

# Public Document Pack



Date: 9 March 2015  
Ask For: James Clapson  
Direct Dial: (08143) 577200  
Email: james.clapson@thanet.gov.uk

## GOVERNANCE AND AUDIT COMMITTEE

17 MARCH 2015

A meeting of the Governance and Audit Committee will be held at **7.00 pm on Tuesday, 17 March 2015** in the Austen Room, Council Offices, Cecil Street, Margate, Kent.

### Membership:

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

## A G E N D A

### Item No

1. **APOLOGIES FOR ABSENCE**

2. **DECLARATIONS OF INTEREST**

'To receive any declarations of interest. Members are advised to consider the 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.'

3. **MINUTES OF PREVIOUS MEETINGS**

3a **TO APPROVE THE MINUTES OF THE GOVERNANCE AND AUDIT COMMITTEE MEETING HELD ON 24 SEPTEMBER 2014** (Pages 1 - 4)

To approve the Minutes of the Governance and Audit Committee meeting held on 24 September 2014, copy attached.

3b **TO APPROVE THE MINUTES OF THE GOVERNANCE AND AUDIT COMMITTEE MEETING HELD ON 10 DECEMBER 2014** (Pages 5 - 8)

To approve the Minutes of the Governance and Audit Committee meeting held on 10 December 2014, copy attached.

4. **EXTERNAL AUDIT 2014/15 AUDIT PLAN** (Pages 9 - 24)

5. **EXTERNAL AUDIT GRANT CERTIFICATION LETTER 2013/14** (Pages 25 - 26)

6. **EXTERNAL AUDIT PROGRESS REPORT** (Pages 27 - 42)

Item  
No

Subject

7. **INTERNAL AUDIT 2015-16 AUDIT PLAN AND AUDIT CHARTER** (Pages 43 - 66)
8. **INTERNAL AUDIT QUARTERLY UPDATE** (Pages 67 - 96)
9. **REVISION TO TREASURY STRATEGY - CREDIT METHODOLOGY CHANGES** (Pages 97 - 104)
10. **TREASURY MANAGEMENT UPDATE FOR THE QUARTER ENDED 31 DECEMBER**  
(Pages 105 - 112)
11. **CORPORATE RISK REGISTER** (Pages 113 - 146)
12. **GOVERNANCE ACTION PLAN UPDATE** (Pages 147 - 152)
13. **REVIEW OF EFFECTIVENESS OF THE COUNCIL'S INTERNAL AUDIT ARRANGEMENT 2014/15** (Pages 153 - 156)

**Declaration of Interests Form**

# Public Document Pack Agenda Item 3a

## GOVERNANCE AND AUDIT COMMITTEE

Minutes of the meeting held on 24 September 2014 at 7.00 pm in Austen Room, Council Offices, Cecil Street, Margate, Kent.

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

**In Attendance:** Mr Mack and Blackman

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

**368. APOLOGIES FOR ABSENCE**

Apologies were received from the following Members:  
Councillor W. Scobie;  
Councillor Gibson;  
Councillor Day substituted by Councillor M. Tomlinson.

**369. DECLARATIONS OF INTEREST**

There were no declarations of interest.

**370. MINUTES OF PREVIOUS SCHEDULED MEETING**

Councillor Campbell proposed, Councillor Worrow seconded and Members agreed the minutes of the meeting held on 30 July 2014.

**371. MINUTES OF THE EXTRAORDINARY MEETING**

Councillor Lodge-Pritchard proposed, Councillor Binks seconded and Members agreed the minutes of the extraordinary meeting held on 15 July 2014.

**372. THE AUDIT FINDINGS FOR THANET DISTRICT COUNCIL - YEAR ENDED MARCH 2014**

Andy Mack, Director at Grant Thornton introduced the item. He said that the main focus of the external audit was on the Council Accounts and Value for Money.

**Council Accounts**

The preparation of the accounts was a complex process and thanked Council officers for the help they offered during that process. The results of the audit were good and the state of accounts match up to the audit requirements. The only adjustments that were needed were of a technical nature and will not affect the position of the audit report. Grant Thornton were now prepared to issue unqualified comments regarding the Council Accounts.

**Value for Money**

Mr Mack made positive comments on the resilience of the Council's financial plans and efficiency over a given period of time. He noted the difficult external economic environment and suggested that the next 3-5 years would continue to be pose difficult challenges for Council. However despite these challenges, Council managed to deliver on its budget. Council has got in place a solid financial plan. Mr Mack gave credit to the hard work put in by both Members and officers.

Mr Mack commended the Council for conducting a peer review. He expressed concern over the conduct of some (but not all) behaviour of Members in 2013/14. As a result,

Grant Thornton were proposing to issue a qualified value for money conclusion. Mr Mack noted that there was evidence that a current action plan was in place and steps were being taken by the Leader of Council to address the concerns raised in the peer Review Report. The Improvement Board had been set up to move forward the recommendations of the Peers.

Although Grant Thornton did not audit the Peer Review Report, they talked to officers about it, read the report and triangulated the evidence. With regards to the Audit findings in relation to computer errors that were experienced on the 'Welfare Expenditure', Mr Mack said that a more comprehensive review was underway and the outcome will be reported at the next meeting of the Committee.

Councillor M. Tomlinson proposed, Councillor Lodge-Pritchard seconded and Members accepted the external audit report.

### **373. ANNUAL GOVERNANCE REPORT**

The item was considered as part of the Annual Governance Statement 2013/14 (Minute item 375).

### **374. INTERNAL AUDIT PROGRESS REPORT**

Simon Webb, Deputy Head of EK Audit Partnership introduced the report highlighting the reviews completed in the period and the follow up reviews undertaken. He highlighted the areas of that required closer attention by the Council. This included the Waste Vehicle Fleet Management report where overloading of refuse vehicles has recently improved as remedial action had been put in place by management. He said that there was now a need to embed the controls after which the levels of the audit assurance would be moved up to levels that reflected the improvement.

In respect of the FOI, Data Protection and Information Management audit Mr Webb also advised that the Council needs to delete information stored in CIVICA as holding such information indefinitely would be in breach of the Data Protection Act. Such information would still be subject to freedom of information requests. Mr Webb noted that management were addressing the issue.

Dave Ashby, EK Housing Head of Asset Management was in attendance to comment on the Tenant's Health and Safety review, he said that with regards to the audit comment on 'no assurance' given for the lifts managed by EK Housing, repairs were currently underway. He said that this issue arose due to a change in process; the new electronic reports were not being picked up. EK Housing management have implemented 17 of the 29 recommendations and 5 were on target to be completed by the end of September.

Members asked whether Internal Audit were satisfied with quality of the Procurement Team to which Mr Webb said that the current audit assurance for TDC was good compared to other local Councils. They also asked for audit information relating to complaints received by the Planning Department. Mr Webb said that such information was not part of the audit report under discussion but rather a separate review of complaints/complements was due to be presented to a future meeting of the Governance & Audit Committee.

He also advised the Committee that an audit of the equality and diversity matters in Council was currently underway, with the aim to complete the work by December and bringing the report to the Committee in March 2015. Mr Paul Cook, Interim Director of Corporate Resources was asked to encourage managers to respond to the brief online questionnaire for Internal Audit to compile the responses. Madeline Homer said that she would share this information with managers at the Managers Forum on Thursday, 30 September 2014.

Councillor Campbell proposed, Councillor Lodge-Pritchard seconded and Members agreed that:

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

**375. ANNUAL GOVERNANCE STATEMENT 2013/14**

Nikki Morris, Maritime Services Manager introduced the item for discussion and said that the Committee was responsible for monitoring progress regarding the implementation of the action plan. Some Members noted that Corporate Plan had eleven priorities and this needed reviewing in order for Council to focus on few priorities that could realistically be implemented successfully.

Councillor Campbell proposed, Councillor Lodge-Pritchard seconded and Members approved the Annual Governance Statement for 2013/14 and associated action plan.

**376. CORPORATE RISK REGISTER**

Councillor Campbell proposed, Councillor Binks seconded and Members received and noted the report.

**377. RISK MANAGEMENT STRATEGY AND PROCESS**

Councillor Campbell proposed, Councillor Binks seconded and Members approved the changes to the Risk Management Process document and recommended that the Strategy be sent to the 13 November 2014 Cabinet for approval.

**378. TREASURY MANAGEMENT UPDATE FOR QUARTER 1, 2014**

Councillor Campbell proposed, Councillor Lodge-Pritchard seconded and Members agreed to approve the report.

**379. EXTERNAL FUNDING AND GRANTS PROTOCOL**

Mr Cook introduced the report and said that Council would need to review more carefully so that a charge is placed on any properties. Members were concerned that there were individuals who applied for grants and were also associated with organisations that had previously had their business rates debts written-off.

In response, Mr Cook said that it would be difficult to take legal action against individuals for debts linked to organisations that may be associated with these individuals because the business rates agreement would be with the company rather an individual person. Members suggested that the Grants application Processing Protocol ought to be reviewed to make it more robust and ensure that the funds advanced to applicants was used as envisaged. Madeline Homer agreed to the review of the protocol to bring in some aspects of due diligence tests to processing of applications.

This protocol could include criteria for events that would be required to go through the due diligence test. She agreed to report back to the Committee. Mr Cook suggested that the protocol focuses on the following:

1. Due diligence;
2. Delivery of activities;

3. Proportionality in addressing the issue of monitoring mechanism for use of the grant by applicants.

There was a suggestion by some Members that Ward Councillors ought to monitor the events. This could be done through setting up a cross party ward committee on events to process the grant applications. Christine Parker, Head of EK Audit Partnership proposed that Internal Audit could include into their work programme a review of events/grants. Members agreed to this proposal.

Councillor Campbell proposed, Councillor Lodge-Pritchard seconded and Members adopted the revised external funding and grants protocol subject to amendments agreed as reflected above.

### **380. FINAL AUDITED STATEMENT OF ACCOUNTS 2013/14**

Paul Cook, Interim Director of Corporate Resources introduced the report. He said that Council was working towards the value for money qualification removed. An Action plan addressing issues raised by the Peer Review had been drawn up. The East Kent Audit Partnership had been requested to give advice on implementing some aspects of the action plan. Members were concerned that there were limited powers to deal with unbecoming behaviour by some Members. There was a need for a robust approach to managing this situation as this will address some of the issues raised in the Peer Review report.

Members requested for information regarding the amount of the legal fees that had been paid to date for the case involving the movement of live animals through the Port of Ramsgate High Court Case. Paul Cook advised the Committee that when officers prepared the 2015/16 Council budget, they will report on the Council tax base and provide adequate information for Parish and Town Councils to submit their precepts.

Councillor Worrow proposed, Councillor Lodge-Pritchard seconded and Members agreed:

1. To approve the Statement of Accounts for 2013/14;
2. To note Grant Thornton's letter;
3. To note and minute the letter of representation to Grant Thornton issued by the Chief Executive and Director of Corporate Resources.

Meeting concluded: 8.20 pm

# Public Document Pack Agenda Item 3b

## GOVERNANCE AND AUDIT COMMITTEE

Minutes of the meeting held on 10 December 2014 at 7.00 pm in Council Chamber, Council Offices, Cecil Street, Margate, Kent.

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

**In Attendance:** Councillors Johnston, Bayford and Gideon

### 381. APOLOGIES FOR ABSENCE

Apologies were received by Councillor Gibson, for whom Councillor Cohen was present as substitute.

### 382. DECLARATIONS OF INTEREST

There were no declarations of interest.

### 383. MINUTES OF PREVIOUS MEETING

This item would be considered at the next Governance and Audit Committee meeting scheduled for 17 March 2015.

### 384. DUE DILIGENCE PROTOCOL

Paul Cook, Director of Corporate Resources and S151 Officer, advised Members that the purpose of the paper was to codify the processes around due diligence. He noted that although the Council undertook due diligence, a formal protocol had not previously been created, this protocol would form part of the Local Code of Corporate Governance.

Paul Cook added that the aim of the protocol was to provide an overall frame work that would be applied to future assessments, and was based on the processes currently undertaken.

A Member suggested that paragraph 2.3.2 of the protocol could be strengthened by stating how and who would determine the level of due diligence required.

There was concern from a Member that the protocol could be a box ticking exercise. Madeline Homer, Acting Chief Executive, clarified that the protocol was a high level framework, designed to pull together the due diligence procedures already in place, and that it was produced upon the request of Members.

Members agreed to note the adoption of the Due Diligence Protocol.

### 385. ANNUAL AUDIT LETTER

Mr Blackman, Manager at Grant Thornton UK LLP, introduced the item, and noted that it was largely a summary of the more detailed Audit Findings report that was tabled at the September Governance and Audit meeting, in addition Mr Blackman advised that since that meeting work on the Housing Benefit Subsidy return had been completed.

Members asked whether the recently published Autumn Statement to Parliament would have an impact on Grant Thornton's conclusions, particularly in relation to the medium term financial plan.

Mr Blackman responded that consideration of Thanet District Council's response to the impacts of the Autumn Statement would form part of the 2014/15 value for money conclusion.

Councillor Campbell proposed, Councillor Binks seconded and Members agreed to note the Annual Audit Letter.

**386. VALUE STATEMENT**

Mr Blackman introduced the report, noting that it illustrated the wider work Grant Thornton undertook in the public sector.

A Member asked whether Thanet District Council's work with the homeless could be reviewed as part of the Welfare Reform and Alternative Delivery Models in Local Government Assessment that Grant Thornton had carried out. He felt that homelessness appeared to be on the rise as a result of welfare reforms, and it would be beneficial to identify any possible improvements that Thanet District Council could make to its processes.

Mr Blackman responded that he would feed back the request to the report authors, although he advised that this request would appear to be outside of the intended remit of the assessment which was to look at how Councils were dealing with the welfare reform changes from an administration perspective and to share best practice.

Councillor Campbell proposed, Councillor Saunders seconded and Members agreed to note the Value Statement.

**387. INTERNAL AUDIT UPDATE REPORT**

Mr Webb, Deputy Head of Audit at East Kent Audit Partnership, introduced the report, noting that a substantial assurance level had been achieved for both Receipt and Opening of Tenders, and EKS – Housing Benefit Payments.

In addition Mr Webb advised that the four follow-up reviews on; HMO and selective licensing, building control, EKS – housing and benefit fraud, and EKS – sundry debtors, were also complete and all four achieved substantial assurance.

Mr Webb noted that 51% of work had been completed by 30 September 2014 which was on target for full completion by 31 March 2015.

A Member asked why so many hours had been devoted to a review of overtime which had not initially been planned to take place. Mr Webb responded that the plan was produced in March each year, but developed in response to changes in risk within the Council. It was agreed with the S.151 Officer, that a review of overtime within Waste Recycling and Street Cleansing was required. A summary of the findings would be submitted to the March 2015 meeting.

In response Members' questions, Mr Webb clarified that a review of officer delegations had been postponed and would be carried out in the 2015/16 year, and that the audit of the receipt and opening of tenders solely looked at the processes in place for this function.

Members noted that when EK Audit reviewed absence management, they would like the scope of investigation to include the reasons/causes for absence. Mr Webb advised that the intended scope of the audit was to look at the process of recording annual leave, flexi leave and sickness levels, however part of the review would touch upon the reasons for absence.



Members felt concerned that the amount of overtime worked by staff appeared to be on the increase, and that this could contribute to sickness levels. Members urged the Acting Chief Executive to encourage staff, particularly managers without flexi time arrangements, to keep a record of their working hours.

Councillor Campbell proposed, Councillor Saunders seconded and Members agreed that:

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

**388. ANNUAL GOVERNANCE STATEMENT ACTION PLAN**

Paul Cook introduced the report, and Members noted that a reduction of overtime and flexitime formed part of the action plan.

Councillor Scobie proposed, Councillor Tomlinson seconded and Members agreed to note the Annual Governance Statement Action Plan.

**389. CORPORATE RISK REGISTER**

Paul Cook introduced the report.

In response to a Member's question, Madeline Homer advised that a transformation agenda was something being considered by CMT in order to identify potential efficiencies and income generating opportunities. She agreed with Members that it would be important to involve Members in any transformation process at an early stage to obtain Member buy-in, and advised that she had considered the creation of a Transformation Board for this purpose.

A Member noted that some of the terms in the report appeared to have been written from a political perspective. She requested that terminology be neutral. Madeline Homer advised that had not been intentional and would be addressed.

Councillor Campbell proposed, Councillor Binks seconded and Members agreed to note the Corporate Risk Register.

**390. GOVERNANCE FRAMEWORK AND LOCAL CODE OF CORPORATE GOVERNANCE**

Paul Cook introduced the report.

Councillor Johnston spoke under Council procedure rule 24.1, and highlighted the importance of good governance which she identified as a key responsibility.

Councillor Campbell proposed, Councillor Saunders seconded and Members agreed to approve the Governance Framework and Local Code of Corporate Governance.

**391. TREASURY MANAGEMENT STRATEGY 2015-2016**

Paul Cook introduced the report noting that if the Committee agreed the report it would then be recommended to Council for approval.

A Member highlighted the increase in HRA debt of roughly 30%, and identified that this increase seemed to correspond to an increase in the number of HRA dwellings. The

Member asked why TDC would want to increase its debt, noting that later in the report, it asks for the debt limit to be raised in order to accommodate this increase.

Madeline Homer responded that the request to increase the HRA debt limit was to allow additional flexibility within the debt cap. She added that it would be expected for the Council to fully utilise this method of borrowing to build houses.

A Member asked for clarification regarding the '£' sign in the tables at paragraph 2.7 and 2.8 of the report, Paul Cook advised that he would enquire and advise Members outside of the meeting.

Councillor Campbell proposed, Councillor Tomlinson seconded and Members agreed to approve the report, including each of the key elements listed below, and recommend them to Council:

1. The Capital Plans, Prudential Indicators and Limits for 2015/16 to 2017/18, including the Authorised Limit Prudential Indicator;
2. The Minimum Revenue Provision (MRP) Policy;
3. The Treasury Management Strategy for 2015/16 to 2017/18 and the Treasury Indicators;
4. The Investment Strategy for 2015/16 contained in the Treasury Management Strategy, including the detailed criteria.

**392. TO AGREE THE MID-YEAR TREASURY MANAGEMENT REPORT**

Paul Cook introduced the report.

Councillor Campbell proposed, Councillor Scobie seconded and Members agreed:

1. To approve the report and agree the prudential and treasury indicators.
2. To recommend the report to Cabinet.

Meeting concluded : 8.00 pm

# The Audit Plan for Thanet District Council

Year ended 31 March 2015

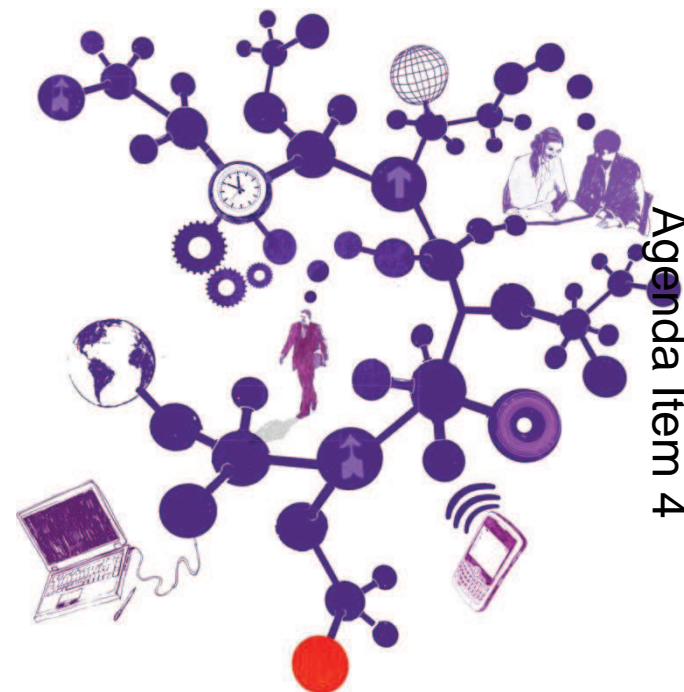
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**Darren Wells**  
Engagement Lead  
T 01293 554 120  
E [darren.j.wells@uk.gt.com](mailto:darren.j.wells@uk.gt.com)

**Terry Blackman**  
Engagement Manager  
T 020 7728 3194  
E [terry.blackman@uk.gt.com](mailto:terry.blackman@uk.gt.com)

**Matt Dean**  
Assistant Manager  
T 020 7728 3181  
E [matthew.dean@uk.gt.com](mailto:matthew.dean@uk.gt.com)



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

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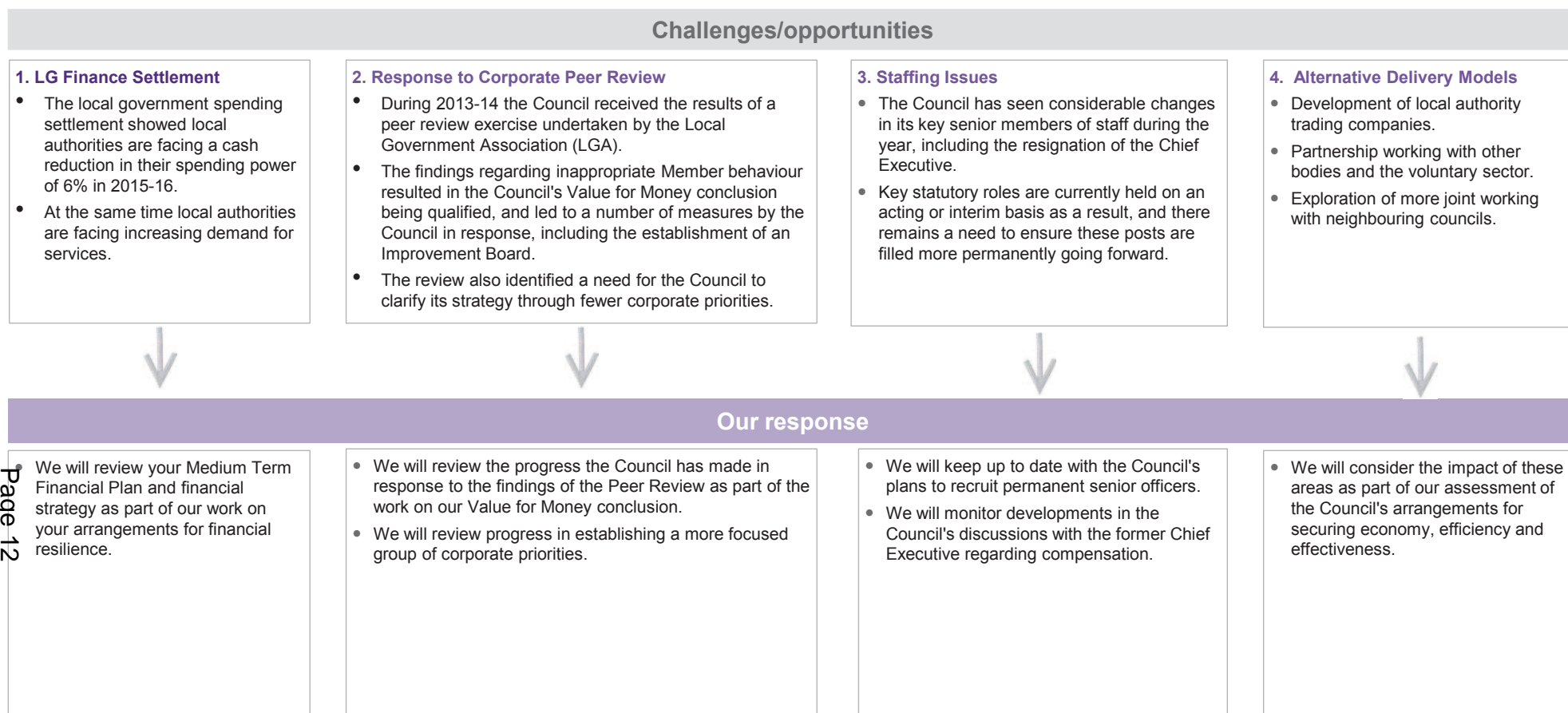
# Contents

## **Section**

1. Understanding your business
2. Developments relevant to your business and the audit
3. Our audit approach
4. Significant risks identified
5. Other risks
6. Results of interim work
7. Value for Money
8. Key dates
9. Fees and independence
10. Communication of audit matters with those charged with governance

# 1. Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.



## 2. Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

### Developments and other requirements

#### 1. Financial reporting

- Changes to the CIPFA Code of Practice.
- Adoption of new group accounting standards (IFRS 10,11 and 12).

#### 2. Corporate governance

- Annual Governance Statement (AGS)
- Explanatory foreword

#### 3. Financial Pressures

- Managing service provision with less resource.
- Progress against savings plans.

#### 4. Other requirements

- The Council is required to submit a Whole of Government accounts pack.
- The Council completes grant claims and returns on which audit certification is required.

