

Public Document Pack

Date: 17 September 2018
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GOVERNANCE AND AUDIT COMMITTEE

26 SEPTEMBER 2018

A meeting of the Governance and Audit Committee will be held at **7.00 pm on Wednesday, 26 September 2018** in the Council Chamber, Cecil Street, Margate, Kent.

Membership:

Councillor Day (Chairman); Councillors: Bambridge, Buckley, Braidwood, Campbell, Connor, Dennis, Dexter, Dixon, Evans, Larkins (Vice-Chairman), Messenger, R Potts, Pugh and Townend.

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 25 July 2018, copy attached.

4. **ANNUAL AUDIT LETTER 2017-18** (Pages 7 - 20)

5. **QUARTERLY INTERNAL AUDIT UPDATE REPORT** (Pages 21 - 40)

6. **CORPORATE RISK MANAGEMENT - QUARTERLY UPDATE** (Pages 41 - 46)

Declaration of Interests Form



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GOVERNANCE AND AUDIT COMMITTEE

Minutes of the meeting held on 25 July 2018 at 7.00 pm in Council Chamber, Cecil Street, Margate, Kent.

Present: Councillor Simon Day (Chairman); Councillors Buckley, Braidwood, Campbell, Connor, Evans, Larkins, Messenger, Pugh and Townend

In Attendance: Councilors Jaye-Jones and Gregory

1. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Dennis and Bambridge.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF PREVIOUS MEETING

Councillor Campbell proposed, Councillor Larkins seconded and Members agreed the minutes of the meeting held on 6 March 2018.

4. INTERNAL AUDIT- QUARTERLY UPDATE REPORT

Mr Webb, Deputy Head of the East Kent Audit Partnership (EKAP), introduced the report noting that there had been twelve internal audit assignments completed since the last committee meeting; two achieved substantial assurance, seven concluded reasonable assurance, one achieved reasonable/limited assurance, and two did not require an assurance rating. Five follow up reviews had also been completed, one of which remained limited assurance after follow up. EKAP's performance was shown in appendix 4 of the report.

During consideration of the item, it was noted that:

- EKAP continued to audit the elements of East Kent Services that moved to Civica in February 2018.
- Results of a follow up review of East Kent Services – ICT Data Management, would be reported to a future meeting of the Committee. The report would confirm if a data protection officer had been appointed.
- A comparison of garden waste collection charges between local councils had not formed part of the scope of the Garden Waste and Recycling audit.
- The relevant Director or Head of Service would be invited to the next Committee meeting. They would provide further information about two internal control questionnaires that had not been completed for the Service Contract Monitoring audit, and would provide an update regarding grounds maintenance which remained at limited assurance after follow up review of its last audit.
- A follow up review was scheduled for the East Kent Housing Safeguarding Children and Vulnerable Groups audit; this would be reported to a future meeting of the committee.

Members agreed to note report, and agreed that changes to the 2018-19 internal audit plan, resulting from changes in perceived risk, detailed at point 5.0 of Annex 1 of the report be approved.

5. INTERNAL AUDIT - ANNUAL REPORT

Ms Parker, Head of the EKAP introduced the report which provided Members with a summary of the impact of the work of the EKAP for the year up to 31 March 2018.

During consideration of the item, it was noted that:

- Responsibility for employee health and safety had been transferred from East Kent Human Resources to the Council, following the employment of a Health and Safety officer.

Speaking under council procedure 20.1, Cllr Gregory asked if utilities had been audited as part of Phones, Mobile and Utilities audit. Mr Webb advised that he believed that it had been included and would send the relevant report to Cllr Gregory following the meeting.

Members noted the report.

6. ANNUAL GOVERNANCE STATEMENT

Mr Howes, Director of Corporate Governance and Monitoring Officer introduced the report which presented the draft Annual Governance Statement 2017/18 for consideration by the Committee.

During consideration of the item it was noted that:

- The council had been referred to the Ombudsman 47 times. Mr Howes would see how this figure compared to previous years and advise Councillor Messenger following the meeting.

It was proposed by Councillor Larkins, seconded by Councillor Campbell and Members agreed the draft Annual Governance Statement 2017/18 which would be shared with the external auditors for amendment (if necessary) prior to publication.

7. ANNUAL REVIEW OF CORPORATE RISKS INCLUDING QUARTERLY UPDATE

Mr Prashar, Head of Financial and Procurement Services, introduced the report which provided an annual review of corporate risks and included a quarterly update of progress since the last meeting.

During consideration of the item it was noted that:

- The risk score for information governance had increased from 9 to 12 as a result of the introduction of GDPR regulations.
- The risk score for the Local Plan could be expected to reduce in future following Council's recent agreement of the plan.
- The risk score for the Harbour flap gates would reduce once repair work had been completed. Mr Prashar offered to provide Councillor Buckley with a time scale for expected completion of this work following the meeting.
- A review of the medium term financial strategy was due and income generation activities would be considered to help balance the council's budget in the future.

Members noted the report.

8. ANNUAL TREASURY MANAGEMENT REVIEW 2017/18

Mr Prashar introduced the report that provided a summary of the treasury management activity and prudential/treasury indicators for 2017/18.

During consideration of the item it was noted that:

- Actual capital expenditure was significantly less than budgeted for in 2017/18 because the costs a number of projects had carried over into the 2018/19 year.

