

Date: 26 February 2018
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GOVERNANCE AND AUDIT COMMITTEE

6 MARCH 2018

A meeting of the Governance and Audit Committee will be held at **7.00 pm on Tuesday, 6 March 2018** in the Council Chamber, Cecil Street, Margate, Kent.

Membership:

Councillor Buckley (Chairman); Councillors: Hayton (Vice-Chairman), Braidwood, Connor, Day, Dexter, Dixon, Evans, Game, I Gregory, Larkins, L Piper, Pugh, Rusiecki and Venables

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 3 - 6)

To approve the Minutes of the Governance and Audit Committee meeting held on 6 December 2017, copy attached.

4. EXTERNAL AUDIT GRANT CERTIFICATION LETTER 2016/17 (Pages 7 - 10)

5. EXTERNAL AUDIT PLAN (Pages 11 - 26)

6. EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE (Pages 27 - 44)

7. INTERNAL AUDIT AUDIT PLAN 2018-19 (Pages 45 - 56)

8. INTERNAL AUDIT QUARTERLY UPDATE (Pages 57 - 80)

9. CORPORATE RISK REGISTER QUARTERLY UPDATE (Pages 81 - 86)

10. REVISED CODE OF GOVERNANCE (Pages 87 - 100)

11. CHAIRMAN'S REPORT TO COUNCIL - DRAFT (Pages 101 - 114)

Declaration of Interests Form

Item
No

Subject



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GOVERNANCE AND AUDIT COMMITTEE

Minutes of the meeting held on 6 December 2017 at 7.00 pm in Council Chamber, Cecil Street, Margate, Kent.

Present: Councillor John Buckley (Chairman); Councillors Day, Edwards, Larkins, Partington, L Piper and Venables

In Attendance: Councillors Crow-Brown and S Piper

1. **APOLOGIES FOR ABSENCE**

Apologies were received from Councillors Braidwood, Connor, Dixon, Game, Gregory and Taylor-Smith for whom Councillor Partington was present as a substitute.

2. **DECLARATIONS OF INTEREST**

There were no declarations of interest.

3. **MINUTES OF PREVIOUS MEETING**

Councillor Day proposed, Councillor Piper seconded and Members agreed the minutes of the meeting held on 27 September 2017.

4. **ANNUAL AUDIT LETTER 2016-17**

Mr Wells, Grant Thornton UK LLP (GT), introduced the Annual Audit Letter 2016-17 which provided a brief summary of findings from the work carried out for the year ending 31 March 2017.

During consideration of the item it was noted that:

- GT had offered unqualified opinions for both the accounts and value for money.
- Once the investigation into an objection had been completed, GT would be in a position to certify the accounts.

Members noted the report.

5. **INTERNAL AUDIT QUARTERLY UPDATE REPORT**

Mr Webb, Deputy Head of the East Kent Audit Partnership (EKAP), introduced the report noting that there had been eight internal audit assignments completed since the last committee meeting; four achieved substantial assurance and four achieved reasonable assurance. In addition, four follow up reviews had been completed, one of which continued to have a limited assurance. EKAP's performance was shown in annex 4 of the report.

Mr Waite, Director of Operational Services provided members with an update regarding grounds maintenance which had retained a limited assurance after follow-up. Mr Waite advised that the high turnover of managers within the department had been a significant contributing factor in the number of audit recommendations not implemented. Now that a permanent Open Spaces Manager had been recruited all recommendations were being prioritised.

During consideration of the item, it was noted that:

- The grass cutting schedule for 2018 would be available on the Council's website before the start of the cutting season.
- The audit of insurance and inventories of portable assets was shown as postponed in appendix 3 of the report, however this audit had now taken place.

Councillor Partington proposed, Councillor Day seconded and Members agreed the options at paragraphs 3.1 and 3.2 of the report, namely:

‘3.1 That Members consider and note the internal audit update report.

3.2 That the changes to the agreed 2017-18 internal audit plan, resulting from changes in perceived risk, detailed at point 5.0 of the attached report be approved.’

6. TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2018-19

Mr Willis, Director of Corporate Resources, introduced the report which was required by the Chartered Institute of Public Finance and Accountancy (CIPFA) code of practice on treasury management.

Councillor Edwards proposed, Councillor Day seconded and Members agreed the recommendation as shown in the report, namely:

‘That the Governance and Audit Committee approves this report and annexes and recommends that it is approved by Cabinet and Council’

7. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY - MID YEAR REVIEW REPORT 2017-18

Mr Willis introduced the report which summarised the treasury management activity and prudential/treasury indicators for the first half of the 2017/18.

Councillor Edwards proposed, Councillor Partington seconded and Members agreed the recommendation as shown in the report, namely:

‘That the Governance and Audit Committee:

- Approves this report and the prudential and treasury indicators that are shown.
- Recommends this report to Cabinet.’

8. CORPORATE RISK REGISTER QUARTERLY UPDATE

Mr Willis introduced the report and highlighted where updates had been made. The risk score for harbour flap gates had increased from 9 to 12 and that the risk score for safeguarding vulnerable people had decreased from 8 to 6.

During consideration of the item it was noted that:

- The risk score for the harbour flap gates would be expected to reduce once refurbishment had been completed.
- The report contained abbreviated descriptions for the highest scoring risks. There were detailed mitigation plans that sat behind these corporate risks as part of the Council's risk management strategy.

Members noted the report.

9. **AUDIT OF 2016-17 FINAL ACCOUNTS**

Mr Willis introduced the item which provided an update of events related to the external audit of the final accounts following the last meeting of the committee. It was noted that the accounts had been agreed by GT, and that they had remained unchanged from those considered by the Committee in September.

Members noted the report.

Meeting concluded : 7.30 pm

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15 December 2017

Dear Tim

Certification work for Thanet District Council for year ended 31 March 2017

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

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) took on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified the Housing Benefit subsidy claim for the financial year 2016/17 relating to subsidy claimed of £64.3 million. Further details are set out in Appendix A.

We identified a number of issues from our certification work which we wish to highlight for your attention. We identified errors in two new areas in 2016-17, however the Council was able to perform 100% checks in both of these areas and we were able to agree amendments to the claim for the issues identified.

We also identified that issues remained in several of the areas where they had been identified in previous years. Full details of these areas and the issues identified can be seen in Appendix A. A number of these areas will require additional testing in 2017-18 to determine whether the issues have been sufficiently resolved. The extrapolated financial impact on the claim, which we have reported to the DWP, was again relatively insignificant to the total subsidy receivable. We would like to highlight the efforts made by the Council in 2016-17 to assist with the 40+ testing, which enabled us to complete our work on the claim ahead of the deadline this year, which was not the case in 2015-16. The work performed by the Council was of a good standard and required minimal amendments as part of our review process, which was pleasing given the increase in expectations this year.

As a result of the errors identified, the claim was amended and qualified, and we reported our findings to the DWP. The DWP may require the Council to undertake further work or provide assurances on the errors we have identified.

The indicative fee for 2016/17 for the Council was based on the final 2014/15 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by PSAA for the Council for 2016/17 was £34,883, and we can confirm we are not proposing any additional fees in respect of the 2016/17 work.

Yours sincerely

Grant Thornton UK LLP

Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2016/17

Claim or return	Value	Amended?	Amendment value	Qualified?	Comments
Housing Benefits Subsidy Claim	£64,276,050	Yes	£47,615	Yes	See below for detailed comments on the issues identified in this year's Claim Form.

Findings from certification of housing benefits subsidy claim

Incorrect Claimant Earnings – HRA Rent Rebates

In previous years we identified an error in relation to the calculation of the claimant's earnings within the HRA Rent Rebates section of the Claim Form. Given the nature of the population the Council were required to test 40 cases where the claimant's earnings is included within the Housing Benefit calculation for 2016-17. Testing identified seven cases where the Council has not used the appropriate earnings within the benefit calculation. The errors were classified as:

- three cases where the claimant was overpaid (total value £219)
- two cases where the claimant was underpaid (total value £98)
- a further two cases where there was no impact on the claimant's benefit entitlement

These issues mean that detailed testing will be needed in this area in 2017-18 to determine whether the issues has been adequately resolved.

Incorrect Application of Non-Dependant Deductions – HRA Rent Rebates

In previous years we identified an error in relation to the application of non-dependant deductions within the HRA Rent Rebates section of the claim. Given the nature of the population the Council were required to test 40 cases where a non-dependant deduction had been included within the Housing Benefit calculation for 2016-17. Testing identified two cases where the Council had incorrectly applied a non-dependant deduction within these calculations. The errors were classified as:

- one case where the claimant was overpaid (total value £308)
- one case where the claimant was underpaid (total value £205)

These issues mean that detailed testing will be needed in this area in 2017-18 to determine whether the issues has been adequately resolved.

Incorrect Classification of Eligible Overpayments – HRA Rent Rebates

In previous years we have also identified an error relating to the classification of eligible overpayments in respect of the HRA Rent Rebates section of the claim. Given the nature of the population the Council were required to test 40 eligible overpayments to determine whether they had been correctly classified. Testing identified two cases where the initial classification of the overpayment was found to be incorrect. The errors identified were as follows:

- one case where the overpayment should have been classified as a Local Authority Error and Administrative Delay overpayment (total value £76)
- one case where the overpayment had been incorrectly classified as a HRA Rent Rebate overpayment instead of a Rent Allowance overpayment (total value £11)

Incorrect Claimant Earnings – Rent Allowances

In previous years we also identified an error in relation to the calculation of the claimant's earnings within the Rent Allowances section of the Claim Form. Given the nature of the population the Council were required to test 40 cases where the claimant's earnings is included within the Housing Benefit calculation for 2016-17. Testing identified six cases where the Council has not used the appropriate earnings within the benefit calculation. The errors were classified as:

- two cases where the claimant was overpaid (total value £367)
- three cases where the claimant was underpaid (total value £19)
- one case where there was no impact on the claimant's benefit entitlement.

These issues mean that detailed testing will be needed in this area in 2017-18 to determine whether the issues has been adequately resolved.

Incorrect Applicable Rent – Rent Allowances

In previous years we also identified an error in relation to the applicable rent applied to claims within the Rent Allowances section of the Claim Form. Given the nature of the population the Council were required to test 40 cases within the Housing Benefit calculation for 2016-17 to confirm whether the correct applicable rent had been applied. Testing identified one case where the Council was initially unable to substantiate the rent applied during the course of 2016-17, and hence we had to treat this claim as an error. However since the date of submitting the initial Qualification Letter, the Council has been able to provide support for applicable rent figure and thus we have been able to determine that this case would in fact not be deemed an error. As a result we are satisfied that this area does not need to be carried forward for additional testing in 2017-18.

Recommended actions for officers

We recommend that the Council as part of its internal quality assurance process, should increase its focus or level of testing in respect of the areas where we identified errors from our testing.

Appendix B: Fees for 2016/17 certification work

Claim or return	2014/15 fee (£)	2016/17 indicative fee (£)	2016/17 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	£43,604	£34,883	£34,883	£0	N/A – no variance to scale fee identified.

External Audit Plan

Year ending 31 March 2018

Thanet District Council

6 March 2018



Agenda Item 5

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

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Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Thanet District Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Thanet District Council. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- financial statements (including the Annual Governance Statement) that have been prepared by management with the oversight of those charged with governance (the Governance and Audit Committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Governance and Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Significant risks	<p>Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:</p> <ul style="list-style-type: none"> • The revenue cycle includes fraudulent transactions • Management override of controls • Valuation of Property, Plant and Equipment • Valuation of Pension Fund Net Liability <p>We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.</p>
Materiality	<p>We have determined planning materiality to be £2.579m (PY £2.715m), which equates to 2% of your forecast gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £128k (PY £135k).</p> <p>We have determined Cash to be 'material by nature' and have set a lower separate materiality of £500k for this area.</p>
Value for Money arrangements	<p>Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risk:</p> <ul style="list-style-type: none"> • Overall financial position – Medium Term Financial Plan
Audit logistics	<p>Our interim visit will take place in March and our final visit will take place in June. Our key deliverables are this Audit Plan and our Audit Findings Report.</p> <p>Our fee for the audit will be no less than £66,296 (PY:£66,296) for the Council.</p>
Independence	<p>We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements</p>

Deep business understanding

Changes to service delivery		Changes to financial reporting requirements		Key challenges	
<p>Commercialisation</p> <p>The scale of investment activity, primarily in commercial property, has increased as local authorities seek to maximise income generation. These investments are often discharged through a company, partnership or other investment vehicle. Local authorities need to ensure that their commercial activities are presented appropriately, in compliance with the CIPFA Code of Practice and statutory framework, such as the Capital Finance Regulations. Where borrowing to finance these activities, local authorities need to comply with CIPFA's Prudential Code. A new version was published in December 2017.</p>	<p>Business Rate Pooling</p> <p>In September 2017, the government launched a prospectus inviting local authorities to submit proposals to pilot 100% business rates retention in 2018/19. Kent councils worked together to submit a bid proposing 70% of the monies being retained to support financial sustainability of the authorities involved and 30% being used to fund future growth initiatives. It was announced in December 2017 that Kent will be one of the 10 new pilots. The retained monies will be distributed to each authority on the basis of their population and growth.</p>	<p>Accounts and Audit Regulations 2015 (the Regulations)</p> <p>The Department of Communities and Local Government (DCLG) is currently undertaking a review of the Regulations, which may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.</p> <p>Under the 2015 Regulations local authorities are required to publish their accounts along with the auditors opinion by 31 July 2018.</p>	<p>Housing Revenue Account (HRA)</p> <p>DCLG has issued revised guidance on the calculation of the Item 8 Determination for 2017/18, which :</p> <ul style="list-style-type: none"> - extends transitional arrangements for reversing impairment charges and revaluation losses on dwelling assets and applies this principle to non-dwelling assets from 2017/18, - confirms arrangements for charging depreciation to the HRA and permitting revaluation gains that reverse previous impairment and revaluation losses to be adjusted against the HRA. 	<p>Financial pressures</p> <p>The Council continues to work in a financially challenging environment, and had to use £450k of Reserves to set a balanced budget for 2017-18. At Month 6 the Council is on course to achieve this position with no additional use of Reserves planned.</p> <p>Looking ahead, there was originally a £2.8m Budget Gap in the plans for 2018-19, however plans have now been identified to enable the Council to set a balanced budget for the year ahead.</p> <p>However given the planned drawdown on Reserves this year, and the demands placed on these Reserves in previous years, the Council will need to ensure these savings are closely monitored during the course of 2018-19 so any slippage can be promptly identified to avoid any further drawdown of Reserves to achieve a balanced position.</p>	<p>Impact of Grenfell Tower fire</p> <p>The Grenfell Tower fire disaster in 2017 has led to the identification of approximately 150 high rise buildings in local authority ownership that have failed fire safety tests. Local authorities are expected to make these buildings fire safe. DCLG are reviewing the current restrictions on the use of the financial resources that prevent local authorities from making essential fire safety upgrades.</p> <p>The Council has worked closely with East Kent Housing, who manage the Council's Housing Stock on it's behalf, to ensure its six high-rise blocks meet the required standards. None of the Council's blocks had the cladding in place at Grenfell, and fire safety plans were reaffirmed to all residents.</p>
<p>East Kent Services (EKS)</p> <p>In January 2018, the Council, along with the other Partners, agreed to transfer East Kent Services, including all staff and services delivered, to Civica from 1 February 2018. This aims to preserve jobs and deliver further savings to all authorities.</p>		<p>Changes to the CIPFA 2017/18 Accounting Code</p> <p>CIPFA have introduced other minor changes to the 2017/18 Code which confirm the going concern basis for local authorities, and updates for Leases, Service Concession arrangements and financial instruments.</p>			

Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code, the revised stock valuation guidance for the HRA and the impact of impairment assessments and the adequacy of provisions in relation to essential work on high rise buildings.

Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including Thanet District Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Thanet District Council.</p>
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>Management over-ride of controls is a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> • gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness • obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness • evaluate the rationale for any changes in accounting policies or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of property, plant and equipment	<p>The Council revalues its land and buildings on an quinquennial basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> review management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; consider the competence, expertise and objectivity of any management experts used; discuss with the valuer the basis on which the valuation is carried out and challenge the key assumptions; review and challenge the information used by the valuer to ensure it is robust and consistent with our understanding; test revaluations made during the year to ensure they are input correctly into the Council's asset register; and evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
Valuation of pension fund net liability	<p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> Identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement Evaluate the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out Undertake procedures to confirm the reasonableness of the actuarial assumptions made. Check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary

Reasonably possible risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Employee remuneration	<p>Payroll expenditure represents a significant percentage (21%) of the Council's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions and an interface with a sub-system there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.</p>	<p>We will</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of payroll expenditure for appropriateness; • gain an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls; • agree that payroll costs are complete within the financial statements via review of the reconciliations between the payroll system and the General Ledger; and • We are seeking to gain assurances via a trend analysis and detailed analytics to ensure that pay included within the accounts is materially complete. If this is not possible we will undertake further substantive testing of a sample of employees.
Operating expenses	<p>Non-pay expenses on other goods and services also represents a significant percentage (20%) of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non- pay expenses as a risk requiring particular audit attention:</p>	<p>We will</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness; • gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls; • perform detailed substantive testing on operating expenditure recorded for the financial year; and • test operating expenditure to ensure cut-off has been correctly applied.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under the Act and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Council, copied to the Secretary of State.
- We certify completion of our audit.

Other material balances and transactions

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

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

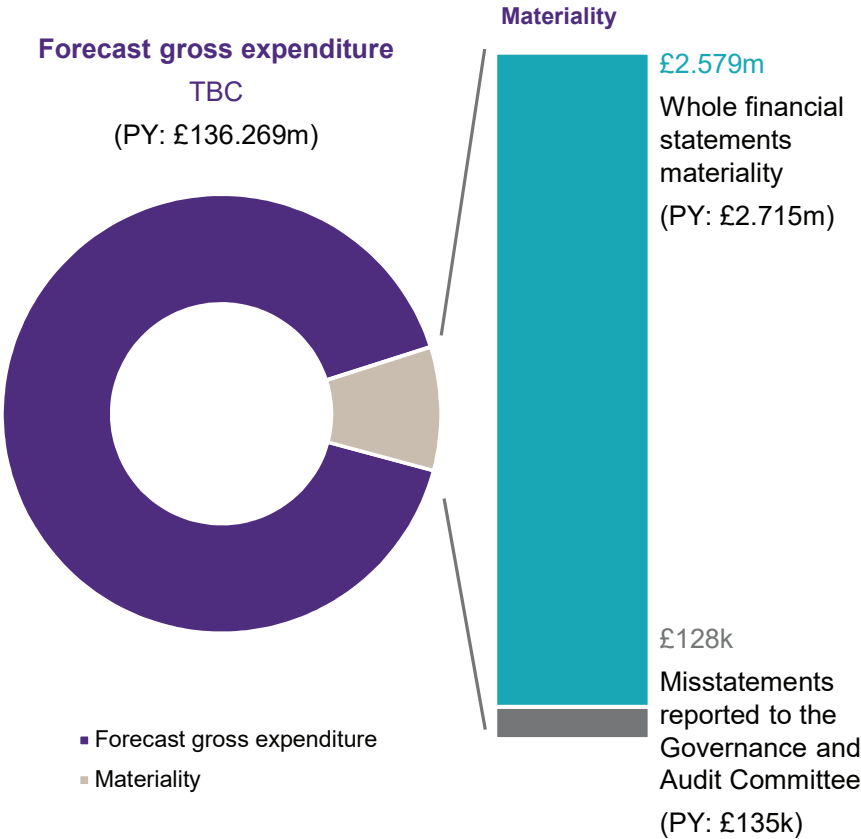
We propose to calculate financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £2.579m (PY £2.715m), which equates to 2% of your forecast gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Governance and Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £128k (PY £135k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Governance and Audit Committee to assist it in fulfilling its governance responsibilities.



Value for Money arrangements

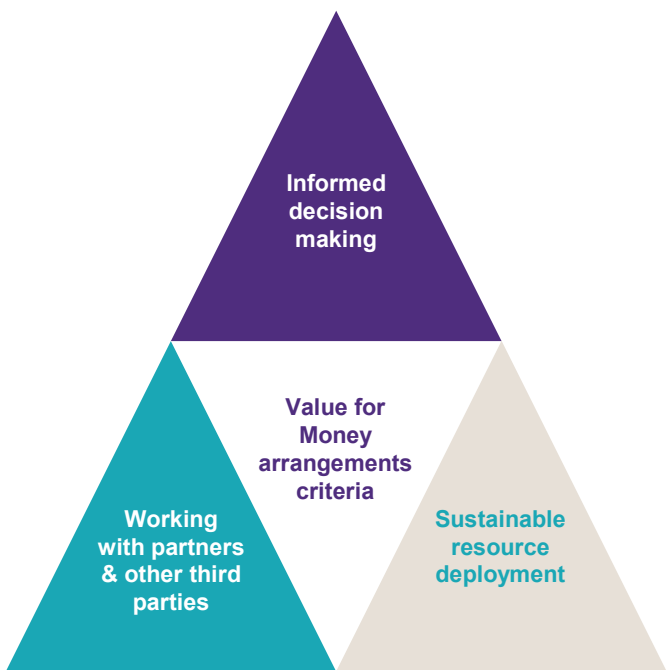
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

“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.”

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



Significant VFM risks

Those risks requiring specific audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Council to deliver value for money.



Overall Financial Position – Medium Term Financial Plan (MTFP)

The Council has identified that a significant level of savings are needed over the life of the next Medium Term Financial Plan. Council reserves have been depleted over the past few years reducing future flexibility.

We propose to:

- Review the assumptions behind the MTFP for the coming four years
- Consider the 2017-18 Budget outturn and any implications for the MTFP, along with the latest year to date outturn against budget for 2018-19
- Review the savings proposals which have been identified to date in respect of the savings gap, along with how the Council is planning to identify the remaining gap at this stage.

Audit logistics, team & audit fees



Darren Wells, Engagement Lead

Darren will be the main point of contact for the Chief Executive, the Section 151 Officer and Members. Darren will share his wealth of knowledge and experience across the sector providing challenge, sharing good practice, providing pragmatic solutions and acting as a sounding board with Members and the Governance and Audit Committee. Darren will ensure our audit is tailored specifically to you and is delivered efficiently. Darren will review all reports and the team's work.



Matt Dean, Audit Manager

Matt will work with the senior members of the finance team ensuring early delivery of testing and agreement of accounting issues on a timely basis. Matt will attend Governance and Audit Committees, undertake reviews of the team's work and draft reports ensuring they remain clear, concise and understandable to all. Matt will work with Internal Audit to secure efficiencies and avoid any duplication, providing assurance for your Annual Governance Statement.

Audit fees

The planned audit fees are no less than £66,296 (PY: £66,296) for the financial statements audit. Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Early close

Meeting the early close timeframe

Bringing forward the statutory date for publication of audited local government accounts to 31 July this year, across the whole sector, is a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts is curtailed, while, as auditors we have a shorter period to complete our work and face an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 11). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Non-audit services

The following non-audit services were identified

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Capital Receipts Return	2,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,500 in comparison to the total fee for the audit of £66,296 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
Audit of Council's Harbour Accounts	2,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,000 in comparison to the total fee for the audit of £66,296 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Appendix

A. Revised ISAs

Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

Section of the auditor's report	Description of the requirements
Conclusions relating to going concern	<p>We will be required to conclude and report whether:</p> <ul style="list-style-type: none"> • The directors use of the going concern basis of accounting is appropriate • The directors have disclosed identified material uncertainties that may cast significant doubt about the Council's ability to continue as a going concern.
Material uncertainty related to going concern	<p>We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements.</p> <p>Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report.</p>
Other information	<p>We will be required to include a section on other information which includes:</p> <ul style="list-style-type: none"> • Responsibilities of management and auditors regarding other information • A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation • Reporting inconsistencies or misstatements where identified
Additional responsibilities for directors and the auditor	We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.
Format of the report	The opinion section appears first followed by the basis of opinion section.



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Audit Progress Report and Sector Update

Thanet District Council
Year ending 31 March 2018

6 March 2018

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Introduction



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This paper provides the Governance and Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Governance and Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website www.grant-thornton.co.uk.

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

Progress at March 2018

Financial Statements Audit

We have started planning for the 2017/18 financial statements audit and have issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2017/18 financial statements.

We commenced our interim audit in January 2018. Our interim fieldwork visit includes:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues

The findings from our interim work to date are summarised on Page 6 onwards.

The statutory deadline for the issue of the 2017/18 opinion is brought forward by two months to 31 July 2018. We are discussing our plan and timetable with officers.

The final accounts audit is due to begin on the 20 June with findings reported to you in the Audit Findings Report by the earlier deadline of July 2018.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We undertook our initial risk assessment to determine our approach in February 2018 and reported this to you in our Audit Plan.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2018.

Other areas

Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. The certification work for the 2017/18 claim will be concluded by November 2018.

The results of the certification work will be reported to you in our Certification Letter. The Letter summarising our work on the 2016/17 claim is also included on the Agenda for this meeting.

Meetings

We met with Finance Officers in December as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. We know that members of your finance team attended our recent Chief Accountant's Workshop, held at our London office, and will ensure they are kept aware of any further technical updates. Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Deliverables

2017/18 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2017/18.	April 2017	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2017/18 financial statements.	March 2018	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	TBC	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the July Governance and Audit Committee.	July 2018	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2018	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2018	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2018	Not yet due

Results of Interim Audit Work

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

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

Sector Update

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website

Public Sector Audit Appointments: Report on the results of auditors' work 2016/17

This is the third report on the results of auditors' work at local government bodies published by PSAA. It summarises the results of auditors' work at 497 principal bodies and 9,752 small bodies for 2016/17. The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors used their statutory reporting powers.

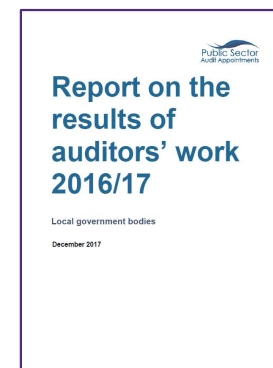
The timeliness and quality of financial reporting for 2016/17, as reported by auditors, remained broadly consistent with the previous year for both principal and small bodies. Compared with 2015/16, the number of principal bodies that received an unqualified audit opinion by 31 July showed an encouraging increase. 83 principal bodies (17 per cent) received an unqualified opinion on their accounts by the end of July compared with 49 (10 per cent) for 2015/16. These bodies appear to be well positioned to meet the earlier statutory accounts publication timetable that will apply for 2017/18 accounts.

Less positively, the proportion of principal bodies where the auditor was unable to issue the opinion by 30 September increased compared to 2015/16. Auditors at 92 per cent of councils (331 out of 357) were able to issue the opinion on the accounts by 30 September 2017, compared to 96 per cent for the previous year. This is a disappointing development in the context of the challenging new reporting timetable from 2017/18. All police bodies, 29 out of 30 fire and rescue authorities and all other local government bodies received their audit opinions by 30 September 2017.

The number of qualified conclusions on value for money arrangements has remained relatively constant at 7 per cent (30 councils, 2 fire and rescue authorities and 1 other local government body) compared to 8 per cent for 2015/16. The most common reasons for auditors issuing non-standard conclusions on the 2016/17 accounts were:

- the impact of issues identified in the reports of statutory inspectorates;
- corporate governance issues; and
- financial sustainability.

The latest results of auditors' work on the financial year to 31 March 2017 show a solid position for the majority of principal local government bodies. Generally, high standards of financial reporting are being maintained despite the financial and service delivery challenges currently facing local government.



Changes to the prudential framework of capital finance

The Ministry of Housing, Communities and Local Government has updated the Local Authority Investments Guidance and the Minimum Revenue following its publication of consultation responses on 2 February 2018.

A total of 213 consultation responses were received by the MHCLG by the 22 December 2017 deadline from across local government. Following consideration of the responses the Government has:

- made some technical changes to the Investments Guidance and MRP Guidance
- amended proposals relating to useful economic lives of assets
- implemented the Investments Guidance for 2018-19, but allowed flexibility on when the additional disclosure first need to be presented to full Council
- deferred implementation of MRP Guidance to 2019-20 apart from the guidance “Changing methods for calculating MRP”, which applies from 1 April 2018.

Key changes are noted below.

Statutory Guidance on Local Authority Investments

Transparency and democratic accountability – the revised guidance retains the requirement for an Investment Strategy to be prepared at least annually and introduces some additional disclosures to improve transparency. However, as the changes to the CIPFA Prudential Code include a new requirement for local authorities to prepare a Capital Strategy, the revised guidance allows the matters required to be disclosed in the Investment Strategy to be disclosed in the Capital Strategy.

Principle of contribution – the consultation sought views on the introduction of a new principle requiring local authorities to disclose the contribution that non-core investments make towards core functions. Authorities’ core objectives include ‘service delivery objectives and/or placemaking role.’ This clarification has been made to recognise the fact that local authorities have a key role in facilitating the long term regeneration and economic growth of their local areas and that they may want to hold long term investments to facilitate this.

Introduction of a concept of proportionality – the Government is concerned that some local authorities may become overly dependent on commercial income as a source of revenue for delivering statutory services. The consultation sought views on requiring local authorities to disclose their dependence on commercial income to deliver statutory services and the amount of borrowing that has been committed to generate that income. A majority of respondents supported the introduction of a concept of proportionality, recognising the importance that local authorities make decisions based on an understanding of the overall risk that they face.

Borrowing in advance of need – by bringing non-financial investments (held primarily or partially to generate a profit) within the scope of the Investments Guidance, the consultation proposals made it clear that borrowing to fund acquisition of non-financial assets solely to generate a profit is not prudential. The Investment Guidance requires local authorities who have borrowed in advance of need solely to generate a profit to explain why they have chosen to disregard statutory guidance. It is also important to note that nothing in the Investment Guidance or the Prudential Code overrides statute, and local authorities will still need to consider whether any novel transaction is lawful by reference to legislation.

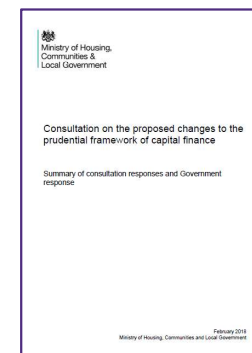
Minimum Revenue Provision Guidance

The consultation sought views on proposals to update the guidance relating to MRP to ensure local authorities are making prudent provision for the repayment of debt.

Meaning of a charge to the revenue account – the Government does not believe that crediting the revenue account is either prudent or within the spirit of the approach set out in the relevant Regulations. For this reason a charge to the account should not be a negative charge.

Impact of changing methods of calculating MRP – the Government does not expect any local authority to recalculate MRP charged in prior years due to the proposed changes in methodology.

Introduction of a maximum economic life of assets – the consultation sought views on setting a maximum useful economic life of 50 years for freehold land and 40 years for other assets. The MRP Guidance will set a maximum life of 50 years, but allow local authorities to exceed this where the related debt is PFI debt with a longer term than 50 years, or where a local authority has an opinion from an appropriately qualified person that an operational asset will deliver benefits for more than 50 years.



