ICT Procurement & Disposal, Pest Control, Contaminated Land, FOI, DPA and Information Management, Waste Vehicle Fleet Management, and Planning.

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 21st 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 year to 31st March 2014, 288.70 chargeable days were delivered against the planned target of 309.01 days which equates to 93.43% plan completion. Please see the EKAP Annual Report for the full performance detail.

Attachments

- Appendix 1 Summary of High priority recommendations outstanding after follow-up.
- Appendix 2 Summary of services with Limited / No Assurances
- Appendix 3 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.
<i>None to be reported this Quarter</i>		

APPENDIX 2

BALANCED SCORECARD – QUARTER 3

SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED – APPENDIX 2				
Service	Reported to Committee	Level of Assurance	Management Action	Follow-up Action Due
EK Services – Software Licences	June 2013	Limited	On-going management action in progress to remedy the weaknesses identified.	Work-in-Progress – March 2014
Absence Management	June 2013	Limited	On-going management action in progress to remedy the weaknesses identified.	As part of a planned audit in 2014-15
Public Health Burials	December 2013	Limited	On-going management action in progress to remedy the weaknesses identified.	Spring 2014
Homelessness	March 2014	Substantial/Limited	On-going management action in progress to remedy the weaknesses identified.	Summer 2014



Appendix 3

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.

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INTERNAL AUDIT ANNUAL REPORT - ANNUAL FRAUD REPORT FOR 2013-14

To: **Governance and Audit Committee - 25th June 2014**

By: **Sue McGonigal, Chief Executive (s.151 Officer);
Paul Cook, Interim Director of Corporate Resources (Deputy
s.151 Officer)**

Subject: **ANNUAL FRAUD REPORT FOR 2013-14**

Classification: **Unrestricted**

Ward: **Thanet Wide**

Summary: This report provides the summary of the impact of the counter fraud work for the year to 31st March 2014.

For Information

1.0 Introduction

- 1.1 In 2013-14 Thanet District Council spent around £20.8 million (net) providing services to the 135,700 people that reside within the district. These services range from the payment of housing and council tax benefit to collection of household waste and the control of development. To provide these services, the Council employs 708 staff who are responsible for conducting significant number of administrative, operational and financial processes on behalf of the Council.
- 1.2 In the Annual Fraud Indicator 2013 the National Fraud Authority (NFA) estimates that fraud costs the UK £52bn a year. The NFA also estimates that within the public sector, £20.6bn is lost annually due to fraud, with £2.1bn of this affecting local authorities. The major areas of fraud within local government are cited as;
- Housing Tenancy fraud (estimated £845 million)
 - Procurement Fraud (£876 million)
 - Payroll Fraud (£154 million)
 - Council Tax Fraud (£133 million).
- 1.3 The NFA also estimates that Benefit Fraud (fraud and error for benefits administered by the Department for Work and Pensions and local authorities) costs the UK economy £1.2bn annually, with Housing Benefit fraud remaining the largest area of fraud overpayment within the benefits system at £350 million.
- 1.4 Thanet District Council is opposed to all forms of fraud and corruption and recognises that such acts can undermine the standards of public service, which it promotes, and have a detrimental effect on the ability of the Council to meet its own objectives. This, in turn, can impact on the service provided to the residents of Thanet.
- 1.5 This report is intended to provide details of the Council's activity in preventing, detecting and investigating fraud and corruption during the 2013-14 financial year. The report includes action taken in respect of both corporate fraud (acts of fraud within and against the Council) and benefit related fraud.

2.0 Prevention and Detection of Fraud and Corruption

A key element of the Council's arrangements to prevent and detect fraud and corruption activity is the development and maintenance of an anti-fraud Culture within the Council, through the following:-

2.1 Anti-Fraud & Corruption Strategy

The anti-fraud and corruption strategy is a public document setting out the Council's stance on fraud and corruption and providing an outline of its arrangements to prevent, detect and investigate instances. The strategy underpins the Council's counter fraud arrangements and supports other corporate documents, which together form the framework. During 2013-14 the Council formed a working group of officers to review the arrangements to ensure the strategy continues to reflect best practice and is in accordance with current legislation.

2.2 Whistleblowing Policy

The Whistleblowing policy is intended to be used by Council employees, members and contractors, consultants or partners working with the Council to support the disclosure of concerns and suspicions, which can not be raised through the channels outlined in the Anti-Fraud & Corruption Strategy. During the 2013-14 year the policy was also reviewed for relevance. There were no referrals made using the Whistleblowing Policy.

2.3 Housing & Council Tax Benefit Anti-Fraud Policy

The Housing & Council Tax Benefit Anti-Fraud Policy provides an additional element of the Council's counter fraud culture, it is a public document setting out the Council's stance on fraud specifically related to benefits. The document was updated December 2012 to reflect changes introduced by the Welfare Reform Act including the Council Tax Reduction Scheme.

2.4 Internal Control Arrangements

2.4.1 Induction

The Council has arrangements in place for inducting new members of staff. This includes, amongst other things, the Council's Code of Conduct and the suite of policies that form the Anti-Fraud, Corruption and Bribery Framework.

2.4.2 Training

Specific training and feedback was provided to the Benefit and Council Tax processing staff on referrals made to the investigators. Investigation Officers have commenced working more closely with Housing Officers and Internal Audit, to provide an effective way of sharing the skills, knowledge and experience of conducting investigations.

2.4.3 Website

The Council's policies are promoted via the Website so that all stakeholders may be clear on what to do if they wish to report their concerns.

2.4.4 Publicity of Successful Prosecutions

The Council is committed to publicising where it has been able to successfully pursue proven cases of fraud. During the 2013-14 year 5 press releases relating to the Council's detection of fraudulent activity. The publicity provides assurance that the Council does and will deal with such cases effectively, acting both as a deterrent to those contemplating fraudulent activity, and encouraging those with information to come forward and report this to the Council.

2.4.5 National Fraud Initiative

The Council takes part in the bi-annual National Fraud Initiative (NFI) data matching exercise, comparing computer records held by the Council against other data bases

held by other bodies. This results in matches being found requiring further investigation to determine whether it is an error or a potential fraud. In October 2012 the Council submitted data for the 2012-13 NFI exercise, and the matches from the exercise were received in January 2013. A total of 3,505 matches were received across 59 reports considering, Payroll, Creditors' history and standing data, Housing (current tenants and right to buy), Taxi Drivers, Personal Alcohol Licenses, and Resident Parking Permits Insurance claim data is submitted directly from our Insurance provider, currently this is Travellers. Current overall summary:

- Cleared 893 cases, this is where the match status has been set to either "closed already known" or closed no issue".
- Currently investigating 47 cases
- Highlighted fraud and errors to a total of 41 cases with a value of £38,799.05
- Of the frauds and errors we are recovering 24 cases with a total of £20,811.91

The Single Persons Discount matching exercise was moved slightly this year to coincide with the change in registration arrangements that the Electoral Commission have imposed in preparation for the move to individual registration. The extract of the council tax and the electoral register data were taken on the 17th February 2014, the work will commence in July and the results finalised by 30th September 2014.

2.4.6 Housing Tenancy Fraud

Internal Audit was commissioned to undertake a review of Tackling Tenancy Fraud arrangements working with the four East Kent councils and East Kent Housing (EKH). As part of this review, the incorrect phone number for reporting potential tenancy fraud was corrected on the EKH webpage. Shortly following this, a report was made by a member of the public. The matter was fully investigated, and unfortunately not proven; despite much circumstantial evidence. As a consequence the case has not been fully closed in the event that circumstances regarding the documentary evidence may change in the future. The changes in legislation and new powers available will be fully explained in the final report by Internal Audit due to be finalised and reported to this committee in the near future. The Council will continue to build on this early work in 2014-15.

3.0 Investigating Fraud

Whilst the Council has effective internal control arrangements in place within systems and processes to prevent and detect fraudulent activity, the Council recognises that fraud does occur and is often detected as a result of the alertness of employees, members and the general public and other stakeholders.

3.1 Corporate Fraud & Irregularity Referrals

To ensure the effective use of the skills and resources available to it the Council intends to utilise officers from HR, Internal Audit and Investigations based on the nature of the allegation and the investigatory skills required. During 2013-14 no referrals were made to the Council;

3.2 Benefit Fraud Referrals

The investigation team is currently made up of two Investigation Officers whose primary focus is the detection and investigation of benefit fraud. The team works closely with other agencies to progress investigations. Partnership working is actively undertaken with these agencies to ensure that the best outcome is received through the pooling of resources.

The investigation team is reliant on a number of sources for referrals of potential benefit fraud cases. During 2013-14 718 referrals were made to the team, as set out in the table below.

Referral type	No. of Referrals received	No. of referrals Accepted for Formal Investigation
Housing Benefit Matching Service	43	31
Fraud Hotline	112	24
Benefits Staff	134	88
Council staff	182	129
DWP	53	51
Other	194	90
	718	425

During 2013-14 425 formal investigations were carried out, a total of 64 sanctions were achieved as follows

Sanction Achieved	Number
Formal Caution	42
Administrative Penalty	11
Successful Prosecution	11
	64

Additionally, through this work, overpayments of, £283,721 in Housing Benefit and £55,755 in Council Tax Benefit were identified during the year.

3.3 Other Investigation Activity

Internal Audit conducted an investigation, which commenced in 2012-13 was followed up and reported to this Committee in 2013-14.

4.0 Future Developments in the Fraud Arrangements of the Council

4.1 Fighting Fraud Locally

In December 2011 the NFA launched *Fighting Fraud Together*, a national fraud strategy encompassing public and private sector, not for profit organisations and law enforcement bodies. In April 2012 the NFA launched *Fighting Fraud Locally* as the first sector-led local government counter-fraud strategy. *Fighting Fraud Locally* sets out a three tiered approach for local authorities to follow- to Acknowledge, Prevent and Pursue fraud.

The Council commission Internal Audit to consider the existing arrangements against *Fighting Fraud Locally* to identify opportunities to further develop the framework. The officer working group has received the action plan that resulted from this review, and Internal Audit have been asked to attend the working group as required.

4.2 Assessing Fraud Risk

The Council will continue to closely monitor the development of the Single Fraud Investigation Service (SFIS) and the wider Welfare Reform agenda. This will directly impact dedicated Housing Benefit investigation staff, although pilot sites have been established by the DWP, the latest date indicated for this initiative to be fully implemented nationally is March 2016. Individual Councils have been given their transfer date between October 2014 and March 2016. Thanet's resource will transfer in December 2015. This will present a risk of a loss of skills, and the lost opportunity to share expert knowledge and experience across the Council departments.

Internal Audit will continue to assess fraud risk to which the Council may be exposed annually as part of the development of the annual internal audit plan. In 2014-15 there is a specific Fraud Resilience review scheduled for quarter 3.

5.0 Summary

- 5.1 The Council continues to react positively to review, update and publicise its counter fraud arrangements and encourage referrals to be made where fraud or corruption is suspected.
- 5.2 In the forthcoming year it is considered that the risk of the Council being subject to fraudulent activity is not likely to reduce. To ensure that the Council maintains its counter fraud culture, activities will include to;
- Ensure that the Council has the right policies and procedures in place to support counter fraud work and that these are widely publicised, promoted and enforced.
 - Provide an ongoing awareness of fraud and corruption issues to staff and members, particularly by evaluating an e-learning module.
 - Work with stakeholders across the Council in acknowledging their fraud risk.
 - Undertake reactive investigations where fraud is reported and ensure that the maximum possible is recovered for the Council.
 - Ensure that the lessons learned from investigations, and the skills and knowledge required to carry them out effectively, are shared across the relevant parts of the Council. Recognise the loss in skills when investigation staff transfer to SFIS, and make provision for resources to investigate corporate fraud, tenancy fraud, CTRS and SPD fraudulent claims.
 - Ensure that proven cases are publicised.
 - Maintain an overview of the changing fraud landscape to ensure that the Council continues to maintain an effective, but proportionate, response to fraud risk.

4.0 Options

- 4.1 That Members consider and note the annual fraud report for 2013-14.
- 4.2 That Members consider registering their concerns with Cabinet in respect of any areas of the Council's corporate governance, control framework or risk management arrangements in respect of which they have on-going concerns after considering the counter fraud work for the year 2013-14.

5.0 Corporate Implications

5.1 Financial Implications

- 5.1.1 There are no financial implications arising directly from this report. Adequate and effective counter-fraud arrangements provide the Council with assurance on the proper, economic, efficient and effective use of Council resources in the delivery of services, as well as helping to identify fraud and error that could have an adverse affect on the financial statements of the Council.

5.2 Legal Implications

- 5.2.1 The Local Government Act 1972 provides the Council with the ability to investigate and prosecute offences committed against them. s.151 of the Local Government Act 1972 requires the Council to "make arrangements for the proper administration of their financial affairs". Funding received via central government requires local authorities to maintain arrangements to prevent fraud and error in the welfare benefits that they administer.