### Our response

We will ensure that

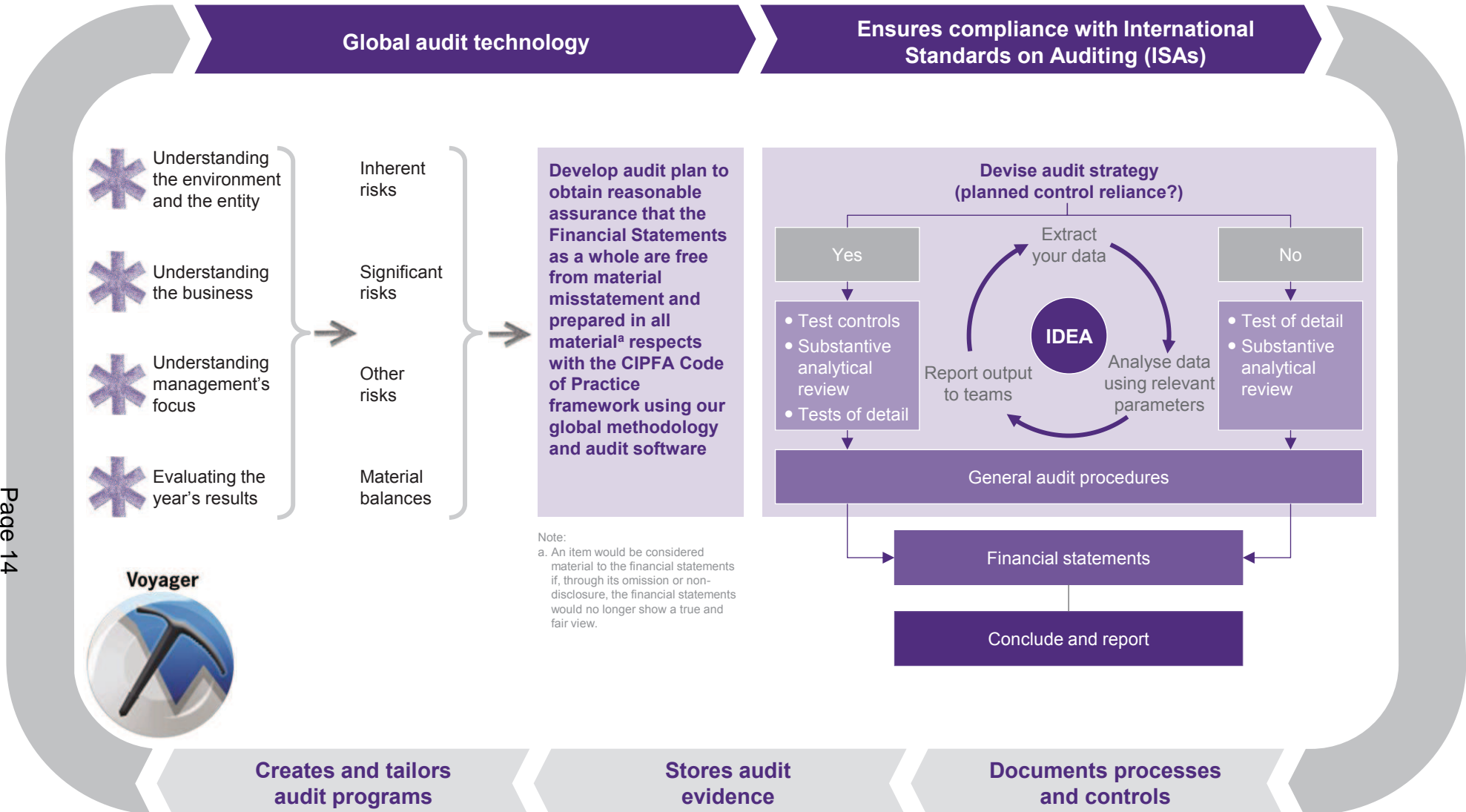
- the Council complies with the requirements of the CIPFA Code of Practice through discussions with management and our substantive testing
- the group boundary is recognised in accordance with the Code and joint arrangements are accounted for correctly, in particular for the interest in East Kent Housing

- We will review the arrangements the Council has in place for the production of the AGS
- We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge

- We will review the Council's reporting and performance against the 2014/15 budget, including consideration of performance against the savings plan.
- We will undertake a review of the Council's financial resilience as part of our VfM conclusion

- We will carry out work on the WGA pack in accordance with requirements
- We will certify the housing benefit subsidy claim in accordance with the requirements specified by Public Sector Audit Appointments Ltd. This company will take over the Audit Commission's responsibilities for housing benefit grant certification from 1 April 2015.

# 3. Our audit approach





## 4. Significant risks identified

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

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Thanet District Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Thanet District Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>
Management over-ride of controls	Under ISA 240 the presumption that the risk of management over-ride of controls is present in all entities.	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• Testing of journal entries for Months 1 to 9</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Review of accounting estimates, judgments and decisions made by management</li> <li>• Testing of journal entries for Months 10 to 12</li> <li>• Review of unusual significant transactions</li> </ul>

## 5. Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit Approach
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	<ul style="list-style-type: none"> <li>• We have undertaken a walkthrough of the Council's processes and controls over this area to gain an understanding of these.</li> <li>• A high level trend analysis will be performed on the Council's monthly expenditure totals to ensure all applicable amounts have been recorded within the Accounts.</li> <li>• We will test a sample of expenditure incurred by the Council during the year and agree this back to supporting documents.</li> <li>• Testing will also be performed on payments made post-period end to identify any items which have been potentially omitted from the Accounts.</li> <li>• We will also ensure that amounts remaining outstanding at year end have been correctly recorded as Creditors within the Accounts.</li> </ul>
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	<ul style="list-style-type: none"> <li>• We will undertake a walkthrough of the Council's processes and controls over this area to gain an understanding of these.</li> <li>• A high level trend analysis will be performed on the monthly employee remuneration totals to provide assurance over the completeness of the figures included within the Accounts at year end.</li> <li>• Testing on a sample basis of the employee remuneration expenditure incurred during the year, including agreement back to source documents.</li> <li>• Work will also be performed on the Council's Pension Costs, including a review of the report received from the Scheme Actuary, Barnett Waddingham.</li> </ul>
Welfare Expenditure	Welfare benefit expenditure improperly computed	<ul style="list-style-type: none"> <li>• We have undertaken a walkthrough of the Council's processes and controls over this area to gain an understanding of these.</li> <li>• An analytical review will be performed on the figures included within the draft Housing Benefit Subsidy Claim to identify any significant variances requiring explanation.</li> <li>• Detailed testing will be performed on the expenditure included within the draft HB Subsidy Claim, in line with the HBCOUNT methodology provided by the Audit Commission.</li> <li>• We will also select a sample of Local Council Tax Support cases to ensure expenditure on these cases has been correctly calculated for inclusion within the Accounts.</li> </ul>

## 6. Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
<b>Internal audit</b>	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
<b>Walkthrough testing</b>	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>To date our work has not identified any weaknesses that impact on our audit approach. Our walkthrough of the Council's Employee Remuneration system is in progress, and an update will be provided should any issues be identified.</p>
<b>Entity level controls</b>	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> <li>• Communication and enforcement of integrity and ethical values</li> <li>• Commitment to competence</li> <li>• Participation by those charged with governance</li> <li>• Management's philosophy and operating style</li> <li>• Organisational structure</li> <li>• Assignment of authority and responsibility</li> <li>• Human resource policies and practices</li> </ul>	<p>Our work has identified no material weaknesses that are likely to adversely impact on the Council's financial statements</p>

## 6. Results of interim audit work cont'd

	<b>Work performed</b>	<b>Conclusion</b>
<b>Review of information technology controls</b>	<p>We have performed a high level review of the general IT control environment, as part of the overall review of the internal controls system. We have also performed a follow up of the issues that were raised last year.</p> <p>IT (information technology) controls were observed to have been implemented in accordance with our documented understanding.</p>	<p>Our work has identified no material weaknesses that are likely to adversely impact on the Council's financial statements.</p>
<b>Journal entry controls</b>	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses that are likely to adversely impact on the Council's control environment or financial statements.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first nine months of the financial year, by extracting 'unusual' entries for further review. No issues have been identified that we wish to highlight for your attention.</p>	<p>The work performed to date hasn't identified any material weaknesses or issues that we would like to bring to your attention. Testing of the remaining months of the year will be performed as part of our year end visit.</p>
<b>Early substantive testing</b>	<p>To date, we have performed early substantive testing in the following areas:</p> <ul style="list-style-type: none"> <li>- Review of Housing Benefit System Parameters</li> <li>- Trend Analyses on Income, Expenditure and Employee Remuneration costs for the first nine months of the year</li> <li>- Agreement of Council Tax Precepts</li> <li>- Testing of Capital Additions.</li> </ul>	<p>To date, no issues have been identified from the work completed. Some areas remain outstanding, and will be followed up as part of our work at year end.</p>

# 7. Value for money

## Value for money

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

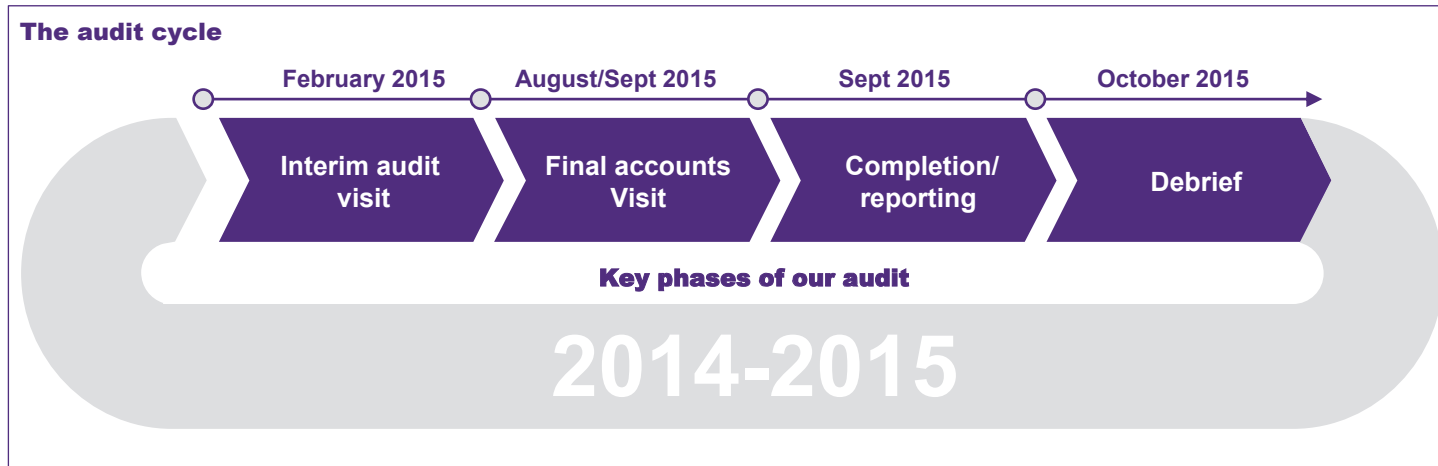
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We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following areas to address the risks identified:

- We will review the Council's progress in responding to the issues raised in the April 2014 LGA peer review on Member behaviour and setting corporate priorities.
- We will review the Council's reporting and performance against the 2014/15 budget, including consideration of performance against the savings plan.
- We will review your Medium Term Financial Plan and financial strategy as part of our work on your arrangements for financial resilience.
- We will consider the impact of alternative delivery models part of our assessment of the Councils arrangements for securing economy, efficiency and effectiveness.
- We will review progress in plans to recruit permanent senior officers over the coming months.
- We will monitor developments in the Council's discussions with the former Chief Executive regarding compensation.

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

## 8. Key dates



<b>Date</b>	<b>Activity</b>
<b>January 2015</b>	Planning
<b>February 2015</b>	Interim site visit
<b>17 March 2015</b>	Presentation of audit plan to Audit Committee
<b>August to September 2015</b>	Year end fieldwork
<b>Mid September 2015</b>	Audit findings clearance meeting with Director of Corporate Resources
<b>Late September 2015</b>	Report audit findings to those charged with governance (Governance and Audit Committee)
<b>By 30<sup>th</sup> Sept 2015</b>	Sign financial statements opinion

## 9. Fees and independence

### Fees

	£
Council audit	88,395
Grant certification	35,280
<b>Total fees (excluding VAT)</b>	<b>123,675</b>

### Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

### Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited, as the successor to the Audit Commission in this area.
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services.'

### Fees for other services

Service	Fees £
None	Nil

### Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

### Independence and ethics

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

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

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

# 10. Communication of audit matters with those charged with governance

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

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

## Respective responsibilities

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

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

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

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

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





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Paul Cook  
Interim Director of Corporate Services  
Thanet District Council  
PO Box 9  
Cecil Street  
Margate  
Kent  
CT9 1XZ

**Grant Thornton UK LLP**  
Grant Thornton House  
Melton Street  
London NW1 2EP  
T +44 (0)20 7383 5100  
F +44 (0)20 7383 4715  
DX 2100 EUSTON  
[www.grant-thornton.co.uk](http://www.grant-thornton.co.uk)

7 January 2015

Dear Paul

**Certification work for Thanet Borough Council for year ended 31 March 2014**

We are required to certify certain claims and returns submitted by Thanet District Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

We have certified two claims and returns for the financial year 2013/14 relating to expenditure of £70.8 million. Further details of the claims certified are set out in Appendix A.

There are no issues arising from our certification work which we wish to highlight for your attention. We are satisfied that the Council has appropriate arrangements to compile complete, accurate and timely claims/returns for audit certification.

The indicative fee for 2013/14 for the Council is based on the final 2011/12 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification (such as the national non-domestic rates return) have been removed. The fees for certification of housing benefit subsidy claims have been reduced by 12 per cent, to reflect the removal of council tax benefit from the scheme.

The indicative scale fee set by the Audit Commission for the Council for 2013/14 is £12,953. Due to the need to carry out more additional testing than was allowed for in the indicative fee calculation, we have proposed an increase in housing benefit subsidy claim certification fee of £7,500. This is set out in more detail in Appendix A.

Yours sincerely

For Grant Thornton UK LLP

## Appendix A

### Details of claims and returns certified for 2013/14

Claim or return	Value (£)	Amended?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim	69,877,382	Yes	+8,886	Yes	Qualification relates to incorrect start dates, income calculation and classification of rent allowance expenditure.
Pooled housing capital receipts	939,644	No	-	No	-

### Fees for 2013/14 certification work

Claim or return	2012/13 fee (£)	2013/14 indicative fee (£)	2013/14 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	40,089	20,172	27,672	7,500	More additional testing required than allowed for in indicative fee
Pooled housing capital receipts	640	777	777	-	
National non-domestic rates return (NNDR3)	2,883	N/a	N/a	-	No requirement to certify this return in 2013/14
<b>Total</b>	<b>43,612</b>	<b>20,949</b>	<b>28,449</b>	<b>-</b>	

# Thanet District Council Audit Progress Update

Year ended 31 March 2015

March 2015

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**Darren Wells**

Director

T 01293 554 120

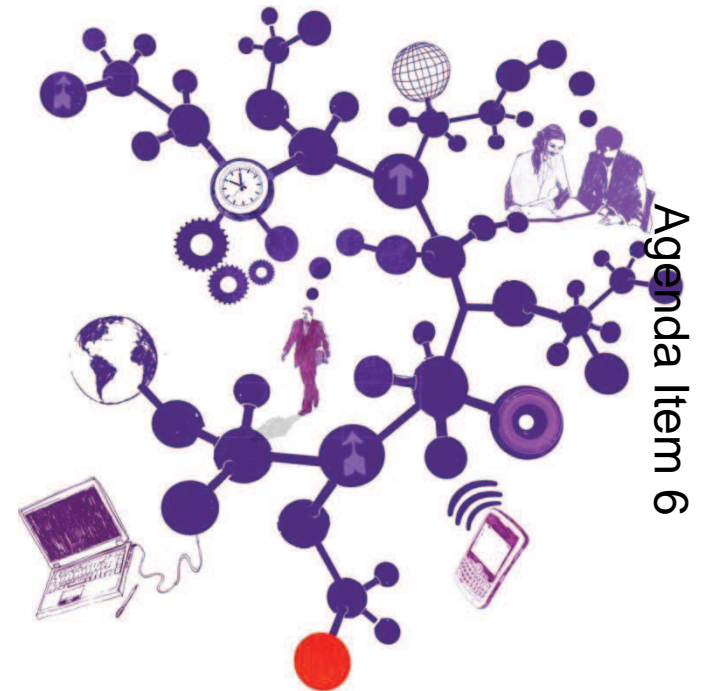
E [Darren.J.Wells@uk.gt.com](mailto:Darren.J.Wells@uk.gt.com)

**Terry Blackman**

Audit Manager

T 02077 283 194

E [Terry.Blackman@uk.gt.com](mailto:Terry.Blackman@uk.gt.com)



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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Emerging issues and developments:	
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# Introduction

This paper provides the Governance and 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 Committee can find further useful material on our website [www.grant-thornton.co.uk](http://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:

- All aboard? our local government governance review 2015
- Stronger futures: development of the local government pension scheme
- Rising to the challenge: the evolution of local government, summary findings from our fourth year of financial health checks of English local authorities
- 2020 Vision, exploring finance and policy future for English local government
- Where growth happens, on the nature of growth and dynamism across England

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.

Darren Wells  
Terry Blackman

Engagement Lead  
Audit Manager

T 01923 554 120  
T 0207 728 3193

[Darren.J.Wells@uk.gt.com](mailto:Darren.J.Wells@uk.gt.com)  
[Terry.Blackman@uk.gt.com](mailto:Terry.Blackman@uk.gt.com)



# Progress at 17 March 2015

Work	Planned date	Complete?	Comments
<p><b>2014-15 Accounts Audit Plan</b>            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 the Council's 2014-15 financial statements.</p>	17 March 2015	Yes	Included in our papers for the Governance and Audit Committee meeting.
<p><b>Interim accounts audit</b>            Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the Council's control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• proposed Value for Money conclusion.</li> </ul>	February 2015	Yes	Results of work completed to date are reported in our 2014-15 Accounts Audit Plan.
<p><b>2014-15 final accounts audit</b>            Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2014-15 financial statements</li> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion.</li> </ul>	August 2015	Not yet due	

# Progress at 17 March 2015

Work	Planned date	Complete?	Comments
<p><b>Value for Money (VfM) conclusion</b></p> <p>The scope of our work to inform the 2014/15 VfM conclusion comprises:</p> <ul style="list-style-type: none"> <li>• securing financial resilience</li> <li>• challenging economy, efficiency and effectiveness.</li> </ul>	March – August 2015	In progress	<p>Initial planning meeting held with Interim Director of Corporate Services, 10/2/2015.</p> <p>Particular focus will be on how the Council has addressed the issues that led to qualification of the VfM conclusion in 2013/14.</p>
<p><b>Other activity undertaken</b></p> <p>We have shared our briefing on 'Decluttering your accounts: Kent' with the Chair of the GAC and the Interim Director of Corporate Services.</p>	March 2015	Yes	Thanet had the largest reduction in page numbers in the accounts compared to other Kent councils in 2013/14, but still has one of the longest set of accounts overall.

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# Emerging issues and developments

# Provision for Business Rates Appeals

## Accounting and audit issues

### Unlodged appeals

The Chancellor's Autumn Statement included a change to the rules relating to business rates appeals. As a result we do not expect to see any provisions for unlodged appeals in local authorities' 2014/15 accounts, although we will expect this to be re-considered for 2015/16 accounts.

The change restricts the backdating of Valuation Office Agency (VOA) alterations to rateable values. Only VOA alterations made before 1 April 2016 and ratepayers' appeals made before 1 April 2015 can now be backdated to the period between 1 April 2010 and 1 April 2015. The aim is to put authorities in the position as if the revaluation had been done in 2015 as initially intended, before the deadline was extended to 2017.

There may be some fluctuations in provisions at 31 March 2015 as unlodged appeals provisions are released. However, there may also be increased numbers of appeals lodged prior to 31 March 2015. These appeals may be more speculative in nature and therefore authorities may need to consider whether prior year assumptions remain valid in estimating their provisions.

### Utilisation of provision

As part of the provisions disclosures in the accounts, local authorities need to disclose additional provisions made in the year, the amounts used (i.e. incurred and charged against the provision) during the year and unused amounts reversed during the year.

We understand that the software used for business rates may not provide values for the amounts charged against the provision during the year and that there is no simple software solution for this for 2014/15. Local authorities will need to consider available information and make an estimate of the amount for appeals settled in the year.

### Challenge questions

- Has your finance team reassessed the methodology for making the business rates provision?
- Does your finance team have arrangements in place for the estimation of appeals to be charged against the provision?

# Early payment of pension contributions

## Accounting and audit issues

During 2014/15 some local authorities paid pension fund deficit contributions covering three years (2014/15 to 2016/17). By doing this the local authority benefits from a discount on the total amount payable resulting in a lower overall charge.

Due to the amounts involved, some authorities are seeking to spread the impact of the payment over the three-year period. In doing so, they must be satisfied that the amounts charged to the general fund in a financial year are the amounts payable for that year as defined by regulation 30 of [The Local Authorities \(Capital Finance and Accounting\) \(England\) Regulations 2003](#).

We expect authorities that are spreading the impact of pension deficit contributions to obtain legal advice (either internally or externally) to determine the amounts that are chargeable to the general fund. The accounting judgements and treatment should reflect the advice received and should be documented accordingly.

Where an authority has received legal advice that the up-front payment can be recognised in the general fund over three years, based on our understanding of the arrangement we would expect the total amount to be reflected in the pension fund liability. This means that the pension reserve will not equal the pension liability. We expect the background to the transactions and the reason for the difference to be disclosed in a note to the accounts.

### Challenge question

- Has your authority paid pension fund contributions covering more than one year and if so has your Corporate Finance Manager obtained legal advice and documented their judgement on accounting for the early payment of pension contributions?

# Inclusion of overtime in the calculation of holiday pay

## Accounting and audit issues

The Employment Appeal Tribunal (EAT) has delivered its judgement on the extent to which overtime pay should be included in the calculation of holiday pay. This case stems from an apparent conflict between UK law and European Law.

The EAT found that non-guaranteed overtime (i.e. overtime, which is not guaranteed by the employer, but which the worker is obliged to work, if it is offered), should be included in the calculation of holiday pay. Back-dated claims can only be made if it is less than three months since the last incorrect payment of holiday pay.

It is likely that there will be an Appeal to this decision. However that does not mean that authorities should hold off assessing the impact. Local authorities should be considering their own circumstances and if necessary taking their own legal advice as to the extent they might be affected by the ruling. If an authority is going to be affected they need to assess whether the liability can be reliably measured.

For an authority likely to be affected in a material way, where it is possible to reliably measure that liability, then appropriate provision should be made in the 2014/15 accounts. The fact that the issue might go to Appeal at some uncertain time in the future is not of itself grounds for not including a provision. The chances of any success would need to be taken account of in the legal analysis but, in any case, there are some indications that the key issue on Appeal would be whether to remove the three month cap (if this were done then the provision would increase), rather than dismissing the entire decision to include overtime in the calculation of holiday pay.

### Challenge question

- Has your authority taken legal advice and assessed if a provision is required in the 2014/15 accounts?

# All Aboard? - Local Government Governance Review 2015

## Grant Thornton

Our fourth annual review of local government governance is available at <http://www.grant-thornton.co.uk/en/Publications/2015/Local-Government-Governance-review-2015-All-aboard1/>.

We note that the challenges faced by local authorities are intensifying as austerity and funding reductions combine with demographic pressures and technological changes to create a potential threat to the long-term sustainability to some organisations. Maintaining effective governance is becoming ever more complex and increasingly important.

Against this background we have focused this year's review on three key areas:

**Governance of the organisation** – the main area of concern highlighted in this year's governance survey is the level of dissatisfaction with the scrutiny process.

**Governance in working with others** – there is an urgent need for scrutiny to exercise good governance over the complex array of partnerships in which local authorities are now involved. Boundary issues notwithstanding, by 'shining a light' on contracted-out activities and joint operations or ventures, scrutiny committees can bring a new level of transparency and accountability to these areas

**Governance of stakeholder relations** – despite the work that a number of local authorities are doing with the public on 'co-production', almost a third of respondents to our survey did not think their organisation actively involves service users in designing the future scope and delivery of its services.

We conclude that local authorities need to ensure that their core objectives and values are fulfilled through many other agencies. This implies a greater role for scrutiny and a need to make sure local public sector bodies' arrangements are as transparent as possible for stakeholders.

Hard copies of our report are available from your Engagement Lead or Audit Manager.



# Stronger futures: development of the LGPS

## Grant Thornton

Our second review on governance in LGPS funds in England and Wales is based on comprehensive research with pension fund senior officers, supported by insights from pension fund auditors and is available at <http://www.grant-thornton.co.uk/Publications/2015/Stronger-futures-development-of-the-LGPS/>

With the local government pensions scheme (LGPS) continuing to face significant change and challenge, there is a clear commitment to ensuring its survival and the provision of affordable pension benefits for the future. Following the implementation of a career average pension scheme in 2014, administering authorities are preparing for significant changes in governance arrangements effective from April 2015.

