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Date: 7 March 2016
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GOVERNANCE AND AUDIT COMMITTEE

15 MARCH 2016

A meeting of the Governance and Audit Committee will be held at **7.00 pm on Tuesday, 15 March 2016** in the Council Chamber, Council Offices, Cecil Street, Margate, Kent.

Membership:

Councillor Buckley (Chairman); Councillors: Ashbee, Campbell, Connor, Day, Dexter, Dixon, Edwards, I Gregory (Vice-Chairman), G Hillman, Jaye-Jones, Larkins, Game and Taylor-Smith

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 9 December 2015, copy attached.

4. **EXTERNAL AUDIT 2015/16 AUDIT PLAN** (Pages 5 - 26)

5. **EXTERNAL AUDIT GRANT CERTIFICATION LETTER 2014/15** (Pages 27 - 30)

6. **EMPTY PROPERTY REFURBISHMENT** (Pages 31 - 68)

7. **INTERNAL AUDIT 2016-17 AUDIT PLAN AND AUDIT CHARTER** (Pages 69 - 92)

8. **INTERNAL AUDIT QUARTERLY UPDATE** (Pages 93 - 138)

9. **REVIEW OF EFFECTIVENESS OF THE COUNCIL'S INTERNAL AUDIT ARRANGEMENT 2015/16** (Pages 139 - 142)

10. **ANNUAL GOVERNANCE STATEMENT ACTION PLAN QUARTERLY UPDATE** (Pages 143 - 148)

Item
No

Subject

11. **GOVERNANCE FRAMEWORK AND LOCAL CODE OF CORPORATE GOVERNANCE UPDATE** (Pages 149 - 176)
12. **CORPORATE RISK REGISTER QUARTERLY UPDATE** (Pages 177 - 180)

Declaration of Interests Form

Public Document Pack Agenda Item 3

GOVERNANCE AND AUDIT COMMITTEE

Minutes of the meeting held on 9 December 2015 at 7.00 pm in Council Chamber, Council Offices, Cecil Street, Margate, Kent.

Present: Councillor John Buckley (Chairman); Councillors Ashbee, Campbell, Connor, Day, Edwards, Game, I Gregory, Jaye-Jones, Larkins and Taylor-Smith

1. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Dexter.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF PREVIOUS MEETING

Councillor Campbell proposed, Councillor Day seconded and Members agreed the minutes of the meeting held on 24 September 2015.

4. INTERNAL AUDIT QUARTERLY UPDATE REPORT

Simon Webb, Deputy Head of the East Kent Audit Partnership introduced the report noting that six audits had been completed, four of which obtained a substantial assurance rating. Christine Parker, Head of the East Kent Audit Partnership then detailed the performance of the Audit Partnership up to 30 September 2015.

In response to comments and questions it was noted that:

- The audit of food safety considered procedures and staff resources.
- The employee health and safety audit report was in its draft stage and was expect to be completed in time for the March 2016 Governance and Audit committee meeting.
- It was acknowledged that officers intended to revise the project management framework, however it was suggested that the Governance and Audit committee should look at the current arrangements in place to ascertain if they were fit for purpose. Tim Willis, Director of Corporate Resources offered to look into this and report back to Members.
- Tim Howes, Director of Corporate Governance was Thanet District Council's officer equality champion, there currently was not a Member equality champion.
- The equality and diversity audit achieved a limited assurance, a follow up audit would take place in three to six months.

It was proposed by Councillor Campbell, seconded by Councillor Gregory and Members agreed the recommendations at paragraphs 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 2015-16 internal audit plan, resulting from changes in perceived risk, detailed at point 5.0 of the attached report be approved.'

5. ANNUAL GOVERNANCE STATEMENT ACTION PLAN QUARTERLY UPDATE

Tim Howes, Director of Corporate Governance introduced the report which updated Members on progress in implementing the Annual Governance Statement 2014/15 Action Plan. In response to comments and questions it was noted that:

- Staff exceeding contracted hours continued to be an issue, East Kent Services Human Resources were to produce a report which would be used to identify options to address the problem.
- Member peer support would remain available to Members, although to date this support had not been taken up by any Members.
- Members wished to receive a Members newsletter.
- The report on Member/Officer protocol had been delayed, it was due to go to Council for approval in December, however it would now be considered at Council in February.

Members noted the report.

6. REVIEW OF CORPORATE APPROACH TO RISK MANAGEMENT

Tim Willis introduced the report noting that the changes had been tracked to allow Members to see where the documents had been updated. In response to comments and questions it was noted that:

- The term 'regularly' at the top of on page 7 of the strategy document would be amended to read 'every three years'.
- Councillor Crow-Brown was the Member champion, and Tim Willis was the officer champion. While all officers should have an awareness of risk, not everyone should have the responsibility to manage the Council's risks. Relevant officer's were offered corporate training on risk management.

Councillor Campbell proposed, the Chairman seconded and Members agreed the recommendation at paragraph 6.1 of the report, namely;

'6.1 That Members approve the changes to the Risk Management Process and Strategy documents for the next three years with a provision that they be revised sooner if required.'

7. MID-YEAR TREASURY MANAGEMENT REPORT

Nicola Walker, Head of Financial Services introduced the report which gave a summary of treasury management activity and prudential/treasury indicators for the first half of 2015/16. In response to comments and questions it was noted that:

- Officers would look into options to allow more information to be included in the report regarding how the figures had been calculated, while continuing to comply with the CIPFA code.

It was proposed by Councillor Jaye-Jones, seconded by Councillor Campbell and Members agreed the recommendations as set out at paragraph 11.1 of the report, namely:

- '11.1 That the Governance and Audit Committee:
- Approves this report and the prudential and treasury indicators that are shown.
 - Recommends this report to Cabinet.'

8. TREASURY MANAGEMENT STRATEGY 2016/17

Nicola Walker introduced the report which provided Members with the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy for 2016/17. In her introduction Mrs Walker noted that the figures shown in the table at the bottom of page 12 of the report for 'investments only', had been revised from 45.000 to 50.000 since the report had been produced. In response to comments and questions it was noted that:

- Some investments were made overseas in order to spread the risk of loss to the Council.
- The Council used treasury management software and advice from Capita when making investment decisions.
- Mrs Walker offered to investigate what indemnity policy was in place with Capita that insured the Council against loss as a result of poor advice from Capita. She would then respond to Councillor Ashbee outside of the meeting.

It was proposed by Councillor Campbell, seconded by Councillor Larkins and Members agreed the recommendation at paragraph 8 of the report, namely:

- '8. The Governance and Audit Committee is recommended to approve this report, including each of the key elements of this report listed below, and recommend them to Cabinet and Council:
- The Capital Plans, Prudential Indicators and Limits for 2016/17 to 2018/19, including the Authorised Limit Prudential Indicator.
 - The Minimum Revenue Provision (MRP) Policy.
 - The Treasury Management Strategy for 2016/17 to 2018/19 and the Treasury Indicators.
 - The Investment Strategy for 2016/17 contained in the Treasury Management Strategy, including the detailed criteria.'

Subject to the amendment of the figures in table at the bottom of page 12 of the report from 45.000 to 50.000 as shown below:

<i>£m</i>	<i>2016/17</i>	<i>2017/18</i>	<i>2018/19</i>
<i>Interest rate exposures</i>			
	<i>Upper</i>	<i>Upper</i>	<i>Upper</i>
Limits on fixed interest rates:			
• Debt only	66.000	66.000	66.000
• Investments only	45.000	45.000	45.000
Limits on variable interest rates			
• Debt only	66.000	66.000	66.000
• Investments only	45.000 50.000	45.000 50.000	45.000 50.000

9. APPOINTMENT OF EXTERNAL AUDITORS AND AN AUDITOR PANEL - LOCAL AUDIT AND ACCOUNTABILITY ACT 2014

Tim Howes introduced the report which advised Members of the need to create an auditor panel, nominations to the panel would be done at Council in due course.

Members noted the report.

10. ANNUAL AUDIT LETTER

Tim Willis introduced the report as Darren Wells, Director at Grant Thornton was unavailable. In response to comments and questions it was noted that:

- Grant Thornton offered an unqualified opinion on the Council's 2014/15 financial statements, and value for money conclusion for 2014/15.

Members noted the report.

11. PROGRESS REPORT AND EMERGING ISSUES UPDATE

Tim Willis introduced the report as Darren Wells was unavailable. In response to comments and questions it was noted that:

- The basis of the report was generic for all of Grant Thornton's clients, it would be more useful if it was tailored specifically to Thanet District Council.

Members noted the report.

Meeting concluded: 8.35 pm



The Audit Plan for Thanet District Council

Year ending 31 March 2016

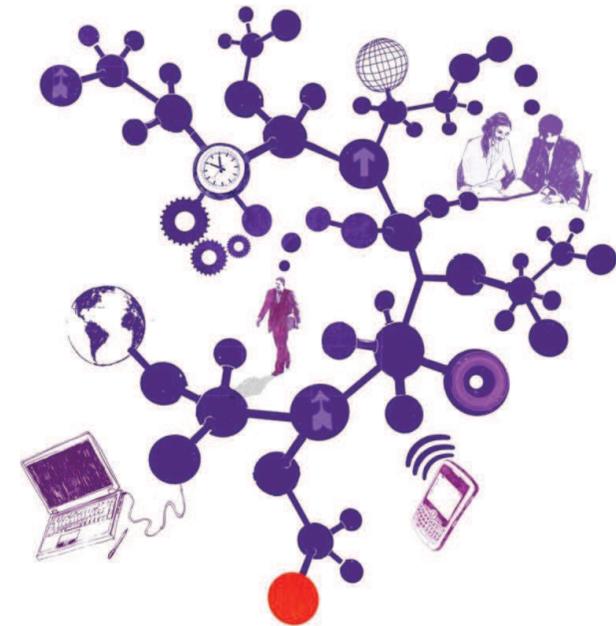
15 March 2016

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



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15 March 2016

Dear Members of the Governance and Audit Committee

Audit Plan for Thanet District Council for the year ending 31 March 2016

This Audit Plan sets out for the benefit of those charged with governance, (in the case of Thanet District Council, the Governance and Audit Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015.

Our responsibilities under the Code are to:

- give an opinion on the Council's financial statements
- satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Yours sincerely

Darren J Wells
Engagement Lead

Chartered Accountants
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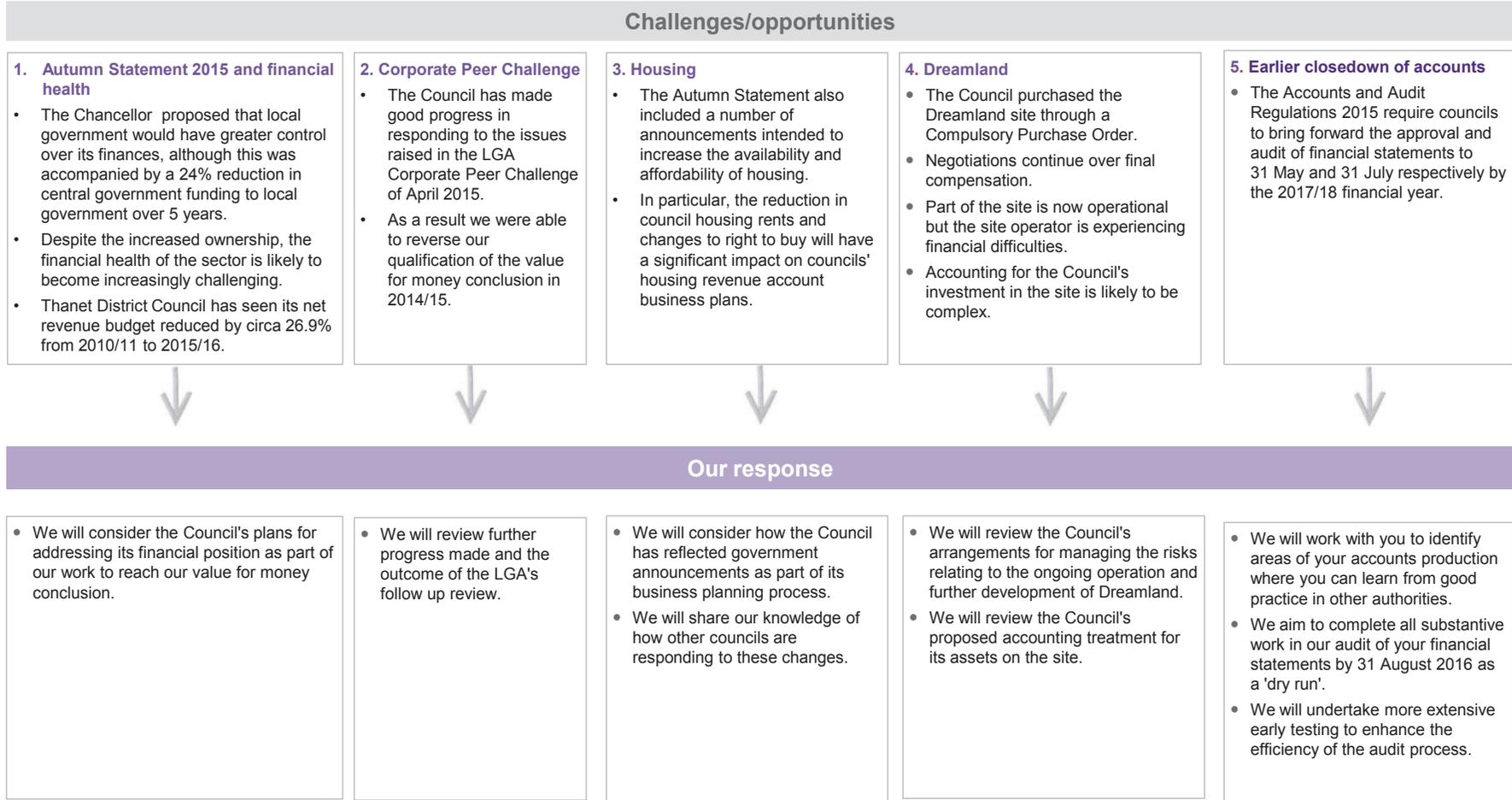
Key dates

Fees and independence

Communication of audit matters with those charged with governance

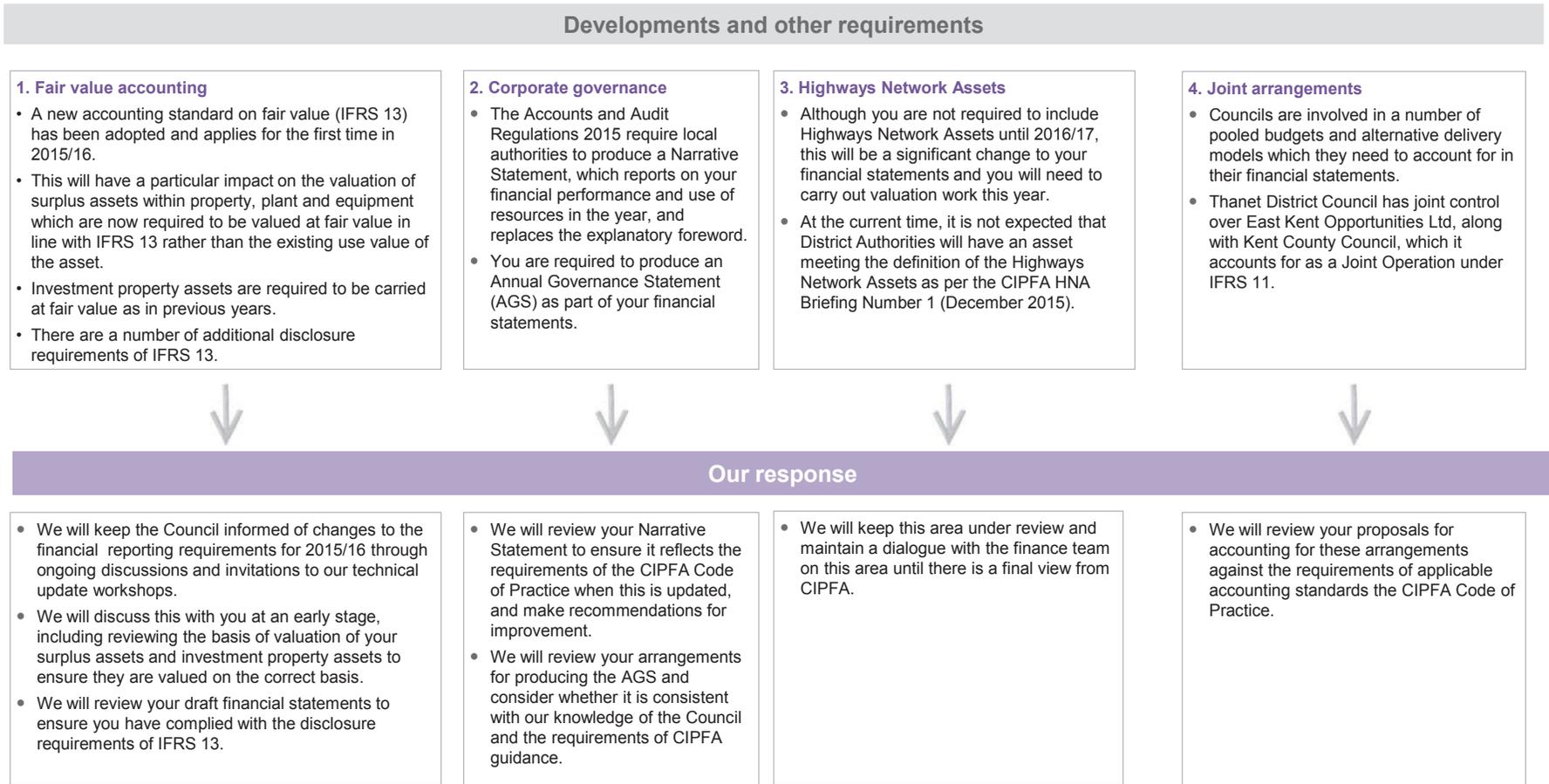
Understanding your business

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

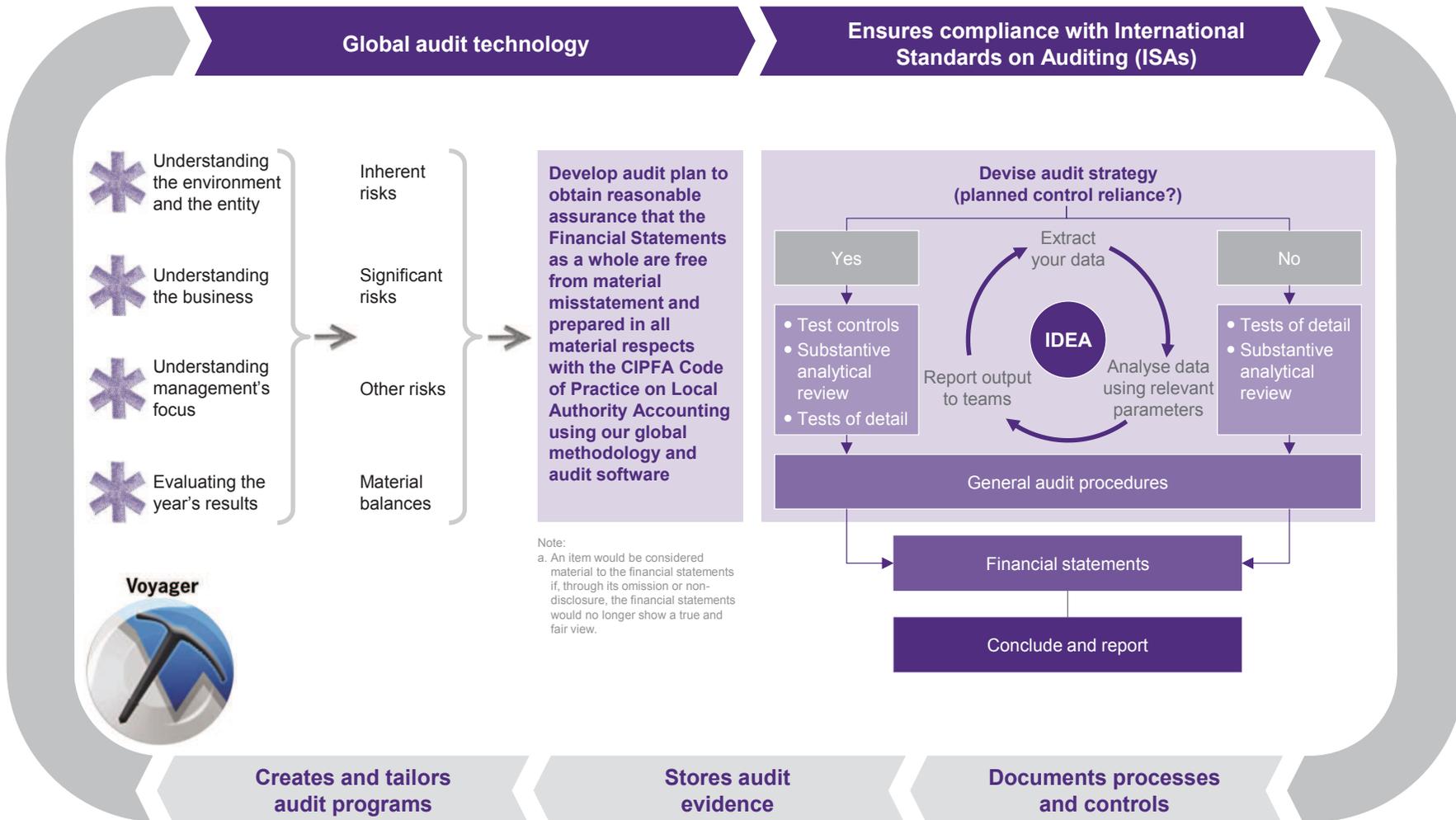


Developments and other requirements relevant to your audit

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



Our audit approach



Note:
a. An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit.

The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As is usual in public sector entities, we have determined materiality for the statements as a whole as a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £2,699k (being 2% of gross revenue expenditure in 2014/15). We will consider whether this level is appropriate during the course of the audit and will advise you if we revise this.

In the previous year, we determined materiality to be £2,699k (being 2% of gross revenue expenditure in 2014/15).

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £134k.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'.

We have not identified any items where separate materiality levels are appropriate.

Significant risks identified

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315). In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing - ISAs) which are listed below:

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

Other risks identified

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

Other risks	Description	Audit approach
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	<p>Work completed to date:</p> <ul style="list-style-type: none"> • We have undertaken a walkthrough of the Council's processes and controls over this area to gain an understanding over them. <p>Further work planned:</p> <ul style="list-style-type: none"> • We will perform a review of the year-end reconciliation of your Accounts Payable system to the General Ledger to provide assurance over the completeness of operating expenditure recorded within the Financial Statements. • Sample testing will be performed on post-period end payments to identify any items which have been potentially omitted from the Financial Statements. • In year expenditure incurred by the Council will be substantively tested. • We will ensure that amounts remaining outstanding at year end have been appropriately recorded as liabilities within the Financial Statements.
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	<p>Work completed to date:</p> <p>We have undertaken a walkthrough of the Council's processes and controls over this area to gain an understanding over them, however, there are some elements of the walkthrough still to be completed.</p> <p>Further work planned:</p> <ul style="list-style-type: none"> • We will perform a review of the year-end reconciliation of the payroll system to the General Ledger. • A high level trend analysis will be performed on the monthly employee remuneration totals to provide assurance over the completeness of the figures included within the Financial Statements. • Sample testing will be performed on the employee remuneration expenditure incurred during the year by the Council, including agreement back to relevant supporting documentation.

Other risks identified (continued)

Other risks	Description	Audit approach
Welfare expenditure	Welfare benefit expenditure improperly computed	<p>Work completed to date:</p> <ul style="list-style-type: none"> We have undertaken a walkthrough of the Council's processes and controls over this area to gain an understanding over them, however, there are some elements of the walkthrough still to be completed. <p>Further work planned:</p> <ul style="list-style-type: none"> Detailed testing will be performed on the expenditure included within the draft Housing Benefit Subsidy claim. We will perform sample testing of Local Council Tax Support cases to ensure expenditure in relation to these cases has been correctly calculated for inclusion with the Financial Statements. A high level analytical review will be performed on the figures within the draft Housing Benefit Subsidy claim in order to identify any significant variances requiring explanation.
Valuation of Pension Fund Net Liability	The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.	<p>Work planned:</p> <ul style="list-style-type: none"> We will identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out. We will undertake procedures to confirm the reasonableness of the actuarial assumptions made. We will review the consistency of the pension fund asset and liability disclosures in the notes to the financial statements with the actuarial report from your actuary.

Other risks identified (continued)

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous section but will include:

- Assets held for sale
- Investments (long term and short term)
- Cash and cash equivalents
- Borrowing and other liabilities (long term and short term)
- Provisions
- Usable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- Segmental reporting note
- Officers' remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Housing Revenue Account and associated notes
- Collection Fund and associated notes

Other audit responsibilities

- We will undertake work to satisfy ourselves that disclosures made in the Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read the Narrative Statement and check that it is consistent with the statements on which we give an opinion and disclosures are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We will give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts

Value for Money

Background

The Local Audit & Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') require us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The National Audit Office (NAO) issued its guidance for auditors on value for money work in November 2015 [here](#).

The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

This is supported by three sub-criteria as set out below:

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"> Acting in the public interest, through demonstrating and applying the principles and values of good governance Understanding and using appropriate cost and performance information to support informed decision making and performance management Reliable and timely financial reporting that supports the delivery of strategic priorities Managing risks effectively and maintaining a sound system of internal control
Sustainable resource deployment	<ul style="list-style-type: none"> Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions Managing assets effectively to support the delivery of strategic priorities Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none"> Working with third parties effectively to deliver strategic priorities Commissioning services effectively to support the delivery of strategic priorities Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for Money (continued)

Risk assessment

We completed an initial risk assessment based on the NAO's guidance. In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- the findings of other inspectorates and review agencies,
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

We have identified significant risks which we are required to communicate to you. The NAO's Code of Audit Practice defines 'significant' as follows:

A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.

We have set out overleaf the risks we have identified, how they relate to the Code sub-criteria, and the work we propose to undertake to address these risks.

Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Significant risk	Relevance to sub-criteria	Work proposed to address
<p>Dreamland project The Council has had to increase the budget for this major regeneration project by £1.2m across 2015/16 and 2016/17, against a background of significant risk with the site operator having gone into administration.</p>	<p>This relates to the Council's arrangements for:</p> <ul style="list-style-type: none"> understanding and using appropriate cost and performance information to support informed decision making and performance management managing assets effectively and procuring supplies and services effectively to support the delivery of strategic priorities. 	<p>We will review the Council's arrangements for managing the Dreamland project to ensure it meets its objectives and is delivered within budget.</p>
<p>Medium term financial plan The local government settlement has placed further pressure on the Council's finances and the Council's medium term financial plan includes the need for significant savings over the next four years.</p>	<p>This relates to the Council's arrangements for:</p> <ul style="list-style-type: none"> planning finances effectively to support the sustainable delivery of strategic priorities. 	<p>We will review the Council's plans to deliver savings over the course of the medium term financial plan.</p>
<p>HRA Business Plan The forthcoming rent reduction required by central government will reduce HRA income by £4.5 million over the next 4 years. This will have a significant impact on the HRA Business Plan..</p>	<p>This relates to the Council's arrangements for:</p> <ul style="list-style-type: none"> planning finances effectively to support the sustainable delivery of strategic priorities. 	<p>We will update our understanding of the Council's HRA business planning.</p>
<p>Corporate Peer Challenge The Council has done much to address the findings of the LGA Corporate Peer Challenge in April 2014 regarding Member behaviour. This work needs to continue to ensure there is no recurrence of these issues.</p>	<p>This relates to the Council's arrangements for:</p> <ul style="list-style-type: none"> acting in the public interest, through demonstrating and applying the principles and values of good governance. 	<p>We will review the outcome of the forthcoming follow up to the Corporate Peer Challenge and the Council's continuing progress in addressing the findings of the original report.</p>

Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and Annual Audit Letter. We will include our conclusion as part of our report on your financial statements which we will give by 30 September 2016.

