

Public Document Pack



Date: 13 June 2016
Ask For: James Clapson
Direct Dial: (08143) 577200
Email: james.clapson@thanet.gov.uk

GOVERNANCE AND AUDIT COMMITTEE

22 JUNE 2016

A meeting of the Governance and Audit Committee will be held at **7.00 pm on Wednesday, 22 June 2016** in the Council Chamber, Cecil Street, Margate, Kent.

Membership:

Councillor Buckley (Chairman); Councillors: Ashbee, Braidwood, Campbell, Connor, Day, Dexter, Dixon, Edwards, Game, I Gregory, Hayton (Vice-Chairman), Jaye-Jones, Larkins 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 15 March 2016, copy attached.
4. **EXTERNAL AUDIT FEE LETTER 2015/16** (Pages 5 - 8)
5. **QUARTERLY INTERNAL AUDIT UPDATE REPORT** (Pages 9 - 26)
6. **ANNUAL INTERNAL AUDIT REPORT** (Pages 27 - 50)
7. **ANNUAL FRAUD REPORT 2015/16** (Pages 51 - 56)
8. **CORPORATE RISK REGISTER - ANNUAL REVIEW** (Pages 57 - 62)
9. **ANNUAL GOVERNANCE STATEMENT ACTION PLAN QUARTERLY UPDATE** (Pages 63 - 70)
10. **ANNUAL TREASURY MANAGEMENT REVIEW 2015/16** (Pages 71 - 82)

Item
No

Subject

11. **DRAFT AUDIT COMMITTEE ASSURANCE STATEMENT** (Pages 83 - 98)
12. **GOVERNMENT REPORT IN RESPECT OF ERDF GRANT CLAIM, 2005 - 2008** (Pages 99 - 120)

Declaration of Interests Form

GOVERNANCE AND AUDIT COMMITTEE

Minutes of the meeting held on 15 March 2016 at 7.00 pm in Council Chamber, Council Offices, Cecil Street, Margate, Kent.

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

In Attendance: Councillors Crow-Brown and Townend

1. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Day, for whom Councillor Partington was a substitute; apologies were also received from Councillors Dixon, Edwards and Game.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF PREVIOUS MEETING

Councillor Campbell proposed, Councillor Taylor-Smith seconded and Members agreed the minutes of the meeting held on 9 December 2015.

4. EXTERNAL AUDIT 2015/16 AUDIT PLAN

Daren Wells, Engagement Lead, Grant Thornton introduced the audit plan, advising that the plan provided an overview of the planned scope and time scales for the year ending 31 March 2016 audit.

In response to comments and questions it was noted that:

- Tim Willis, Director of Corporate Resources, would provide Cllr Dexter with a list of Council assets in relation to the Dreamland site.
- The comment on page 15 of the plan that referred to the Dreamland operators having gone into administration was inaccurate; Mr Wells would amend the plan.

Members noted the plan.

5. EXTERNAL AUDIT GRANT CERTIFICATION LETTER 2014/15

Daren Wells introduced the grant certification letter and highlighted the additional fee as a result of the need to conduct additional work.

Members noted the grant certification letter.

6. EMPTY PROPERTY REFURBISHMENT

Bob Porter, Interim Head of Housing, introduced the report which set out the circumstances that led to the external audit of the Council's empty homes programme. Mr Porter noted that the audit recommendations had been actioned and that these improvements had been recognised by the Homes and Communities Agency (HCA) who confirmed that their moratorium on future funding had been lifted.

In response to comments and question it was noted:

- The date shown at paragraph 1.2 of the report should be 31 March 2015.
- The brief for the audit requested by the HCA did not require investigation into the reasons behind the missed completion deadline.
- A number of control measures had been introduced and improvements made to project management.

Members noted the report.

7. INTERNAL AUDIT 2016-17 AUDIT PLAN AND AUDIT CHARTER

Christine Parker, Head of East Kent Audit Partnership, introduced the report which provided Members with a summary of the aims and strategy for the internal audit service and the draft plan of work for the forthcoming 12 months.

In response to comments and questions it was noted that:

- Traditionally the charter was bought before Members every year, however this year Members were asked to approve the audit charter for next 3 years.

Councillor Campbell proposed, Councillor Dexter seconded and Members agreed:

- '1. To approve the Council's Charter for a period of 3 years from 2016-17, subject to the Charter returning to Governance and Audit Committee if any significant changes were proposed.
2. To approve the Council's Internal Audit Plan for 2016/17.'

8. INTERNAL AUDIT QUARTERLY UPDATE

Simon Webb, Deputy Head of the East Kent Audit Partnership introduced the report noting that there had been 16 internal audit assignments completed during quarter, of which four achieved substantial assurance, three achieved reasonable assurance and seven were concluded with limited assurance. In addition, there had been two assignments for which assurance opinion was not required, and seven follow-up reviews.

In response to comments and questions it was noted that:

- Mr Webb would advise Cllr Jaye-Jones of the amount and number of uncollected debts mentioned in paragraph 2.10.2 of annex 1 of the report.
- Gavin Waite, Director of Operational Services described the provision and practices that had been put in place in response to the limited assurance rating given to Employee Health and Safety.
- All comments and complaints must be catalogued as they should be used to shape the service.
- Staff would have completed training by the 31 March 2016 to help address the limited assurance rating given to Safeguarding Children and Vulnerable Groups.
- Mr Waite would investigate whether the fines levied for littering matched those detailed in the recently agreed fees and charges policy, he offered to advise Councillor Taylor-Smith of his findings outside of the meeting.
- A review of the district's Museums was underway, led by the Director of Community Services.
- The number of satisfaction questionnaires received from managers continued to be a low proportion of the number of audits carried out.

It was proposed by Councillor Campbell, seconded by Councillor Jaye-Jones 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 report be approved.'

9. REVIEW OF EFFECTIVENESS OF THE COUNCIL'S INTERNAL AUDIT ARRANGEMENT 2015/16

Tim Willis introduced the item and advised that he brought the report before Members annually as part of his Section 151 officer duties. Mr Willis advised that the recommendation at paragraph 7.1 of the report should be amended to refer to the 2015/16 year.

It was proposed by Councillor Jaye-Jones, seconded by Councillor Campbell and Members agreed:

'That Governance and Audit Committee accept the findings of the review of the effectiveness of the Council's Internal Audit arrangements for 2015/16.'

10. ANNUAL GOVERNANCE STATEMENT ACTION PLAN QUARTERLY UPDATE

Tim Howes, Director of Corporate Governance, introduced the report and highlighted updates since the last Governance and Audit Committee meeting.

In response to comments and questions it was noted that:

- The quarterly update only looked at items currently in the governance statement.
- A plan for further Member training and development was being drafted.

Members noted the report.

11. GOVERNANCE FRAMEWORK AND LOCAL CODE OF CORPORATE GOVERNANCE UPDATE

Tim Howes introduced the report and advised that the changes had been tracked in the documents to assist identification of where updates had been made. These changes reflected the latest Nolan principles.

It was proposed by Councillor Campbell, seconded by Councillor Jaye-Jones and Members agreed the recommendation as set out in paragraph 5.1 of the report, namely:

'That Members approve the reviewed Governance Framework and Local Code of Corporate Governance'

12. CORPORATE RISK REGISTER QUARTERLY UPDATE

Tim Willis introduced the report and noted that the risk register was framed by the new corporate priorities. Mr Willis added that Central Management Team officers had been allocated responsibility for each of the risks identified.

In response to comments and questions it was noted that:

- The term 'Political Stewardship' referred to the potential risk of having a fairly politically inexperienced body of Members elected in May 2015.
- The reduction of the project management score from 12 to 9 was a reflection of the improvements that had been made in establishing a project management framework and toolkit, this led to a decrease in risk.

- The Council conducted leaver interviews however no trends were apparent from the feedback, movement was often to achieve career progression, and was both into and out of the Council.
- The risk framework dictated the frequency of corporate risk register reporting to the Governance and Audit Committee.
- Mr Willis offered to provide Cllr Ashbee with details of which CMT officer was responsible for which risk after the meeting.

Members noted the report.

Meeting concluded: 8.40pm



Madeline Homer
Chief Executive
Thanet District Council
PO Box 9
Cecil Street
Margate
Kent
CT9 1XZ

Grant Thornton UK LLP
Grant Thornton House
Melton Street
London NW1 2EP
T +44 (0)20 7383 5100
www.grant-thornton.co.uk

26 April 2016

Dear Madeline

Planned audit fee for 2016/17

The Local Audit and Accountability Act 2014 provides for the introduction of a new framework for local public audit. Under these provisions, the Audit Commission closed in March 2015 and the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

PSAA will oversee the Audit Commission's audit contracts for local government bodies until they end in 2018, following the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements until 2017/18. PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

Scale fee

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales'.

There are no planned changes to the overall work programme for local government audited bodies for 2016/17, bar the adoption of new measurement requirements for the Highways Network Asset, which we do not expect to be applicable to the Authority.

PSAA have proposed that 2016/17 scale audit fees are set at the same level as the scale fees applicable for 2015/16. The Authority's scale fee for 2016/17 has been set by PSAA at £66,296.

The audit planning process for 2016/17, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary throughout the year.

Scope of the audit fee

Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice (the Code) and guidance for auditors from April 2015. Audits of the accounts for 2016/17 will be undertaken under the Code on the basis of the work programme and scale fees set out on the

[PSAA website](#). Further information on the Code and guidance is available on the [NAO website](#).

The scale fee covers:

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

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

The Code requires us to consider whether the Authority 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 NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Authority has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate whether:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2016	16,574
December 2016	16,574
March 2017	16,574
June 2017	16,574
Total	66,296
<hr/>	
Grant Certification	
March 2017	34,883

Outline audit timetable

We will undertake our audit planning and interim audit procedures in January 2017. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in May-July 2017 and work on the whole of government accounts return in July 2017.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	January 2017	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Authority's accounts and VfM.
Final accounts audit	July 2017	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	April-July 2017	Audit Findings (Report to those charged with governance)	As above
WGA	July 2017	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2017	Annual audit letter to the Authority	The letter will summarise the findings of all aspects of our work.
Grant certification	February 2018	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2016/17 are:

	Name	Phone Number	E-mail
Engagement Lead	Darren Wells	01293 554120	darren.j.wells@uk.gt.com
Engagement Manager	Laura Leka	01293 554083	laura.leka@uk.gt.com
In Charge Auditor	Bal Daffu	020 7728 3427	bal.s.daffu@uk.gt.com

Additional work

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

Quality assurance

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

Yours sincerely



Darren Wells
Engagement Lead

For Grant Thornton UK LLP

QUARTERLY INTERNAL AUDIT UPDATE REPORT

To: **Governance and Audit Committee: 22nd June 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.**

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.

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 four internal audit assignments completed during the period, of which three concluded substantial assurance, and one concluded reasonable assurance. Summaries of the report findings are detailed within Annex 1 to this report.

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

4.0 Options

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

5.0 Corporate Implications

5.1 Financial Implications

- 5.1.1 There are no financial implications arising directly from this report. The costs of the audit work are being met from the Financial Services 2015-16 and 2016-17 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.

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

Annex List:

Annex 1	East Kent Audit Partnership Update Report – 22-06-2016
---------	--

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 Annual Plan 2016-17</i>	Previously presented to and approved at the 15 th March 2016 Governance and Audit Committee meeting.
<i>Internal Audit working papers</i>	Held by the East Kent Audit Partnership.

This page is intentionally left blank



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

1.0 INTRODUCTION AND BACKGROUND

1.1 This report provides Members with an update of the work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting.

2.0 SUMMARY OF REPORTS

Service / Topic		Assurance level	No. of Recs.	
2.1	Dalby Square Townscape Heritage Initiative Grant Scheme	Substantial	H M L	0 0 0
2.2	EKS – Debtors	Substantial	H M L	0 1 1
2.3	Imprest Floats and Rail Travel Expenditure	Substantial	H M L	0 0 0
2.4	EKS – ICT Policy, Security, Recovery	Reasonable	H M L	0 1 7

2.1 Dalby Square THI Grant Scheme – Substantial Assurance:

2.1.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the following objectives of the Dalby Square Townscape Heritage Grant Scheme:

- a) To raise awareness of the value and quality of the historic built environment;
- b) To promote the repair of historic buildings in the Conservation Area using appropriate materials, detailing and workmanship;
- c) To set an example of good practice in building conservation;
- d) To reinforce an area's unique identity; and
- e) To help change residents' and visitors' perceptions of the area in question.

2.1.2 Summary of Findings

The Dalby Square, Cliftonville, Townscape Heritage Initiative (THI) Grant Scheme began in January 2013 and will run until December 2018. It is funded 75% (£1.858M)

by the Heritage Lottery Fund with 25% match funding from the Council making a total project cost of £2.461M.

The objectives of the Dalby Square, Cliftonville Townscape Heritage Initiatives are to:

- a) Raise awareness of the value and quality of the historic built environment;
- b) Promote the repair of historic buildings in the Conservation Area using appropriate materials, detailing and workmanship;
- c) Set an example of good practice in building conservation;
- d) Reinforce an area's unique identity; and
- e) Help change residents' and visitors' perceptions of Cliftonville West.

Located within the Dalby Square Conservation Area, the scheme is focused solely on eligible properties within Arthur Road, Dalby Road and Dalby Square.

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

- The aims and objectives of the scheme have been formally agreed between the funding partners and are clearly publicised to all interested/eligible parties.
- The terms and conditions of the scheme are clearly set out in binding guidance notes.
- Grants are only given to applicants who have appropriate planning and building control consent for the works.
- Grants are only awarded to applicants who own the freehold of the property or a lease with at least ten years left to run and appropriate checks are undertaken to verify this.
- Competitive quotations or tenders are sought from contractors of recognised standing and appropriate checks are undertaken by the Council prior to grant approval to guard against fraud and or collusion between the applicant and contractor.
- Site visits are undertaken to verify that works have not been started prior to grant approval.
- A standard application form is required to be completed by all applicants.
- Grants are only awarded in respect of eligible properties as determined within the scheme.
- The Council verifies that any expenditure on professional fees included within grant applications is in respect of advice from advisers who are registered with appropriate professional institutes.
- Checks are undertaken to verify that the correct grant scheme rates have been applied.
- Appropriate documentation of all site meetings is maintained.
- All applications are appropriately assessed and then authorised.
- All applicants are advised in writing of the grant decision.
- All successful applicants are entered into an appropriate contract.
- All interim, stage and final payments are appropriately checked prior to authorisation including the retention provisions.
- The Council undertakes checks to ensure that the terms and conditions surrounding publicity are adhered to.

- The grant claw back provision is strictly enforced and adequate documentation exists to facilitate this.
- Appropriate budget monitoring procedures are in place.
- Each individual grant file contains a completed grant checklist.

2.2 EKS Debtors – Substantial Assurance:

2.2.1 Audit Scope

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

2.2.2 Summary of Findings

The recovery of Sundry Debts is covered by the Local Government Act 1972, the Accounts and Audit Regulations 2011, The Harbours Act 1964 and the Late Payment of Commercial Debts Regulations 2002. A sundry debt for the purpose of this policy relates to all other monies owed to Local Authorities other than Council Tax, Business Rates and Housing Benefit overpayments. The rationale is that if the charge can be invoiced, then it should be recovered through Sundry Debtors. The effective management and collection of sundry debt is an essential contributor to local authority financial resources and maximises income available to provide services.

This audit review has focused on the role carried out by EK Services.

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

- Established processes are in place for the sundry debtor process carried out by the Corporate Income Team including performance monitoring and reporting.
- In addition, since the last audit was carried out, a new debt monitoring process on CIVICA has been implemented. The Corporate Income Team has carried out a considerable amount of work to put this new process in place.

Scope for improvement was however identified in the following area:

- To ensure that sufficient information is being shown when there are multiple invoices to be written off, the write off form could show each invoice amount being put forward for write off alongside the invoice number (Currently just the invoice numbers are being shown with the overall total). This should then total back to the overall amount being put forward for signing off.
- Officers responsible for raising sundry debtor invoices should be reminded to contact their Finance Team if they are not sure of the rate of VAT that should be applied when raising an invoice and they should also be reminded that any credit notes that are raised should clearly state the reason why it has been raised.

2.3 Imprest Floats and Rail Travel Expenditure – Substantial Assurance:

2.3.1 Audit Scope

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

2.3.2 Summary of Findings

Imprest floats:

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

- A spreadsheet is maintained within the Financial Services department of all imprest floats currently in issue across the Council.
- At the end of each financial year each imprest holder completes a signed imprest certificate confirming the amount of imprest float held by them.

Rail travel procurement:

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

- The Council intranet contains comprehensive user information which is very informative and comprehensively explained and the booking process easy to use.
- From a value for money perspective, the system prompts users to request split tickets if travelling to London through Chatham as this is cheaper than a straight through ticket.
- The system also requires the authoriser to specifically authorise the use of high speed trains and refers to the Council's corporate policy in this regard surrounding morning start times.
- All rail travel procurement is authorised by a duly authorised signatory and the tickets purchased by the central procurement team using a procurement card.

2.4 EKS ICT - Policy, Security, Recovery – Reasonable Assurance:

2.4.1 Audit Scope

To ensure that the controls over the administration of the ICT service provided by EK Services ICT function on behalf over Dover, Thanet and Canterbury councils are robust and sufficient to enable the partner councils to place reliance upon them for security, third party access and data storage

2.4.2 Summary of Findings

The EK Services ICT annual budget is £2.4M and the total spend on IT across the partnership is around £4.5M. The EK Services ICT service supports around 1500 users in the following organisations:

- Thanet District Council
- Canterbury City Council
- Dover District Council
- East Kent Housing
- East Kent Audit Partnership
- East Kent HR

- EK Services (about 350 users).

