

Public Document Pack



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22 June 2016

Dear Councillor

NOTICE IS HEREBY GIVEN THAT a meeting of the **GOVERNANCE COMMITTEE** will be held in the HMS Brave Room at these Offices on Thursday 30 June 2016 at 6.00 pm when the following business will be transacted.

Members of the public who require further information are asked to contact Jemma Duffield on (01304) 872305 or by e-mail at jemma.duffield@dover.gov.uk.

Yours sincerely

A handwritten signature in black ink, appearing to be "N. Smith", written over a white background.

Chief Executive

Governance Committee Membership:

P I Carter
D Hannent (Vice-Chairman)
P G Heath (Chairman)
S J Jones
A S Pollitt
A F Richardson

AGENDA

1 **APOLOGIES**

To receive any apologies for absence.

2 **APPOINTMENT OF SUBSTITUTE MEMBERS**

To note appointments of Substitute Members.

3 **DECLARATIONS OF INTEREST** (Page 4)

To receive any declarations of interest from Members in respect of business to be

transacted on the agenda.

4 **MINUTES** (Pages 5 - 8)

To confirm the attached Minutes of the meeting of the Committee held on 24 March 2016.

5 **SHELTERED AND SUPPORTED HOUSING - EAST KENT HOUSING UPDATE**
(Pages 9 - 13)

To consider the attached report of the Head of Operations, East Kent Housing.

6 **SHELTERED HOUSING DBS - UPDATE** (Pages 14 - 16)

To consider the attached report of the Operations Manager, East Kent Housing.

7 **QUARTERLY INTERNAL AUDIT UPDATE REPORT** (Pages 17 - 30)

To consider the attached report of the Head of Audit Partnership.

8 **ANNUAL INTERNAL AUDIT REPORT** (Pages 31 - 47)

To consider the attached report of the Head of Audit Partnership.

9 **ANNUAL FRAUD REPORT** (Pages 48 - 53)

To consider the attached report of the Head of Audit Partnership.

10 **ANNUAL GOVERNANCE ASSURANCE STATEMENT 2015/16** (Pages 54 - 72)

To consider the attached report of the Director of Governance.

11 **GOVERNANCE COMMITTEE UPDATE - GRANT THORNTON** (Pages 73 - 82)

To consider the attached report of the Engagement Lead, Grant Thornton.

12 **DOVER DISTRICT COUNCIL FINANCIAL STATEMENTS FOR THE YEAR END
31 MARCH 2016** (Pages 83 - 84)

To consider the attached report of the Engagement Lead, Grant Thornton.

13 **AUDIT FEE LETTER 2016/17** (Pages 85 - 88)

To consider the attached report of the Engagement Lead, Grant Thornton.

Access to Meetings and Information

- Members of the public are welcome to attend meetings of the Council, its Committees and Sub-Committees. You may remain present throughout them except during the consideration of exempt or confidential information.

- All meetings are held at the Council Offices, Whitfield unless otherwise indicated on the front page of the agenda. There is disabled access via the Council Chamber entrance and a disabled toilet is available in the foyer. In addition, there is a PA system and hearing loop within the Council Chamber.
- Agenda papers are published five clear working days before the meeting. Alternatively, a limited supply of agendas will be available at the meeting, free of charge, and all agendas, reports and minutes can be viewed and downloaded from our website www.dover.gov.uk. Minutes will be published on our website as soon as practicably possible after each meeting. All agenda papers and minutes are available for public inspection for a period of six years from the date of the meeting.
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Large print copies of this agenda can be supplied on request.

Declarations of Interest

Disclosable Pecuniary Interest (DPI)

Where a Member has a new or registered DPI in a matter under consideration they must disclose that they have an interest and, unless the Monitoring Officer has agreed in advance that the DPI is a 'Sensitive Interest', explain the nature of that interest at the meeting. The Member must withdraw from the meeting at the commencement of the consideration of any matter in which they have declared a DPI and must not participate in any discussion of, or vote taken on, the matter unless they have been granted a dispensation permitting them to do so. If during the consideration of any item a Member becomes aware that they have a DPI in the matter they should declare the interest immediately and, subject to any dispensations, withdraw from the meeting.

