

# Public Document Pack



Date: 15 June 2015  
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## GOVERNANCE AND AUDIT COMMITTEE

24 JUNE 2015

A meeting of the Governance and Audit Committee will be held at **7.00 pm on Wednesday, 24 June 2015** in the Council Chamber, Council Offices, Cecil Street, Margate, Kent.

### Membership:

Councillor Munday (Chairman); Councillors: Buckley (Vice-Chairman), Campbell, Collins, Connor, Day, Dexter, Edwards, I Gregory, G Hillman, Larkins and Partington

## 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 MEETING** (Pages 1 - 4)

To approve the Minutes of the Governance and Audit Committee meeting held on 17 March 2015, copy attached.

4. **ANNUAL INTERNAL AUDIT REPORT** (Pages 5 - 28)

5. **QUARTERLY INTERNAL AUDIT UPDATE REPORT** (Pages 29 - 46)

6. **ANNUAL FRAUD REPORT** (Pages 47 - 52)

7. **CORPORATE RISK REGISTER** (Pages 53 - 56)

8. **EXTERNAL AUDIT FEE LETTER 2015/16** (Pages 57 - 60)

9. **ANNUAL GOVERNANCE STATEMENT ACTION PLAN UPDATE**

Report to follow.

10. **ANNUAL TREASURY MANAGEMENT REVIEW 2014/15** (Pages 61 - 78)

Item  
No

Subject

11. **EXTERNAL FUNDING AND GRANTS PROTOCOL** (Pages 79 - 104)

**Declaration of Interests Form**

# Public Document Pack Agenda Item 3

## GOVERNANCE AND AUDIT COMMITTEE

Minutes of the meeting held on 17 March 2015 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 and W Scobie

### 393. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Tomlinson.

### 394. DECLARATIONS OF INTEREST

There were no declarations of interest.

### 395. MINUTES OF PREVIOUS MEETINGS

- (a) To approve the Minutes of the Governance and Audit Committee meeting held on 24 September 2014

Councillor Campbell proposed, Councillor Saunders seconded and Members AGREED the minutes of the meeting held on 24 September 2014.

- (b) To Approve the Minutes of the Governance and Audit Committee Meeting held on 10 December 2014

Councillor Campbell proposed, Councillor Saunders seconded and Members AGREED the minutes of the meeting held on 10 December 2014.

### 396. INTERNAL AUDIT 2015-16 AUDIT PLAN AND AUDIT CHARTER

Christine Parker, Head of the East Kent Audit Partnership, introduced the Audit Plan and Audit Charter. She noted that it was best practice for the Governance and Audit Committee to review the work of East Kent Audit Partnership (EKAP). Christine added that the Audit Charter explained how and why EKAP carried out their duties, and the Audit Plan focused on what would be audited. The plan had been drafted following discussion with Directors and Senior Officers to identify emerging risks and opportunities.

In response to comments and question from Members, Christine advised that;

- Equality and Diversity, and Leasehold Services were both scheduled for audit in 2017/18 as they were last audited in 2014/15. The scheduling could be reviewed;
- it was standard practice to conduct a follow up review after each audit, therefore there would be a follow up review for both Equality and Diversity, and Leasehold Services.

It was proposed by Councillor Scobie, seconded by Councillor Campbell and Members AGREED that the Council's Internal Audit Plan for 2014/15 be approved.

### 397. EXTERNAL AUDIT 2014/15 AUDIT PLAN

Daren Wells, Director, Grant Thornton UK LLP, introduced the report, noting that the document initially identified the challenges and opportunities facing Thanet District

Council and Local Government more generally in order to provide context. The report then noted key risks and detailed the programme of work to be done.

In response to comments and questions from Members, Darren agreed that it was true that fraud could occur in any organisation, however the presumption that an organisation might overstate its income to meet a financial targets was less relevant for a local government body.

It was proposed by Councillor Campbell, seconded by Councillor Binks and Members AGREED to note the report.

**398. EXTERNAL AUDIT GRANT CERTIFICATION LETTER 2013/14**

Daren Wells advised that the letter summarised the results of the 2013/14 external audit, and set out amendments made during the year.

It was proposed by Councillor Campbell, seconded by Councillor Bink and Members AGREED to note the report.

**399. EXTERNAL AUDIT PROGRESS REPORT**

Daren Wells, introduced the report and clarified that the 'challenging questions' detailed under each emerging issue were designed as suggestions for consideration by Officers and Members.

Paul Cook, Director of Corporate Resources added to the information on page 13 of the report by advising that it was expected that the revenue support grant would virtually disappear as part of the proposals in the Independent Commission's final report.

It was proposed by Councillor Campbell, seconded by Councillor Saunders and Members AGREED to note the report.

**400. INTERNAL AUDIT QUARTERLY UPDATE**

Simon Webb, Deputy Head of East Kent Audit Partnership, introduced the report. He noted that the assurance level for the HRA Business Plan on page one of the update report should read 'Substantial/Reasonable'.

Simon advised that CCTV had received a split assurance as there were some areas that required improvement. He added that Thanet District Council were conducting a tender process to renew the CCTV system.

Authorisation of overtime within Waste, Recycling and Street Cleansing received no assurance, this was due to a failure to implement authorisation controls for overtime time sheets. East Kent Audit would conduct a prompt follow up to assess the corrective measures that had been introduced.

In response to comments and questions from Members, Simon advised;

- that limited assurance was achieved for East Kent Housing Leasehold Services, this audit looked at all four Councils in the shared service. All four Councils contributed to the rating of limited assurance;
- while many of the limited assurances seemed to revolve around a lack of documented procedures, often staff were doing what was expected. The procedures needed to be written down and formalised;
- that there would be a follow up to the audit on Sports Development which would, among other things, look at grants.

It was suggested that improving controls did not always result in an increase demand on resources, often it could lead to increased efficiency.

Councillor Scobie proposed, Councillor Campbell seconded and Members AGREED the recommendations as set out in paragraph 6.1 and 6.2 of the report, namely:

- “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 paragraph 5.0 of the report be approved.”

**401. REVISION TO TREASURY STRATEGY - CREDIT METHODOLOGY CHANGES**

Paul Cook introduced the report noting that the proposed credit methodology changes were as a result of advice received from Capita Asset Services (Capita), who were the Council’s external treasury management advisor.

Paul offered to clarify the reference to ‘part nationalised’ banks and email Members with an update.

It was noted that Capita automatically updated the Council of any changes in credit rating.

Councillor Binks proposed, Councillor Scobie seconded and Members AGREED;

‘That the Governance & Audit Committee approves option 3.1 of the report, namely:

“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.”

**402. TREASURY MANAGEMENT UPDATE FOR THE QUARTER ENDED 31 DECEMBER 2014**

Paul Cook introduced the report which provided an update on treasury activity during the quarter which ended 31 December 2014.

Councillor Campbell proposed, Councillor Binks seconded and Members AGREED the recommendation as set out in paragraph 9.1 of the report, namely:

“That the Governance & Audit Committee approves this report”

**403. CORPORATE RISK REGISTER**

Paul Cook introduced the report, and noted that it had been agreed with East Kent Audit Partnership (EKAP) that they would facilitate the Corporate Risk Register on the Council’s behalf. Senior TDC Officers would have responsibility for the Register. It was felt that this would improve the Register as it complimented the current work of EKAP, and could allow for a more arm’s length assessment of risk.

In response to questions and comments from Members Paul advised that:

- there was an investigation underway into a potential health and safety failing. Once the investigation had reached conclusion a report would be brought to the Governance and Audit Committee for review;

- the Risk Register had been produced by the Corporate Resources Department in the past;
- he would relay to the Acting Chief Executive, the suggestion from Members that a control measure such as the creation of a task force to respond to cases such as the closure of Manston Airport, should be included in the Risk Register;
- with regard to 'major projects', as detailed on page 13 of the Register, it was the role of the Governance and Audit Committee to ensure adequate protocols were in place. It was noted that there is a provision in the Audit Plan where EKAP would be looking at project management in 2015/16, and that a report on project management protocol could be brought to a future Governance and Audit Committee meeting.

Members NOTED the Corporate Risk Register Progress Report.

**404. GOVERNANCE ACTION PLAN UPDATE**

Paul Cook introduced the report which provided an update on the Annual Governance Statement Action Plan.

Members suggested that the away day held in November 2014 for Cabinet and CMT could, in future, be extended to include additional Members outside of the Cabinet such as all the group leaders. This was something to be considered after the elections in May.

Members NOTED the Governance Statement Action Plan update.

**405. REVIEW OF EFFECTIVENESS OF THE COUNCIL'S INTERNAL AUDIT ARRANGEMENT 2014/15**

Paul Cook introduced the report noting that it was produced in accordance with good practice guidance from the Chartered Institute of Public Finance and Accountancy.

Councillor Campbell proposed, councillor Binks seconded and Members AGREED to accept the findings of the review of the effectiveness of the council's internal audit arrangement for 2014/15.

Meeting concluded : 8.30 pm

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## INTERNAL AUDIT ANNUAL REPORT

To: **Governance and Audit Committee: 24<sup>th</sup> June 2015**

By: **Interim Director of Corporate & Regulatory Services & s151  
Officer: Tricia Marshall**

Subject: **INTERNAL AUDIT ANNUAL REPORT OF THE HEAD OF THE  
AUDIT PARTNERSHIP FOR 2014-15.**

Classification: **Unrestricted**

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**Summary:** **This report provides the summary of the impact of the work of the East Kent Audit Partnership for the year to 31<sup>st</sup> March 2015.**

### For Information

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## 1.0 Introduction

- 1.1 The primary objective of Internal Audit is to provide independent assurance to Members, the Chief Executive, Directors and the Section 151 Officer on the adequacy and security of those systems on which the Authority relies for its internal control. The purpose of bringing forward an annual report to Members is to:
- Provide an opinion on the overall adequacy and effectiveness of the Council's internal control environment.
  - Present a summary of the internal audit work undertaken to formulate the opinion.
  - Draw attention to any issues the Head of the Audit Partnership judges particularly relevant to the preparation of the Annual Governance Statement.
  - Compare actual audit activity with that planned, and summarise the performance of Internal Audit against its performance criteria.
  - Comment on compliance with the PSIAS, and report the results of the Internal Audit quality assurance programme.
- 1.2 The report attached as Annex A therefore summarises the performance of the East Kent Audit Partnership (EKAP) and the work it has performed over the financial year 2014-15 for Thanet District Council, and provides an overall assurance on the system for internal control based on the audit work undertaken throughout the year, in accordance with best practice.
- 1.3 The internal audit team is proactive in providing guidance on procedures where particular issues are identified during audit reviews. The aim is to minimise the risk of loss to the Authority by securing adequate internal controls. Partnership working for the service has added the opportunity for the EKAP to port best practice across the four sites within the East Kent Cluster to help drive forward continuous service improvement.
- 1.4 During 2014-15 the EKAP delivered 99% of the agreed audit plan days, with 4.64 days carried over as work in progress at the year-end. The performance figures for the East Kent Audit Partnership as a whole for the year show good performance against targets.

## 2.0 Options

- 2.1 That Members consider and note the annual internal audit report for 2014-15.
- 2.2 That Members consider registering their concerns with Cabinet in respect of any areas of the Council's corporate governance, control framework or risk management arrangements in respect of which they have on-going concerns after considering the work or coverage of internal audit for the year 2014-15.

## 3.0 Corporate Implications

### 3.1 Financial Implications

- 3.1.1 There are no financial implications arising directly from this report. The costs of the audit work have been met from the Financial Services 2014-15 budget. Savings against the budget have been delivered by EKAP, which have been utilised to purchase additional audit days which will be delivered during 2015-16.

### 3.2 Legal Implications

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

### 3.3 Corporate Implications

- 3.3.1 Under the Local Code of Corporate Governance accepted by Governance and Audit Committee on 11<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.

## 4.0 Recommendations

- 4.1 That the report be received by Members.

Contact Officers:	Christine Parker, Head of the Audit Partnership, ext. 7190 Simon Webb, Deputy Head of Audit, ext 7189
	Tricia Marshall, Interim Director of Corporate & Regulatory Services & S151 Officer Ext. 7617

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

Annex 1	East Kent Audit Partnership Annual Report 2014/15

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

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

## Annual Internal Audit Report for Thanet District Council 2014-15

### 1. Introduction

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

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

A more detailed explanation, of the role and responsibilities of internal audit, is set out in the Audit Charter (Annex B). The East Kent Audit Partnership (EKAP) aims to comply with the PSIAS, and to this end has produced evidence to the s.151 and Monitoring Officers to assist the Council’s review of the system of internal control in operation throughout the year. This annual report compares EKAP activity against auditing standards and any improvement actions required to achieve compliance with PSIAS are therefore reflected.

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

### 2. Objectives

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

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

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

### **3. Internal Audit Performance Against Targets**

#### **3.1 EKAP Resources**

The EKAP has provided the service to the partners based on a FTE of 8.1. Additional audit days have been provided via audit contractors, in order to meet the planned workloads.

#### **3.2 Performance against Targets**

The EKAP is committed to continuous improvement and has various measures to ensure the service can strive to improve. The performance measures and indicators for the year are shown in the balanced scorecard of performance measures at Appendix 6.

#### **3.3 Internal Quality Assurance and Performance Management.**

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

#### **3.4 External Quality Assurance**

The external auditors, Grant Thornton, have conducted a review in February 2015 of the Internal Audit arrangements. They have concluded that, where possible, they can place reliance on the work of the EKAP.

#### **3.5 Liaison between Internal Audit and External Audit.**

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

#### **3.6 Compliance with Professional Standards**

The EKAP self-assessment of the level of compliance against the Public Sector Internal Audit Standards shows that some improvement actions are required to achieve full compliance. The self-assessment was reported to the March cycle of audit committee meetings and a progress update against each of the identified actions is contained in Appendix 7.

#### **3.7 Financial Performance**

Expenditure and recharges for year 2014-15 are all in line with the Internal Audit cost centre hosted by Dover District Council. Financial management has delivered a 8.4% saving against budget.

The EKAP has been able to exceed its targets for financial performance for 2014-15 by generating income through 'selling days' for checking grant claims. This daily rate excludes any internal recharges that are added to the service by the Council. This equates to a total financial saving to Thanet District Council of £7,862 for 2014-15, and it has been agreed that this be used to purchase 27.43 additional audit days to fund planned audits currently falling outside of the three year programme of work.

Year	Cost / Audit Day
2006-07	£288
2007-08	£277
2008-09	£262 (Reserve Refunded to Partners)
2009-10	£281
2010-11	£268
2011-12	£257
2012.13	£279
2013-14	£290
2014-15	£287

The EKAP was formed to provide a resilient, professional service and therefore achieving financial savings was not the main driver, despite this considerable efficiencies have been gained through forming the partnership. Additionally, external fee earning work that has been carried out, this year some £22,477 was procured from EKAP for Interreg Grant reviews which reduces the costs to the partners. The net result is a reduced EKAP cost per audit day below the original budget estimate. In the current climate this is excellent performance and the partner councils have all enjoyed the overall savings of £34,593 generated by the EKAP.

#### 4. Overview of Work Done

The original audit plan for 2014-15 included a total of 29 projects. We have communicated closely with the s.151 Officer, CMT and this Committee to ensure the projects actually undertaken continue to represent the best use of resources. As a result of this liaison some changes to the plan were agreed during the year. A few projects (3) have therefore been pushed back in the overall strategic plan, to permit some higher risk projects to come forward in the plan (2). The total number of projects undertaken in 2013-14 was 28, with 14 being WIP at the year end to be finalised in April.

### Review of the Internal Control Environment

#### 4.1 Risks

During 2014-15, 70 recommendations were made in the agreed final audit reports to Thanet District Council. These are analysed as being High, Medium or Low risk in the following table:

Risk Criticality	No. of Recommendations	Percentage
High	23	33%
Medium	24	34%
Low	23	33%
<b>TOTAL</b>	<b>70</b>	<b>100%</b>

Naturally, more emphasis is placed on recommendations for improvement regarding high risks. Any high priority recommendations where management has not made progress in implementing the agreed system improvement are brought to management and Members' attention through Internal Audit's quarterly update reports. During 2014-15 the EKAP has raised and reported to the quarterly Governance Committee meetings 70 recommendations, and whilst 67% were in the High or Medium Risk categories, none are so significant that they need to be escalated at this time.

#### 4.2 Assurances

Internal Audit applies one of four 'assurance opinions' to each review, please see Appendix 1 for the definitions. This provides a level of reliance that management can place on the system of internal control to deliver the goals and objectives covered in

that particular review. The conclusions drawn are described as being “a snapshot in time” and the purpose of allocating an assurance level is so that risk is managed effectively and control improvements can be planned. Consequently, where the assurance level is either ‘no’ or ‘limited’, or where high priority recommendations have been identified, a follow up progress review is undertaken and, where appropriate, the assurance level is revised.

The summary of Assurance Levels issued on the 28 pieces of work commissioned for Thanet District Council over the course of the year is as follows:

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

<b>Assurance</b>	<b>No.</b>	<b>Percentage of Completed Reviews</b>
Substantial	6	43%
Reasonable	4	29%
Limited	3	21%
No	1	7%
Work in Progress at Year-End	14	-
Not Applicable	0	-

**Which one is No assurance? Must be able to see these in the table below, should be 4?**

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

Taken together 72% of the reviews account for substantial or reasonable assurance, whilst 28% of reviews placed a limited or no (or partially limited) assurance to management on the system of internal control in operation at the time of the review.

There were three reviews completed on behalf of East Kent Housing Ltd. and the assurances for these audits were - Reasonable, Limited and one piece of work which had a split assurance ranging from Substantial to No Assurance. Information is provided in Appendix 3.

There were 15 reviews completed on behalf of EK Services and the assurances for these audits were - 7 Substantial, 3 Reasonable, 1 Limited, 2 Not Applicable and 2 Work in progress. Information is provided in Appendix 4.

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

#### **4.3 Progress Reports**

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

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

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

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

The results for the follow up activity for 2014-15 are set out below. The shift to the right in the third column in the table from the original opinion to the revised opinion also measures the positive impact that the EKAP has made on the system of internal control in operation throughout 2014-15.

Total Follow Ups undertaken	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Original Opinion	0	2	5	7
Revised Opinion	0	0	3	11

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

Area Under Review	Original Assurance	Follow Up Result
Public Health Burials	Limited	Reasonable
Ramsgate Marina	Reasonable/Limited	Reasonable

East Kent Housing received one follow up review for which the assurance remained Reasonable.

EK Services received five follow ups; the revised assurances were Substantial for 3 reviews, Reasonable for 1 review and one remained Limited after follow up, this being Software Licensing as reported to the committee in September 2014.