This review covers EK Services operations for Dover, Thanet and Canterbury councils.

- Key Performance indicators reported quarterly include:
 - % incidents resolved within agreed target response time – target 95%
 - % incidents resolved severity1 – target 95%
 - % incidents resolved within one day – target 60%
 - % availability of agreed Business applications – target 95%
 - % Availability of email service – target 95%
 - % Availability of the Corporate Web Site – target 99.5%

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

- The EK Services ICT Service Level Agreement 2015-2016 contains detailed information on its provision of security services, policies, and responsibilities;
- While not all supporting policy documents are complete and published, good progress is being made towards this end;
- Sufficient and appropriate information is provided to local authority users on real and potential security threats;
- Network and perimeter security is generally effective (note: this audit did not include penetration testing); and
- The Corporate Information Governance Group (CIGG), set up approximately 14 months ago, is a key organisation to assist local authority Senior Information Risk Officers (SIROs) and to keep Senior EKS Managers informed of information security policies and procedures in the event of an intrusion.

Scope for improvement was however identified in the following areas:

- Mobile Device Management
- Firewall settings
- Third Party Access
- Backup and Restore.

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

- 3.1 As part of the period's work, nine 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)	Compliance with Contract Standing Orders	Reasonable	Reasonable	H	1	H	0
				M	1	M	1
				L	0	L	0
b)	Equality & Diversity	Limited	Reasonable	H	6	H	0
				M	8	M	6
				L	0	L	0
c)	Sickness, Annual	Reasonable/	Reasonable	H	7	H	0

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs. Outstanding	
	and Flexi Leave	Limited		M	7	M	1
				L	0	L	0
d)	Sports Development & Footprints in the Sand	Reasonable/ Limited	Reasonable /Limited	H	2	H	1
				M	3	M	1
				L	2	L	0
e)	EK Services – ICT Data Files & Back Ups	Reasonable	Reasonable	H	6	H	1
				M	5	M	4
				L	0	L	0
f)	EK Services – ICT Internet & Email	Reasonable	Reasonable	H	2	H	0
				M	0	M	0
				L	2	L	0
g)	EKHR – Sickness Absence, Leave & Flexi	Reasonable / Limited	Reasonable	H	7	H	0
				M	6	M	1
				L	0	L	0
h)	Environmental Health & Safety at Work	Limited	Reasonable	H	4	H	0
				M	3	M	0
				L	0	L	0
i)	Your Leisure	No/No/ Reasonable	Limited/Reasonable	H	11	H	6
				M	3	M	1
				L	0	L	0

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

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

- 3.3 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) Sports Development & Footprints in the Sand:

The Council's Sports Development and Footprints in the Sand process still require improvement with three recommendations partially implemented of which one a high priority and two recommendations is remaining outstanding of which one is a high priority. Areas still requiring improvement are ensuring the information in the public domain is relevant and up to date and that the grant application process remains fair, is being consistently applied, administered and accounted for.

b) Your Leisure:

Positive steps are being taken to ensure the contract is now being rigorously monitored, furthermore, with the implementation of a review process, it is hopeful that the 6 high outstanding recommendations will have been fully considered and implemented by September 2016.

Management response - Management have considered and addressed the outstanding recommendations within the briefing document for the project work being commissioned, it should also be noted that there has been a significant change in staff and management which has added to the delay in implementing the recommendations contained within the original audit report.

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: Public Health Burials, Environmental Protection Service Requests, Planning, Disabled Facilities Grants, Homelessness, East Kent Housing Procurement, East Kent Housing Single System, Grounds Maintenance and Street Cleansing.

5.0 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.

Attachments

- Appendix 1 Summary of High priority recommendations outstanding after follow-up.
- Appendix 2 Summary of services with Limited / No Assurances.
- Appendix 3 Definition of Audit Assurance Statements & Recommendation Priorities.

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>Sports Development & Footprints in the Sand – April 2016:</i>		
<p>Review the Council website to ensure that all the Sports and Leisure and Sports 4 NRG web pages are up to date. (i.e. Sport 4 NRG event timetables, sports awards).</p>	<p>At the time of checking we couldn’t find the Easter holiday programme mentioned in the report. The school holiday pages are normally published in the run up and then removed following the holiday. We have pursued with Web team who confirmed these pages are unpublished.</p> <p>We did find one error which meant the A-Z section directing people to an empty page which has been rectified (26/1/15).</p> <p>Proposed Completion Date N/A</p> <p>Responsibility N/A</p>	<p>All information current and monitored quarterly when programme changes.</p> <p>Social media used to promote projects and monitored daily to ensure communications are current and the communications team are due to review webpages to ensure there has been no duplication.</p> <p>A walk through test of the Council’s webpages was carried out to ensure that all information was current. There were found to be out of date information on the following web pages and links:</p> <ul style="list-style-type: none"> • Meet the team - information relating to staff currently in post was found to be out of date. • Sports 4 life – adult sports activities – link to sports activities page is out of date, the time table of activities relates to 2015. • Nearest Sports facilities – more information and links to external websites required, there is no mention of tennis, skate parks, playgrounds etc. • FACS people – letter and application form need to be updated to conform with staff in post to date; job titles, contact details etc. <p>Discussions were had with the Sports Development Officer who has advised that, the web pages will be re-designed to ensure they mirror what is contained within the Sports Development Strategic Plan. There</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.
		are hopes to have this completed by July 2016. Outstanding
<i>EK Services – ICT Data Files & Back Ups May 2016</i>		
Policies governing file controls should be discussed, written and taken through the CIGG with a view to having one set operational across all partner councils. During this process, ownership should be documented.	<p>Agreed Management Action. To be taken via the CIGG with a view to obtain member validation and action</p> <p>Responsibility/Completion date. Technical Systems Manager Reported quarterly</p>	<p>Majority of new, joint policies now exist but yet to go through LA validation processes.</p> <p>CIGG is also progressing identification of IAOs [Information Asset Owners] for each of their systems.</p> <p>Conclusion In progress and waiting on client officers' instructions to complete.</p>
<i>Your Leisure – June 2016</i>		
Action must be taken to ensure that the new lease and conditions of the management agreement should be put in place for the new Ramsgate swimming pool (As per Cabinet report of December 2010) and that the legal processes for the land swap with Kent County Council are concluded as a matter of urgency.	<p>Capital Projects Team & Legal to resolve but does also depend on KCC resourcing so not completely under the control of TDC.</p> <p>Proposed Completion Date: December 2015</p> <p>Responsibility: Director of Community Services</p>	<p>A new Director of Community Services and Head of Housing were appointed in 2016 and are leading a review of the Your Leisure agreements/portfolio. Support is being provided for the review by the LGA. Review of lease conditions is included within brief.</p> <p>New agreements will be an output from the review. They will need to be negotiated and agreed.</p> <p>Property services have been asked to confirm that the Land Swap has completed.</p> <p>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>1.The Medium Term Financial Plan needs to reviewed to identify if and how monies can be made available, once the capital bid process has been carried out to deal with the issues identified in the condition surveys or consider what options can be taken to deliver the Corporate Plan objectives on sport and leisure across the district.</p>	<p>This will form part of Strategic meetings between Your Leisure and Thanet council</p> <p>Proposed Completion Date: August 2015</p> <p>Responsibility: Director of Community Services</p>	<p>Condition surveys included in brief and will inform long term programming</p> <p>Outstanding.</p>
<p>2.The Council should consider producing its own annual report on each of the venues / properties that are leased to Your Leisure that gives an overview of what has been carried out in terms of repairs, the expenditure for those repairs and highlight any future possible issues with the facilities that need to be factored into the Medium Term Financial Plan subject to the capital bid process, the budget setting process and shown on the corporate risk register.</p>	<p>This will form part of the project group review and decision making process reported to Cabinet</p> <p>Proposed Completion Date: December 2015</p> <p>Responsibility: Director of Community Services</p>	<p>This needs further consideration as part of the review.</p> <p>Outstanding.</p>
<p>3.To assist in supporting insurance claims made by Your Leisure, they</p>	<p>To be reiterated to Your Leisure at strategic meeting.</p>	<p>To be discussed at next strategic meeting.</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>should be asked to provide photographic evidence and police crime numbers for acts of vandalism or theft.</p>	<p>Proposed Completion Date: August 2015</p> <p>Responsibility: Director of Community Services</p>	<p>Outstanding.</p>
<p>4.As part of the financial reporting provided by Your Leisure consider asking them to report on the external grants / funding streams that they applied for and how that would impact on the service delivery / objectives</p>	<p>This will be discussed at Strategic meetings between Your Leisure and Thanet Council.</p> <p>Proposed Completion Date: August 2015</p> <p>Responsibility: Director of Community Services</p>	<p>This will be discussed at Strategic meetings between Your Leisure and Thanet Council.</p> <p>Outstanding.</p>
<p>5.As part of the financial reporting provided by Your Leisure consider asking them to give a breakdown on how each element of the management agreement monies they have received has been spent (i.e Repairs and Grounds Maintenance) to ensure that they are being spent correctly.</p>	<p>This will form part of the project group review and decision making process reported to Cabinet</p> <p>Proposed Completion Date: December 2015</p> <p>Responsibility: Director of Community Services</p>	<p>Breakdown of costs and income to be reviewed as part of brief.</p> <p>Outstanding.</p>

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

Service	Reported to Committee	Level of Assurance	Follow-up Action Due
East Kent Housing - Sheltered and Supported Housing	December 2015	Limited	Work-in-progress
Dog Warden & Street Scene Enforcement	March 2016	Limited	Work-in-progress
Monitoring & Management of Complaints, Comments and Compliments	March 2016	Limited	Work-in-progress
East Kent Housing - Repairs, Maintenance and Void Management	March 2016	Limited	Work-in-progress
Employee Health, Safety & Welfare	March 2016	Limited	Summer 2016
Safeguarding Children & Vulnerable Groups	March 2016	Limited	Summer 2016
Museums	March 2016	Limited	Summer 2016

Definition of Audit Assurance Statements & Recommendation Priorities

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.

Priority of Recommendations Definitions:

Critical – A finding which significantly impacts upon a corporate risk or seriously impairs the organisation's ability to achieve a corporate priority. Critical recommendations also relate to non-compliance with significant pieces of legislation which the organisation is required to adhere to and which could result in a financial penalty or prosecution. Such recommendations are likely to require immediate remedial action and are actions the Council must take without delay.

High – A finding which significantly impacts upon the operational service objective of the area under review. This would also normally be the priority assigned to recommendations relating to the (actual or potential) breach of a less prominent legal responsibility or significant internal policies; unless the consequences of non-compliance are severe. High priority recommendations are likely to require remedial action at the next available opportunity or as soon as is practical and are recommendations that the Council must take.

Medium – A finding where the Council is in (actual or potential) breach of - or where there is a weakness within - its own policies, procedures or internal control measures, but which does not directly impact upon a strategic risk, key priority, or the operational service objective of the area under review. Medium priority recommendations are likely to require remedial action within three to six months and are actions which the Council should take.

Low – A finding where there is little if any risk to the Council or the recommendation is of a business efficiency nature and is therefore advisory in nature. Low priority recommendations are suggested for implementation within six to nine months and generally describe actions the Council could take.

This page is intentionally left blank

INTERNAL AUDIT ANNUAL REPORT

To: **Governance and Audit Committee: 22nd June 2016**

By: **Director of Corporate Resources & s151 Officer: Tim Willis**

Subject: **INTERNAL AUDIT ANNUAL REPORT OF THE HEAD OF THE AUDIT PARTNERSHIP FOR 2015-16.**

Classification: **Unrestricted**

Summary: **This report provides the summary of the impact of the work of the East Kent Audit Partnership for the year to 31st March 2016.**

For Information

1.0 Introduction

- 1.1 The primary objective of Internal Audit is to provide independent assurance to Members, the Chief Executive, Directors and the Section 151 Officer on the adequacy and security of those systems on which the Authority relies for its internal control. The purpose of bringing forward an annual report to Members is to:
- Provide an opinion on the overall adequacy and effectiveness of the Council's internal control environment.
 - Present a summary of the internal audit work undertaken to formulate the opinion.
 - Draw attention to any issues the Head of the Audit Partnership judges particularly relevant to the preparation of the Annual Governance Statement.
 - Compare actual audit activity with that planned, and summarise the performance of Internal Audit against its performance criteria.
 - Comment on compliance with the PSIAS, and report the results of the Internal Audit quality assurance programme.
- 1.2 The report attached as Annex A therefore summarises the performance of the East Kent Audit Partnership (EKAP) and the work it has performed over the financial year 2015-16 for Thanet District Council, and provides an overall assurance on the system for internal control based on the audit work undertaken throughout the year, in accordance with best practice. In providing this opinion, this report supports the Annual Governance Statement.
- 1.3 The internal audit team is proactive in providing guidance on procedures where particular issues are identified during audit reviews. The aim is to minimise the risk of loss to the Authority by securing adequate internal controls. Partnership working for the service has added the opportunity for the EKAP to port best practice across the four sites within the East Kent Cluster to help drive forward continuous service improvement.
- 1.4 During 2015-16 the EKAP delivered 101.5% of the agreed audit plan days, with the 4.67 days over delivered to be adjusted for in 2016-17. The performance figures for the East Kent Audit Partnership as a whole for the year show good performance against targets, particularly as the EKAP has experienced staffing changes and

delivered financial savings against its agreed budget to all its partners in the delivery of the service.

2.0 Options

- 2.1 That Members consider and note the annual internal audit report for 2015-16.
- 2.2 That Members consider registering their concerns with Cabinet in respect of any areas of the Council's corporate governance, control framework or risk management arrangements in respect of which they have on-going concerns after considering the work or coverage of internal audit for the year 2015-16.

3.0 Corporate Implications

3.1 Financial Implications

- 3.1.1 There are no financial implications arising directly from this report. The costs of the audit work have been met from the Financial Services 2015-16 budget. Savings against the budget have been delivered by EKAP, which have been utilised to purchase additional audit days which will be delivered during 2016-17.

3.2 Legal Implications

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

3.3 Corporate Implications

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

4.0 Recommendations

- 4.1 That the report be received by Members.

Contact Officers:	Christine Parker, Head of the Audit Partnership, ext. 7190
	Simon Webb, Deputy Head of Audit, ext 7189
	Tim Willis, Director of Corporate Resources & S151 Officer Ext. 7617

Annex List:

Annex 1	East Kent Audit Partnership Annual Report 2015/16
---------	---

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 Follow Up 2015-16</i>	Previously presented to Governance and Audit Committee Meetings in quarterly updates
<i>Internal Audit working papers</i>	Held by the East Kent Audit Partnership

Annual Internal Audit Report for Thanet District Council 2015-16

1. Introduction

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

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

A more detailed explanation, of the role and responsibilities of internal audit, is set out in the agreed Audit Charter. The East Kent Audit Partnership (EKAP) aims to comply with the PSIAS, and to this end has produced evidence to the s.151 and Monitoring Officers to assist the Council’s review of the system of internal control in operation throughout the year.

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

2. Objectives

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

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

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

3. Internal Audit Performance Against Targets

3.1 EKAP Resources

The EKAP has provided the service to the partners based on a FTE of of 8.1 up to 31.12.15 and 7.2 thereafter. Additional audit days have been provided via audit contractors, in order to meet the planned workloads.

3.2 Performance against Targets

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

3.3 Internal Quality Assurance and Performance Management.

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

3.4 External Quality Assurance

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

3.5 Liaison between Internal Audit and External Audit.

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

3.6 Compliance with Professional Standards

The EKAP self-assessment of the level of compliance against the Public Sector Internal Audit Standards shows that some actions are required to achieve full compliance which EKAP will continue to work towards. There is however, no appetite to pay for an External Quality Assessment of the EKAP's level of compliance, relying on a review by the s.151 officers of the self-assessment.

3.7 Financial Performance

Expenditure and recharges for year 2015-16 are all in line with the Internal Audit cost centre hosted by Dover District Council. Financial management has delivered a modest saving against budget.

The EKAP has been able to generate income through 'selling days' for checking grant claims. This daily rate excludes any internal recharges that are added to the service by the Council. This equates to a total financial saving to Thanet District Council of £959 for 2015-16 which it has been agreed will be used to fund additional audit days to undertake reviews of areas currently falling outside of the agreed three-year audit plan cycle.

Year	Cost / Audit Day
2006-07	£288
2007-08	£277
2008-09	£262 (Reserve Refunded to Partners)
2009-10	£281
2010-11	£268
2011-12	£257
2012.13	£279
2013-14	£290
2014-15	£287
2015-16	£293

The EKAP was formed to provide a resilient, professional service and therefore achieving financial savings was not the main driver, despite this considerable efficiencies have been gained through forming the partnership. Additionally, external fee earning work that has been carried out, this year some £7,505 was procured from EKAP for Interreg Grant reviews which reduces the costs to the partners. The net result is a reduced EKAP cost per audit day below the original budget estimate.

4. Overview of Work Done

The original audit plan for 2015-16 included a total of 26 projects. We have communicated closely with the s.151 Officer, CMT and this Committee to ensure the projects actually undertaken continue to represent the best use of resources. As a result of this liaison some changes to the plan were agreed during the year. A few projects (5) have therefore been pushed back in the overall strategic plan, to permit some higher risk projects to come forward in the plan (1). The total number of projects undertaken in 2015-16 was 22, with 5 being WIP at the year end to be finalised in April. Five projects were able to be delivered from the 14.44 savings days rolled forward from 2014-15.