Changes to capital finance framework



CIPFA publications - The Prudential Code and Treasury Management Code

CIPFA have published an updated 'Prudential Code for Capital Finance in Local Authorities'. Key developments include the introduction of more contextual reporting through the requirement to produce a capital strategy along with streamlined indicators.

The framework established by the Prudential Code should support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure, within this clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable.

Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003, in Scotland under Part 7 of the Local Government in Scotland Act 2003, and in Northern Ireland under Part 1 of the Local Government Finance Act (Northern Ireland) 2011.

Since the Prudential Code was last updated in 2011, the landscape for public service delivery has changed significantly following the sustained period of reduced public spending and the developing localism agenda. It reflects the increasing diversity in the sector and new structures, whilst providing for streamlined reporting and indicators to encourage better understanding of local circumstances and improve decision making.

The introduction of a capital strategy allows individual local authorities to give greater weight to local circumstances and explain their approach to borrowing and investment. The Code is available in hard copy and online.



CIPFA have also published an updated Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. The Code provides a framework for effective treasury management in public sector organisations.

The Code defines treasury management as follows:

The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

It is primarily designed for the use of local authorities (including police and crime commissioners and fire authorities), providers of social housing, higher and further education institutions, and the NHS. Local authorities in England, Scotland and Wales are required to 'have regard' to the Code.

Since the last edition of the TM Code was published in 2011, the landscape for public service delivery has changed significantly following the sustained period of reduced public spending and the developing localism agenda.

There are significant treasury management portfolios within the public services, for example, as at 31 March 2016, UK local authorities had outstanding borrowing of £88bn and investments of £32bn

The Code is available in hard copy and online.

CIPFA Publication



Overview of the General Data Protection Regulation (GDPR)

What is it?

The GDPR is the most significant development in data protection for 20 years. It introduces new rights for individuals and new obligations for public and private sector organisations.

What's next?

Many public sector organisations have already developed strategic plans to implement the GDPR, which require policy, operational, governance and technology changes to ensure compliance by 25th May 2018.

How will this affect you?

- ✓ All organisations that process personal data will be affected by the GDPR.
- ✓ The definition of 'personal data' has been clarified to include any data that can identify a living individual, either directly or indirectly. Various unique personal identifiers (including online cookies and IP addresses) will fall within the scope of personal data

What organisations need to do by May 2018

- ✓ Local government organisations need to be able to provide evidence of completion of their GDPR work to internal and external stakeholders, to internal audit and to regulators.
- ✓ New policies and procedures need to be fully signed off and operational.

Organisation Accountability

- Organisations must document their assurance procedures, and make them available to regulators
- Some organisations need to designate a Data Protection Officer, who has expert knowledge of data protection law

Notifications and Rights

- Organisations must notify significant data breaches to regulators within 72 hours
- Organisations must explain to individuals what their rights over their personal information are and how it is being processed and protected

Claims and Fines

- For the most serious data breaches, privacy regulators can impose penalties of up to €20 million on public sector organisations,
- Individuals and representative organisations can claim compensation for infringements of data protection law

Questions for your organisation:

- Can your organisation erase personal data effectively?
- Have you appointed a Data Protection Officer if required to have one?
- How will your organisation ensure citizens know how their data is being used and whether it's being shared with other organisations?

Through a local lens: SOLACE summit 2017

The Industrial Strategy matters to places but places also matter to the Industrial Strategy.

This was a strong message coming out of discussions at the recent SOLACE (Society of Local Authority Chief Executives) summit where we facilitated 100 local authority CEOs and senior leaders to consider how the Industrial Strategy could be brought to life at a local level.

For some time now we have engaged in an ongoing and inclusive dialogue with communities and business, local authority and third sector leaders from across the country, to share aspirations, ideas and insight focused on building a vibrant economy for the UK. These discussions have helped to form the basis of our Vibrant Economy 'Blueprint for the UK' and they will go on to inform our recommendations to Government around a place-based approach to the Industrial Strategy.

This year's summit provided us with an invaluable opportunity to take this dialogue further.

We focused on the integral role local government will have in delivering the Industrial Strategy. Delegates applied a local lens to the national growth agenda, encouraging them to consider what strategies and approaches were already working in their place; what they could be doing more of to support growth in their area, and how they could steer the Industrial Strategy agenda from a local level.

Using the appreciative inquiry technique, we discussed the following questions:

What role would leaders and local institutions be playing if they were delivering positive outcomes from the industrial strategy?

Looking ahead and considering our diverse local authority agendas, the industrial strategy and surrounding policy landscape what aspects might work well for everyone?



You can see and hear what delegates thought on our [website](#)

Commercial Healthcheck: commercial investments and governance

Our latest healthcheck report was launched at CIPFA's Income Generation Summit in November. It is part of our 'The Income Spectrum' series, giving leaders of local government and public services insights into why and how local authorities are changing their approach to commercialisation, some of the related governance and risk management issues, and the latest innovation trends with case studies ranging from Angus and Luton to Oldham and Stirling.

The research shows that councils need to do more than simply adhere to the drafted rules to ensure an approach to commercialisation that balances outcomes and risks. The report therefore also includes a healthcheck diagnostic tool designed to give local government leaders extra comfort and confidence that they are pursuing a suitably balanced approach

Governance of commercial commitments is key to building confidence in the path to financial sustainability. The CIPFA code is the sector's primary rule book for treasury management and is expected to place a stronger emphasis on how councils will balance security, liquidity and return.

Key findings from the report include:

- While property has tended to be the focus, it is just one of a number of areas of activity. In the past year, borrowing includes £4.8 billion on bonds and commercial paper, and investment includes £7 billion in inter-authority lending (Investment in property for councils is a growing trend – a third of councils have done so since 2010, spending more than £2.4 billion between them, but this is not the only major area of investment activity)
- More entrepreneurial councils are adopting innovative approaches such as place-based market offerings, working together locally to add social value and cross-boundary franchising
- For many councils, investing in commercial assets is key to developing anchor institutions that contribute to place – ranging from airports, business parks and forestry to GP surgeries and cinemas
- A 'beyond compliance' approach to governance of commercial activities is required by progressive councils wanting to do more with less

[Click on the report cover to download and read more](#)



Grant Thornton Publication



Agenda Item 6

Supply Chain Insights tool helps support supply chain assurance in public services

Grant Thornton UK LLP has launched a new insights and benchmarking platform to support supply chain assurance and competitor intelligence in public services.

The Supply Chain Insights service is designed for use by financial directors and procurement professionals in the public sector, and market leaders in private sector suppliers to the public sector. It provides users with a detailed picture of contract value and spend with their supply chain members across the public sector. The analysis also provides a robust and granular view on the viability, sustainability, market position and coverage of their key suppliers and competitors.

The platform is built on aggregated data from 96 million invoices and covers £0.5 trillion of spending. The data is supplemented with financial standing data and indicators to give a fully rounded view. The service is supported by a dedicated team of analysts and is available to access directly as an on-line platform.

Phillip Woolley, Partner, Grant Thornton UK LLP, said:

"The fall-out from the recent failure of Carillion has highlighted the urgent need for robust and ongoing supply chain monitoring and assurance. Supply Chain Insights provides a clear picture of your suppliers' activities across the sector, allowing you to understand risks, capacity and track-record. We think it's an indispensable resource in today's supplier market."



The tool enables you to immediately:

- access over 96 million transactions that are continually added to
- segment invoices by:
 - organisation and category
 - service provider
 - date at a monthly level
- benchmark your spend against your peers
- identify:
 - organisations buying similar services
 - differences in pricing
 - the leading supplier
- see how important each buyer is to a supplier
- benchmark public sector organisations' spend on a consistent basis
- see how much public sector organisations spend with different suppliers

Supply Chain Insights forms part of the Grant Thornton Public Sector Insight Studio portfolio of analytics platforms.

Click on Supply Chain Insights for more information.

Supply Chain Insights

Grant Thornton

Challenge question:

Has your Authority considered how our Supply Chain Insight tool can help support your supply chain assurance?



Cost Assurance

Did you know....

40

Number of Public Sector engagements to date

£125m

Annual spend analysed

£3.55m

Rebate opportunities identified

£1.1m

Fee income identified

2.84%

Error rate – rebates versus spend volume

55%

Of Public Sector engagements are Local Government

Our Cost Assurance service line provides Local Authorities with an independent and retrospective audit of their legacy telecommunications and utilities costs incurred during the past 6 years (as per the Statute of Limitation).

We find that there are repeat errors contained within a Suppliers' invoice arrangements – errors that aren't necessarily picked up by the end client. This is due to the fact that they tend to be contained in suppliers' billing systems 'at source' and are much further down the supply chain which the user won't necessarily have visibility of.

We are supported by a comprehensive library of legacy supplier pricing that has been collated since 2011. Our one aim is to ensure that the client has only paid for the services used during the period by:

- ensuring that bills presented by Suppliers' are in line with their contracts and relevant pricing mechanisms
- ensuring the client receives the Supplier refunds where errors have been identified by us
- ensuring consequential savings are identified and implemented immediately for the client

Our Cost Assurance work is based on a contingent-fee model and is supported by PSAA Ltd. Each of our Local Authority engagements include a fee cap to ensure governance and regulatory standards are maintained.

In summary, we are able to bring much needed financial benefit to the sector as well as providing insight into errors that may be prone to repeat offence by suppliers long after our work is concluded.

Grant Thornton Challenge question:

Has your Authority considered the potential for an independent review of telecommunications and utility costs?

Links

Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<http://www.grantthornton.co.uk/en/insights/through-a-local-lens-solace-summit-2017/>

<http://www.grantthornton.co.uk/en/insights/combined-authorities-signs-of-success/>

<http://www.grantthornton.co.uk/en/insights/a-guide-to-setting-up-a-social-enterprise/>

<http://www.grantthornton.co.uk/en/insights/commercial-healthcheck-in-local-authorities/>

<http://www.cfoinsights.co.uk/>

<http://supplychaininsights.grantthornton.co.uk/>

PSAA website links

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

MHCLG website links

<https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance>

<https://www.gov.uk/government/publications/capital-finance-guidance-on-local-government-investments-second-edition>

<https://www.gov.uk/government/publications/capital-finance-guidance-on-minimum-revenue-provision-third-edition>

CIPFA website link

<http://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2017-edition-book>

National Audit Office link

<https://www.nao.org.uk/report/the-adult-social-care-workforce-in-england/>

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INTERNAL AUDIT PLAN 2018-19

6th March 2018

Report Author	Head of the Audit Partnership: Christine Parker
Portfolio Holder	Cllr John Townend; Cabinet Member for Financial Services & Estates
Status	For Approval
Classification:	Unrestricted.
Key Decision	No

Executive Summary:

This report presents the proposed Internal Audit Plan for 2018/19 detailing a breakdown of audits and an analysis of available days.

Recommendation(s):

That the 2018/19 Internal Audit Plan be approved by Members.

CORPORATE IMPLICATIONS

Financial and Value for Money	There are no financial implications arising directly from this report. The costs of the audit work are being met from the Financial Services 2018/19 budgets.								
Legal	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.								
Corporate	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.								
Equalities Act 2010 & Public Sector Equality Duty	<p>Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.</p> <p>Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.</p> <table border="1"> <tr> <td colspan="2">Please indicate which aim is relevant to the report.</td></tr> <tr> <td>Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,</td><td></td></tr> <tr> <td>Advance equality of opportunity between people who share a protected characteristic and people who do not share it</td><td></td></tr> <tr> <td>Foster good relations between people who share a protected characteristic and people who do not share it.</td><td></td></tr> </table>	Please indicate which aim is relevant to the report.		Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,		Advance equality of opportunity between people who share a protected characteristic and people who do not share it		Foster good relations between people who share a protected characteristic and people who do not share it.	
Please indicate which aim is relevant to the report.									
Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,									
Advance equality of opportunity between people who share a protected characteristic and people who do not share it									
Foster good relations between people who share a protected characteristic and people who do not share it.									

	<i>There are no equity or equalities issues arising from this report.</i>
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CORPORATE PRIORITIES (tick those relevant)✓	
A clean and welcoming Environment	
Promoting inward investment and job creation	
Supporting neighbourhoods	

CORPORATE VALUES (tick those relevant)✓	
Delivering value for money	X
Supporting the Workforce	
Promoting open communications	X

1.0 Introduction and Background

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

2.0 2018-19 Risk Based Internal Audit Plan

- 2.1 The Audit Plan for the year 2018 to 2019 is attached as Annex A and has the main components to support the Audit Charter. The Audit Charter was presented to the March 2017 meeting of this Committee at which time it was agreed for a three year period and will therefore be represented in March 2020. The plan is produced in accordance with professional guidance, including the Public Sector Internal Audit Standards (PSIAS) 2013. A draft risk based plan is produced from an audit software database (APACE) maintained by the EKAP which records our risk assessments on each service area based upon previous audit experience, criticality, financial risk, risk of fraud and corruption etc. Then amendments have been made following discussions with senior management, taking account of any changes within the Council over the last 12 months, and foreseen changes over the next.
- 2.2 The plan has then been further modified to reflect emerging risks and opportunities identified by the Chief Executive, Directors, and the link to the Council's Corporate Plan and Corporate Risk Register. This methodology ensures that audit resources are targeted to the areas where the work of Internal Audit will be most effective in improving internal controls, the efficiency of service delivery and to facilitate the effective management of identified risks.
- 2.3 Furthermore, wider risks are considered, by keeping abreast of national issues and advice from the auditing profession / firms. We call this process 'horizon scanning' and this year we have considered the inclusion of the top ten Institute of Internal Audit identified risks;
 - 1 **GDPR** – the new data protection regulations affect information governance and audits have been built into the plan to provide assurance on these risks.

- 2 **Cyber Security** – we have a number of ICT reviews built into the EKS audit plan to support the network and digital environment; where possible we will buy in specialist contractors to undertake technical ICT reviews.
 - 3 **Brexit** – we have considered this risk and determined that it is too early for us to include anything specific relating to Brexit in the 18-19 audit plan, but will re-consider it again for future years.
 - 4 **Vendor Risk & Third Party Assurance** – the non-performance of contractors and suppliers is always a risk to the Council, events such as the collapse of Carillion focus the mind indeed. We are consequently proposing a review of Contract Management in the EKH plan.
 - 5 **Culture** – this risk is an emerging area for assurance, BDO and other firms are working on establishing top down reviews and we have assessed this and are keeping a watching brief on developments for future consideration. Reviews that we have typically done in this area include Gifts and Hospitality, Ethics and compliance with Codes of Conduct.
 - 6 **Internal Audit Profession Evolving**- this risk is regarding our service keeping up with the new professional standards and changes in technology. It is not built into the 18/19 plan as a separate issue; it is however addressed by keeping up to date with the profession, colleagues in Kent Audit Group, and through Continued Professional Development.
 - 7 **Pace of Innovation** – a project has been included within another East Kent Council plan specifically regarding this risk, it has been considered and is one to be reconsidered for next year for DDC.
 - 8 **Workforce Planning** – this has been considered and a review is not proposed for 18/19 as significant work has been undertaken recently by the council and needs time to embed, therefore this will be revisited for next year.
 - 9 **Regulatory** – this is a constant risk as the external environment throws new laws at a council and it has to respond. New legislation is something we consider for each area within the audit plan, and thus a separate 'cross cutting' review has not been proposed for 18/19.
 - 10 **Fraud** – is an ongoing risk assessed in every area of activity that the Council undertakes. Typically we have assessed the Counter Fraud Framework within which the Council operates. This year however a provision for 10 days has been set aside to map counter fraud assurance and undertake some targeted testing.
- 2.4 There are insufficient audit resources to review all areas of activity each year. Consequently, the plan is based upon a formal risk assessment that seeks to ensure that all areas of the Council's operations are reviewed within a strategic cycle of audits. In order to provide Members with assurance that internal audit resources are sufficient to give effective coverage across all areas of the Authority's operations, a strategic plan has been included.
- 2.5 To comply with the best practice, the agreed audit plan should cover a fixed period of no more than 1 year. Members are therefore being asked to approve the 2018/19 plan at the present time, and the future years are shown as an indicative plans only, to provide Members with assurance that internal audit resources are sufficient to provide effective coverage across all areas of the Authority's operations within a rolling cycle.
- 2.6 The plan has been prepared in consultation with the Directors and the Council's statutory s.151 Officer. The plan is also designed to meet the requirements expected by the External Auditors for ensuring key controls are in place for its fundamental systems. This Committee is also part of the consultation process, and its views on the plan of work for 2018/19 are sought to ensure that the Council has an effective internal audit of its activities and Members receive the level of assurance they require to be able to place assurance on the annual governance statement.