#### 4.4 Special Investigations and Fraud Related Work

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

The EKAP is, from time to time, required to carry out special investigations, including suspected fraud and irregularity investigations and other special projects. Whilst some reactive work was carried out during the year at the request of management, there have been no new fraud investigations conducted by the EKAP on behalf of Thanet District Council.

#### 4.5 Completion of Strategic Audit Plan

Appendix 2 shows the planned time for reviews undertaken, against actual time taken, follow up reviews and unplanned reviews resulting from any special investigations or management requests. 315.67 audit days were competed for

Thanet District Council during 2014-2015. Including the 20.31 days carried forward this adjusts the budgeted 300 days to 320.31, therefore 98.55% plan completion. The 4.64 days behind at the year end, will be carried over to 2015-16. The EKAP was formed in October 2007; it completes a rolling programme of work to cover a defined number of days each year. As at the 31<sup>st</sup> March each year there is undoubtedly some “work in progress” at each of the partner sites; some naturally being slightly ahead and some being slightly behind in any given year. However, the progress in ensuring adequate coverage against the agreed audit plan of work since 2007-08 concludes that EKAP is 4.64 days behind schedule as we commence 2015-16, as shown in the table below.

Year	Plan Days	Plus B/Fwd	Adjusted Requirement from EKAP	Days Delivered	Percentage Completed	Days Carried Forward (Days Required – Days Delivered)
2008-09	400	0	400.00	397.61	99.40%	-2.39
2009-10	408	2.39	410.39	399.82	97.42%	-8.18
2010-11	430	10.57	440.57	466.04	105.78%	+36.04
2011-12	342	25.47	316.53	309.32	97.72%	-32.68
2012-13	320	7.21	327.21	318.20	97.25%	-1.80
2013-14	300	9.01	309.01	288.70	93.43%	-11.30
2015-16	300	-20.31	320.31	315.67	98.55%	15.67
<b>Total</b>	<b>2,500</b>			<b>2,495.36</b>		<b>-4.64</b>

Appendix 3 shows the planned time for reviews undertaken, against actual time taken, follow up reviews and unplanned reviews resulting from any special investigations for East Kent Housing Ltd. Thanet District Council contributed 25 days from its original plan in 2011-12 and 20 days subsequently as it's share in this four way arrangement. The EKH Annual Report in its full format will be presented to the EKH - Finance and Audit Sub Committee on 6<sup>th</sup> July 2015.

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

## 5. Overall assessment of the System of Internal Controls 2014-15

Based on the work of the EKAP on behalf of Thanet District Council during 2014-15, the overall opinion is:

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

over recent years and the willingness of management to address areas of concern that have been raised.

There were three areas where only a partially limited assurance level was given and one which concluded no assurance and these reflect a lack of confidence in arrangements, and these were brought to officers' attention. These reviews are shown in the table in paragraph 6 along with the details of our planned follow up activity for other areas awaiting a progress report.

## **6. Significant issues arising in 2014-15**

From the work undertaken during 2014-15, there were no instances of unsatisfactory responses to key control issues raised in internal audit reports by the end of the year. There are occasions when audit recommendations are not accepted for operational reasons such as a manager's opinion that the associated costs outweigh the risk, but none of these are significant and require reporting or escalation at this time.

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

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

<b>Area Under Review</b>	<b>Original Assurance</b>	<b>Progress Report</b>
Income	Substantial/Limited	Quarter 2 of 2015-16
CCTV	Reasonable/Limited	Quarter 2 of 2015-16
Waste Vehicle Fleet Management	Reasonable/Limited	Work-in-Progress
Overtime within Waste and Recycling	No	Work-in-Progress

## **7. Overall Conclusion**

The Internal Audit function provided by the EKAP has performed well against its targets for the year. Clearly there have been some adjustments to the original audit plan for the year 2014-15, however, this is as expected and there are no matters of concern to be raised at this time.

It is a requirement of s.151 of the Local Government Act 1974 for the Council to maintain an 'effective' internal audit function, when forming my opinion on the Council's overall system of control, I need to have regard to the amount of work which we have undertaken upon which I am basing my opinion.

The EKAP assesses the overall system of internal control in operation throughout 2014-15 as providing reasonable assurance. No system of control can provide absolute assurance, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance that there is an ongoing process for identifying, evaluating and managing the key risks.



## **AUDIT ASSURANCE**

### **Definition of Audit Assurance Statements**

#### **Substantial Assurance**

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

#### **Reasonable Assurance**

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

#### **Limited Assurance**

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

#### **No Assurance**

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

## Performance against the TDC Agreed 2014-15 Audit Plan

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-03-2015	Status and Assurance Level
<b>FINANCIAL SYSTEMS:</b>				
Car Parking and Enforcement	10	10	10.33	Finalised – Reasonable
Creditors and CIS	8	8	6.04	Work-in-Progress
Income	10	10	19.33	Finalised – Substantial/Limited
Insurance and Inventories of Portable Assets	10	10	19.5	Work-in-Progress
<b>RESIDUAL HOUSING SERVICES:</b>				
Right to Buy	8	8	8.23	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	1.2	Work-in-Progress
Scheme of Officer Delegations	7	7	0	Postpone to future year to accommodate unplanned work
Corporate Advice/SMT	2	2	6.85	Finalised for 2014-15
s.151 Officer Meetings and Support	9	9	10.47	Finalised for 2014-15
Governance & Audit Committee Meetings and Report Preparation	12	12	13.59	Finalised for 2014-15
2015-16 Audit Plan and Preparation Meetings	9	9	12.86	Finalised for 2014-15
<b>CONTRACT RELATED:</b>				
Receipt and Opening of Tenders	6	6	6.26	Finalised - Substantial
<b>SERVICE LEVEL:</b>				
Community Safety	10	10	0.97	Finalised - Substantial
CCTV	10	10	11.16	Finalised – Reasonable/Limited
Dog Warden, Street Scene and Litter Enforcement	10	10	4.34	Work-in-progress
Equality and Diversity	10	20	21.32	Work-in-Progress
Airport and Port Health	10	0	0	Delete and replace with overtime review
Pest Control	10	10	6.01	Finalised – Substantial

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-03-2015	Status and Assurance Level
Contaminated Land, Pollution, Air and Water Quality	8	8	8.18	Finalised – Reasonable
Dalby Square and Housing Intervention Grants	10	10	0	Postponed until 2015-16 – Quarter 4
Land Charges	8	8	8.36	Finalised – Substantial
Licensing	10	10	10.47	Finalised – Substantial
Printing and Post	5	5	7.77	Finalised - Substantial
Your Leisure	10	10	3.96	Work-in-progress
Sports Development and Footprints in the Sand	8	8	13.01	Finalised - Reasonable
Waste Vehicle Fleet Management	12	12	11.44	Finalised – Reasonable/Limited
Garden Waste Income	5	5	4.21	Finalised - Limited
<b>OTHER :</b>				
Liaison With External Auditors	2	2	0.77	Finalised for 2014-15
Follow-up Reviews	15	15	12.93	Finalised for 2014-15
<b>UNPLANNED WORK:</b>				
Overtime within Waste and Recycling	0	10	10	Finalised – No Assurance
Refuse Freighter Specification	0	0	0.34	Work-in-progress
<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	Finalised - Reasonable
Budgetary Control			0.58	Finalised - Substantial
Payroll			6.74	Finalised - Reasonable
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>				
Absence Management	5	5	5.74	Work-in-progress
Payroll	5	5	0	Combined with above
Employee Allowances and Expenses	5	5	0	Work-in-progress
<b>TOTAL -</b>	<b>300</b>	<b>320.31</b>	<b>315.67</b>	<b>98.55%</b>

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-03-2015	Status and Assurance Level
<b>UNPLANNED ADDITIONAL WORK</b>				
Interreg Grant – Maritime (Yacht Valley)	4	4	6.64	Finalised
Interreg Grant – LOPINOD	4	4	4.36	Finalised
Interreg Grant – PAC2	4	4	0.84	Finalised
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

**Performance against the Agreed 2014-15  
East Kent Housing Audit Plan**

<b>Review</b>	<b>Original Planned Days</b>	<b>Revised Planned Days</b>	<b>Actual days to 31-03-2015</b>	<b>Status and Assurance Level</b>
<b>Planned Work:</b>				
Audit Ctte/EA Liaison/Follow-up	8	8.5	10.02	Finalised for 2014-15
Finance & ICT Systems	10	0	0	Postpone until 2015-16
Tenant Health & Safety	17	30	27.93	Finalised
Void Property Management.	15	18	0	Postpone until 2015-16
Sheltered Housing	30	0	0.2	Postpone until 2015-16
<u>Finalisation of 2013-14 Audits:</u>				
Leasehold Services	0	21	23.73	Finalised - Limited
Rent Collection and Debt Management	0	2.5	2.36	Finalised - Reasonable
Days under delivered in 2013-14	0	0	0	Completed
<u>Unplanned</u>				
CSO Compliance	0	0	16.42	Work-in-progress
<b>Total</b>	<b>80</b>	<b>80</b>	<b>80.66</b>	<b>100.42%</b>

**Performance against the Agreed 2014-15  
East Kent Services Audit Plan**

<b>Review</b>	<b>Original Planned Days</b>	<b>Revised Planned Days</b>	<b>Actual days to 31-03 - 2015</b>	<b>Status and Assurance Level</b>
<b>Planned Work:</b>				
Housing Benefits Admin & Assessment	15	15	14.80	Completed - Substantial
Housing Benefits Payments	15	16	16.14	Completed - Substantial
Council Tax	30	16	16.72	Completed - Substantial
Customer Services	15	15	15.51	Completed - Substantial
ICT File Controls / Data Protection / Back ups	12	12	18.11	Completed - Reasonable
ICT Internet & Email	12	18	17.64	Completed - Reasonable
ICT Physical & Environment	12	17	20.23	Completed - Reasonable
Corporate/Committee/follow-up	9	10	15.37	Finalised for 2014-15
DDC / TDC HB reviews	40	40	34.51	Finalised for 2014-15
ICT SAM Procurement	0	11	11.60	Completed- Reasonable
<b>Finalisation of 2013-14 audits:</b>				
Housing Benefit Verification	0	5	4.59	Completed
Reviews carried over from 2013-14	0	16	15.74	Completed
Days under delivered in 2013-14	31.15	0	0	Allocated
<b>Total</b>	<b>191.15</b>	<b>191.15</b>	<b>200.94</b>	<b>105.12%</b>

<b>Annual Internal Audit Report for EK SERVICES 2014-15</b>
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**1. Introduction/Summary**

The main points to note from this report are that the agreed programme of audits has been completed with some projects being finalised as work in progress at 31<sup>st</sup> March 2015. The majority of reviews have given a substantial or reasonable assurance and there are no major areas of concern that would give rise to a qualified opinion.

The financial management of the Internal Audit cost centre held by Dover District Council has performed well and has delivered an 8.4% saving against budget. The saving accrued to EK Services is £4,193 and it has been agreed that this will be used to purchase 14.63 additional audit days as required in 2015-16.

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

During 2014-15, 23 recommendations were made in the agreed final audit reports for EK Services. These are analysed as being High, Medium or Low risk in the following table:

<b>Risk Criticality</b>	<b>No. of Recommendations</b>	<b>Percentage</b>
High	10	44%
Medium	9	39%
Low	4	17%
<b>TOTAL</b>	<b>23</b>	<b>100%</b>

Naturally, more emphasis is placed on recommendations for improvement regarding high risks. Any high priority recommendations where management has not made progress in implementing the agreed system improvement are brought to management and Councillors' attention through Internal Audit's quarterly update reports. During 2014-15 the EKAP has raised 23 recommendations, and whilst 83% were in the High or Medium Risk categories, none are so significant that they need to be escalated at this time.

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

The summary of Assurance Levels issued on the 15 pieces of work commissioned for EK Services over the course of the year is as follows:

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

<b>Assurance</b>	<b>No.</b>	<b>Percentage of Completed Reviews</b>
Substantial	7	64%
Reasonable	3	27%
Limited	1	9%
No	0	0%
Work in Progress at Year-End	2	-
Not Applicable	2	-

*NB: 'Not Applicable' is shown against quarterly benefit checks.*

Taken together 91% of the reviews account for substantial or reasonable assurance, whilst 9% of reviews placed a limited assurance to management on the system of internal control in operation at the time of the review. There were no reviews assessed as having no assurance.

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

<b>Area Under Review</b>	<b>Original Assurance</b>	<b>Follow Up Due/ Result</b>
ICT Change Controls	Limited	Quarter 1 2015-16

## **2.2 Progress Reports**

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

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

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

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

Five follow up reports were carried out for EK Services during the year. The results for the follow up activity for 2014-15 will continue to be reported at the appropriate time. The results in the following table show the original opinion and the revised



opinion after follow up to measure the impact that the EKAP review process has made on the system of internal control.

Total Follow Ups undertaken 5	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Original Opinion	0	1	1	3
Revised Opinion	0	1	1	3

There are no fundamental issues of note arising from the audits undertaken in 2014-15. The one follow up resulting in no improvement is Software Licensing and this is due to a delay in the purchasing of a Software Asset Management system. Reviews previously assessed as providing a Limited Assurance that are yet to be followed up are shown in the table below. The progress report for these reviews will be reported to the Committee at the meeting following completion of the follow up.

Area Under Review	Original Assurance (Date to G&A Cttee)	Progress Report
ICT Software Licensing	Limited / June 2013	Quarter 1 2015-16
ICT Change Controls	Limited / June 2014	Quarter 1 2015-16

## 2.3 Special Investigations and Fraud Related Work

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

The EKAP is, from time to time, required to carry out special investigations, including suspected fraud and irregularity investigations and other special projects. During the year 2014-15 there have been no fraud investigations conducted by the EKAP on behalf of EK Services but there were two responsive reviews at the request of management concerning Housing Benefit Verification and the review of the Procurement of the Software Asset Management system.

## 2.4 Completion of Strategic Audit Plan

The analysis in Appendix 4 shows the individual reviews that were completed during the year. As at 31<sup>st</sup> March 2015 delivery was slightly ahead of plan and EKAP had delivered 200.94 days against 191.15 required (105.12%). The 9.79 days carried over will be adjusted in 2015-16 as part of the rolling three-year plan process.

Year	Days Required	Plus B/Fwd	Adjusted Requirement from EKAP	Days Delivered	Percentage Completed	Days Against Target
2011-12	169	0	0	143.90	85.15%	-25.10
2012-13	160	25.10	185.10	156.99	84.81%	-3.01
2013-14	160	28.11	188.11	156.96	83.44%	-3.04
2014-15	160	31.15	191.15	200.94	105.12%	+40.94
<b>Total</b>	<b>649</b>			<b>658.79</b>	<b>101.51%</b>	<b>+9.79</b>

## 3.0 Significant issues arising in 2014-15

From the work undertaken during 2014-15, there were no instances of unsatisfactory responses to key control issues raised in internal audit reports by the end of the year. There are occasions when audit recommendations are not accepted for operational reasons such as a manager's opinion that costs outweigh the risk, but none of these are significant and require reporting or escalation at this time.

There was one area in 2014-15 regarding ICT Change Controls where a limited assurance level was given which reflected a lack of confidence in arrangements, and this was brought to officers' attention. The follow up review that remained a Limited Assurance regarding ICT Software Licencing will be followed up again in 2015-16, however a management update from the Head of ICT on this is as follows;

"We are issuing tender invites this week (w/c 26/05/2015) as a start to the procurement process having received final approvals from Thanet procurement. The SAM system is being purchased alongside two other key products; a replacement for the Service Desk system and the Introduction of a new Software Contract Management system. We are seeking all products as a combined software suite under a single tender. The implementation of the suite will be complex but we are hopeful that full procurement and staged go live will be completed by the end of this financial year with the SAM system taking priority. In the interim we are using an inventory module within the existing software to keep track of software licences aided by manual procedures for ensuring licence purchases are managed".

#### **4.0 Overall Conclusion**

The work of Internal Audit and this report contribute to the overall internal control environment in operation within EK Services, and also assists in providing an audit trail to the statements that must be published annually with the financial accounts for each partner council. It is a requirement of s.151 of the Local Government Act 1974 for the Council to maintain an 'effective' internal audit function, when forming my opinion on the Council's overall system of control, I need to have regard to the amount of work which we have undertaken upon which I am basing my opinion.

Based on the work of the EKAP on behalf of EK Services during 2014-15, the overall opinion is that there are no major areas of concern, which would give rise to a qualified audit statement regarding the systems of internal control concerning either the main financial systems or overall systems of corporate governance. The EKAP assesses the overall system of internal control in operation throughout 2014-15 as providing reasonable assurance. No system of control can provide absolute assurance, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance that there is an ongoing process for identifying, evaluating and managing the key risks.