Review of the Internal Control Environment

4.1 Risks

During 2015-16, 121 recommendations were made in the agreed final audit reports to Thanet District Council. These are analysed as being High, Medium or Low risk in the following table:

Risk Criticality	No. of Recommendations	Percentage
High	48	40%
Medium	54	44%
Low	19	16%
TOTAL	121	100%

Naturally, more emphasis is placed on recommendations for improvement regarding high risks. Any high priority recommendations where management has not made progress in implementing the agreed system improvement are brought to management and Members' attention through Internal Audit's quarterly update reports. During 2015-16 the EKAP has raised and reported to the quarterly Governance Committee meetings 121 recommendations, and whilst 84% were in the High or Medium Risk categories, none are so significant that they need to be escalated at this time.

4.2 Assurances

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

The summary of Assurance Levels issued on the 22 pieces of work commissioned for Thanet District Council over the course of the year is as follows:

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

Assurance	No.	Percentage of Completed Reviews
Substantial	6	38%
Reasonable	5	31%
Limited	5	31%
No	0	0%
Work in Progress at Year-End	5	-
Not Applicable	1	-

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

Taken together 69% of the reviews account for substantial or reasonable assurance, whilst 31% of reviews placed a limited or partially limited assurance to management on the system of internal control in operation at the time of the review.

There were two reviews completed on behalf of East Kent Housing Ltd. and the assurances for these audits were both Limited. Information is provided in Appendix 3.

There were 12 reviews completed on behalf of EK Services and the assurances for these audits were - 2 Substantial, 1 Reasonable, 0 Limited, 2 Not Applicable and 7 work in progress at the year-end. Information is provided in Appendix 4

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

4.3 Progress Reports

In agreeing the final Internal Audit Report, management accepts responsibility to take action to resolve all the risks highlighted in that final report. The EKAP carries out a follow up/progress review at an appropriate time after finalising an agreed report to

test whether agreed action has in fact taken place and whether it has been effective in reducing risk.

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

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

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

The results for the follow up activity for 2015-16 are set out below. The shift to the right in the third column in the table from the original opinion to the revised opinion also measures the positive impact that the EKAP has made on the system of internal control in operation throughout 2015-16.

Total Follow Ups undertaken 11	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Original Opinion	0	5	4	2
Revised Opinion	0	2	6	3

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

Area Under Review	Original Assurance	Follow Up Result
Waste Vehicle Fleet Management	Reasonable/Limited	Reasonable
Overtime within Waste and Recycling	Limited	Limited
Garden Waste Collection Service	Limited	Reasonable
FOI, DPA and Information Management	Reasonable/Limited	Reasonable/Limited
CCTV	Reasonable/Limited	Reasonable

East Kent Housing received two follow up reviews for which the revised assurance levels were Reasonable/Limited for Leasehold Services and a split assurance for Tenant Health and Safety.

EK Services received six follow ups; the revised assurances were Substantial for three reviews and Reasonable for three reviews.

Consequently, there are two areas for TDC which remain partially limited after follow up and these have been escalated to the Governance and Audit committee.

4.4 Special Investigations and Fraud Related Work

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

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

4.5 Completion of Strategic Audit Plan

Appendix 2 shows the planned time for reviews undertaken, against actual time taken, follow up reviews and unplanned reviews resulting from any special investigations or management requests. 309.31 audit days were completed for Thanet District Council during 2015-2016. Including the 4.64 days carried forward this adjusts the budgeted 300 days to 304.64, therefore 101.5% plan completion. The 4.67 days ahead at the year end, will be carried over to 2016-17. The EKAP was formed in October 2007; it completes a rolling programme of work to cover a defined number of days each year. As at the 31st March each year there is undoubtedly some "work in progress" at each of the partner sites; some naturally being slightly ahead and some being slightly behind in any given year. However, the progress in ensuring adequate coverage against the agreed audit plan of work since 2007-08 concludes that EKAP is 4.67 days ahead of schedule as we commence 2016-17, as shown in the table below.

Year	Plan Days	Plus B/Fwd	Adjusted Requirement from EKAP	Days Delivered	Percentage Completed	Days Carried Forward (Days Planned – Days Delivered)
2008-09	400	0	400.00	397.61	99.40%	-2.39
2009-10	408	2.39	410.39	399.82	97.42%	-8.18
2010-11	430	10.57	440.57	466.04	105.78%	+36.04
2011-12	342	25.47	316.53	309.32	97.72%	-32.68
2012-13	320	7.21	327.21	318.20	97.25%	-1.80
2013-14	300	9.01	309.01	288.70	93.43%	-11.30
2015-16	300	-20.31	320.31	315.67	98.55%	15.67
2016-17	300	4.64	304.64	309.31	101.53%	9.31
Total	2,800			2,804.67	100.17%	4.67

Appendix 3 shows the planned time for reviews undertaken, against actual time taken, follow up reviews and unplanned reviews resulting from any special investigations for East Kent Housing Ltd. Thanet District Council contributed 25 days from its original plan in 2011-12 and 20 days subsequently as it's share in this four way arrangement. The EKH Annual Report in its full format will be presented to the EKH - Finance and Audit Sub Committee on 4th July 2016.

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

5. Overall assessment of the System of Internal Controls 2015-16

Based on the work of the EKAP on behalf of Thanet District Council during 2015-16, the overall opinion is:

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

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

6. Significant issues arising in 2015-16

From the work undertaken during 2015-16, there were no instances of unsatisfactory responses to key control issues raised in internal audit reports by the end of the year. There are occasions when audit recommendations are not accepted for operational reasons such as a manager's opinion that the associated costs outweigh the risk, but none of these are significant and require reporting or escalation at this time.

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

Reviews previously assessed as providing a Limited Assurance or partial No Assurance that are yet to be followed up are shown in the table below. The progress reports for these will be reported to the Committee at the meeting following completion of the follow up.

Area Under Review	Original Assurance	Progress Report Due
Your Leisure	Reasonable/No/No	Work-in-progress
Dog Warden & Street Scene Enforcement	Limited	Work-in-progress

Monitoring & Management of Complaints, Comments and Compliments	Limited	Quarter 2 2016-17
Environmental Health & Safety at Work	Limited	Quarter 2 2016-17
Employee Health, Safety & Welfare	Limited	Quarter 2 2016-17
Safeguarding Children & Vulnerable Groups	Limited	Quarter 2 2016-17
Museums	Limited	Quarter 2 2016-17

And For EK Housing

Area Under Review	Original Assurance (Date to Committee)	Progress Report Due
Sheltered & Supported Housing	Limited December 2015	Quarter 1 2016-17 WIP
Repairs, Maintenance & Void Management	Limited March 2016	Quarter1 2016-17 WIP

7. Overall Conclusion

The Internal Audit function provided by the EKAP has performed well against its targets for the year. Clearly there have been some adjustments to the original audit plan for the year 2015-16, however, this is as expected and there are no matters of concern to be raised at this time.

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

The EKAP assesses the overall system of internal control in operation throughout 2015-16 as providing reasonable assurance. No system of control can provide absolute assurance, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance that there is an ongoing process for identifying, evaluating and managing the key risks.

AUDIT ASSURANCE

Definition of Audit Assurance Statements

Substantial Assurance

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

Reasonable Assurance

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

Limited Assurance

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

No Assurance

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

**Performance against the Agreed 2015-16
Thanet District Council Audit Plan**

Area	Original Planned Days	Revised Planned Days	Actual Days	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	17.11	Finalised - Reasonable
VAT	10	10	9.43	Finalised - Substantial
Residual Housing Systems:				
Housing Allocations	10	10	12.75	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	.28	Postpone until future year
Project Management	10	0	0	Postpone until 2016-17 to accommodate finalisation of 2014-15 WIP
Corporate Advice/SMT	2	2	9.52	Finalised for 2015-16
s.151 Officer Meetings and Support	9	9	12.4	Finalised for 2015-16
Governance & Audit Committee Meetings and Report Preparation	12	12	15.11	Finalised for 2015-16
2016-17 Audit Plan and Preparation Meetings	9	9	10.34	Finalised for 2015-16
Contract Related:				
CSO Compliance	10	10	9.62	Finalised - Reasonable
Service Level:				
Safeguarding Vulnerable Groups	10	10	15	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	9.54	Finalised – Limited
Business Continuity and Emergency Planning	10	10	11	Finalised – Reasonable
Events Management	10	0	0	Postpone until 2016-17 to accommodate finalisation of 2014-15 WIP

Area	Original Planned Days	Revised Planned Days	Actual Days	Status and Assurance Level
Museums	10	10	9.89	Finalised - Limited
Commercial Properties and Concessions	10	10	12.34	Finalised – Reasonable/Limited
Planning	10	10	1.72	Work-in-Progress
Visitor Information Arrangements	10	10	11.31	Finalised - Substantial
Refuse Freighter Specification	7	7	5.73	Finalised – Limited
Grounds Maintenance	10	10	0.39	Finalised - Limited
Street Cleansing	10	10	0.25	Work-in-Progress
Other :				
Liaison With External Auditors	2	2	0	Finalised for 2015-16
Follow-up Reviews	15	15	21.5	Finalised for 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			11	Finalised - Limited
Complaints Monitoring			12.54	Finalised - Limited
Insurance and Inventories of Portable Assets			1.86	Finalised - Reasonable
Garden Waste Service			0.95	Finalised – Limited
Your Leisure			12.88	Finalised – Reasonable/No/No
Dalby Square Heritage Grants			10.38	Finalised - Substantial
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
Employee Health & Safety	5	5	8.47	Finalised - Limited
Unplanned Work:				
Royal Sands Deposit	0	2	2.08	Finalised
TOTAL	300	304.64	309.31	101.53%

Area	Original Planned Days	Revised Planned Days	Actual Days	Status and Assurance Level
ADDITIONAL WORK:				
Interreg – PAC2	2	2	2.16	Finalised
HCA Grant	0	3	2.58	Finalised - N/A
Supplier Invoice Enquiry	0	7	6.36	Finalised - N/A
Payroll – Testing of New System	0	1	0.46	Finalised - N/A
Review set of Accounts	0	3	2.67	Finalised - N/A
Mortgages	0	2.5	2.37	Finalised – Substantial
Additional days purchased with EKAP saving in 2014/15			14.44	

**Performance against the Agreed 2015-16
East Kent Housing Audit Plan**

Review	Original Planned Days	Revised Planned Days	Actual Days	Status and Assurance Level
Planned Work:				
Audit Ctte/EA Liaison/Follow-up	6	6	16.31	Finalised for 2015/16
Sheltered Housing & Supporting People	34	32.64	32.64	Finalised - Limited
Housing Repairs, Maintenance & Void Management	40	41.36	41.04	Finalised - Limited
Finalisation of 2014-15 audits:				
Days over delivered in 2014-15	0	-0.34	-0.34	Completed
Unplanned – CSO compliance	0	0	5.53	Finalised - Reasonable
Disinfestation of Voids	0	0	2.30	Finalised
Total	80	79.66	97.82	123%
Additional days purchased with EKAP saving from 2014-15			7.31	Allocated to Repairs & Maintenance

**Performance against the Agreed 2015-16
EK Services Audit Plan**

Review	Original Planned Days	Revised Planned Days	Actual Days	Status and Assurance Level
Housing Benefits Appeals	15	5	4.80	Completed - Substantial
Housing Benefits Discretionary Housing Payments	15	8	7.90	Completed - Substantial
Business Rate Reliefs	15	15	9.26	Work in progress
Business Rate Credits	15	15	13.65	Work in progress
Debtors	15	15	11.94	Work in progress
ICT – PCI - DSS	12	16	17.14	Draft Report
ICT – Management & Finance	12	12	6.59	Work in progress
ICT – Disaster Recovery	12	12	8.66	Work in progress
ICT – Policy, Security, Recovery	0	0	2.39	Completed - Reasonable
Corporate/Committee/follow-up	9	12	15.59	Ongoing
DDC / TDC HB reviews	40	40	43.48	Completed
Finalisation of 2014-15 audits:				
Days over delivered in 2014-15	-9.79	0	1.48	Allocated
Total	150.21	150.21	142.88	95%
Additional days purchased with EKAP saving from 2014-15		14.63	14.63	Allocated to Policy, Security, Recovery Review

Annual Internal Audit Report for EK SERVICES 2015-16

1. Introduction/Summary

The main points to note from this report are that the agreed programme of audits has been completed with some projects being finalised as work in progress at 31st March 2016. The majority of reviews have given a substantial or reasonable assurance and there are no major areas of concern that would give rise to a qualified opinion.

The financial management of the Internal Audit cost centre held by Dover District Council has performed well and has delivered a modest saving against budget. The saving accrued to EK Services is £511 and it has been agreed that this will be used to purchase additional audit days as required in 2016-17.

2. Review of the Internal Control Environment

2.1 Risks and Assurances

During 2015-16, 26 recommendations were made in the agreed final audit reports for EK Services. These are analysed as being High, Medium or Low risk in the following table:

Risk Criticality	No. of Recommendations	Percentage
High	11	42%
Medium	13	50%
Low	2	8%
TOTAL	26	100%

Naturally, more emphasis is placed on recommendations for improvement regarding high risks. Any high priority recommendations where management has not made progress in implementing the agreed system improvement are brought to management and Councillors' attention through Internal Audit's quarterly update reports. During 2015-16 the EKAP has raised 26 recommendations, and whilst 92% were in the High or Medium Risk categories, none are so significant that they need to be escalated at this time.

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

The summary of Assurance Levels issued on the 13 pieces of work commissioned for EK Services over the course of the year is as follows:

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

Assurance	No.	Percentage of Completed Reviews
Substantial	2	40%
Reasonable	3	60%
Limited	0	0%
No	0	0%
Work in Progress at Year-End	6	-
Not Applicable	2	-

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

Taken together 100% of the reviews account for substantial or reasonable assurance. There were no reviews assessed as having a limited or no assurance.

For each recommendation, an implementation date is agreed with the Manager responsible for implementing it. Understandably, the follow up review is then timed to allow the service manager sufficient time to make progress in implementing the agreed actions against the agreed timescales. The results of any follow up reviews yet to be undertaken will therefore be reported to the quarterly committee at the appropriate time:

2.2 Progress Reports

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

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

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

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

Six follow up reports were carried out for EK Services during the year. The results for the follow up activity for 2015-16 will continue to be reported at the appropriate time. The results in the following table show the original opinion and the revised opinion after follow up to measure the impact that the EKAP review process has made on the system of internal control.

Total Follow Ups undertaken 6	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Original Opinion	0	2	2	2
Revised Opinion	0	0	4	2

There are no fundamental issues of note arising from the audits undertaken in 2015-16. Reviews previously assessed as providing a Limited Assurance that have been followed up are shown in the table below.

Area Under Review	Original Assurance (Date to Ctte)	Progress Report
ICT Software Procurement	Limited	Reasonable
ICT Change Control	Limited	Reasonable

2.3 Special Investigations and Fraud Related Work

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

The EKAP is, from time to time, required to carry out special investigations, including suspected fraud and irregularity investigations and other special projects. During the year 2015-16 there have been no fraud investigations conducted by the EKAP on behalf of EK Services.

2.4 Completion of Strategic Audit Plan

The analysis in Appendix 4 shows the individual reviews that were completed during the year. As at 31st March 2016 delivery was slightly behind plan and EKAP had delivered 142.88 days against 150.21 required (95.12%). The 7.33 days carried over will be adjusted in 2016-17 as part of the rolling three-year plan process.

Year	Days Required	Plus B/Fwd	Adjusted Requirement from EKAP	Days Delivered	Percentage Completed	Days Against Target
2011-12	169	0	0	143.90	85.15%	-25.10
2012-13	160	25.10	185.10	156.99	84.81%	-3.01
2013-14	160	28.11	188.11	156.96	83.44%	-3.04
2014-15	160	31.15	191.15	200.94	105.12%	+40.94
2015-16	160	-9.79	150.21	142.88	95.12%	-17.12
Total	809			801.67	99%	-7.33

3.0 Significant issues arising in 2015-16

From the work undertaken during 2015-16, there were no instances of unsatisfactory responses to key control issues raised in internal audit reports by the end of the year. There are occasions when audit recommendations are not accepted for operational reasons such as a manager's opinion that costs outweigh the risk, but none of these are significant and require reporting or escalation at this time.

4.0 Overall Conclusion

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

opinion on the Council's overall system of control, I need to have regard to the amount of work which we have undertaken upon which I am basing my opinion.

Based on the work of the EKAP on behalf of EK Services during 2015-16, the overall opinion is that there are no major areas of concern, which would give rise to a qualified audit statement regarding the systems of internal control concerning either the main financial systems or overall systems of corporate governance. The EKAP assesses the overall system of internal control in operation throughout 2015-16 as providing reasonable assurance. No system of control can provide absolute assurance, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance that there is an ongoing process for identifying, evaluating and managing the key risks.