5.3 Corporate Implications

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

6.0 Recommendations

6.1 That the report be received by Members.

Contact Officers:	Christine Parker, Head of the Audit Partnership, ext. 7190;
	Simon Webb, Deputy Head of Audit, ext 7189
	Sue McGonigal, Chief Executive Ext. 7790

Annex List

None	N/A
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Background Papers

Title	Where to Access Document
None	The data required to complete this report has been supplied by the various Council teams responsible

Corporate Consultation Undertaken

Finance	N/A
Legal	N/A

INTERNAL AUDIT ANNUAL REPORT

To: **Governance and Audit Committee - 25th June 2014**

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

Subject: **INTERNAL AUDIT ANNUAL REPORT OF THE HEAD OF THE
AUDIT PARTNERSHIP FOR 2013-14**

Classification: **Unrestricted**

Summary: **This report provides the summary of the impact of the work of the East Kent Audit Partnership for the year to 31st March 2014.**

For Information

1.0 Introduction

- 1.1 The primary objective of Internal Audit is to provide independent assurance to Members, the Chief Executive, Directors and the Section 151 Officer on the adequacy and security of those systems on which the Authority relies for its internal control. The purpose of bringing forward an annual report to Members is to:
- Provide an opinion on the overall adequacy and effectiveness of the Council's internal control environment.
 - Present a summary of the internal audit work undertaken to formulate the opinion.
 - Draw attention to any issues the Head of the Audit Partnership judges particularly relevant to the preparation of the Annual Governance Statement.
 - Compare actual audit activity with that planned, and summarise the performance of Internal Audit against its performance criteria.
 - Comment on compliance with the PSIAS, and report the results of the Internal Audit quality assurance programme.
- 1.2 The report attached as Annex 1 therefore summarises the performance of the East Kent Audit Partnership (EKAP) and the work it has performed over the financial year 2013-14 for Thanet District Council, and provides an overall assurance on the system for internal control based on the audit work undertaken throughout the year, in accordance with best practice.
- 1.3 The internal audit team is proactive in providing guidance on procedures where particular issues are identified during audit reviews. The aim is to minimise the risk of loss to the Authority by securing adequate internal controls. Partnership working for the service has added the opportunity for the EKAP to port best practice across the four sites within the East Kent Cluster to help drive forward continuous service improvement.

- 1.4 During 2013-14 the EKAP delivered 93% of the agreed audit plan days, with 20.31 days carried over as work in progress at the year-end. The performance figures for the East Kent Audit Partnership as a whole for the year show good performance against targets, particularly as the EKAP has experienced staffing changes and delivered financial savings against its agreed budget to all its partners in the delivery of the service.
- 1.5 New Public Sector Internal Audit Standards (PSIAS) were introduced from April 2013, and this is the first annual report to follow. As a consequence of the PSIAS, the former Audit Charter and Audit Strategy have been merged into one revised document, therefore the new Audit Charter is attached as Annex 2 for approval and adoption.

2.0 Options

- 2.1 That Members consider and note the annual internal audit report for 2013-14.
- 2.2 That Members consider registering their concerns with Cabinet in respect of any areas of the Council’s corporate governance, control framework or risk management arrangements in respect of which they have on-going concerns after considering the work or coverage of internal audit for the year 2013-14.

3.0 Corporate Implications

3.1 Financial Implications

- 3.1.1 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 budget. Savings against budget have been delivered by EKAP.

3.2 Legal Implications

- 3.2.1 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.

3.3 Corporate Implications

- 3.3.1 Under the Local Code of Corporate Governance accepted by Governance and Audit Committee on 11th December 2013, 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.

4.0 Recommendations

- 4.1 That the report be received by Members.

Contact Officers:	Christine Parker, Head of the Audit Partnership, ext. 7190
	Simon Webb, Deputy Head of Audit, ext 7189
	Sue McGonigal, Chief Executive (s.151 Officer) Ext. 7790

Annex List

Annex 1	East Kent Audit Partnership Annual Report 2013/14
Annex 2	Internal Audit Charter

Background Papers

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

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Annual Internal Audit Report for Thanet District Council 2013-14

1. Introduction

The Public Sector Internal Audit Standard (PSIAS) defines internal audit as:

“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

A more detailed explanation, of the role and responsibilities of internal audit, is set out in the Audit Charter (Annex 2). The East Kent Audit Partnership (EKAP) aims to comply with the PSIAS, and to this end has produced evidence to the s.151 and Monitoring Officers to assist the Council’s review of the system of internal control in operation throughout the year. The PSIAS came into effect from 1st April 2013. Therefore this annual report compares EKAP activity against the new standard and any improvement actions required to achieve compliance with PSIAS will be reflected in future annual reports hereafter.

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

2. Objectives

The majority of reviews undertaken by Internal Audit are designed to provide assurance on the operation of the Council’s internal control environment. At the end of an audit we provide recommendations and agree actions with management that will, if implemented, further enhance the environment of the controls in practice. Other work undertaken, includes the provision of specific advice and support to management to enhance the economy, efficiency and effectiveness of the services for which they are responsible. The annual audit plan is informed by special investigations and anti-fraud work carried out as well as the risk management framework of the Council.

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

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

4. Internal Audit Performance Against Targets

4.1 EKAP Resources

The EKAP has provided the service to the partners based on a FTE of 8. Additional audit days have been provided via audit contractors and a KCC CIPFA Trainee, in order to meet the planned workloads.

3.2 Performance against Targets

The EKAP is committed to continuous improvement and has various measures to ensure the service can strive to improve. The performance measures and indicators for the year are shown in the balanced scorecard of performance measures at Appendix 4.

3.3 Internal Quality Assurance and Performance Management.

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

3.4 External Quality Assurance

The external auditors, Grant Thornton, have conducted a review in February 2014 of the Internal Audit arrangements. They have concluded that, where possible, they can place reliance on the work of the EKAP.

3.5 Liaison between Internal Audit and External Audit.

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

3.6 Compliance with Professional Standards

The EKAP self-assessment of the level of compliance against the Public Sector Internal Audit Standards shows that some improvement actions are required to achieve full compliance. The self-assessment was reported to the March cycle of audit committee meetings and a progress update against each of the identified actions is contained in Appendix 6.

3.7 Financial Performance

Expenditure and recharges for year 2013-14 are all in line with the Internal Audit cost centre hosted by Dover District Council. Financial management has delivered a 10% saving against budget.

The EKAP has been able to exceed its targets for financial performance for 2013-14 by generating income through 'selling days' for checking grant claims. This daily rate excludes any internal recharges that are added to the service by the Council. This equates to a total financial saving to Thanet District Council of £8,815.44 for 2013-14, or £6,922.09 net of the one off cost for the Council's share of the PC Refresh project (ten laptops and associated software/licenses).

Year	Cost / Audit Day
2006-07	£288
2007-08	£277
2008-09	£262 (Reserve Refunded to Partners)
2009-10	£281
2010-11	£268
2011-12	£257
2012.13	£279
2013-14	£290

The EKAP was formed to provide a resilient, professional service and therefore achieving financial savings was not the main driver, despite this considerable efficiencies have been gained through forming the partnership. Additionally, external fee earning work that has been carried out, this year some £17,065.32 was procured from EKAP for Interreg Grant reviews which reduces the costs to the partners. The net result is a reduced EKAP cost per audit day below the original budget estimate. In the current climate this is excellent performance and the partner councils have all enjoyed the overall savings of £38,787.92 generated by the EKAP.

5. Overview of Work Done

The original audit plan for 2013-14 included a total of 26 projects. We have communicated closely with the s.151 Officer, CMT and this Committee to ensure the projects actually undertaken continue to represent the best use of resources. As a result of this liaison some changes to the plan were agreed during the year. A few projects (4) have therefore been pushed back in the overall strategic plan, to permit some higher risk projects to come forward in the plan (3). The total number of projects undertaken in 2013-14 was 25, with 7 being WIP at the year end to be finalised in April.

Review of the Internal Control Environment

4.1 Risks

During 2013-14, 95 recommendations were made in the agreed final audit reports to Thanet District Council. These are analysed as being High, Medium or Low risk in the following table:

Risk Criticality	No. of Recommendations	Percentage
High	27	28%
Medium	48	51%
Low	20	21%
TOTAL	95	100%

Naturally, more emphasis is placed on recommendations for improvement regarding high risks. Any high priority recommendations where management has not made progress in implementing the agreed system improvement are brought to management and Members' attention through Internal Audit's quarterly update reports. During 2013-14 the EKAP has raised and reported to the quarterly Governance Committee meetings 95 recommendations, and whilst 79% were in the High or Medium Risk categories, none are so significant that they need to be escalated at this time.

4.2 Assurances

Internal Audit applies one of four 'assurance opinions' to each review, please see Appendix 1 for the definitions. This provides a level of reliance that management can place on the system of internal control to deliver the goals and objectives covered in that particular review. The conclusions drawn are described as being "a snapshot in time" and the purpose of allocating an assurance level is so that risk is managed effectively and control improvements can be planned. Consequently, where the assurance level is either 'no' or 'limited', or where high priority recommendations have been identified, a follow up progress review is undertaken and, where appropriate, the assurance level is revised.

The summary of Assurance Levels issued on the 25 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	9	50%
Reasonable	6	33%
Limited	3	17%
No	0	0 %
Work in Progress at Year-End	7	-
Not Applicable	0	-

* See list in the table below

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

Taken together 83% of the reviews account for substantial or reasonable assurance, whilst 17% of reviews placed a limited (or partially limited) assurance to management on the system of internal control in operation at the time of the review. There were no reviews assessed as having no assurance.

For each recommendation, an implementation date is agreed with the Manager responsible for implementing it. Understandably, the follow up review is then timed to allow the service manager sufficient time to make progress in implementing the agreed actions against the agreed timescales. Those areas receiving either a 'limited' or 'no' assurance audit opinion during the year are detailed in the table at four, these areas are also recorded as an appendix to the quarterly report until the follow up report is issued, so that they do not get overlooked. The results of any follow up reviews yet to be undertaken will therefore be reported to the quarterly committee at the appropriate time:

4.3 Progress Reports

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

As part of the follow up action, the recommendations under review are either:

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

At the conclusion of the follow up review the overall assurance level is reassessed. As Internal Audit is tasked to perform one progress report per original audit and bring those findings back, it is at this juncture that any outstanding high-risks are escalated to the Governance and Audit Committee via the quarterly update report.

The results for the follow up activity for 2013-14 are set out below. The shift to the right in the third column in the table from the original opinion to the revised opinion also measures the positive impact that the EKAP has made on the system of internal control in operation throughout 2013-14.

Total Follow Ups undertaken 17	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Original Opinion	0	4	10	3
Revised Opinion	0	4	8	5

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

Area Under Review	Original Assurance	Follow Up Result
Data Protection	Reasonable/ Limited	Reasonable/ Limited
Museums	Reasonable/ Limited	Reasonable/ Limited
Monitoring & Performance of Your Leisure	Substantial / Limited	Substantial / Limited
Dog Wardens & Litter Enforcement	Reasonable/ Limited	Reasonable/ Limited

A considerable amount of work had been undertaken to complete the recommendations made in the audit reports, however not all recommendations had been fully implemented and therefore it was considered premature to increase the assurance levels until the recommendations are fully implemented and embedded within the organisation.

4.4 Special Investigations and Fraud Related Work

The prevention and detection of fraud and corruption is ultimately the responsibility of management however, the EKAP is aware of its own responsibility in this area and is alert to the risk of fraud and corruption. Consequently the EKAP structures its work in such a way as to maximise the probability of detecting any instances of fraud. The EKAP will immediately report to the relevant officer any detected fraud or corruption identified during the course of its work; or any areas where such risks exist.

The EKAP is, from time to time, required to carry out special investigations, including suspected fraud and irregularity investigations and other special projects. Whilst some reactive work was carried out during the year at the request of management, there have been no new fraud investigations conducted by the EKAP on behalf of Thanet District Council. An investigation which commenced in 2012-13 was followed up and reported to this Committee in 2013-14.

4.5 Completion of Strategic Audit Plan

Appendix 2 shows the planned time for reviews undertaken, against actual time taken, follow up reviews and unplanned reviews resulting from any special investigations or management requests. 288.70 audit days were competed for Thanet District Council during 2013-2014. Including the 9.01 days carried forward this adjusts the budgeted 300 days to 309.01, therefore 93.43% plan completion. The 20.31 days behind at the year end, will be carried over to 2014-15. The EKAP was formed in October 2007; it completes

a rolling programme of work to cover a defined number of days each year. As at the 31st March each year there is undoubtedly some “work in progress” at each of the partner sites; some naturally being slightly ahead and some being slightly behind in any given year. However, the progress in ensuring adequate coverage against the agreed audit plan of work since 2007-08 concludes that EKAP is 20.31 days behind schedule as we commence 2014-15, as shown in the table below.

Year	Plan Days	Plus B/Fwd	Adjusted Requirement from EKAP	Days Delivered	Percentage Completed	Days Carried Forward (Days Required – Days Delivered)
2008-09	400	0	400.00	397.61	99.40%	-2.39
2009-10	408	2.39	410.39	399.82	97.42%	-8.18
2010-11	430	10.57	440.57	466.04	105.78%	+36.04
2011-12	342	25.47	316.53	309.32	97.72%	-32.68
2012-13	320	7.21	327.21	318.20	97.25%	-1.80
2013-14	300	9.01	309.01	288.70	93.43%	-11.30
Total	2200			2179.69	99.08%	-20.31

Appendix 3 shows the planned time for reviews undertaken, against actual time taken, follow up reviews and unplanned reviews resulting from any special investigations for East Kent Housing Ltd. Thanet District Council contributed 25 days from its original plan in 2011-12 and 20 days in both 2012-13 and 2013-14 as its share in this four way arrangement. The EKH Annual Report in its full format will be presented to the EKH - Finance and Audit Sub Committee on June 30th 2014.

Appendix 4 shows the planned time for reviews undertaken, against actual time taken, follow up reviews and unplanned reviews resulting from any special investigations for East Kent Services. Thanet District Council contributed 60 days from its original plan as its share in this three-way arrangement. As EKS is hosted by TDC, the EKS Annual Report in its full format, is attached as Appendix 5.

5. Overall assessment of the System of Internal Controls 2013-14

Based on the work of the EKAP on behalf of Thanet District Council during 2013-14, the overall opinion is:

There are no major areas of concern, which would give rise to a qualified audit statement regarding the systems of internal control concerning either the main financial systems or overall systems of corporate governance. The Council can have a very good level of assurance in respect of all of its main financial systems and a good level of assurance in respect of the majority of its

Governance arrangements. Many of the main financial systems, which feed into the production of the Council's Financial Statements, have been assessed as providing a Substantial assurance level following audit reviews. The Council can therefore be very assured in these areas. This position is the result of improvements to the systems and procedures over recent years and the willingness of management to address areas of concern that have been raised.

There were three areas where only a partially limited assurance level was given which reflected a lack of confidence in arrangements, and these were brought to officers' attention. These reviews are shown in the table in paragraph 6 along with the details of our planned follow up activity for other areas awaiting a progress report.