It was proposed by Councillor Campbell, seconded by Councillor Larkins and Members agreed:

That the Governance and Audit Committee:

- Notes the actual 2017-18 prudential and treasury indicators in this report.
- Approves the Annual Treasury Management report for 2017-18.
- Recommends this report to Council.

9. EXTERNAL AUDIT - AUDIT FINDINGS REPORT

Mr Dean, Grant Thornton UK LLP (GT) provided Members with a brief summary of the External Audit Findings report, he noted that GT expected to offer an unqualified opinion on the Council's financial statements and an unqualified opinion on the Council's value for money conclusion.

During consideration of the item it was noted that:

- Mr Prashar offered to provide Councillor Messenger with details on how an omission of 'in year depreciation costs' had led to an increase in expenditure incurred at the Council's harbours.

Members noted the report.

10. AUDIT COMMITTEE ASSURANCE STATEMENT

Mr Prashar introduced the report which included a draft response to questions posed by the external auditors, Grant Thornton UK LLP.

It was proposed by Councillor Campbell, seconded by Councillor Larkins and Members agreed to note and approve the responses to the letter from Grant Thornton as set out in Annex 2 of the report.

11. FINAL STATEMENT OF ACCOUNTS 2017-18 AND MANAGEMENT'S LETTER OF REPRESENTATION

Mr Prashar, introduced the item noting that in accordance with the Accounts and Audit Regulations 2015, the Committee was required to approve the Statement of Accounts for 2017-18.

During consideration of the item it was noted that:

- Thanks were offered to those Members who attended the recent briefing session on the statement of accounts.
- The council had confidence in its medium term capital programme which would be monitored more closely than in previous years.
- Ramsgate Port costs did not feature in the core statements at page 49 of the agenda because these costs were reported elsewhere. Mr Prashar offered to forward information regarding port costs to Councillor Messenger after the meeting.
- The Finance, Budget and Performance Scrutiny Panel could review the councils allocation of business rate receipts compared with the other councils in the partnership trial. It was noted that the rules regarding business rate receipts, as set by central government, were expected to continue to change each year.

It was proposed by Councillor Larkins, seconded by Councillor Campbell and Members agreed:

- That the Committee approves the Statement of Accounts for 2017-18.

Agenda Item 3

- That the Committee notes the Letter of Representation to Grant Thornton issued by the Deputy Chief Executive and s151 Officer.

Meeting concluded: 8.05 pm

ANNUAL AUDIT LETTER 2017-18

Governance and Audit Committee **26 September 2018**

Report Author **Tim Willis, Deputy Chief Executive and Section 151 Officer**

Portfolio Holder **Cllr Ian Gregory, Portfolio Holder for Financial Services and Estates**

Status **For Information**

Classification: **Unrestricted**

Key Decision **No**

Ward: **All wards**

Executive Summary:

The council's auditor, Grant Thornton, is required to produce an Annual Audit Letter summarising the work it has carried out at Thanet District Council for 2017-18.

Committee is asked to consider and note the Letter.

Recommendation(s):

1. To note Grant Thornton's Annual Audit Letter for the year ended 31 March 2018.

CORPORATE IMPLICATIONS	
Financial and Value for Money	A number of findings and conclusions are summarised within the Letter. Following the audit, one recommendation came out of the Value for Money work and is being addressed within the update to the Medium Term Financial Strategy being put to Cabinet in September.
Legal	There are no legal implications arising from this report.
Corporate	The council needs to continue to look longer term to ensure that savings for later years are considered in a timely manner to reduce the risk of reserves being put under further pressure in later years.
Equality Act 2010 & Public Sector Equality Duty	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

	<p>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" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2">Please indicate which aim is relevant to the report.</td> </tr> <tr> <td style="width: 80%;">Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,</td> <td style="width: 20%;"></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.	
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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 and Background

- 1.1 The Code of Audit Practice requires the council's auditors, Grant Thornton, to produce an Annual Audit Letter summarising its key findings from the work it carried out at the council for the year ended 31 March 2018.
- 1.2 A representative from Grant Thornton will be at the meeting to introduce the Letter to the Committee.
- 1.3 The Annual Audit Letter is attached as Annex 1 and the Committee is requested to receive its findings.

Contact Officer:	Ramesh Prashar, Head of Financial and Procurement Services
Reporting to:	Tim Willis, Deputy Chief Executive and s151 Officer

Annex List

Annex 1	Grant Thornton Annual Audit Letter Year Ending 31 March 2018
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Corporate Consultation

Finance	<i>n/a</i>
Legal	

Annual Audit Letter

Year ending 31 March 2018

Thanet District Council

29 August 2018



Contents



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Section

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2. Audit of the Accounts
3. Value for Money conclusion

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Appendices

- A Reports issued and fees

Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Thanet District Council (the Council) for the year ended 31 March 2018.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Governance and Audit Committee as those charged with governance in our Audit Findings Report on 25 July 2018.

Our work

Materiality	We determined materiality for the audit of the Council's financial statements to be £2,231,000, which is 2% of the Council's gross revenue expenditure.
Financial Statements opinion	We gave an unqualified opinion on the Council's financial statements on 31 July 2018.
Whole of Government Accounts (WGA)	As the Council was below the £500m threshold to require work on the WGA Return, no detailed work was performed in this area.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two);
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Executive Summary

Value for Money arrangements

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 31 July 2018.

Certification of Grants

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2018. We will report the results of this work to the Governance and Audit Committee in our Annual Certification Letter.