2.7 The risk assessment and consultation to date has resulted in;

- 78% Core Assurance Projects - the main Audit Programme
 - 4% Fraud Work – fraud awareness, reactive work and investigating potential irregularities
 - 0% Corporate Risk – testing the robustness of corporate risk mitigating action
 - 19% Other Productive Work – Corporate meetings, follow up, general advice, liaison
- Total number of audits 23.

For 2018/19 the days available for carrying out audit is 300 days. When compared to the resources available and working on the basis that the highest risk areas should be reviewed as a priority, the EKAP has sufficient resources to review all of the high risk areas and all of the medium risk areas this equates to 23 audits.

3.0 Benchmarking the level of Internal Audit Provision.

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

4.0 Head of Internal Audit Opinion of the 2018/19 Internal Audit Plan.

- 4.1 This report is presented to Members by the Council's Corporate Director whose s.151 responsibility it is to maintain an effective internal audit plan. In the interests of openness and transparency and in order to enable Members to make an informed decision on the internal audit plan presented for their approval consideration should also be given to the opinion of the Head of Internal Audit on the effectiveness of the plan.
- 4.2 It is the professional opinion of the Head of the East Kent Audit Partnership that the draft 2018/19 internal plan presented for Members consideration will allow for an opinion to be given on the Council's key risk areas and systems. This should be sufficient coverage to inform the Annual Governance Statement. The Head of the East Kent Audit Partnership recommends that Members approve the 2018/19 internal audit plan as drafted.

5.0 Options

- 6.1 That Members approve the 2018/19 Internal Audit Plan as drafted.
- 6.2 That Members make suggested amendments to and approve the 2018/19 Internal Audit Plan.

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

Annex List

<i>Annex A</i>	Internal Audit Plan 2018/19

Background Papers

Title	Details of where to access copy
<i>Audit Charter 2017</i>	Previously presented to and approved at the 8 th March 2017 Governance and Audit Committee meeting.
<i>Internal Audit Annual Plan 2017/18</i>	Previously presented to and approved at the 8 th March 2017 Governance and Audit Committee meeting.

Corporate Consultation

Finance	Tim Willis, Director of Corporate Resources & s151 Officer
Legal	<i>Tim Howes, Director of Corporate Governance</i>

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Agenda Item 7

Annex 1

Plan Area	Corporate Plan, Value and Risk Ref:	Year last audited	Previous Assurance level	2018-19 planned days	Quarter Prioritised for 2018-19	2019-20 Planned Days	2020-21 Planned Days	2021-22 Planned Days
Main Financial Systems:								
Capital		2015-16	Substantial			10		
Treasury Management		2015-16	Substantial				10	
Car Parking & Enforcement		2017-18	Reasonable	10	3			12
Bank Reconciliation		2015-16	Substantial				5	
Creditors and CIS		2017-18	2017-18 WIP					10
External Funding Protocol		2015-16	Reasonable			12		
Main Accounting System		2016-17	Substantial				10	
Income		2017-18	2017-18 WIP			10		10
Budgetary Control	CV1 7 CR1	2016-17	Substantial				10	
VAT		2015-16	Substantial	10	3			
Insurance and Inventories of Portable Assets		2015-16	Substantial			12		12
Residual Housing Systems:								
Homelessness	CP2	2016-17	Substantial				10	
Housing Allocations	CP2	2015-16	Substantial	10	2			
Right to Buy	CP2	2017-18	Reasonable					8
HRA Business Plan	CP2	2014-15	Substantial	10	2			
EKH Audit Reviews		2016-17	See EKH Plan	15	1 to 4	15	15	15
Governance Systems:								
Data Protection, FOI and Information Management	CR3	2017-18	2017-18 WIP			15		15
Members' Code of Conduct, Register of Interests, Gifts and Hospitality, and Standards Arrangement	CV1 7 CR4	2016-17	Substantial				10	
Officers' Code of Conduct and Gifts and Hospitality	CV1	2016-17	Reasonable				10	
Local Code of Corporate Governance	CV1	2016-17	Limited				7	
Anti-Fraud & Corruption Assurance Mapping		2017-18	Reasonable	10	2			
Performance Management	CV1&2	2017-18	2017-18 WIP			10		10
Complaints Monitoring	CV3	2014-15	Limited	10	1			
Shared Services Monitoring	CV1	2017-18	2017-18 WIP				10	
Partnerships	CV1	2017-18	2017-18 WIP				8	
Scheme of Officer Delegations	CV1 & CR11	2017-18	Substantial				8	
Corporate/Governance and Audit Committee	N/A	2016-17	N/A	32	1 to 4	32	32	32
Project Management	CR7	2016-17	Limited				10	
Risk Management	Informs all Corporate Risks	2017-18	Reasonable			10		10
Other:								
Liaison with the External Auditors	N/A	2016-17	N/A	1	1 to 4	1	1	1
Previous Year Work in Progress b/fwd	N/A	2016-17	N/A	5	1	5	5	5
Follow-up	N/A	2016-17	N/A	15	1 to 4	15	15	15
Contract Audits:								
CSO Compliance	CV1	2017-18	2017-18 WIP			10		10
Service Contract Management	CV1	2016-17	Limited				10	
Receipt and Opening of Tenders	CV1	2017-18	Substantial					8
Procurement	CV1	2016-17	Substantial				10	

Plan Area	Corporate Plan, Value and Risk Ref:	Year last audited	Previous Assurance level	2018-19 planned days	Quarter Prioritised for 2018-19	2019-20 Planned Days	2020-21 Planned Days	2021-22 Planned Days
Service Level Audits:								
Inward Investment	CP3	2017-18	2017-18 WIP					10
Cemeteries and Crematoria		2016-17	Substantial				12	
Thanet Lottery		New Area	To be Assessed	10	4			
Safeguarding Children and Vulnerable Groups/DBS Checks	CR9	2015-16	Limited	10	4			
Private Sector Housing – HMO Licensing and Selective Licensing	CP2	2016-17	Substantial				10	
Community Safety	CP2	2014-15	Substantial	10	1			
Coastal Management		2016-17	Substantial				10	
CCTV		2014-15	Reasonable	10	3			
Dog Warden Service, Street Scene and Litter Enforcement (incl. graffiti and flytipping)	CP1	2014-15	Reasonable /Limited	10	4			
Electoral Registration & Election Management		2015-16	Limited	10	1			
Environmental Health – Food Safety		2015-16	Substantial	10	2			
Environmental Health – Public Health Burials		2016-17	Substantial				7	
Environmental Health – Pest Control		2014-15	Substantial	7	4			
Environmental Health – Health and Safety at Work		2015-16	Limited			10		
Environmental Health - Environmental Protection Service Requests		2016-17	Substantial				10	
Environmental Health - Pollution, Contaminated Land, Air and Water Quality		2017-18	Substantial					10
Business Continuity and Emergency Planning	CR10	2015-16	Reasonable	10	3			
Playgrounds		2016-17	Limited				10	
Equality and Diversity		2014-15	Reasonable	10	1			
Events Management		Pre 2004-05	To be Assessed	10	3			
Health and Wellbeing	CP2	New Area	To be Assessed			10		
Grounds Maintenance	CP1	2015-16	Limited	15	4		15	
Dalby Square Heritage Grants and Housing Intervention Grants	CP2	2015-16	Substantial			10		
Disabled Facilities Grants	CP2	2016-17	Substantial				10	
Land Charges		2017-18	Substantial					10
Licensing		2014-15	Substantial	10	2			
Museums		2015-16	Limited	10	1			
Asset Management	CP3	2017-18	2017-18 WIP					10
Allotments	CP3	2017-18	Reasonable					8
Commercial Properties and Concessions (incl. Industrial estates, Innovation centre etc)	CP3	2015-16	Reasonable			10		
Legal Services		Not audited by EKAP, assurance is instead provided by LEXCEL accreditation						
Ramsgate Marina & Broadstairs Harbour		2016-17	Substantial			10		
Ramsgate Port		New Area	To be Assessed					10
East Kent Opportunities		New Area	To be Assessed	10	2			
Members' Allowances and Expenses		2016-17	Substantial			10		

Agenda Item 7

Annex 1

Plan Area	Corporate Plan, Value and Risk Ref:	Year last audited	Previous Assurance level	2018-19 planned days	Quarter Prioritised for 2018-19	2019-20 Planned Days	2020-21 Planned Days	2021-22 Planned Days
Service Level Audits Continued:								
Planning Applications, Income and s106 Agreements		2015-16	Reasonable			12		12
Local Plan	CR5	2017-18	2017-18 WIP					10
Building Control		2016-17	Reasonable			10		
Imprest Floats and Rail Travel Expenditure		2016-17	Substantial			6		
Phones, Mobiles and Utilities		2016-17	Substantial			8		
Printing and Post		2014-15	Substantial			10		
YourLeisure - Sports and Leisure	CP2	2017-18	2017-18 WIP			12		12
Sports Development	CP2	2014-15	Reasonable					10
Visitor Information Arrangements		2015-16	Substantial			10		
Waste and Street Cleansing Vehicle Fleet Management	CP1	2017-18	Reasonable			15		15
Garden Waste and Recycling Income	CP1	2017-18	Reasonable					10
Street Cleansing	CP1	2015-16	Limited	10	3		10	
Climate Change		2009-10	To be Assessed				10	
Employee Health, Safety and Welfare	CV2 & CR2	2015-16	Reasonable	10	4			
Total Planned Days:				300		300	300	300

Plan Area	Corporate Risk Reference	Year last audited	Previous Assurance level	2018-19 Planned Days	2019-20 Planned Days	2020-21 planned days
Governance (externally reviewed in 2016-17)	S7 & O7	2011-12	Reasonable		15	
Finance Systems and ICT Controls	O4	2017-18 WIP	Substantial			15
Data Protection and Information Management	O5	2017-18 WIP	To be assessed			15
CMT/Audit Committee/EA Liaison		2017-18	N/A	4	4	4
Rent Accounting, Collection and Debt Management		2013-14	Reasonable		40	
Repairs, Maintenance including contract variations		2015-16	Limited	30		
Void Property Management		2015-16	Limited	20		
Leasehold Services		2017-18 WIP	Limited			35
Health and Safety (Lifts, Legionella and Asbestos)	O8	2017-18	Reasonable /Limited	20	15	15
Sheltered and Supported Housing (including Supporting People)		2015-16	Limited			
Safeguarding Children and Vulnerable Groups	O3	2017-18	Reasonable			15
Tenancy and Estate Management		2012-13	Reasonable		30	
Tenancy Fraud	O10	2017-18	2017-18 WIP			15
Contract Letting - CSO Compliance		2015-16	Reasonable		17	
Contract Monitoring & Performance - VFM	O10	New Area	To be assessed	17		
Performance Management	O11	New Area	To be assessed	15		
Risk Management	O11	2017-18	2017-18 WIP			12
Complaints		2017-18	2017-18 WIP			10
Welfare Reform		New Area	To be assessed	10		
Resident Involvement		New Area	To be assessed	10		
Service Level Agreements		New Area	To be assessed	10		
Employee Health, Safety & Welfare	O2 & O8	New Area	To be assessed		15	
Follow Up / Progress reviews		2016-17	Ongoing	4	4	4
Total Planned Days:				140	140	140

EK SERVICES:

Plan Area	Year lasted audited	Previous assurance level	2018-19 Planned Days	2019-20 Planned Days	2020-21 Planned Days	2021-22 Planned Days
EK Services - Civica Revenues & Benefits						
Housing Benefits – Payment	2017/18	Substantial				15
Housing Benefits – Overpayments	2016/17	Substantial			15	
Housing Benefits – Admin & Assessment	2014/15	Substantial	15			
Housing Benefit - Appeals	2015/16	Substantial		15		
Housing Benefit - DHP	2015/16	Substantial	15			
Housing Benefit - Subsidy	2016/17	Substantial			15	
Housing Benefit - Quarterly Testing	2016/17	N/A	15	15	15	15
Council Tax	2014/15	Substantial		20		
Council Tax Reduction Scheme	2013/14 (2017)	Substantial				15
Customer Services/Gateway	2016/17	Reasonable			20	
Business Rates	2017/18	Substantial				20
Business Rates - Reliefs \ Credits	2015/16	Reasonable		15		
Debtors and Rechargeable Works	2015/16	Substantial	20			
EK Services - Corporate						
Corporate / Audit Plan			8	8	8	8
Annual Performance KPI	New Area	Data Quality	5	5	5	5
Follow ups			7	7	7	7
EK Services - ICT						
ICT – Change Controls	2016/17	Substantial			15	
ICT - Data Management	2014/15 (2017)	Reasonable				15
ICT – Network Security	2012/13	Substantial	15			
ICT – Procurement and Disposal	2013/14 (2017)	Reasonable				15
ICT – Physical and Environment	2014/15	Reasonable		15		
ICT - Software Licensing	2016/17	Reasonable			15	
ICT - PCI-DSS	2015/16	Limited	15			
ICT - Disaster Recovery	2015/16	Sub / Reasonable		15		
EK Services - EKHR						
Recruitment	2016/17	Substantial		15		
Absence Management/Annual Leave and Flexi Leave	2015/16	Reasonable / Limited	15			15
Payroll, SMP and SSP	2016/17	Substantial	15	15	15	15
Employee Allowances and Expenses	2017/18				15	
Employee Benefits-in-kind	2016/17	Substantial / Limited		15		
Leavers	2016/17	Substantial			15	
Employee Health, Safety and Welfare	2014/15 (2017)	Reasonable / Limited	Transferred to Partner's Plans			
Apprenticeships / Training	New Area	To Be Assessed	15			15
Total EK Services Planned Days			160	160	160	160

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QUARTERLY INTERNAL AUDIT UPDATE REPORT

6th March 2018

Report Author	Head of the Audit Partnership: Christine Parker
Portfolio Holder	Cllr John Townend; Cabinet Member for Financial Services & Estates
Status	For Information
Classification:	Unrestricted.
Key Decision	No

Executive Summary:

This report provides Members with a summary of the internal audit work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 31st December 2017.

Recommendation(s):

That the report be received by Members.

That any changes to the agreed 2017-18 internal audit plan, resulting from changes in perceived risk, detailed at point 5.0 of Annex1 of the attached report be approved.