Results of interim audit work

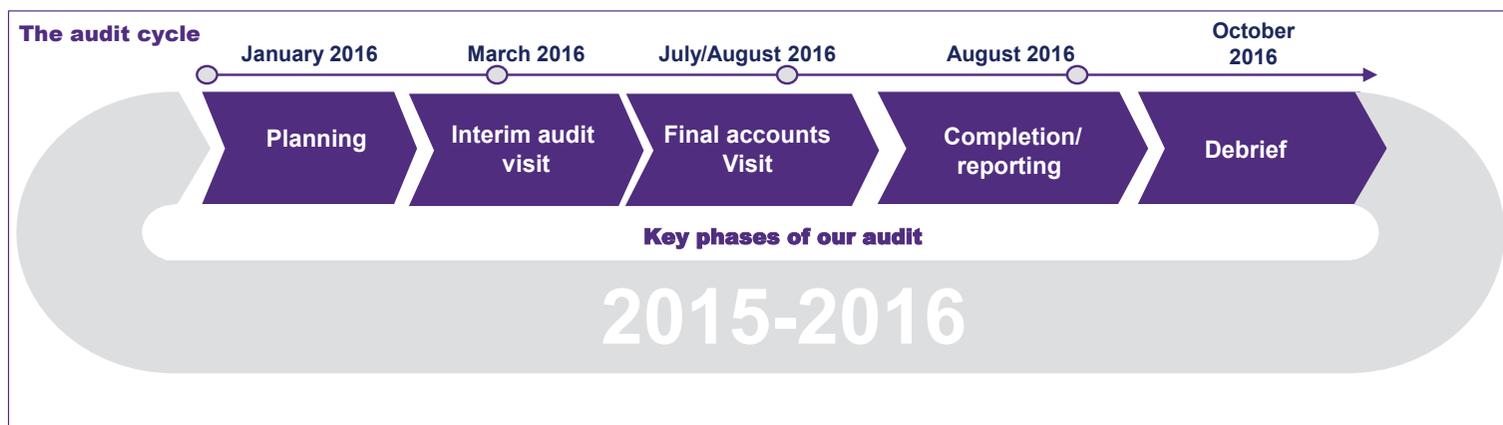
The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusion
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p>

Results of interim audit work (continued)

	Work performed	Conclusion
Review of information technology controls	<p>Our information systems specialist performed a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p> <p>IT (information technology) controls were observed to have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any material weaknesses which are likely to adversely impact on the Council's financial statements. We have however identified scope for minor improvements which we will include in the final action plan in our year end report.</p>
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements, including; Employee Remuneration, Operating Expenditure and Welfare Expenditure.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	<p>To date our work has not identified any weaknesses which impact on our audit approach. Our walkthrough of the Council's Employee Remuneration system and Welfare benefits system is in progress. An update will be provided should any issues be identified.</p>
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>We will undertake detailed journals testing on journal transactions recorded for the first eleven months of the financial year alongside our early substantive testing, by extracting 'large' and 'unusual' entries for further review.</p>	<p>We will report the findings of this work as part of our Audit Findings Report.</p>
Early substantive testing	<p>We will undertake early testing of payroll expenditure, PPE Additions and journal transactions in late March 2016.</p>	<p>We will report the findings of this work as part of our Audit Findings Report.</p>

Key dates



Date	Activity
January 2016	Planning
14 March – 18 March 2016	Interim site visit
15 March 2016	Presentation of audit plan to Governance and Audit Committee
August 2016	Year end fieldwork
Late August 2016	Audit findings clearance meeting with Director of Corporate Resources
Late August 2016	Report audit findings to those charged with governance (Governance and Audit Committee)
By 30 September 2016	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	66,296
Grant certification	20,770
Total audit fees (excluding VAT)	87,066

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list.
- The scope of the audit, and the Council and its activities, have not changed significantly.
- The Council will make available management and accounting staff to help us locate information and to provide explanations.
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Grant certification

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

Fees for other services

Service	Fees £
Audit related services: <ul style="list-style-type: none">• Assessment of the Empty Property Intervention Programme (Grant funding from HCA)	17,990

Fees for other services

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

Independence and ethics

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

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

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

Communication of audit matters with those charged with governance

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

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

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

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

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

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

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

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



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23 February 2016

Dear Tim

Certification work for Thanet District Council for year ended 31 March 2015

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

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) has taken on the transitional responsibilities for the Housing Benefit Subsidy claim issued by the Audit Commission in February 2015. The certification of other claims and returns is subject to separate engagement with the Council.

We have certified one claim under the PSAA regime for the financial year 2014/15, the Housing Benefit Subsidy claim with expenditure of £68.8 million. Further details are set out in Appendix A. The claim was qualified due to a number of errors in assessing and classifying benefit payment. Also, amendments were made to the Housing Benefit Subsidy claim which reduced the claim by £607, and the extrapolated testing results in the qualification letter, if agreed by the Department of Work and Pensions (DWP), would reduce the claim by a further £26,697. There may be further adjustments if the DWP requires additional work to resolve other matters reported in the qualification letter.

The indicative fee of £35,280 for the 2014/15 Housing Benefit Subsidy claim is based on the final 2012/13 certification fees, reflecting the amount of work required by the auditor to certify the claim in that year. Due to the additional work resulting from the errors identified on the Housing Benefit Subsidy claim, we are proposing an addition of £11,230 to the indicative scale fee (Appendix B).

Yours sincerely

A handwritten signature in blue ink, appearing to read "D Willis".

For Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2014/15

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing Benefits Subsidy	£68,867,054	Yes	£607 reduction	Yes	<p>Qualification related to errors in assessing and classifying benefit payments for a number of categories on the claim.</p> <p>The amendment was the overall result of correcting benefit classifications where testing results were sufficiently conclusive to allow this.</p>

Appendix B: Fees for 2014/15 certification work

Claim or return	2013/14 fee (£)	2014/15 indicative /agreed fee (£)	2014/15 actual fee (£)	Variance (£)	Explanation for variances
Housing Benefits Subsidy	£27,698	£35,280	£45,510	£11,230*	Reflects additional samples required due to errors being identified during testing of the 2014/15 claim. Testing of 214 more cases was required compared to the 2012/13 baseline on which the indicative fee was set.

* Agreed with Thanet officers, but subject to approval by Public Sector Audit Appointments

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Empty Property Refurbishment

To: **Governance and audit Committee: 15th March 2016**

Main Portfolio Area: **Communities**

By: **Bob Porter, Interim Head of Housing**

Classification: **Unrestricted**

Summary: This report gives members a summary of the external audit of the Council's empty homes programme completed by Grant Thornton UK LLP. The audit was commissioned at the request of the Homes and Communities Agency (HCA).

The audit identified 7 recommendations, all of which have now been implemented. As a consequence of the audit and the implementation of the recommendations, the HCA confirmed the Council's 'good standing' and its continued investment partner status on 29 January 2016.

For Information

1.0 Introduction and Background

- 1.1 The Council's Empty Property Intervention provided 30 homes for affordable rent and was supported by a grant of £535,000 from the Homes and Communities Agency (HCA). The programme enabled the Council to acquire and refurbish previously empty homes. A condition of the funding was that all of the 30 homes would be completed by 31 March 2016.
- 1.2 The programme proved challenging to deliver for the HCA, partly because of the complex nature of refurbishing previously empty and potentially derelict buildings. The Council's programme had completed 17 of the 30 homes by 31 March 2016. The remaining 13 have been completed subsequently and all are now occupied.
- 1.3 The Council had claimed all of the £535,000 grant from the HCA by 31 March 2016, although it was not eligible to claim for uncompleted homes. As a consequence the HCA requested that the Council commission an external audit of the programme and suspended other funding for the construction of new homes whilst the audit was completed.
- 1.4 The audit was completed and submitted to the HCA in its final form on 11 November 2015. A copy of the audit report made 7 recommendations and is attached at Annex 1. The report also concluded that the Council had over claimed grant totalling £91,242 from the HCA; this amount has been returned to the HCA, together with interest of £192. The HCA responded to this formally on 15 December 2015 (letter attached at annex 2) and set out a number of conditions related to the audit recommendations, that the Council would need to address before further funding could be released.

1.5 The recommendations of the audit have now been fully implemented and the HCA wrote to the Council again on 29 January 2016 (letter attached at annex 3) confirming the Council's 'good standing' and confirming the Council's continued status as an investment partner. This now means that suspended HCA funding for the Council's new build programme, totalling £1.4m, is now available to be used to support the construction of 58 new homes over the coming 2 years.

1.6 New internal control processes are now in place governing the Council's continued HCA funded housing development activities to ensure that conditions of grant funding are fully met before grant claims are submitted. The Housing Revenue account new build programme has been reported to Cabinet and the budget position will be reported as part of regularly quarterly budget monitoring.

2.0 Options

2.1 Members are asked to consider the contents of this report.

3.0 Corporate Implications

3.1 Financial and VAT

A grant repayment of £91,242, together with interest of £192, has been returned to the HCA funded from the Housing Revenue Account balances.

3.2 Legal

There are positive crime and disorder implications arising from the report, including tackling anti-social behaviour that is often associated with empty properties.

3.3 Corporate

The Council's agreed corporate priorities include, 'ensuring local residents have access to good quality housing'. Both the empty property intervention programme and the new build programme support this objective.

3.4 Equity and Equalities

Access to new homes provided through the empty property intervention programme and the new build programme is through the Council's agreed allocations policy. This policy has taken into account equity and equalities considerations. The programme fosters good relations in accordance with the Council's Public Sector Equality Duty.

4.0 Recommendation(s)

4.1 Members are asked to note:

- 1) The contents of this report and the audit findings and recommendations, that are set out in annex 1.
- 2) The formal response from the HCA set out in annexes 2 and 3.

Contact Officer:	Bob Porter, Interim Head of Housing, Ext. 7006
Reporting to:	Rob Kenyon, Director of Communities, Ext. 7071

Annex List

Annex 1	Grant Thornton Audit Report
Annex 2	Letter from HCA dated 15 December 2015
Annex 3	Letter from HCA dated 29 January 2016

Background Papers

Title	Details of where to access copy
<i>None</i>	

Corporate Consultation Undertaken

Finance	Nicola Walker, Interim Head of Finance
Legal	Ciara Feeney, Head of Legal Services and Deputy Monitoring Officer

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Assessment of the Empty Property Intervention Programme

Thanet District Council
Homes and Communities Agency

Final

November 2015



Thanet District Council
Cecil St,
Margate,
Kent
CT9 1XZ

Homes and Communities Agency (HCA)
Eastbrook,
Shaftsbury Road,
Cambridge,
CB2 8BF

11 November 2015

Dear Sirs

Assessment of the Empty Property Intervention Programme (EPIP) at Thanet District Council

We have pleasure in enclosing a copy of our report (the Report) containing the findings from our review of the Empty Property Intervention Programme (the Assessment) at Thanet District Council (the Council). The scope of this review was agreed in the letter of engagement dated 20 August 2015 (the Letter of Engagement).

Notwithstanding the scope of this engagement, responsibility for management decisions will remain with Thanet District Council and Homes and Communities Agency (HCA) and not with Grant Thornton UK LLP.

We wish to draw to the Council's Cabinet and the HCA's attention an important development that we became aware of following our initial engagement. We were informed during the period of our field work the Council had suspended a Senior Housing Officer in May 2015 and had launched an internal investigation in to the matters behind the suspension. At the time of issuing this report the investigation was still on-going. Furthermore the HCA were made aware of the investigation by the Council on the 04 September 2015 during the period of our field work.

The purpose of the report is to evaluate the operation of the Empty Property Intervention Programme (EPIP) (the Purpose) as stated in the Letter of Engagement dated 20 August 2015. The report was not designed to support the Council's investigation. Both the Council and the HCA confirmed that the scope of our work remained unchanged following the disclosure of this important development to us. To the fullest extent permitted by law we do not accept any responsibility for any loss or damages arising out of the use of the Report or other communications by the Council and the HCA for any purpose other than in connection with the Purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the HCA for our work and for our report and other communications.

Scope of our work

Our work focused on the following areas:

1. **Governance arrangements** – assess the strength of the overall arrangements put in place by the Council to ensure that funding provided by the HCA was spent according to requirements and in a way that represents value for money;
2. **Compliance** – review the contract between the Council and the HCA in relation to the Empty Property Intervention Programme (EPIP) and assess the extent to which the conditions set out therein were complied with by the Council. Where possible we have reached a view on grant monies that were not claimed in accordance with contractual terms and which the HCA might therefore wish to recover;
3. **Control measures** – assess the strength of control measures put in place to support programme delivery, including project and programme management arrangements and financial controls. This will include a review of the process and authorisations for any properties removed from or substituted into the programme; and
4. **Accountability** – consider how officers responsible for delivering the programme were held to account by those charged with governance, including examination of reporting arrangements and performance management.

The following areas were agreed with the HCA and the Council to be out of scope:

- Our work has not been carried out to overlap or support the Council's internal investigations in relation to the suspension of a senior housing officer
- Our work does not include a review of the controls within the investment management system (IMS) or the controls in place at the HCA to monitor and validate the submissions made to them in respect of the EPIP scheme.

Period of our fieldwork

Our review was performed between 01 September 2015 and 22 September 2015. We have not performed any further work since 22 September 2015 and in agreement with the Council and the HCA, our report does not take into account matters that have arisen since then.

Limitation of liability

We draw the to the Council and the HCA's attention to the limitation of liability clauses in paragraphs 3.1 to 3.9 contained in Appendix 1 of our engagement letter dated 20 August 2015.

Forms of report

For the Council and the HCA's convenience, this report may have been made available to the Council and the HCA in electronic as well as hard copy format, multiple copies and versions of this report may therefore exist in different media and in the case of any discrepancy the final signed hard copy should be regarded as definitive.

Confidentiality and reliance

Our report is addressed to the Council and the HCA. We stress that our report and other communications are confidential and prepared for the addressees only. They should not be used, reproduced or circulated for any other purpose, whether in whole or in part without our prior written consent, which consent will only be given after full consideration of the circumstances at the time.

We agree that an addressee may disclose our report to its employees, officers, directors, insurers and professional advisers in connection with the Purpose, or as required by law or regulation, the rules or order of a stock exchange, court or supervisory, regulatory, governmental or judicial authority without our prior written consent but in each case strictly on the basis that we owe no duties to any such persons. We also agree that our report may be disclosed to Members of the Council.

General

The report is issued on the understanding that the management of the Council and the HCA have drawn our attention to all matters, financial or otherwise, of which they are aware which may have an impact on our report up to the date of signature of this report. Events and circumstances occurring after the date of our report will, in due course, render our report out of date and, accordingly, we will not accept a duty of care nor assume a responsibility for decisions and actions which are based upon such an out of date report. Additionally, we have no responsibility to update this report for events and circumstances occurring after this date.

We would like to thank Council officers for making themselves available during the course of the review.

Grant Thornton UK LLP

Grant Thornton UK LLP

November 2015

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Our work has been conducted and our report prepared for Thanet District Council in accordance with a specified set of requirements. Accordingly, any use third parties may choose to make of our report is entirely at their own risk and we accept no responsibility whatsoever in relation to such use.

1. Introduction

1.1 Background

- 1.1.1 This section sets out the background and context for our work and a summary of our key findings.
- 1.1.2 As part of the Spending Review in October 2010, the Government announced the introduction of a £100m fund to bring more empty homes back into use known as the Empty Property Intervention Programme (EPIP). The Homes and Communities Agency (HCA) are the responsible body for delivering the programme.
- 1.1.3 On 2 March 2012 the Council was successful in securing an offer for £535,000 of EPIP grant funding from the HCA for the provision of 30 homes within the district to be bought back to habitable condition. The HCA would fund up to £17,833 per unit and any additional costs would be funded by the Council's housing revenue account (HRA). The EPIP plays an important role in the Council's housing strategy to increase the number of homes available.
- 1.1.4 On 10 May 2012 the Council's Cabinet endorsed the acceptance of the contract offer from the HCA and on the 18 June 2012 the Council and the HCA signed a contract for the provision of grant funding in relation to the Empty Property Intervention Programme (the HCA contract).

1.2 Context

- 1.2.1 Thanet's EPIP is funded with a combination of grant funding from the HCA and direct investment from the Council's HRA. The HCA grant is conditional on the associated works being completed by 31 March 2015. The grant funding was managed and claimed through the HCA's Investment Management System (IMS).
- 1.2.2 The HCA made payments to the Council in two phases per property. The first payment was an interim payment, made after the Council had purchased a property. The interim payment was calculated at 50% of the maximum funding per unit (£8,917). Upon completion of the works the second and final payment for the balance would be paid to the Council. Therefore the maximum funding the Council should have received was £17,833 per unit. During the period of delivering the scheme the percentage for the interim payment changed from 50% (23 July 2012 to 30 June 2014) to 75% (1 July 2014 to 31 March 2015).
- 1.2.3 In November 2014, the Council's Finance and Housing Teams agreed that the Finance Team should carry out a monthly reconciliation between the payments received from the HCA in respect of the EPIP scheme and the expenditure defrayed by the Council.
- 1.2.4 We understand from the Finance Team that monthly reconciliations were subsequently sent to the Head of Housing, Strategic Housing Accountant, Project Managers and the Strategic Housing Officer.

- 1.2.5 It was during this monitoring process that in early 2015 the Finance Team noted some discrepancies in respect of the claims being made. For example, the Finance Team noted a claim was made in relation to a property that had not been purchased by the Council. We understand that the Council informed the HCA of these discrepancies in June 2015 and on 15 June 2015 the Council met the HCA, where we note from the meeting minutes that the HCA reconfirmed the grant conditions e.g. the property must be purchased before claiming any grant funding. Therefore the HCA would reclaim any grant monies incorrectly claimed by the Council. The Council agreed to commission an independent review of the EPIP scheme to understand the reasons for the incorrect claims and report the findings to the HCA.
- 1.2.6 We understand from the Council that following the meeting on 15 June 2015 with the HCA all grant monies relating to EPIP and another funding programme (New Homes Programme) were suspended by the HCA pending completion of this review.

1.3 Summary of findings

- 1.3.1 We found that governance arrangements for EPIP were inadequate and there was a lack of appropriate controls in place to ensure robust management of the scheme.
- 1.3.2 We found that the Council has over-claimed £91,242 from the HCA, and is in breach of section 3 ('Monitoring and Reporting') of the contract with the HCA, because quarterly certificates were submitted to the HCA without sufficient checks being carried out to determine the entitlement of the claims.
- 1.3.3 There was no evidence of checks being carried out by the Council before a claim was made on IMS. In addition we noted numerous instances of non-compliance with the Council's own internal processes in relation the EPIP scheme.
- 1.3.4 Section 22 of the HCA contract ('Grant recipient's records and accounting') paragraphs 22.1.1 and 22.1.2 require the grant recipient to make available all data, material, documents and accounts in a timely manner to the HCA where required or in connection with this agreement. We found the overall quality of the record keeping to be poor. The files were incomplete with missing information. The files also lacked a clear structure which made it difficult to quickly ascertain what information was relevant to the EPIP scheme. We have made associated recommendations within this report that require urgent attention.
- 1.3.5 Overall we would recommend that the Council ensure that the governance and control arrangements are strengthened and that the Council provides assurances to the HCA that those arrangements are in place and effective before continuing with any similar grant funding programmes.

1.4 Structure of the report

- 1.4.1 Section 2 of the report assesses the governance and accountability arrangements within the Council that were in place to ensure compliance with the HCA grant conditions.
- 1.4.2 Section 3 of our report assesses the strength of the financial controls in place at the Council to support the programme delivery, including project and programme management arrangements.

- 1.4.3 Section 4 of our report details the findings regarding the grant monies the Council has claimed to date.
- 1.4.4 Section 5 summarises our overall conclusion and recommendations, including an Action Plan that has been agreed with the Council in response to our findings and recommendations.
- 1.4.5 Appendix A summarises the Council's internal process for managing the EPIP scheme and Appendix B contains the results of the Council's compliance with its own internal processes.

2. Governance and accountability arrangements

2.1 Introduction

- 2.1.1 This section of the report summarises the governance and accountability arrangements that were in place at the Council at the time claims were made for HCA grant funding. The period of the claims covers 1 September 2012 to 31 March 2015.
- 2.1.2 We have also assessed the strength of the overall arrangements put in place by the Council to ensure that the funding provided by the HCA was spent in accordance with grant conditions.

2.2 Governance arrangements

- 2.2.1 As part of our review we interviewed officers from the Housing and Finance Teams to understand the governance and reporting arrangements in place at the time the claims were made.

Cabinet approval

- 2.2.2 On the 10 May 2012, the Cabinet endorsed acceptance and approval for the Council to commence with the refurbishment of 30 homes as part of the EPIP.

Project management and governance

- 2.2.3 We found that the Council did not have a formal documented process in place to manage the EPIP scheme. We were provided with a 'process outline' document that was developed retrospectively by the Housing Team following our request during field work. It was clear from our meetings with the Housing Team that the process in place when the EPIP scheme was operational was informal and no clear documented guidelines existed for the Housing Team to follow. An informal process without any documented guidelines put the Council at a higher risk of breaching the contract conditions. From our experience, this type of arrangement can lead to errors being made in grant claim submissions, which can be compounded without proper monitoring and oversight. The lack of formal controls also increases the risk of more serious material breaches of the contract or fraudulent activity going unrecognised.
- 2.2.4 For programmes of this type, we would expect the following to be documented as a minimum:
- a clear reporting and decision making structure within the Housing Team
 - defined roles and responsibilities of key individuals within the Housing and Finance Teams
 - expected frequency of meetings between the HCA and the Council
 - delegated approval levels in respect of works to be carried out and claim approval.

- 2.2.5 We would have also expected Senior Finance and Housing Officers to monitor on a quarterly basis in line with the quarterly submissions to the HCA, the following information:
- the number of properties in the scheme and completed at the end of each quarter
 - the amount of funding received to date and a forecast of future funding
 - completion of key actions arising from the meetings between the HCA and the Council and between the Finance and Housing Teams.

Meeting minutes

- 2.2.6 In accordance with Section 3 ('Monitoring and Reporting'), paragraph 3.1 of the contract, "the grant recipient (the Council) is responsible for recording and distributing minutes with the HCA within 10 working days".
- 2.2.7 The Council were not able to provide us with a complete set of minutes of quarterly meetings between the Council and the HCA. The minutes that were provided did not clearly note whether actions from previous meetings had been completed or remained outstanding.
- 2.2.8 We also reviewed minutes that were made available to us between the Council's Finance Team and the Housing Team. We found the meetings occurred infrequently and the minutes did not sufficiently detail the actions and discussions that took place. It was unclear what the outcomes of these meeting were if any. Additionally no review of the previous actions was recorded.

Cabinet minutes

- 2.2.9 We also reviewed the minutes that were presented to Cabinet during the 2014-15 financial year, being the period relating to claims being made that have subsequently been identified as not meeting HCA grant conditions, in order to understand what information the Cabinet received and how the Cabinet fulfilled its scrutiny role in respect of the EPIP scheme.
- 2.2.10 Quarterly reports were provided to Cabinet which focused on monitoring the HRA and associated capital programmes. In respect of the EPIP scheme, we note that the Cabinet were updated on particular properties that were removed from the EPIP scheme as works could not be completed by the 31 March 2015, the HCA grant funding deadline. However, we did not see detailed quarterly or annual updates to the Cabinet in respect of the EPIP scheme that would provide the opportunity for the Cabinet to effectively scrutinise delivery and progress of the scheme.
- 2.2.11 The EPIP scheme was subject to annual compliance audits undertaken by Grant Thornton on behalf of the HCA and the Council under a tri-partite letter of agreement. Grant Thornton undertook the compliance audits in our role as accountants, under a separate terms of engagement to their role as the Council's external auditors. The compliance audits were undertaken based on specific procedures as prescribed within the HCAs compliance checklist document. The compliance audits were sample-based and therefore did not include all properties within the EPIP programme, however even

within the limited samples reviewed, compliance issues were identified and reported to the Council and the HCA.

- 2.2.12 We reported the findings of our compliance audits to the Council's Finance and Housing Officers and the HCA. Issues raised included the lack of available information including, for example, completion certificates. We understand that the Council did not report the compliance audit findings to the Council's Cabinet. We understand from speaking to the External Funding Officer within the Finance Team and the Strategic Housing Officer that no action was taken by the Council or the HCA in respect of the results of the annual compliance audits. We would have expected the Council and the HCA to have discussed the findings at the quarterly meetings and developed timely actions to address the weaknesses found.
- 2.2.13 Overall we could not see any evidence to demonstrate that the Housing Team were subject to appropriate scrutiny in respect of the EPIP scheme. We understand from the Housing and Finance Teams that Cabinet were not made aware of the risks and issues identified by the Finance Team upon introducing the reconciliation control measure and therefore Cabinet were not formally made aware of the issues arising in respect of the scheme.

2.3 Conclusion

- 2.3.1 From the information made available to us and our interviews with officers, our conclusion is that governance arrangements relating for the EPIP scheme were inadequate and that the Cabinet did not have all the information needed to allow effective scrutiny of the scheme.
- 2.3.2 Section 5 summarises our overall conclusion and recommendations, including an Action Plan that has been agreed with the Council in response to our findings and recommendations.
- 2.3.3 Appendix A summarises the Council's internal process for managing the EPIP scheme and Appendix B contains the results of the Council's compliance with its own internal processes.

3. Control measures

3.1 Introduction

- 3.1.1 This section of the report assesses the adequacy of control measures put in place by the Council in order to ensure that grant funding claimed by the Council was accurate and in compliance with the grant terms and conditions as set out in the contract with the HCA signed and dated 18 June 2012.

3.2 Internal control process

- 3.2.1 From the interviews with the Housing and Finance officers we sought to understand the internal controls in place and followed by the Council to ensure the Housing Team was claiming for properties that met the conditions stipulated within the HCA contract.

Controls

- 3.2.2 We found from our meetings with the Housing Team that there was a lack of controls in place to ensure grant monies were being claimed for properties that met the conditions within the contract. We understand that Project Managers would orally inform the Strategic Housing Officer that a property had been completed for refurbishment and the Strategic Housing Officer would proceed to make a claim on IMS without checking and validating that the evidence was in place to support the conditions of the grant had been met. As already noted in the governance arrangement section of this report, it appears that roles and responsibilities were not clearly documented or communicated within the Housing Team and therefore Housing Officers managed the scheme in an informal way without adequate controls in place to comply with the conditions of the contract and ensure only valid claims were made on IMS.
- 3.2.3 From our experience a good control environment would have the following or similar controls in place to effectively manage the scheme and to comply with the contract conditions:
- a comprehensive checklist that is divided by each phase of the scheme (property identification, purchase, estimate for works, completion of works, pre-claim IMS validation checks). Each phase should ideally cross reference to the conditions within the contract. This would ensure that everyone is aware that each part of the checklist needs to be completed before progressing to the next phase, and by not completing a section, the contract grant condition(s) will not have been met.
 - Project Managers, who we understand were responsible for the delivery of the works, should ensure all relevant parts of the checklist (property identification, purchase, estimate for works, completion of works) are completed by them and counter-signed by an appropriate person within the Housing Team to verify the each phase of the scheme is adequately completed and associated evidence has been retained.
 - the Strategic Housing Officer should ensure that all previous parts of the checklist have been completed and evidence has been retained on file. A schedule of expected claims to be made on IMS should be counter signed by the

Strategic Housing Manager verifying that they are satisfied the checks have been completed satisfactorily and that the expected claims to be made on IMS are accurate and valid.

- once the claims have been entered on IMS, we would then expect a copy of the claim to be retained as part of the audit trail.
- we would expect the Finance Team to carry out their monthly reconciliation and share their findings with the Housing Team at regular meetings throughout the year. Any amendments or errors found by the Finance Team should be discussed to determine the cause of the issue so that it can be resolved.

Understanding of the contract requirements

- 3.2.4 From our interviews with the current Housing Team we understand that the Project Managers who managed the delivery of the work had moved on and are no longer employees of the Council and therefore we were unable to confirm whether the contract requirements and conditions were understood or communicated to them. Additionally, Housing and Finance Officers confirmed that the Head of Housing had overall responsibility for the management of the EPIP scheme. It appears there was a lack of project management and oversight in place to manage the claims process adequately.

File review and record keeping

- 3.2.5 We reviewed the hard copy files retained for each of the 30 properties the Council had claimed funding for from the HCA. During our review we identified that there was no evidence retained to demonstrate that an appropriate person had reviewed the files to ensure the conditions of the grant had been met. The quality of documentation retained within the files varied widely. None of the files had all the information we expected to see to meet the contractual requirements or the Council's own internal processes. This included; evidence a property had been purchased, estimate of works had been sought, completion certificate or hand over sheet on file and confirmation the property had been added to the Council's asset register. We had to request further information to validate whether the grant conditions and the Council's own internal processes had been met. The files also lacked a clear structure setting out what should be contained within each of the files. Overall, the quality of record keeping was poor and resulted in the Council not being able to provide the necessary information on a timely basis as required under section 22 of the HCA contract.
- 3.2.6 As an example, the HCA contract conditions require a certificate for practical certification upon works being completed. The Council has used external contractors to carry out some refurbishments including the Council's current maintenance provider East Kent Housing to deliver the smaller refurbishments. We spoke to an officer from East Kent Housing who informed us the Council's Housing Department were not always clear on what processes East Kent Housing should have followed i.e. to follow the existing voids/maintenance completion process or another process. We recommend that the Council standardise their reporting requirement to ensure a consistent process is followed and understood by all parties involved in delivering the works.

- 3.2.7 As part of good practice contract management we would expect a senior responsible officer to ensure the contract grant conditions were properly communicated to the Housing Team and any parties involved in the scheme delivery to avoid breaching the conditions of the contract.

Quarterly certificate submissions

- 3.2.8 The HCA contract (paragraphs 3.1-3.4) requires the Council to submit quarterly certificates on IMS. We reviewed all quarterly submissions on IMS for the period covering 1 September 2012 to 31 March 2015. We found no checks had been carried out to validate the entitlement of the claims before quarterly submissions were made on IMS. This is not compliant with the contract conditions and a breach of the contract.
- 3.2.9 Additionally we understand that the Council has an External Funding Officer within the Finance Team who is responsible for monitoring grant claims that the Council receives from all external sources other than the HCA. The External Funding Officer was not involved in reviewing the quarterly submissions or claims on the IMS system. We have made recommendations to strengthen the claim monitoring and approval process within section 5.