Balanced Scorecard – 2015-16

<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 4		Reported Annually		
Chargeable as % of available days	89%	80%	• Cost per Audit Day	£292.57	£321.33
Chargeable days as % of planned days			• Direct Costs	£415,735.67	£412,450
CCC	107%	100%	• + Indirect Costs (Recharges from Host)	£11,700	£11,700
DDC	95%	100%	• - 'Unplanned Income'	£7,505	Zero
SDC	99%	100%	• = Net EKAP cost (all Partners)	£419,930.67	£424,150
TDC	102%	100%	• Saving	£4,219.33	Zero
EKS	95%	100%			
EKH	123%	100%			
Overall	101%	100%			
Follow up/ Progress Reviews;					
• Issued	53	-			
• Not yet due	22	-			
• Now due for Follow Up	53	-			
Compliance with the Public Sector Internal Audit Standards (PSIAS)	Partial	Full			

<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 4		Quarter 4		
Number of Satisfaction Questionnaires Issued;	93		Percentage of staff qualified to relevant technician level	83%	75%
Number of completed questionnaires received back;	25		Percentage of staff holding a relevant higher level qualification	36%	32%
	= 27%		Percentage of staff studying for a relevant professional qualification	28%	N/A
Percentage of Customers who felt that;			Number of days technical training per FTE	3.16	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 (post qualification)	36%	32%
	100%	100%			
	100%	100%			

This page is intentionally left blank

ANNUAL FRAUD REPORT

To: **Governance and Audit Committee: 22nd June 2016**

By: **Director of Corporate Resources & s151 Officer: Tim Willis**

Subject: **ANNUAL FRAUD REPORT 2015-16.**

Classification: **Unrestricted**

Summary: **This report provides the summary of the counter fraud work completed by the Council during the year to 31st March 2016.**

For Information

1.0 Introduction

- 1.1 Thanet District Council is opposed to all forms of fraud and corruption and recognises that such acts can undermine the standards of public service, which it promotes, and have a detrimental effect on the ability of the Council to meet its own objectives. This, in turn, can impact on the service provided to the residents of Thanet.
- 1.2 This report is intended to provide details of the Council's activity in preventing, detecting and investigating fraud and corruption during the 2015-16 financial year. The report includes action taken in respect of both corporate fraud (acts of fraud within and against the Council) and benefit related fraud formerly managed by EK Services on its behalf up until December 2015.
- 1.3 Local authorities face a significant fraud challenge. Fraud costs local authorities an estimated £2.1bn a year. Every £1 that a local authority loses to fraud is £1 that it cannot spend on supporting the community. Fraud and corruption are a drain on local authority resources and can lead to reputational damage.
- 1.4 Fraudsters are constantly revising and sharpening their techniques and local authorities need to do the same. There is a clear need for a tougher stance. This includes tackling cross boundary and organised fraud and corruption attempts, as well as addressing new risks.

2.0 Prevention and Detection of Fraud and Corruption

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

2.1 Anti-Fraud & Corruption Strategy

The anti-fraud and corruption strategy is a public document setting out the Council's stance on fraud and corruption and providing and outline of its arrangements to prevent, detect and investigate instances. The strategy underpins the Council's

counter fraud arrangements and supports other corporate documents, which together form the framework which includes:

- Counter fraud policy,
- Whistleblowing policy,
- Anti-money laundering policy,
- Anti-bribery policy,
- Anti-corruption policy
- Gifts and hospitality policy and register,
- Pecuniary interest policy and register,
- Codes of conduct and ethics,
- Information Governance & Security policies (currently being refreshed).

Plans and operations are aligned to the strategy and contribute to the achievement of the organisation's overall goal of improving resilience to fraud and corruption.

2.2 Whistleblowing Policy

The Whistleblowing policy is intended to be used by Council employees, members and contractors, consultants or partners working with the Council to support the disclosure of concerns and suspicions, which can not be raised through the channels outlined in the Anti-Fraud & Corruption Strategy. During 2015-16 there were three referrals made using the Whistleblowing Policy, each incident was investigated in accordance with the policy.

2.3 Internal Control Arrangements

2.3.1 Induction

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

2.3.2 Training

In addition to the induction training staff are reminded via the publication of the Counter Fraud and Corruption Strategy and the posters telling staff what to do if they suspect fraud or irregularity are on main noticeboards about the building.

2.3.3 Website

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

2.3.4 Publicity of Successful Prosecutions

The Council is committed to publicising where it has been able to successfully pursue proven cases of fraud. During the 2015-16 year three press releases relating to the Council's detection of fraudulent activity. The publicity provides assurance that the Council does and will deal with such cases effectively, acting both as a deterrent to those contemplating fraudulent activity, and encouraging those with information to come forward and report this to the Council.

2.3.5 National Fraud Initiative

The Council takes part in the bi-annual National Fraud Initiative (NFI) data matching exercise, comparing computer records held by the Council against other data bases held by other bodies. This results in matches being found requiring further

investigation to determine whether it is an error or a potential fraud. The next exercise is from October 2016 with data matches to come back in January 2017.

In October 2014 the Council submitted data for the 2014-15 NFI exercise, and the matches from the exercise were received in January 2015. A total of 2,683 matches were received across 65 reports considering housing benefit, payroll, creditors, housing (including right-to buy), insurance claims, taxi licensing and residents parking permits information held by the Council. The total number of matches has increased since reported in the 2014-15 Annual Fraud Report as the Cabinet Office perform secondary “mini matches” based on ad-hoc submissions.

Current overall summary of the 2,683 matches;

- 1,875 are cleared cases, this is where the match status has been set to either “closed already known” or “closed no issue”.
- 9 cases are currently being investigated
- 3 cases of fraud have been identified – totalling £8,669.08
- ‘Highlighted errors’ has a total of 107 cases, 16 of which with a total of £10,974.02, is being recovered.

2.3.6 Housing Tenancy Fraud

East Kent Housing (EKH) provide housing management services for Canterbury, Dover, Shepway and Thanet council’s and help by providing information about EKH officers and the work that they do to help identify and deal with Social Housing Fraud. EKH also provide the information required under paragraph 58 of the Local Government Transparency Code 2014 (shown in the following table) about:

- The total number of cases of irregularity investigated
- total number of occasions on which a) fraud and b) irregularity was identified
- total monetary value of a) the fraud and b) the irregularity that was detected, and
- total monetary value of a) the fraud and b) the irregularity that was recovered.

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

Period 1 April 2015- 31 March 2016	TDC
The number of occasions that EKH have used powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 201432, or similar powers	0
The total number (absolute and full time equivalent) of employees of EKH undertaking investigations and prosecutions of fraud	0
The total number (absolute and full time equivalent) of professionally accredited counter fraud specialists working for EKH	1
The total amount spent by the EKH on the investigation and prosecution of fraud	0
The total number of social housing fraud cases investigated by EKH.	0

The total number of cases of irregularity investigated	0
The total number of occasions on which a) fraud and b) irregularity was identified	0
total monetary value of a) the fraud and b) the irregularity that was detected	0
Total monetary value of a)the fraud and b)the irregularity that was recovered	0

3.0 Investigating Fraud

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

3.1 Corporate Fraud & Irregularity Referrals

To ensure the effective use of the skills and resources available to it the Council intends to utilise officers from HR, Internal Audit and Investigations based on the nature of the allegation and the investigatory skills required. During 2015-16 no referrals were made to the Council;

3.2 Benefit Fraud Referrals

The investigation team was previously made up of two Investigation Officers whose primary focus was the detection and investigation of benefit fraud. These officers transferred to the Single Fraud Investigation Service working for the DWP in December 2015. The figures reported to the end of Quarter 2 for 2015-16 follow;-

There were 373 referrals to the team, of which 330 were closed.

Sanction Achieved	Number
Formal Caution	18
Administrative Penalty	2
Successful Prosecution	3
	23

3.3 Other Investigation Activity

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

4.0 Future Developments in the Fraud Arrangements of the Council

4.1 Fighting Fraud Locally

- In December 2011 the NFA launched *Fighting Fraud Together*, a national fraud strategy encompassing public and private sector, not for profit organisations and law enforcement bodies.
- In April 2012 the NFA launched *Fighting Fraud Locally* as the first sector-led local government counter-fraud strategy. *Fighting Fraud Locally* sets out a three tiered approach for local authorities to follow- to Acknowledge, Prevent and Pursue fraud.
- CiPFA published its Code of Practice on Managing the Risk of Fraud and Corruption in October 2014. The five key elements of the code are to:
 - Acknowledge the responsibility of the governing body for countering fraud and corruption;

- Identify the fraud and corruption risks;
- Develop an appropriate counter fraud and corruption strategy;
- Provide resources to implement the strategy;
- Take action in response to fraud and corruption.
- In early 2016 the Local Government Counter Fraud and Corruption Strategy was updated to produce a forward look for 2016-2019. This extends the earlier requirement to transform counter fraud and corruption performance over the next three years and introduces the six C's; Culture, Capability; Capacity: Competence; Communication and Collaboration.

4.2 Assessing Fraud Risk

In addition to the work of management, both External Audit and Internal Audit will continue to assess fraud risk to which the Council may be exposed annually as part of the development of their planned work.

5.0 Summary

5.1 The Council continues to react positively to review, update and publicise its counter fraud arrangements and encourage referrals to be made where fraud or corruption is suspected.

5.2 To maintain its counter fraud culture, the Council will;

- Ensure that the Council has the right policies and procedures in place to support counter fraud work and that these are widely publicised, promoted and enforced.
- Provide an ongoing awareness of fraud and corruption issues to staff and members.
- Work with stakeholders across the Council in acknowledging their fraud risk.
- Undertake reactive investigations where fraud is reported and ensure that the maximum possible is recovered for the Council.
- Ensure that the lessons learned from investigations, and the skills and knowledge required to carry them out effectively, are shared across the relevant parts of the Council.
- Ensure that proven cases are publicised.
- Maintain an overview of the changing fraud landscape to ensure that the Council continues to maintain an effective, but proportionate, response to fraud risk.

6.0 Options

6.1 That Members consider and note the annual fraud report for 2015-16.

6.2 That Members consider registering their concerns with Cabinet in respect of any areas of the Council's corporate governance, control framework or risk management arrangements in respect of which they have on-going concerns after considering the counter fraud work for the year 2015-16.

7.0 Corporate Implications

7.1 Financial Implications

There are no financial implications arising directly from this report. Adequate and effective counter-fraud arrangements provide the Council with assurance on the

proper, economic, efficient and effective use of Council resources in the delivery of services, as well as helping to identify fraud and error that could have an adverse affect on the financial statements of the Council.

7.2 Legal Implications

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

7.3 Corporate Implications

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

8.0 Recommendations

8.1 That the report be received by Members.

Contact Officers:	Christine Parker, Head of the Audit Partnership, ext. 7190
	Simon Webb, Deputy Head of Audit, ext 7189
	Tim Willis (Director of Corporate Resources & s151 Officer) Ext. 7617

Annex List:

None

Background Papers:

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

Fighting Fraud Locally

CiPFA's Code of Practice on Managing the Risk of Fraud and Corruption

Local Government Counter Fraud and Corruption Strategy 2016

UPDATE REPORT ON THE CORPORATE RISK REGISTER

To: **Governance and Audit Committee – 22 June 2016**

Main Portfolio Area: **Finance and Estates**

By: **Director of Corporate Resources**

Classification: **Unrestricted**

Ward: **Not Applicable**

Summary: **To provide Governance and Audit Committee with the annual review of Corporate Risks including the quarterly update**

For Information

1.0 Introduction and Background

- 1.1 Risk Management is a fundamental element of the Council's arrangements for ensuring goals are achieved and opportunities are taken up. To this end the Council has established its Risk Management Strategy and Process and has assigned responsibility to councillors and officers to ensure that the Council uses its resources effectively, and all that can be reasonable done, is done, to mitigate risk.
- 1.2 The Risk Strategy requires that there is a high-level annual review of corporate risk; this report presents this annual review, as well as incorporating the quarterly update of the corporate risk register.

2.0 The Current Situation

- 2.1 The Corporate Risk Register now reflects the Corporate Priorities 2015-19 adopted in October 2015 by Council. The draft Corporate Plan identifies three Priorities and three Values, and is supplemented by a number of Measures of Success along with the relevant performance metrics developed through the service plans.
- 2.2 Members of the Corporate Management Team have considered risk mitigation plans that are aimed to introduce controls that reduce the likelihood and impact of the corporate risks. These have been included below.

3.0 Updated Corporate Risk Register

- 3.1 A summary of the updated Corporate Risk Register is as follows. These are the scores from the March report, as tested at a workshop of G&A Committee members at the time. An additional column has been included to show the risk score after anticipating mitigating actions, where a mitigation plan has been completed:

Description	Risk score	After mitigation
Health and Safety at Work	12	9
Limited Resources	12	8
Information Governance	12	8
Political Stewardship	12	6
Dreamland Operator	9	8
Maximising Digital Delivery	9	6
Project Management	9	4
Recruitment & Retention	9	4
Safeguarding Vulnerable People	8	4
Business Continuity	6	6
Officer Decision Making	6	6

4.0 Commentary on mitigations

- 4.1 As time moves on, the external environment changes. This can have an impact on the effectiveness of mitigating actions as well as on the likelihood and impact of a risk. For example, the council is working with the Centre for Public Scrutiny to improve governance, following a successful outcome of the follow-up Peer Review and continued cross-party working. This is in the context of exploratory discussions across Kent regarding devolution. Thanet's council is becoming more experienced and comfortable with working with no overall political control. All of these factors, when combined with specific actions, can have a positive impact on political stewardship.
- 4.2 It is more difficult to take action to reduce the impact of a risk occurring, than it is to take action to reduce its likelihood. Hence in some cases, the scores after mitigation will remain relatively high. For example, actions have been and will be carried out to address the high-scoring risk of limited resources, which we should have some confidence in delivering, following a tough 2016-17 budget process that was nonetheless approved last year. But the severity of the impact of the risk becoming manifest (e.g. TDC having to terminate services, make large-scale redundancies and/or be externally governed or managed) has not diminished. The management of this risk is further compounded by the new uncertainty created by the changing external environment, e.g. consultation on the New Homes Bonus, Devolution and the review of local government funding.

5.0 Key changes since March 2016

- 5.1 One of the major events to occur since March is that one of the risks has actually occurred, i.e. the failure of the Dreamland operator, Sands Heritage Ltd (SHL). This risk had been scored as 9, which reflected a relatively high likelihood and relatively high impact. The difficulty with this risk was always the lack of control that could be exercised by the council, given the fact that the operator is a separate legal entity (a limited company). We were able to maintain a positive relationship with SHL despite the fact that TDC were one of the creditors listed in the company's Company Voluntary Arrangement (CVA).

- 5.2 In terms of mitigating the impact, we anticipated that a failure of SHL could result in the immediate closure of Dreamland; this would have been very disappointing, and attempts would then be made to find a new operator. Alternatively, SHL would sell to a new owner who might wish to re-negotiate some aspects of its relationship with the council. So the impacts could have included some damage to Thanet's reputation as a destination, substantial work required to find a new operator, and/or additional costs and loss of income. These risks are not existential threats (such as the worst case scenario under Limited Resources) but would have serious consequences.
- 5.3 Now that the risk has crystallised, an Administrator has been appointed and is now running Dreamland for the time being. The council has met with the Administrator and will be meeting regularly. So far, the evidence is positive that he intends to keep the park open for the summer with minimal, if not a positive impact on the customer experience at Dreamland. However, there are still risks to the council, many of which are exactly the same as before SHL went into administration. The mitigating actions are now much more focused on working positively with the Administrator whilst protecting the council's interests.

6.0 Review of the year

- 6.1 Following the election of a new council in May 2015, new corporate priorities were agreed in October 2015. Work began on reviewing the overall corporate approach to risk and G&A Committee approved the new Risk Strategy and Risk Process at its meeting in December 2015. This included a requirement for quarterly updates of the corporate risk register to G&A Committee, plus an annual review for Cabinet (which will also be considered by G&A Committee).
- 6.2 The revised corporate risk register in December reflected the corporate priorities but also simplified the general approach to risk. The high-level CRR is regularly considered by Corporate Management Team (CMT), and risk is a permanent item on its agenda. G&A Committee considers changes to the CRR, the reasons for the changes and the actions being taken to mitigate the likelihood and impact of those risks. A view is also taken regarding the extent to which the risks should be tolerated. Looking beyond the CRR, Heads of Service are responsible for maintaining service-level risks and project managers are responsible for project risks.
- 6.3 In February 2016, members of G&A Committee attended a workshop which provided training on risk management as well as a systematic consideration of each corporate risk, scoring each one based on likelihood and impact. Although this is the role of CMT, the training was enhanced by members going through the thought processes and discussing issues around the relative significance of one risk as compared to another. It also enabled a deeper understanding of the risks listed in the CRR at the time. CMT had already scored the CRR but the results had not at that point been shared with members; it was interesting to note that there was no major difference between the scores by G&A Committee members and CMT.
- 6.4 The major events over the year that have informed the CRR have been:
- The notification of the prosecution by the Health & Safety Executive (still not yet taken place) regarding Hand Arm Vibration Syndrome. A wide range of measures have been put in place to identify and manage health and safety issues in relation to the workforce. However, there remains some uncertainty created by the outcome of the impending prosecution.

- The Dreamland operator revealed the need to reach a special agreement with its creditors, then went into administration. In December, a CVA was agreed which highlighted that SHL was having difficulties meeting its obligations. Then earlier this month, it was announced that SHL was going into administration. The council had no direct power over these events, but it is a creditor of SHL and it holds a lease and concession agreement with SHL. Dreamland has not had to close as a consequence of these events and it is hoped that TDC can play some part in securing the future of the operation whilst also protecting the council's interests.
- The follow-up Peer Review assessed the progress made by the council over two years, with particular reference (for the purposes of the CRR) to member behaviour and political stewardship. As the council matures and despite the council moving to no overall political control, the Peer Review saw real progress in behaviour and in how the council has dealt with major potentially controversial issues. This remains a work in progress and a new cross-party group has been established that will oversee the improvements.
- There remains continued uncertainty regarding the external funding environment and challenges of delivering the 2016-17 budget and Medium Term Financial Strategy. Although decisions were made to set the 2016-17 budget, there is now the challenge of staying within that budget. And there will be further substantial savings required to deliver the 2017-18 budget. This is within the context of an uncertain financial environment. For example, the government announcement to devolve business rates to local authorities has not been supplemented with the detail needed to assess its impact; also, the drive for devolution and the potential for restructuring of local government creates more uncertainty and costs.