Other Significant Interest (OSI)

Where a Member is declaring an OSI they must also disclose the interest and explain the nature of the interest at the meeting. The Member must withdraw from the meeting at the commencement of the consideration of any matter in which they have declared a OSI and must not participate in any discussion of, or vote taken on, the matter unless they have been granted a dispensation to do so or the meeting is one at which members of the public are permitted to speak for the purpose of making representations, answering questions or giving evidence relating to the matter. In the latter case, the Member may only participate on the same basis as a member of the public and cannot participate in any discussion of, or vote taken on, the matter and must withdraw from the meeting in accordance with the Council's procedure rules.

Voluntary Announcement of Other Interests (VAOI)

Where a Member does not have either a DPI or OSI but is of the opinion that for transparency reasons alone s/he should make an announcement in respect of a matter under consideration, they can make a VAOI. A Member declaring a VAOI may still remain at the meeting and vote on the matter under consideration.

Note to the Code:

Situations in which a Member may wish to make a VAOI include membership of outside bodies that have made representations on agenda items; where a Member knows a person involved, but does not have a close association with that person; or where an item would affect the well-being of a Member, relative, close associate, employer, etc. but not his/her financial position. It should be emphasised that an effect on the financial position of a Member, relative, close associate, employer, etc OR an application made by a Member, relative, close associate, employer, etc would both probably constitute either an OSI or in some cases a DPI.

Minutes of the meeting of the **GOVERNANCE COMMITTEE** held at the Council Offices, Whitfield on Thursday, 24 March 2016 at 6.00 pm.

Present:

Chairman: Councillor P G Heath

Councillors: D Hannent
M J Holloway
S J Jones
A S Pollitt
G Rapley

Also present: Ms L Olive, Grant Thornton

Officers: Director of Governance
Director of Finance, Housing and Community
Head of Finance
Head of Audit Partnership (East Kent Audit Partnership)
Deputy Head of Audit Partnership (East Kent Audit Partnership)
HR Advisor
Democratic Support Officer

39 APOLOGIES

There were no apologies for absence received from Members.

40 APPOINTMENT OF SUBSTITUTE MEMBERS

There were no substitute Members appointed.

41 DECLARATIONS OF INTEREST

There were no declarations of interest made by Members.

42 MINUTES

The Minutes of the meeting of the Committee held on 3 December 2015 were approved as a correct record and signed by the Chairman.

43 SHELTERED AND SUPPORTED HOUSING - EAST KENT HOUSING UPDATE

The Committee received the report of the Head of Operations, East Kent Housing (EKH). The report was requested by the Committee at its meeting held on 3rd December 2015 and had requested EKH to provide an update on the key audit actions identified by the East Kent Audit Partnership.

It was recognised by Members that the Independent Living Managers (ILMs) now had valid Disclosure and Barring Service (DBS) checks. The Committee felt that it needed further information on what was covered by a DBS check and in particular, any overseas information held which met the criteria set out in the enhanced DBS check. In the absence of an EKH officer to talk to the report, Members requested that an officer attend the next meeting of the Committee.

RESOLVED: (a) That a representative from East Kent Housing attend the meeting of the committee on 30 June 2016 to talk to the report and answer Members' questions.

44 NEW PAYROLL SYSTEM AND SERVICE - BUSINESS ASSURANCE

The HR Advisor – East Kent Human Resources (EKHR) introduced the New Payroll System and Service – Business Assurance report to Members. The new system had been created to ensure there was a more robust system in place for the reporting of sickness absence and monitoring and would be audited by East Kent Audit Partnership.

It was recognised that paragraph 1 – 'Purpose' of the report indicated that the new system was still work in progress and that the systems were not yet fully embedded. East Kent Internal Audit would undertake further work in this area in 2017/18 and in the interim the HR Advisor would report back to the committee on progress.

RESOLVED: (a) That the report be noted.

(b) That the HR Advisor be requested to report back on progress once the new system has time to embed.

45 QUARTERLY INTERNAL AUDIT UPDATE REPORT

The Deputy Head of Audit Partnership presented the Quarterly Internal Audit Report which summarised the work undertaken by the East Kent Audit Partnership (EKAP) since the last Governance Committee meeting, together with details of the performance of the EKAP to the 31 December 2015.