Training on the IMS system

- 3.2.10 During of meetings with the Housing and Finance Teams they both raised the issue that no training had been provided by the HCA on how to use IMS. We understand from the HCA that all providers were advised to follow the procedures in the IMS Guidance documents available on the HCA web site. Additionally an Area Manager was available to assist with any queries the Council had. It is further understood that all providers will have the opportunity to have IMS training in January /February 2016.
- 3.2.11 It was felt by the Council that IMS was tailored for housing associations to use and not local authorities and therefore the system was cumbersome in certain aspects of claim validation and reporting. The HCA disagreed with these views. A review of IMS was outside the scope of our work, therefore we are unable to comment further on this matter.

3.3 Conclusion

- 3.3.1 There was a lack of control and oversight in place to ensure that claims were being checked and validated against the conditions of the HCA contract and before claims were made on IMS.
- 3.3.2 It is important that the Council implements the recommendations contained in this report to strengthen their control arrangements and to provide confidence to the HCA that a similar issue will not arise again.

4. Detailed findings on grant claim income

4.1 Introduction

- 4.1.1 This section of the report summarises the results of our detailed testing for each of the 30 properties against the conditions within the HCA contract. We also summarise in this section where we understand that the Council has incorrectly claimed for grant monies. The HCA is responsible for validating the eligibility of grant claims and for determining whether the Council should repay for grant monies that have been over-claimed, or whether alternative action should be taken.
- 4.1.2 The contract requires the Council to have met the following key conditions to make a valid claim.

Table 1.1 Extract of the key conditions for grant claim procedures per section 9.2 of the HCA contract

Para Reference	Terms and conditions
9.2	In submitting an application pursuant to Condition 9.1 the Grant Recipient is deemed to represent and warrant to the Agency that:
9.2.1	The site has been acquired and the works procured, designed and carried out in accordance with the requirements of this agreement.
9.2.2	The Firm Scheme has reached Practical Completion and meets the Submitted Standards.
9.2.3	All confirmations and certifications made or to be made by the Grant Recipient in IMS in relation to the Firm Scheme have been or will be correct in all material aspects.

4.2 Findings

- 4.2.1 The table below summarises the results of our detailed findings against the key conditions of the contract, along with our conclusion whether or not the Council have correctly claimed grant claim payments. Our judgement is based on the information provided to us during our field work..

Table 1.2: Results table

Results	Amount (£)
Amount claimed per IMS	£536,891
Amount incorrectly claimed: (see table 1.3 below)	£91,242
Maximum grant available	£535,000

- 4.2.2 To date the Council has claimed more than the total grant funding available (£535,000). Based on the evidence provided to us, the Council has incorrectly over-claimed £91,242. Table 1.3 on the next page details these incorrect claims from our testing of

all 30 properties. We have also provided an explanation of why the relevant claims were incorrect.

- 4.2.3 Section 5 summarises our overall conclusion and recommendations, including an Action Plan that has been agreed with the Council in response to our findings and recommendations.
- 4.2.4 Appendix A contains a summary of the Council's own internal process that was retrospectively developed by the current Housing Team during the course of our review.
- 4.2.5 Appendix B contains the results of the Council's compliance with its own internal processes, that were produced retrospectively for this review. There were in total 35 instances of non-compliance with the Council's own processes. The instances of non-compliance relate to poor record keeping.

Table 1.3 Summary of properties incorrectly claimed by the Council

Property address	Amount claimed per IMS	Actual entitlement per contract	Amount incorrectly claimed	Explanation for incorrect claim
3 Bell Cottages, Ramsgate	£17,833	£13,375	£4,458	The Council is entitled to the interim payment (75% of the £17,833) because there is evidence of proof of purchase of the property. The work was completed per the 'practical completion certificate' on 15 May 2015 therefore the Council did not complete the works before 31 March 2015 deadline, as required by the HCA grant conditions. Therefore the remaining 25% (£4,458) has been over-claimed.
21 Clifton Road, Ramsgate	£17,833	£13,375	£4,458	The Council is entitled to the interim payment (75% of the £17,833) because there is evidence of proof of purchase of the property. The work was completed per the 'practical completion certificate' on 17 April 2015 therefore the Council did not complete the works before 31 March 2015 as required by the HCA grant conditions. Therefore the remaining 25% (£4,458) has been over-claimed.
39 Holly Lane, Margate	£17,833	£13,375	£4,458	The Council is entitled to the interim payment (75% of the £17,833) because there is evidence of proof of purchase of the property. The work was completed per the 'practical completion certificate' on 17 April 2015 therefore the Council did not complete the works before 31 March 2015 as required by the HCA grant conditions. Therefore the remaining 25% (£4,458) has been over-claimed.
2 Senlac Close, Ramsgate	£17,833	£13,375	£4,458	The Council is entitled to the interim payment (75% of the £17,833) because there is evidence of proof of purchase of the property. The work was completed per the 'practical completion certificate' on 30 April 2015 therefore the Council did not complete the works before 31 March 2015 as required by the HCA grant conditions. Therefore the remaining 25% (£4,458) has been over-claimed.

Property address	Amount claimed per IMS	Actual entitlement per contract	Amount incorrectly claimed	Explanation for incorrect claim
9 Highbury Gardens, Ramsgate	£17,833	£13,375	£4,458	The Council is entitled to the interim payment (75% of the £17,833) because there is evidence of proof of purchase of the property. The work was completed per the 'practical completion certificate' on 30 April 2015 therefore the Council did not complete the works before 31 March 2015 as required by the HCA grant conditions. Therefore the remaining 25% (£4,458) has been over-claimed.
53 Cecilia Road, Ramsgate	£17,833	£13,375	£4,458	The Council is entitled to the interim payment (75% of the £17,833) because there is evidence of proof of purchase of the property. The work was completed per the 'practical completion certificate' on 15 May 2015 therefore the Council did not complete the works before 31 March 2015 as required by the HCA grant conditions. Therefore the remaining 25% (£4,458) has been over-claimed.
19 Margate Road, Ramsgate	£17,833	£13,375	£4,458	The Council is entitled to the interim payment (75% of the £17,833) because there is evidence of proof of purchase of the property. The works were still on-going in September 2015 and not completed before 31 March 2015 as required by the HCA grant conditions. Therefore the remaining 25% (£4,458) has been over claimed.
20 St Lukes Avenue, Ramsgate	£19,733	£13,375	£6,538	The Council is entitled to the interim payment (75% of the £17,833) because there was evidence of proof of purchase of the property. However per IMS the Council received £14,800 for the interim payment instead of £13,375 which is an over payment of £1,425 by the HCA. As the works were still on-going in September 2015 and not completed before 31 March 2015, as required by the HCA grant conditions, the remaining 25% (£4,458) has been over-claimed. Therefore the HCA have overpaid £1,425 and the Council have over-claimed £4,458. The total amount over-paid and claimed is £6,538.

Property address	Amount claimed per IMS	Actual entitlement per contract	Amount incorrectly claimed	Explanation for incorrect claim
1 Denmark Road, Ramsgate	£17,833	£13,375	£4,458	The Council is entitled to the interim payment (75% of the £17,833) because there was evidence of proof of purchase of the property. However the works were still on-going in September 2015 and not completed before the 31 March 2015, as required by the HCA grant conditions. Therefore the remaining 25% (£4,458) has been over-claimed.
13 Oakdene Road, Ramsgate	£17,833	£13,375	£4,458	The Council is entitled to the interim payment (75% of the £17,833) because there was evidence of proof of purchase of the property. Therefore the remaining 25% (£4,458) has been over-claimed.
20 La Belle Alliance Square, Ramsgate	£17,833	£13,375	£4,458	The Council is entitled to the interim payment (75% of the £17,833) because there was evidence the property was purchased on 31 March 2015. The work was completed per the 'hand over sheet' on 28 April 2015 therefore the Council did not complete the works before 31 March 2015 as required by the HCA grant conditions. Therefore the remaining 25% (£4,458) has been over-claimed.
10 Princes Crescent, Margate	£17,833	£nil	£17,833	The Council confirmed to us during the review that they had not purchased this property. However the Council had claimed the full amount on IMS. Therefore the full amount (£17,833) has been over-claimed.
Flat 1 and 2 23 Cannonbury Road, Ramsgate 2 Units	£35,666	£26,750	£8,916	The Council is entitled to the interim payment (75% of the £17,833) per unit because there is evidence of proof of purchase for each of the units. The work was completed per the 'Practical completion certificate' on 19 June 2015 therefore the Council did not complete the works before 31 March 2015 as required by the HCA grant conditions. Therefore the remaining 25% (£4,458 per unit) has been over-claimed.

Property address	Amount claimed per IMS	Actual entitlement per contract	Amount incorrectly claimed	Explanation for incorrect claim
Flat 1,2 and 3 52 Addington Street, Ramsgate 3 Units	£53,500	£40,125	£13,375	The Council is entitled to the interim payment (75% of the £17,833) per unit because there is evidence of proof of purchase for each of the units. We understand from the Housing Team that the contractor was not instructed to provide a completion certificate as part of his contract and as a result the Council were not able to demonstrate that the works were completed before the 31 March 2015 as required by the HCA contract. Therefore the remaining 25% (£4,458 per unit) has been over-claimed.
Total			£91,242	The Council has incorrectly over-claimed £91,242 from the HCA.

5. Conclusion and Recommendations

5.1 Introduction

5.1.1 This section of the report summarises our conclusions and recommendations. Our recommendations contained in table 1.5 below are based on our observations, interviews with officers at the Council and results of our detailed testing.

5.2 Conclusion

5.2.1 We found there were inadequate governance arrangements and a lack of controls in place during the period the scheme was operating to ensure robust management and compliance with the HCA grant conditions.

5.2.2 From our detailed findings we found that the Council has over claimed £91,242 from the HCA and breached section 3 of the contract, because quarterly certificates were submitted to the HCA without sufficient checks being carried out to determine the entitlement of the claims.

5.2.3 There was no evidence of checks being carried out by the Council before a valid claim was made on IMS. In addition, we noted 35 instances of non-compliance with the Council's own internal processes in relation the scheme and that were developed retrospectively. The overall quality of the record keeping was poor and not in compliance with section 22 of the contract.

5.2.4 On the next page table 1.4 sets out an Action Plan that was agreed with the Council. The Action Plan summarises the findings along with our recommendations and the Council's response to each of the recommendations.

Table 1.4: Action Plan that summarises the key findings, recommendations and actions the Council has agreed to implement.

Findings	Recommendations	Council Management Comments and actions (Date / Ownership)
<p>F1: From the meetings with the Finance and Housing Teams, it appears there was no overall responsible officer appointed to project manage the delivery of the scheme and verify the validity of claims before being requested from the HCA through IMS.</p>	<p>R1: We recommend the Council should have an experienced officer appointed to project manage the EPIP scheme, due to an apparent lack of ownership and responsibility in respect of the scheme.</p>	<p>Comments: New management arrangements have been implemented. The role of the Head of Housing has overall responsibility for the HCA funded programmes. This role is currently covered on an interim basis. The programmes are co-ordinated by a new steering group, which includes representation from the Council's Finance Team and East Kent Housing. A new project delivery officer is now in post to support the programme delivery.</p> <p>Deadline: Completed Owner: Head of Housing</p>
<p>F2: Overall there was a lack of a robust and formal documented process in place to ensure compliance with the HCA contract.</p>	<p>R2: We recommend the Council ensure there is a comprehensive and robust project governance arrangements in place incorporating the areas recommended in paragraph 2.2.4 of this report. The document should be shared and communicated to all officers involved in the scheme.</p>	<p>Comments: This is agreed. New arrangements include:</p> <ul style="list-style-type: none"> • clear accountability to the Head of Housing • progress and exception monitoring through the programme steering group • quarterly reporting to Cabinet on financial performance • new guidance for officers on decision making and authorisation procedures • progress and follow up audit reported to Governance and Audit Committee. • regular update meetings with the HCA.

Findings	Recommendations	Council Management Comments and actions (Date / Ownership)
		Deadline: 1 November 2015 Owner: Head of Housing
<p>F3: It was clear from the meetings we have had with officers and evidence we have seen that the Housing Team involved in the EPIP scheme and appointed contractors were not made aware of the conditions of the contract to ensure compliance with the grant funding conditions.</p>	<p>R3: We recommend the Council ensure the conditions of the contract are clearly understood and incorporated in to a checklist that should be used to as part of the grant claim process prior to claims being made on IMS.</p>	<p>Comments: This is agreed. A detailed compliance checklist will be developed for the Council’s current and future HCA funded programmes. The Head of Housing will be responsible for ensuring compliance with the new checklist.</p> <p>Deadline: 1 November 2015 Owner: Head of Housing</p>
<p>F4: The monthly reconciliations being undertaken by the Finance Team are only completed once claims have been made on IMS. There is a need for checks to be carried out before any claims are made on the system.</p>	<p>R4: We recommend an appropriate Housing Officer undertakes checks to ensure the contract conditions have been met before a claim is made on IMS.</p> <p>Additionally we would recommend the Finance Team are involved in respect of the authorisation process for making claims. This will help to ensure there is segregation of duties in the authorisation process.</p>	<p>Comments: Agreed. The programme delivery officer will be responsible for ensuring complete record keeping for all projects and for providing copies of the necessary documentation to the Housing Strategy Manager/Head of Housing to authorise claim (subject to financial limits).</p> <p>Agreed. External funding officer to submit claim, with authorisation of the Housing Strategy Manager/Head of Housing and sight of the necessary documentation to confirm compliance with the funding conditions</p> <p>Deadline: 1 November 2015 Owner: Head of Housing/Head of Finance</p>

Findings	Recommendations	Council Management Comments and actions (Date / Ownership)
<p>F5: It appears the Council's Cabinet were not provided with the detailed issues around the finance and control weaknesses in respect of the EPIP scheme.</p>	<p>R5: We would recommend the Council's Governance and Audit Committee are provided with a detailed report on the progress of implementing these recommendations. For similar future schemes, Cabinet should be provided with a monitoring report on the effectiveness of the governance and control arrangements to ensure the scheme is being effectively managed.</p>	<p>Comments: The Council agree with the recommendation and will ensure the findings of a follow up audit are reported to the Council's Governance and Audit Committee. The cabinet will be asked to confirm the governance and reporting arrangements at the outset of any future programmes. Deadline: 9 December 2015 Owner: Head of Housing/Director of Corporate Governance</p>
<p>F6: The property files were not complete, were unstructured and supporting evidence was not readily available. In particular, evidence the Project Managers who have the left the Council but were responsible for was not readily available during the course of our field work.</p>	<p>R6: We recommend the audit trail to support how the grants conditions have been met are retained and stored safely or electronically scanned, particularly to ensure data is not lost should officer officers leave the Council during the course of a grant scheme being delivered.</p>	<p>Comments: Agreed. New governance arrangements will include a checklist detailing all of the required documents and records to be retained on each file, ensuring compliance with grant conditions and internal procedures. Deadline: 1 November 2015 Owner: Head of Housing</p>
<p>F7: The Council's Finance and Housing Teams require training on IMS.</p>	<p>R7: We recommend the Council have a trained officers on IMS.</p>	<p>Comments: This recommendation is supported. The council will provide named officers who will have access to the system and will require training. Deadline: February 2016 Owner: Head of Housing/Head of Finance</p>

Further Council comments

The council welcomes the findings of this audit and recognises the failings in the processes for the EPIP. The recommendations are supported in full and will be implemented to ensure that future programmes have robust governance and management arrangements in place and that all grant conditions are fully complied with.

The Council has already reviewed the resources available to support the delivery of its housing development activities, including formally identifying the Head of Housing as the lead officer, established a new programme steering group, employed a new project delivery officer and integrated the External Funding Officer into reconciliations and the authorisation of claims. It has approved a follow-up internal audit in respect of the delivery of management actions against the findings and recommendations in this audit, to be conducted in the first quarter of 2016.

The Council remains committed to working in partnership with the HCA and to the delivery of its housing programmes to the highest possible standard.

Appendices



Appendix A: Council's internal process

Process	Details
Project management	<ul style="list-style-type: none"> • Project approved by Cabinet • Co-ordinated by a 'steering group' from various departments. • Quarterly reports on spend and budget of EPIP sent to cabinet.
Identification of property	<ul style="list-style-type: none"> • Properties are identified for 'purchase and repair'.
Acquisition	<ul style="list-style-type: none"> • Officer decision to proceed with purchase for each property • Valuation undertaken by 3rd party Royal Institute of Chartered Surveyors (RICS). • Instruction to legal team to purchase property(s) • Confirmation of purchase received.
Interim claim	<ul style="list-style-type: none"> • Upon (oral or email) confirmation of purchase, the Council Housing Strategy manager would claim the interim grant monies • An 'internal' template used to uploaded onto IMS • HCA checklist was completed – with no review of documentation
Final claim	<ul style="list-style-type: none"> • Upon completion of works, the Council would claim the final grant monies. • Same 'internal' template as used for interim was checked and HCA checklist completed – again with no review of documentation.
Tendering & value for money	<ul style="list-style-type: none"> • All required works tendered in accordance with the Council contract standing orders • Mixed economy of routes – contractors – Mears voids contract.
Finance department process	<ul style="list-style-type: none"> • Produce a reconciliation between expected claim amounts and actual claim amounts. • Flag differences to housing

Source: The table below was produced retrospectively by the Interim Head of Housing in respect of the controls thought to have been in place prior our review.

Appendix B: Results summary – compliance with the Council's own internal processes

The table below details the Council's own compliance results with the internal processes as defined in appendix B above.

Property/units	Address	Evidence to support the Officer decision to purchase retained on file?	Evidence of instructions from the Legal Department to proceed procurement retained on file?	RICS valuation report and estimate for works retained on file?	Completed 'addition to asset register' form retained on file?
1	89 Kennedy House, Ramsgate	Yes evidence was on file	Yes evidence was on file	No evidence seen on file	No evidence seen on file
2	88 Staner Court, Ramsgate	Yes evidence was on file	Yes evidence was on file	No evidence seen on file	No evidence seen on file
3	59 Kennedy House, Ramsgate	Yes evidence was on file	Yes evidence was on file	No evidence seen on file	No evidence seen on file
4	28 Alma Road, Ramsgate	Yes evidence was on file	Yes evidence was on file	Yes evidence was on file	No evidence seen on file
5	54 Chichester Road, Ramsgate	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	No evidence seen on file
6	14 Granville Farm Mews	Yes evidence was on file	Yes evidence was on file	No evidence seen on file	Yes evidence was on file
7	23 Setterfield Road, Ramsgate	Yes evidence was on file	Yes evidence was on file	Yes evidence was on file	Yes evidence was on file
8	37 St Lawrence Avenue, Ramsgate	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	Yes evidence was on file
9	3 Bell Cottages , Ramsgate	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	Yes evidence was on file
10	21 Clifton Road, Ramsgate	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	Yes evidence was on file
11-13	Flats 1,2,3 52 Addington Street, Ramsgate	Yes evidence was on file	Yes evidence was on file	Yes evidence was on file	Yes evidence was on file

Property/units	Address	Evidence to support the Officer decision to purchase retained on file?	Evidence of instructions from the Legal Department to proceed procurement retained on file?	RICS valuation report and estimate for works retained on file?	Completed 'addition to asset register' form retained on file?
14-16	Flats 1,2,3 59 Grange Road, Ramsgate	Yes evidence was on file	Yes evidence was on file	No evidence seen on file	No evidence seen on file
17	39 Holly Lane, Margate,	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	Yes evidence was on file
18-19	Flat 1 and 2 23 Cannonbury Road, Ramsgate	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	Yes evidence was on file
20	2 Greystones Road, Cliffsend	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	No evidence seen on file
21	2 Senlac Close, Ramsgate	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	Yes evidence was on file
22	9 Highbury Gardens, Ramsgate	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	Yes evidence was on file
23	53 Cecilia Road, Ramsgate	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	No evidence seen on file
24	2 Vine Close, Ramsgate	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	No evidence seen on file
25	19 Margate Road, Ramsgate	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	No evidence seen on file
26	20 St Lukes Avenue, Ramsgate	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	Yes evidence was on file
27	1 Denmark Road, Ramsgate	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	No evidence seen on file
28	13 Oakdene Road, Ramsgate	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	Yes evidence was on file
29	20 La Belle Alliance Square, Ramsgate	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	Yes evidence was on file
30	10 Princes Crescent, Margate	No evidence seen on file	No evidence seen on file	Yes evidence was on file	No evidence seen on file
Total instances of non-compliance with the Council's internal process		17	1	5	12



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Date: 15th December 2015

Chair of Audit and Governance
Committee Councillor John Buckley
Thanet District Council
Cecil Street
Margate
Kent
CT9 1XZ

cc.Chief Executive TDC Madeline Homer
Interim Head of Housing Mr Bob Porter

Dear John,

SPECIAL AUDIT for HCA by Grant Thornton on Thanet DC HCA funded programme

Further to the Special Audit Report of Thanet DC (TDC) by Grant Thornton issued to the HCA on the 11th of November, of HCA funded schemes, we note the findings of the audit report and the proposed Action Plan contained within.

Having reviewed this audit report and proposals to be implemented, the HCA, in principle, is now minded to lift the moratorium on future funding to TDC, subject to completion of the actions in the action plan and the items listed below;

- An internal TDC Programme Steering Group is set up to oversee HCA funded schemes, with minutes kept as a record of monitoring against the agreed Action Plan in Grant Thornton's audit report and specific requirements set out below. Copies of these minutes are to be provided to the HCA at regular HCA review meetings, commencing early 2016.
- Designation of Head of Housing as responsible Officer for all matters relating to HCA funded schemes
- Separation of IMS functions to different TDC Officers, before any grant submission and no later than the 29th of January 2016, as follows;
 1. Submission of grant claim by Officer in Finance Dept. the responsible Officer being the Accountant (Sarah Hills) but delegation can be made within the Finance Dept. to the External Funding Officer (Clive Bowen), the proposed person as per Minutes 'Paused Programme Review' with HCA dated 16th November 2015
 2. Authorisation of grant claim by Head of Housing Dept., (Bob Porter), or delegated to the Strategic Housing Manager (Lauren Hemsley) or Strategic Housing Officer (Lyn Forester).
 3. Data input for scheme grant claim by Project Delivery Officer (Annette Claudel), or other Officers in Housing Dept.

4. At present Lyn Forester (Strategic Housing Officer) has every IMS permission, these needs to be amended so this Officer does not have permission to 'submit' grant claims on IMS. Lauren Hemsley has IMS permission to 'submit' grant claims, these needs to be amended so the Officer cannot 'submit' grant claims. Sarah Hills (Finance Dept. Accountant) has every IMS permission, these needs to be amended to permit IMS 'submission' of grant claim only. It is assumed that the Project Delivery Officer, Annette Claudel will have IMS permission to input data, but not IMS 'authorisation' or 'submission'. It is assumed that the Head of Housing (Bob Porter) will have IMS permission to authorise grant claims, but not IMS permission to 'submit' grant claims.

5. Bob Porter Interim Head of Housing is to be given IMS permission for data input and authorisation, as is Ashley Stacey. They are not to have permission to submit grant claims.

- Before any grant claim is 'authorised' on IMS the responsible TDC Officer for HCA funded scheme, the Head of Housing, is to have verified that all contract obligations have been satisfied. TDC propose to use a checklist to record this process of verification. These checklists are to be stored in readiness for future audit and as a record the work process has been undertaken.
- Before any 'submission' of grant claim on IMS by the responsible TDC Officer, Finance Dept. Accountant, they will not proceed with the grant submission until they have received written confirmation from the Head of Housing that all HCA funding conditions have been complied with and a note of this is kept on file for future audit and record purposes.
- Periodic audit review meetings with the HCA are to be held where TDC will provide evidence that the action plan and measures above have been implemented.
- Repayment of grant that was over claimed as set out in the Grant Thornton Audit report of £91,242, once complete TDC are to email confirmation to the HCA Lead Auditor. Repayment is to be concluded by the 29th of January 2016.
- Training on IMS is to be provided by the HCA for key staff using IMS, this is being organised by Heather Stoner and Donna Setchell.

Having liaised with TDC prior to issue of this letter, it is assumed its contents are understood, however should you have any queries please do not hesitate to contact myself. All that is now required in the short term is confirmation that you have received this letter and are in agreement with the measures set out above. Please can you confirm back by the 15th of January or if a grant claim is proposed before this. Then in approximately six months' time we will wish to hold a review meeting to check the audit processes are in place, and then again in at some point/s in the future.

Thank you for the work you have done to set this up and will be doing in the future in relation to complying with the HCA funding contract and audit requirements.

A copy of this letter and report has been sent to the organisations Chief Executive, and others, for information.

Yours sincerely,



Lesley Banfield

Lead Auditor & Design Manager
For and on behalf of the
Homes and Communities Agency



Homes &
Communities
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CT9 1XZ

29th January 2016

Dear Ashley,

Continued Qualification 2015-16

I am writing to formally confirm the outcome of the continued qualification process for existing Homes and Communities Agency (HCA) Investment Partners for 2015-16.

I am pleased to inform you that, as a result of our assessment of your organisation and your confirmation of good standing, Thanet District Council has retained continued qualification in 2015-16 as an HCA Investment Partner for the programmes and their applicable successor programmes as specified in the outcome of the original PQQ notification.

I would be grateful if you could note the following:

Your performance/forecasting has fallen significantly behind expectations in 2014-2015. A substantial Empty Homes allocation was handed back and several individual units within the Empty Homes programme failed to meet a number of starts on site and practical completion milestones within the 2014-15 year. As stated in Lesley Banfield's letter of 15th December 2015 we continue to require minutes of the Steering Group meetings and individual scheme checklists signed by the designated Council officer, with every claim, as part of monitoring requirements until further notice.

These extra reporting requirements are as a result of poor delivery in 2014-15 and the local team will continue to monitor the progress of the schemes closely over the course of the programme.

The Agency looks forward to continuing to work with you to deliver your forecast starts and completions over the affordable homes programme period as a whole and within the current financial year.

Homes and Communities Agency
Fry Building, 2 Marsham Street, London, SW1P 4DF

0300 1234 500
homesandcommunities.co.uk

Changes to Partnerships

If there are any changes to your partnership/organisation, you must inform us and these may require the submission of additional information or affect our view on your continued qualification.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Terry Fuller', with a long horizontal flourish underneath.

Terry Fuller

Executive Director – East South East Operating Area

INTERNAL AUDIT PLAN 2016/17

To: **Governance and Audit Committee: 15th March 2016**

By: **Director of Corporate Resources and S151 Officer**

Subject: **REPORT OF THE HEAD OF THE AUDIT PARTNERSHIP INTERNAL AUDIT PLAN FOR 2016/17**

Classification: **Unrestricted**

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

1.0 Introduction and Background

- 1.1 The purpose of the Council's Governance and Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent review of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.
- 1.2 In accordance with current best practice, the Governance and Audit Committee should "review and assess the annual internal audit work plan". The purpose of this report is help the Committee assess whether the East Kent Audit Partnership has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with the professional standards for Internal Auditors.

2.0 Audit Charter

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

3.0 Audit Plan

- 3.1 The Audit Plan for the year 2016 to 2017 is attached as Annex B and has the main components to support the Audit Charter. The plan is produced in accordance with professional guidance, including the PSIAS 2013. A draft plan is produced from an audit software database (APACE) maintained by the EKAP which records our risk assessments on each service area based upon previous audit experience, criticality, financial risk, risk of fraud and corruption etc. Then following discussions with senior management account of any changes within the Council over the last 12 months, and foreseen changes over the next have been made.
- 3.2 The plan has then been further modified to reflect emerging risks and opportunities identified by the Chief Executive, Directors, and the link to the Council's corporate plans and corporate risk register. This methodology ensures that audit resources are targeted to the areas where the work of Internal Audit will be most effective in improving internal controls, the efficiency of service delivery and to facilitate the effective management of identified risks.
- 3.3 There are insufficient audit resources to review all areas of activity each year. Consequently, the plan is based upon a formal risk assessment that seeks to ensure that all areas of the Council's operations are reviewed within a three-year cycle of audits. In order to provide Members with assurance that internal audit resources are sufficient to give effective coverage across all areas of the Authority's operations, a three-year strategic plan has been included.
- 3.4 To comply with the best practice, the agreed audit plan should cover a fixed period of no more than 1 year. Members are therefore being asked to approve the 2016/17 plan at the present time, and the 2017/18 plan and 2018/19 plan are shown as an indicative plan only, to provide Members with assurance that internal audit resources are sufficient to provide effective coverage across all areas of the Authority's operations within a rolling cycle. If it is approved a number of audits will fall outside of the rolling three year plan, these are listed at the foot of Annex B, and total 33 days.
- 3.5 The plan has been prepared in consultation with the Directors and the Council's statutory s.151 Officer. The plan is also designed to meet the requirements expected by the External Auditors for ensuring key controls are in place for its fundamental systems. This Committee is also part of the consultation process, and its views on the plan of work for 2015/16 are sought to ensure that the Council has an effective internal audit of its activities and Members receive the level of assurance they require to be able to place assurance on the annual governance statement.
- 3.6 The risk assessment and consultation to date has resulted in;
- 86% Core Assurance Projects - the main Audit Programme
 - 3% Fraud Work – fraud awareness, reactive work and investigating potential irregularities
 - 0% Corporate Risk – testing the robustness of corporate risk mitigating action
 - 11% Other Productive Work – Corporate meetings, follow up, general advice, liaison
- Total number of audits 27.