<b><u>INTERNAL PROCESSES PERSPECTIVE:</u></b>	<b><u>2014-15 Actual</u></b>	<b><u>Target</u></b>	<b><u>FINANCIAL PERSPECTIVE:</u></b>	<b><u>2014-15 Actual</u></b>	<b><u>Target</u></b>
	<b>Quarter 4</b>		<b>Reported Annually</b>		
<b>Chargeable as % of available days</b>	<b>87%</b>	<b>80%</b>	<ul style="list-style-type: none"> <li>• <b>Cost per Audit Day</b></li> </ul>	<b>£286.65</b>	<b>£312.86</b>
<b>Chargeable days as % of planned days</b>			<ul style="list-style-type: none"> <li>• <b>Direct Costs (Under EKAP management)</b></li> </ul>	<b>£366,677</b>	<b>£392,980</b>
<b>CCC</b>	<b>91%</b>	<b>100%</b>	<ul style="list-style-type: none"> <li>• <b>Indirect Costs (Recharges from Host)</b></li> </ul>	<b>£11,700</b>	<b>£19,990</b>
<b>DDC</b>	<b>99%</b>	<b>100%</b>	<ul style="list-style-type: none"> <li>• <b>'Unplanned Income'</b></li> </ul>	<b>£22,477</b>	<b>Zero</b>
<b>SDC</b>	<b>100%</b>	<b>100%</b>	<ul style="list-style-type: none"> <li>• <b>Total EKAP cost</b></li> </ul>	<b>£378,377</b>	<b>£412,970</b>
<b>TDC</b>	<b>99%</b>	<b>100%</b>			
<b>EKS</b>	<b>105%</b>	<b>100%</b>			
<b>EKH</b>	<b>100%</b>	<b>100%</b>			
<b>Overall</b>	<b>99%</b>	<b>100%</b>			
<b>Follow up/ Progress Reviews;</b>					
<ul style="list-style-type: none"> <li>• <b>Issued</b></li> </ul>	<b>59</b>	<b>-</b>			
<ul style="list-style-type: none"> <li>• <b>Not yet due</b></li> </ul>	<b>24</b>	<b>-</b>			
<ul style="list-style-type: none"> <li>• <b>Now due for Follow Up</b></li> </ul>	<b>38</b>	<b>-</b>			
<b>Compliance with the Public Sector Internal Audit Standards (PSIAS)</b>	<b>Partial</b>	<b>Full</b>			



<b><u>CUSTOMER PERSPECTIVE:</u></b>	<b><u>2014-15 Actual</u></b>	<b><u>Target</u></b>	<b><u>INNOVATION &amp; LEARNING PERSPECTIVE:</u></b>	<b><u>2014-15 Actual</u></b>	<b><u>Target</u></b>
	<b>Quarter 4</b>			<b>Quarter 4</b>	
Number of Satisfaction Questionnaires Issued;	87		Percentage of staff qualified to relevant technician level	88%	75%
Number of completed questionnaires received back;	30 = 34 %		Percentage of staff holding a relevant higher level qualification	43%	32%
Percentage of Customers who felt that;			Percentage of staff studying for a relevant professional qualification	25%	13%
<ul style="list-style-type: none"> <li>• Interviews were conducted in a professional manner</li> <li>• The audit report was 'Good' or better</li> <li>• That the audit was worthwhile.</li> </ul>	100%	100%	Number of days technical training per FTE	4.75	3.5
	100%	100%	Percentage of staff meeting formal CPD requirements	43%	32%
	100%	100%			



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

PSIAS	PSIAS Name	Action Required	Update at June 2015
1110	Organisational Independence	<ul style="list-style-type: none"> <li>Update the Audit Charter to reflect that the Head of Audit has direct access to the Chair of the Audit Committee should this be ever required.</li> <li>Confirm annually that EKAP is organisationally independent.</li> <li>Remind IA Staff of their ethical responsibilities.</li> <li>Ensure the HoA’s performance appraisal is reviewed and signed off by Chief Executive and feedback sought from the Chair of the Audit Committee.</li> </ul>	<ul style="list-style-type: none"> <li>Completed</li> <li>Included in Annual Report</li> <li>Team Meetings</li> <li>Considered by the EKAP Client Officer Group May 15</li> </ul>
1111	Interaction with the ‘Board’	<ul style="list-style-type: none"> <li>Consider the need to meet in private at least annually with the Chair of the Audit Committee.</li> </ul>	<ul style="list-style-type: none"> <li>Proposed for December Meeting annually.</li> </ul>
1311	Internal Assessments	<ul style="list-style-type: none"> <li>Improve the internal quality assessment in accordance with the new requirements; specifically to capture more evidence of the assessments done and include budget information in the annual report.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing</li> </ul>
1312	External Assessments	<ul style="list-style-type: none"> <li>Ensure an external assessment is carried out in the next four years. Look into a joint procurement exercise with Kent Audit Group.</li> <li>Establish a champion/sponsor to oversee the process.</li> <li>Agree the approach, scope and budget for the External Assessment with the Audit Committee.</li> </ul>	<ul style="list-style-type: none"> <li>Diarized, discussed at KAG and with Client Officer Group to see how the market develops.</li> </ul>
2000	Managing the IA Activity	<ul style="list-style-type: none"> <li>General tidy up on files including ensuring compliance with the Document Retention Scheme and disposal of old files.</li> <li>Investigate how our software APACE can do more for us, including updating the Audit Universe and Risk scores held.</li> <li>Better evidence reasons for over and underspends on time budgets against individual reviews as recorded on APACE.</li> <li>Combine the former Audit Charter and the Strategy, and update the Charter</li> </ul>	<ul style="list-style-type: none"> <li>Raised at Team Meetings</li> <li>New Charter Approved March 2015</li> </ul>

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## INTERNAL AUDIT PROGRESS REPORT

To: **Governance and Audit Committee: 24<sup>th</sup> June 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.**

### **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.

#### **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 are issued in full to the appropriate Manager and Director for the service reviewed.

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

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

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

2.5 The purpose of the Council's 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 nine internal audit assignments completed during the period. Of these: two concluded Substantial assurance, three concluded Reasonable assurance and two concluded Limited Assurance. The two further pieces of work comprised of quarterly housing benefit testing for which an assurance opinion is not applicable. Summaries of the report findings are detailed within Annex 1 to this report.

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

### **4.0 Options**

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

### **5.0 Corporate Implications**

#### **5.1 Financial Implications**

- 5.1.1 There are no financial implications arising directly from this report. The costs of the audit work have been met from the Financial Services 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, the Council is committed to comply with requirements for the independent review of the financial and operational reporting processes, through the external audit and inspection processes, and satisfactory arrangements for internal audit.

### **6.0 Recommendations**



6.1 That the report be received by Members.

Contact Officers:	Christine Parker, Head of the Audit Partnership, Ext. 7190 Simon Webb, Deputy Head of Audit, Ext 7189
	Wendy Allan, Interim Director of Corporate & Regulatory Services & Deputy 151 Officer Ext. 7617

**Annex List:**

Annex 1	East Kent Audit Partnership Update Report – 24-06-2015
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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.

**2.0 SUMMARY OF REPORTS**

	<b>Service / Topic</b>	<b>Assurance level</b>
2.1	Creditors and CIS	Substantial
2.2	Community Safety	Substantial
2.3	Payroll	Reasonable
2.4	Tackling Tenancy Fraud	Not Applicable
2.5	Car Parking and PCNs	Reasonable
2.6	Refuse Freighter Vehicle Specification	Limited
2.7	Garden Waste Collection Service	Limited
2.8	EKS – Quarterly Housing Benefit Testing (Quarter 2 of 2014-15)	Not Applicable
2.9	EKS – Quarterly Housing Benefit Testing (Quarter 3 of 2014-15)	Not Applicable

**2.1 Creditors and CIS – Substantial Assurance:**

2.1.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that only bona-fide invoices are paid, and that the correct procedures have been applied in the way in which the expenditure was incurred.

2.1.2 Summary of Findings

There have been limited changes to the Creditors system since the last Internal Audit review in 2012/13. There are currently two upgrades being piloted within the finance system (e-Financials). The first will automate the invoice/batch process and move to a paperless system thereby saving on filing/storage space. This system has been designed to pull through invoices that have a three way match (order – goods receipt – invoice) into the next available invoice batch for subsequent payment. The second upgrade is for online authorisation of non-pop invoices which will remove the need for paper authorisation and storing the paper copies of the invoices / invoice analysis slips. These will hopefully be used Council wide by September 2015 and it is hoped

will improve the efficiency and speed of the payment service. The ability to have invoices being put on hold or in dispute still exists within this system. A new piece of software has been purchased called DbCapture pdf which enables electronically received invoices to be pulled directly into DbCapture from the email, thus alleviating the need to print out and manually scan the invoices. This is being used and is saving resource.

The officers in place to undertake the Creditors function have a sound knowledge and considerable experience surrounding the Creditors process and the controls necessary to ensure that bona-fide invoices are paid. There is a clear separation of duties and all of the requisite internal controls in this area have been established and are consistently being adhered to. These clear, robust processes and procedures will ensure that only bona fide suppliers are created and paid.

A performance target of 98.5% of invoices to be paid within 30 days has been set. Data is being collated and reported to management on a monthly basis and this target is being met, maintained and is being exceeded.

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

- Payments are made in accordance with standing orders, financial regulations and prescribed procedures.
- There is adequate documentation to evidence that the payments being made via the creditors system are legitimate and appropriate.
- Manual, direct debit and direct bank transfer payments are strictly controlled
- Accurate supplier details are established and maintained;
- Appropriate performance indicators are being set, monitored and accurately reported upon.
- Contractors are set up within the creditors system so that CIS deductions are automatically made. Monthly returns are completed and monies paid to the HMRC by 19th of each month.

## **2.2 Community Safety – Substantial Assurance:**

### 2.2.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the input from the Council to the Community Safety Unit in order to achieve the Council objectives and to meet legislation which places a duty on local councils to consider how their services impact on crime and disorder.

### 2.2.2 Summary of Findings

The Crime and Disorder Act 1998, Section 17 places an obligation on local authorities to consider crime, disorder, environmental issues affecting the local area and substance misuse of all their activities and to do all they reasonably can to prevent them. It also places a statutory duty on the police and local authorities to work together with key partners and agencies in partnership to formulate and implement local crime reduction strategies. The partners are required to identify local crime and disorder priorities, formulate strategies to reduce crime and monitor and evaluate those strategies. As a result of this the Community Safety unit contribute to the Thanet Community Safety Partnership (TCSP).

Originally the Council, as the accountable and administrative body, received a significant amount of grant funding to assist in the running of the CSU and its support of the CSP. This funding over the last decade has however reduced significantly from in excess of £200,000 down to less than £35,000 per annum. However, the work undertaken by the CSU over the past years has not changed and in fact the expectations of the service have increased.

An assurance opinion of Substantial has been concluded in respect of the adequacy and effectiveness of the procedures and controls established to ensure that the CSU meets its objectives and thus assists in ensuring that the Council meets its statutory responsibilities regarding community safety.

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

- The CSU, through its administrative and partner role, is ensuring that the TCSP produces a plan each year and also completes an annual strategic assessment, which are both laid down requirements.
- The CSU is facilitating many projects that meet its own specific objectives and that of the TCSP, as well as reacting to current community safety concerns.
- The CSU and TCSP publicise their work and ensure they engage the community when considering their priorities, planning their work for the following year and ensuring they demonstrate compliance with Section 17.
- The CSP receives good feedback from partners, Councillors and members of the public who are affected by community safety issues including ASB.
- The website pages for the CSU and TCSP are up to date and provide comprehensive information to the public on anti-social behaviour and the work of the Council.

Scope for improvement was however identified in one area:

- The Information Sharing protocol needs to be signed by the Authority and all participating organisations and held securely for future reference.

## **2.3 Payroll – Reasonable Assurance:**

### 2.3.1 Audit Scope

To ensure that the key internal controls in place in relation to the KCC administered payroll function are effective to provide the required shared service to the three Councils regarding payments to Officers and Councillors.

### 2.3.2 Summary of Findings

The Payroll function is currently provided by Kent County Council to each of the three local authorities with the assistance of staff in each of the councils including East Kent HR. The contract with Kent County Council (KCC) has run its full term (October 2014) and work is being undertaken to procure a replacement solution.

The internal control system and processes had not changed since the previous audit therefore this review was focussed on transaction testing to ensure the payroll function was correctly processing payments in line with Council Policy and legislative requirements.

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

- Large samples of transactions from each partner council were tested as part of the audit review. It is very positive to report that no significant issues were found.

- Few minor errors were identified through the testing carried out confirming the effectiveness of the controls in place.

Scope for minor improvement was however identified in the following areas:

- The reconciliation routines in place should be robust enough to capture any differences between what has been claimed (by the employee) and what has been input to the Payroll system.
- The data transfer from Payroll to the main financial systems for each council is labour intensive, and the new payroll solution should seek for opportunities to automate this.

## **2.4 Tackling Tenancy Fraud – Not Applicable**

### **2.4.1 Audit Scope**

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that effective arrangements are in place between the four councils and East Kent Housing Ltd (EKH) to ensure that housing tenancy fraud is being tackled.

### **2.4.2 Summary of Findings**

There are various types of tenancy fraud, sub-letting the whole property, key selling, unauthorised assignment, wrongly claimed succession, right to buy, and obtaining tenancy through false statement. Individuals who commit tenancy fraud prevent those who are legally entitled to social housing from being housed.

In the Annual Fraud Indicator 2013 the National Fraud Authority (NFA) estimated that Housing Tenancy Fraud cost social housing providers £845 million. The Audit Commission reports that social housing fraud is the single largest category of fraud loss in local government in terms of value.

The Prevention of Social Housing Fraud Act 2013 is new legislation that is primarily concerned with strengthening the powers of social landlords to tackle tenants who sublet the whole of their dwellings for a profit. The Act was brought fully into force on 15 October 2013. The Act: -

- Creates new criminal offences of unlawful subletting by assured and secure tenants in social housing;
- gives local authorities powers to prosecute in cases of unlawful subletting but subject to expiration restrictions on evidence;
- enables courts to order the recovery of any profit made from unlawful subletting from tenants; and
- provides that assured tenants who unlawfully sublet the whole of their dwelling cannot subsequently regain their security of tenure.

Right to Buy Fraud (RTB) and application/acceptance of a social housing tenancy knowingly using fraudulent information/ by deception are offences under the Fraud Act 2006.

East Kent Housing (EKH) Ltd and its staff have a reasonable level of awareness of tenancy fraud and proactive action is being taken, and further action planned, to address the issue of tenancy fraud awareness and detection. However, due to resource implications and the pressures of the 'day job' the effectiveness of some

management controls could be improved and some opportunities to address tenancy fraud may be currently being missed.

A significant amount of data is held about individual tenants and households and often this data is enough to highlight common 'warning signs' of potential fraud. However, the fact that this data is held on different systems, and recorded slightly differently by these systems has resulted in a number of potential matches coming to light from the tests undertaken as part of this audit. Although it has not been possible to review all these potential matches in detail, from the samples reviewed one potential fraud has been highlighted and is currently being investigated. With the procurement of the new single solution housing system currently underway some of these issues should be addressed and the opportunity taken to carry out a full data cleanse of housing.

Despite a significant volume of data being held further work is required in order for the extent and level of risk of tenancy fraud within the four districts to be fully understood. A number of recommendations and opportunities have been highlighted within the action plan to aid with this. Once a tenancy fraud profile has been determined the four member authorities and EKH will be able to better determine the level of priority and resource that should be put into detecting and tackling tenancy fraud.

## **2.5 Car Parking and PCNs – Reasonable Assurance:**

### 2.5.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that car park machine income (on-street and off-street), is adequately monitored and reconciled to expected income and that income trends are monitored for individual car parks for management information.

To provide assurance that parking restrictions are being consistently and effectively enforced and that income due to the Council from penalty charge notices is adequately monitored and reconciled to expected income and that income trends are monitored for management information.

### 2.5.2 Summary of Findings

Income from car parks and on and off street parking forms a significant income stream to the Council. There is therefore a need to ensure that effective internal controls are in place to ensure that all income received is monitored and correctly accounted for.

Specific areas of the service were benchmarked against Canterbury City Council and Dover District Council. In 2013/14 Thanet District Council issued a total of 14,953 penalty charge notices, an average of 1,150 notices per Civil Enforcement Officer. This compares to 25,744 by Authority A and 10,714 by Authority B.

Of the 14,953 notices that have been issued in 2013/14:-

- 10,117 were for on street offences;
- 4,836 were for off street offences;
- 143 were spoilt for various reasons; and
- 4,380 were issued for parking on double yellow lines.

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

- There are clear processes and procedures in place for the administration of the car park income and the penalty charge notices.
- Although members of the Parking Team are tasked with their individual functions they are able to provide cover for any member of the team if required.
- Annual benchmarking is undertaken with other Kent Local Authorities.
- The status of the penalty charge notices are regularly reviewed by the Civil Enforcement Manager to ensure that appropriate action has been taken.

Scope for improvement was however identified in the following areas:

- The overpaid penalty charge notices should be reviewed periodically and appropriate action taken to clear the credit balance from the parking system.
- The safe limits are not always adequate to cover the monies held in them.
- The cash collection contract is 30 years old and the Council has not retendered the contract to ensure that they are receiving value for money.

## **2.6 Refuse Freighter Vehicle Specification – Limited Assurance.**

### 2.6.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council's fleet of refuse freighters are fit for purpose, were adequately and appropriately specified, are being used in accordance with that specification and all of the manufacturer's warranty conditions.

### 2.6.2 Summary of Findings

In 2013 the Council engaged the services of a firm of consultants to provide management support in respect of a project to ensure that the Council could collect household waste under the East Kent Joint Waste Project. Part of the support being provided was to produce a specification for the new refuse freighters required to collect waste and recycling from households.

Following a competitive tender process, and subsequent review of the way in which the service will be delivered, the Council ordered 3 different types of vehicles in March 2013 with a combined order value of £2,482,245 consisting of;

- 6 x 26 tonne freighters to collect recycling;
- 5 x 26 tonne freighters to collect general waste; and
- 4 x 18 tonne freighters to collect in restricted access areas.

Mid-way through 2014/15, problems became evident with the 26 tonne freighters used for recycling as it was identified that the vehicles were not fitted with a reinforced, sacrificial floor and as a result the compacted glass was wearing through the bottom of the freighters. It was estimated that it would cost in the region of £1,500 per vehicle to retrofit a reinforced, sacrificial floor and resulted in the floors of these vehicles (previously believed to have a 7 year life expectancy) having to be repaired in a little over 12 months from delivery.

This review was undertaken at the request of the former Interim s.151 officer to;



- a) Establish why the vehicles used for the collection of glass were not specified with a reinforced/sacrificial floor;
- b) Identify who failed to correctly specify the vehicles;
- c) Establish the governance procedures in place for the final approval of the specification; and
- d) Confirm that the problems being incurred are as a result of incorrect specification, rather than incorrect manufacture or usage.

Management can place Limited Assurance on the system of internal controls in operation surrounding the specification of the 26 tonne freighters used to collect recyclable materials. The primary findings giving rise to this Limited Assurance opinion are as follows:

- The procurement expertise of the consultants used to specify the vehicles was not checked by means of references.
- From the enquiries undertaken it has not been possible to source any form of contract between the Council and the consultants for the work they were undertaking.
- No copies of the professional indemnity insurance held by the consultants could be sourced during this review.
- There is no supporting information in place to explain changes made to the vehicle specification prior to the order being placed.
- There is no evidence in place to confirm that the final specification was approved by the end users of the vehicles prior to the order being placed with the supplier.

## **2.7 Garden Waste Collection Service – Limited Assurance.**

### **2.7.1 Audit Scope**

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the green waste service is being correctly charged for, in accordance with Council policy and that all income is correctly received and reconciled where the green waste service is being provided.

### **2.7.2 Summary of Findings**

The Council's garden waste collection service currently has approximately 8,500 subscribers. There is an up-front charge for the garden waste bin of £27.50 (2014/15) and an annual fee of £35 (2014/15) for the service. Annually the amount of income has increased for the green waste service as follows:

	<b>2011/2012</b>	<b>2012/2013</b>	<b>2013/2014</b>
Bins	£22,039	£40,021	£51,670
Collection Service	£165,908	£171,715	£218,135

The service to the customer operates effectively, however the administration of the whole function is cumbersome and ineffective. It is very difficult to reconcile the payments received for the service using the data recorded on the financial information system to the manual records held by the Operational Support Team.