Certificate

We certify that we have completed the audit of the accounts of Thanet District Council in accordance with the requirements of the Code of Audit Practice.

Working with the Council

During the year we have delivered a number of successful outcomes with you:

- An efficient audit – we delivered an efficient audit with you in June and early July, delivering the accounts in two and a half weeks, which was two weeks less than last year. We also cleared all of our outstanding queries in a timely manner as well.
- Sharing our insight – we provided regular audit committee updates covering best practice. We also shared our thought leadership reports with Management and the Governance and Audit Committee.
- Providing training – we provided your teams with training and support on the accounts throughout the course of the year.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
August 2018

Annex 1
Agenda Item 4

Audit of the Accounts

Our audit approach

Materiality

In our audit of the Council's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Council's accounts to be £2,231,000, which is 2% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

We also set a lower level of specific materiality for cash, which we set at £500,000.

Finally, we set a lower threshold of £111,000, above which we reported errors to the Governance and Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts, and the Annual Governance Statement published alongside the Statement of Accounts to check they are consistent with our understanding of the Council and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Accounts

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Improper revenue recognition Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we determined that the risk of fraud arising from revenue recognition could 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 did not consider this to be a significant risk Thanet District Council.</p> <p>However as Revenue is a material balance for the Council, we performed the following:</p> <ul style="list-style-type: none"> • reviewed and tested the Council's revenue recognition policies; • performed testing on material revenue streams. 	<p>Our audit work did not identify any issues in respect of improper revenue recognition.</p>
<p>Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>	<p>As part of our audit work we completed the following:</p> <ul style="list-style-type: none"> • gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness; • obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness; and • evaluated the rationale for any changes in accounting policies or significant unusual transactions. 	<p>Our audit work did not identify any issues in respect of management override of controls.</p>

Audit of the Accounts

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of property, plant and equipment The Council revalues its land and buildings on a 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>As part of our audit work we completed the following:</p> <ul style="list-style-type: none"> • reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • considered the competence, expertise and objectivity of any management experts used; • discussed with the valuer the basis on which the valuation is carried out and challenged the key assumptions; • reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding; • tested revaluations made during the year to ensure they are input correctly into the Council's asset register; and • evaluated 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. 	<p>Our audit work did not identify any issues in respect of the Property, Plant and Equipment Valuations included within the Accounts at year end.</p>
<p>Valuation of pension fund net liability The Council's pension fund asset and liability as reflected in its balance sheet represents 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>As part of our audit work we completed the following:</p> <ul style="list-style-type: none"> • Identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We have also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement; • Evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We have also gained an understanding of the basis on which the valuation is carried out; • Undertaken procedures to confirm the reasonableness of the actuarial assumptions made; • Checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. 	<p>Our audit work did not identify any issues in respect of the valuation of the pension fund net liability in the Accounts.</p>

Audit of the Accounts

Audit opinion

We gave an unqualified opinion on the Council's financial statements on 31 July 2018, in advance of the national deadline.

Preparation of the accounts

The Council presented us with draft accounts in accordance with the national deadline, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit to the Council's Governance and Audit Committee on 25 July 2018.

We identified one adjustment to the core financial statements, along with some presentation and disclosure amendments, almost all of which were processed by the Council within the final set of Accounts. As in previous years, we identified one unadjusted misstatement around the Council's treatment of Council Dwellings being redeveloped and held as Other Land and Buildings, rather than Assets under Construction. However this area was immaterial to the overall financial statements, and thus had no impact on our audit opinion.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website alongside the Statement of Accounts in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We carried out work on the Council's Data Collection Tool in line with instructions provided by the NAO. We issued an assurance statement which confirmed the Council was below the audit threshold.

Certificate of closure of the audit

We are also required to certify that we have completed the audit of the accounts of Thanet District Council in accordance with the requirements of the Code of Audit Practice. We issued this certificate on 31 July 2018 following the completion of our work on the audit.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the 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.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risk we identified and the work we performed is set out overleaf.

As part of our Audit Findings Report agreed with the Council in July 2018, we agreed one recommendation around the continued need to look ahead in respect of savings plans and efficiencies, the detail of which, along with a management response, can be seen below.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018.

Action plan

We identified one recommendation for the Council as a result of issues identified during the course of our audit. We have agreed our recommendation with management and we will report on progress on this recommendation during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
 Amber	VFM – Medium Term Financial Plan Whilst the Council has been able to deliver a balanced budget in 2017-18 without drawing down any Reserves, and has identified all of the savings needed for 2018-19, there remain challenges ahead longer term. The new Local Government Spending Review, which is due in December 2019, may adversely impact the Council, and thus there is a need to ensure savings are being considered as far in advance as possible to make sure the Council is well placed to tackle the potential challenges post-2020.	<p>The Council need to continue to look longer term to ensure that savings needed for later years are being considered in a timely manner to reduce the risk of reserves being put under even further pressure in later years. This is becoming even more acute given the next Local Government Spending Review is due in December 2019 ahead of 2020</p> Management response The budget build factors in the four year span of the Medium Term Financial Strategy. In addition, the budget monitoring process has recently been reviewed to better focus on targeted savings on an ongoing basis. New opportunities for more efficient working and income generation are being continually reviewed by finance staff in a business partnering role with other departments.