For 2016/17 the days available for carrying out audit is 300 days. When compared to the resources available and working on the basis that the highest risk areas should be reviewed as a priority, the EKAP has sufficient resources to review all of the high risk areas and all of the medium risk areas this equates to 27 audits.

3.7 There are 33 days required to backfill the audits that are outside of the strategic cycle. In 2014/15 the s.151 Officers agreed that savings achieved in the delivery of the EKAP service should be used to address the shortfall in the strategic plan, and deliver as many reviews as possible. Thus any financial savings are converted into audit days and identified areas for review agreed with the s.151 Officer in the quarterly meetings as the year unfolds. This will strengthen the Internal Audit coverage and Members will have greater assurance that the systems of internal control are being regularly reviewed.

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

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

5.0 **Head of Internal Audit's Opinion of the 2016/17 Internal Audit Plan.**

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

5.2 Whilst it is recognised that resources are tight, there is no contingency built into the plan for any urgent unforeseen work and there are a small amounts of audits that have fallen outside of the three year strategic cycle; it is the professional opinion of the Head of the East Kent Audit Partnership that the draft 2016/17 internal plan presented for Members consideration represents an effective internal audit plan which ensures reasonable coverage of the vast majority of the Council's operations within a three year period. The Head of the East Kent Audit Partnership recommends that Members either approve the 2016/17 internal audit plan as drafted or that they recommend to Cabinet that additional resources are allocated to bring the plan up to the Kent average. This would require an additional 20 days per annum, which at an estimated cost per audit day of £300 would cost £6,000 per annum.

6.0 **Corporate Implications**

6.1 **Financial Implications**

6.1.1 There are no additional financial implications arising directly from this report. The costs of the audit work will be met from the Financial Services 2016/17 budget and are detailed in the attached report.

6.2 **Legal Implications**

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

6.3 **Corporate Implications**

6.3.1 Under the Local Code of Corporate Governance accepted by Cabinet, the Council is committed to comply with requirements for the independent review of the financial and operational reporting processes, through the external audit and inspection processes, and satisfactory arrangements for internal audit.

7.0 Recommendation

7.1 That Members approve the Council's Charter for a period of 3 years from 2016-17.

7.2 That Members approve the Council's Internal Audit Plan for 2016/17

Contact Officers:	Christine Parker, Head of the Audit Partnership, ext. 7190 Simon Webb, Deputy Head of Audit, ext 7190
	Tim Willis, Director of Corporate Resources & s151 Officer, Ext. 7617

Annex List:

Annex 1	Audit Charter
Annex 2	Thanet District Council draft 2016/17 Internal Audit Plan and 3 year strategic plan

Background Papers:

Title	Details of where to access copy
Internal Audit Annual Plan 2015/16	Previously presented to and approved at the 17 th March 2015 Governance and Audit Committee meeting.
Internal Audit working papers	Held by the East Kent Audit Partnership.



EAST KENT AUDIT PARTNERSHIP AUDIT CHARTER

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9. Amendment to Charter

1 Introduction

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

2 Terms of Reference

2.1 Strategy & Purpose

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

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an

organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

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

2.2 Responsibility & Scope

2.2.1 Internal Audit is responsible for appraising and reviewing:

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

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

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

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

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

so, the nature of this work may include, for example the verification of claims or returns.

- 2.2.5 The decision to undertake consultancy services will be made in conjunction with the relevant partner's s.151 Officer and other management as necessary. The EKAP is able to avoid conflicts of interest if carrying out consultancy work due to the flexibility of the arrangements, as auditors may be rotated accordingly. The decision to provide such a service is informed by the required timing of the work, whether the skills and resources are available and if it is in the best interest of the EKAP and the Partners to do so, the nature of this work may include for example, being involved on project teams for new systems development. There are no contingency provisions within the agreed audit plans, therefore if work has not been included in the plan from the outset, a variation will need to be agreed for any consultancy work, to re-allocate time within the relevant partner's own plan, or through buying in additional resource to back-fill whilst partnership staff carry out the assignment.

2.3 Authority

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

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

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

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

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

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

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

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

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

2.4 Avoiding Conflicts of Interest

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

3 Organisational Relationships and Independence

3.1 Audit Partnership Management and Staffing

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

3.2 Relationship with Service Managers

3.2.1 It is the responsibility of management, not auditors, to maintain systems of internal control.

3.2.2 To preserve its independence and objectivity, staff involved in the Audit Partnership shall not have direct responsibility for, or authority over, any of the activities subject to audit review. Staff transferring to EKAP may not review an area they were previously operationally responsible for, for a period of two years (current year plus one).

3.2.3 The involvement of an auditor through conducting an audit review, or providing advice, does not in any way diminish the responsibility of line management for the proper execution and control of their activities.

3.2.4 Co-operative relationships will be fostered with management to enhance the ability of the Audit Partnership to achieve its objectives effectively.

3.2.5 All employees should have complete confidence in the integrity, independence and capability of the Audit Partnership. We recognise that the relationship between auditors and service managers is a privileged one, and information gained in the course of audit work will be treated confidentially, and only reported appropriately.

3.3 Reporting Relationship with Line Management

3.3.1 The Head of Audit Partnership will have regular meetings with each of the Partner's s.151 Officer / nominated client officer. Any events that may have an adverse affect on the audit plan, or a significant impact on the Council will be reported immediately.

3.3.2 Any high risk matters of concern, which have not been adequately dealt with after an appropriate period of time and after follow up, will be escalated to the s.151 Officer / nominated client officer, who will be asked to decide for each high risk matter whether:

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

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

3.4 Reporting Relationship with the Partners

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

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

- Provide an individual summary of the work completed for each Partner,
- Compare actual audit activity with that planned,
- Provide an opinion on the adequacy and effectiveness of the councils framework of governance, risk management and control,
- Summarise the performance of the East Kent Audit Partnership against its performance criteria, and provide a statement of conformance with professional standards, with details of the quality assurance and improvement programme,
- Include the cost of the service for the partner.

3.5 Relationship with Audit Committees

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

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

3.6 Relationship with External Audit

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

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

3.6.2 In particular the Head of Audit Partnership will:

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

3.7 Other Regulators, Inspectors and Audit Bodies

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

3.8 Relationship with the Public

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

4 Competence and Standards of Auditors

4.1 **Competence**

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

4.2 **Standards**

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

5 **Audit Process**

5.1 The EKAP seeks to deliver effective outcomes by;

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

5.2 **Planning**

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

- A Strategic Plan, which ensures that coverage of each of the partner councils as a whole, over a time frame of three to five years, is maintained and reviewed annually, to take into account the new priorities and risks of each authority. This focuses internal audit effort on the risks of the four partner's objectives and priorities. It also seeks to add value to the partners by reviewing areas that most support management in meeting their objectives. The Head of Audit Partnership works together with the two Deputy Heads of Audit to consult relevant service managers and heads of service at each site to assist in formulating the strategic audit plans. Each council's corporate aims and objectives, individual service plans, risk registers, time spent on previous audits, any problems encountered, and level and skill of service staff involved are taken into account and information is entered into the audit software. All areas as identified in the strategic

plan are then subject to a risk assessment to identify their risk level and whether or not they are to be included in the proposed annual plan. The audit plans are generated from the audit software based on the risk scores of each area of activity identified through the consultation process

- An Annual Plan for each partner, specifying the planned audits to be performed each year, their priority and the resource requirements for each planned audit review.

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

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

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

5.3 Documentation

The EKAP is committed to continuous improvement and has standardised all the working practices across the partnership. The Internal Audit team has access to a common Audit Manual to ensure that the same processes are operational across all the partner sites. The Audit Manual is subject to (at least) annual review. Audit working papers contain the principal evidence to support the report and they provide the basis for review of work. The Auditors employ an audit methodology that requires the production of working papers, which document the following:

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

5.4 Consultation

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

- issue a copy of the proposed Audit Brief by e-mail, and

- where appropriate arrange a pre-audit meeting between the Service Manager and the Auditor to discuss the purpose, scope and expected timing of the work.

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

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

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

5.5 Reporting

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

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

5.5.3 The document is then updated, and if changes are required following the discussion, is presented to the Service Manager as a Draft Report. On completion of the Action Plan, a final version of the report containing "Agreed Actions" is issued to the Service Manager with a copy to the relevant Director. Additional copies are circulated as agreed with each Partner Authority.

5.5.4 The agreed actions will be followed up, and high priority recommendations will be tested to ensure they have been effective after their due date has passed.

5.5.5 Audit reports are to be clear, objective, balanced and timely. They are to be constructed in a standardised format which will include:

- The objectives of the audit,
- The scope of the audit, and where appropriate anything omitted from the review,
- An overall conclusion and opinion on the subject area,
- Proposed actions for improvement,
- Service Manager's comments (where appropriate), and

- A table summarising all the Proposed/Agreed Actions, risk category, a due date and any management responses.

5.5.6 Each Final Report carries one of four possible levels of Assurance. This is assessed as a snapshot in time, the purpose of which is for all stakeholders to be able to place reliance on that system of internal controls to operate as intended; completely, consistently, efficiently and effectively. Assurance given by Internal Audit at the year end is based on an overall assessment of the assurance opinions it has given during that year, and can only apply to the areas tested. There are insufficient resources to audit every aspect of every area every year.

5.5.7 In addition to individual audit reports for each topic, the performance of the East Kent Audit Partnership is analysed and reviewed as described in section 3.4 of this Charter.

5.6 Follow Up

5.6.1 The Audit Partnership will follow up on management action arising from its assignments. Each individual recommendation is recorded on the specialist auditing software used. Each recommendation is classified as to whether it is high, medium or low risk. The due date for implementation and the responsible person are also recorded.

5.6.2 Following the last due date within the Action Plan, the auditors follow up whether or not action has been taken to reduce the identified risk. They ask the responsible officer for each individual recommendation whether:

- a. The control improvement has successfully been implemented
- b. Progress is being made towards implementing the control improvement
- c. No action has yet occurred due to insufficient time or resources
- d. That after agreeing the action, the risk is now being tolerated
- e. That the control improvement is no longer relevant due to a system change
- f. Other reason (please specify).

5.6.3 Further testing will be carried out where necessary (e.g. high risk recommendations) to independently confirm that effective action has in fact taken place.

5.6.4 A written summary of the results of the follow up action is issued to the relevant Service Manager and Director, and where appropriate a revised assurance level is issued. The results of follow-up reviews and the revised assurance opinions issued are also reported to members.

5.6.5 Any areas of concern after follow up, where it is thought that management has not taken appropriate action, will be escalated to senior management and ultimately the Audit Committee as described in paragraph 3.3.2 of this Charter.

6 Resources

6.1 Staff Resources

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

6.2 **Budget**

The EKAP budget is hosted by DDC and apportioned between the partners based on the agreed number of audit days. The cost per audit day is a metric reported annually in the Annual Report. The budget for 2016/17 is £431,120 which includes direct and indirect costs to the partnership. The individual salaries paid to the staff, including the Head of the Audit Partnership are standard grades as assessed by the DDC Job Evaluation system.

7. **Quality assurance**

The quality assurance arrangements for the EKAP include all files being subject to review by either the Deputy Head of Audit for the site and/or by the Head of Audit Partnership (especially if the review has 'no' or 'limited' assurance). The review process is ongoing and includes adequate supervision of the audit staff and of the audit work performed. This review ensures that the work undertaken complies with the standards defined in the Public Sector Internal Audit Standards and with the requirements of this Charter. In addition to the ongoing review of the quality of individual working papers and reports and performance against the balanced scorecard of performance indicators; an annual assessment of the effectiveness of Internal Audit is undertaken separately by each of the partner authorities. To comply fully with the PSIAS the EKAP will present the options for an external quality assessment to be undertaken before October 2017.

8. **Additional Services**

8.1 Special Investigations and Fraud Related Work

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

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

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

8.2 Ad Hoc / Consultancy Work

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

8.3 Value for Money (VFM) Reviews

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

9. Amendment to Audit Charter

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

February 2016

References:

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

Plan Area	Corporate Plan, Value and Risk Ref:	Year last audited	Previous Assurance level	2016-17 Planned Days	Quarter Prioritised for 2015-16	2017-18 planned days	2018-19 Planned Days
Main Financial Systems:							
Capital		2015-16	Substantial				5
Treasury Management		2015-16	Substantial				5
Car Parking & Enforcement		2014-15	Substantial			10	
Bank Reconciliation		2015-16	Substantial				5
Creditors and CIS		2014-15	Substantial			10	
External Funding Protocol		2015-16	Reasonable				10
Main Accounting System		2013-14	Substantial	10	3		
Income		2014-15	Substantial/ Limited			10	
Budgetary Control	CV1	2013-14	Substantial	10	3		
VAT		2015-16	Substantial				10
Insurance and Inventories of Portable Assets		2014-15	Reasonable			10	
Residual Housing Systems:							
Homelessness	CP2	2013-14	Substantial	10	1		
Housing Allocations	CP2	2015-16	Substantial				10
Right to Buy	CP2	2014-15	Reasonable			10	
HRA Business Plan	CP2	2014-15	Substantial			10	
Governance Systems:							
Data Protection, FOI and Information Management		2014-15	Reasonable /Limited			10	
Members' Code of Conduct, Register of Interests, Gifts and Hospitality, and Standards Arrangement	CV1	2013-14	Reasonable	10	1		
Officers' Code of Conduct and Gifts and Hospitality	CV1	2013-14	Reasonable	10	2		
Local Code of Corporate Governance	CV1	2013-14	Substantial	7	2		
Anti-Fraud & Corruption (including: The Bribery Act, Money Laundering and Whistle Blowing Arrangements)		2013-14	Substantial	9	2		
Performance Management	CV1&2	2013-14	Substantial	10	4		
Complaints Monitoring	CV3	2014-15	Limited			10	
Shared Services Monitoring	CV1	2015-16	2015-16 WIP				10
Partnerships	CV1	2015-16	2015-16 WIP				8
Scheme of Officer Delegations	CV1	2007-08	Reasonable				8
Corporate/Governance and Audit Committee	N/A	2015-16	N/A	32	1 to 4	32	32
Project Management		New Area	To be Assessed	10	4		
Risk Management	Informs all Corporate Risks	2012-13	Substantial			10	
Other:							
Liaison with the External Auditors	N/A	2015-16	N/A	2	1 to 4	2	2
Previous Year Work in Progress b/fwd	N/A	2015-16	N/A	5	1	5	5
Follow-up	N/A	2015-16	N/A	10	1 to 4	15	15
Contract Audits:							
CSO Compliance	CV1	2015-16	Reasonable				10

Thanet District Council
Internal Audit Plan 2016-17

Plan Area	Corporate Plan, Value and Risk Ref:	Year last audited	Previous Assurance level	2016-17 Planned Days	Quarter Prioritised for 2015-16	2017-18 planned days	2018-19 Planned Days
Service Contract Management	CV1	2013-14	Reasonable	10	3		
Receipt and Opening of Tenders	CV1	2014-15	Substantial			8	
Procurement	CV1	2013-14	Substantial	10	1		
Service Level Audits:							
Inward Investment	CP3	New Area	To be Assessed				10
Cemeteries and Crematoria		2013-14	Substantial	10	4		
Safeguarding Children and Vulnerable Groups/DBS Checks		2015-16	Limited				10
s11 Safeguarding Return to KCC		Annual	N/A	1	3	1	1
Private Sector Housing – HMO Licensing and Selective Licensing	CP2	2013-14	Substantial	10	4		
Community Safety	CP2	2014-15	Substantial			10	
Coastal Management		2013-14	Substantial	10	4		
CCTV		2014-15	Reasonable /Limited			10	
Dog Warden Service, Street Scene and Litter Enforcement (incl. graffiti and flytipping)	CP1	2014-15	Reasonable /Limited			10	
Electoral Registration & Election Management		2015-16	Limited				10
Environmental Health – Food Safety		2015-16	Substantial				10
Environmental Health – Public Health Burials		2013-14	Limited	6	1		
Environmental Health – Pest Control		2014-15	Substantial			8	
Environmental Health – Health and Safety at Work		2015-16	Limited				10
Environmental Health - Environmental Protection Service Requests		2013-14	Reasonable	10	1		
Environmental Health - Pollution, Contaminated Land, Air and Water Quality		2014-15	Reasonable			10	
Business Continuity and Emergency Planning		2015-16	Reasonable				10
Playgrounds		Pre 2004-05	To be Assessed	8	3		
Equality and Diversity		2014-15	Limited			10	
Events Management		Pre 2004-05	To be Assessed	10	4		
Health and Wellbeing	CP2	New Area	To be Assessed				10
Grounds Maintenance	CP1	2015-16	2015-16 WIP				10
Dalby Square Heritage Grants and Housing Intervention Grants	CP2	2015-16	2015-16 WIP				10
Disabled Facilities Grants	CP2	2013-14	Substantial	10	1		
Land Charges		2014-15	Substantial			8	
Licensing		2014-15	Substantial			10	
Museums		2015-16	Limited				10
Asset Management	CP3	2010-11	Reasonable	10	4		

Thanet District Council
Internal Audit Plan 2016-17

Plan Area	Corporate Plan, Value and Risk Ref:	Year last audited	Previous Assurance level	2016-17 Planned Days	Quarter Prioritised for 2015-16	2017-18 planned days	2018-19 Planned Days
Commercial Properties and Concessions (incl allotments, Industrial estates, Innovation centre etc)	CP3	2015-16	Reasonable				10
Maritime		2013-14	Reasonable	12	2		
Members' Allowances and Expenses		2013-14	Substantial	10	1		
Mortgages		2015-16	Substantial				2
Planning Applications, Income and s106 Agreements		2015-16	2015-16 WIP				12
Building Control		2013-14	Substantial	10	3		
Petty Cash, Imprest Floats and Travel Warrants		2013-14	Substantial	6	1		
Phones, Mobiles and Utilities		2013-14	Substantial	7	4		
Printing and Post		2014-15	Substantial			8	
YourLeisure - Sports and Leisure	CP2	2014-15	Reasonable /No			10	
Sports Development	CP2	2014-15	Reasonable			10	
Visitor Information Arrangements		2015-16	Substantial				10
Waste and Street Cleansing Vehicle Fleet Management	CP1	2014-15	Reasonable / Limited			10	
Garden Waste and Recycling Income	CP1	2014-15	Limited			10	
Street Cleansing	CP1	2015-16	2015-16 WIP				10
Climate Change		2009-09	To be Assessed			8	
Human Resources:							
Recruitment	CV2	2015-16	2015-16 WIP				5
Absence Management, Annual Leave and Flexi Leave	CV2	2014-15	Limited			5	
Payroll - Audit		2015-16	2015-16 WIP	5	2	5	5
Post Entry Training	CV2	Pre 2004-05	To be Assessed				5
Leavers/Disciplinary	CV2	Pre 2004-05	To be Assessed	5	2		
Employee Health, Safety and Welfare	CV2	2015-16	2015-16 WIP				5
Employee Allowances and Expenses		2014-15	Reasonable			5	
Employee Benefits-in-Kind		2013-14	Reasonable	5	3		
Total Planned Days:				300		300	300

Shared Service Audit Plans:

EK SERVICES:							
Plan Area	Corporate Risk Register Ref:	Year last audited	Previous Assurance level	2016-17 Planned Days	Quarter Prioritised for 2016-17	2017-18 planned days	2018-19 Planned Days
Housing Benefits - Payments		2014-15	Substantial			15	
Housing Benefits - Overpayments		2013-14	Substantial	15	To be agreed		

Thanet District Council
Internal Audit Plan 2016-17

Plan Area	Corporate Plan, Value and Risk Ref:	Year last audited	Previous Assurance level	2016-17 Planned Days	Quarter Prioritised for 2015-16	2017-18 planned days	2018-19 Planned Days
Fraud Investigations		New Area	To Be Assessed	15	To be agreed		
Housing Benefits – Admin & Assessment		2014-15	Substantial			15	
Housing Benefit - Appeals		2015-16	Substantial				15
Housing Benefit - DHP		2015-16	Substantial				15
Housing Benefit - Subsidy		New Area	To Be Assessed	15	To be agreed		
Housing Benefits – 1/2 Yearly Testing		2015-16	N/A	20	To be agreed	20	20
Council Tax		2014-15	Substantial	30	To be agreed		30
Council Tax Reduction Scheme		New Area	To Be Assessed			6	
Business Rates		2013-14	Reasonable			30	
Customer Services/Gateway		2014-15	Reasonable	15	To be agreed		
Debtors and Rechargeable Works		2015-16	Substantial				30
Corporate/Audit plan/Ctte reports		2015-16	Not Applicable	8	1 to 4	8	8
Follow-ups		2015-16	Not Applicable	6	1 to 4	6	6
ICT – Change Controls		2013-14	Limited	12	To be agreed		
ICT – File Security/DPA/Back-ups		2014-15	Reasonable			12	
ICT – Network Security		2012-13	Substantial	12	To be agreed		
ICT – Procurement and Disposal		2013-14	Reasonable			12	
ICT – Internet and e-mail		2014-15	Reasonable			12	
ICT – Management and Finance		2015-16	2015-16 WIP				12
ICT – Physical and Environment		2014-15	Reasonable			12	
ICT – Software Licensing		2012-13	Limited	12	To be agreed		
ICT - PCI-DSS		New Area	To Be Assessed				12
ICT - Disaster Recovery		New Area	To Be Assessed				12
ICT – PC & Laptop Controls		2013-14	Reasonable			12	
Total Planned Days:				160		160	160

EAST KENT HOUSING LIMITED:							
Plan Area	Corporate Risk Register Ref:	Year last audited	Previous Assurance level	2016-17 Planned Days	Quarter Prioritised for 2016-17	2017-18 planned days	2018-19 Planned Days
Governance		2011-12	Reasonable	15	To be agreed		
Finance Systems and ICT Controls		2011-12	Substantial	15	To be agreed		
Audit Ctte/EA Liaison/Follow-up		2015-16	N/A	6	1 to 4	6	6

Thanet District Council
Internal Audit Plan 2016-17

Plan Area	Corporate Plan, Value and Risk Ref:	Year last audited	Previous Assurance level	2016-17 Planned Days	Quarter Prioritised for 2015-16	2017-18 planned days	2018-19 Planned Days
Rent Accounting, Collection and Debt Management	CP2	2013-14	Reasonable	15	To be agreed	15	
Repairs and Maintenance	CP2	2015-16	Limited				30
Leasehold Services	CP2	2013-14	Limited			29	
Health and Safety (Fire, Gas etc)	CP2	2014-15	Various			30	
Sheltered and Supported Housing (including Supporting People)	CP2	2015-16	Limited				34
Void Property Management	CP2	2015-16	Limited				10
Tenancy and Estate Management	CP2	2012-13	Reasonable	29	To be agreed		
Total Planned Days:				80		80	80

If the above plan is accepted as presented, the following audits areas will not have been covered within a three year cycle as required by the agreed Audit Charter :

Plan Area	Year last audited	Previous Assurance level	Year next audit proposed	Planned days
Thanet District Council:				
Scheme of Officer Delegations	2007-08	Reasonable	2018-19	8
Health & Wellbeing	New Area	To be assessed	2018-19	10
Inward Investment	New Area	To be assessed	2018-19	10
Post Entry Training	Pre-2004-05	To be assessed	2018-19	5
East Kent Housing:				
Leasehold Services	2013-14	Limited	2017-18	29

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INTERNAL AUDIT PROGRESS REPORT

To: **Governance and Audit Committee: 15th March 2016**

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

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

Classification: **Unrestricted**

Summary: This report gives Members a summary of the internal audit work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 31st December 2015.

For Information

1.0 Introduction

1.1 This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 31st December 2015.

2.0 Audit Reporting

2.1 For each audit review, management has agreed a report, and where appropriate, an Action Plan detailing proposed actions and implementation dates relating to each recommendation. Reports continue to be issued in full to the relevant member of Senior Management Team, as well as the manager for the service reviewed.

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

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

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

2.5 The purpose of the Council's Governance and Audit Committee is to provide independent assurance of the adequacy of the risk management framework

and the associated control environment, independent review of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

- 2.6 To assist the Committee meet its terms of reference with regard to the internal control environment an update report is regularly produced on the work of internal audit. The purpose of this report is to detail the summary findings of completed audit reports and follow-up reviews since the report submitted to the last meeting of this Committee.

3.0 Summary of Work

- 3.1 There have been sixteen internal audit assignments completed during the period, of which four concluded substantial assurance, three concluded reasonable assurance and seven concluded limited assurance. There were two additional assignments undertaken for which an assurance opinion is not applicable as they comprised of quarterly benefit testing. Summaries of the report findings are detailed within Annex 1 to this report.

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

- 3.3 For the nine month period to 31st December 2015, 267.50 chargeable days were delivered against the planned target of 300 days which equates to 89% plan completion.

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

4.0 Options

- 4.1 That Members consider and note the internal audit update report.

- 4.2 That the changes to the agreed 2015-16 internal audit plan, resulting from changes in perceived risk, detailed at point 5.0 of the attached report be approved.

- 4.3 That Members consider (where appropriate) requesting an update from the relevant Director/s to the next meeting of the Committee in respect of any areas identified as still having either limited or no assurance after follow-up.

- 4.4 That Members consider registering their concerns with Cabinet in respect of any areas of the Council's corporate governance, control framework or risk management arrangements in respect of which they have on-going concerns after the completion of internal audit follow-up reviews and update presentations from the relevant Director.

5.0 Corporate Implications

5.1 Financial Implications

- 5.1.1 There are no financial implications arising directly from this report. The costs of the audit work are being met from the Financial Services 2015-16 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 the Council is committed to comply with requirements for the independent review of the financial and operational reporting processes, through the external audit and inspection processes, and satisfactory arrangements for internal audit.

6.0 Recommendations

6.1 That the report be received by Members.

6.2 That any changes to the agreed 2015-16 internal audit plan, resulting from changes in perceived risk, detailed at point 5.0 of the attached report be approved.

Contact Officers:	Christine Parker, Head of the Audit Partnership, Ext. 7190 Simon Webb, Deputy Head of Audit, Ext 7190
	Tim Willis, Director of Corporate Resources & s151 Officer, Ext. 7617

Annex List:

Annex 1	East Kent Audit Partnership Update Report – 15-03-2016
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Background Papers:

Title	Details of where to access copy
<i>Internal Audit Annual Plan 2015-16</i>	Previously presented to and approved at the 17 th March 2015 Governance and Audit Committee meeting
<i>Internal Audit working papers</i>	Held by the East Kent Audit Partnership

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

1.0 INTRODUCTION AND BACKGROUND

1.1 This report provides Members with an update of the work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 31st December 2015.

2.0 SUMMARY OF REPORTS

Service / Topic		Assurance level	No. of Recs.	
2.1	VAT	Substantial	H M L	0 0 0
2.2	Housing Allocations	Substantial	H M L	0 2 0
2.3	Visitor Information Arrangements	Substantial	H M L	0 3 0
2.4	Mortgages	Substantial	H M L	0 0 0
2.5	Emergency Planning and Business Continuity	Reasonable	H M L	4 4 7
2.6	Insurance & Inventories of Portable Assets	Reasonable	H M L	3 5 1
2.7	External Funding Protocol	Reasonable	H M L	0 1 0
2.8	Dog Warden & Street Scene Enforcement	Limited	H M L	7 8 5
2.9	Monitoring & Management of Complaints, Comments and Compliments	Limited	H M L	1 5 3
2.10	East Kent Housing - Repairs, Maintenance and Void Management	Limited	H M L	7 9 3

2.11	Employee Health, Safety & Welfare	Limited	H M L	1 2 1
2.12	Environmental Health & Safety at Work	Limited	H M L	4 3 0
2.13	Safeguarding Children & Vulnerable Groups	Limited	H M L	5 3 5
2.14	Museums	Limited	H M L	3 4 0
2.15	EKS – Quarterly Housing Benefit Testing (Quarter 2 of 2015-16)	Not Applicable		
2.16	EKS – Quarterly Housing Benefit Testing (Quarter 3 of 2015-16)	Not Applicable		

2.1 VAT – Substantial Assurance:

2.1.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that VAT is completely and correctly accounted for in a timely manner in accordance with the prevailing legislation.

2.1.2 Summary of Findings

The Council applies output tax, where applicable, to the services it provides and reclaims input tax on expenditure. Like any other business the Council is required to keep account of both the VAT paid (input) and the VAT received (output) from its transactions and detail these in a monthly return to HMRC. The Council tends to pay more VAT than it receives which results in a net monthly refund from HMRC. The Council must observe VAT legislation and ensure the correct treatment of VAT as this, and effective recovery of VAT, impacts upon Council budgets.