Some of the key messages from the report are:

there are increasing strong examples of innovation and increased collaborative working across the LGPS to achieve reduced costs and improved use of specialist skills and knowledge;

implementation of the career average scheme from April 2014 went well and demonstrated good project management and effective communication with members and employers; and

there have been several other positive trends across the LGPS since our 2013 review particularly around the widening scope of reporting to Pension Committees including performance reporting, risk management and internal audit reviews.

However, we saw a wide variation in practice, including a concentration of risk reporting on investment risk, over half of funds have not implemented the CIPFA knowledge and skills framework as part of their member training, 45 per cent of Pension Committees do not receive internal audit reports and 15 per cent do not have specific internal audit coverage, and nearly half of funds have no information around the value of their liabilities in between the triennial valuations.

Hard copies of our report are available from your Engagement Lead or Audit Manager.





# Independent Commission into Local Government Finance

## Local government issues

The Independent Commission on Local Government Finance was established in 2014 to examine the system of funding local government in England and bring forward recommendations on how it can be reformed to improve funding for local services and promote sustainable economic growth. It published its final report, [Financing English Devolution](#), on 18 February 2015.

The report notes that the core of the Commission's proposition is the devolution of powers, funding and taxes to sub-national entities over a 10 year period. They estimate that this could lead to over £200 billion in public expenditure being controlled at a sub-national level. The expectation is that councils and their partners would work collaboratively to manage differences in capacity and resources. They see local areas becoming self sufficient.

The Commission advocates a 'variable speed' approach to reform with 'Pioneers' able to and wishing to reform at a faster pace. Reforms advocated for all authorities include:

- An independent review of the functions and sustainability of local government in advance of the next spending review
- Freedom to set council tax and council tax discounts and full retention of business rates and business rates growth
- Multi-year financial settlements
- The ability to raise additional revenue through the relaxation of the rules on fees and charges

'Pioneer' authorities would also implement:

- Single placed-based budgets for all public services
- Management of funding equalisation across a sub-national area
- Further council tax reforms including the ability to vary council tax bands and undertake revaluations
- Newly assigned and new taxes such as stamp duty, airport taxes and tourism taxes
- The establishment of Local Public Accounts Committees to oversee value for money across the placed-base budget.

## Challenge question

Has the Council considered the key findings of the Independent Commission's final report?

# Help into work programmes

## Local government issues

In its press release of 12 January 2015 the LGA reported that more than one million unemployed people are falling through cracks in national work schemes that are failing to reach some of the most vulnerable jobseekers. It warned that whilst councils are being left to pick up the pieces to prevent more vulnerable people slipping further into long-term unemployment and disengagement they cannot afford to continue resolving the failings of these national schemes in their communities without the appropriate funding.

As a remedy the LGA calls on the next government to commit to devolving all nationally-run education, skills and employment schemes to local areas so councils can join-up services to support their most vulnerable residents. A report published by the National Institute of Economic and Social Research (NIESR), commissioned by the LGA, explores in detail how a sample of councils across the country have provided a safety net for their most vulnerable and hardest to reach residents. The NIESR report's lead author, Dr Heather Rolfe, said:

*"Local authorities have a unique position in their communities, are able to bring services together, forging partnerships and strengthening referral networks. It is through such work that they are able to help unemployed people who are beyond the reach of national programmes."*

## Challenge question

Has the Council reviewed the headline messages from the NIESR report and its implications for the authority's strategies around community engagement, employment, regeneration and economic development?

# DCLG – Build to rent scheme

## Local government issues

Housing Minister Lewis Brandon announced on 10 January 2015 a £55 million deal to provide nearly 800 homes for private sector rent in Manchester and Salford as part of the government's wider £1 billion [Build to Rent scheme](#), which has the objective of building 10,000 new homes for private rent. The Chief Executive of the Homes and Communities Agency (HCA) Andy Rose said:

*"this is a major investment in the private rented sector in Manchester. It demonstrates how the HCA, working closely with partners, is combining financial and local expertise to increase the private rented choice in areas where there is a high demand for homes".*

As part of its strategy of creating a bigger and better private rented sector the government has also:

- published a [How to rent](#) guide, so tenants and landlords know their rights and what to expect when renting privately
- published a [model tenancy agreement](#), so tenants who want to ask for longer tenancy agreements have the opportunity to do so;
- introduced a new requirement for letting agents to belong to one of three redress schemes, so the minority of tenants and landlords who get a raw deal have somewhere to go with their complaint.

## Challenge question

Has the Council considered the government's Build to Rent scheme and other aspects of its initiative to increase the private sector housing market and its implications for the authority's housing strategy?

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## INTERNAL AUDIT PLAN 2015/16

To: **Governance and Audit Committee: 17<sup>th</sup> March 2015**

By: **Corporate Director s.151 Officer**

Subject: **REPORT OF THE HEAD OF THE AUDIT PARTNERSHIP INTERNAL AUDIT PLAN FOR 2015/16**

Classification: **Unrestricted**

---

**Summary:** This report includes the Audit Charter for the East Kent Audit Partnership which sets out the overarching aims and strategy for the Internal Audit Service together with the draft plan of work for the forthcoming 12 months for approval.

---

### **1.0 Introduction and Background**

- 1.1 The purpose of the Council's Governance and 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.
- 1.2 In accordance with current best practice, the Governance and Audit Committee should "review and assess the annual internal audit work plan". The purpose of this report is help the Committee assess whether the East Kent Audit Partnership has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with the professional standards for Internal Auditors.

### **2.0 Audit Charter**

- 2.1 The Audit Charter is an important document setting out the expectations of how the Internal Audit function will be delivered. Not only does having a Charter and keeping it up to date assist the Council in complying with best practice, but by considering the Audit Charter, the Governance Committee is also demonstrating its effectiveness by ensuring that these mechanisms are in place and are working effectively.
- 2.2 The Audit Charter establishes the purpose, authority, objectives and responsibility of the East Kent Audit Partnership, it goes on to set out the Terms of Reference, Organisational Relationships and Independence, Competence and Standards of Auditors, the Audit Process and in providing an Internal Audit function to the partner councils; as well as the resources required across the four partnership sites and details how the resource requirements will be met.
- 2.3 The Audit Charter is attached as Annex A to this report. It is essentially the 'Why' and 'How' the East Kent Audit Partnership will provide the Internal Audit Service for the year to 31<sup>st</sup> March 2016.

### **3.0 Audit Plan**

- 3.1 The Audit Plan for the year 2015 to 2016 is attached as Annex B and has the main components to support the Audit Charter. The plan is produced in accordance with professional guidance, including the PSIAS 2013. A draft plan is produced from an audit software database (APACE) maintained by the EKAP which records our risk assessments on each service area based upon previous audit experience, criticality, financial risk, risk of fraud and corruption etc. Then following discussions with senior management account of any changes within the Council over the last 12 months, and foreseen changes over the next have been made.
- 3.2 The plan has then been further modified to reflect emerging risks and opportunities identified by the Chief Executive, Directors, and the link to the Council's corporate plans and corporate risk register. This methodology ensures that audit resources are targeted to the areas where the work of Internal Audit will be most effective in improving internal controls, the efficiency of service delivery and to facilitate the effective management of identified risks.
- 3.3 There are insufficient audit resources to review all areas of activity each year. Consequently, the plan is based upon a formal risk assessment that seeks to ensure that all areas of the Council's operations are reviewed within a three-year cycle of audits. In order to provide Members with assurance that internal audit resources are sufficient to give effective coverage across all areas of the Authority's operations, a three-year strategic plan has been included.
- 3.4 To comply with the best practice, the agreed audit plan should cover a fixed period of no more than 1 year. Members are therefore being asked to approve the 2015/16 plan at the present time, and the 2016/17 plan and 2017/18 plan are shown as an indicative plan only, to provide Members with assurance that internal audit resources are sufficient to provide effective coverage across all areas of the Authority's operations within a rolling cycle. If it is approved a number of audits will fall outside of the rolling three year plan, these are listed at the foot of Annex B, and total 27 days.
- 3.5 The plan has been prepared in consultation with the Directors and the Council's statutory s.151 Officer. The plan is also designed to meet the requirements expected by the External Auditors for ensuring key controls are in place for its fundamental systems. This Committee is also part of the consultation process, and its views on the plan of work for 2015/16 are sought to ensure that the Council has an effective internal audit of its activities and Members receive the level of assurance they require to be able to place assurance on the annual governance statement.
- 3.6 The risk assessment and consultation to date has resulted in;
- 82% Core Assurance Projects- the main Audit Programme
  - 0% Fraud Work – fraud awareness, reactive work and investigating potential irregularities
  - 7% Corporate Risk – testing the robustness of corporate risk mitigating action
  - 11% Other Productive Work – Corporate meetings, follow up, general advice, liaison
- Total number of audits 26.

For 2015/16 the days available for carrying out audit is 300 days. When compared to the resources available and working on the basis that the highest risk areas should be reviewed as a priority, the EKAP has sufficient resources to review all of the high risk areas and all of the medium risk areas this equates to 26 audits.

3.7 There are 37 days required to backfill the audits that are outside of the strategic cycle. In 2014/15 the s.151 Officers agreed that savings achieved in the delivery of the EKAP service should be used to address the shortfall in the strategic plan, and deliver as many reviews as possible. Thus any financial savings are converted into audit days and identified areas for review agreed with the s.151 Officer in the quarterly meetings as the year unfolds. This will strengthen the Internal Audit coverage and Members will have greater assurance that the systems of internal control are being regularly reviewed.

#### 4.0 **Benchmarking the level of Internal Audit Provision.**

4.1 Members should have regard to how audit resources within the Council compare to other similar organisations when considering the adequacy and effectiveness of the internal audit plan. The results of benchmarking show that the average number of internal audit days provided by district council's within Kent is circa 400 days annum. The audit plan of Thanet District Council of 300 days plus their share of the EKS and East Kent Housing audit plans totals 380. The Thanet plan is therefore 5% less than the Kent average.

#### 5.0 **Head of Internal Audit's Opinion of the 2015/16 Internal Audit Plan.**

5.1 This report is presented to Members by the Council's Corporate Director whose s.151 responsibility it is to maintain an effective internal audit plan. In the interests of openness and transparency and in order to enable Members to make an informed decision on the internal audit plan presented for their approval consideration should also be given to the opinion of the Head of Internal Audit on the effectiveness of the plan.

5.2 Whilst it is recognised that resources are tight, there is no contingency built into the plan for any urgent unforeseen work and there are audits that have fallen outside of the three year strategic cycle; it is the professional opinion of the Head of the East Kent Audit Partnership that the draft 2015/16 internal plan presented for Members consideration represents an effective internal audit plan which ensures reasonable coverage of the vast majority of the Council's operations within a three year period. The Head of the East Kent Audit Partnership recommends that Members either approve the 2015/16 internal audit plan as drafted or that they recommend to Cabinet that additional resources are allocated to bring the plan up to the Kent average. This would require an additional 20 days per annum, which at an estimated cost per audit day of £300 would cost £6,000 per annum.

#### 6.0 **Corporate Implications**

##### 6.1 **Financial Implications**

6.1.1 There are no additional financial implications arising directly from this report. The costs of the audit work will be met from the Financial Services 2014/15 budget and are detailed in the attached report.

##### 6.2 **Legal Implications**

6.2.1 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.

##### 6.3 **Corporate Implications**

6.3.1 Under the Local Code of Corporate Governance accepted by Cabinet, 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.

## **7.0 Recommendation**

7.1 That Members approve the Council's Internal Audit Plan and Charter for 2015/16

Contact Officers:	Christine Parker, Head of the Audit Partnership, ext. 7190
	Simon Webb, Deputy Head of Audit, ext 7190
	Paul Cook, Corporate Director (s.151 Officer) Ext. 7617

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

Annex A	Audit Charter
Annex B	Thanet District Council draft 2015/16 Internal Audit Plan and 3 year strategic plan

### ***Background Papers:***

<b>Title</b>	<b>Details of where to access copy</b>
Internal Audit Annual Plan 2014/15	Previously presented to and approved at the 20 <sup>th</sup> March 2014 Governance and Audit Committee meeting.
Internal Audit working papers	Held by the East Kent Audit Partnership.





## **EAST KENT AUDIT PARTNERSHIP AUDIT CHARTER**

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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 CIIA.

- 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 2015/16 is £424,150 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.

## 8. **Additional Services**

### 8.1 **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.

## **8.2 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 2015

**References:**

Former Audit Strategy

Audit Manual

Public Sector Internal Audit Standards (PSIAS)

CIPFA Application Note to PSIAS

Plan Area	Corporate Risk Register Ref:	Year last audited	Previous Assurance level	2015-16 Planned Days	Quarter Prioritised for 2015-16	2016-17 planned days	2017-18 Planned Days
<b>Main Financial Systems:</b>							
Capital	R01.01/02	2012-13	Substantial	5	3		
Treasury Management	R01.01/02	2012-13	Substantial	5	3		
Car Parking & Enforcement	N/A	2014-15	2014-15 WIP			10	10
Bank Reconciliation	R01.01/02	2012-13	Substantial	5	3		
Creditors and CIS	N/A	2014-15	2014-15 WIP				10
External Funding Protocol	R02.01 R06.01 R09.01	2012-13	Substantial	9	1		
Main Accounting System	R01.01/02	2013-14	Substantial			10	
Income	R01.01/02	2014-15	Substantial/ Limited				10
Budgetary Control	R01.01/02 R06.03	2013-14	Substantial			10	
VAT	N/A	2012-13	Reasonable	10	2		
Insurance and Inventories of Portable Assets	R01.02 R08.01	2014-15	2014-15 WIP				10
<b>Corporate Risks:</b>							
Review compliance with the stated control measures for a sample of Corporate Risks	R09.04	Not previously audited	Not yet Assessed	20	1 to 4	20	20
<b>Residual Housing Systems:</b>							
Homelessness	N/A	2013-14	Substantial/ Limited			10	
Housing Allocations	N/A	2012-13	Reasonable	10	1		
Right to Buy	N/A	2014-15	Reasonable				8
HRA Business Plan	R01.01/02 R02.01	2014-15	Substantial				8
<b>Governance Systems:</b>							
Data Protection, FOI and Information Management	R04.06	2014-15	Reasonable/ Limited				10
Members' Code of Conduct, Register of Interests, Gifts and Hospitality (incl The Bribery Act) and Standards Arrangement	N/A	2013-14	Reasonable			10	
Officers' Code of Conduct, Gifts and Hospitality (incl The Bribery Act) and Whistle Blowing Arrangements	R04.03	2013-14	Reasonable			10	
Local Code of Corporate Governance	N/A	2013-14	Substantial			7	
Fraud Resilience Review	N/A	New Area	To be Assessed				
Performance Management	R05.02 R08.01	2013-14	Substantial			10	
Anti-Money Laundering	R04.03	2014-15	Substantial				6
Complaints Monitoring	N/A	2014-15	2014-15 WIP				10
Partnerships and Shared Services Monitoring	R03.01/02	2012-13	Reasonable	17	2		
Scheme of Officer Delegations	R01.01/02	2007-08	Reasonable				7

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Corporate/Governance and Audit Committee	N/A	2014-15	N/A	32	1 to 4	32	32
Project Management	R09.01	Pre 2004-05	To be Assessed	10	4		
Risk Management	Informs all Corporate Risks	Risk management is undertaken on the Council's behalf by the EKAP with effect from 1st April 2015. Previous audit in 2012-13 with Substantial Assurance					
<b>Other:</b>							
Liaison with the External Auditors	N/A	2014-15	N/A	2	1 to 4	2	2
Previous Year Work in Progress b/fwd	N/A	2014-15	N/A	5	1	5	5
Follow-up	N/A	2014-15	N/A	15	1 to 4	15	15
<b>Contract Audits:</b>							
CSO Compliance	R04.02	2012-13	Reasonable	10	1		
Service Contract Monitoring	R04.02	2013-14	Reasonable			10	
Receipt and Opening of Tenders	R04.02	2014-15	Substantial				6
Procurement Strategy and e-procurement	R04.02	2013-14	Substantial			10	
<b>Service Level Audits:</b>							
Cemeteries and Crematoria	N/A	2013-14	Substantial			10	
Safeguarding Children and Vulnerable Groups/DBS Checks	R04.09	2012-13	Reasonable	9	3		
s11 Safeguarding Return to KCC	R04.09	Annual	N/A	1	3		
Private Sector Housing – HMO Licensing and Selective Licensing	N/A	2013-14	Substantial			10	
Community Safety	N/A	2014-15	2014-15 WIP				10
Coastal Management	R02.01 R09.04	2013-14	Substantial			8	
CCTV	N/A	2014-15	Reasonable/ Limited				10
Dog Warden Service, Street Scene and Litter Enforcement (incl. graffiti and flytipping)	N/A	2014-15	2014-15 WIP				10
Electoral Registration & Election Management	R06.03	2011-12	Reasonable	10	3/4		
Environmental Health – Food Safety	N/A	2009-10	Limited	10	2		
Environmental Health – Public Health Burials	N/A	2013-14	Limited			8	
Environmental Health – Pest Control	N/A	2014-15	Substantial				8
Environmental Health – Health and Safety at Work	N/A	2012-13	Reasonable	10	2		
Environmental Health - Environmental Protection Service Requests	N/A	2013-14	Reasonable			10	
Environmental Health - Contaminated Land, Air and Water Quality	R02.01 R09.03	2014-15	Reasonable				8
Business Continuity and Emergency Planning	R04.07 R04.08	2012-13	Reasonable	10	1		
Equality and Diversity	N/A	2014-15	Limited				10
Events Management	N/A	2010-11	Reasonable	10	4		
Grounds Maintenance	N/A	2012-13	Reasonable	10	4		
Dalby Square Heritage Grants and Housing Intervention Grants	N/A	2014-15	2014-15 WIP				10
Disabled Facilities Grants	N/A	2013-14	Substantial			10	
Land Charges	N/A	2014-15	Substantial				8
Licensing	N/A	2014-15	Substantial				10



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Museums	N/A	2012-13	Reasonable/ Limited	10	3		
Asset Management	R01.02 R02.01	2010-11	Reasonable				
Let Properties and Concessions (incl allotments, Industrial estates, Media Centre, Innovation centre etc)	R01.02 R02.01	2012-13	Reasonable	10	1		
Maritime	R08.01	2013-14	Reasonable/ Limited			10	
Members' Allowances and Expenses	N/A	2013-14	Substantial			10	
Mortgages (delayed from 3 year cycle due to very low number of transactions and Substantial assurance level).	N/A	2009-10	Substantial				
Planning	R09.04	2013-14	Reasonable/ Substantial	10	3		
Building Control	N/A	2013-14	Substantial			10	
Petty Cash, Imprest Floats and Travel Warrants	N/A	2013-14	Substantial			6	
Phones, Mobiles and Utilities - Expenditure and Controls	N/A	2013-14	Substantial			7	
Printing and Post	N/A	2014-15	Substantial				6
YourLeisure - Sports and Leisure	R03.01/02	2014-15	2014-15 WIP			10	
Sports Development	N/A	2014-15	Reasonable				8
Visitor Information Arrangements	N/A	2012-13	Reasonable	10	3		
Waste and Street Cleansing Vehicle Fleet Management	N/A	2014-15	Reasonable/ Limited			10	
Waste Recycling Income	N/A	Pre 2004-05	To be Assessed	7	1		
Garden Waste Collection Service	N/A	2014-15	2014-15 WIP				8
Street Cleansing	N/A	Pre 2004-05	Reasonable	10	4		10
<b>Human Resources:</b>							
Recruitment	R07.02	2012-13	Reasonable	5	1		
Absence Management, Annual Leave and Flexi Leave	R07.01 R08.01	2014-15	2014-15 WIP				5
Payroll - 2015-16 Testing of the new system	N/A	New Area	N/A	3	1		
Payroll - Audit	N/A	2013-14	Reasonable	5	2	5	5
Post Entry Training	N/A	Pre 2004-05	To be Assessed				
Employee Health, Safety and Welfare	R04.01	2011-12	Reasonable	5	3		
Employee Allowances and Expenses	N/A	2014-15	2014-15 WIP				5
Employee Benefits-in-Kind	N/A	2013-14	Reasonable			5	
<b>Total Planned Days:</b>				<b>300</b>		<b>300</b>	<b>300</b>

**Shared Service Audit Plans:**

<b>EK SERVICES:</b>							
Plan Area	Corporate Risk Register Ref:	Year last audited	Previous Assurance level	2015-16 Planned Days	Quarter Prioritised for 2015-16	2016-17 planned days	2017-18 Planned Days
Housing Benefits - Payments	N/A	2014-15	Substantial				15

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Housing Benefits - Overpayments	N/A	2013-14	Substantial			15	
Housing Benefits – Fraud Investigations Unit	R04.03	2013-14	Reasonable			15	
Housing Benefits – Admin & Assessment	N/A	2014-15	Substantial				15
Housing Benefit - Appeals	N/A	New Area	To Be Assessed	15	3		
Housing Benefit - DHP	N/A	New Area	To Be Assessed	15	4		
Housing Benefits – Quarterly Testing	N/A	2014-15	N/A	40	1 to 4	40	40
Council Tax	N/A	2014-15	Substantial			30	
Business Rates	N/A	2013-14	Reasonable	30	2		30
Customer Services/Gateway	N/A	2014-15	Reasonable			15	
Debtors and Rechargeable Works	R01.02	2013-14	Reasonable	15	3		15
Corporate/Audit plan/Follow-up	N/A	2014-15	Not Applicable	9	1 to 4	9	9
ICT – Change Controls	R04.03	2013-14	Limited			12	
ICT – File Security	R04.03	2014-15	2014-15 WIP				
ICT – Network Security	R04.03	2012-13	Substantial			12	
ICT – Procurement and Disposal	R04.03	2013-14	Reasonable				12
ICT – Internet and e-mail	R04.03	2014-15	2014-15 WIP				12
ICT – Management and Finance	R04.03	2011-12	Reasonable	12	4		
ICT – Physical and Environment	R04.03	2014-15	Reasonable				
ICT – Software Licensing	R04.03	2012-13	Limited			12	
ICT - PCI-DSS	N/A	New Area	To Be Assessed	12	1		
ICT - Disaster Recovery	N/A	New Area	To Be Assessed	12	1		
ICT – PC Controls and Application Controls	R04.03	2013-14	Reasonable				12
<b>Total Planned Days:</b>				<b>160</b>		<b>160</b>	<b>160</b>

<b>EAST KENT HOUSING LIMITED:</b>							
<b>Plan Area</b>	<b>Corporate Risk Register Ref:</b>	<b>Year last audited</b>	<b>Previous Assurance level</b>	<b>2015-16 Planned Days</b>	<b>Quarter Prioritised for 2015-16</b>	<b>2016-17 planned days</b>	<b>2017-18 Planned Days</b>
Governance	N/A	2011-12	Reasonable			15	
Interfaces with Finance and ICT Systems	N/A	2011-12	Substantial				
Audit Ctte/EA Liaison/Follow-up	N/A	2014-15	N/A	6	1 to 4	6	6
Rent Accounting, Collection and Debt Management	N/A	2013-14	Reasonable			30	
Repairs and Maintenance	R02.01	2013-14	Reasonable	30	3 to 4		
Leasehold Services	N/A	2013-14	Limited				30
Health and Safety (Fire, Gas etc)	N/A	2014-15	Various			29	
Sheltered and Supported Housing (including Supporting People)	N/A	Pre 2004-05	To be Assessed	34	2		
Void Property Management	N/A	2010-11	Reasonable	10	3 to 4		15

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Tenancy and Estate Management	N/A	2012-13	Reasonable				29
<b>Total Planned Days:</b>				<b>80</b>		<b>80</b>	<b>80</b>

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## INTERNAL AUDIT PROGRESS REPORT

To: **Governance and Audit Committee: 17<sup>th</sup> March 2015**

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

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

Classification: **Unrestricted**

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**Summary:** **This report gives Members a summary of the internal audit work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 31<sup>st</sup> December 2014.**

### **For Information**

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#### **1.0 Introduction**

1.1 This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 31<sup>st</sup> December 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 the relevant member of Senior Management Team, as well as the manager for the service reviewed.

2.2 Follow-up reviews are performed at an appropriate time, according to the priority of the recommendations, 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 Governance and 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 fourteen internal audit assignments completed during the period, of which five concluded (either wholly or partially) substantial assurance, six concluded (either wholly or partially) reasonable assurance, one concluded Limited assurance and one concluded no 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, four follow-up reviews have been completed during the period.

- 3.3 For the nine month period to 31<sup>st</sup> December 2014, 208.55 chargeable days were delivered against the planned target of 320.31 days which equates to 65.11% 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 2014-15 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 are being met from the Financial Services 2014-15 budgets.

#### **5.2 Legal Implications**

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

5.3 Corporate Implications

5.3.1 Under the Local Code of Corporate Governance accepted by Cabinet on 8<sup>th</sup> December 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
	Paul Cook, Interim Director of Corporate & Regulatory Services & Deputy 151 Officer Ext. 7617

**Annex List:**

Annex 1	East Kent Audit Partnership Update Report – 17-03-2015
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**Background Papers:**

<b>Title</b>	<b>Details of where to access copy</b>
<i>Internal Audit Annual Plan 2014-15</i>	Previously presented to and approved at the 20 <sup>th</sup> March 2014 Governance and Audit Committee meeting
<i>Internal Audit working papers</i>	Held by the East Kent Audit Partnership

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

**1.0 INTRODUCTION AND BACKGROUND**

1.1 This report provides Members with an update of the work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 31<sup>st</sup> December 2014.