Value for Money conclusion

Key Value for Money Risk

Significant risk	Work to address	Findings and conclusions
<p>Overall Financial Position – Medium Term Financial Plan (MTFP)</p> <p>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.</p>	<p>We performed the following work in respect of this area:</p> <ul style="list-style-type: none"> 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. 	<p>The key points from our work in this area were the following:</p> <ul style="list-style-type: none"> The Council delivered a breakeven position against its General Fund Budget in 2017-18, within which it managed some small under and overspends within each of the Council’s directorates to achieve the breakeven position. The outturn included a net transfer of £1.4 million to earmarked reserves covering the planned drawdown on reserves assumed in the budget setting. General Fund Balance was maintained at £2.011m. The Council also delivered £6.05m of its Capital Programme, against a revised plan of £15.637m. The Council has deferred the remaining spend into 2018-19 to ensure the planned projects are still delivered. Some £3m of the deferred balance was spent in the early part of 2018-19. The performance for the Housing Revenue Account (HRA) against budget was positive with a surplus of £1.039m in 2017-18. The Council set a balanced budget for 2018-19, which includes £2.808m of savings (£1.66 million) and additional income (£1.15 million). The previous MTFS (covering 2017/19 to 2021) assumed savings of £1.9 million would be required in 2018/19. Additional cost pressures account for the increased requirements for income and efficiency savings. The Council had fully identified the £2.808m of savings and additional income ahead of the start of the year, which is a positive achievement. The Council has four broad themes, Income Generation, Digitalisation, Alternative Delivery Models, and making the most of the assets it owns around which income generation and efficiency savings are framed. Unlike in the prior year, there is no planned use of reserves to help achieve breakeven and similarly for later years covered by the MTFS, there are no plans to support the annual budgets through reserves. Usable Reserves, covering both the general fund and HRA, increased by nearly £3.5m, helping to offset some of the one-off costs supported by reserves in recent years. Rebuilding Reserves remains a key tenant of the MTFS. The Council’s latest Financial Plan (MTFP) covers the period from 2018 to 2022. Whilst the 2018-19 savings have been fully identified, the Council has yet to set out its plans for delivering the savings needed over the remainder of the Plan. There is a risk of the Council not identifying all of £2.878m of savings needed over the remainder of the MTFP (from 2019/20 onwards) in a timely manner. This also continues to put pressure on the savings identified in any one year to deliver as there are a lack of contingency plans should some of these savings not deliver as required. There is also a degree of uncertainty around the impact of the Local Government Spending Review due in December 2019. This could have a significant impact on the Council’s financial position once the next settlement is known. <p>Recommendation</p> <p>The Council should consider the development of cost savings and income generation in excess of the estimated funding gap to cover the possibility of unforeseen additional financial pressures during the course of the MTFP. There is also a need for the Council to look further ahead with its savings plans to ensure it is well placed ahead of the new Local Government Funding Settlement, which takes effect from 2020.</p>

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and provision of non-audit services.

Reports issued

Report	Date issued
Audit Plan	6 March 2018
Audit Findings Report	25 July 2018
Annual Audit Letter	29 August 2018

Fees

	Planned £	Actual fees £	2016/17 fees £
Statutory Council audit	66,296	66,296	66,296
Housing Benefit Grant Certification	31,836	TBC	34,883
Total fees	98,132	TBC	101,179

The planned fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). We will be unable to confirm our final fee for our Housing Benefit Work until we have completed the work ahead of the November 2018 deadline.

Fees for non-audit services

Service	Fees £
Audit related services:	
- Certification of Housing Capital Receipts Return	2,500
- Audit of Council's Harbour Accounts	2,000
Non-audit services:	
None	n/a

Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.



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QUARTERLY INTERNAL AUDIT UPDATE REPORT

Governance & Audit Committee	26th September 2018
Report Author	Christine Parker, Head of the Audit Partnership
Portfolio Holder	Cllr Ian Gregory, Cabinet Member for Financial Services & Estates
Status	For Decision
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 30th June 2018.

Recommendation(s):

1. That the report be received by Members;
2. That any changes to the agreed 2018-19 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 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>

Agenda Item 5

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

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 30th June 2018.
- 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 four internal audit assignments completed during the period, of which three concluded substantial assurance and one concluded Substantial/Reasonable Assurance.
- 2.2 In addition, five follow-up reviews have been completed during the period.
- 2.3 For the three-month period to 30th June 2018, 51.19 chargeable days were delivered against the revised target of 323.36 days which equates to 15.83% 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 2018-19 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, Deputy Chief Executive (S151 Officer), Ext. 7617 Ramesh Prashar, Head of Financial Services.

Annex List

Annex 1	East Kent Audit Partnership Update Report – 26-09-2018
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Background Papers

Title	Details of where to access copy
Internal Audit Annual Plan 2018-19	Previously presented to and approved at the 6 th March 2018 Governance and Audit Committee meeting
Internal Audit working papers	Held by the East Kent Audit Partnership

Corporate Consultation

Finance	Tim Willis, Deputy Chief Executive (S151 Officer)
Legal	Tim Howes, Director of Corporate Governance

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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 30th June 2018.