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

- Up to date VAT guidance is available to all staff.
- A suitably qualified and experienced officer is available to advise about VAT.
- Knowledge of VAT legislation is maintained via a subscription to KPMG.
- External VAT advice is available.
- Option to tax treatment is regularly reviewed.
- Partial exemption is calculated on a yearly and half yearly basis, including sensitivity analysis, and seven year averages are monitored.
- 100% of the 10 creditor invoices and 100% of the 12 debtor invoices tested were found to be in order.
- No areas of improvement have been identified in this audit.

2.2 Housing Allocations – Substantial Assurance:

2.2.1 Audit Scope

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

2.2.2 Summary of Findings

The Council operates within the provisions of the Housing Act 1996 – Part VI (as amended) and takes into account the Government’s statutory guidance on social housing allocations for local authorities in England. The Council must also fulfil its duty to the homeless under Section 184 of the Housing Act 1996 Part VII.

The Council is the owner and landlord of 3,047 properties as at 1 April 2013. In 2014/15 272 households were housed. Introduction of the new Housing Allocation Policy, implemented in September 2013, has greatly reduced the number of households on the housing register, giving eligible applicants a better chance of securing a council owned property.

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

- A Housing Allocations Policy and Tenancy Strategy have been approved and are in place.
- An impact assessment of the new allocations policy has been carried out.
- Applicants are entitled to, and allocated, housing in accordance with the Housing Policy.
- Original applications are verified and second checked during the property bidding process.
- Direct Lets are allocated to those in accordance with the Council’s statutory duty.

Scope for improvement was however found in the following areas:

- Recording the number and outcome of banding appeals may help determine the effectiveness of the applied housing allocation criteria
- The introduction of some useful, measureable performance indicators may help drive improvement

2.3 Visitor Information Arrangements – Substantial Assurance:

2.3.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council’s Visitor Information Services are operated in an efficient and effective manner which safeguards Council assets (income, stock, reputation etc.) and minimises risk.

2.3.2 Summary of Findings

The Visitor Information Centre is located next to the Turner Contemporary gallery at Droit House (Clock Tower building) in Margate. It serves the whole of the Thanet area and can provide information about Broadstairs, Margate and Ramsgate as well providing a range of other services from hotel bookings to making coach bookings for the public to selling a range of souvenirs.

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

- Award winning social media communication channels are being used to advertise the district along with a face to face information centre that provides a range of services.
- Effective back office processes are in place to monitor transactions and to ensure that all income is accounted for.

Scope for improvement was however identified in the following areas:

- Consider utilising the in-house electronic scanning and documentation retention facility to reduce the amount of paper records that are kept within the back office.
- Investigate if the base stock budget could be increased to assist in procuring additional types and ranges of products for the Visitor Information Centre, thus potentially increasing the income stream.
- That the costs of taking over the broadband at the Broadstairs kiosk is budgeted for and a service level agreement established for this service provision.

2.4 Mortgages – Substantial Assurance:

2.4.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that all mortgages are dealt with in accordance with the organisation's policy, standing orders and financial regulations

2.4.2 Summary of Findings

Under previous legislation local authorities were required to offer mortgages to council housing tenants exercising their right to buy if they were either unable to or chose not to obtain a mortgage for private sector lenders. This legislation is no longer in force and the Council only has one remaining mortgage account.

The natural redemption date for this last mortgage was 11th July 2005, but the mortgagor has had difficulty paying for a number of years so still has a small arrears balance (circa. £5,000) remaining. Repayments are made by standing order @ £50 per month (£600 pa). There is no risk of loss to the Council as interest is charged on the balance outstanding annually and there is a relevant charge on the property.

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

- A detailed mortgage register is kept within the Council's AS400 Cygnus Mortgage System.
- All calculations are auto generated by the mortgage system and checked by the mortgage officer.

- The one remaining mortgage account is paid by standing order as a fixed repayment sum.
- All calculations of interest are system generated. Annual statements are checked against account balances and charges before they are sent out, and interest charges applied on 1st April each year are checked manually to ensure accuracy.
- Interest rate changes (based on internal borrowing rates) are implemented annually for 1st April each year, and mortgagors are notified by letter in advance of the change.
- Mortgages should be administered in accordance with prevailing legislation and FSA requirements where applicable.
- All mortgage receipts quote the mortgage account no. (set up on standing orders), and daily general ledger receipts are posted and reconciled to the mortgage system on a monthly basis.

2.5 Emergency Planning & Business Continuity – Reasonable Assurance:

2.5.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council has adequate arrangements to enable it to continue providing core services in the event of a loss of data and/or facilities (ICT provision, telephony and accommodation etc) at the main Cecil Street Offices and to fulfil its statutory obligations under the Civil Contingencies Act 2004 in planning for and responding to emergencies.

2.5.2 Summary of Findings

The Civil Contingencies Act 2004 is a UK Act of Parliament that gives the government wide ranging powers in an emergency. It provides a statutory framework for civil protection at a local level.

Thanet District Council has correctly identified itself as a Category 1 responder and the Emergency Plan adequately details the responsibilities placed upon District Councils as such responders.

The Act identifies the primary person responsible as the Chief Executive and although it does not provide the powers for delegated authority the Council's Constitution does; as such there are appropriately delegated members of staff overseeing both the Council's Emergency Plan and Business Contingency arrangements.

There is a Service Level Agreement in place between Thanet District Council and Kent County Council designed to provide a dedicated, experienced officer one day a week to assist the Council in discharging their formal obligations under the Act.

In the past few years, Council officers have been called on to deal with a variety of incidents as follows:

- Floods (threatened floods in Margate in 2007 and the Trove Court flooding in the same year);
- Fires (the Margate seafront fire in 2003, Scenic Railway fire in 2008, and 254-258 Northdown Road in 2009);
- Evacuations (Trove Court flooding, Northdown Road fire);

- Severe weather (the snow in 2010); and
- Off shore incidents (the timber washed ashore along the Thanet coastline in 2009 and the dead whale in 2011).

Emergency Planning:

The primary findings giving rise to the Reasonable assurance opinion in respect of Emergency Planning are as follows:

- The Emergency Plan is comprehensive and easily accessible to all staff;
- The Council has good working relationships with external agencies (Kent Resilience Forum and other Local Authorities);
- Training needs are being programmed on an annual basis via the Kent Resilience Forum with additional needs being identified by the Emergency Planning Officer and delivered in-house;
- A Mutual Aid Agreement is in place and up to date; and
- Learning outcomes are identified and implemented.

Scope for improvement was however identified in the following areas:

- Plans should be updated in accordance with the timescales set within the Emergency Plan; these should also be version numbered and the changes documented for audit trail purposes;
- Information needs to be kept up to date and relevant on the webpages; and
- Adherence to Contract Standing Orders needs to be documented.

Business Continuity:

The primary findings giving rise to the Reasonable assurance opinion in respect of Business Continuity are as follows:

- There are detailed service level plans which are reviewed annually;
- There is a service level agreement in place with EKS to ensure that ICT services can be maintained and managed in the event of a systems failure and disruption to services is kept to a minimum; and
- There is in place a designated officer to ensure that Business Continuity is managed and planned for.

Scope for improvement was however identified in the following areas:

- Whilst Business Continuity arrangements have been made in accordance with BS25999, this has been superseded and replaced with ISO22301:2012. As such plans may be out of date and require updating to reflect this change and ensure their compliance.
- Effective risk assessments need to be carried out and maintained on file; and
- Some policies and procedures are out of date.

2.6 Insurance & Inventories of Portable Assets – Reasonable Assurance:

2.6.1 Audit Scope

To ensure that sufficient insurance coverage is in place for the Council to limit the risks that face the authority in carrying out its many and varied functions and to ensure that all Council assets are completely and accurately accounted for and safely held.

2.6.2 Summary of Findings

The Council currently has insurance policies in place as follows:

- Traveler's – (Public Sector Policy);
- Royal Sun Alliance – (Marine);
- ACE – (Personal Accident and Travel);
- Allianz Insurance Plc (Engineering: Plant/Machinery); and
- Blackwell Green (Fine Arts).

The above policies are being administered by Kent County Council (KCC) via the implementation of a Service Level Agreement overseen by the Finance team. The original agreement was taken out for a three year period to cover 2006 – 2009. Subsequent years have been extended via the use of Contract Standing Order Waivers. There is a further Service Level Agreement in place between The Council and Travellers for the administration of claims. All of the Council's insurance contracts will be re-tendered during the 2016-17 financial year and this process has been timetabled to ensure no lapse in insurance cover occurs.

There are dedicated pages on the Council's Intranet to enable all levels of staff to have access to policy documentation, endorsements and making a claim. Managers are also made aware of their duties regarding insurance via the Budget Managers' Handbook and Financial Procedure Rules.

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

- Claims processing is documented and reported to KCC in a timely manner.
- Inventories are comprehensive and completed yearly by departmental managers.
- Training has been provided for staff on key areas of insurance.

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

- The contract documentation is outdated;
- Ensuring schedules are up to date by adding acquisitions and removing disposals in a timely manner;
- More robust scheme needs to be put in place for consolidation & reconciliation of cover over the different departments and items on the schedules;
- Intranet pages require updating.

2.7 External Funding Protocol – Reasonable Assurance:

2.7.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to reduce the risk of grant repayment and that these controls are adhered to by all members of staff applying for external funding.

2.7.2 Summary of Findings

The Council has had an External Funding Protocol in place since November 2009. The protocol was last reviewed and updated in June 2014. The aim of this protocol is to reduce the Council's risk of grant repayment and ensure value for money; and should be followed by any member of staff applying or dealing with external funding or payments of grants to third parties.

The purpose of attracting external funding is to assist the Council in working towards delivering it's Corporate Aims and Objectives.

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

- Roles and responsibilities are clearly defined in the External Funding Protocol.
- Proposals for external grant funding are being prepared and/ or discussed and an appropriate level of consideration given to the purpose of the project and its 'fit' with corporate plan priorities to ensure that they are compatible with the Council's aims and objectives.
- Project approval is sought prior to a bid for external funding being made.
- Legal, VAT and other implications are considered
 - Before taking on external funding due consideration is given to the funder's conditions and rules.
- Staff are aware of grant conditions.

Scope for improvement was however identified in that, although staff have become more aware of the risks associated with external funding and have knowledge of the Council's External Funding Protocol, further improvements to the organisation and structure of monitoring systems and evidence to support deliverables, outputs and outcomes would further reduce the risk of funding being 'clawed back'.

2.8 Dog Warden & Street Scene Enforcement – Limited Assurance:

2.8.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council has an effective dog warden service encompassing both the recovery and kennelling of stray dogs and also enforcement action of dog fouling, graffiti, fly-tipping and littering.

2.8.2 Summary of Findings

The Dog Warden and Street Scene Enforcement functions currently sit across three different service areas of the Council, namely:

- Litter enforcement – Parking (Contracted out service);
- Graffiti – Community Safety;
- Dog Warden – Environmental Enforcement; and
- Fly tipping – Environmental Enforcement.

There are policies and procedures governing all of the above functions and delegated authority has been granted for all staff (contracted and employed direct) for this function.

All staff have the powers to issue Fixed Penalty Notices (FPN's) for the offences of Littering, Dog Fouling and Graffiti if witnessed; the fees and charges are fixed on an annual basis by Members and published on the Council's website.

There is a dedicated system (M3) set up for the recording and monitoring of complaints received and it is used across all of the above departments. This system can also be used as a management tool to extract information relating to performance.

There is currently an arrangement with Kent Police for the kennelling of dogs on a short term basis at Margate Police Station and a Contract (let via a Contract Standing Order Waiver) for the longer term kennelling of strays.

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

- Contract Standing Orders have not been fully complied with for the kennelling of stray dogs.
- Procedures and Policies need to be kept up to date with changes in legislation, published fees and charges and links to other Council relevant policies. Adherence to these should be monitored and any changes to practice should be reflected.
- Staff training needs should be identified, monitored and relevant provisions made, where budget allows.
- Risk assessments and COSHH (Control of Substances Hazardous to Health) sheets need to be completed and kept up to date.
- Full use of the back office system should be monitored to ensure a clear audit trail and to ensure that sufficient information is being recorded to support a successful prosecution.
- Issuing of notices may be falling short of the Council's Statutory Obligations and as such the Council is missing out on a potential source of income.
- The current year's set Fees and Charges are not being adhered to for the littering contract– approved fees and charges state a fine of £75 whereas an £80 fine is being levied in accordance with the contract.
- There is no clear audit trail for income being received for this function or for kennelling fees being re-charged back to dog owners.

Good practice was however observed and evidenced within the Environmental Enforcement team for their dealings, evidence collecting and recording methods for fly tipping complaints which has led to some successful prosecutions.

2.9 Monitoring & Management of Complaints, Comments and Compliments – Limited Assurance:

2.9.1 Audit Scope

The Council recognises that complaints, comments and compliments are an important source of feedback. They can tell us a lot about the way we work, and give us opportunities to improve and affect perception. How we handle our complaints is crucial; handling them well can have a lasting positive effect on our reputation;

handling them poorly can be very damaging and can make a negative perception even worse. The audit will provide assurance in respect of this business objective.

2.9.2 Summary of Findings

The Council has Policies and Procedures in place for the recording of Complaints, Compliments and Comments made by members of the public for all of its service areas. These procedures are available to staff via the intranet and members of the public via the Internet and leaflets at the Gateway. Consultation has been undertaken to the change from the current three stage system to a two stage system and this has been agreed by Management Team and will be going live shortly.

The dedicated system for recording complaints, compliments and comments is via the Civica system; each service area has been assigned a business support administrator who oversees the complaints process from start to finish. This system carries a know risk which will be rectified once the document disposal upgrade and module has been implemented. The Audit has identified the use of M3 as a complaints handling sub system. Consequently, valuable data regarding complaints contained on M3, has not been included in figures being reported to management from the Civica system. This extra data could have been used to identify potential weaknesses in a variety of Council's services and given management an opportunity to learn and improve.

There have been various training programmes for staff regarding the policies and procedures on an ad-hoc need to know basis; a training regime has been devised for the new two stage process and open to a select number of staff and a new policy has been written for the handling and reporting of vexatious complaints.

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

- Complaints are being recorded on more than one system and the data from complaints handling systems (other than Civica) is not been considered or reported to management;
- Analysis of complaints data as a learning tool to inspire positive change needs to be explored, agreed and fully documented;
- The information on the Council's Inter/intra nets regarding complaints is out of date;
- A more consistent approach is needed for the feedback to staff on the compliments being received for their service area, once agreed the recognised process needs to be fully documented;
- Full use of reference and training material available to the Council needs to be made readily available to all staff and Members; and
- Telephone complaints should be discouraged as a method for making a complaint, as they are open to interpretation by the officer. At the time of fieldwork the webpages had this as a first point of contact, this has now been addressed.
- At the time of fieldwork, clear timescales had not been defined for the complaints handling process, however this has now been addressed.

Effective control was however evidenced in the following areas:

- There is a well-documented complaints system with defined escalation stages and appeal process;

- Full and comprehensive training notes are available to staff on the use of the Civica system.

2.10 East Kent Housing Repairs, Maintenance and Void Management – Limited Assurance:

2.10.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that that the Councils' housing stock is well maintained, proving a good level of service to Council tenants (which demonstrates value for money and tenant participation), in partnership with the Councils' contractors and in accordance with Council policy and procedures.

2.10.2 Summary of Findings

East Kent Housing (EKH) was appointed in April 2011 to manage the repairs and maintenance of the housing stock for Canterbury, Dover, Shepway and Thanet councils. The EKH Service provides repairs and maintenance support for 16,901 rented properties with a combined Revenue budget in the region of £15.25m.

From the testing completed during this review whilst most of the necessary controls were found to be in place, there were a number of key controls not working effectively, particularly around the inspection of completed repairs, and also planned maintenance work. It is therefore the conclusion of this review that management can currently only have limited assurance over the arrangements and controls in place to ensure that that the Councils' housing stock is well maintained. The primary findings giving rise to the Limited assurance audit opinion in this area are as follows:

- The number of post inspections at Dover has not been increased to investigate higher than normal failure rates on responsive repairs.
- There are a significant number of variations to job costs at Dover by the contractor without documented approval from EKH.
- There are high numbers of repairs older than 30 days not being investigated at Dover.
- Work undertaken outside of the Price Per Property (PPP) contract at Canterbury is not normally being post inspected.
- Stock condition surveys across all four partner sites are out of date; this results in planned maintenance programmes being put in place based on out of date information.
- There is a lack of defined procedures in place for the post inspection of planned maintenance work resulting in confusion over roles and responsibilities. In terms of both informing officers of the work requiring inspection and then the reporting of inspection results.
- Charges for rechargeable works are not being raised and collected in three areas.

Effective control was however evidenced in the following areas:

- Sound procedures are in place for budgetary control and are well practiced in all four areas. Good lines of communication were found to be in place between EKH and the respective Accountants for both repairs and planned maintenance.
- Maintenance Inspectors in each area have a sound understanding of the main repairs contracts.

- Post inspections undertaken generally target work with a higher risk, or known problem areas.
- Area Maintenance Managers and Maintenance Inspectors have good working relationships with the repairs contractor.
- Regular meetings are held between officers and contractors to review performance and review ongoing problems.
- Budgets are monitored well and reported at suitable intervals.
- Tenants are suitably involved and informed in the repairs process.

Inspections of completed repairs are a requirement of the current maintenance contracts, and are a valuable management aid to test the quality of works undertaken by the contractors. Officers are expected to post inspect around 10% of completed jobs, and officers across each of the four areas normally achieve this. However, review of post inspections undertaken in the Dover area identified that from 817 inspections undertaken by EKH, 286 failed post inspection. Of those which failed, 176 failed on price related queries. Despite an overall failure rate of around 35%, officers continue to post inspect only 10% of the completed jobs.

Testing of a sample of 16 completed jobs identified that 6 jobs had been subject to a price variation of more than £150 which is allowed for within the contract, with no documented approval from the Dover based Maintenance Inspectors.

Officers in the Canterbury Area were found to be only inspecting work completed by the repairs contractor which falls under the Price Per Property (PPP) contract. Testing established that work outside of the PPP contract is not normally subject to any post inspection regime.

Review of procedures for the raising and collection of debts in respect of rechargeable works established the following;

- A backlog on the raising of debts at Dover;
- Debts are not raised at all at Canterbury;
- Debts are raised but not collected in Thanet; and.
- Debts have only been raised in Shepway since November 2014.

2.10.3 Management Response to the Housing Repairs, Maintenance and Void Management audit from the East Kent Housing Head of Operations:

EKH welcomes the audit on the repairs, voids and planned maintenance service and the identified actions are being actively implemented, with one exception, where EKH has rejected one recommendation (increasing the number of post inspections at Dover on repair work).

The audit is a large piece of work affecting response maintenance, planned maintenance, void management and business planning over four Council areas. The audit looked at 51 key controls and found that 36 of the key controls were working effectively. Of the 19 recommendations in the report, only 7 have been classified as high priority.

A detailed discussion has taken place on the audit and the recommendations and the priority attached to each one. Each of these areas has been agreed between audit and EKH. However, the overall rating of 'Limited' has been queried by EKH as the definition for a Limited Assurance level is defined as, "some of the necessary controls of the system are in place, managed and achieved." As 70% of the controls have been judged as working effectively EKH believes that a Reasonable Assurance

reflects the outcome of the audit more correctly, which is defined as, “most of the necessary controls of the system in place are managed and achieved.” Although this has been discussed with audit they feel that a Limited Assurance remains correct.

2.11 Employee Health, Safety & Welfare – Limited Assurance:

2.11.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the policies and procedures established to protect the partner council's staff in relation to various health and safety issues, such as lone working, home working and any relevant issues within the workplace, whilst also taking into account the legislative requirements placed upon the Council's as their employer and confirm the role of the Health & Safety Advisors engaged via the EKHR Partnership.

2.11.2 Summary of Findings

The Council is committed to achieving a high standard of health and safety compliance in all service areas through effective, proactive management and a co-operative effort at all levels. This undertaking will ensure, as far as is reasonably practicable, the health and safety of their employees and of others that may be affected by their acts or omissions. This includes the provisions of the Health & Safety at Work Act 1974 and all other regulations made under this and other relevant acts. The Council is assisted in this by EKHRP, who undertakes to provide each of the partner authorities with competent H&S advice and guidance to ensure their full compliance with Regulation 7 of the Management of Health and Safety at Work Regulations.

Due to known known problems in employee health and safety in the past, which are now being addressed, the Council can currently only have Limited Assurance in respect of its employee health and safety arrangements. There is however emerging evidence to support an opinion of Reasonable Assurance, once the new Health and Safety post holder is recruited and the recommendations arising from the consultant's report have been implemented and had time to embed.

To ensure that there is no duplication this report does not repeat the recommendations that have been raised by the consultant's report but has made one high priority over arching recommendation that the Council implements the consultant's action plan.

In addition scope for improvement was identified in the following areas:

- The quarterly report produced by EKHRP for Senior Management at the Council is now stating the health and safety audits that have been carried out but could be developed further to include the assurance levels and findings.
- There needs to be clarification as to who is responsible for ensuring that staff at each of the authorities are advised of changes to health and safety issues that are relevant to them. (i.e. Where does EKHR's role end and the Council's takeover in respect of the health and safety service and training). This is particularly important with Thanet District Council employing its own Health and Safety Advisor.

2.12 Environmental Health & Safety at Work – Limited Assurance:

2.12.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council is adequately fulfilling its responsibilities under the Health and Safety Act 1974 (specifically section 18.)

2.12.2 Summary of Findings

The Health & Safety Executive (HSE) work with the Local Authority to enforce health and safety legislation. They ensure that duty holders manage the health and safety of their workforce and of those affected by their work.

In March 2011 the Government published 'Good Health and Safety, Good for Everyone', this document set out the plans to refocus occupational health and safety for Britain's businesses and cut red tape.

As a result of this in May 2015 the framework for health and safety law was simplified to help businesses comply more easily, and the focus for local authorities was changed dramatically. There is no longer an obligation on local authorities to carry out routine inspections, work should now be focussed on specific categories of high risk, for example LPG, Legionnaires disease, animal visitor attractions, fatalities from being struck by vehicles, industrial diseases (asthma, deafness), falls from height, crowd control, carbon monoxide poisoning, violence at work. The Code of Practice states the LA's should only use proactive inspection where there is evidence that risks are not being effectively managed.

With the introduction of this new regime the database of business premises for health and safety purposes is no longer relevant in its current form. A local review is required to research and re-categorise local businesses to recognise those that fall under the new high risk categories, this has not however been prioritised due to limited resources. Questionnaires have been sent to every business on the database to identify whether they are low risk. The supplementary guidance recently issued recognises the LA's health and safety investigations and evidence of poor performance commonly arise from the RIDDOR reporting system and the LA's complaints systems.

The Council used to have one full time officer within the Public Protection Team who was an expert in health and safety at work. This officer left the Council's employment in late 2014 and since then the function has been tasked to all of the remaining members of the team to deliver.

The team have not received the necessary training to ensure they are competent in dealing with complex health and safety at work issues as well as providing advice on the subject to premise owners. The Public Protection Manager and some of the Public Protection Officers have received basic training in this field as part of their Environmental Health qualifications or through the NEBOSH scheme and this is used for basic hazard spotting in business premises, however this was between 7 and 20 years ago and no further training has been provided by the Council. An officer with the IOSH qualification is needed for complex investigations and accident investigations/deaths and to attend the coroner's court if required.

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

- There is currently an absence of sufficiently competent trained staff for dealing with health and safety at work, particularly those of a complex nature.
- Whilst a draft procedure manual is in the process of being created to ensure consistency, due to limited resources this will take some time to complete.
- The Council does not currently have an up to date and complete intervention programme based upon a risk assessment exercise; this is however in progress
- Due to the new legislation issued by the HSE in May 2015, there are some concerns that the previously utilised software application system (M3) may no longer be 'fit for purpose' to record the new risk categories and little action has been taken to remedy this issue
- There is a lack of information being recorded electronically to ensure there is a comprehensive record of all action taken in respect of each inspection and intervention
- Whilst the *Enforcement & Prosecution Policy* has been published on the Council's website as their adopted policy, this has however not been formally approved by Members.

Effective control was however evidenced in the following areas:

- There is a dedicated page on the Council's Internet site for health and safety at work; this provides information on the legislation along with a link to the Health and Safety Executive's (HSE) website.
- Decision recording forms are completed for RIDDOR reports and the action to be taken is recommended by the Public Protection Manager and cases that are not to be investigated are approved by the Head of Service.

2.13 Safeguarding Children & Vulnerable Groups – Limited Assurance:

2.13.1 Audit Scope

To ensure that the Council fulfils its legal obligations under section 11 of the Children Act 2004 and under the Safeguarding Vulnerable Groups Act 2006.

2.13.2 Summary of Findings

The Council has a legal obligation to children and vulnerable adults to ensure their safe wellbeing. Overall responsibility for this function sits with the Chief Executive, however for the day to day functionality this responsibility has been delegated to a Designated Child Protection Officer. Additionally, all employees across the organisation have a duty of care to such vulnerable groups they may come into contact with during their daily working activities.

Written policies and procedures that govern the legal duties placed upon councils under the Children's Act 2004 and Safeguarding Vulnerable Groups Act 2006 are in place and easily accessible to all staff via the intranet.

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

- The Council's Safeguarding policy and procedures have not been reviewed or updated within the prescribed periods (at least annually);
- Although clear roles and responsibilities have been defined within the Policy, clarity needs to be given over the keeping of records.
- The records being kept for DBS checks are out dated and the regime for follow-up/renewals check needs to adhere with legislation requirements;
- Safeguarding requirements for the Council need to be updated on the Council's website to reflect what is legally required and expected from the organisation.
- A training regime needs to be agreed, implemented and monitored which should take into account the needs of the manual workforce, this should be corporately adopted and not service specific. From the figures provided by EK Human resources (EKHR) 81% of staff have not undertaken any form of Child Protection training.
- It is a legislative requirement that all external contractors, working on behalf of the Council should have a Child Protection Policy in place which should be adequate and fit for purpose, if not then the contractor should sign up to the Council's Child Protection & Safeguarding policies and procedures. Evidence of this process needs to be recorded and maintained.
- Timescales for record keeping need to be defined and referenced within the policy and adhered to.

Effective control was however evidenced in the following areas:

- Multi-agency work and data sharing arrangements are in place via the Thanet Community Safety Partnership and Margate Task Force.
- The reporting method was also found to be working efficiently and effectively.

2.14 Museums – Limited Assurance:

2.14.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council's Museums are operated in an efficient and effective manner which safeguards Council assets (exhibits, income, stock, reputation etc.) and minimises risk.

2.14.2 Summary of Findings

There are three locations that are operated as Council Museums with the help of volunteers and these are Dickens House Museum in Broadstairs, Margate Old Town Hall, and the Tudor House in Margate.

Management can place Limited Assurance on the system of internal controls in operation; however, many of the issues which have been identified as part of this review are still outstanding from previous audits and are historical issues that require decisions to be made at a senior level of management within the Council as to how to move them forward. It should be noted that Dickens House is generally run to a satisfactory standard on a day to day basis with the Community Development Officer overseeing the operation from a distance and not being involved in the day to day running of it.

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

- There is still no formal agreement in place for the Friends of Margate Museum to run the museum and they are yet to sort out the required processes and application to become a registered charity despite having started the process well over a year ago.
- Decisions need to be made as to the way to best run Dickens House Museum in the future (e.g. set up a trust to run it?). The previous audit in 2012 reported that it was the Council's long term goal to set up a management trust for Dickens House Museum. This is however a sensitive subject and to date little progress has been made.
- The cataloguing of artefacts at the various locations is still to be completed thus raising issues about the valuation of the artefacts for insurance purposes and a lack of clarity as to whether or not any items have gone missing over time as no proper records have been in place.

Effective control was however evidenced in the following areas:

- There are established processes for the collecting, banking and monitoring of income from Dickens House.
- Performance indicators are in place and are reported on a regular basis.
- Teams of volunteers are in place to ensure that the various locations are open to the public at the appropriate times of year.
- Processes are in place to monitor and purchase stock items for the Dickens House gift shop although these could be further enhanced to reduce the risk of stock items running out before replacement items have been ordered.

2.15 EK Services – Housing Benefit Quarterly Testing (Quarter 2 of 2015-16):

2.15.1 Background:

Over the course of 2015/16 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.

2.15.2 Findings:

For the second quarter of 2015/16 financial year (July to September 2015) 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.

2.15.3 Audit Conclusion:

Forty benefit claims were checked of which two claims had financial errors that impacted on the benefit calculation and one was a system fault which is outside of the control of EK Services. In addition three of the claims that passed did so because the errors which were highlighted did not affect the benefit calculation.

2.16 EK Services – Housing Benefit Quarterly Testing (Quarter 3 of 2015-16):

2.16.1 Background:

Over the course of 2015/16 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.

2.16.2 Findings:

For the third quarter of 2015/16 financial year (October to December 2015) 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.

2.16.3 Audit Conclusion:

Forty benefit claims were checked and of these none had financial errors that impacted upon the benefit calculation.