**2.0 SUMMARY OF REPORTS**

	<b>Service / Topic</b>	<b>Assurance level</b>
2.1	Licensing	Substantial
2.2	EKS – Council Tax	Substantial
2.3	EKS – Housing Benefit Administration & Assessment	Substantial
2.4	Income	Substantial/Limited
2.5	HRA Business Plan	Substantial/Limited
2.6	Sports Development & Footprints in the Sand	Reasonable
2.7	Right to Buy	Reasonable
2.8	EKS – Customer Services	Reasonable
2.9	EKS – ICT Physical & Environmental Controls	Reasonable
2.10	EKS – ICT Internet and email	Reasonable
2.11	CCTV	Reasonable/Limited
2.12	East Kent Housing – Leasehold Services	Limited
2.13	Authorisation of Overtime within Waste, Recycling & Street Cleansing	No Assurance
2.14	EKS – Quarterly Housing Benefit Testing (Quarter 1 of 2014-15)	Not Applicable

**2.1 Licensing – Substantial Assurance:**

**2.1.1 Audit Scope**

To ensure that Licences are issued correctly to applicants who qualify for the various licensing categories, the information is recorded accurately and the income receivable by the Council is collected correctly and on a timely basis in line with the procedures laid down.

**2.1.2 Summary of Findings**

The Council is the Licensing Authority under the Licensing Act 2003 and is responsible for granting premises licences, club premises certificates, temporary

events notices and personal licences in respect of the sale and/or supply of alcohol. The Licensing Authority also licenses the provision of regulated entertainment, late night refreshment and sexual entertainment venues. The Licensing Authority aims to permit the use of premises for gambling as set out in Section 153 of the Gambling Act 2005.

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

- The service is well managed in accordance with the prevailing legislation;
- The sample of license files examined were kept in good administrative order;
- The sample of licenses examined were all correctly administered;
- The software application system is used effectively to administer the different categories of licenses across the district; and
- There is a clear audit trail in place for all transactions and licences.

Some minor scope for improvement was however identified in the following areas:

- The income collection controls could be improved with a simple reconciliation between the Licensing M3 system and Cedar e-financials (the Council's main accounting system) at year end which would provide assurance on the effectiveness of the initial financial control in place; and
- The level of management information captured in the performance data could marginally be improved upon.

## **2.2 EK Services Council Tax – Substantial Assurance:**

### **2.2.1 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 Council Tax especially the recording of accounts, billing and monitoring of accounts including changes in responsible person.

### **2.2.2 Summary of Findings**

Canterbury City Council, Dover District Council and Thanet District Council participate in a shared service programme with EK Services. A Service Level Agreement (SLA) has been created between the partner organisations detailing service delivery. Included within the SLA is the provision for EK Services to undertake the processing and administration of Council Tax for the three authorities. The SLA is reviewed annually by all partners and it is updated accordingly.

The performance of EK Services is monitored very closely by EK Services Senior Management and the client officers from the partner authorities. Targets have been set to ensure that EK Services meet the expectations set by each authority and the commitments agreed in the SLA.

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

- There is a SLA in place which details the expectations of the partner authorities

- There are targets and performance indicators in place to ensure that EK Services attain a high standard for the processing and administration of council tax and this is reported regularly to the relevant senior management.

Scope for improvement was however identified in the following areas:

- The notes or diary are not always being utilised to provide a clear picture of the action taken on an account.
- The council tax accounts in credit need to be reviewed periodically to ensure they are kept to a minimum.

## **2.3 EK Services – Housing Benefit Admin & Assessment - 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 authorities of Canterbury CC, Dover DC and Thanet DC and incorporate relevant internal controls regarding the administration and assessment of housing benefit claims.

### 2.3.2 Summary of Findings

EK Services undertake the administration of housing benefit and council tax support for the three East Kent authorities. The SLA is reviewed annually by all partners and it is updated accordingly.

Since the last audit in March 2013, significant work has been undertaken to create a payment page on the EK Services Intranet which provides all staff with a central place where they can access assessment tools, training aids, benefit circulars, forms, case law, useful desk tools and internal guidance and procedures.

The performance of EK Services is monitored very closely by EK Services Senior Management and the client officers from the partner authorities. Targets have been set to ensure that EK Services meet the expectations set by each authority and the commitments agreed in the SLA.

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

- There is a SLA in place which details the expectations of the partner authorities
- There are targets and performance indicators in place to ensure that EK Services attain a specific standard for the administration of housing benefit and this is reported regularly to the relevant senior management.
- Since the last audit, action has been taken to collate all important and relevant information regarding the processing of housing benefit on to a page on the EK Services intranet which all staff can access.
- The Systems Team ensure that comprehensive testing is undertaken on any software patches and upgrades before they are installed onto the live systems.

Scope for improvement was however identified in the following areas:

- The procedures and records used by the Quality Team are not being consistently applied across all partner authorities.

## **2.4 Income – Substantial/Limited Assurance.**

### 2.4.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that all income due to the Council is completely and accurately accounted for in a timely manner.

### 2.4.2 Summary of Findings

The Council has a new income accounting system, CAPITA. This system went live on 11 June 2014. The income process is currently split across three of the Council's departments, that being Finance, EK Services on behalf of TDC, and Car Parks.

Testing has established that Management can place both Substantial and Limited Assurance on the system of internal controls in operation. The primary reason for this is due to the process being split and no one major reporting line being in place to govern and oversee the function as a whole, which in turn has led to a disjointed process with some vital elements being overlooked and as such left the Council open to risk.

The controls that are effective and give rise the substantial assurance level are as follows; (With minor improvements required in some procedures)

- Post Opening;
- Cheque, Giro and Bank processing; and the
- Reconciliation Process.

The primary findings giving rise to the Limited Assurance opinion are given as follows, it should be noted that these are all part of the income process and as such attention should be drawn to and given to these areas;

- Out of date safe limits and insurance levels;
- Expired Loomis contract (cash collection contract);
- Missing risk assessments and PPE for the Council's Cash Collector; and
- Review of Adelante Systems with regards to Data Protection and PCI DSS compliance.

## **2.5 HRA Business Plan – Substantial/Reasonable Assurance:**

### 2.5.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council maintains a Housing Revenue Account in accordance with Section 74 of the Local Government and Housing Act 1989 and that the current business plan clearly demonstrates that the Council can maintain its properties to the Decent Homes Standard Plus for the full 30 years of the plan (which runs to 2036).

### 2.5.2 Summary of Findings

The Housing Revenue Account Business Plan was created in 2010 focusing on the next 6 years, with the financial projection covering the next 30 years up to 2040.

The HRA finances are monitored closely by Finance to ensure that the Council's housing stock is maintained to the Decent Home Standard and that the surplus finances are used to fund new projects providing affordable housing and new properties for the Council's housing portfolio.

The Government's self-financing reform was introduced in April 2012. Many authorities had to enter into large loan agreements with the Public Works and Loan Board to pay for their housing stock. However Thanet District Council received a one off settlement payment of £925,000 from the Government as their housing stock had been valued for subsidy purposes higher than the self-financing valuation.

The Government's social rent reform published in 2003 required all local authorities to move to a formula rent and a 'target' rent level would be reached by initially 2012 but this date was postponed to 2015/16. This guidance was updated in May 2014 where the rent was to be set on a social rent basis based on the condition, location, size of the property and the local earnings. Although the rent levels have been closely monitored there are a number of properties where the rent level is below the 'target' rent, resulting in an annual loss of approximately £100,000.

<b>Beds</b>	<b>Number of Properties</b>	<b>Weekly Rent Loss</b>	<b>Annual Rent Loss</b>
1	12	£4.23	£220.08
2	139	£293.18	£15,245.12
3	459	£1461.06	£75,975.10
4	50	£168.99	£8,787.73
5	1	£0.60	£31.09
	661	£1928.06	£100,259.12

Action has been taken by Finance to receive approval for when one of these particular properties becomes vacant that it will be re-let at the target rent level therefore reducing the shortfall.

Management can place Reasonable Assurance on the system of internal controls in operation to ensure that the housing stock meets the Decent Home Standard.

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

- The Housing System has a stock condition database.
- The EKH Surveyors maintain a programme of works each year although this is not based on the database.

Scope for improvement was however identified in the following areas:

- The Local Authority Housing Statistic return is not being correctly completed and this may have a financial implication to the Council in the future if grant funding is available for decent homes.
- The EKH Surveyors are not using the Housing System correctly and therefore the stock condition database may not be up to date and accurate.
- A periodic review should be undertaken of the non-decent and potentially non-decent component's to ensure the information on the stock condition database is correct.

Management can place Substantial Assurance on the adequacy and effectiveness of the HRA Business Plan and the controls in place to ensure that the HRA is monitored closely and used for appropriate purposes.

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

- The HRA Business Plan is a comprehensive document which has been appropriately approved.
- The monitoring of the HRA income and expenditure is being closely monitored by Finance to ensure that the projections and assumptions are realistic.

## **2.6 Sports Development & Footprints in the Sand – Reasonable Assurance:**

### **2.6.1 Audit Scope**

To ensure that the Council has established adequate arrangements to deliver upon its Corporate Plan objective to ‘support a broad range of sports, leisure and coastal facilities, and activities’.

### **2.6.2 Summary of Findings**

The Sport and Leisure department ensures the Council can deliver its Corporate Plan objective to “support a broad range of sports, leisure and coastal facilities and activities.” This is undertaken by delivery of regular participation programmes, support packages for local sports clubs, coaches and talented performers and one-off events.

Sport 4 NRG is the main delivery programme for the department aimed at 12-18 year olds and offers the young people of Thanet the chance to take part in sport for free right on their doorstep. The project provides daily after school sessions and special holiday events. The Sport 4 NRG programme is the Council’s commitment to delivering sporting opportunities for young people and attracts hundreds of young people every year. In 2013/14 there were over 4,000 attendances.

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

- A programme of free events is in place for the local community.
- Risk assessment processes are in place and the risk assessment documentation is reviewed on a regular basis. This includes the ones for the national beach volleyball competition that is held on Margate sands and is broadcast on television.
- Thanet sports awards ceremony is held each year to help promote and recognise the local effort of clubs and individuals across the district.
- Grants are available for talented performers, coach education and club development with application processes in place.
- The Footprints in the Sand project exceeded all its targets in respect of events and the number of participants.

Scope for improvement was however identified in the following areas:

- Review the Sport for 4 NRG web pages to ensure that the information is up to date.

- There is currently a backlog of six months attendance sheets and registration forms that still needs to be scanned and processed into CIVICA. This needs to be addressed as it is proposed to use CIVICA for the producing of reports on events and activities in the future and would also remove the need to maintain spreadsheets and other records for the preparation of management reports.
- Procedure notes need to be put in place for the awarding of grants and also the application form could be revised to include an in-house section on how the grant decision was made, by who and when a follow up is to be carried out to ensure that the grant conditions have been complied with.
- The electronic filing system for documents, spreadsheets etc. could be reviewed to assist in making things easier to find (i.e. for financial years for spreadsheets or grant applications and then sub folders for each grant).

## **2.7 Right to Buy – Reasonable Assurance:**

### **2.7.1 Audit Scope**

To examine and evaluate the whole system of controls, both financial and otherwise, established by management in order to carry on the business of the enterprise in regard to Right to Buy applications in an orderly and efficient manner, ensure adherence to management policies, safeguard the Authority's assets and secure as far as possible the completeness and accuracy of its accounting records

### **2.7.2 Summary of Findings**

Council tenants have, under the Right to Buy scheme, the opportunity to purchase their property at a discounted rate based upon the number of years they have been a council tenant and providing they are secure tenants in applicable accommodation. The government has introduced changes to help 'reinvigorate' the scheme and the Right to Buy discount is now up to £77,000 for council tenants living in Kent.

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

- Tenants are be able to exercise their rights in accordance with the Housing Act 1985 (Part V) that provides for the right to buy and information is readily available to them from various Council sources.
- Legislative processes and timeframes are followed in respect of processing right to buy applications.
- Tenancies are verified to confirm that they comply with the appropriate qualifying period and the offer price should be correctly calculated from the appropriate base figure.

Scope for improvement was however identified in the following areas:

- East Kent Housing (EKH) do not currently fully utilise the scanning facility within CIVICA for all right to buy documentation (i.e. application forms); at present they only use it for generating documents and action reminders.
- EKH need to liaise with the Head of Housing and the Legal team at Thanet District Council to identify if there is a more efficient, and potentially safer way of providing documentation between the Dover and Thanet offices.

## **2.8 EK Services – Customer Services - Reasonable Assurance:**

### 2.8.1 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 interface with the public to respond to customer enquiries and requests for service via e-mail/internet, post, telephone and face-to-face contact points.

### 2.8.2 Summary of Findings

Customer Services is the first point of contact for most of the customers that visit or call Canterbury City, Dover District and Thanet District Councils. EK Services operates with a total of 90 full and part-time staff. Resources are distributed at a ratio of approximately 34 staff for Canterbury, 26 staff for Dover and 30 staff for Thanet. EK Services have built some resilience within the service, training some staff to cover two or three sites in order to meet operational needs such as peaks and troughs in demand throughout the year.

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

- The service is supported by well documented and clearly defined Service Level Agreement and Service Plan;
- The Service Standards expected of staff are clearly defined in the Customer Service Standards Policy which is available on the intranet;
- Face to face contact and telephone contact was compliant with the expectations set out in the Customer Service Standards Policy;
- The training regime was well implemented;
- Information made available to the public was clear and concise; and
- The Risk Management Process seemed to be working effectively.

Scope for improvement was however identified in the following areas:

- EK Services could be more effective by introducing performance indicators which attempt to measure how effective it is at meeting it's own objective of 'right first time';
- No recorded minutes are currently being taken at Management Team Meetings and Meetings with Client Officers at each of the three councils;
- There is still some cash handling routines in place which present some level of risk to two of the Councils; and
- There is no clear instruction on what to do in an emergency available on the intranet for employees based at Thanet.

## **2.9 EK Services – ICT Physical & Environment - Reasonable Assurance:**

### 2.9.1 Audit Scope

To ensure that the physical and environmental controls over the main ICT assets, including the servers are robust and are sufficient to enable EK Services to provide the level of ICT service required by the partner Councils.

### 2.9.2 Summary of Findings



EK Services ICT services is responsible for protecting and maintaining the network and providing ICT support services across all partner authorities. EK Services Business Support procures ICT equipment according to the specifications provided by EK ICT Services.

Individual authorities retain ownership of their ICT assets and are responsible for the physical and environmental controls of their ICT suites e.g. fire suppressant and cooling systems, power supplies and access controls.

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

- ICT security policies are in place and are accessible to all staff;
- Approximately 95% of local authority ICT equipment is recorded on a centrally held system (Track-IT);
- EK Services/all partner authorities are members of the PSN which means that they must satisfy an independent IT Health Check and be CoCo compliant;
- A new, more efficient, back-up system is currently being implemented.

Scope for improvement was however identified in the following areas:

- ICT server rooms should be kept clear of hazards;
- Reconcile ICT equipment across all partner authorities.

## **2.10 EKS ICT Internet and email – Reasonable Assurance.**

### 2.10.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council's Officers and Members use of the Internet and email facilities are in line with corporate guidelines and legislative requirements such as the Misuse of Computers Act.

### 2.10.2 Summary of Findings

Canterbury City Council, Dover District Council and Thanet District Council provide technology devices, such as PCs, laptops, thin client devices, Blackberrys, and PDAs, together with access to the Internet and email to officers and members

There are a number of legislative requirements that must be adhered to in relation to telephony, IT networks and any specific applications, e-mail and Internet use. The acceptable use policy defines for all staff what is acceptable and unacceptable use of Council systems and equipment.

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

- There are clear and concise policies relating to the acceptable use of the Councils' internet and email facilities.
- EK Services are able to run reports to show usage if management request them.
- Suitable virus protection is in place to protect the Councils' networks.
- Internet filtering takes place to stop access to inappropriate websites.

Scope for improvement was however identified in the following areas:

- The policies need reviewing to ensure they are still up to date with legislation.
- Internal emails are not monitored, the councils should determine if they would benefit from some monitoring to prevent miss-use.

## **2.11 CCTV – Reasonable/Limited Assurance.**

### 2.11.1 Audit Scope

To evaluate the procedures and processes of the CCTV function, with a view to providing assurance on the adequacy, application and effectiveness of the internal controls present and to ensure their full compliance with national and Council Policies.

### 2.11.2 Summary of Findings

The use of cameras is covered by a CCTV Code of Practice and a CCTV Operators Procedures Manual which sets out how the operation will be conducted on a daily basis. According to the Council's Code of Practice there are 132 cameras operational across Margate, Broadstairs and Ramsgate, the vast majority of which are of the tilt, pan and zoom configuration with only a small number of static cameras.

To ensure public confidence in the CCTV system there is in operation the use of lay visitors to carry out random checks of the operation comparing its use to the two guiding Codes and an annual peer review undertaken by another service.

Management can place both limited and reasonable assurance on the system of internal controls in operation.

The areas that Management can place limited assurance on are as follows, both of which could give rise to breach of Data Protection and possible legal action:

- No formal arrangements/agreement in place for data sharing with the Thanet Safe Scheme, and;
- No clear and defined roles and responsibilities in place over the use/ability to view images for the Parish Council's CCTV system. Testing identified that this system may not even be registered.

The areas that Management can place reasonable assurance on are as follows:

- There is an up to date, comprehensive, code of practice and Procedures Guide in place;
- The system is inspected/audited through Lay Visitors and Peer reviews;
- The system has been registered with the Information Commissioners Officer and therefore complies with Data Protection;

However, scope for improvement has been identified in the following areas:

- Data sharing protocols for all parties within the Code of Practice;
- Staff training records and risk assessments;
- The use of Privacy Zones;
- The use of annual reports.

- The reviewing of signage.

## **2.12 East Kent Housing Leasehold Services – Limited Assurance.**

### 2.12.1 Audit Scope

To provide assurance that the service costs incurred by the partner council in respect of relevant properties within the housing portfolio, for which the Council owns the freehold, and which are occupied on lease, or have been sold are appropriately re-charged to the tenants/leaseholders/owners in accordance with statutory provisions and Council policy.

### 2.12.2 Summary of Findings

There are approximately 1,400 Leaseholders in the housing stock of the four East Kent councils, representing around 8% of the housing stock managed by East Kent Housing (EKH). EKH provides a management service to these leaseholders, although the nature of the service varies quite widely between each council dependant on the arrangements in place prior to the transfer of the service from each Local Authority to EKH.

The main focus of the review was directed at the following arrangements listed below. It should be noted that the results of the audit have been passed on to City West Homes who was also completing an independent review of the leaseholder service at the same time as this audit review: -

- Examination of key areas and the links between departments and partner councils;
- Examination of the consultation arrangements with leaseholders;
- Examination of the invoicing and debt collection arrangements;
- Examination of documentation and completeness of the audit trail;
- Examination of the way in which service charges were calculated and apportioned.

From the testing completed during this review many of the necessary controls were found to be either partially effective or not effective. This leads us to conclude a Limited Assurance opinion.

Despite this assurance opinion there were identified areas of good practice. Each authority could benefit from adopting at least one of the processes in place at one or more of the partner authorities. Some of the issues that arose spanned across all four sites and these are summarised below: -

- Reliable procedure notes needed to be developed and used;
- EKH needs to strengthen the links between leaseholder services and asset management;
- The Section 20 consultation process was not well exercised and a new process should be adopted which lays out clear areas of responsibility;
- Specified leaseholder satisfaction questionnaires are not provided to leaseholders for major works;
- The annual reports containing individual jobs which are passed to the leaseholder section for the purpose of annual billing should be redesigned in order to strengthen the reconciliation routines; and

- The Leaseholder Handbooks are out of date and should be rebranded, updated and put online.

Some of the issues that arose spanned across two or three sites and these are summarised below: -

- Those Councils that produce estimates should consider reviewing the arrangements and consider changing the word 'estimate' to 'payment in advance';
- Some debt collection arrangements were found to be weak;
- In some instances the audit trail was not complete; and
- In some instances the reconciliation routines were weak;

Some of the other issues that arose were individual to either each Council or to EKH.

## **2.13 Authorisation of Overtime within Waste, Recycling and Street Cleansing – No Assurance.**

### **2.13.1 Audit Scope**

To ensure that the Council has confidence that overtime payments made in Operational Services are not fraudulent, are within existing agreements, were correctly authorised and paid.

### **2.13.2 Summary of Findings**

As a Waste Collection Authority the Council is responsible for the collection of household waste throughout the District; this is a statutory responsibility under the Environmental Protection Act 1990 and the EU Waste Framework Directive. The Waste (England and Wales) (Amendment) Regulations 2012 came into force on 1 October 2012. They amend the Waste (England and Wales) Regulations 2011 by replacing regulation 13. From 1 January 2015, waste collection authorities must collect waste paper, metal, plastic and glass separately. The Council also provides a chargeable collection service for garden waste which is non statutory.

Extensive compliance testing of samples of timesheets and overtime sheets highlighted significant control weaknesses giving rise to the conclusion that Management can have no assurance in this area. Failure to address these weaknesses increases the likelihood of errors being made and/or fraudulent claims being paid without being noticed due to a: -

- a. Failure to implement sufficient authorisation controls;
- b. Inadequate checking of timesheets prior to submission (agency and direct employees);
- c. No procedure notes; and
- d. Lack of consistency.

Management has responded to the report by implementing immediate controls that all timesheets must be authorised prior to payment and the effectiveness of this will be tested and confirmed after the follow up review has been completed, to be reported to this committee in due course.

## **2.14 EK Services – Housing Benefit Quarterly Testing (Quarter 1 of 2014-15):**

### **2.14.1 Background:**

Over the course of 2014/15 financial year the East Kent Audit Partnership will be completing a sample check of Council Tax, Rent Allowance and Rent Rebate and Local Housing Allowance benefit claims.

#### 2.14.2 Findings:

For the first quarter of 2014/15 financial year (April to June 2014) 40 claims including new and change of circumstances of each benefit type were selected by randomly selecting the various claims for verification.

A fail is categorised as an error that impacts on the benefit calculation. However, data quality errors are also shown but if they do not impact on the benefit calculation then for reporting purposes the claim will be recorded as a pass.

#### 2.14.3 Audit Conclusion:

Forty benefit claims were checked and of these three had financial errors that impacted upon the benefit calculation (7.5%) and one had a data quality error. An additional claim is awaiting further clarification regarding the entitlement to income support.

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

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

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs. Outstanding	
a)	East Kent Housing – Rent Collection and Debt Management	Reasonable	Reasonable	H	1	H	1
				M	5	M	1
				L	1	L	0
b)	Ramsgate Marina	Reasonable/ Limited	Reasonable	H	3	H	2
				M	7	M	2
				L	1	L	0
c)	EKS – Housing Benefit Payments	Substantial	Substantial	H	0	H	0
				M	1	M	0
				L	1	L	0
d)	Contaminated Land, Pollution, Air and Water Quality	Reasonable	Reasonable	H	1	H	1
				M	1	M	0
				L	0	L	0

3.2 Details of any individual High priority recommendations outstanding after follow-up are included at Appendix 1 and on the grounds that these recommendations have not been implemented by the dates originally agreed with management, they are now being escalated for the attention of the s.151 officer and Members' of the Governance and Audit Committee.

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

- 3.3 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 0 0
c)	Business Continuity and Emergency Planning – 2012/13	Reasonable	H M L	0 1 0
d)	Officer Code of Conduct and Prevention of Fraud & Corruption – 2013/14	Substantial	H M L	0 1 1
e)	Museums – 2012-13	Reasonable /Limited	H M L	1 1 0
f)	Partnerships and Shared Service Monitoring – 2012-13	Reasonable	H M L	0 1 0
g)	Building Control – 2013-14	Substantial	H M L	0 2 0

#### 4.0 WORK-IN-PROGRESS:

- 4.1 During the period under review, work has also been undertaken on the following topics, which will be reported to this Committee at future meetings: Payroll, Insurance, Creditors, Car Parking, Complaints Monitoring, Equality and Diversity, and Tackling Tenancy Fraud.

#### 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 20<sup>th</sup> March 2014.
- 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:**

All unplanned work is summarised in the table contained at Appendix 3.

## **8.0 INTERNAL AUDIT PERFORMANCE**

8.1 For the nine month period to 31<sup>st</sup> December 2014, 208.55 chargeable days were delivered against the planned target of 320.31 days which equates to 65.11% plan completion.

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

8.3 As part of its commitment to continuous improvement and following discussions with the s.151 Officer Client Group, the EKAP has established a range of performance indicators which it records and measures. The performance against each of these indicators for 2013-14 is attached as Appendix 5.