CORPORATE IMPLICATIONS

Financial and Value for Money	There are no financial implications arising directly from this report. The costs of the audit work are being met from the Financial Services 2017-18 budgets.
Legal	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.
Corporate	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.
Equalities Act 2010 & Public Sector Equality Duty	<p>Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.</p> <p>Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.</p>

	Please indicate which aim is relevant to the report.	
	Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,	
	Advance equality of opportunity between people who share a protected characteristic and people who do not share it	
	Foster good relations between people who share a protected characteristic and people who do not share it.	
<i>There are no equity or equalities issues arising from this report.</i>		

CORPORATE PRIORITIES (tick those relevant)✓	
A clean and welcoming Environment	
Promoting inward investment and job creation	
Supporting neighbourhoods	

CORPORATE VALUES (tick those relevant)✓	
Delivering value for money	X
Supporting the Workforce	
Promoting open communications	X

1.0 Introduction and Background

- 1.1 This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 31st December 2017.
- 1.2 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.
- 1.3 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.
- 1.4 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.
- 1.5 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.
- 1.6 The purpose of the Council's Governance and Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent review of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.
- 1.7 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.

2.0 Summary of Work

- 2.1 There have been five internal audit assignments completed during the period, of which three concluded Reasonable assurance, and one concluded Limited assurance. There was one other piece of work for which an assurance level is not applicable as it comprised quarterly housing benefit testing.
- 2.2 In addition, four follow-up reviews have been completed during the period, one of which (Grounds Maintenance) remains Limited Assurance after follow-up.
- 2.3 For the nine-month period to 31st December 2017, 193.52 chargeable days were delivered against the planned target of 265.31 days which equates to 73% plan completion.
- 2.4 The financial performance of the EKAP is on target at the present time.

3.0 Options

- 3.1 That Members consider and note the internal audit update report.
- 3.2 That the changes to the agreed 2017-18 internal audit plan, resulting from changes in perceived risk, detailed at point 5.0 of the attached report be approved.
- 3.3 That Members consider (where appropriate) requesting an update from the relevant Director/s to the next meeting of the Committee in respect of any areas identified as still having either limited or no assurance after follow-up.
- 3.4 That Members consider registering their concerns with Cabinet in respect of any areas of the Council's corporate governance, control framework or risk management arrangements in respect of which they have on-going concerns after the completion of internal audit follow-up reviews and update presentations from the relevant Director.

Contact Officer:	Christine Parker, Head of the Audit Partnership, Ext. 7190 Simon Webb, Deputy Head of Audit, Ext 7189
Reporting to:	Tim Willis, Director of Corporate Resources & s151 Officer, Ext. 7617 Ramesh Prashar, Head of Financial Services.

Annex List

<i>Annex 1</i>	East Kent Audit Partnership Update Report – 06-03-2018
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Background Papers

Title	Details of where to access copy
<i>Internal Audit Annual Plan 2017-18</i>	Previously presented to and approved at the 8 th March 2017 Governance and Audit Committee meeting
<i>Internal Audit working papers</i>	Held by the East Kent Audit Partnership

Corporate Consultation

Finance	Tim Willis, Director of Corporate Resources & s151 Officer
Legal	<i>Tim Howes, Director of Corporate Governance</i>

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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, together with details of the performance of the EKAP to the 31st December 2017.

2.0 SUMMARY OF REPORTS

Service / Topic		Assurance level	No. of Recs.	
2.1	Anti-Fraud & Corruption	Reasonable	C H M L	0 1 3 6
2.2	Car Parking Income and Cash Processes	Reasonable	C H M L	0 2 1 2
2.3	Risk Management	Reasonable	C H M L	0 3 5 2
2.4	East Kent Housing – Fire Risk Assessment Processes and Records Management*	Limited	C H M L	0 2 2 0
2.5	EK Services – Housing Benefit Quarterly Testing (Quarter 2 of 2017-18)	Not Applicable		

* Reasonable Assurance after follow-up – please see section 3

2.1 Anti-Fraud & Corruption – Reasonable Assurance:

2.1.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to prevent fraud and corruption.

2.1.2 Summary of Findings

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As pressure on public finances continues to grow the risks to Local authorities from a wide range of fraud also increases as the fraudsters become more sophisticated. Known fraud risks that remain significant to local authorities are: -

Category of Fraud	Estimated value of fraud to the Public Purse for 2015/2016* (*The European Institute for Combatting Corruption And Fraud (TEICCAF) – Protecting the Public Purse 2016.)
Tenancy (application/allocation fraud, key selling fraud, subletting fraud and succession fraud)	£50m
Right to Buy	£46m
Council Tax	£31.4m
Insurance	£7.5m
Procurement	£3.8m
Business Rates	£2.7m
Other:	£11.8m
Payroll	
Grants	
Identity Fraud	
Money Laundering	
Local Enterprise Partnerships	
Cyber dependent crime and cyber enabled fraud	£300,000
Internal Fraud – Councillor and employee	

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; and
- 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.

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

- The Council has an Anti-Fraud & Corruption policy and supporting policies in place to include, Anti-money Laundering, Anti-bribery and Whistleblowing.
- The Governance and Audit Committee has been tasked with oversight of the Anti-fraud & Corruption Policy.
- Fraud is reported to the Section 151 and the Monitoring Officer.
- The Council participates in national and sectoral initiatives to detect fraud such as data matching.
- The Council is proactive with preventative and detective controls in the fight against fraud and corruption.

Scope for improvement was however identified in the following areas:

- Not all types of fraud risk have been documented at a service level within the operational risk registers.
- The revised Anti-Money Laundering Policy requires formal approval.
- Staff training is not up to date.
- An annual assessment of whether the level of resource invested in counter fraud and corruption is proportionate for the level of risk and suspected frauds being raised was not produced for 2016/2017.
- Data on Fraud has not been published annually as laid down by the requirements of the Transparency Code 2015.

2.2 Car Parking Income and Cash Processes – Reasonable Assurance

2.2.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that Car Park machine income (on-street and off-street), is adequately monitored and reconciled to expected income and that income trends are monitored for individual car parks for management information. Ensure the security of staff and cash, for all other sources of corporate income collected via the same system, is equally well controlled and reconciled in an efficient manner.

2.2.2 Summary of Findings

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

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

- There are established processes and procedures for the day to day reconciliation of the car park income.
- Annual benchmarking is undertaken with other Kent local authorities and corporate performance indicators are in place.
- The cash collection contract has been re-tendered and a new contract is now in place.
- The use of the Ringo mobile payment process for car parking has increased year on year with the biggest use of Ringo being at the Dreamland car park where year on year the figures have increased from 10,739 uses in 2015/16 to 16,077 for the period April to September 2017. The income figure for the first six months of the 2017/18 financial year was £144,240.90p compared to £51,509.20p for the whole of 2015/16.

Scope for improvement was however identified in the following areas:

- Non-compliance with the procedures for cash collection have been identified through a separate report produced by the Operational Services Enforcement Manager, so Management now need to put in place regular monitoring (i.e. Spot Checks) to ensure that the procedures are being adhered to.
- The service level agreement with Your Leisure for the cash collection service provided by Thanet District Council needs to be reviewed on a regular basis

(including regular dialogue) to ensure that both parties are complying with it and also that the charges made for this service are being reviewed on an annual basis. These discussions could be included as part of the regular monitoring meetings that the authority has with Your Leisure in respect of the services being provided.

- Legislation is due to come into place that will mean that if the authority wants to increase its parking charges it will have to carry out a public consultation exercise before doing so. This will create extra work and also the timetabling of the consultation exercise will have to be planned and carried out before the fees and charges are approved by Members.
- Ringo income is not included on the car park income figures held on the in-house database but is accounted for separately. So that accurate information from one central source could be produced investigations should be carried out to see if the monthly Ringo information can be included within the in-house database when the figures are obtained each month.

2.3 Risk Management – Reasonable Assurance:

2.3.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the organisation adopts best practices in the identification, evaluation and cost effective control of risks to ensure that they are reduced to an acceptable level or eliminated, and also maximise opportunities to achieve the organisation's visions and priorities.

2.3.2 Summary of Findings

Part 2 – paragraphs 3 and 4 of the Accounts and Audit Regulations 2015 requires the Council to be responsible for ensuring that its financial management is adequate and that it has a sound system of internal control which facilitates the effective exercise of its functions including arrangements for the management of risk.

As at October 2017 the Council has identified and is managing: -

- 10 Corporate Risks; and
- 153 Service Risks;

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

- The Risk Management Strategy and Risk Management Process adopted by the Council are comprehensive documents;
- Risk identification is working effectively;
- Corporate risk scoring is documented in some directorates;
- The second line of defence is managing operational risks effectively; and
- Corporate Management Team regularly discusses corporate risks, including for example, in recent times the Local Plan, Limited Resources, Homelessness and Dreamland.

A number of improvements have been suggested as follows:

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- Risk Management documentation (including risk identification, risk scoring and risk actions) needs to be improved at a corporate level to evidence that the Risk Management Strategy and Process are being consistently applied;
- Whilst there is evidence to show that risk identification was well employed the documentation to allow an independent assessment of risk management processes was incomplete. For example 6/10 of the corporate risk registers were last updated more than 6 months ago despite the risks being discussed at CMT in the meantime;
- Information presented to the Members could be more comprehensive;
- Risk management training, possibly e-learning, should be introduced; and
- Roles and responsibilities could be strengthened to further evidence that risk management is embedded within the Council.

Reliance has also been placed on a separate audit of Project Management carried out earlier in the year which identified a number of key actions which should help improve project risk management routines. As a result no in depth testing was carried out on project risk management.

2.4 Fire Risk Assessment Processes & Records Mgmt. - Limited Assurance

2.4.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the health and safety of tenants is safeguarded from the risk of fire.

2.4.2 Summary of Findings

Since the tragic event happened at Grenfell Tower in 2017, fire safety has become a high priority and East Kent Housing has been working to reassure the tenants that they live in a safe and secure environment. In particular work has been carried out on the tower blocks to test the cladding that they are covered in and that the fire risk assessments have been updated for these locations. Cladding has therefore not been looked at in this audit.

Management can place Limited Assurance on the system of internal controls in operation but there are processes now being carried out that are giving a positive direction of travel towards Reasonable Assurance. It should be noted that this review was carried out in September 2017 and a follow up review is to be carried out in January 2018.

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

- Fire risk assessments have not been kept up to date in respect of follow ups based on the suggested dates shown in the original assessments that were carried out in 2014 by an external company. This has meant that outside contractors are now being used with some internal resources to carry out new Type 3 fire risk assessments on all locations with an expected completion date of October 2017 to renew every fire risk assessment for each location whether or not it is in date or out of date.
- There has been no central pulling together of the works that have been carried out across locations to reflect the impact that they have had on the original fire risk assessments.

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- There is no central monitoring of the outstanding actions for each location at the time of this audit.
- The new single system is not able to assist in record keeping of fire risk assessments which has meant that a separate software solution is being procured.
- There is a lack of monitoring by senior management either at East Kent Housing or the four partner authorities of the outstanding actions and the expected costs. A regular report should be produced for management that shows all of the actions that have been completed, the ones that are outstanding and also the same for the fire risk assessments. This report should also include the outcomes of equipment testing, issues that have arisen from the testing, what has been tested and what is outstanding.
- The resource required within East Kent Housing to be able to centrally pull together various records to ensure that monitoring is being carried out on fire risk assessments and the associated works may be addressed as part of a forthcoming restructure.

However, positive steps have been taken to address the above issues with the procurement of the new Pyramid system that will create a central database that can provide an ongoing monitoring process and that can also generate reports that can assist in both work that needs to be carried out and providing status reports to management.

All fire risk assessments are in the process of being redone as a Type 3 assessment (previous exercise in 2014 were Type 1 assessments) and from this a list of all the required works and costs will be produced.

Effective control was however evidenced in the following areas:

- Contracts are in place for the fire alarms / detection equipment, emergency lighting and extinguisher system servicing and records are held to confirm that the programme of inspections is being carried out.
- PEEP's are in place for residents where they are needed and they are reviewed on a regular basis and information is being kept in the fire boxes for the appropriate location.
- 100% post inspections of works being carried out that relate to fire safety are now being carried out.

Notwithstanding the findings above, a great deal of work is carried out at each of the four partner councils through a programme of works under Fire Prevention Work budgets. The value of work completed on behalf of each council varies, as does the way the available budget is allocated, however spend on replacement fire doors and other remedial works is well managed. Examples of this are detailed reviews that have been carried out at the tower blocks at Canterbury that have identified works that are needed and are currently being designed and specified. Also works are being carried out on two sheltered schemes in Shepway to address major issues that have been identified. It is the link between these works and the actions identified through the FRA's that should be made clearer and better management information regarding this process produced.

2.5 EK Services – Housing Benefit Quarterly Testing (Quarter 2 of 2017-18):

2.5.1 Background:

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Over the course of 2017-18 financial year the East Kent Audit Partnership will be completing a sample check of Council Tax, Rent Allowance and Rent Rebate and Local Housing Allowance benefit claims.

2.5.2 Findings:

For the second quarter of the 2017-18 financial year (July to September 2017) 20 claims including new and change of circumstances of each benefit type were selected by randomly selecting the various claims for verification.

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

2.5.3 Audit Conclusion:

For this quarter twenty benefit claims were checked and of these one had a financial error that impacted on the benefit calculation (5%) and no data quality errors.

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

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

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs. Not yet fully implemented	
a)	Operational Services Vehicle Fleet Management	Reasonable	Reasonable	C	0	C	0
				H	2	H	0
				M	6	M	2
				L	5	L	2
b)	Local Code of Corporate Governance	Limited	Reasonable	C	0	C	0
				H	3	H	1
				M	3	M	1
				L	1	L	0
c)	East Kent Housing – Fire Risk Assessment Processes and Records Management	Limited	Reasonable	C	0	C	0
				H	2	H	2
				M	2	M	2
				L	0	L	0

- 3.2 Details of any individual Critical and High priority recommendations still to be implemented at the time of 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 high-priority recommendation which have not been implemented 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.

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: Partnerships, Shared Service Monitoring, Performance Management, Data Protection, FOI & Information Management, Creditors & CIS, Income, Asset Management, Your Leisure, Garden Waste & Recycling Income, Pollution, Contaminated Land, Air & Water Quality, and Service Contract Management.

5.0 CHANGES TO THE AGREED AUDIT PLAN:

- 5.1 The 2017-18 internal audit plan was agreed by Members at the meeting of this Committee on 8th March 2017.
- 5.2 The Head of the Audit Partnership meets on a quarterly basis with the Section 151 Officer or their nominated representative to discuss any amendments to the plan. Members of the Committee will be advised of any significant changes through these regular update reports. Minor amendments have been made to the plan during the course of the year as some high profile projects or high-risk areas have been requested to be prioritised at the expense of putting back or deferring to a future year some lower risk planned reviews. The detailed position regarding when resources have been applied and or changed are shown as Appendix 3.

6.0 FRAUD AND CORRUPTION:

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

7.0 UNPLANNED WORK:

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

8.0 INTERNAL AUDIT PERFORMANCE

- 8.1 For the nine-month period to 31st December 2017, 193.52 chargeable days were delivered against the planned target of 265.31 days which equates to 73% plan completion.
- 8.2 The financial performance of the EKAP is on target at the present time.
- 8.3 As part of its commitment to continuous improvement and following discussions with the s.151 Officer Client Group, the EKAP has established a range of performance indicators which it records and measures. The performance against each of these indicators for 2015-16 is attached as Appendix 5.
- 8.4 The EKAP audit maintains an electronic client satisfaction questionnaire which is used across the partnership. The satisfaction questionnaires are sent out at the conclusion of each audit to receive feedback on the quality of the service. Current

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feedback arising from the customer satisfaction surveys is featured in the Balanced Scorecard attached as Appendix 4.