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

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

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs			No of Recs. Outstanding	
a)	East Kent Housing – Tenant Health & Safety	See Below	See Table Below	See Below				
b)	Community Safety	Substantial	Substantial	H	1	H	1	
				M	0	M	0	
				L	0	L	0	
c)	Leasehold Services	Limited	Reasonable /Limited	H	12	H	4	
				M	12	M	6	
				L	3	L	1	
d)	Garden Waste Collection Service	Limited	Reasonable	H	3	H	0	
				M	2	M	0	
				L	0	L	0	
e)	Tackling Tenancy Fraud	Not Applicable	Not Applicable	H	3	H	2	
				M	20	M	13	
				L	6	L	4	
f)	Payroll	Reasonable	Reasonable	H	0	H	0	
				M	1	M	0	
				L	2	L	0	

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs. Outstanding	
g)	FOI, Data Protection & Info. Management	Reasonable/Limited	Reasonable /Limited	H	3	H	1
				M	17	M	4
				L	5	L	2

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

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

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

a) East Kent Housing – Tenant Health and Safety

A follow up review has been completed of Tenant Health and Safety. This area was previously reported upon in September 2014 and the progress review was programmed to allow time to ensure that the recommendations previously agreed have been implemented, and the internal control weaknesses leading to those recommendations have been mitigated. We updated the committee in March with an interim progress report, and at that time the assurance opinion was revised to Reasonable Assurance for Lift Maintenance; previously assessed with No assurance.

Further follow-up work commenced in June this year and comprised of a number of site visits which were undertaken at the same time as fieldwork for the Sheltered Housing audit. The follow-up was concluded in November 2015 with updated management responses received together with supporting evidence.

The original report contained 29 agreed management actions to reduce the identified risks of which 12 were completed at the time of the original review in August 2014. The table below shows how the remaining 17 recommendations were categorised and whether or not they have been implemented to date: -

Area	Original Assurance Level	Revised Assurance Level	No. of Recs.		Implem-ented	WIP
Policies	Not Applicable	Not Applicable	H	1	0	1
Lift Mtce	No	Reasonable	H	1	1	0
Gas Safety	Substantial	Substantial	L	1	0	1
Fire Safety	Limited	Limited*	H	11	9	2

			L	2	2	0
Asbestos	Reasonable	Reasonable	L	1	0	1

Of these 17 recommendations significant progress has been made towards their implementation. The remaining two high-risk recommendations are now escalated to this committee, see Annex 1.

*A significant amount of work has been undertaken in the area of fire safety which is commendable. All of the critical barriers and obstacles – which previously gave rise to the limited assurance opinion – have now been removed and work is in progress to fully implement the agreed recommendations. The direction of travel is therefore undoubtedly a positive one. It would however be somewhat premature to increase the assurance level to Reasonable until the recommendations have had further time to embed; once this has been achieved, the assurance level can however be increased to reasonable.

c) East Kent Housing – Leasehold Services:

There were a host of issues that needed to be addressed in order to demonstrate that the control environment had improved sufficiently to warrant a revised assurance opinion. This progress report recognises that management have taken positive action to strengthen the control environment but that Management need time to embed the controls before the next audit on this subject area.

The assurance level that was given in the original audit was Limited and as a result of the follow up audit review being carried out the assurance level is increased to Partially Limited. Management can place Reasonable Assurance on the controls in place for calculating the service charges and Limited Assurance on the controls in place for issuing section 20 notifications.

Of the 28 recommendations that were originally agreed three high priority recommendations relating to Section 20 Notifications had been implemented but this follow up Audit scope tested the Actuals produced in September 2015 rather than the notices being served since April 2015. Any improvements in control will not be evident until September 2016. This has contributed to the Partially Limited Assurance opinion.

Management Response:

East Kent Housing is pleased with the progress noted in this follow up Audit. We feel confident that the changes made to the Section 20 process have resulted in a significant improvement in the quality, quantity and accuracy of the notices being served on Leaseholders including improvements to supporting information and the way that queries are being handled. We look forward to demonstrating these improvements through the Audit of the leasehold service that is due in 2016.

g) FOI, data Protection and Information Management:

A lot of work has been done around the Council's processes for managing Freedom of Information and Environmental Information Regulation Requests. A resolution is being worked on regarding storage and deletion of personal information under the Data Protection Act with a new Civica module expected to be installed in February.

The assurance level that was given in the original audit was split. Reasonable assurance was given for the system of internal controls in place for the operation of Freedom of Information and Environmental Information Regulation requests and limited assurance was given for the system of internal controls in place for data protection.

As a result of the follow up audit review being carried out, the assurance remains the same until the new Civica module due to be installed in February can effectively deal with the disposal of information no longer required.

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: Dalby Square THl Grants, Grounds Maintenance, and Street Cleansing.

5.0 CHANGES TO THE AGREED AUDIT PLAN:

5.1 The 2015-16 internal audit plan was agreed by Members at the meeting of this Committee on 17th March 2015.

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

6.0 FRAUD AND CORRUPTION:

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

7.0 UNPLANNED WORK:

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

8.0 INTERNAL AUDIT PERFORMANCE

8.1 For the nine month period to 31st December 2015, 267.50 chargeable days were delivered against the planned target of 300 days which equates to 89% plan completion.

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

8.3 As part of its commitment to continuous improvement and following discussions with the s.151 Officer Client Group, the EKAP has established a range of performance indicators which it records and measures. The performance against each of these indicators for 2015-16 is attached as Appendix 5.

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

Attachments

- Appendix 1 Summary of High priority recommendations outstanding after follow-up.
Appendix 2 Summary of services with Limited / No Assurances.
Appendix 3 Progress to 31st December 2015 against the agreed 2015-16 Audit Plan.
Appendix 4 EKAP Balanced Scorecard of Performance Indicators to 31st December 2015.
Appendix 5 Assurance statements.

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

Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager’s Comment on Progress Towards Implementation.
<i>East Kent Housing – Tenant Health & Safety (November 2015):</i>		
<p>EKH should ensure that procedures relating to Electrical Safety/ PAT testing and Lifts are produced and added to those in recommendation one for submission to each Council for approval and adoption.</p>	<p>Agreed Management Action. All appropriate processes are being followed but it accepted that there are no written procedures in place.</p> <p>Action: Written procedures to be completed.</p> <p>Responsibility/Completion date. 31.12.14</p>	<p>Follow up Findings as at Nov 2015 Lift Procedure and PAT/Electrical Safety Procedure in place and implemented.</p> <p>PAT testing and Lift servicing records collated by Asset Management Administration Team; held on EKH shared drive</p> <p>Preparing for up loading of records/certificate into the new Northgate system completion</p> <p><i>Target Date Sept 2016.</i></p> <p>Conclusion: Work is ongoing towards implementation.</p>

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

Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
<p>EKH should introduce a quarterly performance indicator to report on the number of Fire Risk Assessments which are overdue review, (categorised as High, Medium and Low priority).</p>	<p>Exception reporting to be carried out quarterly</p> <p>We will develop an annual H&S assurance statement (based on the governance statements provided to the councils) which will ensure that all Health and safety actions are carried out and signed off by the appropriate officer. This will be reported to management team half yearly and to the Board annually as part of the Corporate Health report in July.</p> <p>Responsibility/Completion date.</p> <p>31.12.14</p>	<p>Follow up Findings as at Nov 2015</p> <p>All FRA are completed and available on the EKH shared "R" drive. The Asset Management Administration Team are developing the existing (Savills) data base by which EKH can monitor the FRA works completed, fully implemented by December 2015. The updating of the spreadsheet by EKH to reflect completed works will be an ongoing exercise</p> <p>Since signing to the HUB framework Savills has supported EKH, including the task to reevaluate all FRA's review dates and amend according to the building risk rating. Buildings due FRA reviews will be programmed for completion by February 2016.</p> <p>Conclusion:</p> <p>Work is ongoing towards implementation.</p>
<p>EKH should ensure that all recommendations arising from the 2013 & 2014 Fire Risk Assessments carried out by Savills are resourced so they are implemented within the timescales suggested in each individual Fire Risk Assessment.</p>	<p>Agreed Management Action.</p> <p>A meeting with Savills has been held to develop a work schedule. This will feed into the Councils' budget planning process in the autumn.</p> <p>Responsibility/Completion date.</p> <p>30.09.14</p>	<p>Follow up Findings as at Nov 2015</p> <p>EKH's proposal to manage fire precautions was issued to each of the 4 Client Officers for approval (eg to CCC June 15).</p> <p>Amended fire precaution budgets secured for 2015/16 and agreement from the 4 councils to use existing contracts for 2015/16.</p>

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

Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
		<p>2015/16 works programmes issued by EKH to existing contractors (Mears and PJC) w/c 2 November with assurances that will be delivered by 31 March 2016.</p> <p>Dedicated Clerk of Works (Fire Precautions) to be appointed on an initial 2 year fixed term contract as agreed, and jointly funded, by 4 councils. EKH finalising job evaluation with EKHR with target to go to advert in December 2015.</p> <p>Fire Precaution Contract (all areas) – tender documents being produced with Savills to provide technical specifications and pricing models. Target to issue tender documents in January 2016 and award new contracts in April 2016.</p> <p>Canterbury Fire Door Contract – procurement in progress; PQQ evaluation completed and currently at ITT stage. Expect to award contract January 2016.</p> <p>Conclusion:</p> <p>Work is ongoing towards implementation.</p>
<i>Community Safety (November 2015):</i>		
<p>Management must ensure that the information sharing protocol is duly signed by all participating organisations. A copy of the signed protocol should be held securely.</p>	<p>Agreed Management Action</p> <p>Agreed</p> <p>Responsibility / Completion Date</p>	<p>Follow Up Findings as at 30.11.15</p> <p>The protocol is currently with Corporate</p>

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

Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
	Community Safety and Leisure Manager - November 2015	Resources (Legal), a meeting will be held in the next few weeks to get the protocol signed off.
<i>Leasehold Services – January 2016:</i>		

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

Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager’s Comment on Progress Towards Implementation.
<p>EKH Recommendation 3 (Generic) Part I) Investigate whether the system that produces the annual reports (containing individual jobs) can be amended so that when the reports are printed and passed to the leaseholder section the jobs are grouped and categorised inline with the job categories laid out on the leaseholder statements. This will make reconciliation more meaningful to the leaseholder section which should improve the effectiveness of the process ensuring more effective use of resources.</p> <p>Part II) As part of this investigation in Part I) a conscious decision should be made as to whether the leaseholder job categories laid out on the leaseholder statements are a) appropriate for Leaseholders and b) whether there would be merit in standardising all the leaseholder job categories across all four sites.</p> <p>Part III) Dependant on the outcome of Part I) and Part II) training should be given to all staff who input jobs on to the system to ensure the correct categories are being used and that the recorded job narrative gives the leaseholder section enough detail to explain to leaseholders exactly what works have been carried out.</p>	<p>Agreed Management Action Weakness in the systems and poor interfaces impede effectiveness in this area and will not be resolved until a single system is in place.</p> <p>Part I) Establish a task and finish group (leasehold/systems/asset) to explore interim improvements in processes.</p> <p>Part II) Dependant on Part I and CWH report. Need to consult with councils on changes to statements.</p> <p>Part III) Agreed, will progress this ahead of Part I & II, will work in collaboration with Mears. And roll out further training if required after changes to job categories, reporting etc.</p> <p>Responsibility/Completion date EKH Leasehold Manager & EKH Head of Asset Management. Systems Manager. June 2015 & Group set up end of December.</p>	<p>Progress Update This recommendation is outstanding with an intention to action.</p> <p>East Kent Housing is in the process of building a new system which will eventually satisfy this audit recommendation. No other action will be taken until new system implemented in approximately April 2017.</p>
<p>EKH Recommendation 6 (Generic)</p>	<p>Agreed Action: <i>‘Also raised in CWH recommendations, will</i></p>	<p>This recommendation has been implemented is marked as outstanding</p>

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

Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
<p>Ensure the process for issuing Section 125 Notifications and issuing Section 20 Notifications both in retrospect of emergency works and in advance of scheduled works is robust and well documented to ensure all staff (including asset management) are aware of the process.</p>	<p><i>be working alongside CWH to implement their process notes and map the whole process across both Asset & leasehold teams much more clearly. Development of EKH procurement plan will also aid improved performance in this area.</i></p> <p><i>Recent issues have highlighted the need for training of asset staff regarding the implications to leaseholders of emergency or adjusted works. Training has already commenced in this area and will be continued, including a phase of training after the processes redefined.'</i></p> <p>Proposed Completion Date: May 2015</p> <p>Responsibility:</p> <ol style="list-style-type: none"> 1. EKH Leasehold Manager & Asset Manager 2. EKH Head of Asset Management – ongoing 	<p>because it cannot be tested until September 2016.</p> <p>The Leaseholder Team are now responsible for and are in control of the entire Section 20 Notification process.</p> <p>This follow up Audit scope tested the Actuals produced in September 2015 rather than the notices being served since April 2015 therefore this was not tested. EKH Management are confident this will be demonstrated as adequately working when the next Audit is carried out on the Actuals produced in September 2016.</p> <p>Revised Implementation Date September 2016.</p>
<p>EKH Recommendation 7 (Generic) To adopt a new process for Section 20 Notifications as follows:- Part I) EKH should calculate and set up Section 20 Notification trigger points for each block containing leaseholders by working out and</p>	<p>Agreed Action: <i>'Part I)</i> <i>Currently not able to put system triggers in place, but will be incorporated in the single system. Leasehold team to ensure they are considered in the specification & selection criteria of new system.</i></p>	<p>This recommendation has been implemented is marked as outstanding because it cannot be tested until September 2016.</p> <p>A new process has been mapped and successfully piloted at Shepway. All new Section 20 process will now follow the new</p>

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

Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
<p>deciding what estimated block cost should trigger Section 20 consultation. This can be done by taking the charging proportion on each lease in each block and working out the maximum block cost before Section 20 Notifications need to be sent. (i.e. if a leaseholder's charging proportion is 1x 10th of the block cost then the maximum trigger point would be £2,500 but probably £2,000 to allow for a margin of error).</p> <p>Part II) Once the trigger points have been established for each individual block across all four sites, these trigger points should be passed to Asset Management who would then be responsible for using the trigger points to identify which jobs need to be consulted on when calculating the estimated cost of works. Asset Management would then need to liaise with the Leaseholder Manager who will organise the Section 20 Notification process.</p>	<p><i>Part II)</i> <i>However, need process triggers/ training for asset staff in the meantime. As stated above this training has already commenced and will continue to be delivered to asset staff addressing the issue of needing to increase "leasehold awareness" of repairs /inspections/surveyors/ contractors.</i></p> <p><i>Part III)</i> <i>Agreed, will incorporate in agreed process a review. Annual meeting could also discuss annual procurement plans and map potential work in year ahead to aid better planning.'</i></p> <p>Proposed Completion Date: May 2015</p> <p>Responsibility:</p> <ol style="list-style-type: none"> 1. EKH Leasehold Manager & Asset Manager 2. EKH Head of Asset Management – ongoing 	<p>process.</p> <p>The testing carried out across all four sites demonstrated that overall the controls in place have strengthened. However there is still a significant weakness in the Section 20 processes in place which means that the process and procedures are still inadequate in this particular area. EKH Management is confident this will be working next year.</p> <p>Revised Implementation Date September 2016.</p>
<p>EKH Recommendation 10 (Dover & Shepway)</p> <p>Introduce a formal process strengthening the links between Asset Management and Leaseholder Services whereby any in-year variations in excess of 10% (estimates / actuals) trigger an action which ensures the variance is</p>	<p>Agreed Action: <i>Process will be mapped as part of the CWH review of procedures. Service review also suggests clear division of roles and responsibilities between Leasehold/ Housing</i></p>	<p>Progress Update</p> <p>This recommendation has been implemented is marked as outstanding because it cannot be tested until September 2016.</p>

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

Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager’s Comment on Progress Towards Implementation.
<p>communicated to leaseholder services (and to accountancy at Dover and Shepway if appropriate) in order to allow for adequate leaseholder consultation and appropriate billing adjustments.</p>	<p><i>Management & Asset team with regards to leaseholder management. Further training for asset staff to be undertaken by January 2015 – see recommendation 7.</i></p> <p>Proposed Completion Date: May 2015</p> <p>Responsibility:</p> <ol style="list-style-type: none"> 1. EKH Leasehold Manager & Asset Manager 2. EKH Head of Asset Management – ongoing 	<p>A new process has been mapped and successfully piloted at Shepway. All new Section 20 process will now follow the new process.</p> <p>The testing carried out across all four sites demonstrated that overall the controls in place have strengthened. However there is still a significant weakness in the Section 20 processes in place which means that the process and procedures are still inadequate in this particular area. EKH Management is confident this will be working next year.</p> <p>Revised Implementation Date September 2016.</p>
<p><i>Tackling Tenancy Fraud – January 2016:</i></p>		
<p>EKH and the four member authorities should ensure that once approved the <i>Tenancy and Housing Fraud Policy</i> is effectively communicated to all EKH staff, contractors and the allocations teams at each of the four member authorities.</p>	<p>Agreed. EKH will develop a consultation package that includes how the content of the policy is disseminated to all EKH staff, key staff outside of the organisation and partner agencies and contractors. These will include officers in Housing Options, Legal, EKS and SDC benefits service, tenant representatives and the Board.</p> <p><u>EKH staff training.</u> All Neighbourhood Managers received tenancy fraud training in 2011. This will be updated to reflect changes in legislation. EKH will ensure that all front line staff who</p>	<p>Due to staffing and structure changes there has been some slippage on the delivery of the new Tenancy Fraud Policy and procedures.</p> <p>A Project Initiation Document (PID) has been documented for the Tenancy Fraud Policy. The aim of the project being to review tenancy fraud audit and scrutiny reports, building recommendations into a new tenancy fraud policy and strategy; and to review and evaluate investigation services provided by other organisations and identify options that provide best value for money for</p>

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

Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
	<p>have roles that impact on the prevention and detection of tenancy fraud receive the following: -</p> <ul style="list-style-type: none"> • Coverage of tenancy fraud detection and prevention at induction • Briefing and training regarding new tenancy fraud policy <p>Formal training on the investigation and detection of tenancy fraud.</p> <p>Proposed Completion Date and Responsibility: EKH Policy Officer to develop consultation plan for policy. EKH Head of Corporate Services to reflect this in EKH training plan, training to be delivered by March 2016</p>	<p>EKH and the councils.</p> <p>EKH's current operation practice for the awareness and prevention of tenancy fraud was selected for review by the Tenant Scrutiny Panel. The review was completed between September and October 2015. Seven recommendations were made by the panel, of which six can be accepted. The remaining recommendation was in relation to the fraud team within EK Services and can not be actioned as the service transfers to the Department of Work and Pensions from 01/12/2015. The proposal is that EKH develop a work plan to complete these actions, a copy of which will be provided to the panel for them to monitor.</p> <p>The PID milestone chart proposes to deliver the presentation of the draft Tenancy Fraud Report and report with clear recommendations to the EKH Board and the four Councils March 2016. Further work would then be undertaken on the implementation of the strategy and action plan.</p> <p>When the Tenancy Fraud Policy and action plan have been agreed a communication and training strategy will be developed and delivered during 2016/2017.</p>

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

Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
		<p align="center"><i>Recommendation Outstanding</i></p> <p>To be delivered during 2016/2017, therefore due date for completion is revised to 31/03/2017.</p>
<p>EKH should liaise with the four member authorities to identify what resource will be available for the investigation of housing fraud and establish what facilities for reporting potential housing fraud will be used following the transfer of current Benefits Fraud Investigation staff to the DWP under the Single Fraud Initiative. By maintaining some fraud investigation resource the member authorities could then consider providing a fraud investigatory service to housing associations in their districts in return for nomination rights to homes recovered.</p>	<p>Agreed. This issue will be raised with joint client officers by EKH Chief Executive and the Operations Manager.</p> <p>Proposed Completion Date and responsibility: EKH Chief Executive and Director of Operations and Business, August 2015.</p>	<p>EKH have identified that there is currently no capacity, resource or skills for adequate fraud investigation internally within EKH. In addition, there are no dedicated tenancy fraud investigation resources with EK Services or Shepway District Council. As part of the Tenancy Fraud Policy project (see findings for recommendation 2) EKH is currently reviewing and evaluating investigation services provided by other organisations, for example Gravesham Investigation Services, in order to identify the option that provides best value for money for EKH and the four councils.</p> <p>Fraud referral procedures will be determined and implemented during 2016/2017 when the Tenancy Fraud Policy has been approved and investigated resources identified.</p> <p>Options for tenancy fraud investigation resources are being investigated, with informed options to be proposed to the EKH Board and the four Councils in March 2016.</p>

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

Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager’s Comment on Progress Towards Implementation.
		<p align="center"><i>Recommendation Outstanding</i></p> <p align="center">Due Date Revised to 30/04/2016.</p>
<p><i>FOI, Data Protection & Information Management – January 2016:</i></p>		
<p>Resolve and use ‘disposal type’ in Civica and set retention period for each file in Corporate Filing module and across all council departments.</p>	<p>Meeting arranged with Civica account manager to discuss. Upgrades will be required and a system audit. May need a consultant visit on site. Budget identified.</p> <p>Proposed Completion Date: March 2015</p> <p>Responsibility: Customer Contact & Engagement Manager</p>	<p>Follow Up Findings as at January 2016</p> <p>Project underway to implement retention and disposal module; a new module is expected to be installed in February 2016.</p> <p>Conclusion</p> <p>This action is progressing.</p>

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

Service	Reported to Committee	Level of Assurance	Follow-up Action Due
Your Leisure	September 2015	Reasonable/No/No	Work-in-progress
EK Human Resources; Sickness Absence, Leave & Flexi	December 2015	Reasonable/ Limited	2016-17
Dog Warden & Street Scene Enforcement	March 2016	Limited	Summer 2016
Monitoring & Management of Complaints, Comments and Compliments	March 2016	Limited	Summer 2016
East Kent Housing - Repairs, Maintenance and Void Management	March 2016	Limited	Summer 2016
Environmental Health & Safety at Work	March 2016	Limited	Summer 2016
Employee Health, Safety & Welfare	March 2016	Limited	Summer 2016
Safeguarding Children & Vulnerable Groups	March 2016	Limited	Summer 2016
Museums	March 2016	Limited	Summer 2016

PROGRESS TO DATE AGAINST THE AGREED 2015-16 AUDIT PLAN – APPENDIX 3

THANET DISTRICT COUNCIL:

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-12-2015	Status and Assurance Level
FINANCIAL SYSTEMS:				
Capital	5	5	5.14	Finalised - Substantial
Treasury Management	5	5	6.08	Finalised - Substantial
Bank Reconciliation	5	5	5.68	Finalised - Substantial
External Funding Protocol	9	9	16.21	Finalised - Reasonable
VAT	10	10	4.31	Finalised - Substantial
RESIDUAL HOUSING SERVICES:				
Housing Allocations	10	10	11.94	Finalised - Substantial
GOVERNANCE RELATED:				
Review a sample of Corporate Risk control measures	20	0	0	Postpone until 2016-17 to allow new Risk Register to embed
Partnerships and Shared Service Monitoring	20	0	0.28	Postpone until future year
Project Management	10	0		Postpone until 2016-17 to accommodate finalisation of 2014-15 WIP
Corporate Advice/SMT	2	2	8.38	Work-in-progress throughout 2015-16
s.151 Officer Meetings and Support	9	9	9.53	Work-in-progress throughout 2015-16
Governance & Audit Committee Meetings and Report Preparation	12	12	12.39	Work-in-progress throughout 2015-16
2016-17 Audit Plan and Preparation Meetings	9	9	3.42	Work-in-Progress
CONTRACT RELATED:				
CSO Compliance	10	10	9.62	Finalised - Reasonable
SERVICE LEVEL:				
Safeguarding Vulnerable Groups	10	10	13.19	Finalised - Limited
2015 Post Election Review	10	10	12.58	Finalised
Food Safety	10	10	6.84	Finalised - Substantial
Health & Safety at Work	10	10	9.40	Finalised – Limited
Business Continuity and Emergency Planning	10	10	9.13	Finalised – Reasonable

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-12-2015	Status and Assurance Level
Events Management	10	0	0	Postpone until 2016-17 to accommodate finalisation of 2014-15 WIP
Museums	10	10	6.53	Finalised - Limited
Commercial Properties and Concessions	10	10	12.34	Finalised – Reasonable/Limited
Planning	10	10	0.17	Work-in-Progress
Visitor Information Arrangements	10	10	11.18	Finalised - Substantial
Refuse Freighter Specification	7	7	5.73	Finalised – Limited
Grounds Maintenance	10	10	0.3	Work-in-Progress
Street Cleansing	10	10	0.17	Work-in-Progress
OTHER :				
Liaison With External Auditors	2	2	0	Work-in-progress throughout 2015-16
Follow-up Reviews	15	15	17.18	Work-in-progress throughout 2015-16
FINALISATION OF 2014-15 AUDITS:				
Days under delivered in 2014-15	0	4.64	0	Completed
Creditors	5	65	7.32	Finalised - Substantial
Dog Warden & Street Scene Enforcement			19.02	Finalised - Limited
Complaints Monitoring			12.54	Finalised - Limited
Insurance and Inventories of Portable Assets			1.82	Finalised - Reasonable
Garden Waste Service			0.95	Finalised – Limited
Your Leisure			12.88	Finalised – Reasonable/No/No
Dalby Square Heritage Grants			0.24	Work-in-Progress
Car Parking and PCNs			0.30	Finalised – Reasonable
Equality and Diversity			0.88	Finalised - Limited
Absence Management			3.23	Finalised – Reasonable/Limited
Community Safety			5.75	Finalised - Substantial
EK HUMAN RESOURCES:				
Recruitment	5	5	0.12	Work-in-Progress
Payroll	5	5	0	Work-in-Progress

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-12-2015	Status and Assurance Level
Employee Health & Safety	5	5	4.73	Finalised - Limited
TOTAL	300	304.64	267.50	89% as at 31-12-2015
ADDITIONAL WORK				
Royal Sands Deposit	0	2	2.08	Finalised
Interreg – PAC2	2	2	2.16	Finalised
HCA Grant	0	3	2.58	Finalised
Supplier Invoice Enquiry	0	7	6.36	Finalised
Payroll – Testing of New System	0	1	0.46	Finalised
Risk Management	50	50	17.66	Work-in-Progress throughout 2015-16
Mortgages	0	2.5	2.37	Finalised - Substantial

EAST KENT HOUSING LIMITED:

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-2015	Status and Assurance Level
Planned Work:				
Audit Ctte/EA Liaison/Follow-up	6	6	14.49	Work-in-Progress throughout 2014-15
Repairs, Maintenance and Void Management	40	41.36	41.04	Finalised - Limited
Sheltered and Supported Housing	34	32.64	32.64	Finalised - Limited
<u>Finalisation of 2014-15 Audits:</u>				
CSO Compliance	0	0	5.53	Finalised – Reasonable Assurance
Days over delivered in 2014-15	0	-0.34	0	Completed
Total	80	79.66	93.7	118% at 31-12-2015
Additional days purchased with EKAP saving from 2014-15	7.31	7.31	7.31	Utilised to Part fund the audit of repairs and maintenance

EK SERVICES:

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-2015	Status and Assurance Level
Planned Work:				
Housing Benefit Appeals	15	5	4.8	Finalised - Substantial
Housing Benefit Discretionary Housing Payments	15	8	7.9	Finalised – Substantial
Business Rate Reliefs	15	15	0.31	Work-in-Progress
Business Rate Credits	15	15	0.33	Work-in-Progress
Debtors	15	15	0.34	Work-in-Progress
ICT – PCI DSS	12	12	6.78	Work-in-Progress
ICT Management and Finance	12	13	0.47	Work-in-Progress
ICT Disaster Recovery	12	12	0.34	Work-in-Progress
Corporate/Committee/follow-up	9	15	11.53	Work-in-progress throughout 2015-16
Quarterly Housing Benefit Testing	40	40	33.77	Work-in-progress throughout 2015-16
<u>Finalisation of 2014-15 audits:</u>				
Finalisation of 2014-15 work-in-	0	0	1.48	Completed

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-2015	Status and Assurance Level
progress				
Days over delivered in 2014-15	-9.79	0	0	Completed
Total	150.21	150.21	68.05	45% as at 31-12-2015

BALANCED SCORECARD – QUARTER 3

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2015-16 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2015-16 Actual</u>	<u>Target</u>
	Quarter 3		Reported Annually		
Chargeable as % of available days	89%	80%	<ul style="list-style-type: none"> • Cost per Audit Day 	£	£321.33
Chargeable days as % of planned days			<ul style="list-style-type: none"> • Direct Costs (Under EKAP management) 	£	£412,450
CCC	87%	75%	<ul style="list-style-type: none"> • Indirect Costs (Recharges from Host) 	£	£11,700
DDC	57%	75%	<ul style="list-style-type: none"> • ‘Unplanned Income’ 	£	Zero
SDC	78%	75%	<ul style="list-style-type: none"> • Total EKAP cost 	£	£424,150
TDC	89%	75%			
EKS	45%	75%			
EKH	118%	75%			
Overall	76%	75%			
Follow up/ Progress Reviews;					
<ul style="list-style-type: none"> • Issued 	36	-			
<ul style="list-style-type: none"> • Not yet due 	27	-			
<ul style="list-style-type: none"> • Now due for Follow Up 	50	-			
Compliance with the Public Sector Internal Audit Standards (PSIAS)	Partial	Full			

BALANCED SCORECARD – QUARTER 3

<u>CUSTOMER PERSPECTIVE:</u>	<u>2015-16 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2015-16 Actual</u>	<u>Target</u>
	Quarter 3			Quarter 3	
Number of Satisfaction Questionnaires Issued;	64		Percentage of staff qualified to relevant technician level	88%	75%
Number of completed questionnaires received back;	20		Percentage of staff holding a relevant higher level qualification	43%	32%
	= 31 %		Percentage of staff studying for a relevant professional qualification	25%	13%
Percentage of Customers who felt that;			Number of days technical training per FTE	3.14	3.5
<ul style="list-style-type: none"> • Interviews were conducted in a professional manner • The audit report was 'Good' or better • That the audit was worthwhile. 	100%	100%	Percentage of staff meeting formal CPD requirements	43%	32%
	100%	100%			
	100%	100%			



AUDIT ASSURANCE

Definition of Audit Assurance Statements

Substantial Assurance

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

Reasonable Assurance

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

Limited Assurance

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

No Assurance

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

REVIEW OF THE EFFECTIVENESS OF THE COUNCIL'S INTERNAL AUDIT ARRANGEMENTS 2015/16

To: **Governance and Audit Committee – 15 March 2016**

Main Portfolio Area: **Finance and Estates**

By: **Director of Corporate Resources**

Classification: **Unrestricted**

Ward: **Not Applicable**

Summary: This report presents the review of the effectiveness of the council's Internal Audit arrangements for 2015/16 as required by The Accounts and Audit Regulations 2011.