8.4 The EKAP audit maintains an electronic client satisfaction questionnaire which is used across the partnership. The satisfaction questionnaires are sent out at the conclusion of each audit to receive feedback on the quality of the service. Current feedback arising from the customer satisfaction surveys is featured in the Balanced Scorecard attached as Appendix 4.

### **Attachments**

- Appendix 1 Summary of High priority recommendations outstanding after follow-up.
- Appendix 2 Summary of services with Limited / No Assurances
- Appendix 3 Progress to 31<sup>st</sup> December 2014 against the agreed 2014-15 Audit Plan.
- Appendix 4 EKAP Balanced Scorecard of Performance Indicators to 31<sup>st</sup> December 2014.
- Appendix 5 Assurance statements

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

Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager’s Comment on Progress Towards Implementation.
<i>Ramsgate Marina (December 2014):</i>		
<p>The Council should explore different ways in which Port Control could improve the accuracy of their records relating to vessels arriving and departing particularly under the cover of darkness.</p>	<p><b>Initial Agreed Action:</b> A database of visiting vessels would aid Port Control with this process. Will be reviewed as part of the current admin review.</p> <p><b>Proposed Completion Date:</b> December 14</p> <p><b>Responsibility:</b> Marina Services Manager</p>	<p><b>Response (December 2014) :</b> The Council is preparing to introduce a new Marina Management System which will include a function for maintaining details on all visiting vessels on a single database</p> <p><b>Revised Implementation Date:</b> September 2015</p>
<p>In the medium to long term the Council should consider undertaking a cost / benefit analysis of replacing the boarding card system for visiting vessels with a new electronic and interactive harbour monitoring system capable of allowing Port Control, Dock Masters and the Port Office to share data and capture accurate customer records.</p>	<p><b>Initial Agreed Action:</b> Currently being undertaken as part of the Admin Review.</p> <p><b>Proposed Completion Date:</b> March 14</p> <p><b>Responsibility:</b> Marina Services Manager</p>	<p><b>Response (December 2014) :</b> The Council is preparing to introduce a new Marina Management System which will include a function for maintaining details on all visiting vessels on a single database. It is intended that this will work along side a new electronic and interactive harbour monitoring system capable of allowing Port Control, Dock Masters and the Port Office to share data and capture accurate customer records.</p> <p><b>Revised Implementation Date:</b> September 2015</p>



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

Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager’s Comment on Progress Towards Implementation.
Contaminated Land, Pollution, Air and Water Quality – January 2015		
<p>The Environmental Protection Manager should ensure that resources are in place to deal with any major or complicated contaminated land issues without having an impact on the service provision. This could include investigating the use of another authorities’ Contaminated Land Officer if applicable.</p>	<p>Investigate possibility of additional resources for dealing with contaminated land issues (including use of external contractors and/or increased resources/resilience within EP team).</p> <p><b>Proposed Completion Date:</b> End December 2014</p> <p><b>Responsibility:</b> Environmental Protection Manager /Head of Safer Neighbourhoods</p>	<p>This recommendation is being addressed by a restructure, due to be considered by MT in January 2015.</p>

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

<b>Service</b>	<b>Reported to Committee</b>	<b>Level of Assurance</b>	<b>Management Action</b>	<b>Follow-up Action Due</b>
Absence Management	June 2013	Limited	On-going management action in progress to remedy the weaknesses identified.	Work-in-progress as part of a planned audit
EK Services – ICT Change Control	June 2014	Limited	On-going management action in progress to remedy the weaknesses identified.	2014/15
Waste Vehicle Fleet Management.	September 2014	Reasonable/Limited	On-going management action in progress to remedy the weaknesses identified.	Spring 2015
FOI, Data Protection and Information Management	September 2014	Reasonable/Limited/ Limited	On-going management action in progress to remedy the weaknesses identified.	Spring 2015
Authorisation of Overtime within Waste, Recycling and Street Cleansing	March 2015	No Assurance	On-going management action in progress to remedy the weaknesses identified.	Spring 2015
Employee Benefits-in-Kind	September 2014	Limited	On-going management action in progress to remedy the weaknesses identified.	Work-in-progress

**PROGRESS TO DATE AGAINST THE AGREED 2014-15 AUDIT PLAN – APPENDIX 3**

**THANET DISTRICT COUNCIL:**

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-12-2014	Status and Assurance Level
<b>FINANCIAL SYSTEMS:</b>				
Car Parking and Enforcement	10	10	0.24	Work-in-Progress
Creditors and CIS	8	8	0.17	Work-in-Progress
Income	10	10	14.89	Finalised – Substantial/Limited
Insurance and Inventories of Portable Assets	10	10	0.17	Work-in-Progress
<b>RESIDUAL HOUSING SERVICES:</b>				
Right to Buy	8	8	1.33	Finalised - Reasonable
HRA Business Plan	10	10	9.31	Finalised - Substantial/Reasonable
<b>GOVERNANCE RELATED:</b>				
Fraud Prevention	10	0	0	Postpone to 2015-16 to accommodate unplanned work
Anti-Money Laundering	6	6	5.83	Finalised – Substantial
Complaints Monitoring	10	10	0.65	Work-in-Progress
Scheme of Officer Delegations	7	7	0	Postpone to 2015-16 to accommodate unplanned work
Corporate Advice/SMT	2	2	2.13	Work-in-progress throughout 2014-15
s.151 Officer Meetings and Support	9	9	8.02	Work-in-progress throughout 2014-15
Governance & Audit Committee Meetings and Report Preparation	12	12	9.96	Work-in-progress throughout 2014-15
2015-16 Audit Plan and Preparation Meetings	9	9	3.37	Work-in-progress
<b>CONTRACT RELATED:</b>				
Receipt and Opening of Tenders	6	6	6.26	Finalised - Substantial
<b>SERVICE LEVEL:</b>				
Community Safety	10	10	0.24	Work-in-progress
CCTV	10	10	11.16	Finalised – Reasonable/Limited
Dog Warden, Street Scene and Litter Enforcement	10	10	0.17	Work-in-progress

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-12-2014	Status and Assurance Level
Equality and Diversity	10	20	14.82	Work-in-Progress
Airport and Port Health	10	0	0	Delete and replace with overtime review
Pest Control	10	10	6.01	Finalised – Substantial
Contaminated Land, Pollution, Air and Water Quality	8	8	8.18	Finalised – Reasonable
Dalby Square and Housing Intervention Grants	10	10	0	Work-in-progress
Land Charges	8	8	8.36	Finalised – Substantial
Licensing	10	10	1.18	Finalised – Substantial
Printing and Post	5	5	7.77	Finalised - Substantial
Your Leisure	10	10	0.22	Work-in-progress
Sports Development and Footprints in the Sand	8	8	12.6	Finalised - Reasonable
Waste Vehicle Fleet Management	12	12	11.44	Finalised – Reasonable/Limited
Garden Waste Income	5	5	0	Work-in-progress
<b>OTHER :</b>				
Liaison With External Auditors	2	2	0.68	Work-in-progress throughout 2014-15
Follow-up Reviews	15	15	8.55	Work-in-progress throughout 2014-15
<b>UNPLANNED WORK:</b>				
Overtime within Waste and Recycling	0	10	10	Finalised – No Assurance
<b>FINALISATION OF 2013-14 AUDITS:</b>				
Days under delivered in 2013-14	0	20.31	0	Completed
Procurement	5	5	11.29	Finalised - Substantial
Planning			10.19	Finalised – Substantial/Reasonable
Tackling Tenancy Fraud			6.24	Work-in-progress
Budgetary Control			0.58	Finalised - Substantial
Payroll			6.52	Work-in-progress
Employee Benefits-in-Kind			0.94	Finalised – Reasonable
FOI, Data Protection and Information Management.			8.9	Finalised - Reasonable/Limited/Reasonable
<b>EK HUMAN RESOURCES:</b>				

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-12-2014	Status and Assurance Level
Absence Management	5	5	0.18	Work-in-progress
Payroll	5	5	0	Work-in-progress
Employee Allowances and Expenses	5	5	0	Work-in-progress
<b>TOTAL - THANET DISTRICT COUNCIL RESIDUAL DAYS</b>	<b>300</b>	<b>320.31</b>	<b>208.55</b>	<b>65.11% Complete as at 31-12-2014</b>
<b>UNPLANNED ADDITIONAL WORK</b>				
Interreg Grant – Maritime (Yacht Valley)	4	4	5.72	Work-in-progress throughout 2014-15
Interreg Grant – LOPINOD	4	4	3.52	Work-in-progress throughout 2014-15
Interreg Grant – PAC2	4	4	0.84	Work-in-progress throughout 2014-15
Empty Homes Cluster Grant	0	0.5	0.54	Finalised
Complaint Investigation – CSO Compliance	0	0	6.28	Finalised
Overtime within Waste and Recycling	0	0	47.45	Finalised – No Assurance

**EAST KENT HOUSING LIMITED:**

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-2014	Status and Assurance Level
<b>Planned Work:</b>				
Audit Ctte/EA Liaison/Follow-up	8	8	6.41	Work-in-Progress throughout 2014-15
Finance & ICT Systems	10	10	0	Postpone until 2015-16
Tenant Health & Safety	17	27.93	27.93	Finalised
Void Property Management.	15	0	0	Postpone until 2015-16
Sheltered Housing	30	0	0.2	Postpone until 2015-16
<b>Finalisation of 2013-14 Audits:</b>				
Leasehold Services	0	14.77	23.19	Finalised – Limited Assurance
Rent Collection and Debt Management	0	2.36	2.36	Finalised - Reasonable
Days under delivered in 2013-14	0	0	-0.32	Completed

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-2014	Status and Assurance Level
Unplanned – CSO Compliance	0	16.94	0	Work-in-Progress
<b>Total</b>	<b>80</b>	<b>80</b>	<b>59.77</b>	<b>74.71% at 31-12-2014</b>
<b>Additional Days purchased with saving from 2013-14</b>				
Additional Days purchased with saving from 2013-14	0	8.1	0	Allocated to Leasehold Services Audit
Complaint Investigation – CSO Compliance	0	0	6.28	Finalised

### EK SERVICES:

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-2014	Status and Assurance Level
<b>Planned Work:</b>				
Housing Benefits Admin & Assessment	15	15	14.8	Finalised - Substantial
Housing Benefits Payments	15	16	16.14	Finalised - Substantial
Council Tax	30	16	8.18	Finalised - Substantial
Customer Services	15	15	14.36	Finalised - Reasonable
ICT File Controls / Data Protection / Back ups	12	12	4.15	Work in progress
ICT Internet & Email	12	18	17.64	Finalised - Reasonable
ICT Physical & Environment	12	17	16.69	Finalised - Reasonable
Corporate/Committee/follow-up	9	10	8.87	Work-in-progress throughout 2014-15
DDC / TDC HB reviews	40	40	12.45	Work-in-progress throughout 2014-15
ICT SAM Procurement	0	11	11.16	Finalised
<b>Finalisation of 2013-14 audits:</b>				
Housing Benefit Verification	0	5.15	4.59	Completed
2013/14 reviews to be completed	0	16	15.64	Completed
<b>Total</b>	<b>160</b>	<b>191.15</b>	<b>144.67</b>	<b>76% Complete as at 31-12-09-2014</b>

**BALANCED SCORECARD – QUARTER 3**

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2014-15 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2014-15 Actual</u>	<u>Target</u>
	<b>Quarter 3</b>		<b>Reported Annually</b>		
Chargeable as % of available days	86%	80%	<ul style="list-style-type: none"> <li>• Cost per Audit Day</li> </ul>	£312.86	
Chargeable days as % of planned days			<ul style="list-style-type: none"> <li>• Direct Costs (Under EKAP management)</li> </ul>	£392,980	
CCC	61%	75%	<ul style="list-style-type: none"> <li>• Indirect Costs (Recharges from Host)</li> </ul>	£19,990	
DDC	75%	75%	<ul style="list-style-type: none"> <li>• ‘Unplanned Income’</li> </ul>	Zero	
SDC	80%	75%	<ul style="list-style-type: none"> <li>• Total EKAP cost</li> </ul>	£412,970	
TDC	65%	75%			
EKS	76%	75%			
EKH	75%	75%			
Overall	72%	75%			
Follow up/ Progress Reviews;					
<ul style="list-style-type: none"> <li>• Issued</li> </ul>	41	-			
<ul style="list-style-type: none"> <li>• Not yet due</li> </ul>	17	-			
<ul style="list-style-type: none"> <li>• Now due for Follow Up</li> </ul>	33	-			
Compliance with the PIAS for Internal Audit Standards	Partial	Full			

**BALANCED SCORECARD – QUARTER 3**

<u>CUSTOMER PERSPECTIVE:</u>	<u>2014-15 Actual</u>	<u>Target</u>	<u>INNOVATION &amp; LEARNING PERSPECTIVE:</u>	<u>2014-15 Actual</u>	<u>Target</u>
	<b>Quarter 3</b>				
<b>Number of Satisfaction Questionnaires Issued;</b>	<b>65</b>		<b>Percentage of staff qualified to relevant technician level</b>	<b>88%</b>	<b>75%</b>
<b>Number of completed questionnaires received back;</b>	<b>18</b> <b>= 28%</b>		<b>Percentage of staff holding a relevant higher level qualification</b>	<b>43%</b>	<b>32%</b>
<b>Percentage of Customers who felt that;</b>			<b>Percentage of staff studying for a relevant professional qualification</b>	<b>25%</b>	<b>13%</b>
<ul style="list-style-type: none"> <li>• Interviews were conducted in a professional manner</li> <li>• The audit report was 'Good' or better</li> <li>• That the audit was worthwhile.</li> </ul>	<b>100%</b>	<b>100%</b>	<b>Number of days technical training per FTE</b>	<b>4.18</b>	<b>3.5</b>
	<b>100%</b>	<b>100%</b>	<b>Percentage of staff meeting formal CPD requirements</b>	<b>43%</b>	<b>32%</b>





**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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## CREDIT METHODOLOGY CHANGES

To: **Governance & Audit Committee – 17 March 2015**

Main Portfolio Area: **Finance**

By: **Section 151 Officer**

Classification: **Unrestricted**

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**Summary: This report concerns credit methodology changes and consequent changes to the Council's investment criteria**

### **For Decision**

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

- 1.1 In the Council's Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy (TMSS), minimum credit ratings criteria are set for investment counterparties.
- 1.2 On 6 February 2015 Capita Asset Services (Capita), the Council's external treasury management advisor, updated the Council on the possible future impact on financial institutions' credit ratings from the main ratings agencies (Fitch, Moody's and Standard & Pools) due to the implied removal of sovereign support.
- 1.3 Capita advised that some financial institutions may see their credit ratings fall as a result of implied sovereign support removal; as this removal may not be fully offset straight away by factors including (i) any underlying improvement in the health of the financial institution in question, and (ii) a more specific focus on increased capital levels aimed at absorbing losses in stressed financial situations.
- 1.4 Capita highlighted that any such fall in financial institutions' credit ratings due to the implied removal of sovereign support is not indicative of deteriorating credit quality in the institution concerned. Instead it is reflective of underlying methodology changes by the credit ratings agencies in light of regulatory changes.

#### **2.0 The Current Situation**

- 2.1 The Council's TMSS uses a Lowest Common Denominator (LCD) assessment in its minimum credit ratings criteria.
- 2.2 Capita has suggested that the LCD assessment be removed from the TMSS so that the Council continues to have a practical, workable counterparty list despite the implied removal of sovereign support.

#### **3.0 Options**

- 3.1 That the Governance & Audit Committee recommends that (i) the LCD assessment no longer be included in the Council's TMSS, and accordingly that (ii) the Council's

TMSS for 2015/16 be amended as per the relevant extracts (sections 4.2 and 5.2) shown in Annex 1.

3.2 That Council resolves that the TMSS for 2015/16 remains unchanged.

#### **4.0 Corporate Implications**

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

4.1.1 If option 3.2 is chosen the Council's counterparty list may reduce in due course.

##### **4.2 Legal**

4.2.1 This report evidences that the requirements of the CIPFA Code of Practice on Treasury Management continue to be met.

##### **4.3 Corporate**

4.3.1 This report evidences that the Council continues to carefully manage its treasury function.

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

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

#### **5.0 Recommendation**

5.1 That the Governance & Audit Committee approves option 3.1.

#### **6.0 Decision Making Process**

6.1 Following approval by the Governance & Audit Committee, this report is to be considered by Cabinet and Council for approval.

#### **7.0 Disclaimer**

7.1 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, Section 151 Officer, extn 7617
Reporting to:	Madeline Homer, Acting Chief Executive

#### **Annex List**

Annex 1	Sections 4.2 and 5.2 of the Council's TMSS for 2015/16
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**Corporate Consultation Undertaken**

Finance	N/A
Legal	N/A

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### Annex 1

#### **SECTIONS 4.2 AND 5.2 FROM THE TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2015/16**

#### **4.2 Creditworthiness policy**

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

The Section 151 Officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

Credit rating information is supplied by Capita Asset Services our treasury consultants, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating watch applying to a counterparty at the minimum Council criteria may be suspended from use, with all others being reviewed in light of market conditions.

The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) is:

- Banks 1 - good credit quality – the Council will only use banks which:
  - i. are UK banks; and/or
  - ii. are non-UK and domiciled in a country which has a minimum sovereign long term rating of AAA

and have, as a minimum, the following credit rating from at least one of Fitch, Moody's and Standard and Poors (where rated):

- i. Short term – F1 (or equivalent)

ii. Long term – A (or equivalent)

- Banks 2 – Part nationalised UK banks – Lloyds Banking Group and Royal Bank of Scotland Group. These banks can be included if they continue to be part nationalised or they meet the above criteria.
- Banks 3 – The Council’s own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
- Bank subsidiary and treasury operations - The Council will use these where the parent bank has the necessary ratings outlined above.
- Building societies: The Council will use all societies which meet the ratings/criteria for banks outlined above.
- Money market funds (including enhanced money market funds) – AAA
- UK Government (including gilts and the DMADF)
- Local authorities, parish councils, community councils, companies controlled by the Council (either alone or with other Local Authorities) etc
- Supranational institutions

A limit of £5m will be applied to the use of investments with a maturity of over 364 days but not more than 370 days.

**Country and sector considerations** - Due care will be taken to consider the country, group and sector exposure of the Council’s investments. In part, the country selection will be chosen by the credit rating of the sovereign state in Banks 1 above. In addition:

- no more than £5m will be placed with any non-UK country at any time;
- limits in place above will apply to a group of companies;
- sector limits will be monitored regularly for appropriateness.

**Use of additional information other than credit ratings.** Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

**Time and monetary limits applying to investments.** The time and monetary limits for institutions on the Council’s counterparty list are as follows (these will cover both specified and non-specified investments):

	Fitch Long Term Rating	Money	Time
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	(or equivalent)*	Limit	Limit
<b>Higher quality</b>	<b>AA-</b>	<b>£6m per institution</b>	<b>370 days</b>
<b>Medium quality</b>	<b>A</b>	<b>£5m per institution</b>	<b>370 days</b>
<b>Part nationalised</b>	<b>N/A</b>	<b>£7m per institution</b>	<b>370 days</b>
<b>Debt Management Account Deposit Facility</b>	<b>AAA</b>	<b>unlimited</b>	<b>6 months</b>
<b>Money market Funds (including enhanced money market funds)</b>	<b>AAA</b>	<b>£6m per fund</b>	<b>370 days</b>
<b>Local authorities, parish councils, community councils, companies controlled by the Council (either alone or with other Local Authorities), Supranational institutions etc</b>	<b>N/A</b>	<b>£4m per institution</b>	<b>370 days</b>

\*The institution must have this minimum credit rating from at least one of Fitch, Moody's and Standard and Poors (where rated).

The proposed criteria for specified and non-specified investments are shown in section 5 for approval.

## 5.2 Specified investments

These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. Local authorities, parish councils, community councils, companies controlled by the Council (either alone or with other Local Authorities).
4. Pooled investment vehicles (such as money market funds including enhanced money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this covers pooled investment vehicles, such as money market funds including enhanced money market funds, rated AAA by Standard and Poor's, Moody's and/or Fitch rating agencies.
5. A body that is considered of a high credit quality (such as a bank or building society). For category 5 this covers bodies with a minimum short term rating of F1 (or the equivalent) and minimum long term rating of A (or the equivalent) as rated by at least one of Standard and Poor's, Moody's and/or Fitch rating agencies.
6. Any part nationalised UK bank or building society.

7. Any subsidiary and treasury operations where the parent bank or building society has the necessary ratings outlined above.
8. The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies, as set out in this report.

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## **TREASURY MANAGEMENT UPDATE FOR THE QUARTER ENDED 31 DECEMBER 2014**

To: **Governance & Audit Committee – 17 March 2015**

Main Portfolio Area: **Finance**

By: **Section 151 Officer**

Classification: **Unrestricted**

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**Summary: To Update the Governance & Audit Committee on Treasury Activity during the Quarter ended 31 December 2014**

### **For Information**

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

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

#### **2.0 Capita's Economic Background (issued by the Council's treasury advisor, Capita Asset Services, on 6 January 2015)**

2.1 After strong UK GDP growth in 2013 at an annual rate 2.7%, and then in 2014 0.7% in Q1, 0.9% in Q2 2014 (annual rate 3.2% in Q2), Q3 has seen growth fall back to 0.7% in the quarter and to an annual rate of 2.6%. It therefore appears that growth has eased since the surge in the first half of 2014 leading to a downward revision of forecasts for 2015 and 2016, albeit that growth will still remain strong by UK standards. For this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting, and particularly of manufactured goods, both of which need to substantially improve on their recent lacklustre performance. This overall strong growth has resulted in unemployment falling much faster than expected. The Monetary Policy Committee (MPC) is now focusing on how quickly slack in the economy is being used up. It is also particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back

significantly above the level of inflation in order to ensure that the recovery will be sustainable. There also needs to be a major improvement in labour productivity, which has languished at dismal levels since 2008, to support increases in pay rates. Unemployment is expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in wage growth at some point during the next three years. However, just how much those future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence, the rate of growth in consumer expenditure and the buoyancy of the housing market, are areas that will need to be kept under regular review.

- 2.2 Also encouraging has been the sharp fall in inflation (CPI), reaching 1.0% in November, the lowest rate since September 2002. Forward indications are that inflation is likely to remain around or under 1% for the best part of a year. The return to strong growth has helped lower forecasts for the increase in Government debt over the last year but monthly public sector deficit figures during 2014 have disappointed until November. The autumn statement, therefore, had to revise the speed with which the deficit is forecast to be eliminated.
- 2.3 The U.S. Federal Reserve (Fed) ended its monthly asset purchases in October 2014. U.S. GDP growth rates (annualised) for Q2 and Q3 of 4.6% and 5.0% have been stunning and hold great promise for strong growth going forward. It is therefore confidently predicted that the first increase in the Fed rate will occur by the middle of 2015.
- 2.4 The Eurozone (EZ) is facing an increasing threat from deflation. In November the inflation rate fell to 0.3%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the European Central Bank (ECB) did take some rather limited action in June and September to loosen monetary policy in order to promote growth and is currently expected to embark on quantitative easing early in 2015 to counter this threat of deflation and to stimulate growth.

### 3.0 Capita's Interest Rate Forecast (issued by Capita on 6 January 2015)

- 3.1 The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Bank rate	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	1.75%	2.00%
5yr PWLB rate	2.20%	2.20%	2.30%	2.50%	2.60%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.60%
10yr PWLB rate	2.80%	2.80%	3.00%	3.20%	3.30%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
25yr PWLB rate	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
50yr PWLB rate	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%

- 3.2 Capita Asset Services undertook a review of its interest rate forecasts on 5 January 2015 after a proliferation of fears in financial markets around the plunge in the price of oil had caused a flight from equities into bonds and from exposure to the debt and equities of emerging market oil producing countries to safe havens in western countries. These flows were compounded by further fears that Greece could be heading towards an exit from the Euro after the general election on January 25 and financial flows generated by the increasing likelihood that the ECB would soon be starting on full blown quantitative easing (QE) purchase of Eurozone government debt. In addition, there has been a sharp increase in confidence that the US will start increasing the Fed rate by the middle of 2015 due to the stunning surge in US GDP growth in quarters 2 and 3 of 2014. This indicated that the US is now headed towards making a full recovery from the financial crisis of 2008.
- 3.3 The result of the combination of the above factors is that we have seen bond yields plunging to phenomenally low levels, especially in long term yields. These falls are unsustainable in the longer term but just how quickly these falls will unwind is hard to predict. In addition, positive or negative developments on the world political scene could have a major impact in either keeping yields low or prompting them to recover back up again. We also have a UK general election coming up in May 2015; it is very hard to predict what its likely result will be and the consequent impact on the UK economy, and how financial markets will react to those developments.
- 3.4 This latest forecast includes a move in the timing of the first increase in Bank Rate from quarter 2 of 2015 to quarter 4 of 2015 as a result of the sharp fall in inflation due to the fall in the price of oil and the cooling of the rate of GDP growth in the UK, albeit that growth will remain strong by UK standards, but not as strong as was previously forecast. The Governor of the Bank of England, Mark Carney, has repeatedly stated that increases in Bank Rate will be slow and gradual. The MPC is concerned about the impact of increases on many heavily indebted consumers, especially when average disposable income is only currently increasing marginally as a result of wage inflation now running slightly above the depressed rate of CPI inflation, though some consumers will not have seen that benefit come through for them. In addition, whatever party or coalition wins power in the next general election, will be faced with having to implement further major cuts in expenditure and/or increases in taxation in order to eradicate the annual public sector net borrowing deficit.