The processes in place for the administration of the green waste service have been reviewed by the Service Development Manager and some action has been taken to streamline them and make them more efficient for the 2015-16 renewals. However, due to a timing issue with the annual renewal scheme, more work needs to be undertaken to make the procedures less cumbersome and more effective and to ensure the records being maintained by the Operational Support Team fit with the information recorded on the main financial system.

The M3 software system is being partially used to record some of the payments received, however the system does not have the capacity to be used as the core database and could be a more effective and efficient way to streamline the current function. Another council currently uses M3 as their core database to operate their green waste service.

The Council currently relies on subscribers of the service notifying them if they have paid for the service but have not received a bin or the renewal sticker, however with service improvements such as using a more comprehensive database the Council would provide an enhanced service where the level of contact from the customer would be kept to a minimum safeguarding the Council's reputation.

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

- The records being maintained are cumbersome.
- The core database is not fit for purpose as it is an excel spreadsheet.
- The manual records being maintained are not adequately protected.
- A reconciliation between the income recorded on the financial system and the records held by the Operational Support Team can not be undertaken.
- The M3 system has the facility to be used to record all green waste scheme subscribers and would use each properties UPRN, linked into the LLPG, rather than the unique reference number created which is currently being used.

Effective control was however evidenced in the following areas:

- Manual records are being maintained of all subscribers to the service.
- Macros have been implemented to reduce the amount of time being spent on reviewing the payments received each day and identifying new subscribers to the service.
- All income is banked expeditiously dependent on the payment method used.
- The approved fees for the green waste service are charged.

## **2.8 EK Services – Housing Benefit Quarterly Testing (Quarter 2 of 2014-15):**

### **2.8.1 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.

### **2.8.2 Findings:**

For the second quarter of 2014/15 financial year (July to September 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.

### 2.8.3 Audit Conclusion:

Twenty one benefit claims were checked and of these one (4.76%) had a financial error that potentially did impact on the benefit calculation, all other claims passed and no data quality errors were found.

## **2.9 EK Services – Housing Benefit Quarterly Testing (Quarter 3 of 2014-15):**

### 2.9.1 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.

### 2.9.2 Findings:

For the third quarter of 2014/15 financial year (October to December 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.

### 2.9.3 Audit Conclusion:

Forty benefit claims were checked and of these two had financial errors that did impact on the benefit calculation (5%).

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

3.1 As part of the period's work, eight 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)	Planning and s106 agreements	Substantial/ Reasonable	Substantial	H	0	H	0
				M	3	M	1
				L	3	L	0

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs. Outstanding	
b)	Right to Buy	Substantial	Substantial	H M L	3 0 0	H M L	0 0 0
c)	Printing and Post	Substantial	Substantial	H M L	0 1 1	H M L	0 1 1
d)	EKH – Tenant Health & Safety (Lifts)	No Assurance	Reasonable	H M L	2 0 0	H M L	0 0 0
e)	EK Services – Housing Benefit Payments	Substantial	Substantial	H M L	0 1 1	H M L	0 0 0
f)	EK Services – Software Procurement	Limited	Reasonable	H M L	4 2 0	H M L	0 0 0
g)	HRA Business Plan	Reasonable	Reasonable	H M L	2 1 0	H M L	0 0 0
h)	Waste Vehicle Fleet Management.	Reasonable/ Limited	Reasonable	H M L	4 2 1	H M L	1 1 1

- 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.
- 3.3 The purpose of escalating outstanding high-risk matters is to try to gain support for any additional resources (if required) to resolve the risk, or to ensure that risk acceptance or tolerance is approved at an appropriate level.
- 3.4 As highlighted in the above table, those areas previously reported as having either Limited or No assurance have been reviewed and, in respect of those remaining at below Reasonable assurance, Members are advised as follows:

a) ICT Software Licensing

At the September committee it was reported that no significant progress in implementing the ICT Asset Management Software had been made due to an issue with the software supplier. This has resulted in a new procurement process being required with a different Software Asset Management (SAM) system needing to be sourced. Until the SAM system is implemented, which enables the tracking of software licences on all ICT assets, this will remain at Limited Assurance.

An additional review of the controls and procedures within the software procurement process was undertaken, and the assurance for this has been raised to Reasonable Assurance as reported in the table above under Software Procurement.

Management Response:

Tender invites are being issued week commencing 26/05/2015 to start the procurement process having received final approvals from Thanet procurement. The SAM system is being purchased alongside two other key products; a replacement for the Service Desk system and the Introduction of a new Software Contract Management system. We are seeking all products as a combined software suite under a single tender. The implementation of the suite will be complex but we are hopeful that full procurement and staged go live will be completed by the end of this financial year with the SAM system taking priority. In the interim we are using an inventory module within the existing software to keep track of software licences aided by manual procedures for ensuring licence purchases are managed.  
Head of ICT, EK Services.

**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: Insurance, Complaints Monitoring, Dog Warden and Street Scene Enforcement, Your Leisure, Housing Allocations, Equality and Diversity, and CSO Compliance.

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

- 5.1 The 2014-15 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.

**6.0 FRAUD AND CORRUPTION:**

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

**Attachments**

- Appendix 1 Summary of High priority recommendations outstanding after follow-up.  
Appendix 2 Summary of services with Limited / No Assurances  
Appendix 3 Assurance statements

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

<b>Original Recommendation</b>	<b>Agreed Management Action , Responsibility and Target Date</b>	<b>Manager’s Comment on Progress Towards Implementation.</b>
<p>The Interim Head of Operations should introduce a local performance indicator to monitor and report instances of overloading with the target for the indicator being set at zero.</p>	<p>Target for total overloading incidents &lt;1% annually based on monthly monitoring of incidents under action 4.</p> <p><b>Proposed Completion Date:</b> Round balancing underway to reduce opportunity for overloading incidents. Started August 2014, but will continue for other service efficiency purposes.</p> <p><b>Responsibility:</b> Recycling and Waste Manager</p>	<p>As part of an improvement programme the Waste &amp; Recycling manger is now reporting this information, they need to liaise with Thanet Waste so that weekly updates are sent to all the relevant Managers &amp; Supervisors, relevant actions will be monitored through the operations fortnightly meetings.</p> <p>Revised Implementation Date: 30/06/15</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>Follow-up Action Due</b>
Absence Management	June 2013	Limited	Work-in-progress as part of a planned audit
EK Services – ICT Change Control	June 2014	Limited	Work-in-progress
Waste Vehicle Fleet Management.	September 2014	Reasonable/Limited	Work-in-progress
FOI, Data Protection and Information Management	September 2014	Reasonable/Limited/Limited	Work-in-progress
Authorisation of Overtime within Waste, Recycling and Street Cleansing	March 2015	No Assurance	Work-in-progress
Employee Benefits-in-Kind	September 2014	Limited	Work-in-progress
CCTV	March 2015	Reasonable/Limited	Work-in-progress
East Kent Housing – Leasehold Services	March 2015	Limited	Work-in-progress
Authorisation of Overtime within Waste, Recycling & Street Cleansing	March 2015	No Assurance	Work-in-progress



**AUDIT ASSURANCE**

**Definition of Audit Assurance Statements**

**Substantial Assurance**

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

**Reasonable Assurance**

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

**Limited Assurance**

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

**No Assurance**

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



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## INTERNAL AUDIT ANNUAL REPORT

To: **Governance and Audit Committee: 24<sup>th</sup> June 2015**

By: **Interim (s.151 Officer): Tricia Marshall**

Subject: **ANNUAL FRAUD REPORT FOR 2014-15.**

Classification: **Unrestricted**

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**Summary: This report provides the summary of the impact of the counter fraud work for the year to 31<sup>st</sup> March 2015.**

**For Information**

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### **1.0 Introduction**

- 1.1 Thanet District Council provides services to the 135,700 people that reside within the district. These services range from the payment of housing and council tax benefit to collection of household waste and the control of development. To provide these services, the Council employs 708 staff who are responsible for conducting significant number of administrative, operational and financial processes on behalf of the Council.
- 1.2 In the Annual Fraud Indicator 2013 the National Fraud Authority (NFA) estimates that fraud costs the UK £52bn a year. The NFA also estimates that within the public sector, £20.6bn is lost annually due to fraud, with £2.1bn of this affecting local authorities. The major areas of fraud within local government are cited as;
- Housing Tenancy fraud (estimated £845 million)
  - Procurement Fraud (£876 million)
  - Payroll Fraud (£154 million)
  - Council Tax Fraud (£133 million).
- 1.3 The NFA also estimates that Benefit Fraud (fraud and error for benefits administered by the Department for Work and Pensions and local authorities) costs the UK economy £1.2bn annually, with Housing Benefit fraud remaining the largest area of fraud overpayment within the benefits system at £350 million.
- 1.4 Thanet District Council is opposed to all forms of fraud and corruption and recognises that such acts can undermine the standards of public service, which it promotes, and have a detrimental effect on the ability of the Council to meet its own objectives. This, in turn, can impact on the service provided to the residents of Thanet.
- 1.5 This report is intended to provide details of the Council's activity in preventing, detecting and investigating fraud and corruption during the 2014-15 financial year. The report includes action taken in respect of both corporate fraud (acts of fraud within and against the Council) and benefit related fraud.

### **2.0 Prevention and Detection of Fraud and Corruption**

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

## **2.1 Anti-Fraud & Corruption Strategy**

The anti-fraud and corruption strategy is a public document setting out the Council's stance on fraud and corruption and providing an outline of its arrangements to prevent, detect and investigate instances. The strategy underpins the Council's counter fraud arrangements and supports other corporate documents, which together form the framework.

## **2.2 Whistleblowing Policy**

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

## **2.3 Housing & Council Tax Benefit Anti-Fraud Policy**

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

## **2.4 Internal Control Arrangements**

### **2.4.1 Induction**

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

### **2.4.2 Training**

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

### **2.4.3 Website**

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

### **2.4.4 Publicity of Successful Prosecutions**

The Council is committed to publicising where it has been able to successfully pursue proven cases of fraud. During the 2014-15 year 7 press releases relating to the Council's detection of fraudulent activity. The publicity provides assurance that the Council does and will deal with such cases effectively, acting both as a deterrent to those contemplating fraudulent activity, and encouraging those with information to come forward and report this to the Council.

### **2.4.5 National Fraud Initiative**

The Council takes part in the bi-annual National Fraud Initiative (NFI) data matching exercise, comparing computer records held by the Council against other data bases held by other bodies. This results in matches being found requiring further investigation to determine whether it is an error or a potential fraud.

In October 2014 the Council submitted data for the 2014-15 NFI exercise, and the matches from the exercise were received in January 2015. A total of 2,514 matches were received across 65 reports considering housing benefit, payroll, creditors, housing (including right-to buy), insurance claims, taxi licensing and residents parking permits information held by the Council.

Current overall summary of the 2,514 matches;

- 1,466 are cleared cases, this is where the match status has been set to either “closed already known” or closed no issue”.
- 98 cases are currently being investigated
- Highlighted errors of a total of 10 cases, 9 of which a total of £3,693.63 is being recovered.

In previous years the Single Persons Discount (SPD) data matching has been completed every two years. The level of Council Tax SPD fraud detected by the NFI continues to be significant. In the last national report they reported £50m of council tax SPD fraud and error and since then NFI participants have continued to identify significant outcomes. In light of the continued high level of detected fraud this has changed to an annual collection and data matching of council tax and electoral register datasets. This is timed to coincide with the annual update of the electoral register data. It will allow councils to identify abuse more promptly, thereby limiting underpayments that subsequently need to be recovered.

Current overall summary

Match Type		(i) No of cases where SPD Cancelled	(ii) No. where entitlement reason updated e.g. with a disregarded adult	(iii) Total amount of discount awarded per annum for those where discount withdrawn	(iv) No. of cases where recovery is in progress	(v) Value of overpayments where recovery is in progress (full or partial)	(vi) No. of applications revoked or withdrawn	(vii) No. of prosecutions
A	Council Tax Single Person Discount	338	38	114030.19	0	0	0	0
B	Rising 18s	65	29	20789.44	0	0	0	0

A - This match identifies addresses where the householder is claiming a council tax single person discount on the basis that they live alone yet the electoral register suggests that there is more than one person in the household aged 18 or over.

B - This match identifies addresses where the householder is claiming a council tax single person discount on the basis that they are the only occupant over 18 years of age yet the electoral register suggests that there is somebody else in the household who is already, or is approaching, 18 years of age. This may have already made, or may be about to make, the SPD invalid.

#### 2.4.6 Housing Tenancy Fraud

The changes in legislation and new powers are now available to local authorities to both recover housing stock from fraudulent tenants and any rent gained from any sub-letting of a genuine tenancy. The Council will continue to build on working with East Kent Housing to prevent and detect potential housing fraud.

### 3.0 Investigating Fraud

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

#### 3.1 Corporate Fraud & Irregularity Referrals

To ensure the effective use of the skills and resources available to it the Council intends to utilise officers from HR, Internal Audit and Investigations based on the nature of the allegation and the investigatory skills required. During 2014-15 no referrals were made to the Council;

#### 3.2 Benefit Fraud Referrals

The investigation team is currently made up of two Investigation Officers whose primary focus is the detection and investigation of benefit fraud. The team works

closely with other agencies to progress investigations. Partnership working is actively undertaken with these agencies to ensure that the best outcome is received through the pooling of resources.

The investigation team is reliant on a number of sources for referrals of potential benefit fraud cases. During 2014-15 703 referrals were made to the team, as set out in the table below.

Referral type	No. of Referrals received	No. of referrals Accepted for Formal Investigation
<b>Housing Benefit Matching Service</b>	26	26
<b>Fraud Hotline</b>	287	41
<b>Benefits Staff</b>	166	137
<b>Council staff</b>	67	16
<b>DWP</b>	42	41
<b>Other</b>	3	3
<b>Investigation Team</b>	112	108
	703	372

During 2014-15 372 formal investigations were carried out, a total of 57 sanctions were achieved as follows

Sanction Achieved	Number
Formal Caution	30
Administrative Penalty	14
Successful Prosecution	13
	67

Additionally, through this work, overpayments of, £290,812 in Housing Benefit and £37,126 in Council Tax Support were identified during the year.

### 3.3 Other Investigation Activity

During the year, Internal Audit has not carried out any special investigations for the Council.

## 4.0 Future Developments in the Fraud Arrangements of the Council

### 4.1 Fighting Fraud Locally

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

### 4.2 Assessing Fraud Risk

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

Internal Audit will continue to assess fraud risk to which the Council may be exposed annually as part of the development of the annual internal audit plan.

## **5.0 Summary**

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

## **4.0 Options**

- 4.1 That Members consider and note the annual fraud report for 2014-15.
- 4.2 That Members consider registering their concerns with Cabinet in respect of any areas of the Council's corporate governance, control framework or risk management arrangements in respect of which they have on-going concerns after considering the counter fraud work for the year 2014-15.

## **5.0 Corporate Implications**

### **5.1 Financial Implications**

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

### **5.2 Legal Implications**

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

### **5.3 Corporate Implications**

- 5.3.1 Under the Local Code of Corporate Governance accepted by Cabinet on 8<sup>th</sup> December 2009, the Council is committed to comply with requirements for the independent review of the financial and operational reporting processes, through the

external audit and inspection processes, and satisfactory arrangements for internal controls and counter fraud work.

6.0 Recommendations

6.1 That the report be received by Members.

Contact Officers:	Christine Parker, Head of the Audit Partnership, ext. 7190
	Simon Webb, Deputy Head of Audit, ext 7189
	Tricia Marshall (Interim s.151 Officer) Ext. 7790

**Annex List:**

None

**Background Papers:**

The data required to complete this report has been supplied by the various Council teams responsible.

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## UPDATE REPORT ON THE CORPORATE RISK REGISTER

To: **Governance and Audit Committee – 24 June 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 and update 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.

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

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

2.1.1 The Corporate Risk Register was presented in full to Members at their meeting on 24 September 2014. A summary of the 28 risks noted is as follows;

5	High Risk
19	High/Medium Risk
0	Medium Risk
4	Medium/Low Risk
0	Low Risk

2.1.2 The new Council and changes to the Corporate Plan since 2014, provide an opportunity to review the Corporate Risk Register and to determine a risk appetite appropriate to the new Council's goals and aspirations. Consequently a detailed report will follow later in the year once the new Corporate Plan has been established. In the meantime CMT has reviewed the existing register to ensure that it remains relevant and up to date.

2.1.3 Additionally, the Council's Corporate Risk system has been reviewed and updated by responsible officers up to quarter four of 2014-15. As part of that review responsible officers were asked to identify any new or emerging risks, and ensure they are added to the register under the relevant categories. This work has resulted in the following changes to the Corporate Risk Register.

##### **2.2 Updated Corporate Risk Register**

A summary of the updated Corporate Risk Register is shown below;

Ref	Description	Risk Score	
R04.01	Health and Safety at Work.	12	High
R05.02	Increasing Customer Demands	12	High
R09.05	Manston	12	High
R01.01	Too Many Priorities	12	High
R04.06	Information Governance	9	Medium-high
R05.01	Reputation and Public Perception	9	Medium-high
R07.01	Continuity of Staff	9	Medium-high
R08.01	Service Failure or Closure	9	Medium-high
R09.01	Major project failure (e.g. Dreamland, Margate Housing Intervention).	9	Medium-high
R01.02	Challenging Economic Climate	8	Medium-high
R06.02	Political Positioning	8	Medium-high
R07.02	VFM of Resources	8	Medium-high
R09.04	Local Plan Delivering Sustainable Development	8	Medium-high
R04.07	Major Emergency	6	Medium-high
R04.08	Business Continuity	6	Medium-high
R04.09	Safeguarding Vulnerable People	6	Medium-high
R03.02	Partnerships	4	Medium-low
R06.04	Political Leadership	4	Medium-low

### 2.2.1 Removed from the Risk Register

Eleven risks were removed from the register this quarter, some have simply been combined with another very similar risk, and some as the event has passed, e.g. post the election project.

### 2.2.2 Risks reduced

Three risks have reduced scores as follows

- Partnerships; there are many effective controls in place for the significant partnerships which mitigate the risk score,
- Political Leadership, post election this score has been reduced from 12,
- Local Plan Delivering Sustainable Development has been reduced from 12 to 8 as, it is of great significance, Manston has been separated out to form a new Corporate Risk, slightly reducing the residual score.

### 2.2.3 Risks Increased

Two risk scores have increased this quarter as follows

- Health & safety at Work, whilst a review of practices has been undertaken, there is evidence of claims to be processed.
- VFM of Resources has been increased from a score of 4 to 8 in advance of the new budget in July and at the inception of the new Council.

### 2.2.4 New Risks

One new risk has been added in this period, whilst the category for Major Projects would have otherwise covered it, it is thought to be so potentially significant in terms of financial, Political, environmental, reputational and legal risk that it should be separated out. The new risk added is called Manston, to cover all aspects of this project.