7.0 Next Steps

- 7.1 The Corporate Risk Register will continue to be reviewed regularly and the scores of individual risks reviewed as circumstances change. Quarterly updates will be presented to G&A Committee in accordance with the Risk Management Strategy.

8.0 Corporate Implications

8.1 Financial and VAT

- 8.1.1 Whilst the Corporate Risk Register includes a comprehensive review of corporate financial risks, there are no financial implications for the recommendation required by this report.

8.2 Legal

- 8.2.1 Whilst the Corporate Risk Register includes consideration of legal matters in as far as they relate to risks to the Council, there are no legal implications for the recommendation required by this report.

8.3 Corporate

8.3.1 The Corporate Risk Register sets out how the Council will seek to control the risks it faces. The approach suggested is in accordance with the requirements of the Council's Constitution and agreed Risk Management Strategy and Process.

8.4 Equity and Equalities

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

9.0 Recommendation(s)

9.1 That Members note the content of this report.

10.0 Decision Making Process

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

Contact Officer:	Tim Willis, Director of Corporate Resources DDI 01843 577617
Reporting to:	Madeline Homer, Chief Executive

Background Papers

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

Corporate Consultation Undertaken

Finance	Tim Willis, Director of Corporate Resources
Legal	Ciara Feeney, Head of Legal & Deputy Monitoring Officer

This page is intentionally left blank

ANNUAL GOVERNANCE STATEMENT ACTION PLAN PROGRESS REPORT

To: **Governance and Audit Committee – 22 June 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
---------	---

Background Papers

Title	Details of where to access copy
n/a	

Corporate Consultation Undertaken

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

AGS Significant Issue 2014/2015	Suggested Action Heading & (Owner)	Task List	Progress <u>June 2016</u>
<p>The council's reputation is of critical importance Thanet District Council has suffered in terms of its reputation. Sustained and rapid improvement in this area is critically important. Rebuilding our reputation is the most important challenge we face.</p>	<p>Member Development (Director of Corporate Governance)</p> <p>Reputation (Chief Executive and Director of Corporate Resources)</p>	<ul style="list-style-type: none"> • Member development workshops • Community Leadership Training (LGA) • Group Discipline Training • Social Media Training • Benchmark approach to Member development • Visits to other Councils focussed on specific activities • Peer support for Cabinet members • Develop measures to track changes in reputation • Consider alternative survey approaches • Conduct resident's survey (twice-yearly) • Conduct staff survey • Review media coverage 	<ul style="list-style-type: none"> • On-going • Completed • Values/Behaviours workshops completed • Completed • Completed • Scheduled for 17 March tbc • Offered to Cabinet Members • On-going • On-going • On-going – 2 LGA surveys carried out and Annual Budget survey underway • Completed • December 2015 Completed • On-going – monthly and quarterly media reports
<p>Clarify what we want to achieve and how we are going to do it and then put the appropriate resources in place Work is required to prioritise within our plans and be clear about the few top priorities which need to be achieved. Once we have clarified our top priorities, we need to think about how the organisation will need to change in the future in order to deliver them. We need to</p>	<p>Review Priorities (Chief Executive)</p> <p>Project Management (Director of Corporate Resources)</p>	<ul style="list-style-type: none"> • Cabinet agree draft priorities • Consultation on priorities with Members, Stakeholders, Staff • O & S consider revised priorities • Council approve new priorities • Communicate priorities • Review Consultants recommendations on PM • Implement standard project approach 	<ul style="list-style-type: none"> • Completed • Completed • Completed • Completed • On-going • Completed • Completed • Sept 2016 • Sept 2016

communicate your top priorities clearly, consistently and repeatedly.	(Director of Operational Services)	<ul style="list-style-type: none"> • Build PM cadre • Train staff on PM • Create new governance arrangements for PM 	<ul style="list-style-type: none"> • Sept 2016
AGS Significant Issue 2014/2015	Suggested Action Heading & (Owner)	Task List	Progress <u>June 2016</u>
	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. New Asset Management plan due Dec
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.	(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-2016Completed • Post-Feb-2016On-going • Structure agreed, new roles evaluated-Completed • This will be assessed during the year
Develop and then implement our understanding of appropriate member and officer roles in a strong	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 	<ul style="list-style-type: none"> • Agreed-Feb-2016Completed • Agreed-Feb-2016Completed • Post-Feb-2016On-going

<p>organisation We need to develop our understanding about the way in which leading politicians and senior managers can work effectively together.</p>		<ul style="list-style-type: none"> • Incorporate revised sanctions • Engage with Group Leaders 	<ul style="list-style-type: none"> • Completed • Feb-2016<u>On-going</u>
<p>AGS Significant Issue 2014/2015</p>	<p>Suggested Action Heading & (Owner)</p>	<p>Task List</p>	<p>Progress <u>June 2016</u></p>
<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<u>Completed</u> • Agreed Member/Officer protocol • On-going • <u>October 2106</u> • June 2016 • June 2016 • Linked to vision • Linked to <u>emerging people strategy</u>
<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<u>Completed</u> • Completed

Information Governance	Refresh TDC Approach to Information Governance (Dir. Of Corporate Governance)	<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 <u>June</u>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 <u>Due August 2016</u> • Completed • <u>No further action</u> • Agreed by CMT <u>Jan 16</u> revised action plan on website • Data published on website • on-going <u>Due August 2016</u> • on-going <u>Completed</u> • the <u>Completed</u> • the <u>Due June 2016</u> • Completed • the <u>Completed</u>
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 <u>CX/CMT</u> • Monitored by <u>CX/CMT</u>
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 • <u>March 16</u> <u>Completed</u>

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
---	-------------------	---	---

This page is intentionally left blank

ANNUAL TREASURY MANAGEMENT REVIEW 2015/16

To: **Governance and Audit Committee – 22 June 2016**

Main Portfolio Area: **Finance**

By: **Portfolio Holder for Financial Services and Estates**

Classification: **Unrestricted**

Ward: **N/A**

Summary: **This report summarises treasury management activity and prudential/ treasury indicators for 2015/16.**

For Decision

1.0 Introduction and Background

- 1.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2015/16. This report meets the requirements of both the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 1.2 During 2015/16 the minimum reporting requirements were that the full Council should receive the following reports:
- an annual treasury strategy in advance of the year (Council 05/02/2015 and amended by Council 23/04/2015)
 - a mid-year treasury update report (Council 25/02/2016)
 - an annual review following the end of the year describing the activity compared to the strategy (this report)
- 1.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.
- 1.4 This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Governance and Audit Committee before they were reported to the full Council. Member training on treasury management issues was undertaken during the year on 21/09/2015 in order to support members' scrutiny role. The Council's external treasury management advisor is Capita Asset Services (Capita).
- 1.5 The Council's 2015/16 accounts have not yet been audited and hence the figures in this report are subject to change.

2.0 Capita's Review of the Economy and Interest Rates (issued by Capita in April 2016)

- 2.1 Market expectations for the first increase in Bank Rate moved considerably during 2015/16, with expectations of an increase starting at quarter 3 2015 but soon moving back to quarter 1 2016. However, by the end of the year, market expectations of an increase had moved to quarter 2 2018 due to many fears including concerns that China's economic growth could be heading towards a hard landing; the potential destabilisation of some emerging market countries particularly exposed to the Chinese economic slowdown; and the continuation of the collapse in oil prices during 2015 together with continuing Eurozone growth uncertainties.
- 2.2 These concerns have caused sharp market volatility in equity prices during the year with corresponding impacts on bond prices and bond yields due to safe haven flows. Bank Rate, therefore, remained unchanged at 0.5% for the seventh successive year. Economic growth (GDP) in 2015/16 has been disappointing with growth falling steadily from an annual rate of 2.9% in quarter 1 2015 to 2.1% in quarter 4.
- 2.3 The sharp volatility in equity markets during the year was reflected in sharp volatility in bond yields. However, the overall dominant trend in bond yields since July 2015 has been for yields to fall to historically low levels as forecasts for inflation have repeatedly been revised downwards and expectations of increases in central bank rates have been pushed back. In addition, a notable trend in the year was that several central banks introduced negative interest rates as a measure to stimulate the creation of credit and hence economic growth.
- 2.4 The European Central Bank (ECB) commenced a full blown quantitative easing (QE) programme of purchases of Eurozone government and other bonds starting in March at €60bn per month. This put downward pressure on Eurozone bond yields. There was a further increase in this programme of QE in December 2015.
- 2.5 As for America, the economy has continued to grow healthily on the back of resilient consumer demand. The first increase in the central bank rate occurred in December 2015 since when there has been a return to caution as to the speed of further increases due to concerns around the risks to world growth.
- 2.6 The UK elected a majority Conservative Government in May 2015, who promised a referendum on the UK remaining part of the EU. The government maintained its tight fiscal policy stance but the more recent downturn in expectations for economic growth has made it more difficult to return the public sector net borrowing to a balanced annual position within the period of this parliament.

3.0 Overall Treasury Position as at 31 March 2016

- 3.1 At the beginning and the end of 2015/16 the Council's treasury (excluding borrowing by private finance initiatives (PFI) and finance leases) position was as follows:

	31 March 2015 Principal £000	Rate/ Return	Average Life yrs	31 March 2016 Principal £000	Rate/ Return	Average Life yrs
General Fund (GF) debt	9,790	3.18%	13.8	9,179	3.26%	13.8
Housing Revenue Account (HRA) debt	20,869	3.98%	10.1	20,041	4.03%	9.7
Total debt	30,659	3.77%	11.3	29,220	3.78%	11.0
GF CFR	22,390			27,067		
HRA CFR	20,874			20,241		
Total CFR	43,264			47,308		
Over / (under) borrowing	(12,605)			(18,088)		
Total investments	29,435	0.53%		28,612	0.55%	
Net debt	1,224			608		

4.0 The Strategy for 2015/16

- 4.1 The expectation for interest rates within the treasury management strategy for 2015/16 anticipated low but rising Bank Rate, (starting in quarter 2 of 2016), and gradual rises in medium and longer term fixed borrowing rates during 2016/17. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.
- 4.2 In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk.
- 4.3 The sharp volatility in equity markets during the year was reflected in sharp volatility in bond yields. However, the overall dominant trend in bond yields since July 2015 has been for yields to fall to historically low levels as forecasts for inflation have repeatedly been revised downwards and expectations of increases in central rates have been pushed back.
- 4.4 **Change in strategy during the year** – the strategy adopted in the original Treasury Management Strategy Report for 2015/16 approved by the Council on 05/02/15 was revised by the Council on 23/04/15 to remove the Lowest Common Denominator assessment in the minimum credit ratings criteria (in accordance with advice from Capita).

5.0 The Borrowing Requirement and Debt

- 5.1 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

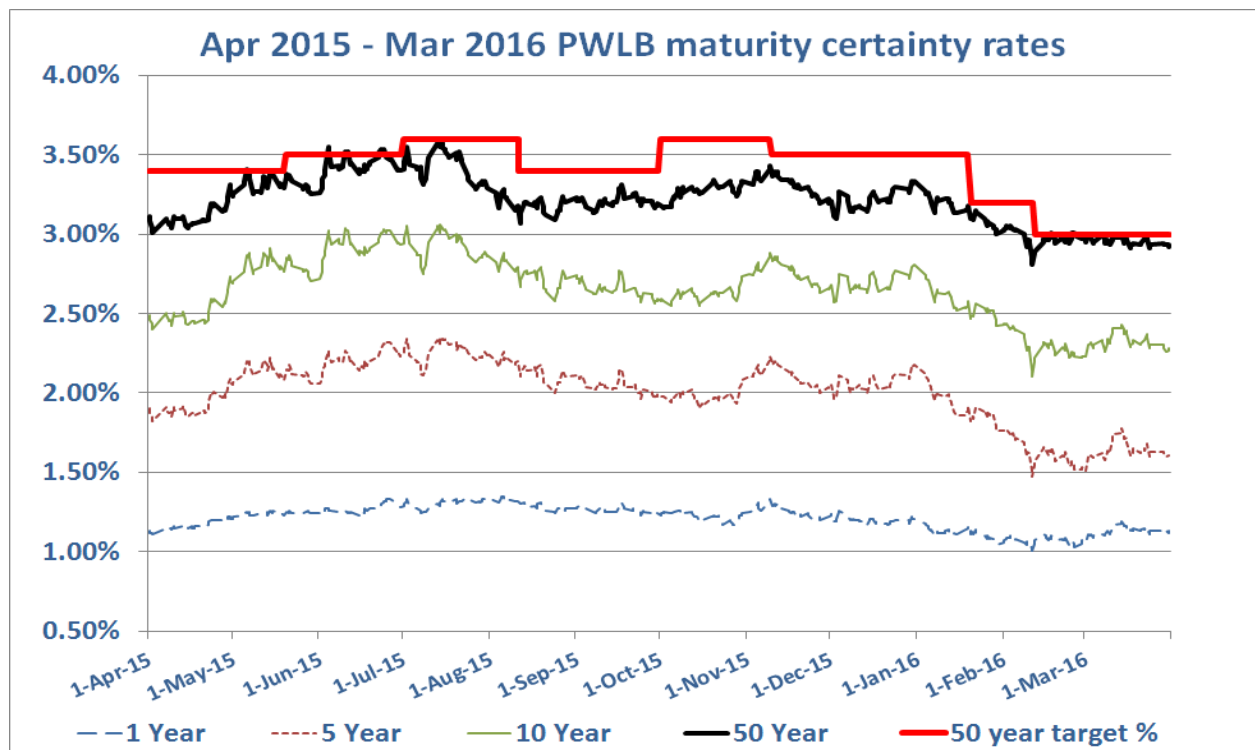
£000	31 March 2015 Actual	31 March 2016 Budget	31 March 2016 Actual
CFR GF	22,390	26,470	27,067
CFR HRA	20,874	23,607	20,241
Total CFR	43,264	50,077	47,308

The 2015/16 CFR HRA Budget included £3,561k for the New Build Programme, which is now due to start in 2016/17.

The 2015/16 CFR GF Actual reflects a Minimum Revenue Provision saving of £247k against Budget, with the remaining difference due to increased capital expenditure.

6.0 Borrowing Rates in 2015/16

6.1 **Public Works Loan Board (PWLB) certainty maturity borrowing rates** - the graph below shows how PWLB certainty rates have fallen to historically very low levels during the year.



7.0 Borrowing Outturn for 2015/16

7.1 **Borrowing** – Due to investment concerns, both counterparty risk and low investment returns, no borrowing was undertaken during the year.

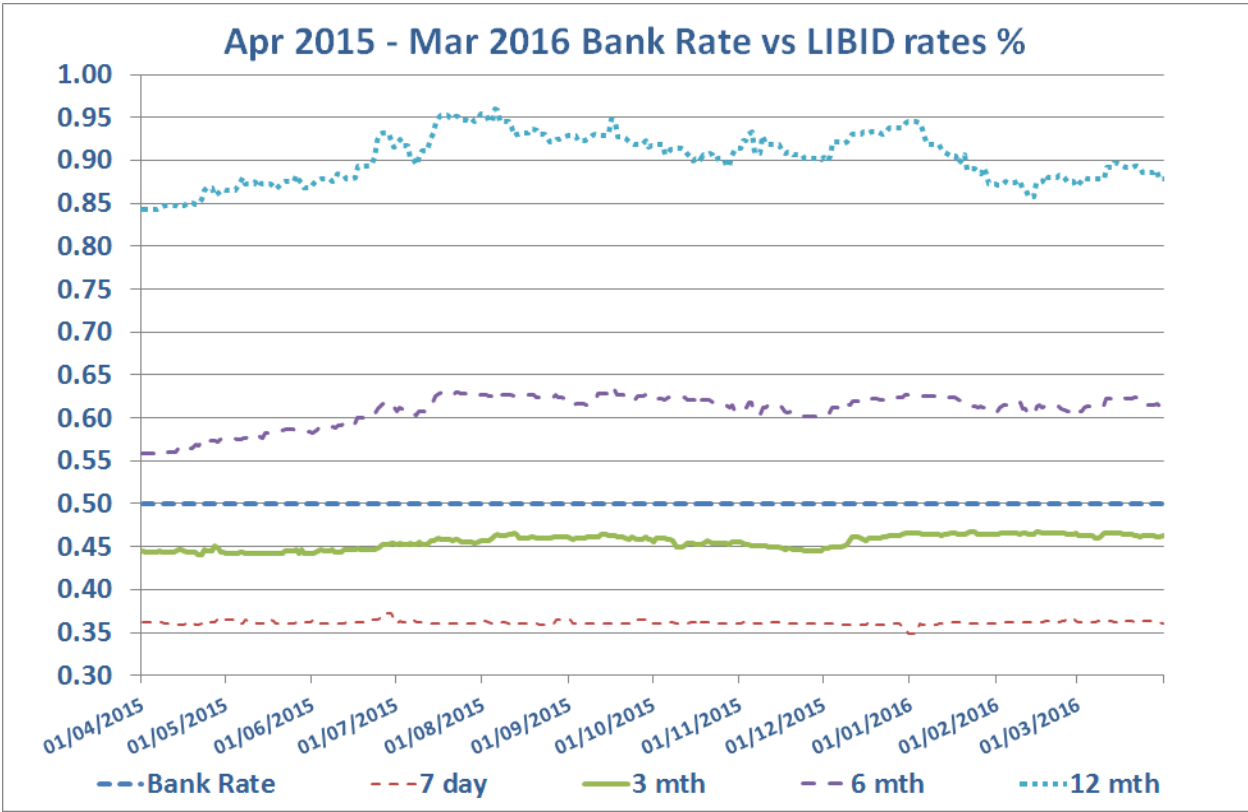
7.2 **Rescheduling** – No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

7.3 **Repayments** – The Council repaid £1,439k of maturing debt using investment balances.