6. Significant issues arising in 2013-14

From the work undertaken during 2013-14, there were no instances of unsatisfactory responses to key control issues raised in internal audit reports by the end of the year. There are occasions when audit recommendations are not accepted for operational reasons such as a manager's opinion that the associated costs outweigh the risk, but none of these are significant and require reporting or escalation at this time.

The EKAP has been commissioned to perform only one follow up, there were four reviews that remained a partial Limited Assurance after follow up and twenty-three recommendations that were originally assessed as high risk, which remained a high priority and outstanding after follow up were escalated to the Governance and Audit Committee during the year.

Reviews previously assessed as providing a Limited Assurance that are yet to be followed up are shown in the table below. The progress reports for these will be reported to the Committee at the meeting following completion of the follow up.

Area Under Review	Original Assurance (Date to G&A Cttee)	Progress Report
Homelessness	Substantial /Limited March 14	Quarter 3 2014-15
Maritime Ramsgate Marina	Reasonable/ Limited March 14	Quarter 3 2014-15
Public Health Burials	Limited March 2014	Quarter 3 2014-15
Absence Management	Limited June 2013	Quarter 3 2014-15

7. Overall Conclusion

The Internal Audit function provided by the EKAP has performed well against its targets for the year. Clearly there have been some adjustments to the original audit plan for the year 2013-14, however, this is as expected and there are no matters of concern to be raised at this time.

The EKAP assesses the overall system of internal control in operation throughout 2013-14 as providing reasonable assurance. No system of control can provide absolute assurance, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance that there is an ongoing process for identifying, evaluating and managing the key risks.

AUDIT ASSURANCE

Definition of Audit Assurance Statements

Substantial Assurance

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

Reasonable Assurance

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

Limited Assurance

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

No Assurance

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

Performance against the TDC Agreed 2013-14 Audit Plan

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-03-2014	Status and Assurance Level
FINANCIAL SYSTEMS:				
Main Accounting System	10	10	11.3	Finalised - Substantial
Budget Monitoring	10	10	10.36	Finalised - Substantial
Income	10	0	0	Postponed until 2014-15
RESIDUAL HOUSING SERVICES:				
Homelessness	10	10	13.85	Finalised – Substantial/Limited
GOVERNANCE RELATED:				
Asset Management	10	10	0	Postponed to accommodate unplanned work
Members' Code of Conduct & Standards Arrangements	10	10	11.09	Finalised - Reasonable
Officers Code of Conduct and Whistle blowing Arrangements	10	10	12.23	Finalised - Reasonable
Local Code of Corporate Governance	7	7	9.8	Finalised - Substantial
Performance Management	10	10	9.93	Finalised - Reasonable
Corporate Advice/SMT	2	2	1.83	Finalised for 2013-14
s.151 Officer Meetings and Support	9	9	8.87	Finalised for 2013-14
Governance & Audit Committee Meetings and Report Preparation	12	12	12.87	Finalised for 2013-14
2014-15 Audit Plan and Preparation Meetings	9	9	11.94	Finalised
CONTRACT RELATED:				
Service Contract Monitoring and Management	10	10	11.4	Finalised - Reasonable
Procurement Strategy	10	10	0.24	Work-in-progress
SERVICE LEVEL:				
Cemeteries and Crematoria	10	10	9.52	Finalised - Reasonable
HMO Licensing and Selective Licensing Scheme	10	10	8.71	Finalised - Substantial
Coast Protection	8	8	8.29	Finalised - Substantial
Environmental Health – Food Safety	10	10	0.2	Postponed due to FSA inspection
Environmental Health – Public Health Burials	6	6	10.56	Finalised - Limited

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-03-2014	Status and Assurance Level
Environmental Protection Service Requests	10	10	8.33	Finalised - Reasonable
Equality & Diversity	10	10	0.17	Postponed until 2014-15 plan
Disabled Facilities Grants	10	10	10.21	Finalised - Substantial
Maritime – Ramsgate Marina	10	10	13.19	Finalised – Reasonable/Limited
Members’ Allowances	10	10	10.23	Finalised – Substantial
Planning & s.106 Agreements	10	10	0	Work-in-Progress
Building Control	10	10	9.77	Finalised - Substantial
Travel Warrants and Imprest Floats	5	5	4.85	Finalised – Substantial
Phones, Mobiles and Utilities	7	7	7.21	Finalised – Substantial
OTHER :				
Liaison With External Auditors	3	3	.31	Finalised for 2013-14
Follow-up Reviews	17	21	24.18	Finalised for 2013-14
UNPLANNED WORK:				
Election Duty – 1 Presiding Officer at KCC May Elections	0	1	1	Finalised
Broadstairs Visitor Information Kiosk –Financial Arrangements	0	0	1.19	Finalised
HCA Empty Properties Grant	0	0	0.96	Finalised
Waste Vehicle Fleet Management	0	0	2.47	Work-in-progress
FOI, Data Protection and Information Management	0	0	10.35	Work-in-progress
Tackling Tenancy Fraud	0	5	3.52	Work-in-progress
FINALISATION OF 2012-13 AUDITS:				
Days under delivered in 2012-13	0	9.01	-	Completed
Housing Allocations			7.41	Finalised - Reasonable
Child Protection and CRB Checks	5	5	6.8	Finalised - Reasonable
Recruitment & Induction			1.75	Finalised - Reasonable
EK HUMAN RESOURCES:				
Payroll, SMP and SSP	5	5	0.94	Work-in-progress
Employee Benefits-in-Kind	5	5	0.88	Work-in-progress
TOTAL	300	309.01	288.70	93.43%
UNPLANNED ADDITIONAL WORK				

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-03-2014	Status and Assurance Level
Interreg Grant – Maritime (Yacht Valley)	4	12	11.05	Finalised
Interreg Grant – LOPINOD	4	4	4.03	Finalised for 2013-14
English Heritage Grant	2	2	2.40	Finalised
Cluster of Empty Homes Grant	0	1	0.55	Finalised

East Kent Housing Ltd 2013-14 Audit Plan Results

Review	Original Planned Days	Revised Planned Days	Actual days to 31-03-14	Status and Assurance Level
Planned Work:				
Audit Ctte/EA Liaison/Follow-up	8	7	7.02	Work-in-Progress throughout 2013-14
Rents Accounting, Collection and Debt Management	12	12	16.71	Finalised - Reasonable
Leasehold Services	40	37	24.82	Work-in-Progress
Sheltered Housing	20	0	0.27	Postponed until 2014-15
Finalisation of 2012-13 Audits:				
Housing Repairs and Maintenance	0	24	24.21	Finalised - Reasonable
Days over delivered in 2012-13		-6.65		Completed
Total	80	73.35	73.03	99.56%
Additional days purchased with EKAP saving generated in 2012-13	8.97	8.97	8.97	Finalised – spent on the Repairs and Maintenance audit



EAST KENT

 DOVER • SHEPWAY • THANET • CANTERBURY

AUDIT PARTNERSHIP

 Balanced Scorecard

<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>
	Quarter 4				
Chargeable as % of available days	83%	80%	Cost per Audit Day (Reported Annually)	£290.18	£319.56
Chargeable days as % of planned days			Direct Costs (Under EKAP management)	£388,917	£402,010
CCC	97%	100%	Indirect Costs (Recharges from Host)	£11,180	£19,810
DDC	103%	100%	'Unplanned Income'	£17,065.32	-
SDC	99%	100%	Overall Saving Delivered Across Partners = 10%	£38,787.92	-
TDC	93%	100%		£7,573.40	-
EKS	83%	100%	One Off Cost 2013-14 New ICT funded from Savings	£383,032	£421,820
EKH	99%	100%	Total EKAP cost (Excluding Laptops)		
Overall	96%	100%			
Follow up/ Progress Reviews;					
• Issued	63	-			
• Not yet due	22	-			
• Now overdue for Follow Up	28	-			
Compliance with the PIAS for Internal Audit Standards	Partial	Full			

<u>CUSTOMER PERSPECTIVE:</u>	<u>2013-14 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2013-14 Actual</u>	<u>Target</u>
	Quarter 4		Quarter 4		
Number of Satisfaction Questionnaires Issued;	99			88%	75%
Number of completed questionnaires received back;	62 = 63%		Percentage of staff qualified to relevant technician level	33%	33%
Percentage of Customers who felt that;			Percentage of staff holding a relevant higher level qualification	25%	13%
<ul style="list-style-type: none"> • Interviews were conducted in a professional manner 	100%	100%	Percentage of staff studying for a relevant professional qualification	7.15	3.5
<ul style="list-style-type: none"> • The audit report was 'Excellent, Very Good or Good' 	98%	90%	Number of days technical training per FTE	43%	43%
<ul style="list-style-type: none"> • That the audit was worthwhile. 	100%	100%	Percentage of staff meeting formal CPD requirements		

Annual Internal Audit Report for EK Services 2013-14

1. Introduction/Summary

The main points to note from this report are that the agreed programme of audits has been completed with some projects carried over (with management agreement) as work in progress at 31st March 2014. The majority of reviews have given a substantial or reasonable assurance and there are no major areas of concern that would give rise to a qualified opinion.

The financial management of the Internal Audit cost centre held by Dover District Council has performed well and has delivered a 10% saving against budget. The saving directly passed to EK Services is £4,701.57.

2. Review of the Internal Control Environment**2.1 Risks and Assurances**

During 2013-14, 18 recommendations were made in the agreed final audit reports for EK Services. These are analysed as being High, Medium or Low risk in the following table:

Risk Criticality	No. of Recommendations	Percentage
High	8	44%
Medium	7	39%
Low	3	17%
TOTAL	18	100%

Naturally, more emphasis is placed on recommendations for improvement regarding high risks. Any high priority recommendations where management has not made progress in implementing the agreed system improvement are brought to management and Members' attention through Internal Audit's quarterly update reports. During 2013-14 the EKAP has raised and reported to the partners' quarterly audit committee meetings 18 recommendations, and whilst 83% were in the High or Medium Risk categories, none are so significant that they need to be escalated at this time.

Internal Audit applies one of four 'assurance opinions' to each review, this provides a level of reliance that management can place on the system of internal control to deliver the goals and objectives covered in that particular review. The conclusions drawn are described as being "a snapshot in time" and the purpose of allocating an assurance level is so that risk is managed effectively and control improvements can be planned. Consequently, where the assurance level is either 'no' or 'limited', or where high priority recommendations have been identified, a follow up progress review is undertaken and, where appropriate, the assurance level is revised.

The summary of Assurance Levels issued on the 12 pieces of work commissioned for EK Services 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	5	50%
Reasonable	2	20%
Limited	3	30%
No	0	0%
Work in Progress at Year-End	0	-
Not Applicable	2	-

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

Taken together 70% of the reviews account for substantial or reasonable assurance, whilst 30% of reviews placed a limited assurance to management on the system of internal control in operation at the time of the review. There were no reviews assessed as having no assurance.

For each recommendation, an implementation date is agreed with the Manager responsible for implementing it. Understandably, the follow up review is then timed to allow the service manager sufficient time to make progress in implementing the agreed actions against the agreed timescales. Those areas receiving either a 'limited' or 'no' assurance audit opinion during the year are detailed in the following table, these areas are also recorded as an appendix to the quarterly report until the follow up report is issued, so that they do not get overlooked. The results of any follow up reviews yet to be undertaken will therefore be reported to the quarterly committee at the appropriate time:

Area Under Review	Original Assurance	Follow Up Due/ Result
ICT Change Controls	Limited	Quarter 3 2014-15
ICT Software Procurement	Limited	Quarter 3 2014-15
ICT PC & Application Controls	Limited	Quarter 3 2014-15

2.2 Progress Reports

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

As part of the follow up action, the recommendations under review are either:

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

At the conclusion of the follow up review the overall assurance level is re-assessed. As Internal Audit are tasked to perform one progress report per original audit and bring those findings back, it is at this juncture that any outstanding high-risks are escalated to the Governance and Audit Committee via the quarterly update report.

Five follow up reports were carried out for EKS during the year. The results for the follow up activity for 2013-14 will continue to be reported at the appropriate time. The results in the following table show the original opinion and the revised opinion after follow up to measure the impact that the EKAP review process has made on the system of internal control.

Total Follow Ups undertaken 5	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Original Opinion	0	0	4	1
Revised Opinion	0	0	4	1

There are no fundamental issues of note arising from the audits undertaken in 2013-14. Reviews previously assessed as providing a Limited Assurance that are yet to be followed up are shown in the table below. The progress report for this will be reported to the Committee at the meeting following completion of the follow up.

Area Under Review	Original Assurance (Date to G&A Cttee)	Progress Report
ICT Software Licensing	Limited /June 2013	Quarter 3 2014-15

2.3 Special Investigations and Fraud Related Work

The prevention and detection of fraud and corruption is ultimately the responsibility of management however, the EKAP is aware of its own responsibility in this area and is alert to the risk of fraud and corruption. Consequently the EKAP structures its work in such a way as to maximise the probability of detecting any instances of fraud. The EKAP will immediately report to the relevant officer any detected fraud or corruption identified during the course of its work; or any areas where such risks exist.

The EKAP is, from time to time, required to carry out special investigations, including suspected fraud and irregularity investigations and other special projects. During the year 2013-14 there have been no fraud investigations conducted by the EKAP on behalf of EK Services.

2.4 Completion of Strategic Audit Plan

The analysis in Attachment P shows the individual reviews that were completed during the year. As at 31st March 2014 delivery was slightly behind plan and EKAP had delivered 156.96 days against 188.11 owed (83.44%). The 31.15 days carried forward will be delivered in 2014-15 as part of the rolling three-year plan process. Not achieving 100% plan completion at all sites this year was a decision made collectively by the s151 Officers who directed the EKAP to deliver a financial saving over achieving 100% of the agreed plans.