### 2.2.5 Amended Risks

The only notable amendment this quarter is that the risks have been re-named to give a shorter, punchier description.



### **3.0 Options**

3.1 That Members note the content of this update report on the Corporate Risk Register and identify any issues on which they require more clarification.

### **4.0 Corporate Implications**

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

4.1.1 Whilst the Corporate Risk Register 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 Corporate Risk Register 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 Corporate Risk Register 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 this report 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 –Update Report	Date: 24 September 2015
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Contact Officer:	Nicola Walker, Interim Head of Financial Services DDI 01843 577236
Reporting to:	Interim Director of Corporate Resources, DDI 01843 577617

#### ***Background Papers - NA***

<b>Title</b>	<b>Details of where to access copy</b>
Risk Management Strategy	Intranet

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

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

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7 April 2015

Dear Madeline

**Planned audit fee for 2015/16**

Before it closed on 31 March 2015, the Audit Commission was asked to set the scale fees for audits for 2015/16. The Commission published its work programme and scales of fees for 2015/16 at the end of March 2015. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

**Scale fee**

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

The Council's scale fee for 2015/16 has been set by the Audit Commission at £66,296, which compares to the audit fee of £87,495 for 2014/15. The reduction in fees has been enabled by the procurement exercises run by the Commission across both the Local Government and Health sectors.

After the Commission’s closure, the 2015/16 work programme and fees will be accessible from the archived Audit Commission website from the National Archives [http://webarchive.nationalarchives.gov.uk/\\*/http://www.audit-commission.gov.uk/](http://webarchive.nationalarchives.gov.uk/*/http://www.audit-commission.gov.uk/) and on the Public Sector Audit Appointments PSAA website [psaa.co.uk](http://psaa.co.uk)

The audit planning process for 2015/16, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

### **Scope of the audit fee**

The scale fee covers:

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

### **Value for Money conclusion**

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

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

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and provide feedback in our Audit Findings Report.

### **Certification of grant claims and returns**

The Council's indicative grant certification fee has not yet been confirmed. We will inform you once the fee has been set.

### **Billing schedule**

Fees will be billed as follows:

<b>Main Audit fee</b>	<b>£</b>
September 2015	16,574
December 2015	16,574
March 2016	16,574
June 2016	16,574
<b>Total</b>	<b>66,296</b>
<hr/>	
<b>Grant Certification</b>	
December 2016	TBC

### **Outline audit timetable**

We will undertake our audit planning and interim audit procedures in February 2016. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in August 2016 and work on the whole of government accounts return in September 2016.

<b>Phase of work</b>	<b>Timing</b>	<b>Outputs</b>	<b>Comments</b>
Audit planning and interim audit	February 2016	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	August 2016	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	Jan to Sept 2016	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	September 2016	Review of the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2016	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2016	Grant certification report	A report summarising the findings of our grant certification work

### **Our team**

The key members of the audit team for 2015/16 are:

	<b>Name</b>	<b>Phone Number</b>	<b>E-mail</b>
Engagement Lead	Darren Wells	01293 554120	<a href="mailto:darren.j.wells@uk.gt.com">darren.j.wells@uk.gt.com</a>
Engagement Manager	Terry Blackman	020 7728 3194	<a href="mailto:terry.blackman@uk.gt.com">terry.blackman@uk.gt.com</a>
In Charge Auditor	Matt Dean	020 7728 3181	<a href="mailto:matthew.dean@uk.gt.com">matthew.dean@uk.gt.com</a>

### **Additional work**

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

**Quality assurance**

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'D Wells', written in a cursive style.

Darren Wells

Engagement Lead

For Grant Thornton UK LLP

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## **ANNUAL TREASURY MANAGEMENT REVIEW 2014/15**

To: **Governance and Audit Committee – 24 June 2015**

Main Portfolio Area: **Finance**

By: **S151 Officer**

Classification: **Unrestricted**

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**Summary:** **This report summarises treasury management activity and prudential/treasury indicators for 2014/15.**

### **For Decision**

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

1.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2014/15. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

1.2 During 2014/15 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 6 Feb 2014 and revised by Council 2 Oct 2014)
- a mid-year (minimum) treasury update report (Council 6 Feb 2014)
- an annual review following the end of the year describing the activity compared to the strategy (this report).

In addition, this Council's Governance and Audit Committee has received quarterly treasury management update reports on 24 Sep 2014 and 17 Mar 2015.

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

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

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1.5 This report summarises the following:-

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

Please note that the Council's 2014/15 accounts have not yet been audited and hence that the figures in this report are subject to change.

## 2.0 Executive Summary

2.1 During 2014/15, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Prudential and treasury indicators	2013/14 Actual £000	2014/15 Estimate £000	2014/15 Actual £000
Capital expenditure			
• Non-HRA	6,689	18,416	8,184
• HRA	3,958	14,044	7,149
• Total	10,647	32,460	15,333
Capital Financing Requirement:			
• Non-HRA	20,898	26,460	22,390
• HRA	20,874	20,874	20,874
• Total	41,772	47,334	43,264
Gross borrowing	27,252	30,659	30,659
Investments			
• Longer than 370 days	0	0	0
• Under 370 days	27,615	20,000	29,435
• Total	27,615	20,000	29,435
Net borrowing	(363)	10,659	1,224

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



2.3 The financial year 2014/15 continued the challenging investment environment of previous years, namely low investment returns.

### 3.0 The Council's Capital Expenditure and Financing 2014/15

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

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

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

£000 General Fund	2013/14 Actual	2014/15 Estimate	2014/15 Actual
<b>Capital expenditure</b>	<b>6,689</b>	<b>18,416</b>	<b>8,184</b>
Financed in year	4,623	12,227	6,064
<b>Unfinanced capital expenditure</b>	<b>2,066</b>	<b>6,189</b>	<b>2,120</b>

£000 HRA	2013/14 Actual	2014/15 Estimate	2014/15 Actual
<b>Capital expenditure</b>	<b>3,958</b>	<b>14,044</b>	<b>7,149</b>
Financed in year	3,753	13,819	6,924
<b>Unfinanced capital expenditure</b>	<b>205</b>	<b>225</b>	<b>225</b>

### 4.0 The Council's Overall Borrowing Need

4.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2014/15 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

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

4.3 **Reducing the CFR** – the Council’s (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

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

The Council’s 2014/15 MRP Policy (as required by CLG Guidance) was approved as part of the Treasury Management Strategy Report for 2014/15 on 6 Feb 2014.

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

CFR (£000): General Fund	31 March 2014 Actual	31 March 2015 Estimate	31 March 2015 Actual
Opening balance	19,450	20,898	20,898
Add unfinanced capital expenditure (as above)	2,066	6,189	2,120
Less MRP/VRP*	(618)	(852)	(853)
Less PFI & finance lease repayments	0	0	0
Transfer from HRA**	0	225	225
Closing balance	20,898	26,460	22,390

CFR (£000): HRA	31 March 2014 Actual	31 March 2015 Estimate	31 March 2015 Actual
Opening balance	22,325	20,874	20,874
Add unfinanced capital expenditure (as above)	205	225	225
HRA loan repayments	(1,656)	0	0
HRA downward revaluation	0	0	0
Less VRP*	0	0	0
Less PFI & finance lease repayments	0	0	0
Transfer to GF**	0	(225)	(225)
Closing balance	20,874	20,874	20,874

\* Includes voluntary application of capital receipts.

\*\*This relates to the transfer of property from HRA to GF on 1 April 2014 at a market value of £225k.

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

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

- 4.6 **Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2014/15) plus the estimates of any additional capital financing requirement for the current (2015/16) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2014/15. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

£000	31 March 2014 Actual	31 March 2015 Estimate	31 March 2015 Actual
Gross borrowing position	27,252	30,659	30,659
CFR	41,772	47,334	43,264

- 4.7 **The authorised limit** - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set,

the Council does not have the power to borrow above this level. The table below demonstrates that during 2014/15 the Council has maintained gross borrowing within its authorised limit.

- 4.8 **The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.
- 4.9 **Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

£000	2014/15
Authorised limit	62,000
Maximum gross borrowing position	48,000
Operational boundary	54,000
Average gross borrowing position	28,448
Financing costs as a proportion of net revenue stream – General Fund	4.72%
Financing costs as a proportion of net revenue stream - HRA	5.81%

## 5.0 Treasury Position as at 31 March 2015

- 5.1 The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the beginning and the end of 2014/15 the Council's treasury (excluding borrowing by PFI and finance leases) position was as follows:

£000	31 March 2014 Principal	Rate/ Return	Average Life yrs	31 March 2015 Total Principal	31 March 2015 HRA Principal	31 March 2015 GF Principal	Rate/ Return	Average Life yrs
Fixed rate funding:								
-PWLB	22,752	4.27%	12.5	26,159	16,989	9,170	3.69%	13.2
-Market	4,500	4.19%	0.5	4,500	3,880	620	4.19%	0.5
Variable rate funding:								
-PWLB	0			0	0	0		
-Market	0			0	0	0		
<b>Total debt</b>	<b>27,252</b>	<b>4.26%</b>	<b>10.6</b>	<b>30,659</b>	<b>20,869</b>	<b>9,790</b>	<b>3.77%</b>	<b>11.3</b>
<b>CFR</b>	<b>41,772</b>			<b>43,264</b>	<b>20,874</b>	<b>22,390</b>		
<b>Over / (under) borrowing</b>	<b>(14,520)</b>			<b>(12,605)</b>	<b>(5)</b>	<b>(12,600)</b>		
Investments:								
- in house	27,615	0.52%		29,435			0.53%	
- with managers	0			0				
<b>Total investments</b>	<b>27,615</b>	<b>0.52%</b>		<b>29,435</b>			<b>0.53%</b>	

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

£000	31 March 2014 actual	2014/15 upper limits	31 March 2015 actual
Under 1 year	4,500	15,329	5,940
1 year to under 2 years	960	15,329	480
2 years to under 5 years	0	15,329	6,239
5 years to under 10 years	11,691	16,862	7,367
10 years to under 20 years	4,341	15,329	2,787
20 years to under 30 years	3,840	15,329	4,926
30 years to under 40 years	1,920	15,329	1,920
40 years to under 50 years	0	15,329	1,000
50 years and above	0	15,329	0
<b>Total debt</b>	<b>27,252</b>		<b>30,659</b>

5.3 All investments were for under 370 days. As at 31 March 2015 the amount invested between 365-370 days was £1.6m (limit: £5.0m).

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

£000	31 March 2014 Actual	2014/15 Upper Limits	31 March 2015 Actual
Fixed rate	27,252 debt	62,000 debt	30,659 debt
	6,800 investments	45,000 investments	11,754 investments
Variable rate	0 debt	62,000 debt	0 debt
	20,815 investments	45,000 investments	17,681 investments

## 6.0 The Strategy for 2014/15

- 6.1 The Council uses Capita as its external treasury management advisor. Capita's expectation for interest rates within the strategy for 2014/15 anticipated the Bank Rate remaining at 0.5% for 2014/15, and gradual rises in fixed borrowing rates during 2014/15. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.
- 6.2 In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk.
- 6.3 The actual movement in gilt yields meant that PWLB rates saw little overall change during the first four months of the year but there was then a downward trend for the rest of the year with a partial reversal during February.
- 6.4 Change in strategy during the year: the investment strategy adopted in the original Treasury Management Strategy Report for 2014/15 approved by the Council on 6 Feb 2014 was revised by the Council on 2 Oct 2014 to remove the minimum credit ratings criteria for Viability, Financial Strength and Support (in line with Capita's new rating assessment methodology).

## 7.0 Capita's Review of the Economy and Interest Rates (issued by Capita on 23 April 2015)

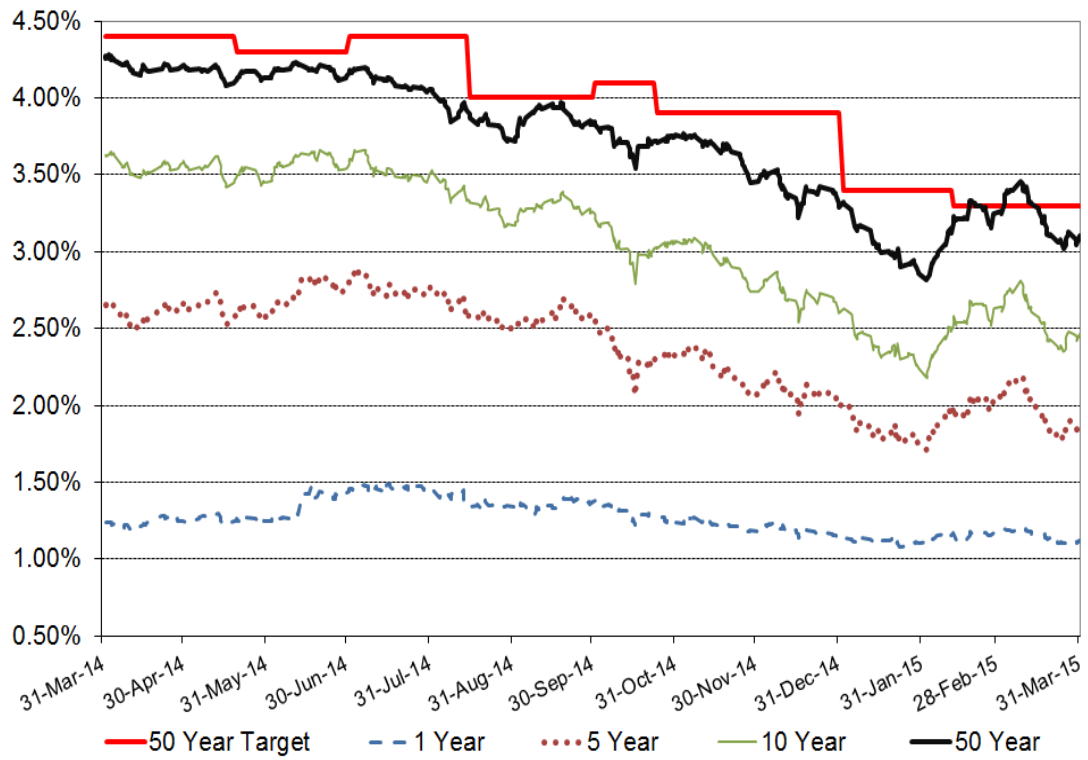
- 7.1 The original market expectation at the beginning of 2014/15 was for the first increase in Bank Rate to occur in quarter 1 2015 as the unemployment rate had fallen much faster than expected through the Bank of England's initial forward guidance target of 7%. In May, however, the Bank revised its forward guidance. A combination of very weak pay rises and inflation above the rate of pay rises meant that consumer disposable income was still being eroded and in August the Bank halved its forecast for pay inflation in 2014 from 2.5% to 1.25%. Expectations for the first increase in Bank Rate therefore started to recede as growth was still heavily dependent on buoyant consumer demand. During the second half of 2014 financial markets were caught out by a halving of the oil price and the collapse of the peg between the Swiss franc and the euro. Fears also increased considerably that the European Central Bank (ECB) was going to do too little too late to ward off the threat of deflation

and recession in the Eurozone. In mid-October, financial markets had a major panic for about a week. By the end of 2014, it was clear that inflation in the UK was going to head towards zero in 2015 and possibly even turn negative. In turn, this made it clear that the Monetary Policy Committee (MPC) would have great difficulty in starting to raise Bank Rate in 2015 while inflation was around zero and so market expectations for the first increase receded back to around quarter 3 of 2016.

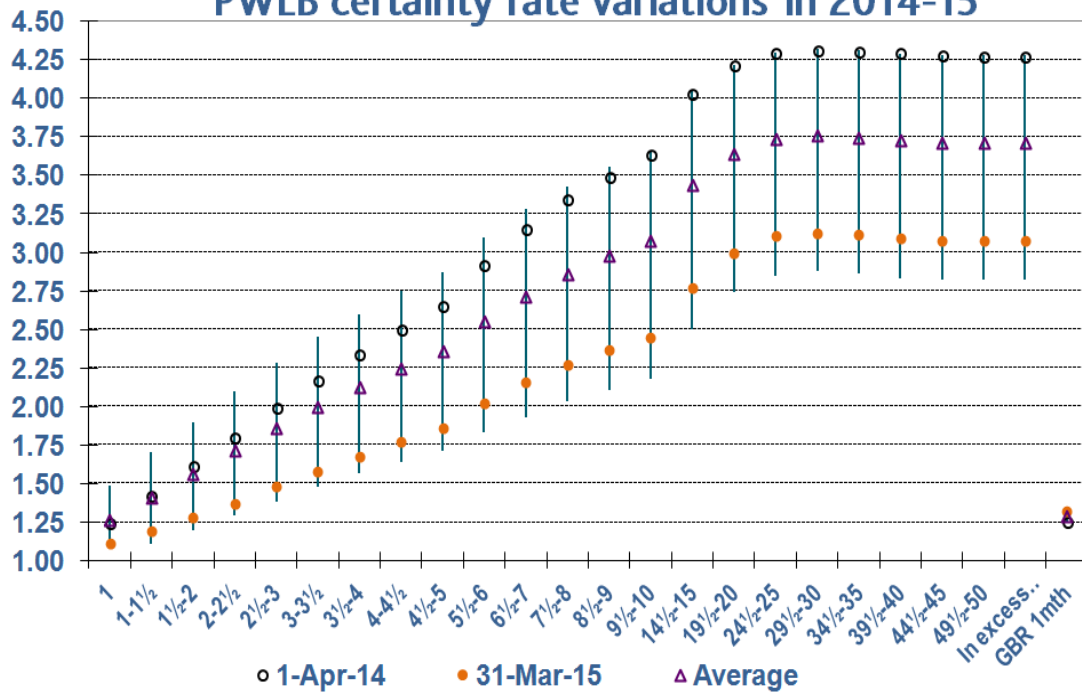
- 7.2 Gilt yields were on a falling trend for much of the last eight months of 2014/15 but were then pulled in different directions by increasing fears after the anti-austerity parties won power in Greece in January; developments since then have increased fears that Greece could be heading for an exit from the euro. While the direct effects of this would be manageable by the European Union (EU) and ECB, it is very hard to quantify quite what the potential knock on effects would be on other countries in the Eurozone (EZ) once the so called impossibility of a country leaving the EZ had been disproved. Another downward pressure on gilt yields was the announcement in January that the ECB would start a major programme of quantitative easing, purchasing EZ government and other debt in March. On the other hand, strong growth in the US caused an increase in confidence that the US was well on the way to making a full recovery from the financial crash and would be the first country to start increasing its central rate, probably by the end of 2015. The UK would be closely following it due to strong growth over both 2013 and 2014 and good prospects for a continuation into 2015 and beyond. However, there was also an increase in concerns around political risk from the general election due in May 2015.
- 7.3 The Funding for Lending Scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks which then resulted in money market investment rates falling drastically in the second half of that year and continuing throughout 2014/15.
- 7.4 The UK coalition Government maintained its tight fiscal policy stance but recent strong economic growth and falling gilt yields led to a reduction in the forecasts for total borrowing in the March budget.
- 7.5 The EU sovereign debt crisis had subsided since 2012 until the Greek election in January 2015 sparked a resurgence of fears. While the UK and its banking system has little direct exposure to Greece, it is much more difficult to quantify quite what effects there would be if contagion from a Greek exit from the euro were to severely impact other major countries in the EZ and cause major damage to their banks.