For Decision

1. Introduction and Background

1.1 The Accounts and Audit Regulations 2011 impose on councils the need to undertake a regular review of their internal control arrangements; specific requirements are that:

- the findings of the review of the system of internal control are considered by a committee of the relevant body, or by members of the body meeting as a whole. [Regulation 4 refers]
- the effectiveness of their system of internal audit are reviewed at least once a year and for the findings of the review to be considered by a committee of the body, or by the body as a whole, as part of the consideration of the system of internal control referred to in regulation 4. [Regulation 6 refers].

1.2 Subsequent guidance issued by the Department for Communities and Local Government indicates that the actions in paragraph 1.1 above do not require the establishment of an audit committee to undertake the exercise, although such a committee would provide an appropriate means through which to consider the findings of the review. In the case of Thanet District Council this responsibility is within the delegated powers of the Governance and Audit Committee.

1.3 In line with the CIPFA guidance document 'Delivering Good Governance in Local Government' the council is also obliged to publish an Annual Governance Statement (AGS) which accompanies the Annual Accounts. The draft AGS for 2015/16 will be presented to this Committee at the June meeting, with the final document being presented at the September meeting.

1.4 The AGS reflects the council's overall governance arrangements and the effectiveness of these, based on evidence and assurances gained from a number of different sources, which includes information from the East Kent Audit Partnership (EKAP). The review of the effectiveness of the council's internal audit arrangements is therefore very important in order to add credence to the assurances gained from the findings of the Audit Partnership.

1.5 It should be noted that this review is primarily about effectiveness, not process. In essence the need for the review is to ensure that the opinion in the annual report of the internal

auditors may be relied upon as a key source of evidence for the Annual Governance Statement.

1.6 This report presents the findings of the review of the effectiveness of the internal audit arrangements for Thanet District Council for 2015/16.

2. Review of the effectiveness of the internal audit function

2.1 The internal audit function is performed by the East Kent Audit Partnership (EKAP), which provides internal audit services to the councils of Dover, Shepway and Canterbury, as well as to Thanet. As a result of this collaborative approach the partnership is able to be robustly resourced and provides a mechanism for promulgating best practice to the East Kent authorities that use its services.

2.2 The auditors are independent to the management of the council and have direct access to the Chair of the Governance and Audit Committee if required. They provide a regular update to the Committee at each of the quarterly meetings, and attend any special meetings that may be convened during the year.

2.3 As at 31 January 2016 the Internal Auditors completed 301.99 days of review equating to 99% and are likely to achieve circa 100% completion by the end of March 2016. The EKAP undertake a regular schedule of follow up audits to ensure that management have implemented the action plans arising from each audit. Members can see full details within the Internal Audit Annual report which will be presented to this Committee in June.

2.4 The EKAP have met as a team and considered the Public Sector Internal Audit Standards Checklist for compliance. The results of this self-assessment showed that internal audit is currently working towards full compliance and has agreed an action plan to achieve this.

2.5 As part of EKAP's quality monitoring arrangements Members should be aware that following the completion of each audit, a satisfaction questionnaire is completed by the managers of the service that has been audited enabling the officers involved to comment on the conduct and outcome of the audit. This information is used, in part, to inform the self assessment.

2.6 The EKAP Audit Manager and Head of EKAP regularly meet with the Section 151 Officer to monitor performance against the Audit Plan, but also to discuss any matters arising in relation to the performance of the Audit Partnership. Periodically these meetings are attended by External Auditors, so that they are able to gain assurances as to the effectiveness of the process. The Director of Corporate Resources & Section 151 Officer is pleased to be able to provide Members with assurance that in his opinion the Partnership operates to high professional standards, fostering an excellent working relationship with management without fettering the independence needed to be able to take a sufficiently independent perspective.

2.7 In addition to which, feedback from the audits and any other matters arising from the work of the partnership are considered at regular meetings that are held between the Section 151 or Deputy Section 151 Officers of each of the partnering councils and the auditors to manage any issues arising from the process. These meetings provide an additional opportunity to assess whether the internal audit function is operating in an effective manner and is compliant with the requirements of the CIPFA code.

2.8 Given the consistency of evidence of a quality internal audit service and the assessment outcomes referred to above it is believed that the Council has an effective internal audit function in place providing confidence in the context of their contribution to the council's Annual Governance Statement.

3. Options

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

4. Financial implications

- 4.1 There are no financial implications arising from this report.

5. Legal implications

- 5.1 Regulation 4 of the Accounts and Audit (England) Regulations 2011 requires that the findings of the review of the system of internal control shall be considered by a committee of the council, or by the members of the relevant body meeting as a whole, and following that consideration, shall approve a statement on internal control, prepared in accordance with proper practices in relation to internal control.
- 5.2 Regulation 6 requires that the council shall, at least once in each year, conduct a review of the effectiveness of its system of internal audit. The findings of the review must be considered, as part of the consideration of the system of internal control referred to in regulation 4, by the committee or meeting referred to in that paragraph.

6. Equity and Equalities

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

7. Recommendations

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

8. Decision Making Process

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

Contact Officer:	Tim Willis, Director of Corporate Resources DDI 01843 577617
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Corporate Consultation Undertaken:

Finance	Matthew Sanham, Corporate Finance Manager
Legal	Tim Howes, Director of Corporate Governance & Monitoring Officer

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ANNUAL GOVERNANCE STATEMENT ACTION PLAN PROGRESS REPORT

To: **Governance and Audit Committee – 15 March 2016**

By: **Director of Corporate Governance**

Classification: **Unrestricted**

Ward: **Thanet Wide**

Summary: **To provide a progress report on the Annual Governance Statement 2014/15 action plan.**

For Information

1.0 Introduction and Background

1.1 This report provides Governance and Audit Committee with an update on progress in implementing the Annual Governance Statement 2014/15 action plan.

2.0 The Current Situation

2.1 For the period 2014/15, the Council prepared an Annual Governance Statement (AGS) which was agreed by the Governance and Audit Committee on the 24th September 2015.

2.2 Within the Annual Governance Statement 2014/15 areas of concern identified from the numerous assessments into our governance arrangements were detailed as 'Significant Governance Issues'.

2.3 The council proposed to take steps to address these matters and report on the action plan to this committee on a regular basis. The action plan is attached as appendix 1 for Members' information.

3.0 Options

3.1 That Members note the content of annex 1, the Annual Governance Statement 2014/15 action plan and identify any issues where they require more clarification.

4.0 Corporate Implications

4.1 Financial and VAT

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

4.2 Legal

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

4.3 Corporate

4.3.1 The Annual Governance Statement action plan is a corporate document that

addresses the areas of improvement identified as necessary through the Annual Governance Statement process.

4.4 Equity and Equalities

4.4.1 Consideration has been given to the public sector equality duty and the Council's commitment to equal opportunities, elimination of discrimination and the promotion of community cohesion, and it is considered that there are no equalities issues arising directly from this report.

4.4.2. No equalities impact assessment has been carried out as this is not considered to be appropriate or proportionate.

5.0 Recommendation

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

6.0 Decision Making Process

6.1 This is a matter for Governance and Audit Committee.

Contact Officer:	Tim Howes, Director of Corporate Governance
Reporting to:	Madeline Homer, Chief Executive

Annex List

Annex 1	Annual Governance Statement 2014/15 action plan
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Background Papers

Title	Details of where to access copy
None	

Corporate Consultation Undertaken

Finance	Tim Willis, Director of Corporate Resources
Legal	Tim Howes, Director of Corporate Governance
Communications	Hannah Thorpe, Interim Head of Communications

AGS Significant Issue 2014/2015	Suggested Action Heading & (Owner)	Task List	Progress February 2016
	ICT arrangements (Director of Corporate Resources)	<ul style="list-style-type: none"> • Adopt digitalisation strategy • New telephony system • Establish 'intelligent client' • Revised SLA • Rationalise asset base based on consultant recommendations 	<ul style="list-style-type: none"> • Dec 2016 • Sept 2016 • Not possible due to funding constraints. Rely on EKS • Dec 2016 • Consultant employed. Rationalisation long-term plan
<p>Work to improve trust, respect and visibility Develop ways in which political leaders and political groups work together formally and informally. Careful preparation, communication and consultation can often help to navigate through difficult decisions. Building trust and relationships is the key, and senior officers play a key role in this, supporting politicians so that their leadership and their administration can be effective.</p>	(Chief Executive, Director of Corporate Governance)	<ul style="list-style-type: none"> • Revise Member/Officer protocol • Council adopts Member/Officer protocol • Train Members/Officers in new protocol • Review Dem Services to provide focussed support to councillors • Deliver major decisions effectively 	<ul style="list-style-type: none"> • Completed • Feb 2016 • Post-Feb 2016 • Structure agreed, new roles evaluated. • This will be assessed during the year
<p>Develop and then implement our understanding of appropriate member and officer roles in a strong organisation We need to develop our understanding about the way in which leading politicians and senior managers can work effectively together.</p>	Director of Corporate Governance	<ul style="list-style-type: none"> • Draft Revised Constitution • Review levels of delegation and empowerment • Train in scheme of delegation & roles/responsibilities • Incorporate revised sanctions • Engage with Group Leaders 	<ul style="list-style-type: none"> • Agreed Feb 2016 • Agreed Feb 2016 • Post Feb 2016 • Completed • Feb 2016

AGS Significant Issue 2014/2015	Suggested Action Heading & (Owner)	Task List	Progress February 2016
<p>There is a lack of clarity about the boundaries between political and managerial responsibilities. Our ambitious agenda will be supported by strengthening the top management team. We have critical vacancies to fill and a restructure to complete. We need to consider ways in which to empower and delegate more decisions to staff and add to our workforce development strategy.</p>	<p>Workforce Development strategy (Director of Corporate Resources)</p>	<ul style="list-style-type: none"> • Appoint Dir Corp Gov; Dir Cty Svcs; Head of Fin Svcs; Head of Op Svcs; Head of Legal Svcs • Reorganisations following appointments • Review ED team in light of new priorities • Develop vision for future workforce • Collect workforce data • Define workforce gap • Define workforce plan 	<ul style="list-style-type: none"> • Head of Financial Services recruitment on-going • Agreed Member/Officer protocol • On-going • Subject to new Director • June 2016 • June 2016 • Linked to vision • Linked to vision
<p>Clear messages – well communicated We have many strengths in the council in which we should take pride and which could take centre stage if our reputation improved. Above all, we need to take time to communicate and celebrate the council’s achievements, this is important to the staff who make things happen</p>	<p>(Chief Executive, Director of Corporate Resources)</p>	<ul style="list-style-type: none"> • Restructure Communications team • Draft revised communications strategy • Define key stakeholders • Consult with staff and key stakeholders • Develop stakeholder engagement plan • New Staff newsletter 	<ul style="list-style-type: none"> • Completed • Sept 2016 • Completed • On-going • On-going • Completed
<p>Information Governance</p>	<p>Refresh TDC Approach to Information Governance (Dir. Of Corporate Governance)</p>	<ul style="list-style-type: none"> • Raise profile of Information Governance • Secure appropriate resources • Review Policies and Procedures • Create action plan • Secure appropriate training including e-learning • Update policies • Learn from other authorities • Use induction training 	<ul style="list-style-type: none"> • Begun with CMT/Ho Service • Identified but not agreed • On-going with CIGG • Begun • On-going • On-going • Working with CIGG • On-going

AGS Significant Issue 2014/2015	Suggested Action Heading & (Owner)	Task List	Progress February 2016
Equalities and Diversity and our delivery of the public sector equality duty	(Director of Corporate Governance)	<ul style="list-style-type: none"> Review policies CMT appoint equality and diversity champion Refresh section champions Report to CMT on compliance with PSED and action plan Obtain data on discrimination complaints and publish with equality data Publish EIA's where appropriate Ensure publication of all required data annually Agree training plan including e-learning Use surveys and the collected data Use induction training Review Information and Service delivery strategy 	<ul style="list-style-type: none"> Underway Completed Agreed by CMT Jan 16 revised action plan on website Data published on website on-going on-going tbc tbc Completed tbc
Workplace Risk Assessments	All Service Heads	<ul style="list-style-type: none"> Raise with Managers at Forum and ensure report back on progress Encourage training including e-training Report on progress 	<ul style="list-style-type: none"> Via e-learning on TOM Monitored by CMT Monitored by CMT
Review the delivery of the staff induction process	(Director of Corporate Resources)	<ul style="list-style-type: none"> Look at corporate programme for shared learning Include Information Management and Equalities/Diversity 	<ul style="list-style-type: none"> Use reported to CMT March 16
Staff exceeding contracted hours	All Service Heads	<ul style="list-style-type: none"> Raise with Manager's at forum Report from EKS 	<ul style="list-style-type: none"> Providing advice/guidance tbc

THE LOCAL CODE OF CORPORATE GOVERNANCE AND GOVERNANCE FRAMEWORK

To: **Governance and Audit Committee – 15 March 2016**

By: **Director of Corporate Governance**

Classification: **Unrestricted**

Ward: **All**

Summary: **The purpose of the report is to update the Local Code of Corporate Governance and governance Framework documents.**

For Decision

1.0 Introduction and Background

1.1 This report provides the annual review for the Governance Framework and Local Code of Corporate Governance.

2.0 The Current Situation

2.1 The Governance Framework (version 10) has been reviewed and is attached at annex 1.

2.2 The Local Code of Corporate Governance (version 10) has been reviewed and is attached at annex 2.

2.3 Following approval of the reviewed documents they will be published on the council's website.

3.0 Options

3.1 That Members approve the reviewed Governance Framework (annex 1) and Local Code of Corporate Governance (annex 2) as drafted.

3.2 That Members review and make changes to the draft Governance Framework and Local Code of Corporate Governance.

4.0 Corporate Implications

4.1 Financial and VAT

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

4.2 Legal

4.2.1 Local Authorities must be able to demonstrate compliance with the statutory principles of good governance. Local government has been undergoing significant change and the environment in which it works is increasing in complexity. Good

governance enables an authority to pursue its vision effectively as well as underpinning that vision with control and the management of risk.

4.3 Corporate

4.3.1 The documents covered within this report contribute to the council's governance arrangements that lead to good management, good performance and good financial controls and enable us to engage with the public and ultimately demonstrate good outcomes for our community.

4.3.2 Failure to undertake these processes or review the attached document will impact on the council's approach to corporate governance, and our ability to demonstrate compliance with our own corporate processes.

4.4 Equity and Equalities

4.4.1 There are no equity or equalities issues arising from this report. There are no specific impacts on those with protected characteristics. An EIA has not been undertaken.

5.0 Recommendation

5.1 That Members approve the reviewed Governance Framework and Local Code of Corporate Governance (annexes 1 and 2).

6.0 Decision Making Process

6.1 These recommendations may be taken by the Governance and Audit Committee.

Contact Officer:	Tim Howes, Director of Corporate Governance
Reporting to:	Madeline Homer, Chief Executive

Annex List

Annex 1	Governance Framework (version 10)
Annex 2	Local Code of Corporate Governance (version 10)

Background Papers

Title	Details of where to access copy
None	

Corporate Consultation Undertaken

Finance	Tim Willis, Director of Corporate Finance
Legal	Tim Howes, Director of Corporate Governance
Communications	Hannah Thorpe, Interim Head of Communications

Thanet District Council

Governance Framework

Version 910
~~December~~ March ~~2016~~14



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Thanet District Council would like to acknowledge CIPFA / SOLACE in providing the 'Delivering Good Governance in Local Government' framework and guidance documents

Foreword

Good governance is important to all officers and members of Thanet District Council. It is a key responsibility for the Leader and Chief Executive, and it is also important for other Members of Cabinet, full Council and ~~Senior Corporate~~ Management Team, and in particular the Governance and Audit Committee who are responsible for monitoring and providing assurance on our governance arrangements.

Good management, good performance and good financial controls all lead to good governance, and enable us to engage with our public and ultimately demonstrate good outcomes for our community. We can pursue our ambitions as set out in the Corporate Plan ~~20152~~ - ~~20196~~ effectively, whilst demonstrating our governance principles and management processes through the Local Code of Corporate Governance.

The Local Code of Corporate Governance has been prepared in line with principles of the CIPFA / SOLACE framework Delivering Good Governance in Local Government, and will be reported on through an Annual Governance Statement showing the effectiveness of our current arrangements and any improvements that can be made for the future.

| Councillor ~~His Honour~~ Chris Wells
Leader of the Council

Madeline Homer
| ~~Acting~~ Chief Executive

Introduction

Governance is about how we ensure that we are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Good governance leads to:

- effective leadership
- good management,
- good performance,
- good stewardship of public money,
- good public engagement and,
- ultimately, good outcomes for our citizens and service users.

Good governance enables us to pursue our vision and corporate objectives effectively as well as underpinning these with mechanisms for the control and management of risk. Governance must be owned by all stakeholders, including senior management and members, thus forming the intrinsic core of the council. It should remain embedded in the culture of the council and applied within a transparent framework of legislative requirements, governance principles and management processes.

The Local Code defines the principles that underpin the governance of this authority. We will test our arrangements by:

- Reviewing our existing governance arrangements against the Local Code.
- Maintaining an up-to-date Local Code of Corporate Governance, including arrangements for ensuring its ongoing application and effectiveness.
- On an annual basis, prepare an Annual Governance Statement in order to report publicly on the extent to which we comply with the Local Code, including how we have monitored the effectiveness of our governance arrangements in the year, and on any planned changes in the coming period.

Principles behind Governance

The Cadbury Report (1992) identified three fundamental principles of corporate governance as:

Openness: An open approach is required to ensure all interested parties are confident in the organisation itself. Being open in the disclosure of information leads to effective and timely action and lends itself to necessary scrutiny.

Integrity: This is described as both straightforward dealing and completeness. It should be reflected in the honesty of an organisation's annual report and its portrayal of a balanced view. The integrity of reports depends on the integrity of those who prepare and present them which, in turn, is a reflection of the professional standards within the organisation.

Accountability: This is the process whereby individuals are responsible for their actions. It is achieved by all parties having a clear understanding of those responsibilities, and having clearly defined roles through a robust structure.

The Cadbury report defined these three principles in the context of the private sector, and, more specifically, of public companies, but they are as relevant to public service bodies as they are to private sector entities.

The Nolan Committee (1995)

The Seven Principles were established in the Committee's First Report in 1995; the descriptors were revised following a review in the Fourteenth Report, published in January 2013.

The Seven Principles of Public Life apply to anyone who works as a public office-holder. This includes all those who are elected or appointed to public office, nationally and locally, and all people appointed to work in the civil service, local government, the police, courts and probation services, NDPBs, and in the health, education, social and care services. All public office-holders are both servants of the public and stewards of public resources. identified and defined seven general principles of conduct which should underpin public life, and recommended that all public service bodies draw up codes of conduct incorporating these principles. These principles of public life are:

Selflessness: Holders of public office should act solely in terms of the public interest. Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

Integrity:

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships. Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

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Objectivity:

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias. In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

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Accountability:

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this. Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

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Openness:

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing. Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and actions and restrict information only when the wider public interest clearly demands.

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Honesty: ~~Holders of public office should be truthful. Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.~~

Leadership:

~~Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs. Holders of public office should promote and support these principles by leadership and example.~~

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~~**The Relevant Authorities (General Principles) order 2001** outlined three additional principles of conduct to those identified by the Nolan Committee:~~

~~**Respect for others:** Holders of public office should promote equality by not discriminating unlawfully against any person, and by treating people with respect, regardless of their age, religion, gender, sexual orientation or disability. They should respect the impartiality and integrity of the authority's statutory officers and its other employees.~~

~~**Duty to uphold the law:** Holders of public office should uphold the law, and on all occasions, act in accordance with the trust that the public is entitled to place in them.~~

~~**Stewardship:** Holders of public office should do whatever they are able to do to ensure that their authorities use their resources prudently and in accordance with the law.~~

Effective Governance

An effective governance framework will demonstrate the following attributes:

- A clear vision of our purpose and intended outcomes for citizens and service users that is clearly communicated, both within the council and externally.
- Arrangements are in place to review our vision and its implications for our governance arrangements.
- Arrangements exist for measuring the quality of services for users, for ensuring they are delivered in accordance with our objectives and for ensuring that they represent the best use of resources.
- The roles and responsibilities of the executive, non-executive, scrutiny and officer functions are clearly defined and documented, with clear delegation arrangements and protocols for effective communication.
- Codes of conduct defining the standards of behaviour for members and staff are in place, conform with appropriate ethical standards, and are communicated and embedded across the organisation.
- Standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which are reviewed and updated as

appropriate, clearly define how decisions are taken and the processes and controls required to manage risks.

- The core functions of the Governance and Audit Committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities and Police (201305)*, are undertaken by members.
- Arrangements exist to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. All reports are considered for legal issues before submission to members.
- Arrangements for whistleblowing and for receiving and investigating complaints from the public are in place and are well publicised.
- Arrangements exist for identifying the development needs of members and senior officers in relation to their strategic roles, and are supported by appropriate training.
- Clear channels of communication have been established with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- Governance arrangements with respect to partnerships and other group working are reflected in the authority's overall governance arrangements.

Annual Governance Statement

Members, the Chief Executive, Directors, ~~the Monitoring Officer~~, Internal Audit and managers across the authority will have a role to play in this process. The overall assurance given is not a pass or fail. It is a narrative statement pointing to the council's strengths and weaknesses.

The Annual Governance Statement will include the following information:

- an acknowledgement of our responsibility for ensuring there is a sound system of governance (incorporating the system of internal control);
- an indication of the level of assurance that the systems and processes that comprise our governance arrangements can provide;
- a brief description of the key elements of our governance framework, including reference to group activities where those activities are significant;
- a brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements;
- an acknowledgement of the improvements that have been undertaken during the year;
- a plan of proposed actions to be taken, to deal with any significant governance issues.

Completion of the statement should flow from the normal business planning and review processes of the council, Governance and Audit Committee, Standards Committee, Overview and Scrutiny Panel and the planned work of Internal Audit. The Service Plan is one of the central mechanisms for each Director managing their own area of activity and therefore sits at the centre of the governance process.

Governance is integral to the whole business management process and not an add-on. Hence it uses existing documents and procedures and the risks and control framework. In particular, it links to performance reporting as good governance promotes good service but poor service performance reflects a failure of governance. Effective internal controls are an important part of the governance process. Through their audit assurance work, Internal Audit will provide an opinion on the effectiveness of the systems of internal control.

Annual Governance Statement Preparation

The Annual Governance Statement that the Leader and Chief Executive will be required to sign will be compiled from the following:

Internal Control Opinion

The Assurance Statement from the East Kent Audit Partnership, which will be compiled from the following evidence:

- The Internal Audit review of this council's governance arrangements;
- The Assurance Framework, built from the audit assurance statements on individual audits; and
- An assessment of the control and risk framework.

Governance and Internal Control Framework

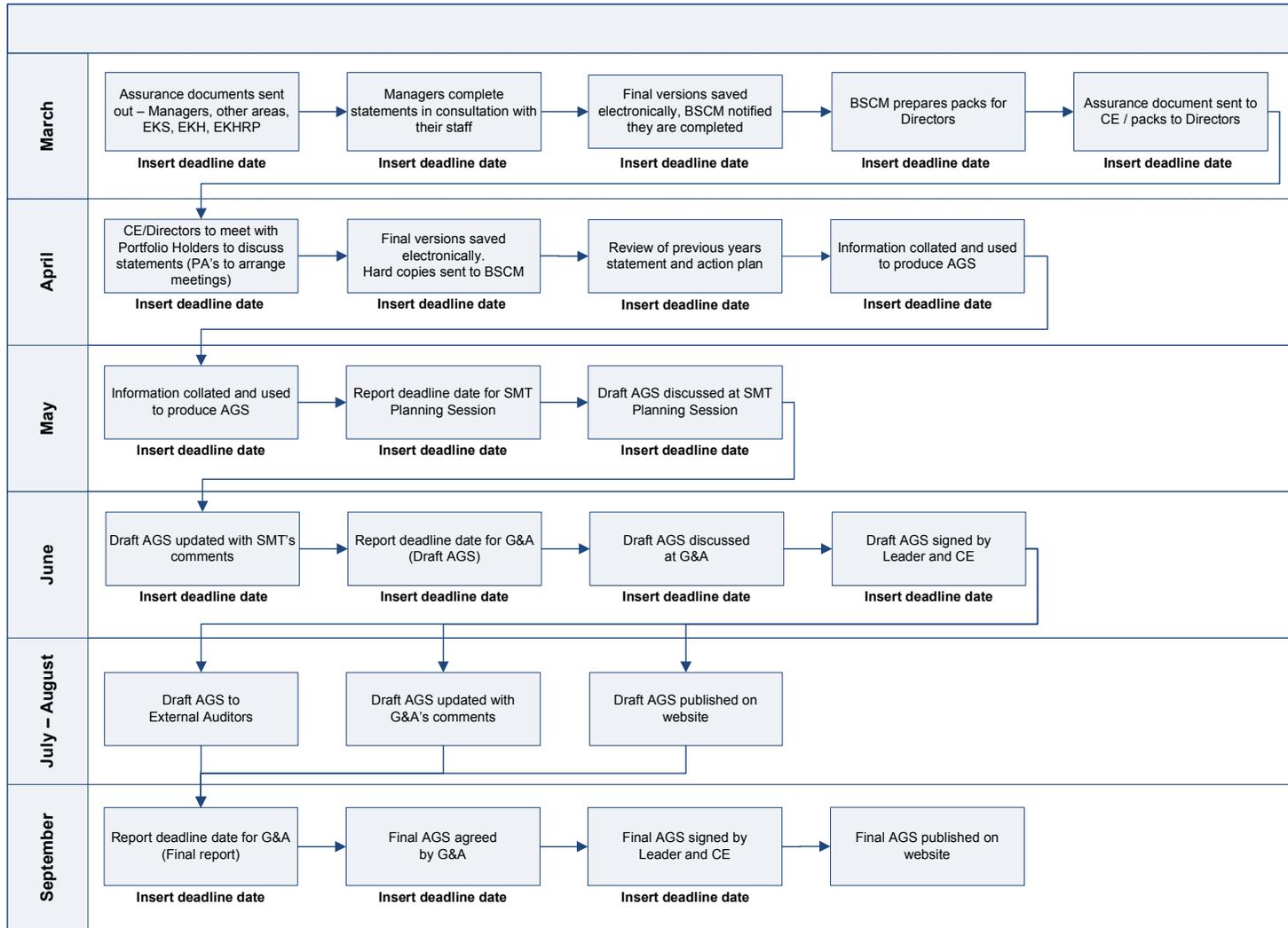
- Comments and recommendations from the Monitoring Officer and Section 151 Officer who have responsibility to oversee the operation of the governance framework and the Local Code of Corporate Governance; and contribute to the annual assessment process.
- Confirmation from Directors and Managers via an evidenced Managers Assurance Statement which has been discussed and approved by the Portfolio Holder.
- The Annual Reports from the Standards Committee, Overview and Scrutiny Panel and Governance and Audit Committee.
- The ~~Legal Services Manager~~ **Director of Corporate Governance** (Monitoring Officer) and ~~Democratic Services and Scrutiny Committee Services~~ **Manager** on the council's annual review of the Constitution. Formatted: Highlight
- The annual statement of the council's Monitoring Officer giving an opinion on the council's compliance with relevant laws and regulations, and its legal obligations and requirements.
- The annual statement of the Head of East Kent HR giving an opinion on compliance with policies and procedures with regard to the management of staff, staff conduct and ethical standards, sickness levels, training and health and safety.
- The annual statement of the ~~Technical Finance Manager~~ **Director of Corporate Resources** giving an opinion on compliance with the council's Risk Management Strategy. Formatted: Highlight
- The Director of Corporate Resource's (Section 151 Officer) review of the Effectiveness of the council's Internal Audit arrangements

The Monitoring Officer and the S151 Officer will review the internal control opinion and principles framework evidence, including service assurance statements, the audit review of Corporate Governance, the Constitutional review, performance reporting, risk management arrangements and the individual audit and risk management assessments. This will ensure that all the necessary evidence is in place, there is consistency of reporting and that suitable action is being taken to address weaknesses.