2.0 SUMMARY OF REPORTS

Service / Topic		Assurance level	No. of Recs.	
2.1	Creditors & CIS	Substantial	C H M L	0 0 0 0
2.2	EKHR - Payroll	Substantial	C H M L	0 0 0 0
2.3	CIVICA - Council Tax Reduction Scheme	Substantial	C H M L	0 0 0 0
2.4	EKHR – Employee Allowances & Expenses	Substantial / Reasonable	C H M L	0 0 3 2

2.1 Creditors & CIS – Substantial Assurance:

2.4.1 Audit Scope

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

2.4.2 Summary of Findings

The creditors function consists of two full-time members of staff who have sound knowledge and considerable experience surrounding the creditors process and the controls necessary to ensure that bona-fide invoices are paid. The Council's creditors and income functions will shortly be brought together as one team thereby improving resilience across both functions. The creditors function is currently trying to go paperless and approximately 90% of invoices are now being received electronically.

- Total net creditor payments made by the Council in 2017/18 was: £106,286,768.
- Total number of creditor transactions in 2017/18 was: 14,151.
- The Council set a target to pay 98.5% of undisputed invoices within 30 days; the actual result achieved was an impressive 99.3%.
- No duplicate payments were made.

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

- Many procedure notes are available and staff have considerable knowledge;
- Control processes are in place to ensure that only bona-fide invoices are paid;
- Control processes are in place to ensure that no duplicate payments are made;
- Testing of all creditor payments in 2017/18 resulted in no duplicate payments being made;
- The Council regularly exceeds its 98.5% target to pay undisputed invoices within 30 days;
- CIS sub-contractors are verified on the government website and tax is deducted in accordance with the registration status.

2.2 EKHR: Payroll –Substantial Assurance:

2.2.1 Audit Scope

To ensure that the payroll service administered by EKHR on behalf of Canterbury, Dover and Thanet Councils, including EK Services is adequately controlled to ensure that the right people are getting paid the right amounts at the right time. Also that all overtime payments are valid and properly authorised.

2.2.2 Summary of Findings

The payroll function has been managed by EKHR since November 2015. The service pays an average of £2.7m in net salaries each month to 1958 (at January 2017) employees at Canterbury, Dover and Thanet District Councils.

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

- EKHR is working to an SLA, albeit in draft form;
- Many payroll reconciliation procedures are in place;
- Basic pay and overtime pay claimed by manual workers at Manston depot demonstrated that checking procedures are in place, additions are correct and claims are authorised by a supervisor in 100% of the sample tested;
- Statutory payments are made in line with requirements;

- Payroll system access is password protected and passwords are renewed every 90 days.

2.3 CIVICA: Council Tax Reduction Scheme –Substantial Assurance:

2.3.1 Audit Scope

To ensure that the Council Tax Reduction Scheme has been implemented correctly by Civica as intended by the partner authorities of Canterbury, Dover and Thanet councils.

2.3.2 Summary of Findings

As part of the Welfare Reform Act 2012 the Government announced that from 1st April 2013 council tax benefit would be abolished and councils would need to design and operate their own local Council Tax Support Scheme. The new scheme was adopted by the councils in January 2013 and has remained in place and largely unchanged since 2013. Some minor changes have however been made to the schemes since 2013 to both align all three schemes, and to change the amount of relief granted under the schemes.

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

- All three Council Tax Reduction Schemes (CTRS) have been properly approved and adopted by each council.
- All three schemes are well publicised on each council website.
- System parameters are extensively tested prior to them being loaded into the live systems for the commencement of the new billing year.
- All relevant staff are provided with detailed guidance notes on the scheme.
- Quality assurance checks are in place to identify errors in calculations of claims for Council Tax reductions.
- All calculations checked during testing were found to be correct.
- Each council has a well-publicised appeals process in place for claimants who are dissatisfied with the outcome of their claim for Council Tax reduction.

2.4 EKHR: Employee Allowances & Expenses – Substantial/Reasonable Assurance

2.4.1 Audit Scope

To provide the partner councils with assurance that staff allowances are valid, appropriate and are authorised by management, ensuring that the payment of staff allowances is adequately controlled and managed.

2.4.2 Summary of Findings

The EKHR Payroll Function processes thousands of pounds of allowances and expenses each month to employees on behalf of Dover, Canterbury, Thanet councils and East Kent Housing. This particular audit focused on expenses and allowances processed during the December 2017 pay run.

Management can place Reasonable Assurance on the system of internal controls in operation for the processing and authorisation of employee allowances and expenses for Thanet District Council and Substantial Assurance for Dover District Council, Canterbury City Council and East Kent Housing.

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

- All 100 sample payments checked were either authorised through the East Kent People system or were supported by authorised paperwork in the employee HR files;
- Procedures and processes within EKHR were operating effectively;
- System based interfacing, audit trail and processes were working effectively; and
- The EKHR intranet page is used to communicate with staff and management.

Scope for improvement was however identified in the following area:

- Between April 2017 and December 2017 a number of payments were processed for employees at each partner site which were valid but were outside the scope of the current approved policy;
- and therefore There is a need for each authority to acknowledge roles and responsibilities for reviewing and approving their own allowance and expense policies.