Twelve internal audits and five follow-up reviews had been completed during the period. Of the twelve internal audits, four had received a substantial assurance level, four a reasonable assurance level and two as limited. The remaining audits relating to EK Services Quarterly Benefit Testing (Quarters 2 and 3 of 2015/16) were not applicable to an assurance level.

In respect of the Limited Assurance level awarded to VAT, the Director of Finance, Housing and Community and Head of Finance advised Members that whilst they did not disagree with the facts within the report, they did disagree with the level of importance placed on the findings and the interpretation of EKAP's findings. However, the issue that gave audit concern had been resolved by the date of the committee. EKAP would test this in their follow up.

Dissatisfaction with regard to the number of limited assurances awarded to East Kent Housing (EKH) Repairs, Maintenance and Void Management was also expressed by Members. The Deputy Head of EKAP advised that the findings and proposed actions of EKAP on this matter would be reported to the June meeting as part of the annual report. Councillor D Hannent expressed dissatisfaction with the number of limited assurances and asked that discussions ensue and increase the number of audit days in that area.

RESOLVED: (a) That Members note the report.

(b) That the Committee expresses its dissatisfaction with the number of limited assurances for EKH and ask that

discussions ensue with a view to increase the number of audit days in that area.

- (c) That the Director of EKH be invited to the next meeting to discuss concerns surrounding the limited assurances awarded to Repairs, Maintenance and Void Management.

46 INTERNAL AUDIT CHARTER AND 2016/17 DRAFT PLAN

The Head of Audit Partnership presented the Internal Audit Charter and 2016/17 Draft Plan to the Committee.

The draft audit plan for 2016/17 made 350 days available which included audit days for EK Services (EKS) and East Kent Housing (EKH). This was 12.5% lower than the Kent average although East Kent Audit Partnership (EKAP) were confident they were able to achieve the number of planned days and EKAP savings achieved in 2015/16 would be used to buy back some days. It was also noted that despite rental income of over £20m for Dover District Council (DDC) alone, and significant expenditure on maintenance, EKH had only 80 audit days in total, compared to 270 for DDC and that this appeared to be too low.

There were concerns that only ten audit days had been allocated to Waste Management and Street Cleansing before 2018 and that more days should be allocated to what was seen as a considerable corporate risk, being the largest contract the Council had with an external contractor. The Director of Governance advised Members that as well as the EKAP audit of the service, East Kent Human Resources (EKHR) were also responsible for Health and Safety Audits and would ask that they look at Veolia's Risk Assessments.

- RESOLVED:
- (a) That the Internal Audit Charter for delivery of the internal audit service for the next three years be approved.
 - (b) That the Council's Internal Audit Plan for 2016/17 be approved.
 - (c) That the audit days be used more effectively and are targeted at key corporate risks, such as housing and waste.

47 TREASURY MANAGEMENT QUARTER THREE REPORT 2015/16

The Head of Finance introduced the Treasury Management report for the third quarter. The Council had remained within Prudential Code guidelines during the period. Cashflow funds remained high and as a result the Council had exceeded the £10m deposit limit with NatWest and had therefore breached the Treasury Management Strategy Statement.

The Council's investment return for the quarter had outperformed the benchmark by 0.14%. The budgeted investment return for 2015/16 was £333k and performance for the year was estimated to be £304k, which remained £29k below budget.

RESOLVED: That the Treasury Management Quarter Three report be received.

48 AUDIT PLAN 2015/16

Ms L Olive of Grant Thornton presented the report which set out Grant Thornton's approach to conducting audits at Dover District Council, including the significant risks and financial challenges facing the authority, the fees and the proposed reporting timetable. There were three significant risks identified in the plan: two of which were presumed fraud risks (Revenue cycle which included fraudulent transactions and Management override of controls), the third being the valuation of property, plant and equipment.

As a result of the initial risk assessments for the Value for Money (VfM) conclusion, it was identified that the Medium Term Financial Plan and HRA Business Plan were identified significant risks.

RESOLVED: That the report be received and noted.

49 CERTIFICATION LETTER 2014/15

Ms L Olive of Grant Thornton presented the report which detailed the certification work carried out by Grant Thornton during 2014/15. One claim had been certified relating to expenditure of £39.9 million. As a result of the initial testing on the Council's Housing Benefit Subsidy Return, six errors were identified and were reported in the qualification letter sent to the Department for Work and Pensions and Public Sector Audit Appointments Ltd.