The Draft Annual Governance Statement will be prepared, based on the internal control framework, core and supporting principles, internal and external reviews and audit evidence provided. This will be considered by the Senior Management Team, and then Governance and Audit Committee will provide the final review, evaluation and approval for signature by the end of June.

The Governance and Audit Committee will monitor the overall governance process and ensure that the process is robust and agreed actions identified are properly implemented. The final Annual Governance Statement will then be signed before the end of September by the Leader and Chief Executive based on a clear evidence trail.

Annual Governance Statement / Assurance gathering Process and Timetable



Annual Review and Reporting

The ~~Section 151 Officer and~~ Monitoring Officer has~~ve~~ been given responsibility to oversee the implementation and monitor the operation of the Local Code of Corporate Governance, and through Corporate Management Team and the East Kent Audit Partnership will periodically review these arrangements and each will contribute to the annual assessment process. The review of our governance arrangements is an ongoing process.

Annually, there will be a review of the effectiveness of the council's system of internal control, which shall inform the Annual Governance Statement, which the Leader and Chief Executive will be required to sign.

The outcome of the annual review is reported internally to the Governance and Audit Committee, and externally through the Annual Governance Statement accompanying the published accounts, this provides an assurance that:

- governance arrangements are adequate and operating effectively in practice, and
- where the review has revealed gaps, action is planned that will ensure effective governance in future.

Following the annual review of the Governance Framework and Local Code of Corporate Governance all members and officers of the council will be notified through appropriate means, such as members briefings and staff development sessions, as examples.

Document History

Version	Date	Agreed by	Minute ref
V1	10 Nov 2004 20 Jan 2005 17 Feb 2005	Cabinet Standards Council	CR/74 75 84
V2	5 Nov 2007 12 Dec 2007 31 Jan 2008 21 Feb 2008	Governance Group Governance and Audit Committee Cabinet Council	GG/07-08/4 R189 C16 86
V3	10 Nov 2008 9 Dec 2008 12 Mar 2009 23 Apr 2009	Governance Group Governance and Audit Committee Cabinet Council	Gov05 (10/11/08) R191 54 30.
V4	16 Nov 2009 8 Dec 2009	Governance Group Governance and Audit Committee	Gov07 51.
V5	7 Dec 2010 13 Jan 2011	Governance Group Governance and Audit Committee	GOV04 117b
V6	8 Nov 2011 13 Dec 2011	Governance Board Governance and Audit Committee	6. 200.
V7	22 Nov 2012 11 Dec 2012	Senior Management Team Governance and Audit Committee	N/A 262.
V8	11 Dec 2013	Governance and Audit Committee	
V9	12 Dec 2014	Governance and Audit Committee	
V10	// March 2016	Governance and Audit Committee	

Governance Framework

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Thanet District Council

Local Code of Corporate Governance

Version 109
~~December~~ March 2016~~14~~



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Thanet District Council would like to acknowledge CIPFA / SOLACE in providing the 'Delivering Good Governance in Local Government' framework and guidance documents

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

Supporting Principle: exercise strategic leadership by developing and clearly communicating the authority's purpose, vision and its intended outcome for citizens and service users.	
The council is required to:	We will do this through the following:
<ul style="list-style-type: none"> develop and promote the authority's purpose and vision 	<ul style="list-style-type: none"> Annual performance report Corporate Plan 2015 to 2019 Corporate Values 2015 to 2019 East Kent Chief Executives Individual service collaboration agreements and supporting SLA's for all East Kent Shared Services Managers Forum Local Code of Corporate Governance Medium Term Financial Plan Partnership Framework Service plans State of the District report Statement of Accounts Thanet Community Safety Plan Core values and behaviours Thanet Vision 2030 'Your Services – Your Council Tax' publication
<ul style="list-style-type: none"> review on a regular basis the authority's vision for the local area and its implications for the authority's governance arrangements 	
<ul style="list-style-type: none"> ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners 	
<ul style="list-style-type: none"> publish annual accounts on a timely basis to communicate the authority's activities and achievements, its financial position and performance 	
Supporting principle: ensure that users receive a high quality of service whether directly, or in partnership or by commissioning	
The council is required to:	We will do this through the following:
<ul style="list-style-type: none"> decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available 	<ul style="list-style-type: none"> Annual performance report Appraisal process Corporate Performance Review Working Party Customer feedback system Customer service standards Monthly performance monitoring Performance BoardCorporate Performance Review Working Party Performance Management Framework CorporateSenior Management Team Service plans
<ul style="list-style-type: none"> put in place effective arrangements to identify and deal with failure in service delivery 	
Supporting principle: ensure that the authority makes best use of resources and that tax payers and service users receive excellent value for money	
The council is required to:	We will do this through the following:
<ul style="list-style-type: none"> decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively 	<ul style="list-style-type: none"> Annual Audit Letter (External Audit) Audit reports Business Transformation programme Capital Investment Strategy Corporate Performance Review Working Party Corporate report consultation process External Funding Protocol Capital bids and programme Contract Standing Orders
<ul style="list-style-type: none"> ensure that timely, accurate and impartial financial advice and information is provided to assist in decision making and to ensure that the authority meets its policy and service objectives and provides effective 	

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<p>stewardship of public money and value for money in its use</p> <ul style="list-style-type: none"> • ensure that the authority maintains a prudential financial framework; keeps its commitments in balance with available resources; monitors income and expenditure levels to ensure that this balance is maintained and takes corrective action when necessary • ensure compliance with CIPFA's Code on a Prudential Framework for Local Authority Capital Finance and CIPFA's Treasury Management Code 	<ul style="list-style-type: none"> ▪ Financial Procedure Rules ▪ Medium Term Financial Plan ▪ Performance Board ▪ Performance reporting ▪ Treasury Management Strategy ▪ Value for Money audits
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2. Members and officers working together to achieve a common purpose with clearly defined functions and roles

<p>Supporting principle: ensure the effective leadership throughout the authority and being clear about Executive and Non-Executive functions and of the roles and responsibilities of the Scrutiny function</p>	
<p>The council is required to:</p> <ul style="list-style-type: none"> ▪ set out a clear statement of the respective roles and responsibilities of the Executive and of the Executive's Members individually and the authority's approach towards putting this into practice ▪ set out a clear statement of the respective roles and responsibilities of other authority members, members generally, senior officers and of the leadership team and its members individually ▪ ensure that the CFO reports directly to the chief executive and is a member of the leadership team with a status at least equivalent to other members. If different organisational arrangements are adopted, explain the reasons publicly, together with how these deliver the same impact 	<p>We will do this through the following:</p> <ul style="list-style-type: none"> ▪ Chief Executive Officer chairs Corporate Management Team meetings ▪ Chief Executive Officer job description ▪ Committee terms of reference ▪ Constitution including recent revisions ▪ Member/Officer Protocol ▪ Job descriptions / specifications ▪ Publication of Corporate Management Team pay and member allowances ▪ Record of decision making and supporting materials ▪ CMT Structure ▪ Training Development Plan for members
<p>Supporting principle: ensure that a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard</p>	
<p>The council is required to:</p> <ul style="list-style-type: none"> ▪ determine a Scheme of Delegation and reserve powers within the Constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required ▪ make a Chief Executive or equivalent responsible and accountable to the authority for all aspects of operational management ▪ ensure that the authority's governance arrangements allow the CFO direct access 	<p>We will do this through the following:</p> <ul style="list-style-type: none"> ▪ Annual review of the effectiveness of the council's internal audit arrangements report ▪ Budget monitoring process ▪ Chief Executive Officer chairs Corporate Management Team meetings ▪ Codes of Conduct ▪ Constitution ▪ Contract with East Kent Audit Partnership ▪ Core values and behaviours ▪ Corporate Structure ▪ Member/Officer Protocol ▪ Financial Procedure Rules

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<p>to the CEO and to other leadership team members</p>	<ul style="list-style-type: none"> ▪ Financial Risk Assessment ▪ Gifts and hospitality registers ▪ Internal Audit Plan ▪ Internal Audits of financial systems ▪ Job descriptions / specifications ▪ Local Code of Corporate Governance ▪ Member / officer protocol ▪ Monitoring Officer provision ▪ Officer Employment Procedure Rules ▪ Performance management system ▪ Performance reporting ▪ Register of Interests ▪ Reports to members / officers on financial matters ▪ Scheme of Delegation ▪ Section 151 provision ▪ CMT/Cabinet ▪ Standing Orders ▪ Statutory reports ▪ Training and Development Plan for members ▪ Whistleblowing Code ▪ Declarations of interests for Members and Officers 	
<ul style="list-style-type: none"> ▪ develop protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained 		
<ul style="list-style-type: none"> ▪ make a senior officer (the Section 151 Officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control 		
<ul style="list-style-type: none"> ▪ appoint a professionally qualified CFO whose core responsibilities include those set out in the Statement on the Role of the CFO in Local Government and ensure that they are properly understood throughout the authority 		
<ul style="list-style-type: none"> ▪ ensure that the CFO: <ul style="list-style-type: none"> ▪ leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively ▪ has a line of professional accountability for finance staff throughout the organisation 		
<ul style="list-style-type: none"> ▪ ensure that budget calculations are robust and reserves adequate, in line with CIPFA's guidance 		
<ul style="list-style-type: none"> ▪ ensure that appropriate management accounting systems, functions and controls are in place so that finances are kept under review on a regular basis. These systems, functions and controls should apply consistently to all activities including partnerships arrangements, outsourcing or where the authority is acting in an enabling role 		
<ul style="list-style-type: none"> ▪ make a senior officer (usually the Monitoring Officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with 		
<p>Supporting principle: ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of the other</p>		
<p>The council is required to:</p>		<p>We will do this through the following:</p>
<ul style="list-style-type: none"> • develop protocols to ensure effective communication between members and officers in their respective roles 	<ul style="list-style-type: none"> ▪ Annual budget and Council Tax consultation ▪ Appraisal process ▪ Budget monitoring ▪ Collaboration agreements and supporting SLA's 	
<ul style="list-style-type: none"> • set out the terms and conditions for remuneration of members and officers and an effective structure for managing the 		

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<p>process, including an effective remuneration panel (if applicable)</p>	<ul style="list-style-type: none"> ▪ Core values and behaviours ▪ Corporate Plan ▪ East Kent HR system / i-Trent ▪ East Kent HR Service Level Agreements ▪ Local indicators ▪ Medium Term Financial Plan ▪ Member / officer protocol ▪ Partnership Framework ▪ Partnership Register ▪ Pay and conditions policies and practices ▪ Performance Management Framework ▪ Performance reporting ▪ Public consultation ▪ Service plans ▪ Thanet Vision 2030
<ul style="list-style-type: none"> • ensure that effective mechanisms exist to monitor service delivery 	
<ul style="list-style-type: none"> • ensure that the organisation’s vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated 	
<ul style="list-style-type: none"> • establish a medium term business and financial planning process to deliver strategic objectives including: <ul style="list-style-type: none"> • a medium terms financial strategy to ensure sustainable finances • a robust annual budget process that ensures financial balance • a monitoring process that enables this to be delivered 	
<ul style="list-style-type: none"> • ensure that these are subject to regular review to confirm the continuing relevance of assumptions used 	
<ul style="list-style-type: none"> • when working in partnership, ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority 	
<ul style="list-style-type: none"> • when working in partnership: <ul style="list-style-type: none"> ○ ensure that there is clarity about the legal status of the partnership ○ ensure that representatives of organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions 	

3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

<p>Supporting principle: ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance</p>	
<p>The council is required to:</p> <ul style="list-style-type: none"> • ensure that the authority’s leadership sets a tone for the organisation by creating a climate of openness, support and respect • ensure that standards of conduct and personal behaviour expected of members and staff, or work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols 	<p>We will do this through the following:</p> <ul style="list-style-type: none"> ▪ Annual Governance Statement ▪ Anti-Fraud and Corruption Policy ▪ Appraisal process ▪ Codes of Conduct ▪ Contract Standing Orders ▪ Core values and behaviours ▪ Customer feedback system ▪ Declaration of interest protocols ▪ Financial regulations ▪ Gifts and hospitality registers

<ul style="list-style-type: none"> put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice 	<ul style="list-style-type: none"> Leadership programme Member / officer protocol Pay Policy statement and Transparency rules Performance management system Corporate Management Team Standards Committee Standing Orders Training and Development Plans for members Whistleblowing Code
<p>Supporting principle: ensuring that organisational values are put into practice and are effective</p>	
<p>The council is required to:</p>	<p>We will do this through the following:</p>
<ul style="list-style-type: none"> develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations, and communicate these with members, staff, the community and partners 	<ul style="list-style-type: none"> Appraisal process Approved procedures and policies Audit reports Codes of Conduct Committee terms of reference Core values and behaviours Financial Procedure Rules Independent chair of Standards Internal audit check of compliance and approved procedures and policies Kent Compact Partnership Framework Managers Forum Member/Officer protocol Pay Policy Statement and Transparency Code Professional body guidance documents (eg CIPFA) Regular reporting to the council Report template Staff and member development briefings Staff consultations Standards Committee annual report Thanet Compact
<ul style="list-style-type: none"> put in place arrangements to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice 	
<ul style="list-style-type: none"> ensure that systems and processes for financial administration, financial control and protection of the authority's resources and assets are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice 	
<ul style="list-style-type: none"> develop and maintain an effective Standards Committee 	
<ul style="list-style-type: none"> use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority 	
<ul style="list-style-type: none"> in pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively 	

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4. Taking informed and transparent decisions which are subject to effective Scrutiny and managing risk

<p>Supporting principles: being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny</p>	
<p>The council is required to:</p>	<p>We will do this through the following:</p>
<ul style="list-style-type: none"> develop and maintain an effective Scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible 	<ul style="list-style-type: none"> Annual review of the effectiveness of the Governance and Audit Committee and Annual Report Codes of Conduct Customer feedback system

<ul style="list-style-type: none"> ensure an effective internal audit function is resourced and maintained 	<ul style="list-style-type: none"> Decision making protocols Declaration of interest protocols East Kent Audit Partnership's Balanced Scorecard Governance and Audit Committee terms of reference Overview and Scrutiny Panel annual report Record of decision making and supporting materials Regular meetings between Chief Executive and External Audit Regular meetings between Director of Corporate Resources and Internal Audit Regular pre-meets between Chief Executive and Chair of Governance and Audit Committee Report of Ombudsmen findings Risk Management system Scrutiny Panel reports, minutes and working group papers Training Development Plan for members and officers Learning from complaints and comments
<ul style="list-style-type: none"> develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based 	
<ul style="list-style-type: none"> put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice 	
<ul style="list-style-type: none"> develop and maintain an effective Audit Committee which is independent of the Executive and Scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee 	
<ul style="list-style-type: none"> ensure that the authority's governance arrangements allow the CFO direct access to the audit committee and external audit 	
<ul style="list-style-type: none"> ensure that effective, transparent and accessible arrangements are in place for dealing with complaints 	
<p>Supporting principle: having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants / needs</p>	
<p>The council is required to:</p>	
<ul style="list-style-type: none"> ensure that those making decisions whether for the authority or the partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications 	<p>We will do this through the following:</p> <ul style="list-style-type: none"> Approved procedures and policies Article 12 – Officers Budget and Policy Framework Procedure Rules Budget monitoring Financial Procedure Rules Medium Term Financial Plan Member / officer protocol Partnership Framework Performance Board Performance reporting Report template Use of 'legal' and 'financial' implications in report
<ul style="list-style-type: none"> ensure the provision of clear, well presented, timely, complete and accurate information and reports to budget managers and senior officers on the budgetary and financial performance of the authority 	
<ul style="list-style-type: none"> ensure that proper professional advice on matters that have legal and financial implications is available and recorded well in advance of decision making and used appropriately 	
<ul style="list-style-type: none"> ensure the authority's governance arrangements allow the CFO to bring influence to bear on all material decisions 	
<ul style="list-style-type: none"> ensure that advice is provided on the levels of reserves and balances in line with good practice guidelines (LAAP – Local Authority Reserves and Balances) 	
<p>Supporting principle: ensuring that an effective risk management system is in place</p>	
<p>The council is required to:</p>	
<ul style="list-style-type: none"> ensure that risk management is embedded into the culture of the authority, with members and managers at all levels 	<p>We will do this through the following:</p> <ul style="list-style-type: none"> Annual Audit Letter (External Audit) Annual Governance Statement Annual Internal Audit Report

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<p>recognising that risk management is part of their jobs</p> <ul style="list-style-type: none"> ensure the authority's arrangements for financial and internal control and for managing risk are addressed in annual governance reports ensure the authority puts in place effective internal financial controls covering codified guidance, budgetary systems, supervision, management review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorisation and approval process ensure that effective arrangements for whistleblowing are in place to which officers, staff and all those contracting with or appointed by the authority have access 	<ul style="list-style-type: none"> Authorised Signatory process Budget management devolvement Core values and behaviours Financial Procedure Rules Financial Services Team structure Medium Term Financial Plan Procurement Strategy Risk Management Process Risk Management Strategy Corporate Senior Management Team Treasury Management Strategy Up to date risk register Whistleblowing Code
<p>Supporting principle: using their legal powers to the full benefit of the citizens and communities in their area</p>	
<p>The council is required to:</p> <ul style="list-style-type: none"> actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise their powers to the full benefit of their communities recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on authorities by public law observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of administrative law - rationality, legality and natural justice - into their procedures and decision making process 	<p>We will do this through the following:</p> <ul style="list-style-type: none"> Constitution Job descriptions / specifications Monitoring Officer provision Sign off for committee reports by legal and finance Section 151 provision Scheme of Delegations Standing Orders

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

<p>Supporting principle: making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles</p>	
<p>The council is required to:</p> <ul style="list-style-type: none"> provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority 	<p>We will do this through the following:</p> <ul style="list-style-type: none"> Appointment process Appraisal process Director of Corporate Resources job description Competency Framework Continual Professional Development Financial Procedure Rules Financial Services Team structure Induction programme

<ul style="list-style-type: none"> ensure the CFO has the skills, knowledge, experience and resources to perform effectively in both the financial and non financial areas of their role 	<ul style="list-style-type: none"> Job descriptions / specifications Personal Development Plans Post Entry Training Service plans Staff and member development briefings Talent management programme Training Development Plan for members and officers
<ul style="list-style-type: none"> review the scope of the CFO's other management responsibilities to ensure financial matters are not compromised 	
<ul style="list-style-type: none"> provide the finance function with the resources, expertise and systems necessary to perform its role effectively 	
<p>Supporting principle: developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group</p>	
<p>The council is required to:</p> <ul style="list-style-type: none"> assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively 	<p>We will do this through the following:</p> <ul style="list-style-type: none"> Appraisal process Financial Procedure Rules Governance and Audit Committee training sessions
<ul style="list-style-type: none"> embed financial competencies in person specifications and appraisals 	<ul style="list-style-type: none"> Job description template Member role descriptions Performance management system Training Development Plan for members and officers
<ul style="list-style-type: none"> ensure that councillors' roles and responsibilities for monitoring financial performance/budget management are clear, that they have adequate access to financial skills and are provided with appropriate financial training on an ongoing basis to help them discharge their responsibilities 	
<ul style="list-style-type: none"> develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed 	
<ul style="list-style-type: none"> ensure that effective arrangements are in place for reviewing the performance of the Executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs 	
<p>Supporting principle: encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal</p>	
<p>The council is required to:</p> <ul style="list-style-type: none"> ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority 	<p>We will do this through the following:</p> <ul style="list-style-type: none"> Change management programme Equality Impact Assessments Leadership programme Partnership Framework Public consultation process Social media
<ul style="list-style-type: none"> ensure that career structures are in place for members and officers to encourage participation and development 	

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

Supporting principle: exercising leadership through a robust Scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develop

constructive accountability relationships	
The council is required to:	We will do this through the following:
<ul style="list-style-type: none"> make clear to themselves, all staff and the community to whom they are accountable and for what 	<ul style="list-style-type: none"> Committee terms of reference Constitution Overview and Scrutiny annual report
<ul style="list-style-type: none"> consider those institutional stakeholders to whom they are accountable and assess the effectiveness of the relationship and any changes required 	
<ul style="list-style-type: none"> produce an annual report on the activity of the Scrutiny function 	
Supporting principle: taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning	
The council is required to:	We will do this through the following:
<ul style="list-style-type: none"> ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements to ensure that they operate effectively 	<ul style="list-style-type: none"> Annual performance report Communication Strategy Constitution Corporate Plan Equality Impact Assessments Freedom of Information process Internet protocol Local Code of Corporate Governance Medium Term Financial Plan Partnership Framework Processes for dealing with competing demands within the community Public consultation Public meetings Publication Scheme Residents panels Social media Statement of Accounts
<ul style="list-style-type: none"> hold meetings in public unless there are good reasons for confidentiality 	
<ul style="list-style-type: none"> ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands 	
<ul style="list-style-type: none"> establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result 	
<ul style="list-style-type: none"> on an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period 	
<ul style="list-style-type: none"> ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so 	
Supporting principle: making best use of human resources by taking an active and planned approach to meet responsibility to staff	

The council is required to:	We will do this through the following:
develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making	<ul style="list-style-type: none"> ▪ Communication Strategy ▪ Employee Council terms of reference ▪ Trade Union recognition agreement ▪ Workforce Forum

Document History

Version	Date	Agreed by	Minute ref
V1	10 Nov 2004 20 Jan 2005 17 Feb 2005	Cabinet Standards Council	CR/74 75 84
V2	5 Nov 2007 12 Dec 2007 31 Jan 2008 21 Feb 2008	Governance Group Governance and Audit Committee Cabinet Council	GG/07-08/4 R189 C16 86
V3	10 Nov 2008 9 Dec 2008 12 Mar 2009 23 Apr 2009	Governance Group Governance and Audit Committee Cabinet Council	Gov05 (10/11/08) R191 54 30
V4	16 Nov 2009 8 Dec 2009	Governance Group Governance and Audit Committee	Gov07 51.
V5	7 Dec 2010 13 Jan 2011	Governance Group Governance and Audit Committee	Gov04. 117.
V6	8 Nov 2011 13 Dec 2011	Governance Board Governance and Audit Committee	6. 200.
V7	22 Nov 2012 11 Dec 2012	Senior-Corporate Management Team Governance and Audit Committee	N/A 262.
V8	11 Dec 2013	Governance and Audit Committee	
V9	10 Dec 2014	Governance and Audit Committee	
V10	?? March 2016	Governance and Audit Committee	

REVIEW OF THE EFFECTIVENESS OF THE COUNCIL'S INTERNAL AUDIT ARRANGEMENTS 2015/16

To: **Governance and Audit Committee – 15 March 2016**

Main Portfolio Area: **Finance and Estates**

By: **Director of Corporate Resources**

Classification: **Unrestricted**

Ward: **Not Applicable**

Summary: This report presents the review of the effectiveness of the council's Internal Audit arrangements for 2015/16 as required by The Accounts and Audit Regulations 2011.

For Decision

1. Introduction and Background

1.1 The Accounts and Audit Regulations 2011 impose on councils the need to undertake a regular review of their internal control arrangements; specific requirements are that:

- the findings of the review of the system of internal control are considered by a committee of the relevant body, or by members of the body meeting as a whole. [Regulation 4 refers]
- the effectiveness of their system of internal audit are reviewed at least once a year and for the findings of the review to be considered by a committee of the body, or by the body as a whole, as part of the consideration of the system of internal control referred to in regulation 4. [Regulation 6 refers].

1.2 Subsequent guidance issued by the Department for Communities and Local Government indicates that the actions in paragraph 1.1 above do not require the establishment of an audit committee to undertake the exercise, although such a committee would provide an appropriate means through which to consider the findings of the review. In the case of Thanet District Council this responsibility is within the delegated powers of the Governance and Audit Committee.

1.3 In line with the CIPFA guidance document 'Delivering Good Governance in Local Government' the council is also obliged to publish an Annual Governance Statement (AGS) which accompanies the Annual Accounts. The draft AGS for 2015/16 will be presented to this Committee at the June meeting, with the final document being presented at the September meeting.

1.4 The AGS reflects the council's overall governance arrangements and the effectiveness of these, based on evidence and assurances gained from a number of different sources, which includes information from the East Kent Audit Partnership (EKAP). The review of the effectiveness of the council's internal audit arrangements is therefore very important in order to add credence to the assurances gained from the findings of the Audit Partnership.

1.5 It should be noted that this review is primarily about effectiveness, not process. In essence the need for the review is to ensure that the opinion in the annual report of the internal

auditors may be relied upon as a key source of evidence for the Annual Governance Statement.

1.6 This report presents the findings of the review of the effectiveness of the internal audit arrangements for Thanet District Council for 2015/16.

2. Review of the effectiveness of the internal audit function

2.1 The internal audit function is performed by the East Kent Audit Partnership (EKAP), which provides internal audit services to the councils of Dover, Shepway and Canterbury, as well as to Thanet. As a result of this collaborative approach the partnership is able to be robustly resourced and provides a mechanism for promulgating best practice to the East Kent authorities that use its services.

2.2 The auditors are independent to the management of the council and have direct access to the Chair of the Governance and Audit Committee if required. They provide a regular update to the Committee at each of the quarterly meetings, and attend any special meetings that may be convened during the year.

2.3 As at 31 January 2016 the Internal Auditors completed 301.99 days of review equating to 99% and are likely to achieve circa 100% completion by the end of March 2016. The EKAP undertake a regular schedule of follow up audits to ensure that management have implemented the action plans arising from each audit. Members can see full details within the Internal Audit Annual report which will be presented to this Committee in June.

2.4 The EKAP have met as a team and considered the Public Sector Internal Audit Standards Checklist for compliance. The results of this self-assessment showed that internal audit is currently working towards full compliance and has agreed an action plan to achieve this.

2.5 As part of EKAP's quality monitoring arrangements Members should be aware that following the completion of each audit, a satisfaction questionnaire is completed by the managers of the service that has been audited enabling the officers involved to comment on the conduct and outcome of the audit. This information is used, in part, to inform the self assessment.

2.6 The EKAP Audit Manager and Head of EKAP regularly meet with the Section 151 Officer to monitor performance against the Audit Plan, but also to discuss any matters arising in relation to the performance of the Audit Partnership. Periodically these meetings are attended by External Auditors, so that they are able to gain assurances as to the effectiveness of the process. The Director of Corporate Resources & Section 151 Officer is pleased to be able to provide Members with assurance that in his opinion the Partnership operates to high professional standards, fostering an excellent working relationship with management without fettering the independence needed to be able to take a sufficiently independent perspective.

2.7 In addition to which, feedback from the audits and any other matters arising from the work of the partnership are considered at regular meetings that are held between the Section 151 or Deputy Section 151 Officers of each of the partnering councils and the auditors to manage any issues arising from the process. These meetings provide an additional opportunity to assess whether the internal audit function is operating in an effective manner and is compliant with the requirements of the CIPFA code.

2.8 Given the consistency of evidence of a quality internal audit service and the assessment outcomes referred to above it is believed that the Council has an effective internal audit function in place providing confidence in the context of their contribution to the council's Annual Governance Statement.

3. Options

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

4. Financial implications

- 4.1 There are no financial implications arising from this report.

5. Legal implications

- 5.1 Regulation 4 of the Accounts and Audit (England) Regulations 2011 requires that the findings of the review of the system of internal control shall be considered by a committee of the council, or by the members of the relevant body meeting as a whole, and following that consideration, shall approve a statement on internal control, prepared in accordance with proper practices in relation to internal control.
- 5.2 Regulation 6 requires that the council shall, at least once in each year, conduct a review of the effectiveness of its system of internal audit. The findings of the review must be considered, as part of the consideration of the system of internal control referred to in regulation 4, by the committee or meeting referred to in that paragraph.

6. Equity and Equalities

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

7. Recommendations

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

8. Decision Making Process

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

Contact Officer:	Tim Willis, Director of Corporate Resources DDI 01843 577617
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Corporate Consultation Undertaken:

Finance	Matthew Sanham, Corporate Finance Manager
Legal	Tim Howes, Director of Corporate Governance & Monitoring Officer

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THANET DISTRICT COUNCIL DECLARATION OF INTEREST FORM

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

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

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

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

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

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

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

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

An associated person is defined as:

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

An Authority Function is defined as: -

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

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

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

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

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

Gifts, Benefits and Hospitality

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

What if I am unsure?

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

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

MEETING

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

DISCRETIONARY PECUNIARY INTEREST

SIGNIFICANT INTEREST

GIFTS, BENEFITS AND HOSPITALITY

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

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.....
.....

NAME (PRINT):

SIGNATURE:

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