3.0. FOLLOW UP OF AUDIT REPORT ACTION PLANS:

3.1 As part of the period's work, five 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 implemented	
a)	Ramsgate Marina	Substantial	Substantial	C	0	C	0
				H	0	H	0
				M	4	M	1
				L	0	L	0
b)	Land Charges	Substantial	Substantial	C	0	C	0
				H	1	H	0
				M	0	M	0
				L	0	L	0
c)	EKS Business Rates	Substantial	Substantial	C	0	C	0
				H	1	H	0
				M	2	M	0
				L	0	L	0
d)	East Kent Housing – Risk Management	Reasonable	Reasonable	C	0	C	0
				H	0	H	0
				M	3	M	0
				L	1	L	0
e)	East Kent Housing – Data Protection & Records	Reasonable	Reasonable	C	0	C	0
				H	3	H	0
				M	0	M	0

Service/ Topic	Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs. Not yet implemented	
Management			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: Performance Management, Data Protection, FOI & Information Management, Income, Asset Management, and Electoral Registration & Election Management.

5.0 CHANGES TO THE AGREED AUDIT PLAN:

5.1 The 2018-19 internal audit plan was agreed by Members at the meeting of this Committee on 6th March 2018.

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 responsive assurance / unplanned work is summarised in the table contained at Appendix 3.

8.0 INTERNAL AUDIT PERFORMANCE

8.1 For the three-month period to 30th June 2018, 51.19 chargeable days were delivered against the revised target of 323.36 days which equates to 15.83% 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.
- 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.

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 30th June 2018 against the agreed 2018-19 Audit Plan.
- Appendix 4 Balanced Scorecard to 30th June 2018.
- 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>None this quarter</i>		

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

Service	Reported to Committee	Level of Assurance	Follow-up Action Due
East Kent Housing – Safeguarding Children and Vulnerable Groups	July 2018	Reasonable/Limited	Work-in-Progress



PROGRESS TO DATE AGAINST THE AGREED 2018-19 AUDIT PLAN – APPENDIX 3

THANET DISTRICT COUNCIL:

Area	Original Planned Days	Revised Budgeted Days	Actual days to 30-06-2018	Status and Assurance Level
FINANCIAL SYSTEMS:				
Car Parking & Enforcement	10	10	0.18	Quarter 3
VAT	10	10	0	Quarter 3
RESIDUAL HOUSING SERVICES:				
Housing Allocations	10	10	0.18	Quarter 2
HRA Business Plan	10	10	0	Quarter 4
GOVERNANCE RELATED:				
Anti-Fraud & Corruption Assurance Mapping	10	10	0.61	Work-in-progress
Complaints Monitoring	10	10	0	Quarter 3
Corporate Advice/CMT	2	2	0.07	Work-in-progress throughout 2018-19
s.151 Officer Meetings and Support	9	9	4.5	Work-in-progress throughout 2018-19
Governance & Audit Committee Meetings and Report Preparation	12	12	3.23	Work-in-progress throughout 2018-19
2019-20 Audit Plan and Preparation Meetings	9	9	0	Quarter 4
SERVICE LEVEL:				
Thanet Lottery	10	10	0	Quarter 4
Safeguarding Children & Vulnerable Groups	10	10	0	Quarter 4
Community Safety	10	10	0	Quarter 3
CCTV	10	10	0	Quarter 3
Dog Warden & Environmental Crime Enforcement	10	10	0.18	Quarter 4
Electoral Registration & Election Management	10	10	0.82	Work-in-Progress
Food Safety	10	10	0.18	Work-in-Progress



Area	Original Planned Days	Revised Budgeted Days	Actual days to 30-06-2018	Status and Assurance Level
Pest Control	7	7	0	Quarter 4
Business Continuity & Emergency Planning	10	10	0	Quarter 3
Equality & Diversity	10	10	0.18	Work-in-Progress
Events Management	10	10	0	Quarter 3
Grounds Maintenance	15	15	0	Quarter 4
Licensing	10	10	0.82	Work-in-Progress
Museums	10	10	0.23	Postponed
East Kent Opportunities	10	10	0.29	Work-in-Progress
Street Cleansing	10	10	0	Quarter 3
Employee Health, Safety & Welfare	10	10	0	Quarter 4
OTHER :				
Liaison With External Auditors	1	1	0	Work-in-progress throughout 2018-19
Follow-up Reviews	15	15	1.7	Work-in-progress throughout 2018-19
FINALISATION OF 2017-18 AUDITS:				
Days under delivered in 2017-18	0	38.36		
Service Contract Management	5	5	0.95	Finalised - Reasonable
GDPR, FOI & Information Management			12.09	Work-in-Progress
Cash Collection, Income & bank Reconciliation			8.54	Work-in-Progress
Performance Management			9.24	Work-in-Progress
Asset Management			6.44	Work-in-Progress
Your Leisure			0.54	Postponed
Inward Investment			0.22	Work-in-Progress
TOTAL			285	323.36



EAST KENT HOUSING LIMITED:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-2018	Status and Assurance Level
Planned Work:				
CMT/Audit Sub Ctte/EA Liaison	4	4	1.55	Work-in-progress throughout 2018-19
Follow-up Reviews	4	4	0.27	Work-in-progress throughout 2018-19
Repairs & Maintenance	30	30	0	Quarter 2
Void Property Management	20	20	0	Quarter 3
Health & Safety	20	20	0	Quarter 4
Contract Monitoring	17	17	20.28	Work-in-Progress
Performance Management	15	15	0.7	Work-in-Progress
Welfare Reform	10	10	0.18	Quarter 2
Resident Involvement	10	10	0.18	Quarter 3
Service Level Agreements	10	10	0	Quarter 4
Finalisation of 2017-18 Audits:				
Days under delivered in 2017-18	0	10.94		Allocated
Complaints Management	0	0	0.36	Finalised - Reasonable
GDPR & Information Management	0	0	4.14	Finalised - Reasonable
Leasehold Services	0	0	1.15	Finalised - Reasonable
Tenancy & Fraud Prevention	0	0	7.23	Work-in-Progress
Property Services Action Plan	0	0	8.14	Finalised - Reasonable
Total	140	150.94	44.18	29.27% at 30-06-2018