Year	Days Required	Plus B/Fwd	Adjusted Requirement from EKAP	Days Delivered	Percentage Completed	Days Against Target
2011-12	169	0	0	143.9	85.15%	-25.10
2012-13	160	25.10	185.10	156.99	84.81%	-3.01
2013-14	160	28.11	188.11	156.96	83.44%	-3.04
Total	489			457.85	93.63%	-31.15

3. Significant issues arising in 2013-14

From the work undertaken during 2012-13, there were no instances of unsatisfactory responses to key control issues raised in internal audit reports by the end of the year. There are occasions when audit recommendations are not accepted for operational reasons such as a manager's opinion that costs outweigh the risk, but none of these are significant and require reporting or escalation at this time.

The review from 2012-13 (shown in the table at 2.2) that was originally a Limited Assurance will be followed up later in 2014-15. There were three areas in 2013-14 where a limited assurance level was given which reflected a lack of confidence in arrangements, and this was brought to officers' attention. These reviews will be followed up and the progress made in control improvement will be reported to this committee at the appropriate time.

4.0 Overall Conclusion

The work of Internal Audit and this report contribute to the overall internal control environment in operation within EK Services, and also assists in providing an audit trail to the statements that must be published annually with the financial accounts for each partner council.

Based on the work of the EKAP on behalf of EK Services during 2013-14, the overall opinion is:

There are no major areas of concern, which would give rise to a qualified audit statement regarding the systems of internal control concerning either the main financial systems or overall systems of corporate governance. The EKAP

assesses the overall system of internal control in operation throughout 2013-14 as providing reasonable assurance. No system of control can provide absolute assurance, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance that there is an ongoing process for identifying, evaluating and managing the key risks.

Performance against the Agreed EKS 2013-14 Audit Plan

Review	Original Planned Days	Revised Planned Days	Actual days to 31-03-14	Status and Assurance Level
Planned Work:				
Housing Benefits – Overpayments	15	15	7.19	Finalised - Substantial
Housing Benefits – Fraud Investigation Unit	15	15	13.32	Finalised - Substantial
Council Tax Reduction Scheme	0	5	4.80	Finalised - Substantial
Housing Benefits – Quarterly Testing	40	40	41.72	Finalised for 2013-14
Business Rates	30	30	29.99	Finalised - Reasonable
Debtors and Rechargeable Works	15	15	3.44	Finalised - Substantial
ICT – Change Controls	15	10	8.85	Finalised - Limited
ICT – Software Procurement	15	15	15.27	Finalised - Limited
ICT – PC Controls and Application Controls	15	10	8.68	Work-in-progress
Corporate/Committee	0	0	4.72	Finalised for 2013-14
Follow-up	0	5	5.94	Finalised for 2013-14
New Homes Bonus	0	0	0.34	Finalised
Finalisation of 2012-13 Audits:				
Housing Benefits and Assessment	0		9	Finalised - Reasonable
ICT – Network Security	0		3.7	Finalised - Substantial
Days under delivered in 2012-13		28.11		Finalised
Total	160	188.11	156.96	83.44%

Appendix 6

Improvement Actions Required for EKAP to “conform with the International Standard for the Professional Practice of Internal Auditing

PSIAS Reference	PSIAS Name	Action Required	Update at June 2014
1110	Organisational Independence	<ul style="list-style-type: none"> • Update the Audit Charter to reflect that the Head of Audit has direct access to the Chair of the Audit Committee should this be ever required. • Confirm annually that EKAP is organisationally independent. • Remind IA Staff of their ethical responsibilities. • Ensure the HoA’s performance appraisal is reviewed and signed off by Chief Executive and feedback sought from the Chair of the Audit Committee. 	<ul style="list-style-type: none"> • Completed • Included in Annual Report • Team Meeting 30th April 2014 • With the Director of Finance
1111	Direct Interaction with the ‘Board’	<ul style="list-style-type: none"> • Consider the need to meet in private at least annually with the Chair of the Audit Committee. 	<ul style="list-style-type: none"> • Proposed for December Meeting annually, also to be combined with assisting in the Committee’s self-Assessment.
1311	Internal Assessments	<ul style="list-style-type: none"> • Improve the internal quality assessment in accordance with the new requirements; specifically to capture more evidence of the assessments done and include budget information in the annual report. 	<ul style="list-style-type: none"> • Ongoing
1312	External Assessments	<ul style="list-style-type: none"> • Ensure an external assessment is carried out in the next four years. Look into a joint procurement exercise with Kent Audit Group. • Establish a champion/sponsor to oversee the process. • Agree the approach, scope and budget for the External Assessment with the Audit Committee. 	<ul style="list-style-type: none"> • Diarized, and now on the KAG agenda to see how the market develops.

2000	Managing the IA Activity	<ul style="list-style-type: none"> • General tidy up on files including ensuring compliance with the Document Retention Scheme and disposal of old files. • Investigate how our software APACE can do more for us, including updating the Audit Universe and Risk scores held. • Better evidence reasons for over and underspends on time budgets against individual reviews as recorded on APACE. • Combine the former Audit Charter and the Strategy, and update the Charter 	<ul style="list-style-type: none"> • Raised at Team Meeting 30th April 2014
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Annex 2



EAST KENT AUDIT PARTNERSHIP AUDIT CHARTER

1. Introduction
2. Terms of Reference
 - 2.1 Strategy & Purpose
 - 2.2 Responsibility & Scope
 - 2.3 Authority
 - 2.4 Avoiding Conflicts of Interest
3. Organisational Relationships and Independence
 - 3.1 Audit Partnership Management and Staffing
 - 3.2 Relationship with Service Managers
 - 3.3 Relationship with Line Management
 - 3.4 Relationship with the Partners
 - 3.5 Relationship with Audit Committees
 - 3.6 Relationship with External Audit
 - 3.7 Relationship with Other Regulators, Inspectors and Audit Bodies
 - 3.8 Relationship with the Public
4. Competence and Standards of Auditors
 - 4.1 Competence
 - 4.2 Standards
5. Audit Process
 - 5.1 Planning
 - 5.2 Documentation
 - 5.3 Consultation
 - 5.4 Reporting
 - 5.5 Follow-up
6. Resources
 - 6.1 Staff Resources
 - 6.2 Budget
7. Quality Assurance
8. Additional Services
9. Amendment to Charter

1 Introduction

- 1.1 This Charter establishes the purpose, authority, objectives and responsibility of the Audit Partnership, in providing an Internal Audit function within the Partner Councils.
- 1.2 The EKAP is committed to the highest standards and prides itself on complying with the definition of Internal Auditing the ethical codes that the profession requires and adopting the International standards.
- 1.3 The Audit Partnership is hosted by Dover District Council. The four East Kent authorities Canterbury City Council (CCC), Dover District Council (DDC), Shepway District Council (SDC), and Thanet District Council (TDC) formed the East Kent Audit Partnership (EKAP) in order to deliver a professional, cost effective, efficient, internal audit function. A key aim for the EKAP is to build a resilient service that provides opportunities to port best practice between the four sites, acting as a catalyst for change and improvement to service delivery as well as providing assurance on the governance arrangements in place.
- 1.4 The Audit Partnership is sufficiently independent of the activities that it audits, and this enables the auditors to perform their duties in a manner, which facilitates impartial and effective professional judgements and recommendations.
- 1.5 The organisational status of the Audit Partnership is such that it is able to function effectively. The Head of Audit Partnership must be able to maintain their independence and report to members. The Head of Audit Partnership has sufficient status to facilitate the effective discussion of audit strategies, plans, results and improvement plans with the senior management and audit committees of the individual partners.
- 1.6 Accountability for the response to the advice and recommendations of the Audit Partnership lies with each partner's own management.
- 1.7 The Audit Partnership reports to those committees charged with governance. The main objective is to independently contribute to the councils' overall process for ensuring that an effective internal control environment is maintained. The work of the Audit Partnership for each of the partner authorities is summarised into an individual annual report, which assists in meeting the requirements to make annual published statements on the internal control systems in operation.

2 Terms of Reference

2.1 Strategy & Purpose

Internal Audit is a statutory requirement under the Local Government Act 1972 (Section 151). It is the strategy of the Audit Partnership to comply with best practice as far as possible. The East Kent Audit Partnership has therefore adopted the best practice principles set out in the Public Sector Internal Audit Standards (PSIAS). The definition of Internal Audit taken from their guidance is as follows:

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

This definition sets out the primary purpose of the Audit Partnership, but the guidance also recognises that other work may be undertaken which may include consultancy services and fraud-related work. Where relevant and applicable the Audit Partnership also follows the professional and ethical standards of the Institute of Internal Auditors, being that many of the staff are members of this Institute.

2.2 Responsibility & Scope

2.2.1 Internal Audit is responsible for appraising and reviewing:

- a) the completeness, reliability and integrity of information, both financial and operational,
- b) the systems established to ensure compliance with policies, plans, procedures, laws and regulations, i.e. rules established by the management of the organisation, or externally,
- c) the means of safeguarding assets,
- d) the economy, efficiency and effectiveness with which resources are employed, and
- e) whether operations are being carried out as planned and objectives and goals are being met.

2.2.2 The scope of the Audit Partnership includes the review of all activities of the Partner Councils, without restriction. In doing this, the purpose of Internal Audit is to:

- a) Advise the Chief Executive, Directors, Senior Managers and Audit Committee on appropriate internal controls and the management of risk,
- b) Assist the Chief Executive, Directors, Senior Manager and Audit Committee with the way that organisational objectives are achieved at operational levels,
- c) Assure the Chief Executive, Directors, Senior Managers and Audit Committee of the reliability and integrity of systems, and that they are adequately and effectively controlled,
- d) Alert the Chief Executive, Directors, Senior Managers and Audit Committee to any system weaknesses or irregularities.

2.2.3 In addition, the Audit Partnership may carry out special investigations as necessary, and agreed with the s.151 Officer or Monitoring Officer as appropriate, in respect of cases of fraud, malpractice or other irregularity, or carry out individual ad hoc projects as requested by management and agreed by the Head of Audit Partnership and the partners' client officer.

2.2.4 Assurance to third parties may be agreed, by the Head of Audit Partnership with the relevant s.151 Officer on a case by case basis; such as acting as the First Level Controller for Inter Reg Grant Claims. The rate charged to a third party for assurance work is set by the Joint s.151 Client Officer Group at £375 per audit day. The decision to provide such a service is informed by the required timing of the work, whether the skills and resources are available and if it is in the best interest of the EKAP and the Partners to do so, the nature of this work may include, for example the verification of claims or returns.

2.2.5 The decision to undertake consultancy services will be made in conjunction with the relevant partner's s.151 Officer and other management as necessary. The EKAP is able to avoid conflicts of interest if carrying out consultancy work due to the flexibility of the arrangements, as auditors may be rotated accordingly. The decision to provide such a service is informed by the required timing of the work, whether the skills and resources are available and if it is in the best interest of the EKAP and the Partners

to do so, the nature of this work may include for example, being involved on project teams for new systems development. There are no contingency provisions within the agreed audit plans, therefore if work has not been included in the plan from the outset, a variation will need to be agreed for any consultancy work, to re-allocate time within the relevant partner's own plan, or through buying in additional resource to back-fill whilst partnership staff carry out the assignment.

2.3 Authority

2.3.1 The procedures for auditing the Council are included within each of the councils' Constitutions. This typically includes words to the effect that the Authority shall:

- a) Make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has the responsibility for the administration of those affairs, and
- b) Shall maintain an adequate and effective system of Internal Audit of their accounting records and control systems.

Additionally, there may be delegated authority to the Chief Executive and Directors to establish sound arrangements for the planning, appraisal, authorisation and control of the use of resources, and to ensure that they are working properly. Maintaining adequate and effective controls is necessary to:

- a) carry out activities in an orderly, efficient and effective manner,
- b) ensure that policies and directives are adhered to,
- c) ensure compliance with statutory requirements,
- d) safeguard assets & to prevent fraud,
- e) maintain complete and reliable records and information, and
- f) prevent waste & promote best value for money.

2.3.2 The Audit Partnership is authorised to complete a programme of audit reviews within the Partner Councils through the delegation of powers to Dover District Council, as the Lead body for the Audit Partnership.

2.3.3 The Head of Audit Partnership works principally with a nominated officer, the s.151 Officer, for each of the Partner councils, to ensure that a continuous internal audit review of the accounting, financial and other operations of the Council is performed. Progress on the work undertaken shall be submitted regularly to the appropriate committee with responsibility for Internal Audit.

2.3.4 All employees and Councillors shall comply with the requirements of the Council's internal and external auditors who have authority to:-

- a) enter at all reasonable times on any Council premises or land,
- b) have access to all Council assets such as records, documents, contracts and correspondence, including computer hardware, software and data,
- c) require and receive such explanations as are necessary concerning any matters under examination, and
- d) require any employee of the Council to produce cash, stores or any other Council property under his/her control.

2.3.5 Employees and Councillors of any of the Partners may report any financial irregularity or suspected irregularities to the Head of Audit Partnership, who shall then ensure that the matter is dealt with in accordance with the individual council's Anti-Fraud and Corruption Strategy.

2.4 Avoiding Conflicts of Interest

- 2.4.1 An additional benefit of four councils working in partnership to provide an internal audit service, is providing sufficient staff to give flexibility and the opportunity for the rotation of Auditors. Where consultancy projects are requested and agreed, conflicts of interest will be avoided by preventing the Auditor undertaking that project from reviewing that area of operation for a period of time equivalent to current year plus one (see also paragraph 3.2 below). The EKAP provides a pure audit arrangement and does not have any “non audit” or operational responsibilities that would otherwise have the potential to cause a conflict of interest.

3 Organisational Relationships and Independence

3.1 Audit Partnership Management and Staffing

The audit service is managed by the Head of Audit Partnership, who is responsible for providing a continuous internal audit service under the direction of the Section 151 Officers. The auditor assigned to each individual review is selected by the Head of Audit Partnership, based on their knowledge, skills, experience and discipline to ensure that the audit is conducted properly and in accordance with professional standards.