#### **4.0 Annual Investment Strategy**

4.1 The Treasury Management Strategy Statement (TMSS) and revised TMSS for 2014/15, which includes the Annual Investment Strategy, were approved by the Council on 6 February 2014 and 2 October 2014 respectively. They set out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield

4.2 The Council will also aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 370 days, with highly credit rated financial institutions, using the suggested Capita Credit List (which includes sovereign credit rating and Credit Default Swap (CDS) overlay information).

4.3 Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 31st December 2014.

4.4 Investment rates available in the market have been broadly stable during the quarter and have continued at historically low levels as a result of the ultra-low Bank Rate and other extraordinary measures such as the Funding for Lending Scheme. The average level of funds available for investment purposes during the quarter was £40.213m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme. The Council does not invest funds for over 370 days.

4.5 The yield on deposits for the quarter ended 31 December 2013 was 0.50% against a benchmark (average 7-day LIBID rate) of 0.36%. The Council's budgeted deposit return for 2014/15 is £0.148m, and performance for the year to date is above budget at £0.162m.

#### **5.0 Borrowing**

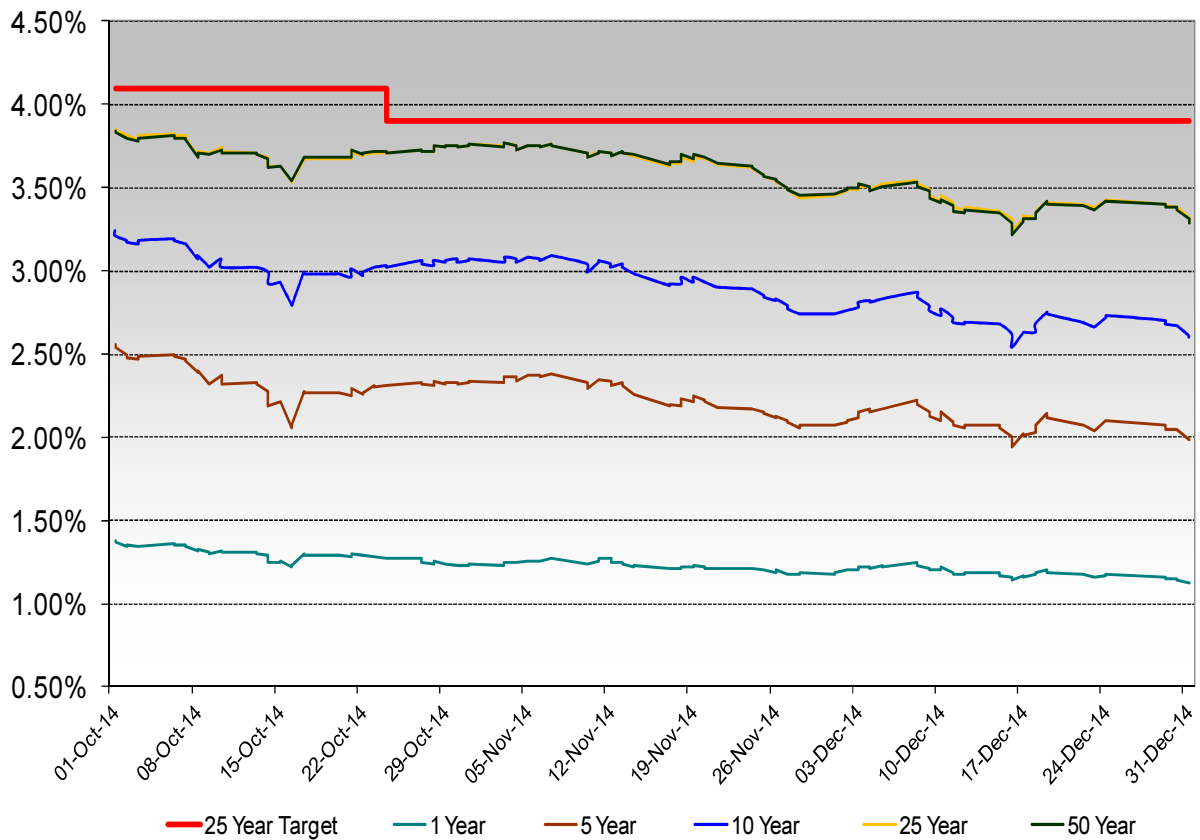
5.1 Capita's 25 year PWLB target (certainty) rate for new long term borrowing fell from 4.10% to 3.90% in late October. Due to the overall financial position and the underlying need to borrow for capital purposes (the Capital Financing Requirement - CFR), new external borrowing was undertaken in Q3 2014/15 from the PWLB as shown below:

- £1,800,000 advanced on 23 October 2014 and repayable by equal instalments of principal over 21 years at 3.08% pa.

## 5.2 PWLB certainty rates, quarter ended 31st December 2014

(Please note that the graph below is unable to show separate lines for 25 and 50 year rates as those rates were almost identical)

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.12%	1.94%	2.54%	3.24%	3.22%
Date	31/12/2014	16/12/2014	16/12/2014	16/12/2014	16/12/2014
High	1.38%	2.56%	3.24%	3.85%	3.84%
Date	01/10/2014	01/10/2014	01/10/2014	01/10/2014	01/10/2014
Average	1.24%	2.23%	2.91%	3.60%	3.60%



5.3 Debt rescheduling opportunities have been limited in the current economic climate and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. During the quarter ended 31st December 2014 no debt rescheduling was undertaken.

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

6.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.

6.2 During the financial year to date the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.

## **7.0 Options**

That the Governance & Audit Committee approves this report.

## **8.0 Corporate Implications**

### **8.1 Financial and VAT**

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

### **8.2 Legal**

8.2.1 It is best practice that this report is brought before the Governance & Audit Committee for approval, under the CIPFA Treasury Management Code of Practice.

### **8.3 Corporate**

8.3.1 This report evidences that the Council continues to carefully manage the risk associated with its treasury management activities.

### **8.4 Equity and Equalities**

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

## **9.0 Recommendation(s)**

9.1 That the Governance & Audit Committee approves this report.

## **10.0 Decision Making Process**

10.1 This report is presented to the 17 March 2015 Governance & Audit Committee meeting for approval.

## **11.0 Disclaimer**

11.1 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, Section 151 Officer, extn 7617
Reporting to:	Madeline Homer, Acting Chief Executive

**Annex List**

N/A	
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**Corporate Consultation Undertaken**

Finance	N/A
Legal	N/A

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## QUARTERLY PROGRESS REPORT ON THE CORPORATE RISK REGISTER

To: **Governance and Audit Committee – 17 March 2015**

Main Portfolio Area: **Corporate Resources**

By: **Interim Head of Financial Services**

Classification: **Unrestricted**

Ward: Not applicable

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**Summary:** To provide Governance and Audit Committee with Quarter 3 progress report on the Corporate Risk Register.

### For Information

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

1.1 This report provides Governance and Audit Committee with an update on the Corporate Risk Register (CRR).

1.2 Members were given a copy of the CRR at their meeting on 24 September 2014 and were advised to keep a copy of the CRR as part of their Governance and Audit Committee Guidance Packs, so that they can refer to it in future.

#### **2.0 The Current Situation**

##### **2.1 Corporate Risk Register**

2.1.1 Attached at **annex 1** is Quarter 3 progress report on the CRR. The items covered in the report are:

###### **2.1.1.1 Section 1 – Risk Ratings**

Officers who are risk owners have provided members with an update on the latest position with their risk.

###### **2.1.1.2 Section 2 – Time-bound Control Measures (TCA)**

Officers who are TCA control measure owners have provided members with an update on the latest position with their control measures.

Control measures which are business as usual or day-day work (BAU) will be reported on at year end.

###### **2.1.1.3 Section 3 - Changes to the CRR**

Changes to the CRR which have been approved by Councillor Elizabeth Green, the Cabinet Member designated as the Council's Risk Management Champion.

2.1.1.4 **Section 4 – Officer List**

Provides name and designation of risk and control measure owners.

2.1.2 Control measures associated with Hand Arm Vibration Syndrome will be reported in Quarter 4.

**3.0 Options**

3.1 That Members note the content of **annex 1**, Quarter 3 progress report on the CRR and identify any issues on which they require more clarification.

**4.0 Corporate Implications**

**4.1 Financial and VAT**

4.1.1 Whilst the CRR includes a comprehensive review of corporate financial risks, there are no financial implications for the recommendation required by this report.

**4.2 Legal**

4.2.1 Whilst the CRR includes consideration of legal matters in as far as they relate to risks to the council, there are no legal implications for the recommendation required by this report.

**4.3 Corporate**

4.3.1 The CRR sets out how the Council will seek to control the risks it faces. The approach suggested is in accordance with the requirements of the Council's constitution and agreed Risk Management Framework.

**4.4 Equity and Equalities**

4.4.1 There are no equity or equalities issues arising from this report. The risk register identifies a number of activities designed to control risks and these will each need to be assessed for equality impact in their own right.

**5.0 Recommendation(s)**

5.1 **That Members note the content of annex 1 and identify any issues on which they require more clarification.**

**6.0 Decision Making Process**

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

Future Meeting if applicable: G&A – Quarter 4 Progress Report	Date: 24 June 2015
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Contact Officer:	Nicola Walker, Interim Head of Financial Services DDI 01843 577236
Reporting to:	Paul Cook, Director of Corporate Resources, DDI 01843 577617

**Annex List**

Annex 1	Quarter 3 progress report on the Corporate Risk Register
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***Background Papers - NA***

Title	Details of where to access copy

***Corporate Consultation Undertaken***

Finance	Matthew Sanham, Corporate Finance Manager
Monitoring Officer / Legal	Steven Boyle, Interim Legal Services Manager & Monitoring Officer



# Corporate Risk Register Progress Report

## Quarter 3 2014/15

Section 1	Risk Ratings (Provides details of changes to risk ratings with comment)
Section 2	Time-bound Control Measures (Provides details of progress made with implementation of time-bound control measures.)
Section 3	Changes to the Corporate Risk Register (Lists any changes made which have been approved by the Risk Management Champion.)
Section 4	Officer List with Designations



Section 1

Risk Ratings

R01 Risks - Financial difficulties threaten the Thanet identity to which the Council aspires										
Name	Description	Owner	Current Risk Rating	Current Alert	Date last scored	Uncontrolled Risk Rating	Controlled Risk Rating	Latest Comment	Last comment date	
R01.01: Assumptions in the MTFP	R01.01: Incorrect assumptions made in setting the Medium Term Financial Plan (MTFP) impacting on General Fund, Capital Planning or Housing Revenue Account (HRA)	Cook, Paul	Medium High	🟡	Feb-15	High	Medium High	No change to current risk rating.	Feb-15	
R01.02: Unforeseen situations undermine MTFP validity	R01.02: MTFP well-founded but accepted risk escalates or unforeseen situations undermine MTFP validity	Cook, Paul	Medium High	🟡	Feb-15	High	Medium High	No change to current risk rating.	Feb-15	

R02 Risks - Focus on short term priorities creates long term budget problems										
Name	Description	Owner	Current Risk Rating	Current Alert	Date last scored	Uncontrolled Risk Rating	Controlled Risk Rating	Latest Comment	Last comment date	
R02.01: Focus on short term priorities creates long term budget problems	R02.01: Focus on short term priorities creates long term budget problems	Cook, Paul	Medium High	🟡	Feb-15	High	Medium High	Full budget and MTFP now agreed by Council.	Feb-15	

R03 Risks - Failures of partnership working										
Name	Description	Owner	Current Risk Rating	Current Alert	Date last scored	Uncontrolled Risk Rating	Controlled Risk Rating	Latest Comment	Last comment date	
R03.01: Partnerships fail to deliver from their inception	R03.01: Partnerships fail to deliver from their inception	Cook, Paul	High	🔴	Feb-15	High	Medium High	Partnership template still to be implemented as there is an issue with the range and types of partnerships. No change to current risk rating.	Feb-15	
R03.02: Partnerships fail to deliver because of the way that they are run	R03.02: Partnerships fail to deliver because of the way that they are run	Cook, Paul	High	🔴	Feb-15	High	Medium High	Partnership template still to be implemented as there is an issue with the range and types of partnerships. No change to current risk rating.	Feb-15	

Quarter 3 2014-15 Final

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09/03/15

R04 Risks - Failure of appropriate sustainable business administration practices

Name	Description	Owner	Current Risk Rating	Current Alert	Date last scored	Uncontrolled Risk Rating	Controlled Risk Rating	Latest Comment	Last comment date
R04.01: Risk of injury due to Health & Safety failings	R04.01: Risk of injury due to failure to sustain appropriate Health & Safety conditions for work	Cook, Paul	Medium High		Jan-15	High	Medium High	Although the council has a significant number of measures in place to manage health and safety, including H&S Maps for each service area, it does manage a number of higher risk areas than most councils. This includes running a number of key manual services in-house, as well as operating a port and harbour. This presents higher levels of risk as a result of the types of work being undertaken, which even in a managed risk environment affect both the likelihood and severity of accidents. Considerable work has and is being done on this through the H&S Committee, with a focus currently on ensuring an effective H&S culture through all levels of the organisation.	Oct-14










R04.02: Failure to achieve VFM through procurement methods	R04.02: Failure to achieve value for money (VFM) through procurement methods	Paton, Karen	Medium High	🟡	Jan-15	High	▲	Low	★	<ul style="list-style-type: none"> <li>Procurement framework is continually being refreshed to reflect latest legislative requirements and training for high end procurement activity is provided by direct support of procurement officers.</li> <li>Once contracts are let contract management responsibility falls to the lead officer to maintain delivery and achieve vfm throughout the contract duration. Whilst a level of in house awareness training has been periodically provided, it is recognised that officers would benefit from formal training to equip them with the skills necessary to ensure vfm is achieved for the duration of contracts.</li> </ul>	Jan-15
R04.03: Insufficient defences against fraud	R04.03: Insufficient defences against fraud	Cook, Paul	Medium High	🟡	Feb-15	High	▲	Medium High	🟡	<ul style="list-style-type: none"> <li>East Kent Audit Partnership requested to provide this training.</li> </ul>	Feb-15



R04.07: Emergency planning failure	R04.07: Emergency planning failure	Humber, Mike	Medium High	1	Jan-15	High		Medium-Low		Emergency Plan is currently fit for purpose and will be updated in 2015. Functional Emergency Plans undergoing a programmed update with support from KCC emergency planning staff. Several training courses involving TDC staff undertaken this year including Intro to Emergency Planning, Incident Liaison and Shoreline Oil Pollution. Emergency activation system tested on more than one occasion this year during live incidents. The Council's level of resilience can be improved through more focussed allocation of roles and training of more staff to increase resilience. This will be a focus this year.	Jan-15
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R04.08: Business Continuity planning failure	R04.08: Business Continuity planning failure	Wing, Helan	Medium High		Jan-15	Medium High		Medium-Low		Jan-15	<p>The current Business Continuity Plan was tested in the Spring. Part 1 Corporate Response and Incident Management was updated in May15. Part 2 Service Area Response has been update to reflect the new corporate structure. The entire plan will go through a programmed review in 2015.</p> <p>Officers involved in both Business Continuity and Emergency Planning attend training commissioned by the Kent Resilience Team. In particular this year Link Officer for Business Continuity has attended training on Introduction to Civil Protection and Recovering from Emergencies, as well as the recent SCAT Exercise.</p> <p>Thanet is part of the East Kent Emergency Planning &amp; Business Continuity Group which is facilitated by the Kent Resilience Team. Membership involves the 3 East Kent local authorities, EKH and EKS.</p> <p>Interim Disaster Recovery arrangements currently in place due to delays in progressing to new programme.</p> <ul style="list-style-type: none"> <li>Feedback has been received from Kent Safeguarding Children's Board as part of the section 11 self assessment process.</li> </ul> <p>They gave good assurance and felt that the Council's child protection policy was fit for purpose.</p> <p>A report to CMT is planned for April to look at recommendations for improvement and possible widening to adult safeguarding too.</p>
R04.09: Child protection issues	R04.09: Opportunities to prevent harm to children are missed by staff of TDC or its partners, or children are actually harmed by staff of TDC or its partners	Cassell, Martyn	Medium-Low		Jan-15	Medium High		Medium-Low		Jan-15	

R05 Risks - Mismatch between council resources and stakeholder expectations										
Name	Description	Owner	Current Risk Rating	Current Alert	Date last scored	Uncontrolled Risk Rating	Controlled Risk Rating	Latest Comment	Last comment date	
R05.01: Media controversy	R05.01: Media controversy impacts on the council's ability to achieve its objectives	Thorpe, Hannah	Medium High		Jan-15	High	Medium High	PR training scheduled in to the Members Induction Training following the election in May. Proposal from Improvement Board to prioritise this as part of the programme of training. In the meantime, weekly PR updates continue with CMT and Cabinet to mitigate media risks.	Jan-15	
R05.02: Customer expectations/ demands cannot be met by the council	R05.02: Customer expectations/ demands cannot be met by the council	Cook, Paul	High		Feb-15	High	Medium High	2015-16 budget takes into account recent public consultation on expenditure priorities.	Feb-15	
R05.03: Legal challenges require high level commitment of resources	R05.03: Legal challenges require high level commitment of resources	Boyle, Steven	Medium High		Feb-15	Medium High	Medium High	There are many major projects at present being undertaken by the Council and carry with them financial implications. Whilst these are being managed as much as possible they need to be factored into the start of any project to ensure it is casted properly.	Feb-15	

R06 Risks - Problems relating to political and democratic processes threaten the Thanet identity										
Name	Description	Owner	Current Risk Rating	Current Alert	Date last scored	Uncontrolled Risk Rating	Controlled Risk Rating	Latest Comment	Last comment date	
R06.01: Problems caused by central government policies or practices	R06.01: Problems caused by central government policies or practices prevent the council from achieving its aspiration	Homer, Madeline	Medium High		Oct-14	High 	Medium-Low 	The MTFP and Transformation Agenda (Four Aims: 1. Digitalisation; 2. EKS maximising opportunities; 3. Partnership arrangements (E.g. East Kent Partnership) and 4. Joint venture model opportunities through housing and property services) is intended to mitigate the effects of Government decision making by creating a resilient financial future. The aim is to remodel our business to try and achieve a self containing financial footing.	Oct-14	
R06.02: Ineffective relationships between TDC and Kent	R06.02: Ineffective relationships between TDC and Kent	Homer, Madeline	Medium-Low		Oct-14	High 	Medium-Low 	Both the Leader of KCC and TDC attend Kent Leaders. Both the CE of KCC and TDC attend Kent Chief Executives. TDC and KCC are members of the Thanet Regeneration Board, now Invest Thanet. KCC are involved in Margate Rendezvous and Winter Gardens and there is engagement with KCC's Director of Economic Development.	Oct-14	
R06.03: Public disengagement from the democratic process	R06.03: Public disengagement from the democratic process	Back, Glenn	Medium High		Jan-15	Medium High 	Medium-Low 	Risk rating remains the same. There is nothing to suggest any changes in public disengagement as we move towards the election process.	Jan-15	



R06.04: Difficulties faced by members in the administration of the council	R06.04: Difficulties faced by members in carrying out the administration of the council	Homer, Madeline	Medium High		Oct-14	High		Medium-Low		The Improvement Board has now been established and developing an Action Plan which covers issues identified in the Peer Review. A review of the work of the Improvement Board will take place after March 2015 by the Corporate Performance Review Working Party.	Oct-14
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**R07 Risks - Failure to use staff effectively/ fairly/ appropriately**

Name	Description	Owner	Current Risk Rating	Current Alert	Date last scored	Uncontrolled Risk Rating	Controlled Risk Rating	Latest Comment	Last comment date
R07.01: Staff capacity issues	R07.01: Lack of the right staff in the right place leads to situations where services are inadequately covered or missed (capacity)	Homer, Madeline	Medium High		Oct-14	Medium High	Medium-Low	Effective service planning and performance appraisal & development process has been introduced. We are implementing a roll out of heads of service (HOS) organisational model through corporate restructure. With HOS competent to do the role, this allows CMT to focus on strategic issues. HOS will continue to appraise staffing requirements to refocus service delivery activity against the Transformation Agenda.	Oct-14

R07.02: Staff capability issues	R07.02: Failure to recognise and deal with staff limitations appropriately causes deterioration in service delivery (capability)	Homer, Madeline	Medium-Low	Medium-Low	Medium High	Medium High	Medium-Low	Medium-Low	Oct-14	Oct-14	<p>A Workforce Strategy is being developed with the HR Business Partner.</p> <p>The performance appraisal &amp; development process will identify training needs / skill gaps and lead to performance improvement plans for individuals. This process will equip managers to identify gaps in skill levels and performance delivery, and clarify need for provision of appropriate tools to address capability issues.</p>	Oct-14
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R08 Risks - Service closure or failure											
Name	Description	Owner	Current Risk Rating	Current Alert	Date last scored	Uncontrolled Risk Rating	Controlled Risk Rating	Latest Comment	Last comment date		
R08.01: Service failure or closure	R08.01: Service failure or closure	Homer, Madeline	Medium-Low	Medium-Low	Oct-14	Medium High	Medium-Low	<p>One control measure is manager identification of appropriate succession planning.</p> <p>Another control measure is giving consideration to alternative methods for delivering services, which are more efficient than current arrangements. Consideration is being given to the Devolution Agenda to Parish and Town Councils where they are able to take over services. Also, we are engaging with KCC and other districts to explore further shared/combined service arrangements.</p> <p>A further control exists through effective Asset Management in order to reduce asset liabilities. These should reduce risk of service failure.</p>	Oct-14		

R09 Risks - Failure to sustain improvement of the area (regeneration)

Name	Description	Owner	Current Risk Rating	Current Alert	Date last scored	Uncontrolled Risk Rating	Controlled Risk Rating	Latest Comment	Last comment date
R09.01: Major project failure (e.g. Dreamland, Margate Housing Intervention)	R09.01: Major project failure (e.g. Dreamland, Margate Housing Intervention)	Homer, Madeline	Medium High		Oct-14	Medium High	Medium-Low	<p>Current major projects include: Dreamland: Heads of Terms have been agreed with Margate-based Sands Heritage Ltd., which subject to lease negotiations, would secure them as operator of the iconic Dreamland amusement park. The risk to the Council would reduce significantly with the new operator taking on this role.</p> <p>Housing Intervention (HI) Scheme: The risk is lower on the HI as the HRA is supporting the programme since KCC have reallocated resources to alternative priorities. The Homes &amp; Communities Agency (HCA) is still supporting the programme. However, a future risk remains of lack of funding; so ensuring income generation from the scheme is a priority.</p> <p>Selective Licensing: Initial explorations are just starting that include evaluation of the existing scheme (which ends in April 2016), and on-going requirements in Thanet.</p>	Oct-14

	R09.02: Major Thanet employer or investor reduces/ends investment in Thanet	R09.02: Major Thanet employer or investor reduces or ends their investment in Thanet	Homer, Madeline	Medium High		Oct-14	Medium High		Medium-Low		<p>TDC needs to attract inward investment and is working on an Inward Investment Strategy.</p> <p>Paul Barber, of Discovery Park &amp; Chairman of the Invest Thanet Board (previously Thanet Regeneration Board) is focussing on attracting more investment, and investors, into Thanet. Key aims for Invest Thanet include securing a larger share of government resources, as well as attracting private sector investment into existing companies and persuading overseas companies to locate to the area.</p> <p>Key sites include: Manston Airport whose new owners are proposing mixed use development; Thanet Parkway, is a KCC scheme. KCC is looking to acquire land and secure the building of this station in conjunction with Network Rail and other partners; there is private sector interest in Manston Business Park.</p>	Oct-14
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<p>R09.03: Changes in Thanet's demography not considered in planning</p>	<p>R09.03: Changes in Thanet's demography are not considered in planning for the future</p>	<p>Homer, Madeline</p>	<p>Medium High</p>	<p></p>	<p>Oct-14</p>	<p>Medium High</p>	<p></p>	<p>Medium-Low</p>	<p></p>	<p>The Housing Intervention Scheme is having an impact as MTF, the Health &amp; Wellbeing Board and Invest Thanet. MTF has been rolled out across Thanet; TDC and Thanet Police have a co-located Thanet Safety Unit. Health &amp; Wellbeing Board aims to improve health and thereby facilitate social regeneration. Invest Thanet Board creates partnering and aims to increase inward investment into Thanet. Regeneration Projects are generating better perceptions of the area; this will help to mitigate problems with less economically active populations migrating to Thanet. We aim to attract businesses with different skill requirements that deliver better wages/salaries to improve the local economy.</p>	<p>Oct-14</p>
<p>R09.04: Unsustainable development/lack of the right development</p>	<p>R09.04: Unsustainable development/lack of the right development</p>	<p>Verrall, Adrian</p>	<p>High</p>	<p></p>	<p>Jan-15</p>	<p>High</p>	<p></p>	<p>Medium High</p>	<p></p>	<p>Currently, without an up to date adopted Planning Framework (Local Plan, Community Infrastructure Levy etc.) the risk level is high. The Local Plan and CTL are now being actively progressed towards adoption and will gain weight as the various stages are completed. The risk will reduce accordingly to become low following adoption.</p>	<p>Jan-15</p>