## **8.0 Borrowing Rates in 2014/15**

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



### PWLB certainty rate variations in 2014-15





	1	1-15	2.5-3	3.5-4	4.5-5	9.5-10	24.5-25	49.5-50	1 month variable
1/4/14	1.240%	1.420%	1.990%	2.340%	2.650%	3.630%	4.290%	4.270%	1.250%
31/3/15	1.110%	1.190%	1.480%	1.680%	1.860%	2.450%	3.110%	3.080%	1.320%
High	1.490%	1.700%	2.280%	2.600%	2.870%	3.660%	4.300%	4.280%	1.340%
Low	1.080%	1.110%	1.380%	1.570%	1.710%	2.180%	2.850%	2.820%	1.250%
Average	1.266%	1.417%	1.863%	2.130%	2.362%	3.083%	3.737%	3.719%	1.290%
Spread	0.410%	0.590%	0.900%	1.030%	1.160%	1.480%	1.450%	1.460%	0.090%
High date	16/07/2014	03/07/2014	03/07/2014	03/07/2014	03/07/2014	20/06/2014	03/04/2014	02/04/2014	17/09/2014
Low date	23/01/2015	06/01/2015	07/01/2015	07/01/2015	02/02/2015	02/02/2015	02/02/2015	02/02/2015	01/04/2014

## 9.0 Borrowing Outturn for 2014/15

9.1 Treasury Borrowing– Council debt at 31 March 2015 was:

Lender	Principal £000	Principal HRA £000	Principal GF £000	Interest Rate %	Maturity Date	Start Date
PWLB	960	828	132	2.75	03/05/15	07/05/10
PWLB	960	828	132	3.84	31/03/19	07/05/10
PWLB	3,840	3,311	529	3.57	01/10/19	15/10/09
PWLB	3,840	3,311	529	3.31	15/09/21	15/09/11
PWLB	584	503	81	4.875	30/06/24	12/03/99
PWLB	1,817	1,567	250	4.875	30/06/24	12/03/99
PWLB	1,920	1,656	264	4.04	01/10/29	15/10/09
PWLB	21	18	3	11.625	05/08/33	25/09/73
PWLB	3,840	3,311	529	4.42	31/12/35	24/01/08
PWLB	1,920	1,656	264	4.22	01/10/49	15/10/09
PWLB	900	0	900	2.48	27/11/23	27/11/13

Lender	Principal £000	Principal HRA £000	Principal GF £000	Interest Rate %	Maturity Date	Start Date
PWLB	1,757	0	1,757	1.97	27/11/20	27/11/13
PWLB	1,000	0	1,000	3.87	24/09/64	24/09/14
PWLB	1,800	0	1,800	3.08	23/10/35	23/10/14
PWLB	1,000	0	1,000	3.16	12/02/40	12/02/15
Market	4,500	3,880	620	4.19	09/06/65	09/06/05
<b>Total</b>	<b>30,659</b>	<b>20,869</b>	<b>9,790</b>			

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

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

Lender	Principal £000	Type	Interest Rate	Maturity	General Fund Average Interest Rate for 2014/15
PWLB	1,000	Fixed interest rate	3.87%	24/09/64	3.18%
PWLB	1,800	Fixed interest rate	3.08%	23/10/35	3.18%
PWLB	1,000	Fixed interest rate	3.16%	12/02/40	3.18%

9.3 **Rescheduling**

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

#### 9.4 Repayments

The Council repaid £393k of maturing debt using investment balances.

Lender	Principal £000	Interest Rate	Repayment Date
PWLB	50	2.48%	27/05/14
PWLB	146	1.97%	27/05/14
PWLB	50	2.48%	27/11/14
PWLB	147	1.97%	27/11/14
<b>Total £000</b>	<b>393</b>		

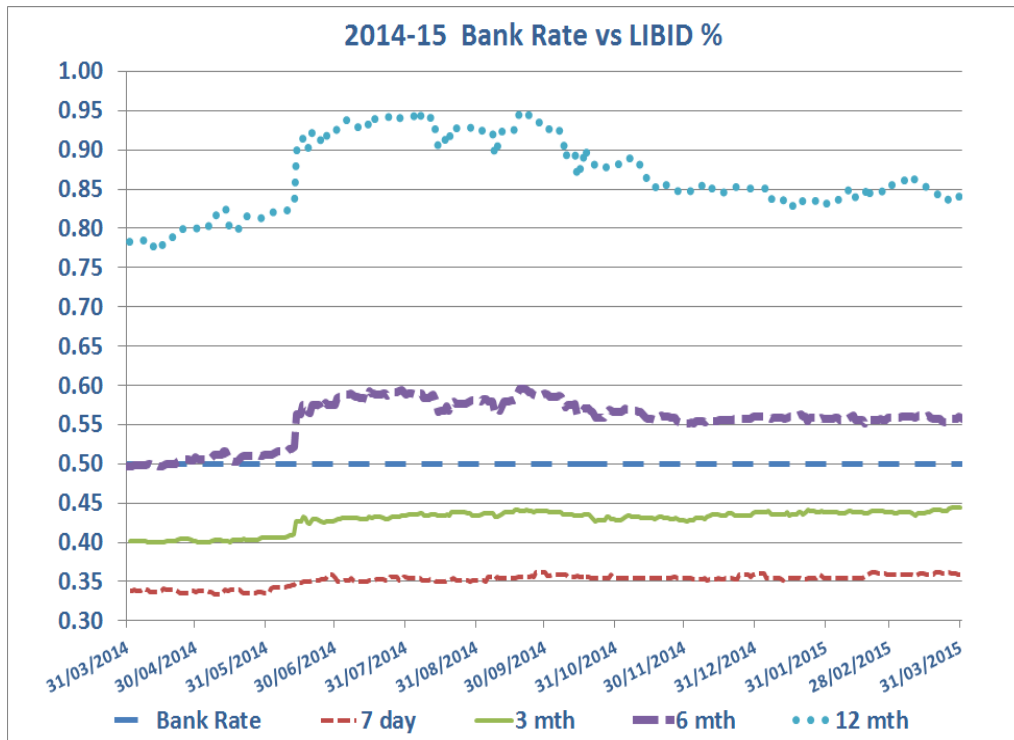
#### 9.5 Summary of debt transactions

Management of the debt portfolio resulted in a fall in the average interest rate of 0.49%, representing net savings of £139k p.a.

#### 10.0 Investment Rates in 2014/15

10.1 Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for six years. Market expectations from Capita (as at 23 April 2015) as to the timing of the start of monetary tightening started the year at quarter 1 2015 but then moved back to around quarter 3 2016 by the end of the year. Deposit rates remained depressed during the whole of the year, primarily due to the effects of the Funding for Lending Scheme.

	<b>7 day</b>	<b>1 month</b>	<b>3 month</b>	<b>6 month</b>	<b>1 year</b>
<b>1/4/14</b>	<b>0.338</b>	<b>0.362</b>	<b>0.402</b>	<b>0.497</b>	<b>0.783</b>
<b>31/3/15</b>	<b>0.358</b>	<b>0.378</b>	<b>0.445</b>	<b>0.559</b>	<b>0.841</b>
<b>High %</b>	<b>0.362</b>	<b>0.384</b>	<b>0.445</b>	<b>0.596</b>	<b>0.951</b>
<b>Low %</b>	<b>0.334</b>	<b>0.360</b>	<b>0.400</b>	<b>0.496</b>	<b>0.772</b>
<b>Average %</b>	<b>0.352</b>	<b>0.374</b>	<b>0.429</b>	<b>0.556</b>	<b>0.868</b>
<b>Spread %</b>	<b>0.028</b>	<b>0.024</b>	<b>0.045</b>	<b>0.100</b>	<b>0.180</b>
<b>High date</b>	<b>26/3/15</b>	<b>26/9/14</b>	<b>27/3/15</b>	<b>19/9/14</b>	<b>5/8/14</b>
<b>Low date</b>	<b>8/5/14</b>	<b>4/4/14</b>	<b>9/4/14</b>	<b>14/4/14</b>	<b>14/4/14</b>



## 11.0 Investment Outturn for 2014/15

11.1 **Investment Policy** – the Council’s investment policy is governed by CLG guidance, which was implemented in the annual investment strategy approved by the Council on 6 Feb 2014 (revised by Council 2 Oct 2014). This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

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

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

Balance Sheet Resources (£000)	31 March 2014	31 March 2015
Balances (General Fund & HRA)	7,841	7,841
Earmarked reserves (incl MRR & Capital Grants Unapplied)	22,980	20,556
Usable capital receipts	1,628	2,512
<b>Total</b>	<b>32,449</b>	<b>30,909</b>

11.4 **Investments held by fund managers** – the Council does not use external fund managers and hence no investments were held by fund managers in 2014/15.

11.5 **Investments held by the Council** - the Council maintained an average balance of £39,813k of internally managed funds. The internally managed funds earned an average rate of return of 0.53%. The comparable performance indicator is the average 7-day LIBID rate, which was 0.35%. This compares with a budget assumption of £20,000k investment balances earning an average rate of 0.5%.

## 12.0 Performance Measurement

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

12.2 This service has set the following performance indicators:

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

The Council exceeded this return as reported above, achieving an average investment rate of 0.53% compared to the average 7 day LIBID rate of 0.35%.

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

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

The Section 151 Officer can report that the default risk of investments was within this criterion throughout 2014/15.

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

- Bank overdraft - £0.5m
- Liquid short term deposits of at least £10m available with a week's notice
- Weighted Average Life benchmark is expected to be 0.5 years, with a maximum of 1 year.

The Section 151 Officer can report that the liquidity of investments were within these criteria throughout 2014/15.

## 13.0 Options

13.1 That the Governance and Audit Committee:

- Notes the actual 2014/15 prudential and treasury indicators in this report.
- Approves the annual treasury management report for 2014/15.
- Recommends this report to Cabinet.

## **14.0 Corporate implications**

### **14.1 Financial and VAT**

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

### **14.2 Legal**

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

### **14.3 Corporate**

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

### **14.4 Equity and Equalities**

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

## **15.0 Recommendations**

15.1 That the Governance and Audit Committee:

- Notes the actual 2014/15 prudential and treasury indicators in this report.
- Approves the annual treasury management report for 2014/15.
- Recommends this report to Cabinet.

## **16.0 Decision Making Process**

16.1 This report is to go to Cabinet and then Council for approval.

The next Cabinet meeting is on 30 July 2015.

## **17.0 Disclaimer**

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

Contact Officer:	Nicola Walker, Interim Head of Financial Services extn 7236
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Reporting to:	Madeline Homer, Chief Executive
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**Annex List**

N/A	
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**Corporate Consultation Undertaken**

Finance	N/A
Legal	N/A

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## External Funding and Grants Protocol

To: **Governance and Audit – 24<sup>th</sup> June 2015**

Main Portfolio Area: **Corporate**

By: **External Funding Officer**

Classification: **Unrestricted**

Ward: **All**

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**Summary: To present the new External Funding and Grants Protocol**

### **For Decision**

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#### **1.0 Introduction**

1.1 The purpose of this paper is to introduce the revised External Funding Protocol to take account of changes recommended by Overview and Scrutiny in relation to community grants.

#### **2.0 Background**

2.1 The original External Funding Protocol put in place robust procedures to prevent breaches of external funding grant conditions and possible repayment of grants as a result.

#### **3.0 Current Position**

3.1 The protocol was previously approved by Governance and Audit on 24<sup>th</sup> September 2014 and is regularly reviewed. This revised version was presented to Overview and Scrutiny on 26<sup>th</sup> March 2015 and reaffirms the procedures, but in addition provides guidance around community grants.

3.2 The revised External Funding and Grants Protocol is presented at **Annex 1**.

3.3 Consideration was given as to whether a separate protocol was required. However, on reflection the last funding that fell into the Community Grant category was money received by Vattenfall back in 2010. Prior to that be-quests and grants to be given and distributed for community use were very rarely received and would have meant any protocol specifically written for this purpose would be in danger of failing into insignificance through underutilisation. The External Funding protocol is a high profile document that Officers are fully aware of and regularly updated on, by incorporating the Scrutiny recommendations within that report means that it was more visible to officers.

3.3 Section 106 or developer contributions are outside of the remit of the protocol as these are governed by separate legal agreements.

#### **4.0 Corporate Implications**

##### **4.1 Financial**

4.1.1 There are no direct financial implications; the protocol ensures that potential financial risks are considered prior to, during and after grant drawdown to avoid adverse impact on the Council's finances.

##### **4.2 Legal**

4.2.1 Section 151 of the 1972 Local Government Act requires a suitably qualified named officer to keep control of the Council's finances. For this Council, this is the Interim Director of Corporate & Regulatory Services (S151 Officer), Paul Cook, and this report is helping to carry out that function.

##### **4.3 Corporate**

4.3.1 Corporate priorities rely in part on the success of external funding applications. The protocol assists the Council in applying and managing the risk associated with external funders requirements.

##### **4.4 Equity and equalities**

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

##### **4.5 Recommendations**

4.5.1 That Governance and Audit approve the adoption of the revised External Funding and Grants Protocol.

Contact Officer:	<i>Clive Bowen, External Funding Officer, 01843 577225</i>
Reporting to:	<i>Nicola Walker, Interim Head Of Financial Services</i>

#### **Annex List**

Annex 1	External Funding and Grants Protocol
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#### **Corporate Consultation Undertaken**

Finance	<i>Clive Bowen</i>
Legal	<i>N/A</i>



# External Funding and Grants Protocol

Thanet District Council

## **1.0 Introduction**

- 1.1. External funding is an important source of income to the Council, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council.
- 1.2. Grants provided by the Council help to deliver corporate priorities and outcomes, but it is important that these grants are managed responsibly and offer value for money.
- 1.3. There is a need for a protocol that standardises processes relating to external funding and the payment of grants to ensure consistency and clarity and to protect the Council from unidentified risks.

## **2.0 Objectives of the Guidance Notes**

- 2.1. The objectives of these guidance notes are to ensure that:
  - Corporate Plan/Council priorities are considered when seeking external funding and bids concentrate on these areas, rather than bidding for funds that divert internal resources to non priority areas.
  - Before taking on external funding due consideration is given to the funder's conditions and rules.
  - Issues that may arise from the funding are identified and considered appropriately e.g. legal, VAT and capacity issues.
  - Exit strategies are considered and identified where appropriate.
  - All financial implications arising from external funding are identified e.g. match funding requirements and ongoing unsupported revenue costs etc.
  - Members are involved appropriately in approving funding bids. (As with Financial Procedure Rules, this applies to bids in excess of £50k which are approved at Cabinet)
  - Thanet District Council, its Members and staff are protected through the keeping of correct records.
  - The correct authorisation is obtained to enter into an agreement for external funding for a project.
  - All funding in respect of the project is received and properly accounted for.
  - All claims for funds are made by the due dates.
  - The project progresses as approved.
  - Monitoring takes place in a timely manner.
  - All expenditure is properly incurred and recorded.
  - All project outcomes, outputs and results are achieved.
  - There are procedures in place for any grants made from the project.
  - There is an audit trail for all expenditure and income relating to the project.
  - Any requirements from external funders are met.
  - Any significant changes to the project are notified to the external funder as soon as they become apparent.

- Equality and diversity aspects of externally funded projects are considered.
- Grants are paid to sustainable organisations (those that are not reliant on a grant to remain trading)
- Expenditure and outputs in relation to grants provided are monitored to ensure the grant has delivered value for money.
- Grants paid to organisations over £1,000 have a grant offer letter (**Annex 4**).

2.2. Application of the guidance set out may vary from project to project and information on particular requirements for project monitoring and record retention is likely to be provided by individual funders. It is of vital importance that the funder's guidance is followed.

### 3.0 Definition of External Funding and Grants

3.1. This protocol applies to external funding/contributions and grants paid to third parties that are as follows:

	<b>Grants/Contributions paid to / received equal to or in excess of</b>	<b>Definition</b>
External Funding received by the Council	>=£0	Any grant that carries conditions, where several outcomes or regular returns are required to be reported to the funder.
External Funding received by the Council	>=£5,000	Any grant that carries only one outcome e.g. the writing of a report or the monitoring of the number of participants in an event.
Un-ring-fenced grants and contributions received by the Council	>=£10,000	Any sum received in excess of £10k, un-ring-fenced means a sum received that has no conditions placed upon it and does not result in a specific outcome.
Grants paid by the Council to third parties	>=£5,000	Any grant paid to third parties however funded.

3.2. This protocol does **not** apply to the following grants that pose low or no risk to the authority:

	<b>Grants/Contributions paid to / received</b>	<b>Definition</b>
External Funding received by the Council	£0-£4,999	Any grant that carries only one outcome
Un-ring-fenced grants and contributions received by the Council	£0-£9,999	Any sum received in excess of £10k, un-ring-fenced means a sum received that has no conditions placed upon it and does not result in a specific outcome.

Grants paid by the Council to third parties	£0-£4,999	Any grant paid to third parties however funded, however all grants over £1,000 require a grant offer letter
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- 3.3. Grants or funding under these levels should not disregard this protocol and should still use it as guidance, should any grants under £5,000 carry a single outcome the project manager should still ensure that the grant conditions are adhered to as required.
- 3.4. The levels have been set to balance the safeguarding of external and internal funds against the level of administration required in protecting the authority.
- 3.5. All grants paid to third parties over £1,000 should have a grant offer letter, a standard agreement is contained at **Annex 4**.