Lender	Principal £000	Interest Rate	Repayment Date
PWLB	43	3.08%	23/04/15
PWLB	960	2.75%	03/05/15
PWLB	50	2.48%	27/05/15
PWLB	146	1.97%	27/05/15
PWLB	43	3.08%	23/10/15
PWLB	50	2.48%	27/11/15
PWLB	147	1.97%	27/11/15
Total £000	1,439		

7.4 **Summary of debt transactions** – The above repayment of the debt portfolio resulted in an increase in the average interest rate of 0.01%, representing an interest cost of £3k on the weighted average of the 2015/16 debt principal.

8.0 Investment Rates in 2015/16



- 8.1 Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for seven years. Market expectations as to the timing of the start of monetary tightening started the year at quarter 1 2016 but then moved back to around quarter 2 2018 by the end of the year. Deposit rates remained depressed during the whole of the year, primarily due to the effects of the Funding for Lending Scheme and due to the continuing weak expectations as to when Bank Rate would start rising.

9.0 Investment Outturn for 2015/16

- 9.1 **Investment Policy** – the Council's investment policy is governed by Department for Communities and Local Government (CLG) guidance, which has been implemented in the annual investment strategy approved by the Council on 05/02/2015 (amended by Council 23/04/2015). This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc).
- 9.2 The investment activity during the year conformed to the approved strategy, apart from the money limit with the Lloyds Banking Group (Lloyds) for the 11 day period from 15 May 2015 to 26 May 2015.
- 9.3 With effect from 15 May 2015 Capita changed its view on Lloyds, no longer regarding it as part nationalised. Given the credit rating of Lloyds, this meant that the Council's money limit with Lloyds reduced from £7m to £5m. The Council was able to reduce its deposits with Lloyds to under £5m on 26 May 2015, upon maturity of a £2m fixed term deposit with Lloyds.
- 9.4 The Council had no liquidity difficulties during the year.
- 9.5 **Investments held by the Council** - the Council maintained an average balance of £40,203k of internally managed funds. The internally managed funds earned an average rate of return of 0.55%. The comparable performance indicator is the average 7-day London Interbank Bid Rate (LIBID) rate, which was 0.36%. This compares with a budget assumption of £20,000k investment balances earning an average rate of 0.75%.
- 9.6 **Investments held by fund managers** – the Council does not use external fund managers.

10.0 Investment risk benchmarking

- 10.1 The following investment benchmarks were set in the Council's 2015/16 annual treasury strategy:
- 10.2 **Security** - The Council's maximum security risk benchmark for the current portfolio, when compared to historic default tables, is:
- 0.05% historic risk of default when compared to the whole portfolio.
- 10.3 **Liquidity** – in respect of this area the Council seeks to maintain:
- Bank overdraft - £0.5m
 - Liquid short term deposits of at least £10m available with a week's notice.

- Weighted average life benchmark is expected to be 0.5 years, with a maximum of 1.0 year.

10.4 **Yield** - local measures of yield benchmarks are:

- Investments – internal returns above the 7 day LIBID rate

10.5 The Council kept to the above benchmarks during 2015/16.

11.0 Corporate Implications

11.1 Financial and VAT

11.1.1 The financial implications are highlighted in this report.

11.2 Legal

11.2.1 Section 151 of the 1972 Local Government Act requires a suitably qualified named officer to keep control of the Council's finances. For this Council, this is the Director of Corporate Resources, Tim Willis, and this report is helping to carry out that function.

11.3 Corporate

11.3.1 Failure to undertake this process will impact on the Council's compliance with the Treasury Management Code of Practice.

11.4 Equity and Equalities

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

12.0 Recommendations

12.1 That the Governance and Audit Committee:

- Notes the actual 2015/16 prudential and treasury indicators in this report.
- Approves the annual treasury management report for 2015/16.
- Recommends this report to Cabinet.

13.0 Decision Making Process

13.1 This report is to go to Cabinet and then Council for approval. The next Cabinet meeting is on 28 July 2016.

14.0 Disclaimer

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

No person accepts any liability whatsoever for any loss howsoever arising from any use of this document or its contents or otherwise in connection therewith.

Contact Officer:	Tim Willis, Section 151 Officer, extn 7617
Reporting to:	Madeline Homer, Chief Executive

Annex List

Annex 1	Prudential and Treasury Indicators
---------	------------------------------------

Corporate Consultation Undertaken

Finance	Jo Miller, Head of Finance
Legal	Tim Howes, Director of Corporate Governance
Communications	Hannah Thorpe, Head of Communications

Annex 1: Prudential and Treasury Indicators

1. During 2015/16, the Council complied with its legislative and regulatory requirements except for the money limit with the Lloyds Banking Group for the 11 day period from 15 May 2015 to 26 May 2015 as explained in section 9 of the main report. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Actual prudential and treasury indicators	2014/15 Actual £000	2015/16 Budget £000	2015/16 Actual £000
Capital expenditure			
• GF	8,184	4,229	12,720
• HRA	7,149	10,944	5,030
• Total	15,333	15,173	17,750
Capital Financing Requirement:			
• GF	22,390	26,470	27,067
• HRA	20,874	23,607	20,241
• Total	43,264	50,077	47,308
External debt	30,659	33,814	29,220
Investments			
• Longer than 1 year	0	0	0
• Under 1 year	29,435	20,000	28,612
• Total	29,435	20,000	28,612
Net borrowing	1,224	13,814	608

HRA: The 2015/16 capital expenditure budget included £4,194k for the New Build Programme (which was due to increase the Capital Financing Requirement by £3,561k), which is now due to start in 2016/17.

GF: Actual capital expenditure reflects unused 2014/15 budget of £13,184k carried forward to 2015/16.

2. **Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2015/16) plus the estimates of any additional capital financing requirement for the current (2016/17) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2015/16.
3. **The authorised limit** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2015/16 the Council has maintained gross borrowing within its authorised limit.

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

£000	2015/16
Authorised limit	62,000
Maximum gross borrowing position	30,659
Operational boundary	54,000
Average gross borrowing position	29,495
Financing costs as a proportion of net revenue stream - GF	5.6%
Financing costs as a proportion of net revenue stream - HRA	5.4%

	31 March 2015 Principal	Rate/ Return	Average Life yrs	31 March 2016 Principal	Rate/ Return	Average Life yrs
Fixed rate funding:						
-PWLB	26,159	3.69%	13.2	24,720	3.71%	12.9
-Market	4,500	4.19%	0.5	4,500	4.19%	0.5
Variable rate funding:						
-PWLB	0			0		
-Market	0			0		
Total debt	30,659	3.77%	11.3	29,220	3.78%	11.0
CFR	43,264			47,308		
Over/ (under) borrowing	(12,605)			(18,088)		
Total investments	29,435	0.53%		28,612	0.55%	
Net debt	1,224			608		

6. The maturity structure of the debt portfolio was as follows:

£000	31 March 2015 actual	2015/16 upper limits	31 March 2016 actual
Under 1 year	5,940	14,610	4,980
1 year to under 2 years	480	14,610	480
2 years to under 5 years	6,239	14,610	6,239
5 years to under 10 years	7,367	16,071	6,975
10 years to under 20 years	2,787	14,610	6,626
20 years to under 30 years	4,926	14,610	1,000
30 years to under 40 years	1,920	14,610	1,920
40 years to under 50 years	1,000	14,610	1,000
50 years and above	0	14,610	0
Total debt	30,659		29,220

7. All investments at both the 2014/15 and 2015/16 year-ends were for under one year.

8. The exposure to fixed and variable rates was as follows:

	31 March 2015 Actual £000	2015/16 Limits £000	31 March 2016 Actual £000
Fixed rate	30,659 debt	62,000 debt	29,220 debt
	11,754 investments	45,000 investments	11,757 investments
Variable rate	0 debt	62,000 debt	0 debt
	17,681 investments	45,000 investments	16,855 investments

This page is intentionally left blank

DRAFT AUDIT COMMITTEE ASSURANCE STATEMENT

To: **Audit and Governance Committee – 22 June 2016**

By: **Director of Corporate Resources**

Classification: **Unrestricted**

Ward: **Thanet wide**

Summary: **In accordance with auditing standards, the external auditor needs to establish an understanding of the management processes in place at the Council. The Committee is asked to endorse the contents of the draft responses to the auditors.**

For Decision

1.0 Introduction and Background

- 1.1 To comply with international auditing standards the external auditor needs to establish an understanding of the management processes in place to detect fraud and to ensure compliance with law and regulation. The external auditor is also required to make enquiries of management as to their knowledge of any actual, suspected or alleged fraud.
- 1.2 The external auditor also needs to gain an understanding of how the Audit and Governance committee maintains an oversight of the above processes.
- 1.3 The questions and draft response, which is required to come from the Chairman of the Committee is shown at Annex 1.

2.0 Corporate Implications

2.1 Financial and VAT

- 2.1.1 The grounds for the request and responses are set out in the Appendix and there are no direct financial implications from this report.

2.2 Legal

- 2.2.1 This is a statutory requirement.

2.3 Corporate

- 2.3.1 This is part of the external audit process.

2.4 Equity and Equalities

- 2.4.1 The report has taken into account the public sector equality duty and there are no specific issues arising from this report.

3.0 Options

- 3.1 The requirement to approve the Statement of Accounts is a statutory requirement and therefore no alternative action is recommended as the Committee needs to be assured that the information submitted to the external auditor is sufficiently robust for their purposes.
- 3.2 Failure to achieve an unqualified opinion represents a reputational risk to the Council.

4.0 Recommendation

- 4.1 That the committee notes and endorses the responses to the letter from the external auditor.

Contact Officer:	Tim Willis - Director of Corporate Resources
Reporting to:	Madeline Homer – Chief Executive

Annex List

Annex 1	Letter from Grant Thornton
Annex 2	Draft Audit Committee Assurance Statement

Corporate Consultation Undertaken

Finance	<i>Nicola Walker – Finance Manager</i>
Legal	<i>Tim Howes – Director of Corporate Governance</i>

This page is intentionally left blank



Cllr John Buckley
Chair of Governance and Audit Committee
Thanet District Council
PO Box 9
Cecil Street
Margate
Kent
CT9 1XZ

Grant Thornton UK LLP
Fifth Floor,
Grant Thornton House
Melton Street
London NW1 2EP
T +44 (0)20 7383 5100
www.grant-thornton.co.uk

18 February 2016

Dear John,

**Thanet District Council Financial Statements for the year end 31 March 2016
Understanding how the Audit Committee gains assurance from management**

To comply with International Auditing Standards, we need to establish an understanding of how the Governance and Audit Committee, as the Governing Body, gains assurance over management processes and arrangements.

I would be grateful, therefore, if you could write to me in your role as Chair of the Governance and Audit Committee, with your responses to the following questions in respect of the Council's financial statements.

- 1 How does the Governing Body oversee management's processes in relation to:
 - carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error
 - identifying and responding to the risk of breaches of internal control
 - identifying and responding to risks of fraud in the organisation (including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist)
 - communicating to employees its views on appropriate business practice and ethical behaviour (for example by updating, communicating and monitoring against the codes of conduct)?
- 2 Do you have knowledge of any actual, suspected or alleged frauds? If so, please provide details.
- 3 How does the Governing Body gain assurance that all relevant laws and regulations have been complied with?
- 4 Are you aware of any actual or potential litigation or claims that would affect the financial statements?

I have attached a separate schedule which explores these areas in more detail, and this is included as an Appendix. Could you please complete this schedule and return it to me at your earliest convenience.

For information, we are also required to make enquiries of management and recently sent a letter and schedule of questions to Tim Willis. Please could you provide a response by 6 May 2016 and please contact me if you wish to discuss anything in relation to this request, either via telephone on 020 7728 3194 or by the following e-mail address: terry.blackman@uk.gt.com. Alternatively, please contact Bal Daffu, In Charge Auditor on 07960 650 435 or bal.s.daffu@uk.gt.com.

Yours sincerely

Terry Blackman
Audit Manager

For Grant Thornton UK LLP

Appendix

Response from Governance and Audit Committee Chair

Fraud risk assessment

Auditor Question	Response
Has the Council assessed the risk of material misstatement in the financial statements due to fraud?	
What are the results of this process?	
What processes does the Council have in place to identify and respond to risks of fraud?	
Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	
Are internal controls, including segregation of duties, in place and operating effectively?	
If not, where are the risk areas and what mitigating actions have been taken?	
Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?	
Are there any areas where there is a potential for misreporting?	
How does the Governing Body exercise oversight over management's processes for identifying and responding to risks of fraud?	
What arrangements are in place to report fraud issues and risks to the Governing Body?	
How does the Council communicate and encourage ethical behaviour of its staff and contractors?	
How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	
Are you aware of any instances of actual, suspected or alleged, fraud, either within the Council as a whole or within specific departments since 1 April 2015?	

Laws and Regulations

Auditor Question	Response
What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	
How does management gain assurance that all relevant laws and regulations have been complied with?	
How is the Governing Body provided with assurance that all relevant laws and regulations have been complied with?	
Have there been any instances of non-compliance or suspected non-compliance with laws and regulations since 1 April 2015?	
What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	
Is there any actual or potential litigation or claims that would affect the financial statements?	
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	

Mr D Wells
Assurance Director
Grant Thornton UK LLP
Fleming Way,
Manor Royal,
CRAWLEY
RH10 9GT

22 June 2016

Dear Mr Wells

Re: Understanding How the Audit Committee Gains Assurance from Management

Thank you for requesting my assistance with your current work on the 2015-16 accounts.

The Governance and Audit Committee, which was formed in 2006, has a comprehensive and varied remit which includes oversight of the council's governance and risk management processes, internal audit findings and other matters, such as the council's Treasury Management Strategy and Anti-Fraud and Corruption Policy. Within the detailed Terms of Reference assurance is given that the Committee will follow the CIPFA best practice model.

In order to adequately discharge their role to ensure that the processes are not only adequate but are complied with and weaknesses remedied in a timely manner, new Committee Members are provided with induction training and a supporting guidance booklet and copy of which is attached below.



Governance and
Audit Guidance 2015

Where extra training is required Governance and Audit Committee Members agreed to continue with utilising the first half hour of meetings for training time as required. Additional training sessions have been undertaken to deal with particularly complex topics, such as the Statement of Accounts and Treasury Management provided by CAPITA the Council's external provider for Treasury Services.

The specific work that the Committee considered at its meetings during 2015-16 financial year, which relate to the points that your raise within your letter included:

- Approving the council's Local Code of Corporate Governance and Governance Framework
- Approving the council's Risk Management Strategy and Process and discussing emerging key business risk
- Reviewing reports on progress against the Audit Plan and implementation of agreed Internal Audit recommendations

- Discussion as to how internal audit work is undertaken and in particular how key risks are managed and
- Considering the action plan to address matters of concern arising from the Annual Governance Statement.
- Regular Treasury Management updates including the mid- year and end of year outturn.

These can be evidenced from the Council's published meeting agendas and minutes available from the website, link provided below:

<http://democracy.thanet.gov.uk/ieListMeetings.aspx?CId=114&Year=0>

Meetings under for the Governance and Audit Committee of which I am Chair for 2015-16 onwards have already considered the following:-

- Discussing the Internal Audit Manager's Annual Audit Report and agreeing the Annual Audit Plan, ensuring that high-risk areas and measures to ensure ethical behaviour are adequately covered.
- Reviewing reports on progress against the Audit Plan and implementation of agreed Internal Audit recommendations
- Annual Fraud Report
- Update on the Corporate Risk Register and emerging key business issues.
- Discussion as to how internal audit work is undertaken and in particular how key risks are managed
- Annual Treasury Management Review 2015/16
- External Funding Grants Protocol
- Anti Fraud and Corruption Policy – revised September 2015
- Anti Bribery Policy – revised September 2015

<http://democracy.thanet.gov.uk/ieListMeetings.aspx?CId=114&Year=0>

The aforementioned details go some way in answering your enquiry as to how the Governing Body oversees management's processes. With regard to the assessment of the risk of the financial statements being materially misstated due to fraud or error, management have put in place measures to assess the risk that include the operation of a robust key control framework within the council's financial procedures that has met with favourable internal audit reports, which gives sufficient assurance that the risk is negligible. The key control framework includes adequate segregation of duties within the Finance team and an active personal development plan which means that sufficient members of the section are adequately skilled to not only perform the functions of their role, but be alert to any anomalies that could indicate a misstatement due to fraud. A devolved budget management system is operated which means that managers at all levels have sight of financial transactions being passed through the Income and Expenditure Accounts, which will minimise any rogue payments going un-noticed. Senior management reviews of the draft financial statements are also undertaken which would aid with the identification of any material inconsistencies.

Over and above the controls built into the financial procedures, further assurance can be gained from the thorough review programme undertaken by Internal Audit, who offer a proactive, independent and effective scrutiny of the council's financial processes. The Head of Internal Audit has access to the Chair of Governance and Audit at all times, to further strengthen their freedom to report any suspicions of fraud.