## Section 2

## Time-bound Control Measures

Control Measure Name	Description	Risks affected by this Control Measure	Owner	Start Date	Due Date	Est / Actual End Date	% Done	Stage	Comment	Source Date
00299 Review constitutional & delegated powers ensuring officers work within their powers	Risk R01.01: Undertake review of constitutional and delegated powers to ensure that officers are working within their powers. Develop a way of refining priorities to 'focus on a smaller number', in time to inform the next corporate plan	<ul style="list-style-type: none"> <li>R01.01: Assumptions in the MTFP</li> <li>R01.02: Unforeseen situations undermine MTFP validity</li> </ul>	Boyle, Steven	Jul-14	Dec-14	Jun-15	20.00%	In Progress	<ul style="list-style-type: none"> <li>Resources have been identified from the LGA to assist with this and the Improvement Board will oversee.</li> </ul>	Dec-14
00255 Develop a way of refining priorities		<ul style="list-style-type: none"> <li>R01.01: Assumptions in the MTFP</li> <li>R01.02: Unforeseen situations undermine MTFP validity</li> </ul>	Cook, Paul	Jun-14	Mar-15	Dec-15	100.00%	Completed	<ul style="list-style-type: none"> <li>Control Measure Completed</li> </ul>	Dec-14
00269 Ensure that budget review group identifies Corporate Plan Priorities	Ensure that budget review group identifies Corporate Plan Priorities.	<ul style="list-style-type: none"> <li>R01.02: Unforeseen situations undermine MTFP validity</li> <li>R02.01: Focus on short term priorities creates long term budget problems</li> <li>R04.04: Difficulties in prioritisation</li> <li>R06.03: Public disengagement from the democratic process</li> </ul>	Sanham, Matthew	Jul-14	Dec-14	Feb-15	100.00%	In Progress	<ul style="list-style-type: none"> <li>Themes have been identified as part of the 15/16 budget build, which are incorporated into the Medium Term Financial Plan.</li> </ul>	Dec-14
00266 Ensure council assets are reviewed for adequate maintenance budget allocation	Ensure council assets are reviewed so that long run maintenance requirement is consistent with budget provision.	<ul style="list-style-type: none"> <li>R02.01: Focus on short term priorities creates long term budget problems</li> </ul>	Cook, Paul	Jun-14	Mar-15	Mar-15	50.00%	In Progress	<ul style="list-style-type: none"> <li>Corporate Asset Management Group have met and agreed heads of terms; regular meetings to be held during the year to discuss the Council's assets.</li> </ul>	Dec-14
00267 Ensure HRA asset management strategy and plan is in place	Ensure HRA asset management strategy and plan is in place	<ul style="list-style-type: none"> <li>R02.01: Focus on short term priorities creates long term budget problems</li> </ul>	Wenham, Tanya	Jul-14	Mar-15	Sep-15	20.00%	In Progress	<ul style="list-style-type: none"> <li>The deadline for this has been revised as the work involved is more significant than first estimated and needs to fall in line with EKH timetable.</li> </ul>	Dec-14
00282 Production of property maintenance schedules for housing.	Production of property maintenance schedules for housing.	<ul style="list-style-type: none"> <li>R02.01: Focus on short term priorities creates long term budget problems</li> </ul>	Wenham, Tanya	Jul-14	Mar-15	Mar-15	5.00%	In Progress	<ul style="list-style-type: none"> <li>Working with EKH to produce a schedule. Procurement plan now in draft. Will form part of the asset management strategy</li> </ul>	Dec-14

Control Measure Name	Description	Risks affected by this Control Measure	Owner	Start Date	Due Date	Est/ Actual End Date	% Done	Stage	Comment	Source Date
00238 Adopt an asset management strategy & plan (land & buildings)	Adopt an asset management strategy and plan (land and buildings) with director and cross-party member commitment.	<ul style="list-style-type: none"> <li>R02.01: Focus on short term priorities creates long term budget problems</li> </ul>	Crowley, Edwina	Jan-14	Sep-14	Nov-14	100.00%	Completed	<ul style="list-style-type: none"> <li>The new asset strategy has been completed and adopted by Cabinet in November 2014</li> </ul>	Dec-14
00243 Review of the replacement needs for plant & equipment used in the parks service	Carry out reviews of the replacement needs for all the main items of council's plant and equipment used in the parks service, and ensure that capital bids are submitted if replacement is required within the next five years, so that financial provision can be made.	<ul style="list-style-type: none"> <li>R02.01: Focus on short term priorities creates long term budget problems</li> </ul>	Waite, Gavin	Jul-14	Mar-15	Jan-15	90.00%	In Progress	<ul style="list-style-type: none"> <li>Full list of plant &amp; equipment has been provided, this has now been incorporated into the capital replacement spreadsheet.</li> </ul>	Dec-14
00244 Review replacement needs for plant & equipment used in recycling, waste & cleansing	Carry out reviews of the replacement needs for all the main items of council's plant and equipment used in the recycling, waste and cleansing services, and ensure that capital bids are submitted if replacement is required within the next five years, so that financial provision can be made.	<ul style="list-style-type: none"> <li>R02.01: Focus on short term priorities creates long term budget problems</li> </ul>	Waite, Gavin	Jul-14	Mar-15	Jan-15	90.00%	In Progress	<ul style="list-style-type: none"> <li>The review of vehicle replacement requirements for recycling and waste has now been completed, there is still work to do on cleansing so that any replacement programme meets the operational requirements of the fundamental service review presently being undertaken.</li> <li>This work will be completed by April 2015. Capital has already been allocated to support these service areas.</li> </ul>	Dec-14
00249 Design & implement a partnership checklist template	Design a partnership checklist template (agreement for supply of services that involves the council without formal contract), gain adoption by SMT and present to managers.	<ul style="list-style-type: none"> <li>R03.01: Partnerships fail to deliver from their inception</li> </ul>	Chadwick, Sophie	Jul-14	Sep-14	Feb-15	10.00%	In Progress	<ul style="list-style-type: none"> <li>Director of Corporate Resources in the process of revising risk template.</li> </ul>	Dec-14

Control Measure Name	Description	Risks affected by this Control Measure	Owner	Start Date	Due Date	Est/ Actual End Date	% Done	Stage	Comment	Source Date
00273 Ensure the partnership template is implemented	Ensure the partnership template is implemented to ensure that: partnership objectives are informed by a sound evidence base before they are agreed by TDC; that purposes and objectives are clearly documented with clear procedures for disengagement; and that governance arrangements (including arrangements for reporting progress and performance) are clearly documented.	<ul style="list-style-type: none"> <li>R03.01: Partnerships fail to deliver from their inception</li> </ul>	Cook, Paul	Jul-14	Mar-15	Mar-15	0.00%	Not Started	<ul style="list-style-type: none"> <li>No progress has been made on the partnership template. As previously stated, there is an issue of the range of types of partnership (one size may not fit all).</li> </ul>	Dec-14
00241 Carry out review applying the partnership template to existing partnerships	Carry out review applying the partnership template to existing partnerships (agreement for supply of services that involves the council without formal contract).	<ul style="list-style-type: none"> <li>R03.01: Partnerships fail to deliver from their inception</li> <li>R03.02: Partnerships fail to deliver because of the way that they are run</li> </ul>	Chadwick, Sophie	Apr-14	Mar-15	Mar-15	10.00%	In Progress	<ul style="list-style-type: none"> <li>Director of Corporate Resources in the process of revising risk template.</li> </ul>	Dec-14
00240 Annual due diligence checks on external suppliers where the contract > £75,000.	Annual due diligence checks on external suppliers where the contract value exceeds £75,000.	<ul style="list-style-type: none"> <li>R04.02: Failure to achieve VFM through procurement methods</li> </ul>	Sanham, Matthew	Apr-14	Mar-15	Mar-15	0.00%	In Progress	<ul style="list-style-type: none"> <li>Work is now programmed in over the next few months and will be completed by 31 March 2015.</li> </ul>	Dec-14
00285 Provide staff and member training on fraud	Provide staff and member training on fraud	<ul style="list-style-type: none"> <li>R04.03: Insufficient defences against fraud</li> </ul>	Sanham, Matthew	Jan-15	Feb-15	Feb-15	0.00%	Not Started	<ul style="list-style-type: none"> <li>Has been commissioned from East Kent Audit Partnership.</li> </ul>	> >
00257 Develop an annual prioritisation process	Develop an annual prioritisation processes that ensures consistency between the corporate plan, service plans and strategic objectives.	<ul style="list-style-type: none"> <li>R04.04: Difficulties in prioritisation</li> </ul>	Walker, Nicola	Oct-14	Sep-15	Sep-15	0.00%	Withdrawn	<ul style="list-style-type: none"> <li>CM withdrawn as this will be built in as part of the Corporate Plan process.</li> </ul>	Dec-14



Control Measure Name	Description	Risks affected by this Control Measure	Owner	Start Date	Due Date	EST/ Actual End Date	% Done	Stage	Comment	Source Date
00250 Develop a clear understanding of member priorities and communicate this	Develop a clear understanding of member priorities and communicate this to the organisation and its stakeholders	<ul style="list-style-type: none"> <li>R04.04: Difficulties in prioritisation</li> </ul>	Homer, Madeline	Jul-14	Oct-14	Dec-14	60.00%	In Progress	<p>A Cabinet/CMT awayday took place on 13 August 2104, resulting in agreement for four new focus areas:</p> <p>Environment/Place Economic Development Housing Communication</p> <p>These have now been shared with heads of service for them to include in service planning.</p> <p>The intention is not to duplicate or replace our existing 11 Corporate Priorities but to provide a clearer focus for staff, councillors, our partner organisations and the wider public. The intention is that these areas of focus will complement existing Corporate Plan priorities and the longer term Thanet Vision 2030.</p> <p>This will be communicated with Managers on 27 November at the next Performance Board and with staff at a series of CMT/staff briefing sessions in early December.</p>	Dec-14
00268 Ensure in-house software administrator roles are held by 'experts'	Ensure in-house software administrator roles are held by 'experts' who are required to document basics of software management tasks.	<ul style="list-style-type: none"> <li>R04.05: Failure of ICT systems/ infrastructure</li> </ul>	Chadwick, Sophie	Jan-15	Mar-15	Mar-15	0.00%	Not Started	<p><b>No Officer comment as CM commences after Quarter 3</b></p>	>>

Control Measure Name	Description	Risks affected by this Control Measure	Owner	Start Date	Due Date	Est/ Actual End Date	% Done	Stage	Comment	Source Date
00264 Effective SLA in place with EKS for ICT services.	Effective SLA in place with EKS for ICT services.	<ul style="list-style-type: none"> <li>R04.05: Failure of ICT systems/ infrastructure</li> <li>R06.03: Public disengagement from the democratic process</li> </ul>	Cook, Paul	Apr-14	Mar-15	Mar-15	75.00%	In Progress	<ul style="list-style-type: none"> <li>The draft ICT SLA has been reviewed by the Council's IT User Forum, Kent Resilience Team and key Managers. Significant feedback has been sent back to the Director of EKS ICT and CMT will review this in March 2015.</li> </ul>	Dec-14
00289 Re-introduce housekeeping days (electronic as well as paper filing).	Re-introduce housekeeping days (electronic as well as paper filing).	<ul style="list-style-type: none"> <li>R04.06: Inadequate information management practices</li> </ul>	Chadwick, Sophie	Apr-14	Mar-15	Dec-15	0.00%	Not Started	<ul style="list-style-type: none"> <li>Delayed due to long-term sickness absence. Timescales revised to reflect this.</li> </ul>	Dec-14
00248 Deliver training on good information management practices	Deliver training on good information management practices, including quality and appropriateness.	<ul style="list-style-type: none"> <li>R04.06: Inadequate information management practices</li> </ul>	Chadwick, Sophie	Oct-14	Mar-15	Dec-15	0.00%	Not Started	<ul style="list-style-type: none"> <li>Delayed due to long-term sickness absence, timescales revised to reflect this.</li> </ul>	Dec-14
00239 Adopt and ensure adherence to the government's code of conduct on data transparency.	Adopt and ensure adherence to the government's code of conduct on data transparency.	<ul style="list-style-type: none"> <li>R04.06: Inadequate information management practices</li> </ul>	Chadwick, Sophie	Apr-14	Mar-15	Mar-15	90.00%	In Progress	<ul style="list-style-type: none"> <li>All mandatory datasets published on website</li> </ul>	Dec-14
00259 Develop and implement a succession management plan.	Develop and implement a succession management plan.	<ul style="list-style-type: none"> <li>R04.07: Emergency planning failure</li> <li>R04.08: Business Continuity planning failure</li> <li>R06.03: Public disengagement from the democratic process</li> <li>R07.01: Staff capacity issues</li> </ul>	Greenway, Charlie	Apr-14	Mar-15	Apr-16	1.00%	In Progress	<ul style="list-style-type: none"> <li>The Workforce Strategy and Plan is being developed through 2014 and a plan is approved and in place to achieve this.</li> </ul>	Dec-14
00330 Maintain up-to-date Business Continuity plan.	<p>RI04.08: Maintain up-to-date Business Continuity Plan.</p> <p>Supports multiple objectives; Audit Rec. AU1597.04</p>	<ul style="list-style-type: none"> <li>R04.08: Business Continuity planning failure</li> </ul>	Wing, Helan	Apr-14	Mar-15	Mar-15	90.00%	In Progress	<ul style="list-style-type: none"> <li>The Business Continuity Plan has been updated to reflect the new structure and will go through a programmed review in 2015.</li> </ul>	Dec-14

Control Measure Name	Description	Risks affected by this Control Measure	Owner	Start Date	Due Date	EST/ Actual End Date	% Done	Stage	Comment	Source Date
00301 Update CP information on TOM	Update CP information on TOM	<ul style="list-style-type: none"> <li>R04.09 : Child protection issues</li> </ul>	Cassell, Martyn	Sep-14	Jan-15	Jan-15	40.00%	In Progress	<ul style="list-style-type: none"> <li>Information has been updated with new contact officers following restructure. Responsibility for child protection now sits within Safer Neighbourhoods team.</li> <li>Further information will be uploaded to TOM following the review and when the new intranet launches.</li> </ul>	Dec-14
00302 Update TDC staff list for roles requiring DBS checks	Update TDC staff list for roles requiring DBS checks	<ul style="list-style-type: none"> <li>R04.09 : Child protection issues</li> </ul>	Cassell, Martyn	Jun-14	Mar-15	Mar-15	100.00%	Completed	<ul style="list-style-type: none"> <li>On-going reviews happen as new establishment roles created or for specific queries on role changes. Jointly shared with EKHR and Designated CP Officer (Community Safety and Leisure Manager).</li> </ul>	Dec-14
00288 Re-establish corporate CP Committee	Re-establish corporate CP Committee	<ul style="list-style-type: none"> <li>R04.09 : Child protection issues</li> </ul>	Cassell, Martyn	Sep-14	Jan-15	Jan-15	20.00%	In Progress	<ul style="list-style-type: none"> <li>Officers are due to attend NSPCC formal training in January and will be formulating a review paper following this. The proposed aim is to establish Safeguarding champions across departments to help spread good practice.</li> </ul>	Dec-14
00245 Check compliance with e-learning module for new starters	Check compliance with e-learning module for new starters	<ul style="list-style-type: none"> <li>R04.09 : Child protection issues</li> </ul>	Greenway, Charlie	Jun-14	Sep-14	Dec-14	0.00%	Not Started	<ul style="list-style-type: none"> <li>Awaiting confirmation from the Safeguarding Lead for direction on what this control measure entails and how to complete it.</li> </ul>	Dec-14
00246 Complete Kent Safeguarding Children's self-assessment document	Complete Kent Safeguarding Children's self-assessment document	<ul style="list-style-type: none"> <li>R04.09 : Child protection issues</li> </ul>	Cassell, Martyn	May-14	Oct-14	Jun-14	100.00%	Completed		<<

Control Measure Name	Description	Risks affected by this Control Measure	Owner	Start Date	Due Date	Est/ Actual End Date	% Done	Stage	Comment	Source Date
00284 Provide media training to all Members.	Provide media training to all Members.	<ul style="list-style-type: none"> <li>R05.01: Media controversy</li> <li>R06.04: Difficulties faced by members in the administration of the council</li> </ul>	Thorpe, Hannah	Sep-14	Mar-16	Mar-16	0.00%	Not Started	<ul style="list-style-type: none"> <li>Training to start following the election - May 2015.</li> </ul>	Dec-14
00290 Review channels of communication to external customers	Review channels of communication to external customers to ensure the council has an integrated plan for improvement.	<ul style="list-style-type: none"> <li>R05.02: Customer expectations/ demands cannot be met by the council</li> </ul>	Wingate, Justine	Sep-14	Mar-15	Mar-15	50.00%	In Progress	<ul style="list-style-type: none"> <li>Work is on-going to facilitate increased customer transactions via the website. Social media continues to be a popular channel and consideration of options for improved listening and monitoring systems to provide us with greater customer insights.</li> </ul>	Dec-14
00276 Explore options to consolidate or share services.	Explore options to consolidate or share services.	<ul style="list-style-type: none"> <li>R06.01: Problems caused by central government policies or practices</li> </ul>	Cook, Paul	Jun-14	Mar-15	Apr-15	30.00%	In Progress	<ul style="list-style-type: none"> <li>A Council-wide audit is underway covering the priorities set in the MTFP 15/19 which will identify potential shared service options. The results of the audit will be considered by CMT in 2015.</li> </ul>	Dec-14
00275 Establish framework for building relationship between the Council and local MPs.	Establish framework for building relationship between the Council and local MPs.	<ul style="list-style-type: none"> <li>R06.01: Problems caused by central government policies or practices</li> </ul>	Homer, Madeline	Jul-14	Sep-14	Sep-14	100.00%	Completed		<<
00247 Consider opportunities for reducing service costs through a programme of service reviews.	Consider opportunities for reducing service costs through a programme of service reviews.	<ul style="list-style-type: none"> <li>R06.01: Problems caused by central government policies or practices</li> </ul>	Cook, Paul	Jun-14	Mar-15	Mar-15	0.00%	Withdrawn	<ul style="list-style-type: none"> <li>Savings are now identified through the MTFS process.</li> </ul>	Dec-14
00295 Run campaign to increase participation in the democratic process.	Run campaign to increase participation in the democratic process.	<ul style="list-style-type: none"> <li>R06.03: Public disengagement from the democratic process</li> </ul>	Wingate, Justine	Oct-13	Mar-15	Mar-15	90.00%	In Progress	<ul style="list-style-type: none"> <li>2 large scale campaigns were run in 2014. One for the Canvass and another for the introduction of IER. Now embarking on a large scale campaign to promote registration and the 7 May elections.</li> </ul>	Dec-14

Control Measure Name	Description	Risks affected by this Control Measure	Owner	Start Date	Due Date	Est/ Actual End Date	% Done	Stage	Comment	Source Date
00291 Review options for improving competency of chairmanship/vice-chairmanship posts	Review options for requiring chairmanship/vice-chairmanship posts to be restricted to those who have been on a chairmanship training	<ul style="list-style-type: none"> <li>R06.04: Difficulties faced by members in the administration of the council</li> </ul>	Back, Glenn	Jul-14	Mar-15	Mar-15	0.00%	Not Started	<ul style="list-style-type: none"> <li>Will be considered as part of induction programme following May election.</li> </ul>	Dec-14
00294 Review the officer: member protocol	Review the officer: member protocol and design and deliver training/awareness raising for staff and members	<ul style="list-style-type: none"> <li>R06.04: Difficulties faced by members in the administration of the council</li> </ul>	Homer, Madeline	Jul-14	Mar-15	Mar-15	10.00%	In Progress	<p>Work has commenced on the Member/Officer protocol, which the Improvement Board is currently considering.</p> <p>Meetings have taken place with the Leader/Chief Executive at Gravesham BC as they went through a corporate peer challenge last autumn and their Member/Officer Protocol has been put forward as best practice by the LGA.</p> <p>The Improvement Board have an action to identify small working group from the Improvement Board to work with the Monitoring Officer, and look at our Member/Officer protocol.</p> <p>Ian Lowrie (chair of Improvement Board &amp; former Chief Exec. of Adur District Council) is to run a session on Member/Officer protocol at Managers Forum in November 2014.</p> <p>Democratic Services Manager will be running training sessions on understanding the constitution in order for greater clarity around boundaries.</p>	Dec-14

Control Measure Name	Description	Risks affected by this Control Measure	Owner	Start Date	Due Date	Est/ Actual End Date	% Done	Stage	Comment	Source Date
00401 Ensure regular meetings of the Constitutional Review Working Party	R06.04 Ensure regular meetings of the Constitutional Review Working Party to address standards issue.	<ul style="list-style-type: none"> <li>R06.04 : Difficulties faced by members in the administration of the council</li> </ul>	Back, Glenn	Apr-14	Mar-15	Jun-15	0.00%	In Progress	<ul style="list-style-type: none"> <li>No CRWP meetings have been needed as there have been no proposed changes to the Council's constitution in this quarter.</li> </ul>	Dec-14
00242 Carry out review of the standards regime and make recommendations to Council	Risk R016.04: Carry out review of the standards regime and make recommendations to Council	<ul style="list-style-type: none"> <li>R06.04 : Difficulties faced by members in the administration of the council</li> </ul>	Boyle, Steven	Jul-14	Mar-15	Mar-15	40.00%	In Progress	<ul style="list-style-type: none"> <li>This is being reviewed through the Improvement Board and there is also a resource from the LGA.</li> </ul>	Dec-14
00281 Introduce new standards regime (following Council decision)	Introduce new standards regime (following Council decision)	<ul style="list-style-type: none"> <li>R06.04 : Difficulties faced by members in the administration of the council</li> </ul>	Back, Glenn	Jul-14	Mar-15	Mar-15	0.00%	Withdrawn	<ul style="list-style-type: none"> <li>CM withdrawn as new Control Measure 00401 created 'Ensure regular meetings of the Constitutional Review Working Party'.</li> </ul>	Dec-14
00286 Provide training for all members on chairmanship and meeting management	Provide training for all members on chairmanship and meeting management	<ul style="list-style-type: none"> <li>R06.04 : Difficulties faced by members in the administration of the council</li> </ul>	Back, Glenn	Jul-14	Mar-15	Mar-15	0.00%	Not Started	<ul style="list-style-type: none"> <li>Will be considered as part of induction programme following May election.</li> </ul>	Dec-14
00287 Recruit to the senior staffing structure with the right calibre of staff as quickly as possible	Recruit to the senior staffing structure with the right calibre of staff as quickly as possible	<ul style="list-style-type: none"> <li>R07.01 : Staff capacity issues</li> </ul>	Greenway, Charlie	Jun-14	Nov-14	Apr-15	30.00%	Approved	<ul style="list-style-type: none"> <li>CEX recruitment and process agreed by GPC. Adverts placed for all vacant senior posts with recruitment expected to be complete by end April 2015.</li> </ul>	Dec-14
00292 Review pay scheme suitability.	Review pay scheme suitability.	<ul style="list-style-type: none"> <li>R07.01 : Staff capacity issues</li> </ul>	Greenway, Charlie	Oct-14	Oct-15	Oct-15	10.00%	In Progress	<ul style="list-style-type: none"> <li>Financial Analysis nearing completion. Revisit of objective, structure, process and system scheduled.</li> </ul>	Dec-14
00293 Review staff structure in the light of refreshed Council priorities.	Review staff structure in the light of refreshed Council priorities.	<ul style="list-style-type: none"> <li>R07.01 : Staff capacity issues</li> </ul>	Greenway, Charlie	Nov-14	Dec-15	Dec-15	0.00%	Not Started	<ul style="list-style-type: none"> <li>Senior staff structure has been confirmed further review within Directorates will be carried out once the new incumbents are in place</li> </ul>	Dec-14