3.2 Relationship with Service Managers

- 3.2.1 It is the responsibility of management, not auditors, to maintain systems of internal control.
- 3.2.2 To preserve its independence and objectivity, staff involved in the Audit Partnership shall not have direct responsibility for, or authority over, any of the activities subject to audit review. Staff transferring to EKAP may not review an area they were previously operationally responsible for, for a period of two years (current year plus one).
- 3.2.3 The involvement of an auditor through conducting an audit review, or providing advice, does not in any way diminish the responsibility of line management for the proper execution and control of their activities.
- 3.2.4 Co-operative relationships will be fostered with management to enhance the ability of the Audit Partnership to achieve its objectives effectively.
- 3.2.5 All employees should have complete confidence in the integrity, independence and capability of the Audit Partnership. We recognise that the relationship between auditors and service managers is a privileged one, and information gained in the course of audit work will be treated confidentially, and only reported appropriately.

3.3 Reporting Relationship with Line Management

- 3.3.1 The Head of Audit Partnership will have regular meetings with each of the Partner’s s.151 Officer / nominated client officer. Any events that may have an adverse affect on the audit plan, or a significant impact on the Council will be reported immediately.
- 3.3.2 Any high risk matters of concern, which have not been adequately dealt with after an appropriate period of time and after follow up, will be escalated to the s.151 Officer /

nominated client officer, who will be asked to decide for each high risk matter whether:

- Resources should be allocated to enable the risk to be reduced in the agreed way, or
- To approve that the risk will be accepted and tolerated, or
- To determine some other action to treat the risk.

The outcome of which will be report to the Audit Committee, whose attention will be drawn to high risk matters outstanding after follow up.

3.4 Reporting Relationship with the Partners

3.4.1 The Head of Audit Partnership has a line reporting relationship directly to the Dover District Council's Director of Finance, Housing and Communities the Council's s.151 Officer. Together under the Collaboration Agreement for the provision of one shared Internal Audit Service, the four s.151 Officers form the "Client Officer Group" which is the key governance reporting line for the EKAP. The Client Officer Group meets collectively twice yearly with the Head of Audit Partnership to consider the strategic direction and development of the partnership and any performance matters.

3.4.2 The East Kent Audit Partnership overall performance is reported to all the partner authorities annually. Key performance measures and indicators have been agreed and these are also reported quarterly. As well as individual assurance reports, and the quarterly Audit Committee reports, an Annual Audit Report will:

- Provide an individual summary of the work completed for each Partner,
- Compare actual audit activity with that planned, and summarise the performance of the East Kent Audit Partnership against its performance criteria, and compliance with professional standards, and
- Include the cost of the service for the partner.

3.5 Relationship with Audit Committees

3.5.1 The East Kent Audit Partnership has a direct relationship with those charged with the responsibility for governance. Consequently, the Head of Audit Partnership issues a report summarising the results of its reviews to each meeting. The Annual Report is the foundation for the opinion given through the Governance Assurance Statement, which is published annually. The Committee will also approve the Audit Partnership annual work plan for their Council.

3.5.2 The Head of Audit Partnership may escalate any high-risk matters of concern (that in his opinion have not been adequately actioned by management) directly to committee, should this ever become necessary.

3.6 Relationship with External Audit

3.6.1 The Head of Audit Partnership will liaise with the External Auditors to:

- Foster a co-operative and professional working relationship,
- Reduce the incidence of duplication of effort,
- Ensure appropriate sharing of information, and
- Co-ordinate the overall audit effort.

3.6.2 In particular the Head of Audit Partnership will:

- Discuss the annual Audit Plan with the External Auditors to facilitate External Audit planning,
- Hold meetings to discuss performance and exchange thoughts and ideas,
- Make all Internal Audit working papers and reports available to the External Auditors,
- Receive copies of all relevant External Auditors reports to Management, and
- Gain knowledge of the External Auditors' programme and methodology.

3.7 Other Regulators, Inspectors and Audit Bodies

The Head of Audit Partnership will foster good relations with all other audit bodies, regulators and inspectors. In particular protocols regarding joint working, access to working papers, confidentiality and setting out the respective roles will be agreed where applicable. The EKAP will only become involved with external regulators and inspectors if expressly required by the partner authority as part of the agreed audit plan.

3.8 Relationship with the Public

The councils' Anti-Fraud, Corruption, Bribery and Whistleblowing policies encourage staff, members, contractors and members of the public to raise their concerns in several ways, one of which includes making contact with Internal Audit. This Charter therefore considers the responsibility EKAP has with investigating complaints made from the general public about their concerns. It is concluded that each case must be assessed on its own merits and agreement with the s.151 Officer reached before EKAP resources are directed towards an investigation.

4 Competence and Standards of Auditors

4.1 Competence

The Head of Audit Partnership will ensure that those engaged in conducting audit reviews, possess the appropriate knowledge, qualifications, experience and discipline to carry them out with due professional care and skill.

4.2 Standards

Regardless of membership, all auditors will be expected to work in accordance with the Public Sector Internal Audit Standard and practice statements issued by the Institute of Internal Auditors and CiPFA. The East Kent Audit Partnership strives to meet best practice as highlighted in paragraph 2.1. The auditors must also observe the Codes of Ethics of the Institute of Internal Auditors and CiPFA, which call for high standards of honesty, objectivity, diligence and loyalty in the performance of their duties and responsibilities. In addition to professional codes of ethics, the EKAP staff are bound to the DDC Code of Conduct through their employment contract.

5 Audit Process

5.1 The EKAP seeks to deliver effective outcomes by;

- Understanding the four partner councils, EKS and EKH their needs and objectives,

- Understanding its position with respect to other sources of assurance and to plan our work accordingly,
- Embracing change and working with the four councils to ensure our work supports management,
- Adding value and assisting the partners in achieving their objectives,
- Being forward looking, knowing where the partners wish to be and being aware of the local and national agenda, and their impact,
- Being innovative and challenging,
- Helping to shape the ethics and standards of the four councils, and
- Sharing best practice and assisting with the joint working agenda.

5.2 Planning

5.2.1 The internal audit process is to follow a planned approach based upon risk assessments. The planning framework comprises the following:

- A Strategic Plan, which ensures that coverage of each of the partner councils as a whole, over a time frame of three to five years, is maintained and reviewed annually, to take into account the new priorities and risks of each authority. This focuses internal audit effort on the risks of the four partner's objectives and priorities. It also seeks to add value to the partners by reviewing areas that most support management in meeting their objectives. The Head of Audit Partnership works together with the two Deputy Heads of Audit to consult relevant service managers and heads of service at each site to assist in formulating the strategic audit plans. Each council's corporate aims and objectives, individual service plans, risk registers, time spent on previous audits, any problems encountered, and level and skill of service staff involved are taken into account and information is entered into the audit software. All areas as identified in the strategic plan are then subject to a risk assessment to identify their risk level and whether or not they are to be included in the proposed annual plan. The audit plans are generated from the audit software based on the risk scores of each area of activity identified through the consultation process
- An Annual Plan for each partner, specifying the planned audits to be performed each year, their priority and the resource requirements for each planned audit review.

5.2.2 For each audit review undertaken, the planning framework comprises the following:

- An Audit Brief, specifying the objectives, scope and resources for the audit.
- Where appropriate either a detailed Audit Programme of tests to be conducted, or a CiPFA Audit Matrix of testing to follow.

The Audit Brief is prepared by the Head of Audit Partnership or Deputy Heads of Audit and reviewed and agreed with the client manager prior to the commencement of the audit review (except where an unannounced visit is necessary).

5.3 Documentation

The EKAP is committed to continuous improvement and has standardised all the working practices across the partnership. The Internal Audit team has access to a common Audit Manual to ensure that the same processes are operational across all the partner sites. The Audit Manual is subject to (at least) annual review. Audit working papers contain the principal evidence to support the report and they provide

the basis for review of work. The Auditors employ an audit methodology that requires the production of working papers, which document the following:

- The samples of transactions collected when examining the adequacy, effectiveness and application of internal controls within the system.
- The results of the testing undertaken.
- Other information obtained from these examinations.
- Any e-mails, memos or other correspondence with the client concerning or clarifying the findings.
- A report summarising significant findings and recommendations for the reduction of risk or further control improvement.
- The Service Manager's response to the draft report and then agreed recommendations made in the final audit report.

5.4 Consultation

5.4.1 Prior to the commencement of an audit, the Head of Audit Partnership or Deputy Heads of Audit will communicate by phone, e-mail or face to face meeting with the relevant Manager to discuss the terms of reference. Having agreed the proposed brief with the Manager, the Head of Audit Partnership or Deputy Heads of Audit will:

- issue a copy of the proposed Audit Brief by e-mail, and
- where appropriate arrange a pre-audit meeting between the Service Manager and the Auditor to discuss the purpose, scope and expected timing of the work.

In the case of special investigations, such prior notification may not be given where doing so may jeopardise the success of the investigation. In such an event, the prior approval of the Chief Executive, s.151 Officer or Monitoring Officer will be obtained.

5.4.2 During the conduct of reviews, Auditors are to consult orally and / or in writing with relevant staff to:

- ensure that information gathered is accurate and properly interpreted,
- allow Management to present adequate/reliable evidence to ensure a balanced judgment is formed,
- ensure recommendations add value, are cost effective and practicable, and
- keep Management informed of the progress of the audit.

5.5 Reporting

5.5.1 A written discussion document (draft report) is prepared and issued by the responsible Auditor at the conclusion of each audit. Prior to its issue, the appropriate Deputy Head of Audit reviews the draft together with the supporting working papers. The purpose of this document is to allow the service manager the opportunity to confirm factual accuracy and challenge any of the findings of the review.

5.5.2 The draft document will contain an outline action plan listing proposed individual recommendations for internal control improvement. These recommendations are categorised to indicate whether there is a high, medium or low risk of the control objectives failing. It is at this stage that the Service Manager accepts or negotiates that the risks are in fact present, that they accept responsibility for the risks and discuss how they proposed to mitigate or control them.

- 5.5.3 The document is then updated, and if changes are required following the discussion, is presented to the Service Manager as a Draft Report. On completion of the Action Plan, a final version of the report containing “Agreed Actions” is issued to the Service Manager with a copy to the relevant Director. Additional copies are circulated as agreed with each Partner Authority.
- 5.5.4 The agreed actions will be followed up, and high priority recommendations will be tested to ensure they have been effective after their due date has passed.
- 5.5.5 Audit reports are to be clear, objective, balanced and timely. They are to be constructed in a standardised format which will include:
- The objectives of the audit,
 - The scope of the audit, and where appropriate anything omitted from the review,
 - An overall conclusion and opinion on the subject area,
 - Proposed actions for improvement,
 - Service Manager’s comments (where appropriate), and
 - A table summarising all the Proposed/Agreed Actions, risk category, a due date and any management responses.
- 5.5.6 Each Final Report carries one of four possible levels of Assurance. This is assessed as a snapshot in time, the purpose of which is for all stakeholders to be able to place reliance on that system of internal controls to operate as intended; completely, consistently, efficiently and effectively. Assurance given by Internal Audit at the year end is based on an overall assessment of the assurance opinions it has given during that year, and can only apply to the areas tested. There are insufficient resources to audit every aspect of every area every year.
- 5.5.7 In addition to individual audit reports for each topic, the performance of the East Kent Audit Partnership is analysed and reviewed as described in section 3.4 of this Charter.

5.6 Follow Up

- 5.6.1 The Audit Partnership will follow up on management action arising from its assignments. Each individual recommendation is recorded on the specialist auditing software used. Each recommendation is classified as to whether it is high, medium or low risk. The due date for implementation and the responsible person are also recorded.
- 5.6.2 Following the last due date within the Action Plan, the auditors follow up whether or not action has been taken to reduce the identified risk. They ask the responsible officer for each individual recommendation whether:
- a. The control improvement has successfully been implemented
 - b. Progress is being made towards implementing the control improvement
 - c. No action has yet occurred due to insufficient time or resources
 - d. That after agreeing the action, the risk is now being tolerated
 - e. That the control improvement is no longer relevant due to a system change
 - f. Other reason (please specify).
- 5.6.3 Further testing will be carried out where necessary (e.g. high risk recommendations) to independently confirm that effective action has in fact taken place.

- 5.6.4 A written summary of the results of the follow up action is issued to the relevant Service Manager and Director, and where appropriate a revised assurance level is issued. The results of follow-up reviews and the revised assurance opinions issued are also reported to members.
- 5.6.5 Any areas of concern after follow up, where it is thought that management has not taken appropriate action, will be escalated to senior management and ultimately the Audit Committee as described in paragraph 3.3.2 of this Charter.

6 Resources

6.1 Staff Resources

- 6.1.1 Dover District Council is the host authority for the shared internal audit service therefore it employs or contracts with all the staff engaged to deliver the service. The current team is made up of nine full or part time staff all providing a range of skills and abilities within the Internal Audit profession. Those staff accredited to a professional body are required to record their Continued Professional Development (CPD) in order to evidence that they maintain their skills and keep up to date. Additionally, the staff are bound by the professional standards and code of ethics for their professional body, either CIPFA, the ACCA or the IIA.
- 6.1.2 A mix of permanent staff and external contractors will provide the resources required to fill the required number of chargeable audit days. Internal Audit staff will be appropriately qualified and have suitable, relevant experience. Appropriate professional qualifications are ACCA, IIA or AAT. The DDC appraisal scheme including an assessment of personal development and training needs will be utilised to identify technical, professional, interpersonal and organisational competencies. Having assessed current skills a personal development plan will be agreed for all EKAP staff intended to fill any skill gaps.
- 6.1.3 The Dover District Council's Personal Performance Review process will be the key driver to identifying any skill gaps, and training, where appropriate, will be investigated at an individual level, as well as across the team, and on a Kent wide basis (through collaborative arrangements at Kent Audit Group). In the short-term, the specialised computer audit skills gap may be addressed through the engagement of contractors for specialist work, and where possible, a team member will shadow the "expert" to gain additional skills.

6.2 Budget

The EKAP budget is hosted by DDC and apportioned between the partners based on the agreed number of audit days. The cost per audit day is a metric reported annually in the Annual Report. The budget for 2014-15 is £402,840 which includes direct and indirect costs to the partnership. The individual salaries paid to the staff, including the Head of the Audit Partnership are standard grades as assessed by the DDC Job Evaluation system.