In terms of communicating to staff and members the commitment to good governance and anti-fraud principles, a number of different media are used including the Thanet Online Matters (TOM) Intranet site, the Managers' Forums and formal staff and member development sessions. Issues relating to the process of identifying and reporting the risk of fraud, possible breaches of internal control and other business proactive and ethical behaviour regularly feature as part of these.

In reply to your question about reported frauds within the financial year; to my knowledge there have been two investigations into grant payments which have been highlighted due to whistleblowing reports.

I can confirm that as Vice Chair of the Governance and Audit Committee through making enquiries of relevant officers I have gained assurance that the relevant laws and regulations have been complied with by having regard to:

- An experienced, well-resourced in-house legal team with a budget to commission specialist advice as and when required
- Legal implications of key decisions and actions being included in reports wherever necessary, with draft reports being considered by the legal team and Corporate Management Team prior to being published
- The council having comprehensive Financial Regulations and Contract Procedure Rules in place to ensure that they meet best practice standards. These documents, along with the Scheme of Delegation, set the framework for ensuring that transactions are undertaken and decisions are made in accordance with statutory requirements

<http://democracy.thanet.gov.uk/documents/s50403/Constitution%20for%20Governance%20of%20Thanet%20District%20Council%20-%2025%20Feb%202016.pdf>

With regard to your question as to whether I am aware of any actual or potential litigation of claims that would affect the financial statements. I can confirm that I have been made aware of the animal export settlements. With regard to Dreamland the settlement in relation to the CPO action also remains outstanding at this moment in time. There is also the recent notification by the Health and Safety Executive on their intention to instigate legal proceedings against the Council following an investigation into hand arm vibration cases affecting Council staff.

This letter (drafted by officers) was presented to the Governance and Audit Committee on the 22 June 2016 who noted and endorsed the responses to the letter from Grant Thornton

dated the 18 February 2016. I chaired the meeting as Chairman of the Governance and Audit Committee and sign the letter in that capacity.

Should you need any further assistance please do not hesitate to contact me.

Yours sincerely

Councillor Buckley
Chair of Governance and Audit Committee.

Response from Governance and Audit Committee Chair

Fraud risk assessment

Auditor Question	Response
Has the Council assessed the risk of material misstatement in the financial statements due to fraud?	Yes, the Internal audit plan includes a risk based audit of the core financial systems that are used in the compilation of the financial statements.
What are the results of this process?	The Council has assessed this risk and considers the risk to be negligible
What processes does the Council have in place to identify and respond to risks of fraud?	The Council operates a robust key control framework within the financial procedures that has met with favourable internal audit reports. This includes ensuring that the finance team are adequately skilled and alert to anomalies that could indicate a misstatement due to fraud; a devolved budget management system which means that managers have sight of financial transactions and can therefore identify any rogue payments; senior management reviews of the financial statements are also undertaken to aid the identification of material inconsistencies.
Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	We are aware that the possibility of fraud occurring could be higher in the current economic climate.
Are internal controls, including segregation of duties, in place and operating effectively?	Managers are aware of the need for segregation of duties and these are in place wherever resources allow. The Internal Audit Plan looks at the key internal controls on a regular basis and the results of these audits show that the Council has good control measures in place. The authorised signatory forms limit access to systems and certain processes dependent on the nature of an individual's role, thus preventing someone from having inappropriate access to the financial systems. Staff receive regular briefings on being alert to fraud
If not, where are the risk areas and what mitigating actions have been taken?	N/A
Are there any areas where there is a potential for override of controls or inappropriate influence over the	No

financial reporting process (for example because of undue pressure to achieve financial targets)?	
Are there any areas where there is a potential for misreporting?	No
How does the Governing Body exercise oversight over management's processes for identifying and responding to risks of fraud?	The Governance and Audit Committee receives regular updates from Internal Audit on the results of their audit reviews on the Council's key internal controls. Any instances of fraud are reported to the Governance and Audit Committee. Members of this committee receive regular training on anti-fraud measures and regularly reviews the Council's anti-fraud and corruption policy.
What arrangements are in place to report fraud issues and risks to the Governing Body?	See Above. The Head of the East Kent Audit Partnership also has direct access to the Chair of the Governance and Audit Committee.
How does the Council communicate and encourage ethical behaviour of its staff and contractors?	The Council's commitment to good governance and anti-fraud principles are communicated using the Council's intranet site, Managers' development sessions, staff and member development sessions
How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	The Council's whistleblowing policy is widely publicised and officers feel comfortable at raising concerns where appropriate. Staff are expected to raise concerns whenever they suspect something untoward is going on. The whistleblowing policy has been used by staff to identify suspected fraud and all such instances have been fully investigated.
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	Members are expected to disclose any transactions they have entered into of a related party nature. I am not aware of any such relationships or transactions that have given rise to risks of fraud
Are you aware of any instances of actual, suspected or alleged, fraud, either within the Council as a whole or within specific departments since 1 April 2014?	There have been 2 investigations into grant payments.

Laws and Regulations

Auditor Question	Response
What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	An experienced, well-resourced in-house legal team with a budget to commission specialist advice as and when required
How does management gain assurance that all relevant laws and regulations have been complied with?	<p>Legal implications of key decisions and actions being included in reports wherever necessary, with draft reports being considered by the legal team and Corporate Management Team prior to being published.</p> <p>An on-going programme of Internal Audit Reviews is undertaken by the East Kent Audit Partnership.</p> <p>The Whistle-blowing policy provides staff with the ability to report to management where laws and regulations have not been complied with.</p>
How is the Governing Body provided with assurance that all relevant laws and regulations have been complied with?	<p>All reports to Cabinet and Council require the Legal Team and Finance Team to review and provide comments on the reports prior to going forward to Members. The council has comprehensive Financial Regulations and Contract Procedure Rules in place to ensure that best practice standards are met. These documents, along with the Scheme of Delegation, set the framework for ensuring that transactions are undertaken and decisions are made in accordance with statutory requirements.</p> <p>The East Kent Audit Partnership prepare audits to ensure compliance with relevant laws and regulations and gather evidence during the audit process. Quarterly monitoring reports produced by the Head of the Audit of the Partnership identify any non-compliance with relevant laws and regulations and agree management actions to remedy the situation</p>
Have there been any instances of non-compliance or suspected non-compliance with laws and regulations since 1 April 2014?	There has been an on-going investigation by the HSE and the Council of been notified of the intention to instigate legal proceedings.

<p>What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>Council Departments are advised to keep Legal advised of any possible claims. If claims are received these are quantified and risk established and an appropriate notification is made to Finance officers to provide advanced notice of possible liability.</p>
<p>Are there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>Actual and potential Health and Safety litigation/claims</p> <p>Non - compliance with regard to the leases and agreements in relation to Dreamland could lead to potential litigation/claims</p>
<p>Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?</p>	<p>There has been an on-going investigation by the HSE and the Council has been notified of the intention to instigate legal proceedings.</p>

GOVERNMENT REPORT IN RESPECT OF ERDF GRANT CLAIM, 2005 – 2008

To: **Governance and Audit Committee – 22 June 2016**

Main Portfolio Area: **Finance and Estates**

By: **Director of Corporate Resources**

Classification: **Unrestricted**

Ward: **Not Applicable**

Summary: **This report presents a summary of the events following an ERDF grant claim, the findings of the government investigation and actions taken since the claim**

For Decision

1. Introduction and Background

- 1.1 TDC submitted a European Regional Development Fund (ERDF) grant claim in 2005 in respect of planned dredging works. The dredging was explained as substantial and to be undertaken at Ramsgate Port in order to enable larger vessels to access the Port. The expenditure, and claims, spanned three years up to 2008.
- 1.2 In practice, the lead partner was the South East of England Development Agency (SEEDA); the project was a joint one with the Port of Oostende; and the funding came via an Intermodal Port Access and Commodities Transport in Europe (IMPACTE) project, part of the Interreg Programme of the ERDF. However, the issues in this report deal with the council's claim, subsequent action, the government investigation and council response. The background of ERDF programmes and projects and agencies are not directly relevant.
- 1.3 A whistle blower subsequently contacted the European Anti-Fraud Office (OLAF) alleging that the dredging that took place, and claimed for, was routine maintenance dredging, for which TDC held revenue budgets. This was referred to the Department for Communities and Local Government (DCLG) who instructed the Government Internal Audit Agency (GIAA) to conduct an investigation. This investigation, including a visit, took place in October 2015.
- 1.4 In February 2016, following a DCLG visit and an exchange of letters with TDC, the chair of Governance and Audit Committee was briefed and TDC notified the police via its approved anti-fraud portal. DCLG published their report (dated 7 March 2016) on 13 May 2016 (attached). As a result of the publication of the report, it is now possible to report to G&A Committee. We are still awaiting a request to repay the funding of what was £150,405 but this might vary according to exchange rate fluctuations.

2. Key findings and conclusions of the GIAA report

- 2.1 A breakdown of expenditure was originally supplied by TDC that represented the evidence to support the grant claims. However, the GIAA analysis concluded that the expenditure

was incurred before the project implementation date, or was in respect of works not related to the project (see 3.2.3 and Annex 3 of the GIAA report).

- 2.2 Dredging charts and disposal returns for the project period and a later dredging campaign suggested that during the project period, only normal maintenance dredging was carried out (see 3.2.4).
- 2.3 The grant was received by TDC in 2008 and 2009 but was held on the balance sheet until it was “credited to services” in the financial year 2009-10. The money was used to fund port improvements in 2010. The decision to spend the funding was taken on the basis of “audit sign-off” but there is no evidence of an audit being carried out (see 3.3.1 and 3.3.2).
- 2.4 The GIAA concluded that the project did not deliver the dredging works to achieve the project objectives (4.1.2) and the council could not provide evidence to explain the unusual treatment of ERDF received (4.1.3).
- 2.5 The GIAA recommended that the DCLG report the matter to the police as a potential fraud (4.1.4(1)) and require the repayment of the grant for ineligible expenditure of £150,405.89 (4.1.4(2)).

3. Council response to the GIAA investigation

- 3.1 The council treats this matter very seriously. It was brought to our attention in September 2015 and the GIAA investigation was fully supported. The grant-related activity took place over eight years ago, and all the port management and Corporate Management Team had changed, but we were able to produce enough information to inform the investigation. The council reported the matter to the police and notified its external auditors as soon as the February 2016 meeting with DCLG had taken place.
- 3.2 Since the period in question, the council implemented an External Funding Protocol which was updated and agreed at Governance and Audit Committee on 24 June 2015. This states that all external funding bids have to be reviewed through correct channels prior to bidding of funds to ensure that:
 - The Finance Team is aware of the grant.
 - That terms and conditions in relation to the grant are adhered to.
 - That the grant meets corporate priorities.
- 3.3 The External Funding Protocol requires that all external funding bids are examined by the External Funding Officer, who scrutinises the funder requirements, prior to being considered by CMT for approval. Should there be tight deadlines on submitting an application for funding, the Section 151 Officer has delegated authority to approve the funding and CMT are required to retrospectively approve the funding bid.
- 3.4 Electronic records are now maintained in line with the protocol, to ensure that grant repayments due to lack of audit trail or outputs no longer occur, and that paperwork relating to claims or funding sources are routed through the External Funding Officer as a central point of contact.
- 3.5 The council also commissioned an independent review, by East Kent Audit Partnership, to assess the internal controls in respect of externally funded projects and to make recommendations thereon.
- 3.6 The Anti-Fraud and Corruption Policy was agreed at Governance and Audit Committee on 24 September 2015.

3.7 Further training has been provided to Budget Holders through Budget Managers Forum in respect of the new External Funding Protocol. East Kent Audit Partnership was commissioned to provide training on Fraud Awareness at the same forum held on 20 November 2016.

4. Financial implications

4.1 The repayment of grant has been provided for in the accounts and we are awaiting a request to repay it.

5. Legal implications

5.1 The legal implications are set out in the committee report and the GIAA report.

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 note the findings of the report.

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
------------------	--

Corporate Consultation Undertaken:

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

This page is intentionally left blank



**GOVERNMENT INTERNAL AUDIT AGENCY
(GIAA)**

**INVESTIGATION
FINAL REPORT:
Interreg-2015-01**

REVIEW OF THANET DISTRICT COUNCIL:

IMPACTE Project

INTERREG IIIB – NWE Programme

ERDF 2000-06

7 March 2016

This report and management letter contains the results of the GIAA's review into alleged irregularities. The GIAA accepts no liability in relation to the use of the information within this report if used for any purpose other than its original intention.



Contents

1	Introduction	3
2	Background.....	3
3	Executive Summary	5
4	Conclusion.....	6
5	Methodology	8
	ANNEX 1 - Main Findings	9
	A1 Desk based review	9
	A2 Details of visit to Thanet District Council staff	12
	A3 Details of Expenditure at Risk	16



1 Introduction

- 1.1 Government Internal Audit Agency (GIAA): Investigation Team received a referral from OLAF: European Anti-Fraud Office following information received, from a whistle-blower in relation to potential irregularities. The referral related in particular to dredging works foreseen in the IMPACTE project that were allegedly never executed whilst the grant recipient claimed the ERDF co-financing for normal maintenance dredging and/or for other activities not approved for the ERDF project.

2 Background

- 2.1 The Port of Ramsgate is one of 27 Partners involved in the Intermodal Port Access and Commodities Transport in Europe (IMPACTE) Project (Interreg IIIB – NWE Programme); the project applicant is owned and operated under the control of Thanet District Council. The Lead Partner for the project was South East of England Development Agency (SEEDA) which no longer exists.
- 2.2 SEEDA, as the project Lead Partner, was responsible for the detailed project appraisal before project implementation was approved. The Lead Partner had the sole responsibility for the budgetary and financial management of the project and the realisation of payment claims and financial reports. The Partners were obliged, as per the Joint Convention (legal agreement between SEEDA and Thanet District Council), to have their project accounting certified by an accountant or auditor.
- 2.3 The project start date was 1 June 2005 and was due to end on 30 June 2008. The Port of Ramsgate & Port of Oostende project was part of a combined 'Investment' seeking Interreg funding to part fund a dredging campaign (turning circle and berths 2 & 3; so larger vessels could be introduced) at Ramsgate and a 2nd double deck RoRo berth at Oostende. Although the Investments were as two geographically separate investments they were effectively a single national investment between two partner ports to allow the next generation of RoRo ferries to access the Ports' facilities. The key objective of the investment was to retain the Transeuropa Ferries Service.

Note: For clarity the ERDF Interreg project comprises both the Port of Ramsgate and the Port of Oostende as individual partners and Investments i.e. they have their own budget and ERDF allocation. Also, the Grant Recipient is Thanet District Council.



2.4 The IMPACTE Project had the following expenditure profile:-

Port of Ramsgate

- Construction costs (Capital dredging) = €500,000
- Total Eligible costs (including staff/travel costs) = €573,462
- ERDF Funding = €160,282.63 (Grant rate = 27.95%)
- Match Funding (Thanet District Council) = €413,179.37

2.5 Principally the whistle-blower raised concerns to a substantial part of the project (dredging works) not being carried out with only normal maintenance dredging taking place. Annual revenue budgets were in place to cover the majority of the expenditure that the project was claiming. The whistle-blower provided various documents which supported the contention that the dredging works were financed from within existing budgets. Further to this evidence was provided which showed Thanet District Council staff were aware the works required under the conditions of the funding had not been carried out and on receipt of ERDF grant set this aside in case a repayment was required; subsequently this was re-allocated to the Port of Ramsgate budget.

2.6 The GIAA Investigation team conducted an initial desk based review of the documentation provided by the North West Europe Programme Secretariat and also by the whistle-blower which included internal project correspondence. We referred OLAF's concerns and our initial conclusions to DCLG, which authorised GIAA to undertake a full investigation. The main focus of this investigation was to:

- review the project expenditure claims and supporting dredging records to establish if costs claimed were eligible.
- establish who was responsible for project and financial management; and
- establish whether the use of ERDF funds had been properly reported to the Managing Authority.



3 Executive Summary

3.1 The GIAA Investigation examined all aspects of the IMPACTE (Port of Ramsgate) Project and identified two main areas of concern:

3.2 Eligibility of Expenditure

3.2.1 Our initial desk based review identified potential ineligible expenditure. Claim records (description of activity) and activity reports suggested that project activity i.e. dredging work was charged to the ERDF project before it was planned to start.

3.2.2 The Grant Recipient could provide no evidence of a project plan, cost analysis or details of a planned dredging campaign, including a dredging survey, specific to the ERDF project. Also, the IMPACTE project had no separate budget or cost code for expenditure within Thanet District Council's accounting records.

3.2.3 The Grant Recipient provided full details of all project expenditure including related invoices. We carried out a review of all evidence presented in respect of the project (dredging) works undertaken. We discussed a number of queries concerning items of project expenditure but no further information or explanation could be provided. Annex 3 shows details of the conclusions drawn.

3.2.4 During our visit to the Port of Ramsgate Harbour Master's office we were supplied with dredging charts and disposal returns for both the project period and a later dredging campaign (2010). From this information it was clear that during the project period only normal maintenance dredging was carried out and not the campaign that was required to accommodate larger vessels (as per the project description). We raised these issues with the current [REDACTED]

[REDACTED] who both agreed that the aforementioned documents showed there was no evidence of a dredging campaign being carried out to deliver the project's objectives i.e. enlarging the turning circle and dredging of berths 2 & 3, prior to 2010.