Control Measure Name	Description	Risks affected by this Control Measure	Owner	Start Date	Due Date	Est/ Actual End Date	% Done	Stage	Comment	Source Date
00263 Develop plan to build project and programme management capability (Peer Review).	Develop plan to build project and programme management capability (Peer Review).	<ul style="list-style-type: none"> <li>R07.01: Staff capacity issues</li> </ul>	Greenway, Charlie	Apr-14	Mar-15	Apr-16	0.00%	In Progress	<ul style="list-style-type: none"> <li>The Workforce Strategy and Plan is being developed through 2014 and a plan is approved and in place to achieve this.</li> </ul>	Dec-14
00279 Identify reactive services where tracking of work capacity indicators would be beneficial	Identify reactive services where tracking of work capacity indicators would be beneficial (a form of contextual indicator) and set these indicators up in InPhase.	<ul style="list-style-type: none"> <li>R07.01: Staff capacity issues</li> <li>R08.01: Service failure or closure</li> </ul>	Walker, Nicola	Sep-14	Mar-15	Mar-15	0.00%	Withdrawn	<ul style="list-style-type: none"> <li>Control Measure Withdrawn</li> </ul>	Dec-14
00277 Identify administration key man risk and develop a plan to minimise this risk.	Identify administration key man risk and develop a plan to minimise this risk.	<ul style="list-style-type: none"> <li>R07.01: Staff capacity issues</li> <li>R08.01: Service failure or closure</li> </ul>	Greenway, Charlie	Apr-14	Mar-15	Mar-15	10.00%	In Progress	<ul style="list-style-type: none"> <li>Analysis of agency usage for administrative cover over the past 12 months is underway to inform whether key man risk and resilience challenges across the organisation's administration staffing are evidenced. This will inform further action to mitigate this (if evidenced).</li> </ul>	Dec-14
00258 Develop an option appraisal for the introduction of a mentoring or coaching scheme.	Develop an option appraisal for the introduction of a mentoring or coaching scheme.	<ul style="list-style-type: none"> <li>R07.02: Staff capability issues</li> </ul>	Greenway, Charlie	Jan-15	Mar-15	Mar-15	0.00%	Not Started	<p><b>No Officer comment as CM commences after Quarter 3</b></p>	>>
00298 Undertake 'skills gap' analysis when corporate priorities are rationalised (Peer Review).	Undertake 'skills gap' analysis when corporate priorities are rationalised (Peer Review).	<ul style="list-style-type: none"> <li>R07.02: Staff capability issues</li> </ul>	Greenway, Charlie	Oct-14	Dec-14	Apr-16	1.00%	In Progress	<ul style="list-style-type: none"> <li>The Workforce Strategy and Plan is being developed through 2014 and a plan is approved and in place to achieve this.</li> </ul>	Dec-14
00252 Develop a toolkit for managers to support and develop their staff.	Develop a toolkit for managers to support and develop their staff.	<ul style="list-style-type: none"> <li>R07.02: Staff capability issues</li> </ul>	Greenway, Charlie	Mar-15	May-15	May-15	0.00%	Not Started	<p><b>No Officer comment as CM commences after Quarter 3</b></p>	>>

Control Measure Name	Description	Risks affected by this Control Measure	Owner	Start Date	Due Date	EST/ Actual End Date	% Done	Stage	Comment	Source Date
00253 Develop a training programme on competent decision making.	Develop a training programme on competent decision making.	<ul style="list-style-type: none"> <li>R07.02: Staff capability issues</li> </ul>	Greenway, Charlie	Apr-14	Jan-15	Jan-15	1.00%	In Progress	<ul style="list-style-type: none"> <li>This control measure will form part of a wider training programme being developed by the Democratic Services Manager.</li> </ul>	Dec-14
00274 Establish a project risk register	Establish a project risk register	<ul style="list-style-type: none"> <li>R09.01: Major project failure (e.g. Dreamland, Margate Housing Intervention)</li> </ul>	Walker, Nicola	Jul-14	Aug-14	Oct-14	40.00%	Withdrawn	<ul style="list-style-type: none"> <li>CM withdrawn and new BAU created as major project risk registers are held for all projects over £1.5m.</li> </ul>	Dec-14
00296 Timely adoption of sound local plan	Timely adoption of sound local plan	<ul style="list-style-type: none"> <li>R09.03: Changes in Thanet's demography not considered in planning</li> <li>R09.04: Unsustainable development/lack of the right development</li> </ul>	Verrall, Adrian	Aug-12	Feb-17	Feb-17	30.00%	In Progress	<ul style="list-style-type: none"> <li>Demographic trends have and are being considered. Employment trends have been ascertained from a specially commissioned Experian study; Housing trends have been ascertained from the 2011 Census as run through the POP group model by KCC, and an independent strategic housing market assessment. The data will continue to be reviewed as more up-to-date information becomes available.</li> </ul>	Dec-14
00254 Develop a transport strategy & infrastructure delivery plan for Thanet	Develop a transport strategy and infrastructure delivery plan for Thanet to support the Local Plan.	<ul style="list-style-type: none"> <li>R09.04: Unsustainable development/lack of the right development</li> </ul>	Verrall, Adrian	Aug-12	Feb-17	Feb-17	30.00%	In Progress	<ul style="list-style-type: none"> <li>The Transport Strategy is being progressed with the County Council and will be completed ready for consultation for stage 3 of the Local Plan in September/October 2015.</li> </ul>	Dec-14



Control Measure Name	Description	Risks affected by this Control Measure	Owner	Start Date	Due Date	EST / Actual Date	% Done	Stage	Comment	Source Date
00251 Develop a new parking strategy that complements the developing transport strategy.	Develop a new parking strategy that complements the developing transport strategy.	<ul style="list-style-type: none"> <li>R09.04: Unsustainable development/lack of the right development</li> </ul>	Chantrill-Smith, Robin	Jul-14	Dec-14	Dec-14	100.00%	Completed	<ul style="list-style-type: none"> <li>Draft report written being presented at O&amp;S on 13 Jan and then to Cabinet on 20 January 2015</li> </ul>	Dec-14

### Section 3

### Changes to the Corporate Risk Register

#### Change in Risk Owner

R04 Risks - Failure of appropriate sustainable business administration practices			
Name	Description	Owner	New Owner
R04.07: Emergency planning failure	R04.07: Emergency planning failure	Humber, Mike	Luke Glover, Deputy Technical Services Manager
R09.04: Unsustainable development/lack of the right development	R09.04: Unsustainable development/lack of the right development	Fitt, Colin	Adrian Verrall, Strategic Planning Manager following departure of postholder. This will be on an interim basis until Head of Built Environment in post March 2015.
R04.01: Risk of injury due to Health & Safety failings	R04.01: Risk of injury due to failure to sustain appropriate Health & Safety conditions for work	Seed, Mark	Paul Cook, Interim Corporate Resources Director following departure of postholder.

#### Change in Owner for Time-bound Control Measures (TCA)

Control Measure Name	Description	Risks affected by this Control Measure	Owner	New Owner
00296 Timely adoption of sound local plan	Timely adoption of sound local plan	<ul style="list-style-type: none"> <li>R09.03: Changes in Thanet's demography not considered in planning</li> <li>R09.04: Unsustainable development/lack of the right development</li> </ul>	Mohammed, Ismail	Adrian Verrall, Strategic Planning Manager following departure of postholder.
00254 Develop a transport strategy & infrastructure delivery plan for Thanet	Develop a transport strategy and infrastructure delivery plan for Thanet to support the Local Plan.	<ul style="list-style-type: none"> <li>R09.04: Unsustainable development/lack of the right development</li> </ul>	Mohammed, Ismail	Adrian Verrall, Strategic Planning Manager following departure of postholder.

**Change in Owner for Business as Usual Control Measures (BAU)**

Control measure	Description	Risk	Owner	New Owner
BAU0090 Maintain up-to-date Emergency plan.	Maintain up-to-date Emergency plan.	<ul style="list-style-type: none"> <li>• R04.05: Failure of ICT systems/ infrastructure</li> <li>• R04.07: Emergency planning failure</li> </ul>	Humber, Mike	Luke Glover, Deputy Technical Services Manager
BAU0098 Provide refresh training on emergency planning (including working with emergency services).	Provide refresh training on emergency planning (including working with emergency services).	<ul style="list-style-type: none"> <li>• R04.07: Emergency planning failure</li> </ul>	Humber, Mike	Luke Glover, Deputy Technical Services Manager

**Risk Control Measures Withdrawn - TCA/BAU**

Control measure	Description	Risk	Owner	Reason

**New Control Measures - TCA/BAU**

Control measure	Description	Risk	Owner	Reason

Section 4

Officer List with Designation

Owner	Designation	Notes
Askew, Louise	Economic Development Manager	
Back, Glenn	Democratic Services Officer	
Boyle, Steven	Legal Services Manager	
Brown, Robert	Maritime Operations Manager	
Cassell, Martyn	Community Safety and Leisure Manager	
Chadwick, Sophie	Customer Contact an Engagement Manager	
Chantrill-Smith, Robin	Civil Enforcement Manager	
Cook, Carol	Policy Officer	
Cook, Paul	Director of Corporate Resources/Head of Financial Services	
Crowley, Edwina	Head of Economic Development and Asset Management	
Glover, Luke	Deputy Technical Services Manager	
Greenway, Charlie	HR Business Partner	Updates made by Head of EKHR
Homer, Madeline	Acting Chief Executive/Director of Community Services	
Humber, Mike	Technical Services Manager	
Paton, Karen	Strategic Procurement Manager	
Sanham, Matthew	Corporate Finance Manager	
Sproates, Morgan	Environmental Protection Manager	
Tebbett, Stephen	Business Analyst	
Thomas, Simon	Planning Manager	
Thorpe, Hannah	PR and Publicity Manager	
Tinley, Carolyn	Facilities Manager	
Verrall, Adrian	Strategic Planning Manager	
Waite, Gavin	Head of Operational Services	
Walker, Nicola	Interim Head of Financial Services/Technical Finance Manager	
Wenham, Tanya	Head of Housing	
Wing, Helan	Corporate Resource Officer	
Wingate, Justine	Communications Manager	
Woodgate, Simon	Cemeteries and Crematorium Registrar	

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## QUARTERLY GOVERNANCE STATEMENT ACTION PLAN

To: **Audit & Governance Committee –17 March 2015**

Main Portfolio Area: **Corporate Resources**

By: **Paul Cook, Director of Corporate Resources**

Classification: **Unrestricted**

Ward: **All Wards**

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**Summary:** **The purpose of the report is to provide an update on the annual governance statement action plan.**

### **For Decision**

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

1.1 This is a covering report for the annual governance statement action plan for 2014/15. This Action Plan includes the significant corporate issues that were raised as part of the Peer Review report on the governance of the council by the Local Governance Association.

1.2 The Improvement Plan also reports on a number of significant corporate issues relating to potential financial risks associated with on-going corporate legal and staffing matters.

#### **2.0 The Current Situation**

2.1 There are a number of action points with specific tasks that have been identified in the Improvement Plan in Annex 1 to the report; that if implemented would address the key corporate risk concerns indicated above.

#### **3.0 Options**

3.1 Members may wish to comment on the proposed action points and offer suggestions.

3.2 Members may wish to only note the report.

#### **4.0 Corporate Implications**

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

4.1.1 There are no financial issues arising directly from this report.

##### **4.2 Legal**

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

##### **4.3 Corporate**

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

#### 4.4 Equity and Equalities

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

#### 5.0 Recommendations

5.1 Members note the content of Annex 1 Improvement Action Plan and identify any issues on which they require more clarification.

#### 6.0 Decision Making Process

6.1 The Audit & Governance Committee can consider reports on corporate governance to ensure that appropriate governance procedures are being followed in managing the affairs of the Council.

Contact Officer:	Paul Cook, Director of Corporate Resources & s151 officer Ext 7167
Reporting to:	Madeline Homer, Acting CEx

#### Annex List

Annex 1	Improvement Plan Action Points
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#### Background Papers

Title	Details of where to access copy
Annual Governance Statement 2013/14	Minutes from Governance and Audit Committee Wednesday 25 <sup>th</sup> June 2014.  <a href="http://democracy.thanet.gov.uk/documents/s37195/Annex%20-%20Annual%20Governance%20Statement%2013-14%20draft.pdf">http://democracy.thanet.gov.uk/documents/s37195/Annex%20-%20Annual%20Governance%20Statement%2013-14%20draft.pdf</a>

#### Corporate Consultation Undertaken

Finance	Nicola Walker – Interim Head of Finance
Legal	Steven Boyle – Interim Legal Services Manager & Monitoring Officer
PR & Publicity	Hannah Thorpe, PR and Publicity Manager

AGS significant issue	Suggested Action heading & owner	Task List	Update March 2015
<p>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 Improvement Board has subsequently been established with an independent chair, who is a former local authority Chief Executive. The Board also includes peer members; the LGA, Independent Standards Chair and Vice-Chair and TDC senior management. The first meeting of the board is in September 2014. The Board will receive updates on the Council’s action plan to deliver the Peer Review.</p>	<p>Implement SMART actions from peer review action plan (Paul Cook)</p>	<ol style="list-style-type: none"> <li>1. Establish Improvement Board</li> <li>2. Agree SMART actions to deliver agreed peer review principles and identify owner of the peer review action plan;</li> <li>3. Agree reporting intervals to Improvement Board based on reasonable periods for progress in data availability;</li> <li>4. Establish system for monitoring progress against peer review action plans (InPhase).</li> </ol>	<ul style="list-style-type: none"> <li>• The Improvement Board is established and has met a number of times. There is Group Leader representation.</li> <li>• All actions now have dates assigned and lead officers.</li> <li>• Meetings are to be monthly until the end of the year.</li> <li>• Progress on the Peer Review Action Plan is discussed at every meeting and updates on all actions provided.</li> </ul>
<p>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.</p>	<p>Establish TDC's top priorities, and assign roles within an action plan, leading to more streamlined and focussed corporate planning (Paul Cook)</p>	<ol style="list-style-type: none"> <li>1. SMT and Cabinet review the current corporate priorities together to establish focus for the short-term</li> <li>2. Gather evidence to inform the development of a new Corporate Plan (2016-2020), including public consultation</li> <li>3. Develop and approve the new Corporate Plan (2016-2020)</li> </ol>	<ul style="list-style-type: none"> <li>• Cabinet has clarified and approved as part of the November budget report its four priorities as Environment/Place; Housing; Economic Development and Communication.</li> <li>• Information gathering for the new Corporate Plan has been deferred until May 2015.</li> </ul>
<p>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.</p>	<p>Effective Joint Working (Madeline Homer)</p>	<ol style="list-style-type: none"> <li>1. Facilitated meeting between Cabinet and SMT to define roles and expectations</li> <li>2. Review the officer-member protocol (see Risk register control measure)</li> </ol>	<ul style="list-style-type: none"> <li>• An away day in November 2014 enabled Cabinet/SMT to define roles and expectations.</li> <li>• The revision of the officer member protocol is due to be submitted to the April 2015 Improvement Board.</li> </ul>

AGS significant issue	Suggested Action heading & owner	Task List	Update March 2015
<p>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 on-going 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.</p>	<p>a) Establish clearer practices to reduce levels of officer attendance at meetings; (Madeline Homer)  b) Unify application of flexi-time policy (Charlie Greenway)</p>	<ol style="list-style-type: none"> <li>1. Define expectations for reduced officer attendance at meetings;</li> <li>2. HR review of current practice and produce report appraising the main options for use of a flexi-time system;</li> <li>3. HR facilitate managers forum discussion on use of flexi-time system to inform SMT decision;</li> <li>4. SMT decision on use of flexi-time system.</li> </ol>	<ul style="list-style-type: none"> <li>• It has been agreed that Directors will attend Cabinet and where there are specific technical papers, the Head of Service (not officer level) would attend.</li> <li>• Discussions with the Employee Council have concluded with regard to appraising main options for future flexi-time systems.</li> <li>• HR to facilitate a discussion on flexi-leave at the next Head of Service meeting.</li> <li>• SMT will review the information once available.</li> </ul>
<p>Following the restructure, there are interim appointments to the statutory roles of S151 officer and Monitoring Officer. Both of the officers appointed to those roles are experienced in the duties involved and they have been secured on medium term arrangements to provide stability. Owing to the Chief Executive being operationally absent from work at present the permanent Director of Community Services is acting as Chief Executive. These senior management changes could potentially have an impact on the governance of the council but securing the post holders for the medium term will mitigate that risk. The council has ensured that the appropriate delegations of authority are in place to reflect the interim arrangements and that decisions taken are reported appropriately. The council aims to appoint permanently to these positions as soon as market conditions and the Council's standing enable an effective recruitment process to take place. The posts were advertised in July 2014 without success and the position will be reviewed in October 2014.</p>	<p>Ensure delegations reflect interim arrangements and that recruitment is progressed. (Steven Boyle and Madeline Homer)</p>	<ol style="list-style-type: none"> <li>1. Ensure that appropriate delegations of authority are in place to reflect the interim arrangements;</li> <li>2. Appoint permanently to the positions of S151 officer and Monitoring Officer</li> </ol>	<ul style="list-style-type: none"> <li>• A Full review of the Constitution has been commissioned.</li> <li>• The S151 Officer and Monitoring Officer posts have been advertised and the closing date for applications was 9<sup>th</sup> March 2015.</li> </ul>



AGS significant issue	Suggested Action heading & owner	Task List	Update March 2015
<p>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.</p>	<p>Write an introduction to Thanet and the Council, with guide to Cecil Street &amp; map of other main buildings (Hannah Thorpe)</p>	<ol style="list-style-type: none"> <li>1. Draft a document for introduction to the Council, the building and the area;</li> <li>2. Appoint reviewer, review and publish on TOM, with hard copy print option.</li> </ol>	<ul style="list-style-type: none"> <li>• This is provided on the Thanet DC website. It is not considered any further update is needed on this issue.</li> </ul>
<p>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.</p>	<p>Establish better staff induction process(es) that meet requirements of the Council (Charlie Greenway)</p>	<ol style="list-style-type: none"> <li>1. Consult staff on - 'what do you think should be included in the induction process?';</li> <li>2. Report with recommendations for sustainable induction process</li> <li>3. Implement new sustainable induction process</li> </ol>	<ul style="list-style-type: none"> <li>• A review of the existing induction process has still to be undertaken. It is likely to be incorporated as part of the Workforce plan work.</li> </ul>
<p>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.</p>	<p>Provide assurance of on-going review of levels of legal and financial risk arising from large current legal actions involving TDC (Paul Cook)</p>	<ol style="list-style-type: none"> <li>1. Give regular updates to G&amp;A on changes in level of legal risks associated with current legal actions</li> <li>2. Give regular updates to G&amp;A on changes in level of financial risks associated with current legal actions</li> </ol>	<ul style="list-style-type: none"> <li>• Updates are provided as appropriate.</li> </ul>

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## REVIEW OF THE EFFECTIVENESS OF THE COUNCIL'S INTERNAL AUDIT ARRANGEMENTS 2014/15

To: **Governance and Audit Committee – 17 March 2015**

By: **Interim Director of Corporate Resources & Section 151 Officer**

Classification: **Unrestricted**

Ward: **All**

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**Summary:** This report presents the review of the effectiveness of the council's Internal Audit arrangements for 2014/15 as required by The Accounts and Audit Regulations 2011

### For Decision

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

- 1.1 The Accounts and Audit Regulations 2011 impose on councils the need to undertake a regular review of their internal control arrangements; specific requirements are that:
- the findings of the review of the system of internal control are considered by a committee of the relevant body, or by members of the body meeting as a whole. [Regulation 4 refers]
  - the effectiveness of their system of internal audit are reviewed at least once a year and for the findings of the review to be considered by a committee of the body, or by the body as a whole, as part of the consideration of the system of internal control referred to in regulation 4. [Regulation 6 refers]
- 1.2 Subsequent guidance issued by the Department for Communities and Local Government indicates that the actions in paragraph 1.1 above do not require the establishment of an audit committee to undertake the exercise, although such a committee would provide an appropriate means through which to consider the findings of the review. In the case of Thanet District Council this responsibility is within the delegated powers of the Governance and Audit Committee.
- 1.3 In line with the CIPFA guidance document 'Delivering Good Governance in Local Government' the council is also obliged to publish an Annual Governance Statement (AGS) which accompanies the Annual Accounts. The draft AGS for 2014/15 will be presented to this Committee at the June meeting, with the final document being presented at the September meeting.
- 1.4 The AGS reflects the council's overall governance arrangements and the effectiveness of these, based on evidence and assurances gained from a number of different sources, which includes information from the East Kent Audit Partnership (EKAP). The review of the effectiveness of the council's internal audit arrangements is therefore very important in order to add credence to the assurances gained from the findings of the Audit Partnership.
- 1.5 It should be noted that this review is primarily about effectiveness, not process. In essence the need for the review is to ensure that the opinion in the annual report of the internal auditors may be relied upon as a key source of evidence for the Annual Governance Statement.
- 1.6 This report presents the findings of the review of the effectiveness of the internal audit arrangements for Thanet District Council for 2014/15.

## **2.0 Review of the effectiveness of the internal audit function**

- 2.1 The internal audit function is performed by the East Kent Audit Partnership (EKAP), which provides internal audit services to the councils of Dover, Shepway and Canterbury, as well as to Thanet. As a result of this collaborative approach the partnership is able to be robustly resourced and provides a mechanism for promulgating best practice to the East Kent authorities that use its services.
- 2.2 The auditors are independent to the management of the council and have direct access to the Chair of the Governance and Audit Committee if required. They provide a regular update to the Committee at each of the quarterly meetings, and attend any special meetings that may be convened during the year.
- 2.3 As at 31 January 2015 the Internal Auditors completed 247.22 days of review equating to 78%, and are likely to achieve circa 98% completion by the end of March 2015 with the small amount of remaining days being delivered in April. The EKAP undertake a regular schedule of follow up audits to ensure that management have implemented the action plans arising from each audit. Members can see full details within the Internal Audit Annual report which will be presented to this Committee in June.
- 2.4 The EKAP have met as a team and considered the Public Sector Internal Audit Standards Checklist for compliance. The results of this self-assessment showed that internal audit is currently working towards full compliance and has agreed an action plan to achieve this.
- 2.5 As part of EKAP's quality monitoring arrangements Members should be aware that following the completion of each audit, a satisfaction questionnaire is completed by the managers of the service that has been audited enabling the officers involved to comment on the conduct and outcome of the audit. This information is used, in part, to inform the self assessment.
- 2.6 The EKAP Audit Manager and Head of EKAP regularly meet with the Section 151 Officer to monitor performance against the Audit Plan, but also to discuss any matters arising in relation to the performance of the Audit Partnership. Periodically these meetings are attended by External Auditors, so that they are able to gain assurances as to the effectiveness of the process. The Interim Director of Corporate Resources & Section 151 Officer is pleased to be able to provide Members with assurance that in his opinion the Partnership operates to high professional standards, fostering an excellent working relationship with management without fettering the independence needed to be able to take a sufficiently independent perspective.
- 2.7 In addition to which, feedback from the audits and any other matters arising from the work of the partnership are considered at regular meetings that are held between the Section 151 or Deputy Section 151 Officers of each of the partnering councils and the auditors to manage any issues arising from the process. These meetings provide an additional opportunity to assess whether the internal audit function is operating in an effective manner and is compliant with the requirements of the CIPFA code.
- 2.8 Given the consistency of evidence of a quality internal audit service and the assessment outcomes referred to above it is believed that the Council has an effective internal audit function in place providing confidence in the context of their contribution to the council's Annual Governance Statement.

## **3.0 Options**

- 3.1 That Members accept the findings of the review of the effectiveness of the council's Internal Audit arrangements.
- 3.2 That Members do not accept the findings of the review of the effectiveness of the council's Internal Audit arrangements.

## **4.0 Corporate Implications**

### **4.1 Financial**

4.1.1 There are no financial implications arising from this report.

### **4.2 Legal**

4.2.1 Regulation 4 of the Accounts and Audit (England) Regulations 2011 requires that the findings of the review of the system of internal control shall be considered by a committee of the council, or by the members of the relevant body meeting as a whole, and following that consideration, shall approve a statement on internal control, prepared in accordance with proper practices in relation to internal control.

4.2.2 Regulation 6 requires that the council shall, at least once in each year, conduct a review of the effectiveness of its system of internal audit. The findings of the review must be considered, as part of the consideration of the system of internal control referred to in regulation 4, by the committee or meeting referred to in that paragraph

### **4.3 Corporate**

4.3.1 The council is required, at least once in each year, to conduct a review of the effectiveness of its internal audit function, and this report details the review that has been undertaken and its outcomes.

### **4.4 Equity and Equalities**

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

### **4.5 Risks**

4.5.1 If this review was not undertaken, there is a risk that the Financial Statement may be qualified.

## **5.0 Recommendations**

5.1 **That Governance and Audit Committee accept the findings of the review of the effectiveness of the council's Internal Audit arrangements for 2014/15.**

## **6.0 Decision Making Process**

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

6.2 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:	Paul Cook, Interim Director of Corporate Resources & Section 151 Officer
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### ***Corporate Consultation Undertaken***

Monitoring Officer	Steven Boyle, Interim Head of Legal & Democratic Services
Finance	Matthew Sanham, Corporate Finance Manager
Customer Contact & Engagement	Sophie Chadwick, Customer Contact & Engagement Manager

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## THANET DISTRICT COUNCIL DECLARATION OF INTEREST FORM

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

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

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

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

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

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

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

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

An associated person is defined as:

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

An Authority Function is defined as: -

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

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

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

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

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

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

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

### **What if I am unsure?**

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

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

**MEETING**.....

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

**DISCLOSABLE PECUNIARY INTEREST**

**SIGNIFICANT INTEREST**

**GIFTS, BENEFITS AND HOSPITALITY**

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

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.....  
.....

**NAME (PRINT):** .....

**SIGNATURE:** .....

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