Attachments

- Appendix 1 Summary of Critical and High priority recommendations not implemented at the time of follow-up.
- Appendix 2 Summary of services with Limited / No Assurances.
- Appendix 3 Progress to 31st December 2017 against the agreed 2017-18 Audit Plan.
- Appendix 4 EKAP Balanced Scorecard of Performance Indicators to 31st December 2017.
- Appendix 5 Definition of Audit Assurance Statements & Recommendation Priorities

SUMMARY OF CRITICAL & HIGH PRIORITY RECOMMENDATIONS NOT IMPLEMENTED AT THE TIME OF FOLLOW-UP – APPENDIX 1		
Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
<i>Local Code of Corporate Governance – January 2018:</i>		
Ownership of the Code needs to be established in order to provide assurance and evidence on how the code is being implemented and controlled. A simple check list detailing what needs to be published, document owner, latest version, where this is published and date & time published should be kept.	<p>This work has already been begun by the Council's Information Governance and Equality Manager.</p> <p>Proposed Completion Date – 01 October 2017</p> <p>Responsibility - Director of Corporate Governance and Monitoring Officer and Information Governance and Equality Manager.</p>	<p>Clarity on ownership of the existing Code has been undertaken as part of the present assurance framework.</p> <p>This will be developed and explained in a new Code which will be published before the 31 March 2018. Work has been delayed to obtain CIPFA advice and support (including examples of good practice) for the drafting of the new Code.</p> <p>On the basis of that advice the assurance process is likely to be moving towards a more risk based approach.</p> <p>Partially Implemented</p>
<i>East Kent Housing – Fire Risk Assessment Processes and Records Management – February 2018:</i>		
A management information quarterly report should be developed to provide ongoing information to management both at EKH and for each authority to give them an assurance that fire risk assessments are being carried out and that works are being carried out to address the issues identified from them.	<p>This is being incorporated into the monthly KPI monitoring information and is also a standing item on the OMT agenda.</p> <p>Proposed Completion Date / Responsibility December 2017 / Operations Manager (Homeownership) (FS)</p>	<p>Fire Safety is a standing item on the fortnightly OMT agenda and currently in the monthly KPI's the only information that is reported is the number of completed fire risk assessments that are in place.</p> <p>Recommendation is ongoing.</p>
As part of the implementation of the new Pyramid software, review the resources that will be required to ensure that it is kept up to date and then a case should be made to Senior	<p>When the FRA works needed are evaluated officer resource will be considered.</p> <p>Proposed Completion Date /</p>	<p>Short Term Resources To address the major exercise that is being carried out to complete Type 3 fire risk assessments and put in place schedules of</p>

SUMMARY OF CRITICAL & HIGH PRIORITY RECOMMENDATIONS NOT IMPLEMENTED AT THE TIME OF FOLLOW-UP – APPENDIX 1		
Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager’s Comment on Progress Towards Implementation.
Management to address any shortfall.	Responsibility January 2018 / Operations Manager (Homeownership) (FS)	<p>works from the findings of these assessments both internal staff and contractors / agency staff have been used. To date there are only a small number of fire risk assessments still to be completed where access has been an issue but these are being addressed.</p> <p>As a result of the fire risk assessments being carried out works have been identified that need to be carried out. The vacant post in the Compliance and Servicing Team will be used to appoint a specification writer (short term through an agency) for compartmentalisation issues in converted buildings, sheltered buildings and other general needs locations. These building specifications will include all other fireworks identified by the fire risk assessments and consider any others referred by the Fire Service. This will ensure that once work is completed the building requires no further works reducing the risk of compromising the buildings.</p> <p>Long Term Resources Going forward long term it is felt that the resources in place will be adequate to deliver the ongoing monitoring and follow up work on fire risk assessments.</p> <p>Recommendation is ongoing</p>

SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED – APPENDIX 2			
Service	Reported to Committee	Level of Assurance	Follow-up Action Due
Building Control	March 2017	Limited	Work-in-Progress
Project Management	June 2017	Limited	Due in April 2018`

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PROGRESS TO DATE AGAINST THE AGREED 2017-18 AUDIT PLAN – APPENDIX 3

THANET DISTRICT COUNCIL:

Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-12-2017	Status and Assurance Level
FINANCIAL SYSTEMS:				
Car Parking & Enforcement	12	12	12.57	Finalised - Reasonable
Creditors & CIS	10	10	0.21	Work-in-Progress
Income	10	10	0.21	Work-in-Progress
Insurance & Inventories of Portable Assets	12	0	0	Postponed
RESIDUAL HOUSING SERVICES:				
Right to Buy	8	0	0	See 2016-17 Finalisation work below
GOVERNANCE RELATED:				
Data Protection, FOI & Information Management	14	14	2	Work-in-Progress
Anti-Fraud & Corruption	10	10	14.96	Finalised - Reasonable
Performance Management	10	10	0	Work-in-Progress
Risk Management	10	10	13.69	Finalised – Reasonable
Shared Service Monitoring	10	10	0	Work-in-Progress
Partnerships	8	8	0	Work-in-Progress
Scheme of Officer Delegations	8	8	10.23	Finalised - Substantial
Corporate Advice/CMT	2	2	3.2	Work-in-progress throughout 2017-18
s.151 Officer Meetings and Support	9	9	9.8	Work-in-progress throughout 2017-18
Governance & Audit Committee Meetings and Report Preparation	12	12	10.37	Work-in-progress throughout 2017-18
2018-19 Audit Plan and Preparation Meetings	9	9	2	Work-in-Progress
CONTRACT RELATED:				
Receipt & Opening of Tenders	8	8	6.18	Finalised - Substantial
SERVICE LEVEL:				
Inward Investment	10	10	0	Quarter 4
S11 Safeguarding Return to KCC	1	0	0	Not Required
Pollution, Contaminated Land, Air & Water Quality	10	10	2	Work-in-Progress

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Area	Original Planned Days	Revised Budgeted Days	Actual days to 31-12-2017	Status and Assurance Level
Land Charges	8	8	8.74	Finalised - Substantial
Asset Management	10	10	0	Work-in-Progress
Allotments	8	8	8.02	Finalised – Reasonable
Local Plan	10	10	0	Quarter 4
Your Leisure	12	12	0	Work-in-Progress
Sports Development	8	8	0	Quarter 4
Operational Services - Vehicle Fleet Management	15	15	17.59	Finalised - Reasonable
Garden Waste & Recycling Income	10	10	9.54	Work-in-Progress
OTHER :				
Liaison With External Auditors	1	1	0	Work-in-progress throughout 2017-18
Follow-up Reviews	15	16	14.73	Work-in-progress throughout 2017-18
FINALISATION OF 2016-17 AUDITS:				
Days over delivered in 2016-17	0	-19.69		
Local Code of Corporate Governance	5	25	0.27	Finalised - Limited
Procurement			10.72	Finalised - Substantial
Project Management			1.48	Finalised - Limited
Service Contract Management			12.01	Finalised - Limited
Phones, Mobiles & Utilities			9.19	Finalised - Substantial
Right to Buy			3.4	Finalised - Reasonable
RESPONSIVE ASSURANCE:				
Social Housing – External Decorations Contract	0	0	8.04	Work-in-Progress
Social Housing – Fire Precaution Works	0	0	2.37	Work-in-Progress
TOTAL	285	265.31	193.52	73% as at 31-12-2017

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EAST KENT HOUSING LIMITED:

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-2017	Status and Assurance Level
Planned Work:				
CMT/Audit Sub Cttee/EA Liaison	4	4	3.99	Work-in-progress throughout 2017-18
Follow-up Reviews	4	4	0.78	Work-in-progress throughout 2017-18
Finance Systems & ICT Controls	15	15	0	Quarter 4
Data Protection & Information Management	12	12	0.18	Work-in-progress
Leasehold Services	15	15	0.24	Work-in-progress
Fire Safety	15	18	17.10	Work-in-Progress
Safeguarding Children & Vulnerable Groups	10	15	14.59	Work-in-Progress
Anti-Fraud & Corruption	10	10	0	Work-in-Progress
Risk Management	10	10	4.16	Work-in-Progress
Performance Management	5	0	0	Postponed until 2018-19
Complaints Monitoring	10	10	3.67	Work-in-Progress
Single System – Post Implementation Review	10	13	12.18	Work-in-progress
Property Services Improvement Plan	20	0	0	Postponed
Finalisation of 2016-17 Work-in-Progress:				
Days under delivered in 2016-17	0	7.84	0	Completed
Performance Indicator Data Quality	0	0	8.62	Finalised - Reasonable
Responsive Assurance:				
Contract Management	0	14	0.31	Quarter 4
Total	140	147.84	65.82	44.52% at 31-12-2017

Agenda Item 8

Annex 1

EK SERVICES:

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12- 2017	Status and Assurance Level
EKS Reviews:				
Housing Benefits Payments	15	16	15.51	Completed - Substantial
DDC / TDC HB Testing	20	20	15.95	Work-in-progress throughout 2017-18
Business Rates	20	20	17.51	Completed - Substantial
Council Tax Reduction Scheme	15	15	0	Quarter 4
ICT – Data Management	15	15	16.38	Work-in-Progress
ICT – Procurement & Disposal	15	15	0.17	Quarter 4
EKHR Reviews:				
Payroll	15	15	0.23	Work-in-Progress
Employee Allowances & Expenses	15	15	0.07	Quarter 4
Employee Health & Safety	15	0	0	Responsibility transferred
Other;				
Corporate/Committee	8	10	4.16	Ongoing
Follow up	7	12	6.02	Ongoing
Days under delivered in 2016-17	17.70	24.70		Completed as below
Finalisation of 2016/17 Audits:				
Housing Benefit Subsidy			7.92	Completed - Substantial
ICT Change controls			2.34	Completed – Substantial
ICT Software Licensing			3.45	Completed - Reasonable
EKHR – Payroll & BIK			7.33	Completed - Substantial
Total	177.7	177.70	97.04	55% at 31/12/2017

BALANCED SCORECARD – QUARTER 3

INTERNAL PROCESSES PERSPECTIVE:	2017-18 Actual	Target	FINANCIAL PERSPECTIVE:	2017-18 Actual	Original Budget
	Quarter 3		Reported Annually		
Chargeable as % of available days	83%	80%	• Cost per Audit Day	£	£309.77
Chargeable days as % of planned days			• Direct Costs	£	£385,970
CCC	66%	75%	• + Indirect Costs (Recharges from Host)	£	£10,530
DDC	73%	75%	• - 'Unplanned Income'	£	Zero
SDC	61%	75%	• = Net EKAP cost (all Partners)	£	£396,500
TDC	73%	75%			
EKS	55%	75%			
EKH	45%	75%			
Overall	64%	75%			
Follow up/ Progress Reviews;					
• Issued	39	-			
• Not yet due	29	-			
• Now due for Follow Up	17	-			
Compliance with the Public Sector Internal Audit Standards (PSIAS) (see Annual Report for more details)	Partial	Full			

BALANCED SCORECARD – QUARTER 3

<u>CUSTOMER PERSPECTIVE:</u>	<u>2017-18 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2017-18 Actual</u>	<u>Target</u>
	Quarter 3		Quarter 3		
Number of Satisfaction Questionnaires Issued;	45		Percentage of staff qualified to relevant technician level	75%	75%
Number of completed questionnaires received back;	26		Percentage of staff holding a relevant higher level qualification	38%	38%
	= 58%		Percentage of staff studying for a relevant professional qualification	14%	N/A
Percentage of Customers who felt that;			Number of days technical training per FTE	3.19	3.5
<ul style="list-style-type: none"> Interviews were conducted in a professional manner 	100%	100%	Percentage of staff meeting formal CPD requirements (post qualification)	38%	38%
<ul style="list-style-type: none"> The audit report was 'Good' or better 	100%	100%			
<ul style="list-style-type: none"> That the audit was worthwhile. 	100%	100%			

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.

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QUARTERLY RISK UPDATE

Governance & Audit Committee – 6 March 2018

Report Author	Tim Willis, Director of Corporate Resources
Portfolio Holder	Cllr Derek Crow-Brown, Cabinet Portfolio Holder (Corporate Governance)
Status	For Information
Key Decision	No
Ward:	All

Executive Summary:

This report provides Governance & Audit Committee with an update of corporate risk, in accordance with the Risk Strategy.

Recommendation(s):

To note the report.

CORPORATE IMPLICATIONS

Financial and Value for Money	There are no direct cost implications. Strategic financial considerations are contained in the report.
Legal	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.
Corporate	Governance & Audit Committee approved the Risk Management Strategy on 9 December 2015 which includes a requirement to provide regular corporate risk updates to G&A Committee.
Equalities Act 2010 & Public Sector Equality Duty	<p>Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.</p> <p>Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.</p> <p>Please indicate which is aim is relevant to the report</p>

	Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,	
	Advance equality of opportunity between people who share a protected characteristic and people who do not share it	✓
	Foster good relations between people who share a protected characteristic and people who do not share it.	
	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.	

CORPORATE PRIORITIES (tick those relevant) ✓	
A clean and welcoming Environment	
Promoting inward investment and job creation	
Supporting neighbourhoods	

CORPORATE VALUES (tick those relevant) ✓	
Delivering value for money	✓
Supporting the Workforce	
Promoting open communications	

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 resources are used effectively and all that can reasonably be done, is done, to mitigate risk.
- 1.2 Whilst primary member oversight on risk is provided by G&A Committee, Cabinet also has a member Risk Champion (the Portfolio Holder for Corporate Governance) who promotes risk management and its benefits throughout the council. At staff level, the high-level corporate risk register is updated monthly by Corporate Management Team (CMT) and risk is a permanent item on its agenda. G&A Committee considers changes to the corporate risk register, 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 corporate level, Heads of Service are responsible for maintaining service-level risks and project managers are responsible for project risks.

2.0 Corporate risk register

- 2.1 Each corporate risk is the responsibility of a member of CMT and they manage risk mitigation plans with the aim of reducing the likelihood and/or impact of each risk to a manageable level. As time moves on, the external environment changes and this can have an impact on the effectiveness of mitigating actions as well as on the likelihood and impact of a risk: hence the need to maintain vigilance in respect of mitigation plans as well as new and changing risks. 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.

- 2.2 An internal audit report has been completed since the last G&A Committee meeting and this G&A report has begun to incorporate the recommendations in the audit report.
- 2.3 A summary of the latest Corporate Risk Register is set out below, together with the risk scores noted by Governance & Audit Committee on 6 December 2017. The scores are arrived at by multiplying the “likelihood” score by the “impact” score, where the maximum score for each is four, so the maximum total score is sixteen.

Ref	Description	Dec 17 risk score	Mar 18 risk score	Last year change
CR-01	Limited Resources	12	12	None
CR-02	Health and Safety at Work	12	12	None
CR-03	Political Stewardship	12	12	None
CR-04	Local Plan	12	12	None
CR-05	Homelessness	12	12	None
CR-06	Harbour flap gates	12	12	n/a
CR-07	Information Governance	9	9	None
CR-08	Project Management	9	9	None

3. New/escalated and elevated risks

- 3.1 **Local Plan:** The December risk update highlighted the consequences of not approving a Local Plan, as follows:

Not having an adopted Local Plan places us at risk of intervention by DCLG, diminished control over development management in the district, no ability to demonstrate 5-year housing land supply, losing appeals or High Court challenges; and costs awarded against the council. Not progressing the Local Plan could impact investment in the area, investor confidence, and the commitment of partner organisations. In order to mitigate this risk, officers must ensure the evidence base is robust and defensible and timeous decision making is maintained. The period from now until examination is critical if we are to maintain our published timeframe.

- 3.2 Council on 18 January did not approve a Local Plan, despite the measures put in place that aimed to reduce the likelihood of the risk occurring. The impact of this, at the time of writing, is still unknown, as the council is awaiting a response from MHCLG. However, it is reasonable to assume that all the risks still exist. The key mitigating actions taken since 18 January are that the council has written to the Secretary of State so that the council can enable continued dialogue with the Government and await guidance on what, if any intervention it proposes; and it has issued a call for sites to mitigate the risk of additional housing being required.