EAST KENT SERVICES :

Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-2018	Status and Assurance Level
CIVICA Reviews:				



Review	Original Planned Days	Revised Planned Days	Actual days to 30-06-2018	Status and Assurance Level
Housing Benefit Assessment	15	15	0	Quarter 3
Housing Benefit Testing	15	15	0	Quarter 3
Housing Benefits – DHPs	15	15	0.15	Work-in-Progress
Debtor Accounts	20	20	0	Quarter 3
EKS Reviews:				
ICT – Network Security	15	10	0	Quarter 3
ICT – PSN Review	0	5	14.97	Work-in-Progress
ICT – PCI-DSS Compliance	15	15	0	Quarter 4
KPIs	5	5	0.10	Quarter 4
EKHR Reviews:				
Payroll	15	15	0	Quarter 4
Apprenticeships	15	15	0.17	Quarter 3
Absence Management	15	15	0	Quarter 3
Other;				
Corporate/Committee	8	8	2.29	Work-in-progress throughout 2018-19
Follow up	7	7	0.75	Work-in-progress throughout 2018-19
Days under delivered in 2017-18	0	47.79	0	Allocated
Finalisation of 2017/18 Audits:				
Housing Benefit Testing	0		6.82	Finalised
Payroll			4.89	Finalised - Substantial
Employee Allowances & Expenses			0.68	Draft report
ICT Procurement & Disposal			12.82	Draft Report
Council Tax Reduction Scheme			8.82	Finalised - Substantial
Total	160	207.79	52.45	25% at 30/06/2018

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2018-19 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2018-19 Actual</u>	<u>Original Budget</u>
	Quarter 1		Reported Annually		
Chargeable as % of available days	84%	80%	• Cost per Audit Day	£	£300.38
Chargeable days as % of planned days			• Direct Costs	£	£385,970
CCC	22%	25%	• + Indirect Costs (Recharges from Host)	£	£10,530
DDC	25%	25%	• - 'Unplanned Income'	£	Zero
F&HDC	23%	25%	• = Net EKAP cost (all Partners)	£	£396,500
TDC	16%	25%	• Saving Target (10% of 2016-17)	£34,620	10%
EKS	25%	25%			
EKH	29%	25%			
Overall	23%	25%			
Follow up/ Progress Reviews;					
• Issued	8	-			
• Not yet due	18	-			
• Now due for Follow Up	39	-			
Compliance with the Public Sector Internal Audit Standards (PSIAS) (see Annual Report for more details)	Partial	Full			

<u>CUSTOMER PERSPECTIVE:</u>	<u>2018-19 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2018-19 Actual</u>	<u>Target</u>
	Quarter 1				
Number of Satisfaction Questionnaires Issued;	20		Percentage of staff qualified to relevant technician level	75%	75%
Number of completed questionnaires received back;	3 (ICT Issue) = 15%		Percentage of staff holding a relevant higher level qualification	38%	38%
Percentage of Customers who felt that;			Percentage of staff studying for a relevant professional qualification	14%	N/A
<ul style="list-style-type: none"> • Interviews were conducted in a professional manner • The audit report was 'Good' or better • That the audit was worthwhile. 	100%	100%	Number of days technical training per FTE	0.75	3.5
	100%	100%	Percentage of staff meeting formal CPD requirements (post qualification)	38%	38%

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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CORPORATE RISK MANAGEMENT - QUARTERLY UPDATE

Governance & Audit Committee	26 September 2018
Report Author	Tim Willis, Deputy Chief Executive and s151 Officer
Portfolio Holder	Cllr Councillor Jason Savage, Portfolio Holder for Corporate Governance and Coastal Development
Status	For information
Classification:	Unrestricted
Key Decision	No
Ward:	All

Executive Summary:

This report provides Governance & Audit Committee with a quarterly review of corporate risks.

Recommendation(s):

To note the report.

CORPORATE IMPLICATIONS

Financial and Value for Money	The way in which the council manages risks has a financial impact on the cost of insurance and self-insurance. The council maintains reserves including a risk reserve, the size of which is commensurate with the financial impact of current and future risks. There are no specific financial implications arising from this 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	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>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 aim is relevant to the report</p>	
	<p>Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,</p>	
	<p>Advance equality of opportunity between people who share a protected characteristic and people who do not share it</p>	✓
	<p>Foster good relations between people who share a protected characteristic and people who do not share it.</p>	
	<p>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.</p>	

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 the council uses its resources effectively, and all that can be reasonable 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 and Coastal Development) who promotes risk management and its benefits throughout the council. At staff level, the high-level corporate risk register is regularly considered 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.

1.3 The Risk Strategy requires that there is a high-level review of corporate risk; this report presents the quarterly update of the corporate risk register.

2.0 Corporate risk register

2.1 A summary of the latest Corporate Risk Register is set out below, together with the risk scores noted by Governance & Audit Committee on 25 July 2018. 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	July 18 Score	Sept 18 Score	Change
CR-01	Limited Resources	12	12	None
CR-02	Homelessness	12	12	None
CR-05	Political Stewardship	12	12	None
CR-07	Harbour flap gates	12	12	None
CR-03	Project Management	9	9	None
CR-04	Local Plan	12	9	Reduced
CR-06	Health and Safety at Work	12	8	Reduced
CR-08	Information Governance	12	6	Reduced

2.2 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.