#### 4.0 Community contributions and Un-ring-fenced grants

- 4.1. There are two types of funding that need additional guidance and these are community contributions and un-ring-fenced grants.
- 4.2. Where a grant is wholly un-ring-fenced and has been given to the authority, either by an individual or other external funder, these monies are allocated to the un-ring fenced grants reserve. The approval process for these grants, as approved by Cabinet, will then apply to monies drawn down from this reserve.
- 4.3. For community contributions the following shall apply:
  - 4.3.1. That should a property or financial sum be be-quested to the authority then the legal department shall assess the conditions imposed on the be-quest and the gift will be treated as ring-fenced unless otherwise stated in the be-quest.
  - 4.3.2. When a contribution is given to an area of Thanet for the purposes of community use (with the exception of Section 106 or developer contributions as these are governed by separate legal agreements), consultation should be undertaken with the appropriate stakeholders and community groups prior to allocating the money to community projects:
    - 4.3.3. Once agreement from the relevant groups is obtained the grant can be utilised as proposed by the Council. Consultation should only be undertaken if the funding is in excess of £50,000 or if it is a condition imposed by the grantee.
    - 4.3.4. Where there are competing demands for funding a scoring matrix should be devised by officers to aid Cabinet in making a final decision on the allocation of funding.
    - 4.3.5. Scoring matrices may vary dependent upon the funding source and the intended delivery aims, but an example of a scoring matrix is provided below:

	<b>Score Criteria</b>	<b>Weighting (A)</b>	<b>Score (B)</b>	<b>Total (A x B)</b>
<b>1</b>	<b>Project Benefits</b> Assessors will be reviewing the quality of the proposed project, the importance and relevance of the issue and the strength of the idea. This is likely to include an assessment of the range of outcomes or outputs, or other means of measurement.	3	1-5	
<b>2</b>	<b>Evidence of need / demand</b> Assessors will be looking for evidence that there is evidence of a clear and quantified need or demand.	3	1-5	
<b>3</b>	<b>Measuring Success</b> Assessors will be looking for an appropriate evaluation mechanism. If the project sought a range of benefits, how will success be measured?	2	1-5	
<b>4</b>	<b>Sustainable Benefits</b> Assessors will be looking not only for evidence of how benefits will be sustained among beneficiaries, but also whether future funding consequences have been considered – is there an exit strategy, or a plan for funding the project / staff member after the grant has ended.	1	1-5	
<b>5</b>	<b>Project Costs</b> Assessors will be need to assess if costs are reasonable, if other funding has been sourced, if any and how reliant the applicant is on the funding.	2	1-5	
<b>6</b>	<b>Project meets Council Priorities</b> Assessors will need to consider how the project fits within the Corporate Plan of the Council.	5	1-5	
<b>7</b>	<b>Organisation</b> Assessors will be looking for evidence that the organisation is properly governed and is capable of delivering the project.	4	1-5	
	<b>TOTAL</b>			<b>X out of 100</b>

Score	Meaning
1	Unacceptable response
2	Weak response
3	Fair response
4	Good response
5	Response which exceeds criteria

## 5.0 General Guidance on different types of external funding

- 5.1. External funding can take many forms and as such it is not possible to write guidance on all of them as part of the protocol which is why each grant needs to be appraised individually.
- 5.2. However, there are a number of key funders and this section is designed to give grant applicants an idea as to which funding sources are likely to be easier to apply to.
- 5.3. **European Funding**
- 5.4. European funding now takes several forms, funding can be paid through the Local Enterprise Partnerships coming from central government (i.e. ERDF/ESF), directly from a lead partner (i.e. Interreg) or a managing authority (i.e. European Fisheries Fund).
- 5.5. Grant rates vary considerably through every programme and again each requires detailed analysis particularly around match funding and audit requirements.
- 5.6. As these Audit requirements are complex, they require a lot of officer time by the project team (including central services) to ensure compliance.
- 5.7. Any bid for European funding under £50,000 must have financial sign off before a bid is drafted, as the financial benefits of the bid are unlikely to outweigh the officer time required to administer the funders required process.
- 5.8. In addition, programmes such as Interreg require a lot of overseas meetings which also involves a lot of officer time.
- 5.9. **Heritage Lottery Fund (HLF)**
- 5.10. Over the last few years the HLF have had a larger pot of money to distribute due to an increase in lottery ticket sales and a higher percentage allocation of those sales compared to other lottery organisations.
- 5.11. This has resulted in a large grant pot to which heritage focused projects can bid into which for Thanet with its historic background provides an excellent opportunity to finance large regeneration schemes.



- 5.12. The HLF programmes typically operate in one of two ways. For the smaller programmes a one stage bidding process with a quick outcome for smaller grants or a two stage bidding process for larger grants.
- 5.13. Stage one of the two stage process involves the grant applicant bidding for development funding to assist with work up costs of a scheme such as surveys and designs, with the stage 2 bid then being for the actual physical development.
- 5.14. Although the lottery schemes are not as difficult to audit compared with the European programmes for larger schemes the two stage process will lead to a delay from project initiation to project completion.
- 5.15. Claims are typically quarterly, unless large enough to warrant monthly returns which generally makes monitoring of the schemes easier.
- 5.16. **Other funders**
- 5.17. The remainder of other funders including HCA, DCLG, KCC etc. will all have their own funding conditions which will need to be abided by and these will need to be carefully assessed with the External Funding Officer assisting in their assessment.

## 6.0 Roles and Responsibilities

- 6.1. For any projects where the Council is the applicant for the external funding, the Council is normally ultimately responsible for everything that happens during the lifetime of the project. This may mean that if conditions are breached by a third party benefitting from the funds, the Council will have to repay any clawback of funds even though it may not be possible to reclaim this from the third party.
- 6.2. In addition should grants be paid to third parties, these grants should only be paid if value for money can be guaranteed and that evidence is provided to support what the grant was used for.
- 6.3. The **Section 151** Officer has overall responsibility for external funding and grants and is specifically required to:
  - Maintain and review of the Council's External Funding and Grants Protocol.
  - Ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.
  - Ensure that the match-funding requirements are considered prior to entering into agreements and that future capital/revenue budgets reflect these requirements.
  - Ensure that all claims for funds are made by the due date, where he/she is specifically responsible for submitting grant claims.
  - Arrange and maintain adequate insurance cover for the project in accordance with Council's policy.
  - Ensure that audit requirements are met.
  - Ensure that grants paid to third parties offer value for money.

6.4. **Second Tier Managers** are required to:

- Consult with the Section 151 Officer on any application for external funding prior to its submission to SMT.
- Ensure that the proposed project meets the funder's criteria.
- Organise appropriate training of relevant staff involved in the project.
- Ensure that appropriate internal records are kept particularly by the Project Manager.
- Determine how long to keep the records of each project in conjunction with the external funder and S151 Officer.
- Ensure that all claims for funds are made by the due date, where he/she is specifically responsible for submitting grant claims.
- Ensure that the project progresses in accordance with the agreed project plan, conditions and project outcomes and that all expenditure is properly incurred and recorded.
- Maintain adequate supporting documentation to enable claims for funding to be fully evidenced and maximised.
- Prepare reports for Members and Senior Management Team as appropriate on externally funded projects in their service area.
- Comply with the External Funding and Grants Protocol.
- Consult with SMT/S151 Officer/Accountancy prior to the awarding of a grant to a third party.

6.5. For each scheme, a **Project Manager** will be designated. Where the project manager is external to the Council a designated officer or Second Tier Manager should ensure that all the requirements of the project manager have been fulfilled. The Project Manager is responsible for:

- Delivering the project and liaising with partners, staff and the external funder(s),
- Preparing delivery plans for approval.
- Ensuring that capital and revenue income and expenditure is identified correctly in conjunction with the S151 Officer/Accountancy and ensuring that the correct coding in eFinancials is adhered to.
- Identifying any 'timing' rules on funding particularly for any roll forwards to future periods.
- Arranging for the drawing up of any contract/grant/service level agreement with partners so that each partner knows what is expected of them, this is particularly important when paying grants to third parties.
- Ensuring that financial checks of grant recipients are carried out so that any grant provided is not put at risk should the company go into liquidation.
  - Financial checks should be undertaken as a matter of course should grants be paid up front in advance of expenditure being undertaken, a financial check may not be required if the grant is being provided to offset expenditure already incurred and evidenced by the third party.

Should a check be required on an individual rather than a company, the Council should seek their written permission to perform this.

- That grants are paid prudently (e.g. stage payments linked to work that has or will be undertaken) to ensure that no funds are put at risk in line with the grant/service level agreement. All grants over £1,000 must have a grant offer letter; a draft is included in **Annex 4**.
- Regular checks should be undertaken on a grant recipients performance in relation to a grant received, if paid through stage payments compliance with the grant conditions should be checked prior to the release of the next stage payment, otherwise it should be undertaken regularly at times in line with an agreed timetable.
- A charge should be placed on a property where an awarded grant to a third party is for property acquisition or improvement. This should be done in conjunction with the legal department.
- Ensuring that any organisation that will receive any element of the external funding, either as a partner of the Council, or as a grant recipient, has a diversity policy that is compatible with the Council's policy.
- Ensure appropriate due diligence checks of third party applications are undertaken. These checks must be more stringent when a grant is in excess of £5,000.
- Identifying insurance needs for the project and ensuring that these are in place, in conjunction with the S151 Officer.
- Liaising with the Council's VAT Officer to consult about any potential VAT issues.
- Keeping the internal records for the project in accordance with advice from the Head of Service, External Funding Officer and S151 Officer.
- Monitoring the records kept by any partners and subcontractors in relation to the project and ensuring that these meet the funders requirements.
- Undertaking a periodical check to ensure that no conditions attached to the grants for the project have been breached.
- Comply with the External Funding and Grants Protocol.

6.6. **Accountancy** has the responsibility for:

- Setting up, safekeeping and maintaining a main file for each project/ funding source.
- Create and inform managers of appropriate coding within eFinancials for all external funding .
- Co-ordinating and monitoring the progress of all projects that are externally funded.
- Where required preparing and submitting external funding returns in conjunction with the Project Manager.
- Assessing the impact of new external funding bids in line with the External Funding and Grants Protocol.

## 7.0 Authorisation

- 7.1. Before any application is made for external funding, the application form or proposal for an application, including the application form to be completed should be sent to the External Funding Officer.
- 7.2. The External Funding Officer will examine the application and report to SMT the main points of the application and any comments they might have.
- 7.3. Once SMT have made a decision to approve or refuse the application for funding, this will be reported back to the author of the application by the External Funding Officer.
- 7.4. Any grants that are to be paid to third parties should also receive approval by SMT prior to be awarded.
- 7.5. Should there be the need for an urgent decision on an external funding bid or grant award, the S151 or deputy S151 officer will have authority to approve these prior to them being reported to SMT.

## **8.0 Records**

- 8.1. Records need to be kept to demonstrate the progress and delivery of the project. Where records are to be kept electronically the funders approval to this must be sought.
- 8.2. Records should not just be kept on internal expenditure, but where the project and funders conditions dictate, also external providers of services or receivers of grant.
- 8.3. Expenditure and outcome records should be obtained from any grant recipient that receives a grant either externally funded or from internal funds, to ensure they have used the grant for the purposes for which it was given.
- 8.4. Records must show:
  - A sufficient audit trail which should be traceable right back to the original document, demonstrating, for example, the expenditure, an invoice and bank statement.
  - Exact evidence of expenditure.
    - Internal staff costs – salary records, detailed timesheet (to show time allocated to the project) and any apportionment methodology.
    - External staff costs – invoices, detailed timesheets.
    - Other costs – invoices, payment receipts, apportionment methodology, copies of leasing/hire agreements, source documents for overheads.
  - Records of eligible beneficiaries and steps taken to discern their eligibility.
  - Evidence of proper procurement.
  - Evidence of any auditable, accountable match funding.
  - Compliance with any publicity, equal opportunities and environmental requirements.
  - Clear records of any businesses supported for state aid purposes.

- Evidence to support the output measures that as a minimum meet the funder's requirements e.g. this may be national insurance numbers for jobs created.
  - Evidence of insurance documents for third party grant recipients to be reviewed by the Council's insurance officer, e.g. a grant being provided for an event.
- 8.5. The core documentation required to be kept on the project file is:
- The report seeking SMT approval of the application, and the minute approving the project, or the minute of the management meeting/ portfolio holders written agreement in the event that special powers are invoked due to urgency.
  - The funding application.
  - The offer letter from the external funder and any subsequent revisions.
  - Copies of any correspondence with the external funder.
  - Copies of any agreed changes and variations to the project.
  - Copies of all claim forms.
  - Working papers showing how the claims have been calculated.
  - File notes of any issues relating to the project. These file notes must be signed and dated by the originator.
  - Documentation to support the outputs achieved.
- 8.6. For the purchase of fixed assets including second hand equipment an inventory should be maintained if required by the funder, please see **Annex 3** for details on records to be maintained. Where the purchase of an asset exceeds £10k then the project will become a capital project and the project should have had a capital bid form completed for it prior to submitting an application for external funding.
- 8.7. For procurement, the Council's Financial Procedure Rules, Contract Procedure Rules, Procurement Strategy and Procurement Code of Practice will apply as a minimum. The external funder may make some additional requirements. Copies of quotations/ tender documents must be kept.
- 8.8. Records of any match funding or income must be kept showing:
- Details of match funding.
  - Details of any match funding in kind.
  - Details of any income received.
  - Bank statements
  - Audited accounts
  - Working papers
  - Details of any match funding in the form of volunteer time provided it is eligible, supported with the required evidence (e.g. timesheets, hourly rate calculations).
- 8.9. The external funder may require that some additional project specific records are kept. This should be checked with the external funder.

## 9.0 Claiming the External Funds

- 9.1. The offer letter from the external funder is likely to be the contract by which the external funder provides funds to the Council. It should set out amongst other things:
- Start and end dates for the project
  - The expected outputs /outcomes/results.
  - The total eligible expenditure.
  - The maximum amount of grant and the grant rate.
  - Start dates for eligible expenditure.
  - Date of financial completion.
  - Timing of payments of funds to the Council.
  - Dates for submitting grant claims and any final claims or other required documentation.
  - Definitions, for example, of what constitutes eligible expenditure for grant purposes
- 9.2. Standard claims must be submitted in the required form and method by the due dates and accompanied by any supporting documentation required by the external funder. Usually this will be details of the actual progress of the project compared with that expected and set out in the offer letter.
- 9.3. Usually the external funder will require a progress report at regular intervals even if no claim for grant is made.

## **10.0 Receipt of Grant**

- 10.1. The Project Manager should ensure that any grant claimed is paid to the Council by the due date(s) and traced to the correct code in the financial ledger. Any non-receipt of grant must be reported to the External Funding Officer or S151 Officer immediately.
- 10.2. Accountancy should be notified promptly of details of grant payments expected for cash flow purposes.

## **11.0 Notifying Significant Changes**

- 11.1. No matter how well a project is planned and managed, there may still be unforeseen circumstances in the way the project is delivered.
- 11.2. Where a change to a project is considered to be “significant” and impacts on the original funding bid, it is essential to notify the external funder and seek written approval to change the project before any changes are made. The definition of a “significant” change must be obtained from the external funder before the commencement of the project.
- 11.3. Changes can be financial or non-financial i.e. outputs, outcomes or results.

## **12.0 Monitoring the Project**

- 12.1. Monitoring is the core of good project management and is useful to identify strengths and weaknesses that can be improved or built upon. It is also

essential to ensure that the project is proceeding as planned to avoid possible claw back of grant paid to the Council and to ensure that grants paid to third parties deliver value for money.

12.2. A monitoring system must be set up for each project.

12.3. The monitoring system should comprise:

- The use of key baseline working documents based on the objectives of the project or grant provided, the desired outcomes and the projected spend. These are likely to be a time bound baseline plan for achieving the outcomes consistent with the approved project and a financial profile linked to outputs.
- The record keeping system set up to record the data that provides information for interim and final reports and project evaluation. Examples might include:
  - A project specification that demonstrates the need for the project and details the aims and specific objectives of the project.
  - Details of participants/beneficiaries, materials and reports.
  - Time records for staff working on the project detailing their activity.
  - Agreed milestones in relation to output delivery.
- The projects financial records which are the spreadsheets and schedules detailing expenditure and income relating to the project. These are the basis of the grant claims and must identify the costs incurred in the delivery of the project, both direct and apportioned. Separate cost codes may need to be set up but these must be linked to the Council's main financial records in order to provide the audit trail, and backed up by source documentation (invoices, petty cash claims, travel expense claims and remittance advices for income).
- The non financial records which need to be coherent and designed in such a way as to collect all relevant data required to prove eligibility of activity and link to other documents.

12.4. Separate systems will be required for internal and external monitoring. External monitoring will involve the monitoring of partners whose roles and responsibilities, activities and organisational systems may be very different to the Council's.

12.5. Monitoring of scheme expenditure, outputs, outcomes and results must take place at regular quarterly intervals or such more regular times as determined by the external funder.

## **13.0 Standard of Evidence Needed to Support the Outputs/ Results Claimed**

13.1. This is a vital part of the monitoring process and there must be clear evidence established to back up any outputs achieved. There must also be explanations as to why any outputs claimed are different to those set out in the approved project.

10.2. Below are some examples of actual supporting evidence required by funders and TDC to support expenditure. As can be seen, the requirements may be quite onerous but it is vital that funder's requirements are met or value for money is assured, in order to prevent a breach of conditions and/or a potential repayment of external funding. These are only examples and it is important to identify the appropriate requirements, including that of any relevant funder(s).

- New Business Start Ups:
  - ✓ Location of new business.
  - ✓ Letters of incorporation, initial bank set up, rental or purchase agreements for premises.
  - ✓ Evidence of the ownership of the new company in order to prove that it is not a new branch subsidiary or joint venture of an existing company.
  
- Companies Receiving Substantive Support:
  - ✓ Location of company.
  - ✓ The needs analysis for the support.
  - ✓ A statement showing the type of support received.
  - ✓ Time sheets for each element of support received and supported by diary entries.
  - ✓ If the support has been given in cash, actual defrayal will be required. Evidence will need to be provided which will link the cash received to a payment within the period of the claim for support.
  
- Number of Marketing Initiatives:
  - ✓ The needs analysis for the intervention and the type of activity undertaken.
  
- Number Entering Self Employment:
  - ✓ Names and addresses of beneficiaries, copies of business stationary, utility bills, and any business plan.
  - ✓ A declaration from the beneficiary explaining how the intervention has directly resulted in the output.
  
- Brownfield Land Reclaimed:
  - ✓ Location of site
  - ✓ Evidence that the land is not of potential economic use without the support.
  - ✓ A surveyor's report, which identifies the actions, required to bring the site up to an acceptable standard.
  - ✓ Evidence to show that there is a potential economic use for the site if it was to be decontaminated.
  
- Jobs Created:
  - ✓ Location of job, address of employee and national insurance number.
  - ✓ Job description and recruitment advertising.
  - ✓ Employment dates and hours worked.
  
- Safeguarded Jobs:
  - ✓ Location of job, address of employee and national insurance number.



- ✓ Evidence of the potential threat to the position due to redundancy or other reason. This could be in the form of letters to the employee, management discussion minutes, formal announcements etc.
- 10.3 If the funder does not automatically specify what supporting evidence is required then a request should be made as to the required documentary form before the commencement of the project.