4. Highest-scoring risks

- 4.1 **Limited Resources:** The high score for Limited Resources reflects the fact that it is one of the few risks that in extremis could result in the council losing control of its own destiny. This, coupled with the challenging and uncertain external financial environment, the savings required this year and next year, and the low level of reserves has resulted in a continuing high overall score.
- 4.2 The council is establishing a track record of managing its resources, e.g. staying within its budget and obtaining a clean audit opinion on the accounts. Council on 8 February approved the 2018-19 Budget and 2018-22 Medium Term Financial Strategy, despite a very challenging financial and political environment.
- 4.3 Despite this, 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 uncertainty created by the changing external environment, e.g. the review of local government funding. Recent news regarding at least one other local authority facing severe financial problems highlights the reality of local government finance, caused by reduced funding combined with increased demand for services.
- 4.4 **Health and Safety at Work:** there is a risk that the council and its staff will cause harm as a result of a lack of robust Health & Safety procedures, failure to embed those procedures, and failure to comply with the procedures. Despite the conclusion to the prosecution by the Health and Safety Executive, there remain substantial risks pending the mitigating actions including the implementation of a H&S management system. A new cloud based document management system (TAM) has now being leased and is presently being rolled out, but as this requires all existing information to be uploaded into a new format a phased approach is been taken. Once this system is fully functional, the issues can be better understood and measures can be put in place to resolves them.
- 4.5 **Political Stewardship:** The council was boosted by the positive feedback from a visit in July from the LGA peer review team. However, due to the current position of a minority administration this continues to be a risk to the council, especially in the light of the need to approve the local plan. The council continues to pursue opportunities for cross-party working and member training.
- 4.6 **Homelessness:** Homelessness is increasing, both locally and nationally. This represents a significant risk to the council, increasing the costs associated with securing temporary and emergency accommodation and impacting on the outcomes for residents. Temporary accommodation budgets are currently overspending and management actions are required to bring this back within budget. The council has reviewed and is delivering its homelessness strategy action plan, is regularly monitoring the levels of homelessness and has commissioned new services to address the increasing need for support. Alternatives to expensive temporary and emergency accommodation are being explored. The council has successfully bid for new government funding to support homelessness services locally, and been awarded additional flexible homelessness grant. Preparations for the introduction of the Homelessness Reduction Act in April 2018 are under way.

5. Changes to this and future risk updates

- 5.1 Some additional information has been added to the table in 2.3, which now includes a reference number in keeping with an internal audit recommendation; it also shows the direction of travel over the last year. Future reports will also include more details of each Corporate Risk Register mitigation plan.

6.0 Recommendation

- 6.1 To note the report.

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

Background Papers

Title	Details of where to access copy
G&A report 9 December 2015: Review of corporate approach to risk management	http://democracy.thanet.gov.uk/ieListDocuments.aspx?CId=114&MId=4078&Ver=4
G&A report 6 December 2017: Update report on the corporate risk register	https://democracy.thanet.gov.uk/ieListDocuments.aspx?CId=114&MId=4766&Ver=4

Corporate Consultation

Finance	Tim Willis, Director of Corporate Resources
Legal	Tim Howes, Director of Corporate Governance

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CODE OF CORPORATE GOVERNANCE

Governance and Audit Committee - 6 March 2018

Report Author	Director of Corporate Governance and Monitoring Officer
Portfolio Holder	Councillor Derek Crow-Brown - Cabinet Member for Corporate Governance
Status	For Decision
Classification:	Unrestricted
Ward:	All

Executive Summary:

This report recommends the adoption of a revised Code of Corporate Governance and explains changes to the assurance arrangements.

Recommendation(s):

The Committee adopt the revised Code of Corporate Governance

CORPORATE IMPLICATIONS

Financial and Value for Money	There are no direct financial implications from the adoption of this revised Code.
Legal	The Accounts and Audit Regulations 2015 require the Council, every financial year to conduct a review of the effectiveness of the system of internal control and prepare an Annual Governance Statement
Corporate	This report relates to a statutory and audit requirement and supports the development of an effective and efficient council.
Equality Act 2010 & Public Sector Equality Duty	<p>Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.</p> <p>Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.</p>

	Please indicate which aim is relevant to the report.	
	Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,	✓
	Advance equality of opportunity between people who share a protected characteristic and people who do not share it	✓
	Foster good relations between people who share a protected characteristic and people who do not share it.	✓
Engaging local communities including hard to reach groups meets a core principle of the CIPFA/ SOLACE guidance.		

CORPORATE PRIORITIES (tick those relevant)✓	
A clean and welcoming Environment	
Promoting inward investment and job creation	
Supporting neighbourhoods	

CORPORATE VALUES (tick those relevant)✓	
Delivering value for money	✓
Supporting the Workforce	✓
Promoting open communications	✓

1.0 Introduction and Background

The CIPFA/SOLACE Good Governance Framework for Local Government 2016 (the Framework) advises local authorities to adopt a Local Code to evidence that its governance structures comply with the Framework. The Local Code should:

- link to the principles in the Framework;
- say what arrangements we have in place;
- be short and readable and
- be kept up to date.

In short, the Local Code should explain how we as an authority put the Framework and its principles into practice.

2.0 Revised Code and Assurance Arrangements

The revised Local Code in appendix 1 follows the guidance and is recommended for adoption.

At the same time, I am recommending a change in the way we obtain assurance on governance. The Accounts and Audit Regulations 2015 require the Council, every financial year to:

- Conduct a review of the effectiveness of the system of internal control
- Prepare an Annual Governance Statement (AGS)

The AGS should include an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. That assurance needs to be sufficient to lead an opinion and be evaluated against the governance framework.

One source of that assurance includes the Internal Audit opinion which must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

Traditionally at Thanet we have also used assurance statements which are completed by managers, heads of service and directors. However that process can be seen as bureaucratic, is not always evidence based and it duplicates the management accountability.

CIPFA advice recommends the retention of the assurance statements for directors but also move to a 'risk based' system of assurance. The new assurance process will involve using existing information and processes more effectively including:

- CMT considering where the greatest area of risks for governance failure are (including those identified in the corporate risk register)
- Governance and Audit Committee annual report (used currently)
- Standards Committee annual report (used currently)
- Overview and Scrutiny Panel annual report (used currently)
- Inspection reports (including Internal Audit reports)
- Ombudsman recommendations
- Complaints, Fols, court cases etc.
- Internal Audit opinion
- Director assurance statements

A 'Governance Board' will also be formed with representatives from Finance, Audit, Legal and Democratic Support as a source of further evidence and assurance.

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

Annex List

<i>Annex 1</i>	Revised Code of Corporate Governance
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Background Papers

Title	Details of where to access copy
CIPFA/SOLACE Good Governance Framework for Local Government 2016	Copy available from Director of Corporate Governance's
The Accounts and Audit Regulations 2015	http://www.legislation.gov.uk/ukxi/2015/234/pdfs/ukxi_20150234_en.pdf

Corporate Consultation

Finance	Ramesh Prashar Head of Finance
Legal	Sophia Nartey Head of Legal Services

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Thanet District Council Local Code of Corporate Governance

Approved on

LOCAL CODE OF CORPORATE GOVERNANCE

INTRODUCTION

The International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) defines governance as follows: “Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved”

The International Framework also states that: “To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity’s objectives while acting in the public interest at all times”. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders”

GOOD CORPORATE GOVERNANCE

Thanet District Council is committed to achieving good corporate governance and this Local Code describes how the Council intends to achieve this in an open and explicit way. The local code is based upon the CIPFA SOLACE framework “Delivering Good Governance in Local Government” (April 2016) which replaced the document published in 2007. As laid out in the guidance it “is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities”. Consequently the local Code has been written to reflect the Council’s own structure, functions, and the governance arrangements in existence.

The local code is based on the following 7 principles, the first 2 of which underpin the remaining 5 with the overall aim of “Achieving the intended outcomes while acting in the public interest at all times”.

The principles are as follows:

Acting in the public interest requires a commitment to and effective arrangements for:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement

In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance also requires a commitment to and effective arrangements for:

- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Many of the requirements of the code are included in the Council's constitution and the Council's key strategies and policies.

<https://www....>

<https://www.thanet.gov.uk/your-services/how-do-we-make-decisions/decision-making-at-the-council/the-constitution/>

MONITORING AND REVIEW

The Code of Corporate Governance is subject to annual review. This review includes an assessment as to the effectiveness of the processes contained within the Code. This includes annual assessments such as:

- Annual review of the Constitution
- Annual report of the Standards Committee
- Overview and Scrutiny Panel Annual Report
- Head of Internal Audit Annual Report
- Governance and Audit Committee Annual Report
- External Audit Annual Letter

The outcome of this review is reported in the Annual Governance Statement.

The following details how the Council meets the core principles and the systems, policies and procedures it has in place to support this.

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

Key Documents: Annual Review	Key Documents: Ad-Hoc Review/Production	Contributory Processes/Regulatory Monitoring
<ul style="list-style-type: none"> • Annual Performance and Finance reports • Corporate Values 2015-2019 • Governance and Audit Committee Annual Report • Overview and Scrutiny Panel Annual Report • Organisation Plan 2017-20 • Pay Policy Statement 2017 • People Strategy 2017-20 • Standards Committee Annual Report 	<ul style="list-style-type: none"> • Anti-Fraud and Corruption and Whistle Blowing Policy • Committee terms of reference • Committee report pro-forma • Constitution • Contract Standing Orders • Meeting Reports and Minutes • Procurement Strategy • Protocol on Member/Officer Relations • Member's Code of Conduct • Officer's Code of Conduct • Protocol for Planning Committee Members • Record of Decision Making and Supporting Materials 	<ul style="list-style-type: none"> • Appraisal System • Complaints/Compliments Policy • Corporate Intranet (TOM) • Declarations of interest at meetings (Members and Officers) • Gifts and Hospitality Registers • Induction – Members/Staff • Job Descriptions (Officers and Members) • Law and Governance • Member Training and Development • Monitoring Officer • Partnership Protocol • Registers of Interests • Safeguarding Policy

Principle B: Ensuring openness and comprehensive stakeholder engagement		
Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.		
Key Documents: Annual Review	Key Documents: Ad-Hoc Review/Production	Contributory Processes/Regulatory Monitoring
<ul style="list-style-type: none"> • Corporate Priorities 2015-2019 • Corporate Values 2015-2019 • Members Allowance Scheme 2017 • Organisation Plan 2017-20 • Pay Policy Statement 2017 • Overview and Scrutiny & Annual Report • Scheme of Delegations 	<ul style="list-style-type: none"> • Communication Strategy • Constitution • Decision making Protocol (Art 13) • Equalities Policy • FoI Publication Scheme • Information Governance Framework • Record of Decision Making and Supporting Materials • Report pro-forma • Timeline for Meetings & Reports 	<ul style="list-style-type: none"> • Budget setting and reporting • Cabinet/CMT Meetings • Corporate Intranet (TOM) • Council Tax information on website • Customer/Citizen Consultation and Surveys • Meeting Reports and Minutes • Online Council Tax information • Partnership Protocol • Website

Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits		
<p>The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</p>		
Key Documents: Annual Review	Key Documents: Ad-Hoc Review/Production	Contributory Processes/Regulatory Monitoring
<ul style="list-style-type: none"> • Annual Performance and Finance reports • Capital Programme and Treasury Investment Strategy 2017-18 • Corporate Asset Management Plan 2017 • Corporate Priorities 2015-2019 • Corporate Values 2015-2019 • Organisation Plan • Performance Framework • Risk Management Policy 	<ul style="list-style-type: none"> • Community Safety Partnership Plan 2017-20 • Economic Growth Strategy 2016 • Equalities Policy • Record of Decision Making and Supporting Materials • Service Plans 	<ul style="list-style-type: none"> • Budget setting and reporting • Cabinet/CMT meetings • Customer/Citizen Consultation and Surveys • Meeting Reports and Minutes • Risk management process • Safeguarding Policy

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.

Key Documents: Annual Review	Key Documents: Ad-Hoc Review/Production	Contributory Processes/Regulatory Monitoring
<ul style="list-style-type: none"> • Budget Strategy 2017 • Corporate Priorities 2015-2019 • Corporate Values 2015-2019 • Medium Term Financial Plan 2015-19 • Organisation Plan 2017-20 • Performance management framework • Risk Management Strategy 	<ul style="list-style-type: none"> • Communications Strategy • Partnership Protocol • Service Plans • Timeline for Meetings & Reports 	<ul style="list-style-type: none"> • Budget setting and reporting • Cabinet/CMT meetings • External Funding Protocol • Partnership Protocol • Performance reports • Section 151 Officer

Principle E: Developing the council's capacity including the capability of its leadership and the individuals within it

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

Key Documents: Annual Review	Key Documents: Ad-Hoc Review/Production	Contributory Processes/Regulatory Monitoring
<ul style="list-style-type: none"> • Annual Performance and Finance reports • Asset Management Plan 2017 • Organisation Plan 2017-20 • People Strategy 2017-20 • Scheme of Delegation 	<ul style="list-style-type: none"> • Constitution • Contract Standing Orders • Financial Procedure Rules 	<ul style="list-style-type: none"> • Appraisal System • Benchmarking • Chief Executive/Leader Briefings • Customer/Citizen Consultation and Surveys • Head of Paid Service • Health and Safety policies and processes • HR Policies • Induction- Member/Officer • Job Descriptions – Member and Officer • Member Briefings • Member Training and Development Group • Partnership Protocol • Peer Reviews • Personal Development Plans • Safeguarding Policy

F. Managing risks and performance through robust internal control and strong public financial management

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services.

Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.

It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

Key Documents: Annual Review	Key Documents: Ad-Hoc Review/Production	Contributory Processes/Regulatory Monitoring
<ul style="list-style-type: none"> • Annual Performance and Finance reports • Asset Management Plan 2017 • Annual Governance Statement • Budget Strategy 2017 • Capital Programme and Treasury Investment Strategy 2017-18 • Governance and Audit Committee & Annual Report • Medium Term Financial Plan 2015-19 • Overview and Scrutiny & Annual Report • Performance Management Framework 	<ul style="list-style-type: none"> • Contract Standing Orders • Financial Procedures Rules • Information Governance Framework • Risk Management Strategy • Timeline for Meetings & Reports 	<ul style="list-style-type: none"> • Benchmarking • Cabinet/CMT meetings • Data Protection Officer • External Audit • Internal Audit • Meeting Reports and Minutes • Overview and Scrutiny panel • Risk Management Process • Section 151 Officer

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

Key Documents: Annual Review	Key Documents: Ad-Hoc Review/Production	Contributory Processes/Regulatory Monitoring
<ul style="list-style-type: none"> • Annual Governance Statement • Budget Monitoring • Governance and Audit Committee & Annual Report • Members Allowance Scheme • Overview and Scrutiny & Annual Report • Pay Policy Statement • Performance reports • Standards Committee & Annual Report • Scheme of Delegation 	<ul style="list-style-type: none"> • Annual review of internal audit arrangements • Whistle Blowing Policy 	<ul style="list-style-type: none"> • External Audit • Internal Audit • Section 151 Officer • Website

<p align="center">REVIEW OF THE EFFECTIVENESS OF THE GOVERNANCE AND AUDIT COMMITTEE AND ANNUAL REPORT FOR 2017/18</p>
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Governance and Audit	6 March 2018
Report Author	Chair of the Governance and Audit Committee
Portfolio Holder	Councillor Crow-Brown, Cabinet Member for Corporate Governance
Status	For Information
Classification:	Unrestricted
Key Decision	No
Reasons for Key	N/A
Previously Considered by	None
Ward:	Thanet Wide

Executive Summary:

The annual report summarises the achievements of the Governance and Audit Committee against its terms of reference for the 2017-18 financial year and details the impact that it has made on the overall system of internal control in operation for that period.