RESOLVED: That the Certification Letter 2014/15 be received and noted.

The meeting ended at 7.24 pm.

Subject: SHELTERED AND SUPPORTED HOUSING AUDIT - UPDATE
Meeting and Date: Governance Committee – 30 June 2016
Report of: Bob Granville – Head of Operations, East Kent Housing
Decision type: Non-key
Classification: Unrestricted

Purpose of the report: This report provides an update by East Kent Housing on key audit actions identified by the East Kent Audit Partnership's report to this Committee on the 3rd December 2015.

Recommendation: That the Committee note the update report.

1. Summary

At the meeting of this Committee on 3rd December 2015 it considered the findings report presented by East Kent Audit Partnership on their audit of Sheltered and Supported Housing, which is managed by East Kent Housing. At that meeting East Kent Housing undertook to update the Committee on the actions taken to address the key issues of concern identified in the report. This report provides that update on as they affect sheltered and supported housing in the Dover District.

2. Introduction and Background

As part of its regular programme of audits East Kent Housing requested East Kent Audit Partnership to undertake an audit of Sheltered and Supported Housing in the financial year 2015/16.

There was a clear rationale for undertaking the audit at that time. In 2013/14 a comprehensive internal structural review had been undertaken of the service with a view to increase its efficiency and effectiveness. In particular the restructure sought to bring the management for all the service under a centralised management team so that consistent procedures and practices could be developed across the three local authority areas (excludes Thanet). A comprehensive plan for service development was put in place and work on implementing the plan under the new management structure began in October 2014.

The audit itself commenced in April 2015 with its final report findings being submitted to EKH's Finance and Audit Committee in 7th December 2015. In its findings the auditors noted that "**Management and officers should be commended for the service improvements already delivered, and for demonstrating an ongoing commitment for continuing to deliver improvements.**" The auditor also

commented that **“EKH are therefore very self-aware of where they have come from, and where they want to get to.”**

3. Summary of Work

At the meeting on the 3rd December 2015 the Governance Committee specifically sought an update on the following six items with specific regard to how they affected tenants living in Dover’s sheltered and supported housing. This report sets out the six key issues identified within the audit followed by commentary on the actions taken by EKH to address them.

- ***“Independent Living Plans (ILP’s) were only up to date at 4 of the 12 schemes visited.”***

During the service review in 2013/14 it was identified that EKH had inherited different documentation in each local authority as an ILP. At the time of the audit consultation work was underway to create a single standard document which would then be used across the new service. The degree of differences between the inherited documentation required a significant amount of retraining for the Independent Living Managers in order for these to be completed effectively. The staff training programme was completed for the new ILPs in June 2015 (during the audit period) and these have systematically replaced the pre-existing documentation as each ILP is completed.

In order to demonstrate the ILPs have been completed to the required standard a number of new management processes have been introduced, which are:

- Centralised database of all ILPs
- Centralised monitoring to ensure ILPs are valid
- Peer audit to undertake spot checks and validate quality of ILPs

These processes are now operating effectively and at the end of February 2016, of the 322 sheltered housing properties 99.3% were compliant with 14 of the 15 sites being 100% compliant. For monitoring purposes we assess compliance as follows:

- If they are new to the service they have an ILP in place within 14 days¹;
- If they are an existing resident the last review of their ILP was within the last 12 months;
- If they do not wish to have an ILP then there is a waiver in place which was signed by the resident in the last 12 months

There are two residents without a valid ILP or waiver at the time of writing this report and each was less than a month overdue at that time.

¹ This is a Key Performance Indicator from Kent County Councils Older Person Specification

- ***“Reporting arrangements for adult and child protection incidents need to be reviewed to ensure compliance with Data Protection regulations.”***

At the time of the review it was noted by the auditor that the Safeguarding Children Policy was approved in 2012. Whilst this was not strictly relevant to the review being undertaken, as our support services only extend to older persons and we do not provide any children based services, the guidance provided under the Supporting People Quality Assessment Framework indicates that all safeguarding for vulnerable adults and children should be subject to review every three years.