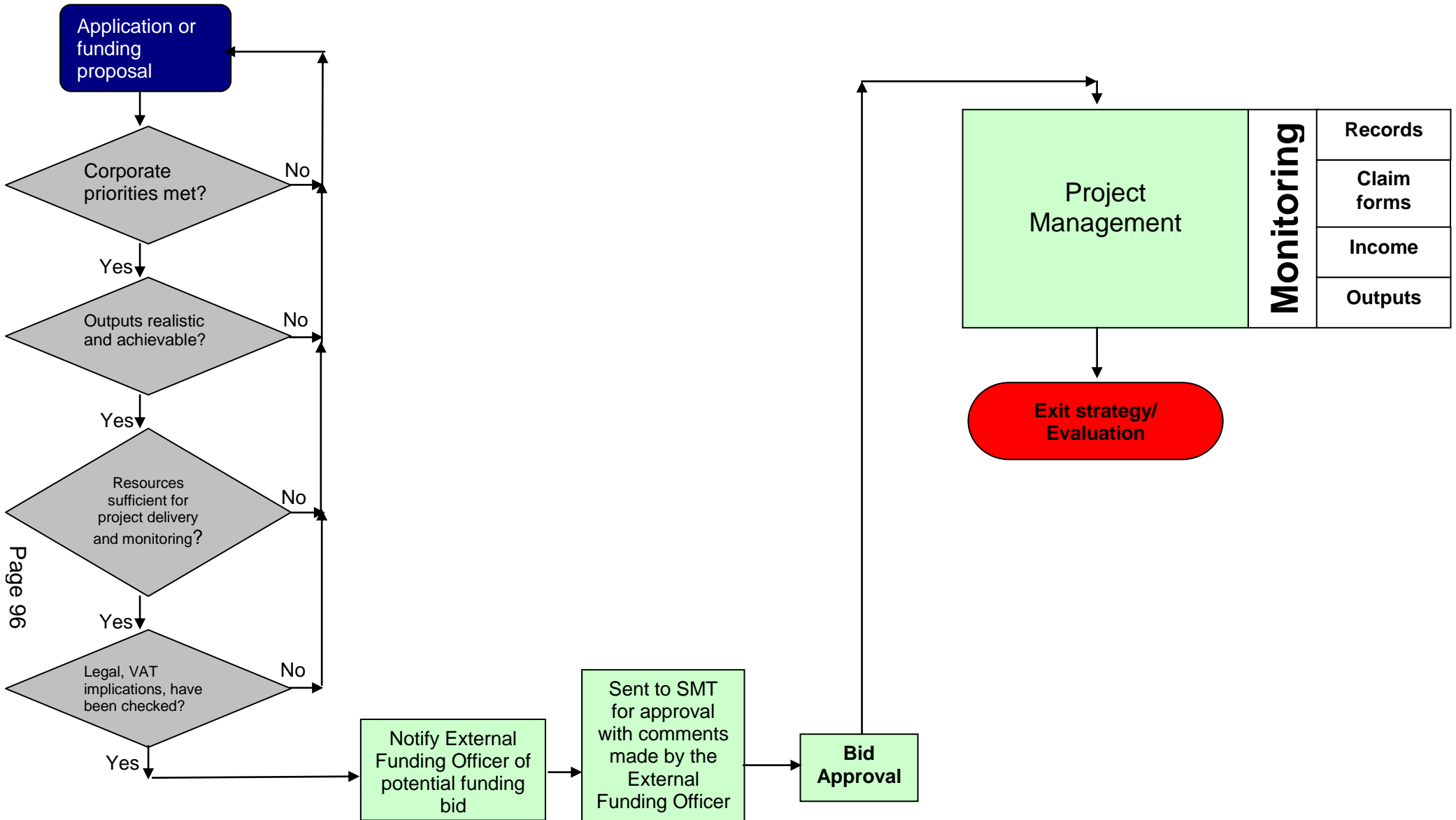
## 14.0 Post Completion of a Project

- 14.1. Any final audited statement of grant expenditure required by the external funder should be submitted by the due date together with any “end of project” report required.
- 14.2. Records should be retained as set out in the funder’s requirements or in accordance with statute where this exceeds the funder’s requirements.
- 14.3. Funder’s output conditions should continue to be monitored to ensure that any breaches are identified in a timely manner and appropriate action should be taken to ensure that external funding repayments are minimised.
- 14.4. Before disposing of any assets either fully or partially financed from external funding, any relevant conditions should be identified and considered.
- 14.5. Where appropriate the approved exit strategy should be followed.
- 14.6. Where a grant has been provided to a third party a summary of what has been achieved by the project, its outcomes and expenditure evidence of the whole project should be reviewed to ensure the grant has achieved its original aims.

## 15.0 Summary/Conclusion

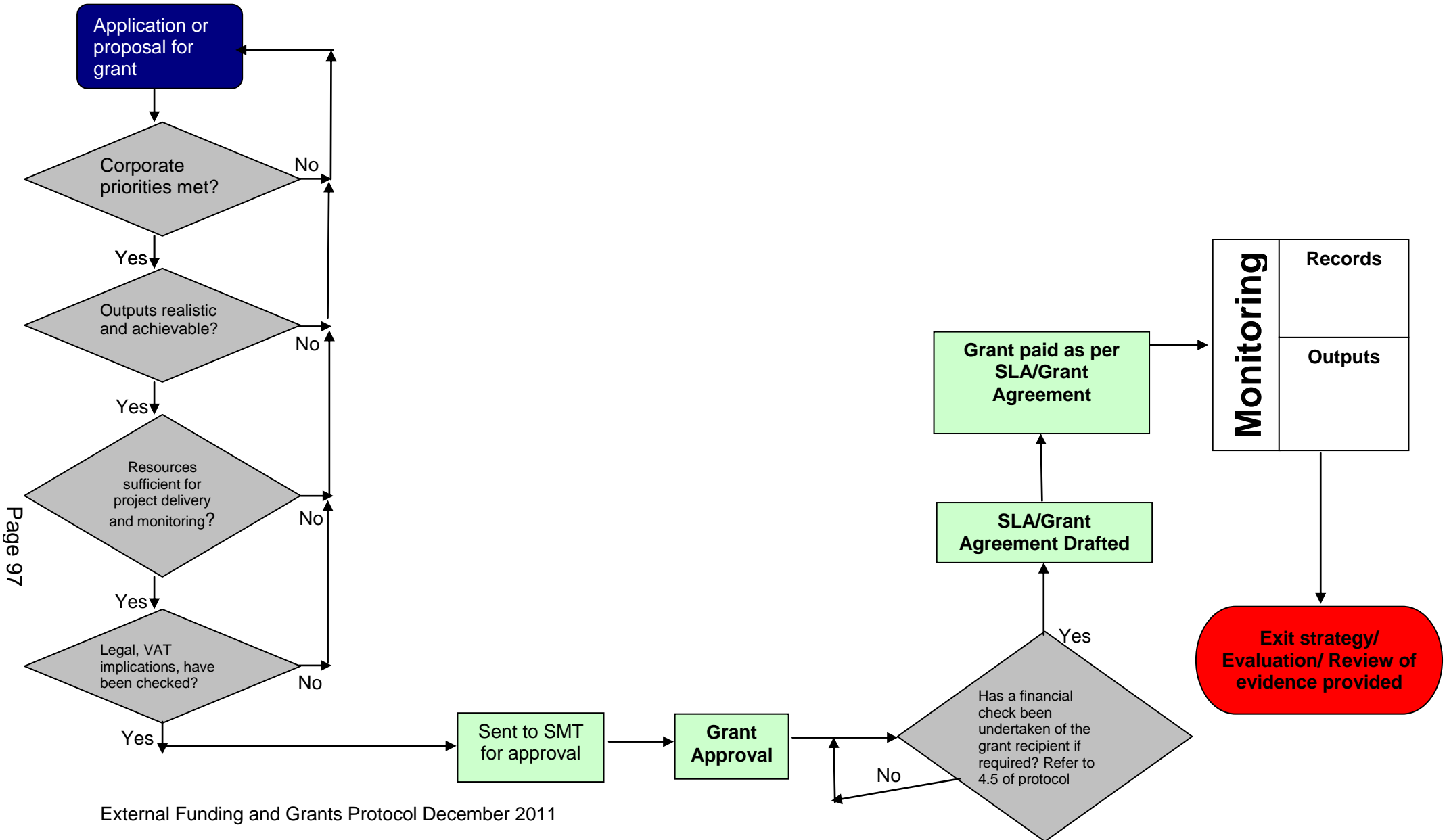
- 15.1. Although external funding may sound somewhat daunting, by ensuring that the background work is carried out initially there can be long term benefits.
- 15.2. It is important that the proposed project fully meets the funder’s criteria and that the funder’s rules and regulations are fully identified, clearly understood and that they can be met.
- 15.3. The Council’s External Funding and Grants Protocol should be followed, and if approved, the project needs to be closely monitored and any necessary action should be timely. Acceptable records need to be maintained during the project lifetime and retained in line with TDC/funder’s requirements and statute whichever is the longer period.
- 15.4. Flow charts detailing the process for external funding and the payment of grants to third parties can be seen in **Annex 1** and **Annex 2**.
- 15.5. External funding and grants are important to the Council for delivering the Corporate Plan improvements and the Council’s priorities. In order to achieve these objectives, processes around external funding and grants need to be well managed and by following the External Funding and Grants Protocol those involved in external funding and the payment of grants will be able to meet these requirements.

Process for External funding / contributions in excess of £10k



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**Process for payment of grants to third parties**



### **Purchase of fixed assets**

For second hand equipment the following must be kept:

- A declaration by the seller that it has not been purchased within the last 7 years with the aid of national or EEC grant.
- Proof that it does not exceed the market value or cost of similar new equipment.

For all fixed assets bought, built or improved using external funding an inventory must be kept showing:

- Date of purchase
- Description of asset
- Price paid net of recoverable VAT
- Amount and source of external funding used
- Location of asset and of any title deeds
- Serial or identification numbers
- Date of disposal
- Sale proceeds net of VAT

ADDRESS OF RECEIPIENT HERE

Dear ,

**Grant Agreement between Thanet District Council and Grant Recipient**  
**Project Title: Project Title**

**1. APPROVAL**

This letter is to inform you that Thanet District Council ('TDC') has approved the above Project, on the terms and conditions referred to in this letter.

Please read this letter carefully and return a signed copy within 14 days from the date hereof to:

Officer Name,  
 Officer Job Title,  
 Thanet District Council,  
 PO Box 9,  
 Cecil Street,  
 Margate,  
 Kent,  
 CT9 1XZ

By signing this agreement on behalf of Company Name, the Company is agreeing to deliver the outputs specified for the funding level agreed within the timescale shown and to abide by the conditions included within this letter.

**2. DETAILS OF GRANT OFFER**

- 2.1 The grant level over the lifetime of the Project is expected to be £Grant Sum.
- 2.2 TDC has approved a grant of £Grant Sum for the delivery period from Delivery dates.
- 2.3 Please read and check Appendix 1 carefully as it is part of the offer contained in this letter setting out the conditions that Company Name is agreeing to perform. **Any failure to meet the conditions and terms shown may result in the grant being reduced, withdrawn, suspended or repaid.**

**3. MONITORING REQUIREMENTS**

- 3.1 Payment is made in advance/arrears (adjust as appropriate) and will be paid as per the below agreed cash flow:

January	£x
February	£y
March	£z
	<b>£Grant Sum</b>

- 3.2 Grant payments will be made in **advance/arrears (adjust as appropriate)** based on a profile of expenditure to be incurred **in the quarter following payment (adjust as appropriate)**; this must be profiled against the headings detailed in **Appendix 1**. It is the responsibility of **Company Name** to maintain accurate financial records that prove defrayal and to supply copies when required to TDC, **funders name if externally funded**, Audit Commission or other partner auditors who will inspect these records as part of a regular verification process and open to audit at any time.
- 3.2 **Company Name** will report to TDC **in line with regular reports to funders name (if externally funded)**, expenditure milestones and key indicators. Evidence of the achievement of outputs and financial records (originals) must be kept and be available for inspection by TDC, **funders name if externally funded** and/or auditors. They may also be subject to regular audit and/or monitoring visits of the Project on the same basis, as above.
- 3.3 **Company Name** must comply with any other visits, inspections or Project evaluation assessments required by TDC or **external funder**.

#### 4. STANDARD GRANT CONDITIONS FOR DELIVERY PROJECTS

- a) **Company Name** must maintain details of assets acquired, built or improved, wholly or partly using the grant worth more than £2,500 and provide details of such assets on a quarterly basis to TDC who will maintain an asset register. Any assets falling within this sub-paragraph which have been disposed of shall be similarly recorded.
- b) Records of expenditure must be kept until notified by TDC that they can be destroyed.
- c) If there has been a failure by **Company Name** to comply with the requirements set out in this letter TDC may reduce, suspend or withhold payments and/or require all or part of the grant to be repaid in particular where:
- 1) the Company has failed to keep and maintain the records as specified in this letter;
  - 2) any attempt is made to transfer or assign any rights, interests or obligations created under this offer letter, or to substitute any person in respect of any such rights, interests or obligations without the written agreement, in advance of TDC;
  - 3) the composition of the Project changes or ceases to exist as a result of insolvency or dissolution or otherwise.
- d) TDC may also reduce, suspend, or withhold grant payment and/or require all or part of the grant to be repaid, if it has reason to believe that:
- 1) the grant or any part thereof has not been used for the purpose for which it was given; or
  - 2) insufficient measures are being taken by **Company name** to investigate and resolve any reported irregularity;
  - 3) **External funder (if appropriate)** may withdraw or reduce the grant award to the Council, or has done so.

- e) Grants cannot be used for any political or religious purpose.
- f) **Company name** must acknowledge financial support from **external funder** and TDC in publicity/promotional material and in any annual reports.
- g) TDC will expect that any contracts entered into by **Company name** as part of the Project, will be by tender in line with HLF requirements. TDC will require a copy of any competitive tender procedures to be used by the **Company name**. If these are not appropriate, or if **Company name** does not have any such procedures, then TDC's procedures shall be adopted. If it is not intended to tender a contract, TDC must be informed and the reasons provided prior to any award.

## 5. SPECIAL CONDITIONS

- 5.1 The terms and conditions, annexes, appendices and requirements are deemed to be additional to and an integral part of the terms and conditions detailed within this Letter of Offer.
- 5.2 **Company name** must give 7 working days prior written notice to TDC if it plans to dispose of, or change, the use of any capital asset.
- 5.3 **Company name** must be aware of its legal responsibilities as an employer and, in particular, comply with and adhere to relevant legislation on Equal Opportunities and Health and Safety. Accordingly, **Company name** will indemnify Thanet District Council against any costs, claims, demands and liability arising directly or indirectly out of any breach or non-observance thereof.
- 5.4 **Company name** must have employers' liability insurance [for no less than [£5,000,000]] to cover any claims by staff, including disease or injury caused in the workplace, and will produce a copy of such policy to TDC as and when required to do so.
- 5.5 In addition, **Company name** will effect insurance to cover public liability and any grant aided equipment [for no less than [£5,000,000]] and shall provide evidence of such policy to the Council as detailed in 5.4 above.
- 5.6 Publicity and information about the Project must be freely and regularly available and in accordance with **funders** guidance.
- 5.7 All relevant statutory permissions and regulations shall be applied for and acted upon, including planning permission, fire precautions and Health and Safety legislation, by and at the cost of **Company name**.
- 5.8 TDC shall have a right to terminate this Agreement and to require repayment of the grant forthwith by notice in writing if **Company name** shall have offered or given or agreed to give any person any gift or consideration of any kind as an inducement or reward for doing or forbearing to do or for having done or forborne to do any action in relation to the obtaining of this Agreement or grant or other agreement with TDC or for showing or forbearing to show favour or disfavour to any person in relation to this Agreement or any other agreement with TDC or if the like acts shall have been done by any person employed by it or acting on its behalf (whether with or without the knowledge of **Company name**) or if in relation to any contract with TDC **Company name** or any person employed by **Company name** or acting on behalf of **Company name** shall have committed any offence under the Bribery Act 2010 or shall have

given any fee or reward the receipt of which is an offence under Section 117 (2) of the Local Government Act 1972.

5.9 Funder name may monitor the Project for up to 10 years after its completion at intervals of one, five and ten years adjust as appropriate. TDC may request additional information from Company name in order to comply with these funders name monitoring checks whereupon Company name shall provide the same in a timely manner.

5.10 Documents must be retained by Company name for 25 years from the permission to start date or the date of this agreement, whichever is the later.

Please sign both copies of the Offer Letter in Section A below, retain one copy and return one copy to Officer Title at TDC.

Yours sincerely

Officer name  
Officer title



**SECTION A**

**Company name** hereby agrees and undertakes to adhere to the grant terms and conditions contained and/or referred to in this Offer Letter.

Signed by (name of duly authorised signatory) on behalf of **Company name**

**Signed** .....

**Print Name** .....

**Position** .....

**Date** .....

## Conditions of Grant Appendix 1

### 1. Project Delivery

The Grant recipient shall be:

**Company name**, Registered No. **0000000**

### 2. Funding, Outputs and Milestones Profile

Project outputs and milestones for the Project, to be completed by **project completion date** shall be as follows:

<b>Funding</b> <b>funder / TDC</b>	
<b>Outputs</b> <b>e.g. Assist in providing signage and interpretation throughout the site.</b>	✓
<b>Milestones</b> <b>Engage people, particularly young people</b>	✓

### 4. Reporting and Monitoring

**Company name** shall provide regular reports on progress to TDC at regular intervals and as otherwise required

**Company name** shall provide any further documentation and supporting evidence required by TDC or **funder** forthwith upon request.

### 5. Payments

The total maximum grant value shall be £**Grant sum**.

Invoices should be submitted to TDC **in line with the eligible categories for funder (if appropriate)**, subject to agreement on eligible expenditure and provision of agreed evidence. (Expenditure on any one category is not allowed to exceed that stated below without prior agreement and only up to a maximum of £**Grant sum** in total):

<b>Cost Heading</b>	<b>Amount</b>
<b>Heading 1</b>	£x
	<b>Grant sum</b>

## THANET DISTRICT COUNCIL DECLARATION OF INTEREST FORM

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

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

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

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

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

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

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

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

An associated person is defined as:

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

An Authority Function is defined as: -

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

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

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

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

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

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

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

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

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

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

**MEETING** .....

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

**DISCRETIONARY PECUNIARY INTEREST**

**SIGNIFICANT INTEREST**

**GIFTS, BENEFITS AND HOSPITALITY**

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

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

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

**SIGNATURE:** .....

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