2.3 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.

3.0 Highest-scoring risks

3.1 **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.

There remains continued uncertainty regarding the external funding environment and challenges around delivering the 2018-19 budget and Medium Term Financial Strategy. Although decisions were made to set the 2018-19 budget, there is now the challenge of staying within that budget and there will be further substantial savings required to deliver the 2019-20 budget. This is within the context of an uncertain financial environment. For example, the government announcement to devolve business rates to local authorities has not been supplemented with the detail needed to assess its impact; also, the drive for devolution and the potential for restructuring of local government creates more uncertainty and costs.

Therefore, 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.

- 3.2 **Homelessness:** Homelessness has grown as a challenge for many local authorities over the last year, Thanet included. There are additional pressures on Housing as the gap between supply and demand increases but plans have been developed to ensure that this pressure is minimised. 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. This work will continue. The council has successfully bid for new government funding to support homelessness services locally, and has been awarded an additional flexible homelessness grant.

Preparations for the introduction of the Homelessness Reduction Act which came into force in April 2018 have been completed. The council is also looking at introducing charges for residents in temporary and emergency accommodation to help with cost recovery with a Temporary Accommodation Officer leading on collection of charges, maximising housing benefit income and supporting households to move on to permanent homes.

One of the options to increase the supply of permanent homes for homeless families is the new housing acquisition programme which is being implemented. The 2018-19 capital programme includes provision for TDC developing or acquiring its own emergency and temporary accommodation to help reduce cost and improve quality.

- 3.3 **Political Stewardship:** This continues to represent a risk to the council due to the number of political parties represented and the minority administration, even though the Local Plan was recently adopted. The council continues to pursue opportunities for cross-party working and member training.

- 3.4 **Harbour Flap Gates:** A bid for an urgent capital project was agreed in 2017-18 to refurbish the gates and bridge including hydraulic and electrical systems to sustain the long term serviceability of both gate systems and the bridge and to support continued revenue income generation by providing a reliable service to marina customers. The contract was awarded to Ravenstein who completed all relevant surveys. The mitre gates and lift bridge were both removed on the 26th May, to be repaired and refurbished.

The capital improvement scheme is now 80% complete. The mitre gates were refurbished off site and have now been reinstalled. They are operating on temporary hydraulic systems until the new hydraulic plant rooms and systems are also installed (w/c 17 September 2018). The flap gate and lift bridge have been reinstalled following off site refurbishment but will not be operational until w/c 17 September 2018.

Risk level during the construction phase currently remains the same as before the works started due to reduced system resilience but this will improve significantly upon completion of the project and commissioning of the new installation later this month.

4.0 De-escalated risks

- 4.1 **Local Plan Adoption:** At extraordinary Full Council on 19 July 2018 the revised Local Plan was approved by members and as a result the risk of Minister intervention has

diminished. In addition the council can now demonstrate its 5-year housing land supply which puts it on a better footing with Planning controls.

- 4.2 **Health and Safety at Work:** The new cloud based document management system TAM (The Action Manager) has been rolled out and it is now fully online, with the health and safety documents library transfer complete, accident/incident reporting fully implemented, PPE (personal protective equipment) documentation transferred, COSHH (Control of Substances Hazardous to Health) data completed and the risk assessment transfer phase is complete. Weekly automated email dashboards are sent to management and users alike and real time data can be accessed depending on level of access. Heads of Service, managers have full access to their respective departments and can use the tasking system on TAM to shape their respective areas health and safety compliance.

Some further training needs have been identified and these will be incorporated into a programme of training across TDC. Additional administrative resource will also be made available to manage the system. This will ensure that the existing momentum is maintained and that the system becomes fully embedded across the whole of the council.

- 4.3 **Information Governance:** One of the key task for the council has been the implementation of General Data Protection Regulation (GDPR). The EU General Data Protection Regulation (GDPR) replaced the Data Protection Directive 95/46/EC and is designed to harmonize data privacy laws across Europe, to protect and empower all EU citizens data privacy and to reshape the way organisations across the region approach data privacy. Non-compliance with the GDPR would compromise comparative data security and fair processing standards and, in turn, risks regulatory action against TDC and the prospect of, potentially, severe monetary penalties.

However although TDC has developed guidelines and implemented training, the corporate risk although still present, has diminished accordingly.

5.0 Recommendation

- 5.1 To note the report.

Contact Officer:	Ramesh Prashar. Head of Financial and Procurement Services and Deputy s151 Officer
Reporting to:	Tim Willis, Deputy Chief Executive and s151 Officer

Corporate Consultation

Finance	Ramesh Prashar, Head of Financial and Procurement Services and Deputy s151 Officer
Legal	Tim Howes, Director of Corporate Governance

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THANET DISTRICT COUNCIL DECLARATION OF INTEREST FORM

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

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

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

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

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

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

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

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

An associated person is defined as:

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

An Authority Function is defined as: -

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

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

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

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

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

Gifts, Benefits and Hospitality

Councillors must declare at meetings any gift, benefit or hospitality with an estimated value (or cumulative value if a series of gifts etc.) of £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.