3.3 ERDF Grant: Accounting Treatment

3.3.1 The accounting treatment of the ERDF grant is unusual in that the grant was received in March 2008 and June 2009 but remained on the balance sheet until it was 'Credited to Services' 2009/10; this was confirmed in the Statement of Accounts (2010/11). We were informed that Thanet District Council's Finance function were not sure how to account for the grant. It transpired the grant was



eventually added back into the Council's own budget and used in 2010 to fund Port improvements.

- 3.3.2 We were advised by [REDACTED] that the Council's Section 151 Officer had made the decision to spend the ERDF grant (£165k) and this was based on an audit 'sign off'. Also, [REDACTED] added there may have been concerns because the outputs were not delivered due to larger vessels not being introduced. We saw no evidence of any audit being carried or the decision papers authorising this action.

4 Conclusion

- 4.1.1 Based on our desk based review we identified various issues with the Project claims, in particular project activity and related expenditure being before the start/implementation date of the project.
- 4.1.2 As a result of our visit to Thanet District Council and discussions with the [REDACTED] we are of the view the project did not deliver the dredging works to achieve the project objectives. It is evident from the records provided the dredging work carried out during the project period was maintenance dredging only; the aforementioned Council officials agreed with our conclusions.
- 4.1.3 In regard to the accounting treatment of the ERDF grant received the Council could not provide any evidence to explain the unusual treatment of the ERDF received. The whistle-blower provided the GIAA Investigation team with a report and internal correspondence which suggested Council officers (who are no longer employed) made a decision to retain ERDF funding knowing dredging works carried out during the project period had been financed within existing budgets and that the works carried out were not those required under the conditions of ERDF funding.
- 4.1.4 Taking into consideration the findings of this report we would recommend that the ERDF Managing Authority implement the following:
- 1) Consider reporting our findings to the Police (Action Fraud) as a potential fraud case. There is sufficient evidence in our view of intent to defraud:-
 - The project claims compiled by [REDACTED] and authorised (verifying expenditure) by [REDACTED] were a deliberate action to claim ERDF grant knowing the costs were for other activities not approved for the ERDF project.



- Thereafter, Thanet District Council officials made a deliberate decision not to refund the ERDF grant when it was clear it had not been used for the purposes intended.

It will be a matter for the Police as to whether they agree with this judgement.

Note: This matter was referred to the Police by the whistle-blower in March 2013. At that point in time the Police decided not to investigate.

2) Deal with this matter internally as an Irregularity:

- The project did not deliver activity as described in the application and therefore all expenditure is at risk: Article 30 of EC Regulation 1260/1999 refers. Total Ineligible expenditure = £616,149.03. (ERDF = £165,178.66)

Note: The Grant Recipient would have been provided with the North West Europe: Interreg IIIB Project Audit Guidance Note. This states ‘Expenditure actually paid out is the basis for assessing the eligibility of expenditure under the INTERREG IIIB NEW Programme. This means expenditure directly linked to the approved budget’.

- Should the Managing Authority not agree with the main conclusion there are subsidiary issues that would need to be addressed; as per Annex 3 which details the – total ineligible expenditure = £480,499.97 (ERDF = £128,813.54) and the reason for ineligibility.

Update: The DCLG Managing Authority and the Grant Recipient have reviewed the Investigation report. As a result the Grant Recipient has provided further information in relation to the receipt and treatment of ERDF grant; this was in respect of retention fees (paragraph A2.9 (3) refers). The Council’s statement on this is accepted. Therefore, the revised ineligible expenditure is as follows:-

Claim No.	ERDF grant claimed (€)	ERDF grant received (£)
3	96,554.97	65,396.98
6	115,881.84	85,008.91
Total Ineligible Expenditure	212,436.81	150,405.89



5 Methodology

- 5.1 GIAA Investigation Team agreed to carry out a review in order to establish the extent of the issues alleged by the whistle-blower and to identify if any of these issues could be the result of fraudulent actions.
- 5.2 In order to achieve these aims GIAA has focussed on the Project Claims: Expenditure, supporting evidence of dredging carried out during the project period, and the actions of officials at Thanet District Council. We also undertook a desk based review of the project documentation provided by the North West Europe Secretariat (based in Lille, France) and also by the whistle-blower which included internal project correspondence.
- 5.3 We contacted Thanet District Council in order to agree a suitable date to visit their premises to discuss and view:
- 1) Original documentation which supported the project expenditure claims; this was to include supporting documentation in relation to dredging carried out during the project period.

A visit was subsequently arranged for 20 – 22 October 2015.



ANNEX 1 – Main Findings

A1 Desk based review of 1) Project Expenditure Claims, and 2) Documents supplied by the whistle-blower.

Project Expenditure Claims

A1.1 The following provides details of project expenditure and ERDF claimed:-

Claim No.	Claim period: reference date	Expenditure (€)	Expenditure (Dredging)	ERDF (€)
3	31/10/2007	345,456.08	318,216.20	96,554.97
6	31/10/2008	411,604.07	402,544.89	114,016.11
Total		757,060.15	720,761.09	210,571.08

The total project expenditure and ERDF claimed are in excess of the approved amounts. The Final Activity Report (No.5: date of submission 31/12/2008) refers to an 'Additional ERDF request and approval from PSC'; no further details of this are available.

A1.2 The Project start date was 1 June 2005. The Project Application: Implementation Schedule shows start date of the IMPACTE project (Port of Ramsgate) 13 months from the project start date i.e. July 2006.

Project Activity reports confirm the following;

- Activity Report No.1 (October 2006): Dredging works to deepen the maritime access to the Port of Ramsgate will begin following the finalisation of the works in Oostende (noted as started in February 2006 and to be completed May 2007).
- Activity Report No.2 (April 2007): Dredging works to deepen maritime access will start as soon as works in Oostende are finished (noted the Oostende operation will be ready by October 2007.)
- Activity Report No. 3 (October 2007): In the Port of Ramsgate the size of the turning circle to enable larger vessels to enter the Port has been improved (noted as 'TBC'). Oostende operation noted as due to be finished in November 2007.



The above Activity Reports and comments therein suggest that dredging works were being charged to the project before it was anticipated it would start. Payment Claim 3: Itemisation of project Expenditure per project partner for the period to 31 October 2007 includes dredging costs for the period June 2005 – April 2007 as follows:-

Invoice Date	Supplier	Description	Invoice amount (£)	Amount paid (£)
16/05/2005	[REDACTED]	Dredging: June 2005	44,415.00	37,800.00
08/07/2005	[REDACTED]	Dredging: July 2005	33,487.50	28,500.00
21/04/2006	[REDACTED]	Dredging: April 2006	28,200.00	24,000.00
01/04/2006	[REDACTED]	Dredging: April 2006	21,414.41	18,225.03
31/08/2006	[REDACTED]	Dredging: August 2006	29,339.75	24,970.00
27/02/2007	[REDACTED]	Dredging: February 2007	58,538.50	49,820.00
14/05/2007	[REDACTED]	Dredging: April 2007	25,908.75	22,050.00
Total			£205,365.03	

Documents supplied by the whistle-blower

A1.3 A report entitled 'Request for Carry Forward of ERDF Funding' (compiled by [REDACTED] Thanet District Council: 24 April 2008) includes the following extracts:-

- The dredging works undertaken by TDC have been financed from within existing budgets it has been suggested that the works required under the conditions of the funding have not been carried out and therefore the balance should be set aside in case it is required to be repaid.
- Advised that normal dredging works had been undertaken, as well as some additional dredging indicated that it would be difficult to audit these outputs and was not forthcoming in suggesting any way in which we could demonstrate the works expected had actually been carried out.



- Since the meeting dredging charts are maintained and that an expert would be able to determine from these that the dredging carried out is only that would be expected over the course of an average year.
- Implied that TDC was behind with dredging works which would seem to indicate that the major dredging works for which funding was given have not been carried out.
- unconvinced that we could prove that the expected outputs of the project have been delivered. There is therefore the very real possibility that were this project to be audited we would be required to repay some or all of the funding awarded. I would suggest it would be prudent not to allow the carry forward but to draw down the funding and set revenue aside in case a repayment is required.

In essence the report, instead of recommending repayment of the funds, weighed up the likelihood of the project being audited and the Council being found out.

Also, internal email correspondence states 'The Council did not use the £165,178.66 to fund the dredging works claimed as part of the project, but used it a later date to fund other dredging works'. This seems to borne out by the Thanet District Council – Statement of Accounts 2010-11 includes £165k – Interreg - IMPACTE as being Credited to Services 2009/10.



A2 Details of visit to Thanet District Council (TDC)

A2.1 We decided to visit TDC in order to:-

1. Audit the project expenditure claims to test eligibility.
2. Confirm eligibility of expenditure (project works) through supporting documents i.e. dredging records.
3. Discuss the project management structure and responsibility for financial management of the project.
4. Ascertain if any of the allegations from the whistle-blower had any foundation.

A2.2 We contacted TDC and agreed to visit their offices in Margate from Tuesday 20 October 2015.

A2.3 At the meetings during 20 – 22 October we interviewed the following representatives from TDC:-

- [REDACTED]

A2.4 The opening meeting commenced with a request for an overview of the project and details of the project management structure. [REDACTED] explained the IMPACTE project aimed to build a new double deck Ro-Ro berth in Ostend. At Ramsgate the dredging works were to accommodate larger vessels; work was to include enlarging the turning circle and dredging berths 2 and 3. [REDACTED] further explained the works to be carried out would have to relate to a specific vessel and be carried out so the vessel would arrive as soon as the works were complete. We requested a project plan and project cost analysis but these were not available. Also, there was no evidence of a dredging survey specifically carried out with the focus of the ERDF project objectives.

The financial management of the project was the responsibility of the then [REDACTED] and the then [REDACTED] neither of whom are now employed by the Council. This included compiling and ensuring the ERDF project claims were eligible; claims were authorised by the [REDACTED]. We pointed out there was a requirement for project claims to be certified by an Accountant or Auditor. [REDACTED] commented there was no evidence of audits of the project, or checks by a First Level Controller, as required by Interreg rules. He re-iterated the [REDACTED] and [REDACTED]



██████████ were responsible for ensuring eligibility of project claims. Invoices were authorised at the Harbour and passed to TDC for payment.

Expenditure testing

A2.5 Testing was carried out in respect of the 2 x ERDF project claims submitted: Claims 3 and 6. TDC provided details of all project expenditure – Invoices and evidence of defrayment.

The GIAA Investigation Team had a number of questions in relation to the Invoices primarily concerning eligibility. CB could not provide any additional information or explanation.

A2.6 It is clear from the records provided that project expenditure was only maintenance dredging throughout the project period.

The following provides extracts from Invoices and supporting records:-

- Invoice: ██████████ (Dredging – August 2006) – works carried out in response to a complaint from ██████████ re depths and areas of turning circles (this was using existing small ferries).
- Invoice: ██████████ ██████████ (Dredging – February 2007) – correspondence from contractor states works to known shallow areas and those prone to silting.
- Invoice: ██████████ (Dredging – April 2007) – spoil from the Royal Harbour entrance.
- Invoices: ██████████ (Dredging – March/April 2008) – works relate to Eastern Marina.
- Invoice: ██████████ (Dredging – April 2008) – funding from maintenance budget.

The following provides extracts from 'Application for Exemption from Contract Standing Orders':-

- 24/05/2005: Emergency Maintenance Dredging; work is to complement recent dredging.
- 10/04/2006: These costs can be funded through the approved 2006/07 budget.
- 01/03/2007: Urgent dredging to maintain the port operations; funded through the approved 2006/7 budget.
- 31/3/2008: Urgent dredging; ongoing problem in the Royal Harbour and in the marina.
- 26/08/2008: Berth No. 1 needs dredging to facilitate its use by ██████████ vessels for the construction of the windfarm. ██████████ has agreed to pay for the dredging costs on completion.



See Annex 3 for findings.

Dredging records

A2.7 We were provided with the following evidence:-

- Dredging charts: those available for the project period (September 2005 – August 2008).
- Dredging charts during the campaign to accommodate the Prins Filip vessel (March – April 2010).
- Disposal returns (deposit records for dredged material): January 2005 – July 2011.
- Notes relating to procurement and dredging operations maintained by the [REDACTED].
- Plans for the dredging to allow the Prins Filip vessel to use the Port of Ramsgate.

A2.8 The disposal returns showed the following:-

Period	Deposit (Tonnes)
2005/06	43,286
2006/07	128,060
2007/08	66,723
2008/09	95,439
Total	238,658

[REDACTED] provided details of dredging work carried out to accommodate the Prins Filip vessel (March – April 2010). This was seen as comparable to the dredging campaign which should have been carried out during the IMPACTE project period; the Prins Filip vessel was of similar size as to what was envisaged being accommodated at the Port. The total deposit for this dredging campaign = 288,315 tonnes which is more than the 4 year period shown above. [REDACTED] was asked if [REDACTED] could see from the dredging charts provided for the duration of the IMPACTE project whether the same work was done prior to 2010. [REDACTED] commented that there was no evidence that comparable work had been carried out.

[REDACTED] was asked from the evidence that had been produced (as above) if he agreed the IMPACTE project activity i.e. dredging work to the turning circle and berths had not been carried out. [REDACTED] confirmed yes, from the dredging charts and other evidence it was clear that the work had not been carried out.



Receipt and treatment of ERDF grant

A2.9 We enquired into the receipt of ERDF grant and were provided with evidence to confirm the following:-

1. Claim 3: ERDF expenditure = £246,914.73
 - ERDF grant paid £65,396.98 (received 27/03/2008)
2. Claim 6: ERDF expenditure = £369,234.30
 - ERDF grant paid £85,008.91 (received 05/06/2009)
3. Retention fees refunded by SEEDA: ERDF = £6,430.00 & £8,342.79 (received 13/11/2009)
4. Total ERDF expenditure = £616,149.03
 - total ERDF grant received = £165,178.66

A2.10 Thanet District Council: Statement of Accounts (2010/11) shows the ERDF grant income = £165k (Interreg: IMPACTE) as credited to Services (2009/10).

█ explained the following:-

- Claim 3 payment (as above) was put on balance sheet; TDC Finance were not aware what this payment was for. Therefore, the grant was in the balance sheet unaccounted for.
- Claim 6 payment (as above) was accounted for within the SEEDA cost centre during 2009/10 (not specifically to the ERDF project).
- Retention Fees (as above) received back from SEEDA.
- █ confirmed the £165k was added to the 2010 budget to fund Port of Ramsgate improvements.
- The above decision was made by █
█; █ decision was based on an audit 'sign off' that was notified in Ostend to █ and █
█
- █ expressed there may have been concerns because the outputs were not delivered due to larger vessels not being introduced. We requested the decision papers including the audit report.
- No evidence was provided during the audit visit and it was latterly (email dated 6 November 2015) confirmed there are no written records of what lead the █ to approve the drawdown of the above funds.



Government
Internal Audit
Agency

OFFICIAL – INVESTIGATION



Annex 3: Expenditure at Risk

Claim No.	Supplier	Invoice date	Description	Invoice total	ERDF amount	Reason ineligible
3	[REDACTED]	16/05/05	Dredging: June 2005	44,215.00	37,800.00	Before project start date
3	[REDACTED]	08/07/05	Dredging: July 2005	33,487.50	28,500.00	Before project implementation date
3	[REDACTED]	13/09/05	Survey preparation	1,175.00	1,000.00	No details of apportionment
3	[REDACTED]	21/04/06	Dredging: April 2006	28,200.00	24,000.00	Before project implementation date
3	[REDACTED]	01/04/06	Dredging: April 2006	21,414.41	18,225.03	Before project implementation date
3	[REDACTED]	24/07/06	Dredging licence 2006	7,860.75	6,690.00	No details of apportionment
3	[REDACTED]	31/08/2006	Dredging: August 2006	29,339.75	24,970.00	Before project implementation date
3	[REDACTED]	27/02/2007	Dredging: February 2007	58,538.50	49,820.00	Before project implementation date
3	[REDACTED]	14/05/2007	Dredging: April 2007	25,908.75	22,050.00	Before project implementation date
3	[REDACTED]	27/06/07	Dredging licence 2007	9,282.50	7,900.00	No details of apportionment
3	[REDACTED]	31/08/06	Dredging survey 2007	7,625.75	6,490.00	No details of apportionment
3	[REDACTED]	-	July'05 – October'07	22,876.90	19,469.70	No details of work carried out
6	[REDACTED]	31/03/08	Dredging: March 2008	11,750.00	11,750.00	Works relate to Eastern Marina; not part of project
6	[REDACTED]	30/04/08	Dredging: March 2008	70,500.00	60,000.00	Works relate to Eastern Marina; not part of project
6	[REDACTED]	21/05/08	Dredging: April 2008	68,620.00	58,400.00	Works relate to Eastern Marina; not part of project
6	[REDACTED]	29/08/08	Dredging: August 2008	120,596.41	102,635.24	Works chargeable to Thanet Off Shore
6	[REDACTED]	12/10/08	Dredging study	800.00	800.00	No details of apportionment
				Total	£480,499.97	

This page is intentionally left blank

THANET DISTRICT COUNCIL DECLARATION OF INTEREST FORM

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

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

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

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

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

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

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

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

An associated person is defined as:

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

An Authority Function is defined as: -

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

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

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

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

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

Gifts, Benefits and Hospitality

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

What if I am unsure?

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

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

MEETING

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

DISCRETIONARY PECUNIARY INTEREST

SIGNIFICANT INTEREST

GIFTS, BENEFITS AND HOSPITALITY

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

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

NAME (PRINT):

SIGNATURE:

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