Recommendation(s):

Members are invited to discuss and note the report.

CORPORATE IMPLICATIONS

Financial and Value for Money	There are no financial implications arising directly from this report.
Legal	The Council is meeting best practice by having in place a Governance and Audit Committee, as this is not a mandatory or statutory function. In adopting the CIPFA guidance for the terms of reference for the Committee the Council is meeting the standards set out for the public sector.
Corporate	Under the Local Code of Corporate Governance accepted by Governance and Audit Committee on the 10 December 2014, 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. The functions of the Governance and Audit Committee contribute to the overall

	internal control environment for the Council and feed into the Annual Governance Statement process..								
Equalities Act 2010 & Public Sector Equality Duty	<p>Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.</p> <p>Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.</p> <table border="1"> <tr> <td colspan="2">Please indicate which aim is relevant to the report.</td></tr> <tr> <td>Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,</td><td></td></tr> <tr> <td>Advance equality of opportunity between people who share a protected characteristic and people who do not share it</td><td></td></tr> <tr> <td>Foster good relations between people who share a protected characteristic and people who do not share it.</td><td></td></tr> </table> <p>There no equity and equalities issues arising directly from this report but the Council needs to retain a strong focus and understanding on issues of diversity amongst the local community and ensure service delivery matches these.</p>	Please indicate which aim is relevant to the report.		Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,		Advance equality of opportunity between people who share a protected characteristic and people who do not share it		Foster good relations between people who share a protected characteristic and people who do not share it.	
Please indicate which aim is relevant to the report.									
Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,									
Advance equality of opportunity between people who share a protected characteristic and people who do not share it									
Foster good relations between people who share a protected characteristic and people who do not share it.									

CORPORATE PRIORITIES (tick those relevant)✓	
A clean and welcoming Environment	
Promoting inward investment and job creation	
Supporting neighbourhoods	

CORPORATE VALUES (tick those relevant)✓	
Delivering value for money	✓
Supporting the Workforce	
Promoting open communications	✓

1.0 Introduction

- 1.1 The purpose of the Council's Governance and Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent review of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.
- 1.2 To comply with best practice the Committee considers annually how it has met its terms of reference and how it has impacted on the internal control environment. The purpose of this report is to consider the self-assessment that has been undertaken and summarise any improvement opportunities for the forthcoming year.

2.0 Background

- 2.1 The annual report attached at Annex 1 summarises the work of the Committee for the year and concludes that it has received clear, concise and relevant information, regular training events on topics specific to the business of the Committee, and has done all that it can to meet the aims and objectives for the Committee in the best way that it can.

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

Annex List

Annex 1	Governance and Audit Committee Annual Report 2017/18
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Background Papers

Title	Details of where to access copy
None	N/A

Corporate Consultation

Finance	Tim Willis, Director of Corporate Resources & S151 Officer
Legal	Tim Howes, Director of Corporate Governance & Monitoring Officer

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Governance and Audit Committee

ANNUAL REPORT 2017/18

Foreword by Councillor John Buckley, Chairman of the Governance and Audit Committee

This report provides an overview of the Governance and Audit Committee's activity during the municipal year 2017/18.

I am pleased to report that the Committee continues to discharge its responsibilities to provide independent assurance on the adequacy of the council's risk management framework and the associated control environment, and in providing robust scrutiny and challenge of the Authority's financial performance.

As outlined in the body of this report, the Committee has been actively engaged with both internal and external audit, and I would like to thank all the Members who served on the Committee during 2017/18. My thanks also go to the Council officers who have supported the work of the Committee and more specifically to me in my role as Chairman.

In looking forward to 2018/19 and beyond, and given the continued financial pressures facing the Council, the importance of an effective Governance and Audit Committee remains critical.

1.0 Introduction and Background

- 1.1 The Council established a Governance and Audit Committee in March 2006. Whilst there is no statutory obligation to have an Audit Committee, they are widely recognised as a core component of effective governance. In recent years there has been a significant amount of regulation and guidance issues in governance arrangements for private and public sector bodies, the common feature of governance arrangements being the existence of an Audit Committee.
- 1.2 The purpose of the Council's Governance and Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent review of the authority's financial and non financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.
- 1.3 There are many benefits to be gained from an effective Audit Committee. In fulfilling its role the Committee will:
 - reduce the risks of illegal or improper acts;
 - reinforce the importance and independence of internal and external Audit;
 - increase confidence in the objectivity and fairness of financial reporting.
- 1.4 Stricter internal control and the establishment of a Governance and Audit Committee can never eliminate the risks of serious fraud, misconduct or misrepresentation of the financial position. However, it will:
 - give additional assurance through a process of independent and objective review; and
 - raise awareness of the need for internal control and the implementation of audit recommendations.

2.0 Membership

- 2.1 The Governance and Audit Committee comprised of 15 Members when it met on 28 June 2017 and 6 March 2018, and 14 Members when it met on 27 Sept 2017 and 6 December 2017. Committee agenda papers and minutes are available on the council's website (www.thanet.gov.uk).

	Members	28 Jun 2017	27 Sept 2017	06 Dec 2017	06 Mar 2018
C o m m i t t e e M e m b e r s	Cllr Buckley (Chairman)	✓	✓	✓	
	Cllr Braidwood	✓	A	A	
	Cllr Campbell (upto 7/9/17)	✓			
	Cllr Connor	✓	✓	A	
	Cllr Day	A	✓	✓	
	Cllr Dexter	✓	✓	Ab	
	Cllr Dixon	✓	✓	A	
	Cllr Edwards (upto 8/2/18)	Ab	Ab	✓	
	Cllr Evans (from 7/9/17)		✓	Ab	
	Cllr Game	✓	✓	A	
	Cllr I Gregory	✓	✓	A	
	Cllr Hayton (Vice Chairman)	✓	✓	Ab	
	Cllr Jaye-Jones (upto 13/7/17)	Ab			
	Cllr Larkins (upto 26/9/17, from 16/11/17)	✓	N/A	✓	
	Cllr L Piper	✓	✓	✓	
	Cllr Pugh (from 8/2/18)				
	Cllr Rusiecki (from 8/2/18)				
	Cllr Taylor-Smith (upto 7/12/17)	✓	✓	A	
	Cllr Venables (from 7/9/17)		✓	✓	
R e s e r v e M e m b e r s	Cllr G Coleman-Cooke(R)				
	Cllr Dellar (R)				
	Cllr Dennis (R) (from 9/2/18)				
	Cllr Evans (R) (upto 7/9/17)				
	Cllr Fenner (R)				
	Cllr Grove (R)				
	Cllr Howes (R) (upto 15/8/17)				
	Cllr Jaye-Jones (R) (from 9/2/18)				
	Cllr Messenger (R)	S		S	
	Cllr Rev. S Piper (R) (from 9/2/18)				
	Cllr L Potts (R) (upto 8/2/18)				
	Cllr R Potts (R) (upto 8/2/18)				
	Cllr Savage (R)				
	Cllr Shonk (R) (from 9/2/18)				
	Cllr Taylor (R) (upto 8/2/18)				
	Cllr Crow-Brown	IA	IA	IA	
	Cllr Campbell			IA	
	Cllr Rev. S Piper			IA	

Key

C	Chairman	VC	Vice Chairman	S	Present as Substitute
A	Apologies	IA	In Attendance	Ab	Absent

3.0 Programme of reports 2017/18

- 3.1 Detailed below is the programme of reports considered by Governance and Audit Committee during 2017/18, and how they relate to the Committees terms of reference.

Function/Issue	Responsible officer/body	28 Jun 2017	27 Sept 2017	06 Dec 2017	06 Mar 2018
Audit activity					
External Audit Annual Letter 2016/17	GT			✓	
External Audit Grant Certification Letter 2016/17	GT				✓
Internal Audit Annual Report	EKAP	✓			
External Audit Findings Year Ending March 2017	GT		✓		
External Audit Plan 2017/18	GT	✓			✓
Internal Audit 2018-19 Audit Plan	EKAP				✓
Internal Audit Quarterly Update Report	EKAP	✓	✓	✓	✓
Draft Audit Committee Assurance Statement	DCR	✓			
Regulatory framework					
Annual Governance Statement 2016/17	DCG		✓		
Annual Governance Statement Action Plan Update	DCG	✓			
Annual Treasury Management Review 2016/17	DCR	✓			
Corporate Risk Register Annual Review	DCR	✓			
Corporate Risk Register Quarterly Update	DCR		✓	✓	✓
Draft Annual Governance Statement	DCG	✓			
Revised Code of Governance	DCG				✓
Revised Whistleblowing Code	DCG		✓		
Treasury Management Strategy Statement and Annual Investment Strategy - Mid Year Review Report 2017-18	DCR			✓	
Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy for 2018-19	DCR			✓	
Final Statement of Accounts	DCR		✓		
Audit of 2016-17 Final Accounts	DCR			✓	

Key

- DCG Director of Corporate Governance and Monitoring Officer
DCR Director of Corporate Resources and Section 151 Officer
EKAP East Kent Audit Partnership
GT Grant Thornton

4.0 Review of the Governance and Audit Committee's effectiveness

- 4.1 The Governance and Audit Committee should ensure it has effective communication with the authority, to include the Executive, the Head of Internal Audit, the External Auditor and other stakeholders. Consequently it is considered to be best practice for the Committee to be self aware and to submit an annual report to Council.
- 4.2 The annual report summarises the work of the Committee for the year and concludes that it has received clear, concise and relevant information, training events on topics specific

to the business of the Committee, and has done all that it can to meet the aims and objectives for the Committee in the best way that it can.

5.0 Annual Report

- 5.1 The Governance and Audit Committee is assured on the integrity and reliability of data held in the financial statement. It receives clear, concise reports and actions are dealt with in an appropriate timescale. The members of the Committee receive specific training in order to assist them with their role in receiving comprehensive assurance from the accounting officer.
- 5.2 The work of internal and external audit provides detailed assurance on the reliability and integrity of the information held in the financial statements as well as on the key control framework in operation across the council.
- 5.3 The assurances from the accounting officer, the work of internal and external audit together support the Committee in forming their opinion of the financial statements, enabling them to agree to sign them off in accordance with regulations.
- 5.4 The Committee reviews the Council's Governance Framework and Local Code of Corporate Governance.
- 5.5 The Committee reviews the Risk Management Strategy on a regular basis and considers the effectiveness of the risk management process both through the work of internal audit and through receiving quarterly risk management reports.
- 5.6 The Committee considers the effectiveness of the internal audit arrangements by reviewing the quality of reports, actions and follow-ups through the quarterly reports submitted during the year to the Committee.
- 5.7 The Committee is able to request service managers and, where necessary, the relevant portfolio holder to attend the Committee to give an update on progress against agreed actions to reduce risk and/or improve governance.
- 5.8 The Chairman and Officers have considered the effectiveness of the Committee. The self-assessment evidence demonstrating achievement of the Committee's terms of reference is attached at Appendix 1.
- 5.9 The recommended actions are listed in Appendix 2 attached to this report. They will be incorporated into the council's Annual Governance Statement (AGS) for 2017/18.

6.0 Future Challenges

- 6.1 The Governance and Audit Committee will continue with its existing duties whilst continually striving to achieve best practice where this is feasible and affordable. In the forthcoming year, the Committee will need to:
 - address the implications of the Local Accountability and Audit Act 2014 and the appointment of new auditors
 - oversee corporate risk management within the context of change arising from the continued reduction in resources
 - maintain effective internal control in a period of government funding reductions and service change.

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- Adopt the Delivering Good Governance in Local Government Framework 2016 and a revised Code of Corporate Governance
- Reviewing the assurance process for the Annual Governance Statement and the reduced timeline available for production of the Annual Governance Statement

7.0 Appendices

Appendix 1 Governance and Audit Committee Annual Assessment for the period 2017/18

Appendix 2 Governance and Audit Committee Action Plan 2018/19

Agenda Item 11

Annex 1

Governance and Audit Committee Self-assessment of good practice - Appendix 1

Good practice questions	Yes	Partly	No	Comments/Action
Audit Committee purposes and governance				
Does the council have a dedicated Audit Committee?	✓			
Does the Audit Committee report directly to full council?	✓			Annual Report of Governance and Audit Committee that goes to Annual Council
Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?		✓		Action; Review the terms of reference against the CIPFA's Position Statement
Is the role and purpose of the audit committee understood and accepted across the authority?	✓			Set out in the constitution and understood by Members and officers
Does the audit committee provide support to the authority in meeting the requirements of good governance? Is an annual calendar of meetings/reports prepared to ensure all duties noted in the terms of reference are fulfilled?	✓			Meeting dates are arranged with deadline dates in mind to ensure they are met. Council protocol to issue agenda at least 5 clear working days prior to the meeting.
Are the arrangements to hold the committee to account for its performance operating satisfactorily?		✓		Action; Undertake a more detailed review of the committee's operation in the coming year
Functions of the committee				
Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?	✓			
• Good governance	✓			
• Assurance framework	✓			
• Internal audit	✓			
• External audit	✓			
• Financial reporting	✓			
• Risk management	✓			
• Value for money or best value		✓		Covered by work provided by internal and external audit
• Counter-fraud and corruption	✓			
Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that	✓			Annual report sets out the work undertaken in accordance with the committee terms of reference. This includes all core areas.

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adequate consideration has been given to all core areas?				
Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?		✓		Action: To be undertaken as part of the terms of reference review
Where coverage of core areas has been found to be limited, are plans in place to address this?			n/a	Core areas sufficiently covered
Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	✓			
Membership and support				
Has an effective audit committee structure and composition of the committee been selected? This should include: <ul style="list-style-type: none"> • Separation from the executive • An appropriate mix of knowledge and skills among the membership • A size of committee that is not unwieldy • Where independent members are used, that have been appointed using an appropriate process 	✓ n/a	 n/a	 n/a	Members of the Committee are independent of the Executive.
Does the chair of the committee have appropriate knowledge and skills	✓			Chair has undertaken training
Are arrangements in place to support the committee with briefings and training?	✓			Governance and Financial section within formal Induction Programme for Members following Elections. Training sessions provided throughout the year, especially for the Statement of Accounts. Members also request training when required.
Has the membership of the committee been assessed against the core knowledge and skills framework and be found to be satisfactory?	✓			
Does the committee have good working relations with key people and organisations, including external audit, internal	✓			

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audit and the chief finance officer?				
Is adequate secretariat and administrative support to the committee provided?	✓			
Effectiveness of the committee				
Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	✓			The Charter and Strategy cover these areas. Also Customer Feedback which is detailed in the quarterly Internal Audit update reports and the Internal Audit Annual Report.
Has the committee evaluated whether and how it is adding value to the organisation?		✓		Partly through the Annual Report
Does the committee have an action plan to improve any areas of weakness?	✓			See actions recommended above.

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Annex 1

Governance and Audit Committee Action Plan 2018/19 - Appendix 2

Following the completion of an annual assessment of the performance of the Governance and Audit Committee for the period May 2017 to April 2018, the issues below were identified and action will be undertaken during the period May 2018 to April 2019 to address these.

Ref	Good practice principle / description / issue identified	Proposed Action	Proposed completion date	Responsible officer / body
18-19/01	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	Review the terms of reference against the CIPFA's Position Statement	June 2018	DCG
18-19/02	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	To be undertaken as part of the terms of reference review	June 2018	DCG
18-19/03	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	Undertake a more detailed review of the committee's operation in the coming year via Member workshop.	June 2018	DCG and DCR

Key:

DCG	Director of Corporate Governance & Monitoring Officer
DCR	Director of Corporate Resources/S151 Officer
CE	Chief Executive

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 £25 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 Committee Services 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.