7. Quality assurance

The quality assurance arrangements for the EKAP include all files being subject to review by either the Deputy Head of Audit for the site and/or by the Head of Audit Partnership (especially if the review has 'no' or 'limited' assurance). The review process is ongoing and includes adequate supervision of the audit staff and of the

audit work performed. This review ensures that the work undertaken complies with the standards defined in the Public Sector Internal Audit Standards and with the requirements of this Charter. In addition to the ongoing review of the quality of individual working papers and reports and performance against the balanced scorecard of performance indicators; an annual assessment of the effectiveness of Internal Audit is undertaken separately by each of the partner authorities. To comply fully with the PSIAS the EKAP will arrange for an external quality assessment to be undertaken before April 2017.

7. Additional Services

a. Special Investigations and Fraud Related Work

The EKAP is, from time to time, required to carry out special investigations, including suspected fraud and irregularity investigations and other special projects. The prevention and detection of fraud and corruption is ultimately the responsibility of management within the four partner authorities. However, EKAP is aware of its role in this area and will be alert to the risk of fraud and corruption when undertaking its work. The EKAP will immediately report to the relevant officer any detected fraud or corruption identified during the course of its work; or the discovery of any areas where such risks exist.

Consequently, a provision for any additional time in the event of fraud related work being required has not been included in any of the annual audit plans. Any special investigations which the EKAP is requested to undertake may be accommodated from re-allocating time within the relevant partner's own plan, or through buying in additional resource to either investigate the case, or to back-fill whilst partnership staff carry out the investigation. The provision of resources decision will be made on a case-by-case basis in conjunction with the relevant partner's s.151 Officer and other management as necessary.

An added advantage due to the flexibility of the arrangements within the EKAP means that we are able to use auditors who are not known at an authority to complete special investigations as this strengthens independence.

b. Ad Hoc / Consultancy Work

A contingency has not been included in any of the partners' plans. Therefore if work has not been included in the plan from the outset, a variation will need to be agreed for any subsequently requested work, to re-allocate time within the relevant partner's own plan, or through buying in additional resource, to back-fill whilst partnership staff carry out the assignment. The decision will be made in conjunction with the relevant partner's s.151 Officer and other management as necessary. Again, we are able to avoid conflicts of interest if carrying out consultancy work due to the flexibility of the arrangements within the EKAP, as we are able to rotate auditors accordingly.

8.3 Value for Money (VFM) Reviews

VFM relates to internal audit work that assesses the economy, efficiency and effectiveness of an activity. The work of EKAP is planned to take account of VFM generally, indeed this is supported by the objective to port best practice between sites where appropriate. Also, some agreed audit plans have a specific provision for VFM reviews (or a review of VFM arrangements). Where possible VFM reviews will be run concurrently with other sites within East Kent where this is deemed to be most beneficial to participating authorities. The EKAP staff are alert to the importance of VFM in their work, and to report to management any examples of actual or possible poor VFM that they encounter in the course of their duties.

9. Amendment to Audit Charter

Amendment of this Charter is subject to the approval of the Partners' Audit Committees, Chief Executives, s.151 Officers and the Head of Audit Partnership.

February 2014

References:

- Former Audit Strategy
- Audit Manual
- Public Sector Internal Audit Standards (PSIAS)
- CIPFA Application Note to PSIAS

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Thanet District Council External Audit Progress Report

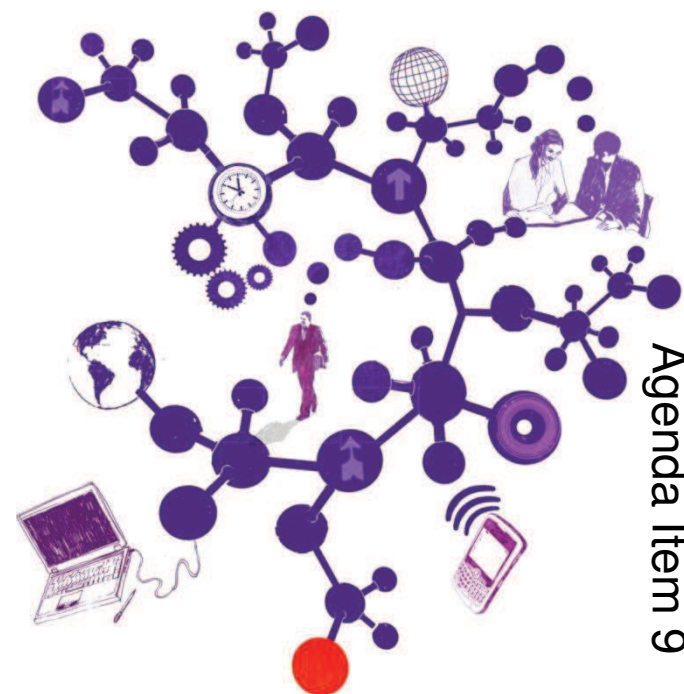
Year ended 31 March 2014

June 2014

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Agenda Item 9

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 your business 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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Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector>). Here you can download copies of our publications including:

- Working in tandem, local government governance review 2014, our third annual review, assessing local authority governance, highlighting areas for improvement and posing questions to help assess the strength of current arrangements
- 2016 tipping point? Challenging the current, summary findings from our third year of financial health checks of English local authorities
- Local Government Pension Schemes Governance Review, a review of current practice, best case examples and useful questions to assess governance strengths

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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Progress at 20 March 2014

Work	Planned date	Complete?	Comments
<p>2013-14 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on Council's 2013-14 financial statements.</p>	March 2014	Yes	Our 2013/14 Audit Plan was agreed with officers March 2014 and is presented to this committee separately on today's agenda.
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues. 	February 2014	Yes	The findings from our interim visit are presented in our Audit Plan on today's agenda.
<p>2013-14 Management assurances We have received a response from management to our request for assurances about arrangements regarding fraud, legal and going concern risks.</p>	April 2014	Yes	We now request the Governance and Audit Committee to consider whether management's responses, as set out in our separate report to this meeting, are consistent with its understanding.
<p>2013-14 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	August – September 2014	Not yet due	We have sent an arrangements letter to officers, which clarifies the working papers we would expect the Council to produce to support its financial statements.

Progress at 20 March 2014 [cont.]

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2013/14 VfM conclusion comprises:</p> <ul style="list-style-type: none"> • review of arrangements for securing financial resilience • review of the Council's arrangements for challenging how it secures economy, efficiency and effectiveness in its use of resources. <p>Our review will focus on arrangements relating to financial governance, strategic financial planning and financial control.</p>	March – July 2014	Not yet due	<p>Our field work is in progress. The specific areas for review are set out in our Audit Plan.</p> <p>We will produce a separate Financial Resilience report alongside our Audit Findings report in September 2013.</p>
<p>Other areas of work</p> <p>We will be required to certify the following grants for the Council in 2012/13:</p> <ul style="list-style-type: none"> • Housing benefit • Pooling of housing capital receipts (if value of claim greater than £500,000) 	August – October 2013	Not yet due	These certification audits have been scheduled to ensure compliance with all grant certification deadlines.
<p>Other activity undertaken</p> <ul style="list-style-type: none"> • 2012/13 objections 	January 2014	Yes	We reported our findings on the objections to the 2012/13 accounts relating to the Transeuropa Ferries debt to the Extraordinary meeting of the Governance and Audit Committee on 26 February 2014.

Emerging issues and developments

Understanding your accounts – member guidance

Accounting and audit issues

Guide to local authority accounts

Local authority audit committee members are not expected to be financial experts, but they are responsible for approving and issuing the authority's financial statements. However, local authority financial statements are complex and can be difficult to understand. We have prepared a guide for members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position.

The guide considers the :

- explanatory foreword – which should include an explanation of key events and their effect on the financial statements
- annual governance statement – providing a clear sense of the risks facing the authority and the controls in place to manage them
- movement in reserves statement – showing the authority's net worth and spending power
- comprehensive income and expenditure statement – reporting on the year's financial performance and whether operations resulted in surplus or deficit
- balance sheet – a 'snapshot' of the authority's financial position at 31st March; and
- other statements and additional disclosures

Supporting this guide we have produced two further documents to support members in discharging their responsibilities

- helping local authorities prepare clear and concise financial statements
- approving the minimum revenue provision

Copies of these are available from your engagement lead and audit manager.

Challenge question

Have members referred to this guidance?

Accounts – our top issues

Accounting and audit issues

Top issues for the 2013/14 closedown

Based on the queries we have received from practitioners and auditors, here is a list of the top [10] issues to consider for the 2013/14 closedown.

1. Do your accounts tell the overall story of your authority's financial performance and financial position? Are they clear, concise and easy to follow? Is detailed information on the most important information easy to find? Have duplicated text, non-material notes and zero entries been removed?
2. Are your accounts internally consistent? In particular, does the movement in reserves statement agree to the detailed notes?
3. Is your programme of revaluations is sufficiently up to date to ensure that the carrying value of property, plant and equipment does not differ materially from the fair value at 31 March 2014?
4. Have you accounted for provisions in accordance with IAS 37?
 - Have you considered provisions for business rates, equal pay and restoration and aftercare of landfill sites?
 - Are your provisions the best estimate of the liability (rather than a prudent estimate or an amount that is convenient for budget purposes)?
 - Is there a robust evidence based methodology to support the estimate?
 - Are there any instances in which a provision has not been made because a reliable estimate cannot be made? If so, Is their robust evidence to support the judgement that a reliable estimate is not possible? Has a contingent liability been disclosed?
5. Is your PFI accounting model up to date? Do your accounts disclose:
 - the fair value of PFI liabilities?
 - information on the impact of inflation on PFI commitments?
6. Have you addressed the new accounting requirements in 2013/14 for the presentation of IAS 19 pension costs? Have comparatives been restated?
7. Have you disclosed the accounting policy for schools? For those schools that are not recognised on the balance sheet, has information about school assets, income and expenditure been disclosed?

Accounts – our top issues

Accounting and audit issues

8. In the pension accounts, have the following disclosures required by the Code been included that are in addition to those set out in the CIPFA example pension fund accounts:

- the relationship between net assets available for benefits and the present value of promised retirement benefits
- an accounting policy for measurement of assets held at amortised cost.

9. Have you agreed a detailed closedown plan with your auditors? Does this include:

- how to deal with known major issues?
- a protocol for dealing with new issues as they arise?
- a date for a post-implementation review?

Challenge question

Has your finance team addressed the closedown issues and assessed the potential impact for your financial statements?

Accounts – CIPFA bulletin

Accounting and audit issues

LAAP Bulletin 98: Closure of the 2013/14 accounts and related matters

In March, CIPFA's Local Authority Accounting Panel issued [LAAP Bulletin 98](#).

<http://www.cipfa.org/policy-and-guidance/laap-bulletins/laap-98-closure-of-accounts-201314-and-related-matters>

The bulletin provides further guidance and clarification to complement CIPFA's 2013/14 Guidance Notes for Practitioners and focuses on those areas that are expected to be significant for most authorities. Topics include:

- public health reform
- non-domestic rates – provision for appeals against the rateable value of business properties
- component accounting
- accounting for pension interest costs in relation to current service cost and pension administration costs
- disclosure requirements for dedicated schools grant.

With regard to future accounting periods, the Bulletin also provides an update on issues affecting 2014/15 and on the measurement of transport infrastructure assets in 2016/17.

Challenge question

Has your Financial Service Manager reviewed the guidance and assessed the potential impact for your financial statements?

Not to be rubbished, £464 million potential savings

Local government guidance

Audit Commission VFM Profiles

Using data from the VFM Profile, <http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/> the Audit Commission issued a briefing on 27 March 2014, concluding that up to £464 million could be saved overall, if councils spending the most brought down their spending to the average for their authority type and waste responsibilities.

The Audit Commission Chairman, Jeremy Newman said: "It's good news that local authorities have reduced their spending on household waste by £46 million over the past four years and have reduced levels of waste sent to landfill. Councils have achieved these important improvements by working with local people and exercising choice about what works best in their own circumstances."

In the context of considering the hierarchy of waste management options - preventing the creation of waste, preparing waste for re-use, recycling, recovery and disposal to landfill - the Audit Commission Chairman also said

"in 2012/13 local authorities spent a fifth of their total expenditure on the most desirable option for household waste management: minimisation and recycling. They spent the other four-fifths on the collection and disposal of waste – the least desirable options. Councils have the power to influence and encourage residents to do the right thing and they control the levels of spending on the range of waste management options available to them. Their choices ultimately affect how well the environment is protected and the quality of waste services residents receive"

Challenge questions

Has the Council used the Audit Commission briefing paper to consider how its:

- overall spending on household waste management has changed over time?
- spending is divided between waste minimisation, recycling or disposal of waste, and how this has changed over time?;
- spending on different components of waste management compares with authorities that have similar or better performance?

Blue Badge fraud prosecutions double in three years

Local government guidance

Fraud prevention

The Local Government Association has reported that Blue Badge fraud prosecutions have doubled in three years as councils crackdown on dishonest motorists robbing disabled people of their independence and their right to easier parking. - See more at:

http://www.local.gov.uk/web/guest/media-releases/-/journal_content/56/10180/6186329/NEWS#sthash.Pllm4374.dpuf

Stoke-on-Trent City Council, Plymouth Council and Hull City Council recently secured their first prosecutions against fraudsters while Manchester City Council has a 100 per cent conviction rate with more than 500 prosecutions in the past five years. Councils are also using new powers to seize and confiscate badges suspected of being used illegally and some have set up specific enforcement teams to tackle Blue Badge fraud.

Cllr Peter Box, Chair of the LGA's Economy and Transport Board, said:

"Councils are determined to do everything in their power to protect the quality of life for our disabled and vulnerable residents and will not hesitate to take legal action against anyone caught abusing the scheme. With more of these fraudsters being brought to justice than ever before by councils, this is sending a strong message that we will come down hard on drivers illegally using Blue Badges."

Challenge questions

Is the authority actively pursuing measures to prevent Blue Badge abuse, including prosecuting fraudsters?

Assessing the costs and benefits of local partnerships

Local government guidance

The government published its cost benefit analysis guidance for local partnerships on 2 April 2014.

Developed as part of the Greater Manchester 'whole place' Community Budget pilot, it was the first Treasury-approved assessment of the costs and benefits of joining-up and reforming public services in local areas.

The framework was developed by New Economy, the economic strategy unit of the Greater Manchester Combined Authority. John Holden, acting director of economic strategy at the agency, led the team that devised the methodology. He said

"this model provides a framework to start thinking about more holistic projects that deliver long-term outcomes but also produce short-term cashability [savings]"

The guidance sets out a standard process to determine the benefit of reforms, based on the unit cost of services, their impact and the savings that result. In providing Treasury backing for the cost benefit analysis framework – it has been included in Whitehall's Green Book for policy appraisal and evaluation – it has been added to the government's assessment process for the latest £320m round of the Transformation Challenge Award, which provides funding to councils to implement reforms.

Challenge question

Has the authority considered the applicability of the government's cost benefit analysis guidance in considering the cost-benefits of local service delivery options?

Working in tandem – Local Government Governance Review 2014

Grant Thornton

Local Government Governance Review

This report: <http://www.grant-thornton.co.uk/en/Publications/2014/Local-Government-Governance-Review-2014/> is our third annual review into local authority governance. It aims to assist managers and elected members of councils and fire and rescue authorities to assess the strength of their governance arrangements and to prepare for the challenges ahead.

Drawing on a detailed review of the 2012/13 annual governance statements and explanatory forewords of 150 English councils and fire and rescue authorities, as well as responses from 80 senior council officers and members, the report focuses on three particular aspects of governance:

- risk leadership: setting a tone from the top which encourages innovation as well as managing potential pitfalls
- partnerships and alternative delivery models: implementing governance arrangements for new service delivery models that achieve accountability without stifling innovation
- public communication: engaging with stakeholders to inform and assure them about service performance, financial affairs and governance arrangements.

Alongside the research findings, the report also highlights examples of good practice and poses a number of questions for management and members, to help them assess the strength of their current governance arrangements.

Challenge questions

- Our report includes a number of case studies summarising good practice in risk leadership, partnerships and alternative delivery models and public communication. Has the Authority reviewed these case studies and assessed whether it is meeting good practice in these areas?
- Our report includes key questions for members to ask officers on risk management and alternative delivery models. Are these issues being considered and responded to by officers?



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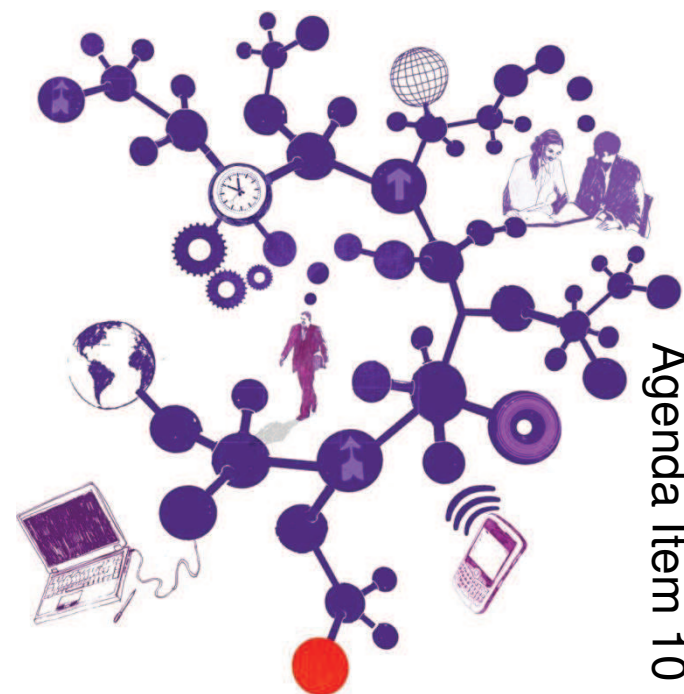
Informing the audit risk assessment for Thanet District Council

Year ended 31 March 2014

25 June 2014

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit 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 your business 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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Purpose

The purpose of this report is to contribute towards the effective two-way communication between auditors and the Council's Governance and Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Governance and Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Governance and Audit Committee. ISA(UK&I) emphasise the importance of two-way communication between the auditor and the Governance and Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Governance and Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Governance and Audit Committee and supports the Governance and Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Governance and Audit Committee's oversight of the following areas:

- fraud
- laws and regulations
- going concern.

This report includes a series of questions on each of these areas and the responses we have received from the Council's management. The Governance and Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

We are aware that there have been a number of significant changes to the Council's management since the responses were agreed in April 2014, and request that the committee considers the responses in this light.

Fraud

Issue

Matters in relation to fraud

ISA(UK&I)240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Governance and Audit Committee and management. Management, with the oversight of the Governance and Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Governance and Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud
- process for identifying and responding to risks of fraud, including any identified specific risks
- communication with the Governance and Audit Committee regarding its processes for identifying and responding to risks of fraud
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Governance and Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Governance and Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from the Council's management.

Fraud risk assessment

Question	Management response
<p>Has the Council assessed the risk of material misstatement in the financial statements due to fraud? What are the results of this process?</p>	<p>Yes. The S151 officer is responsible for the proper administration of the Council's financial affairs. As part of her responsibilities, she is required to prepare the statement of accounts and in order to do this, she has taken reasonable steps to prevent and detect fraud, relying on the processes set out below.</p>
<p>What processes does the Council have in place to identify and respond to risks of fraud?</p>	<p>Processes include: supplier checks; benefit claim checks; separation of duties; policies on anti-fraud, bribery and whistleblowing, and annual training and awareness sessions.</p>
<p>Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?</p>	<p>Internal Audit's annual programme considers fraud risks. Specific fraud risks primarily relate to tenancies and benefits and are responded to with East Kent Audit Partnership, via reviews of the Council's property portfolio, the National Fraud Initiative etc.</p>
<p>Are internal controls, including segregation of duties, in place and operating effectively? If not, where are the risk areas and what mitigating actions have been taken?</p>	<p>Yes, although this is a challenge with reduced staff numbers. Risks are assessed when reductions occur and discussed with Internal Audit first.</p>
<p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>No, as confirmed by substantial assurance from Internal Audit review of financial systems.</p>

Fraud risk assessment

Question	Management response
<p>How does the Governance and Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud?</p> <p>What arrangements are in place to report fraud issues and risks to the Governance and Audit Committee?</p> <p>How has the Council ensured that the Governance and Audit Committee are made aware of whistleblower tips or complaints?</p>	<p>The annual Internal Audit plan is reported to, and monitored by, the Governance and Audit Committee.</p> <p>The Council is considering introducing an annual report on fraud and whistleblowing issues.</p>
<p>How does the Council communicate and encourage ethical behaviour of its staff and contractors?</p>	<p>The council has a fraud and bribery response plan. Information and relevant documents are communicated via the intranet site and the council also offers training and awareness on anti-fraud which includes ethical behaviour. Staff are required to declare gifts and hospitality and relevant staff (including those involved in contracting) complete a declaration of interests.</p>
<p>How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?</p>	<p>The Council has a whistleblowing policy and several issues are raised annually; none have been significant to date.</p>
<p>Are you aware of any related party relationships or transactions that could give rise to risks of fraud?</p>	<p>No, review of RPT returns has not highlighted any such relationships.</p>
<p>Are you aware of any instances of actual, suspected or alleged, fraud, either within the Council as a whole or within specific departments since 1 April 2013?</p>	<p>We are not aware of any significant frauds since 1 April 2013.</p>

Laws and regulations

Issue

Matters in relation to laws and regulations

ISA(UK&I)250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Governance and Audit Committee, is responsible for ensuring that the Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Governance and Audit Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	The council's governance framework aims to minimise the risk of non-compliance with laws and regulations. The programme of internal and external audit reviews identifies control weaknesses and action plans are agreed to deal with issues raised. Advice on laws and regulations is provided by the Legal Services division, with specialist external legal advice being bought in as required. The monitoring officer has regular meetings with all strategic directors to identify areas of risk. The council's whistle blowing policy enables staff to report suspected unlawful conduct.
How does management gain assurance that all relevant laws and regulations have been complied with?	Management gains assurance through reports from internal and external audit. Departmental performance monitoring and reporting also provide assurance.
How is the Governance and Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	All reports to Cabinet include a confirmation that legal requirements have been complied with.
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2013, or earlier with an on-going impact on the 2013/14 financial statements?	No.

Impact of laws and regulations

Question	Management response
<p>What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>All of the Council's legal issues are passed through the Council's Monitoring Officer and/or their Legal Team, who will consider these and provide advice as required. Any issues raised will be covered by the weekly Senior Management Team meetings, along with progress on any on-going items.</p> <p>Where formal reports are issued, all of these are signed off by the Legal Team to ensure that all the relevant legal issues have been covered, and that the report has been written in a way that prevents any legal recourse.</p> <p>The Council makes use of its Legal Team to provide advice and expertise when needed. However they also make use of external legal parties when specialist areas are being considered.</p>
<p>Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>Contingent liabilities were disclosed in the 2012/13 accounts for Animal Exports and Dreamland and still apply. The 2013/14 accounts will provide an updated position.</p>
<p>Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?</p>	<p>No.</p>

Going concern

Issue

Matters in relation to going concern

ISA(UK&I)570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements.

The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

The code of practice on local Council accounting requires an Council's financial statements to be prepared on a going concern basis. Although the Council is not subject to the same future trading uncertainties as private sector entities, consideration of the key features of the going concern provides an indication of the Council's financial resilience.

The consideration of the going concern assumption is becoming of greater relevance to local Council financial statements. All Councils are facing significant pressures to balance future budgets as the funding from central government continues to reduce. There is a risk, particularly in smaller local authorities, that services will no longer be provided in the way they have historically been delivered. There is an increasing vulnerability of these bodies as a going concern.

As auditor, we are responsible for considering the appropriateness of use of the going concern assumption in preparing the financial statements and to consider whether there are material uncertainties about the Council's ability to continue as a going concern that need to be disclosed in the financial statements. We discuss the going concern assumption with management and review the Council's financial and operating performance.

Going concern considerations have been set out below and management has provided its response.

Going concern considerations

Question	Management response
Does the Council have procedures in place to assess the Council's ability to continue as a going concern?	Yes – the Council is required to set a balanced budget and to approve a treasury management strategy each year. Revenue and capital monitoring reports are taken to cabinet and reports on treasury management are also taken to cabinet and council assembly.
Is management aware of the existence of other events or conditions that may cast doubt on the Council's ability to continue as a going concern?	No.
Has management reported on going concern to the Governance and Audit Committee? (if not, what arrangements are in place to report the going concern assessment to the Governance and Audit Committee?)	No specific report, but the Council's financial position is reported in the annual accounts and discloses a healthy reserves balance.
Are the financial assumptions in that report (eg future levels of income and expenditure) consistent with the Council's Business Plan and the financial information provided to the Council throughout the year?	Not applicable.

Going concern considerations

Question	Management response
<p>Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?</p>	<p>Yes. Reports to cabinet throughout the year set out implications of statutory or policy changes and these are also addressed in reports to cabinet on the strategy for future years.</p>
<p>Have there been any significant issues raised with the Governance and Audit Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).</p>	<p>No.</p>
<p>Does a review of available financial information identify any adverse financial indicators including negative cash flow?</p> <p>If so, what action is being taken to improve financial performance?</p>	<p>No.</p>
<p>Does the Council have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council's objectives?</p> <p>If not, what action is being taken to obtain those skills?</p>	<p>Yes. There is a regular training programme for managers. The Council's management structure is under review with a view to realising efficiencies, but this will ensure there continues to be sufficient senior management resources in place.</p>



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DRAFT ANNUAL GOVERNANCE STATEMENT 2013/2014

To: **Governance and Audit Committee – 25 June 2014**

Main Portfolio Area: **Operational Services**

By: **Maritime Services Manager**

Classification: **Unrestricted**

Ward: **Thanet Wide**

Summary: **To provide Governance & Audit Committee with the draft Annual Governance Statement 2013/14.**

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 was included within the council's Financial Statement and signed by the Leader and Chief Executive.
- 1.3 The Accounts and Audit (England) Regulations were amended in 2011. The new regulations applied to accounts and reports prepared from the financial year 2010/11. The changes to the regulations meant that the AGS should accompany the Statement of Accounts and did not need to be included within the body of the document. This meant that the AGS was separate from the accounts for the purpose of external audit.
- 1.4 There was also a change to the approval process and timeframe. Governance and Audit Committee will consider the draft AGS and assurance gathering process at their meeting in June. The AGS will then be audited and Members made aware of the findings of the audit, which will enable Governance and Audit Committee Members to make an informed decision when approving the final AGS in September.

2.0 The Current Situation

- 2.1 The draft AGS, 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 are gathered to feed into the preparation of the document. It has been consulted upon with the Leader, Chief Executive / Section 151 Officer and all members of Senior Management Team.
- 2.3 An action plan will be developed to address the governance issues identified. This will be monitored through the council's Inphase system and an update report will be provided to Governance and Audit Committee on a quarterly basis.

3.0 Process for developing the Annual Governance Statement

- 3.1 The Chief Executive, directors and managers are required to complete an assurance statement which highlights any areas of weakness they perceive within the council. These assurance statements are then collated and significant issues identified are incorporated into the AGS.
- 3.2 Assurances were also sought from other areas within the council such as the Section 151 Officer and the Monitoring Officer regarding the operation of the governance framework. The following key areas also completed an assurance statement on compliance with the council's Performance Management and Data Quality frameworks, Procurement Strategy and Risk Management Strategy, identifying any governance issues that need to be addressed in the forthcoming year.
- 3.3 Statements were provided by the shared service partners we work with on compliance with the governance arrangements in place, and from EKHR in connection with the general principles of good conduct of officers.
- 3.4 The annual reports prepared by the chairs of Overview & Scrutiny Panel and Governance & Audit Committee were also referred to when preparing the AGS.
- 3.5 Assurance has been sought and obtained from the East Kent Audit Partnership. The auditors undertake regular audits on the council's governance arrangements and the control and risk frameworks. Their findings have been incorporated into the council's AGS. Members have previously received an assessment as to the effectiveness of the council's internal audit arrangements which concluded that the audit partnership is delivering an effective internal audit function which ensures that Members are confident with the reliance that can be placed in the auditors assurances on the council's governance arrangements.

4.0 Options

4.1 That Members accept the draft Annual Governance Statement 2013/14.

4.2 That Members propose changes to the draft Annual Governance Statement 2013/14.

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 accept the AGS will diminish the council's governance arrangements.

6.0 Recommendation(s)

6.1 That Members accept the draft Annual Governance Statement 2013/14.

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, Maritime Services Manager, DDI 01843 572106
Reporting to:	Robert Brown, Maritime Operations Manager and Harbour Master, DDI 01843 572105

Annex List

Annex 1	Annual Governance Statement for 2013/2014
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Background Papers

Title	Details of where to access copy
Completed assurance statements	With the Maritime Services Manager
Governance Framework and Local Code of Corporate Governance	With the Maritime Services Manager also available on the Internet / TOM & Members Portal

Corporate Consultation Undertaken

Legal	Steven Boyle, Interim Legal Services Manager & ,Monitoring Officer
Finance	Matthew Sanham, Finance Manager (Service Support)
PR and Publicity	Hannah Thorpe, PR and Publicity Manager

Annual Governance Statement 2013/14

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 2014 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 and Overview and Scrutiny Panel.
- Considering the Internal Audit Annual Report and 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. The plan contains eleven priorities which are 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 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, ensuring they are delivered in accordance with the council's objectives and 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 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 which 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 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 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.
- 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 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 the Managers' forum and staff development sessions, and any management training that is undertaken.

6.0 INTERNAL AUDIT STATEMENT

6.1 During 2013/14 the Internal Auditors completed 288.70 days of review, which was spent undertaking 25 audits. Of these nine were assessed as being able to offer substantial levels of assurance; six reasonable assurance and three limited assurance. There were seven audits at work in progress stage at year-end. Taken together 83% of the reviews accounted for substantial or reasonable assurance, whilst 17% 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:
- Homelessness
 - Maritime – Ramsgate Marina
 - Public Health Burials
 - Your Leisure
 - Museums
 - Data Protection
 - Dog Warden & Litter Enforcement
- 6.5 The areas of concern identified above are being addressed through the recommendations contained within each report. Each of these areas is due to be followed up early in the 2014-15 plan of work. Consequently there is nothing of significant concern that needs to be escalated at this time. After follow up, any outstanding actions will be monitored through the Inphase system.

7.0 ACTIONS UNDERTAKEN DURING 2013/14

- 7.1 Throughout 2013/14 managers within the council have met on a regular basis through the Managers Forum, and updates to the following corporate processes, strategies or policies have been communicated, which are then shared with all staff through Staff Briefing Sessions:
- Managing persistent complainants
 - Regulation of Investigatory Powers Act (RIPA)
 - Freedom of Information requests
 - Roadmap for Change
 - Risk Register and Annual Governance Statement action plan
 - Performance Indicator target setting
 - Health and Safety Policies
 - Reviewed complaints process
 - Policy Updates
 - Local Government Ombudsmen update
 - Pay for contribution
 - Draft Internal Audit Plan 2014/15
 - Data Transparency
 - Year end reporting process and Service Planning process
- 7.2 The Managers' Forum have also considered the following service specific areas:
- Updated recycling policies
 - Transport Strategy
 - Local Plan
 - Individual Elector registration
 - Community Safety team
 - Tidal surge occurrence outcome
 - Environmental Protection Enforcement policy
 - Mindspace
 - South East Local Enterprise Partnership
 - Corporate Communications planning and budget consultation results
 - Enforcement Policy and Guidance for Housing Regeneration
- 7.3 Workshops on the following areas have also taken place through the Managers' Forum:
- Senior Management Team and Managers Charter
 - Empowerment
 - Corporate Risk Register workshop

- 7.4 The following corporate processes, strategy or policy documents were considered and approved by the Governance and Audit Committee:
- Museums process document
 - Internal Audit annual report
 - External Audit Plan 2012/13
 - Audit Fee letter 2013/14
 - Annual Governance Statement 2012/13
 - Annual Governance Statement action plan
 - Corporate Risk Register
 - Data Quality and Performance Management Frameworks
 - Audit Findings report and Financial Resilience report
 - Grant Certification Plan 2012/13
 - Final Statement of Accounts
 - Revision to Financial Procedure Rules
 - Food Standards Agency audit update
 - Governance Framework and Local Code of Corporate Governance
 - Risk Management Strategy and Process
 - CIPFA Code of Practice on Treasury Management (2011 Edition)
 - Treasury Management Strategy Statement and Annual Investment Strategy
 - Annual Investment Strategy for 2014/15
 - Annual Audit Letter
 - Review of the effectiveness of the Governance and Audit Committee and Annual Report
 - Internal Audit Self-Assessment
 - Review of the effectiveness of the council's Internal Audit Arrangements 2013/14
 - External Audit Plan 2013/14
 - Internal Audit Plan 2014/15
- 7.5 Cabinet considered and approved the following corporate or service related strategy or policy documents:
- Waste Management Policies
 - Thanet Community Safety Plan for 2013/14
 - Air Quality Action Plan 2013
 - Corporate Performance reports
 - Allocations Policy
 - Thanet' Economic Growth and Regeneration Strategy
 - Equality Policy
 - Discretionary Housing Payments Policy
 - Destination Management Plan
 - Ramsgate Maritime Plan
 - Treasury Management Strategy statement and Annual Investment Strategy
 - Risk Management Strategy
 - Procurement Strategy
- 7.6 The corporate or service related strategy or policy documents detailed below were considered and approved by Full Council:
- Revised Treasury Management Strategy
 - Community Safety Partnership Plan for 2013/14
 - Allocations Policy
 - Review of Policies and Procedures – Probity and Reputation
 - Revision to Financial Procedure Rules re: reporting of balance sheet debt
 - Proposed amendments to the Constitution
 - Medium Term Financial Plan 2014/18
 - Treasury Management Strategy and Annual Investment Strategy
 - Tenancy Strategy
- 7.7 The council commissioned a Local Government Association (LGA) Peer Review in March 2014. This voluntary process offered by the LGA seeks to benefit councils through constructive feedback from peers in other local authorities. The review focused on:
- understanding the local context and priority setting

- financial planning
- political and managerial leadership
- governance and decision making
- organisational capacity

For Thanet, there was also a request that the team look at the council's approach to Economic Development and its customer services strategy as these are priority areas for the council.

7.8 Actions to address 2012/13 Significant Governance Issues

The following section reflects the actions completed to address the 2012/13 AGS recommendations.

Member related

- The political situation with a hung council and changing political dynamics could add to the time taken to reach a resolution that could be acted on and also increase the likelihood of decisions being called in.

Completed action: The data for the number of call-ins over the last seven years was assessed.

Major projects

- The Project Management Process needed to be reviewed and implemented across the council, as highlighted in an internal audit on risk management. Basic minimum templates were required to be in common usage, which can be expanded to deal with more complicated projects.

Completed action: Council-wide project management templates have been established.

Corporate issues

- The council faced a significant budget gap, due to cuts to Government grants and external pressures such as the insolvency of Transeuropa. The council took steps to ensure that the budget gap was adequately covered and to diversify and generate income through the Port.

Completed action: The financial position of the council was monitored and reported on regularly to Cabinet.

Completed action: Work has been undertaken to diversify and generate income through the Port.

- The asset management disposal process needs to be reviewed to ensure appropriate consultation at political level is undertaken to improve public trust.

Completed action: A commercial property audit and action plan has been completed.

- The process for determining disclosure needed to be reviewed, to ensure full publication of information wherever possible to meet with transparency commitment.

Completed action: A review of disclosure practices was undertaken as part of the Review of Policies and Procedures – Probity and Reputation report to Cabinet in April 2013.

- There was a need to improve inspection regimes for maintained buildings and land to identify investment needs as well as deal with insurance claims (especially public liability), whilst taking into account the pressures on the repairs budget.

Completed action: The current Asset Management System was reviewed and a SWOT analysis undertaken.

Completed action: Current best practice across public and private sectors has been researched.

Completed action: A meeting with the Property Manager at a neighbouring authority provided insight into the current practices used.

Completed action: Discussions with affected managers took place to improve understanding of the wider context of asset management within the council.

Completed action: A draft strategy was prepared.

Completed action: The reviewed Asset Management Strategy will be presented to Cabinet for approval in September 2014.

- The process in respect of East Kent Housing's financial management of the repairs and maintenance and leasehold charges needed to be reviewed.

Completed action: The EK Housing repair finances have been reviewed and the review of the leaseholder charging is drawing to a conclusion.

8.0 ANNUAL REPORTS - GOVERNANCE AND AUDIT COMMITTEE AND OVERVIEW AND SCRUTINY PANEL

- 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 Carry out a training session on the remit of the Committee prior to the first meeting of the committee cycle.
 - 8.1.2 Provide any new members with an induction to the Committee prior to their first meeting.
 - 8.1.3 Ensure substitutes are invited to attend all training sessions that are provided.
- 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 2013/14 and indicates the panels suggested priorities for 2014/15. 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 "Cabinet continued with the approach that engaged the Overview and Scrutiny Panel in pre-decision scrutiny.
 - 8.2.2 The Panel requested officers in Democratic Services to research and initially produce an officer exploratory report on "Possible Review of Council Procedure Rules, Particularly in Relation to Opportunities for Backbench Members' Participation at Meetings of Full Council." This report was considered by Members on 14 January 2014. A further, more detailed options report was considered by the Panel on 11 March 2014 and Members agreed that the report be referred to the Constitutional Review Working Party for further consideration.
 - 8.2.3 The Constitutional Review Working Party was still to meet to consider the proposals in the report.
 - 8.2.4 Members also carried out scrutiny investigations into issues relating to the Pleasurama site development agreement and Transeuropa debt. More detailed comments are indicated in the sections that cover the task & finish group activities."

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 2013/14 and have been deemed to be significant by the Senior Management Team. They will be addressed during 2014/15.
- 9.2 Identified issues are:
- The council needs to take forward the LGA's recommendations following the Peer Review to ensure that there are positive changes as part of the council's commitment to continuous improvement and to make the council a better organisation overall. An action plan is being prepared to address these recommendations.
 - Clarification is required on the council's top priorities detailing what is to be achieved and how it is going to do it, which is to be communicated to all Members, staff and stakeholders clearly and consistently.
 - Develop an understanding of the way leading politicians and senior officers can work together effectively, which should address ways to protect the council's reputation and improve the perception of the council with regard to trust, respect and visibility.
 - Historically there has been a variable interpretation of the Council's flexi-time policy which has led to different approaches being taken by different managers. As a result of this, and the increased number of evening meetings in recent years, there is an ongoing issue of some officers regularly exceeding their contractual hours, with there being insufficient

opportunity to recoup the additional hours through the flexi-time system; there has also been an expectation of senior managers to work outside of the flexi-time system. During 2013/14 we looked into this and made some changes as part of the staff restructure which are expected to have a positive impact on this position. We are now undertaking an audit of this position to understand the scale of any problem and to inform proposals to remedy them.

- The new staffing structure, and the anticipation of greater partnership working, brings new staff into contact with the council and its operating arrangements. An introduction process to the council should be planned for those staff that this affects.
- The existing staff induction processes are locally delivered and as a result lack consistency. A formal council-wide approach to the induction process is required to enhance new staff understanding of the council's political and operational arrangements.
- There are a number of large financial risks related to legal action in progress which although we are aware of, and have accounted properly for, remain a risk. These will be assigned to an officer to keep track of the issue as it moves through the legal process, to ensure that the level of financial risk is regularly reviewed by that officer, in consultation with appropriately qualified staff (particularly financial and legal), to ensure that the budgetary and accounting position remains as up to date and accurate as possible, and that this is regularly reported to Members as appropriate.

9.3 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.

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 Iris Johnston
Leader of the Council
by the 30 June 2014

Signed by:
Dr Sue McGonigal
Chief Executive &
Chief Financial Officer
by the 30 June 2014



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31 March 2014

Dear Sue

Planned audit fee for 2014/15

The Audit Commission has set its proposed work programme and scales of fees for 2014/15. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

The Council scale fee for 2014/15 has been set by the Audit Commission at £87,495, which is unchanged from the audit fee for 2013/14.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission’s website at: www.audit-commission.gov.uk/audit-regime/audit-fees/proposed-work-programme-and-scales-of-fees-201415

The audit planning process for 2014/15, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

Value for Money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and a separate report of our findings will be provided.

Certification of grant claims and returns

The Council's composite indicative grant certification fee has been set by the Audit Commission at £35,280.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2014	21,874
December 2014	21,874
March 2015	21,874
June 2015	21,873
Grant Certification	
December 2015	35,280
Total	122,775

Outline audit timetable

We will undertake our audit planning and interim audit procedures in February 2015. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in July – September 2015 and work on the whole of government accounts return in September 2015.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	February 2015	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	July to Sept 2015	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	Feb to Sept 2015	Audit Findings (Report to those charged with governance)	As above
Financial resilience	Feb to Sept 2015	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2015	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2015	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2015	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2014/15 are:

	Name	Phone Number	E-mail
Engagement Lead	Andy Mack	020 7728 3299	andy.l.mack@uk.gt.com
Engagement Manager	Terry Blackman	020 7728 3194	terry.blackman@uk.gt.com
Audit Executive	Matt Dean		matthew.dean@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Paul Dossett, our Public Sector Assurance regional lead partner (paul.dossett@uk.gt.com)

Yours sincerely

A handwritten signature in black ink that reads "A. L. Mack". The signature is written in a cursive style with a large initial 'A' and 'M'.

Andy Mack

For Grant Thornton UK LLP

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.