On reviewing our records it was confirmed that the Safeguarding Children Policy had been reviewed and approved by the Board in July 2014 without amendment. Our omission therefore was in not changing the date on the document published on the internet.

The safeguarding children and vulnerable adult policies are viewed by the Board as very important and form part of the health and safety MOT reported to the Board annually, and most recently in July 2015 and are logged as such on our intranet and internet.

It should also be noted that the auditor reported as an area of strength that *“ILM’s are fully aware of the procedures for reporting adult or child protection issues at their sheltered schemes.”*

- ***“Only 13 of the 24 Independent Living Managers (ILM’s) have had a Disclosure and Barring Service check (formerly CRB) check carried out within the last 3 years.”***

There are 5 Independent Living Managers covering the 15 sites in the Dover district. Each of them has a valid DBS check. As can be seen from the table below the oldest one was completed in November 2015 and is due for renewal prior to November 2016.

Name	Date of DBS	Renewal date
ILM 1	15/7/15	14/7/18
ILM 2	13/1/16	13/1/19
ILM 3	26/11/13	26/11/16
ILM 4	22/6/15	22/6/18
ILM 5	23/6/15	23/6/18

When applying for a DBS we request an Enhanced check which provides information on:

- Spent and unspent convictions, cautions, reprimands and final warnings.

- Any additional information held by local police that's reasonably considered relevant to the role being applied for;
 - DBS barred lists for people unsuitable to work with adults.
- **As at 09 June 2015 the Fire Risk Assessments (FRA's) for the sites visited are past their suggested review dates.**

EKH operates an annual programme of fire risk assessments based upon the nature and use of the building. The order in which the programme of review is undertaken in any given year is not governed by the prior year's anniversary date but by the operational circumstances and risk assessment of officers. For example, if capital works were being undertaken to the building during the year then we would want the fire risk assessment undertaken after the completion of works to ensure that the capital works themselves did not cause any issues and would ignore the anniversary date.

It should be noted by the Committee that the Regulatory Reform (Fire Safety) Order 2005 does not specify the frequency within which Fire Risk Assessments are undertaken, placing the onus on the landlord to determine the frequency based upon their perception of risk. Accordingly any timeframes set are voluntary and not statutory, and if they are not in date they do not breach any legislation merely internal guidance.

The table below sets out the basis upon which EKH undertakes fire risk assessments, and the classification of the high risk group has been agreed with our external consultant Savills.

Risk Level	Accommodation affected	Frequency of Fire Risk Assessments
High	<ul style="list-style-type: none"> • Purpose built flats over 8 storeys • Non-purpose built flats • Sheltered housing • Hostel accommodation 	Annually
Medium	<ul style="list-style-type: none"> • Purpose built flats over 4 storeys 	Every 3 years ²
Low	<ul style="list-style-type: none"> • Purpose built flats up to 4 storeys 	Every 5 years

Of the 15 sheltered sites within the Dover district 100% have received a fire risk assessment in the last 12 months.

- **80 of the 156 high risk recommendations listed on the Fire Risk Assessments for the schemes visited are past their suggested implementation dates.**

Firstly, the Committee should be aware that our risk assessment process for sheltered housing in the Dover district involves assessing:

- 28 separate buildings, each requiring their own risk assessment,
- 120 specific aspects of the Fire Risk Assessment
- 3,360 potential elements for action.

² This may be brought forward if material works are undertaken to the property

The Fire Risk Assessments undertaken on each site in 2015/16 were finally completed in January and we have now collated the findings and there are a total of 338 recommended actions, relating to 23 aspects of the Fire Risk Assessment. This level of recommendations represents only 10% of the total elements of assessments. As a consequence, each of the 15 schemes in the Dover district has a Premises Risk Rating of "Moderate". When the actions are completed each sites risk rating will be reduced further.

The breakdown of recommendations falls into 3 main categories:

- 149 relate to the undertaking of capital works such as the installation of smoke detection systems, the replacement of non-fire retardant doors with fire retardant ones, and electrical rewiring.
- 81 relate to servicing records not being kept on site;
- 40 relate to improving or providing additional signage.

At the present time we are in the process of tendering contracts to undertake fire preventions works, door replacement and electrical rewiring. Minor works identified are passed to Mears to undertake as part of the repairs and maintenance contract.

- ***Only two of the forty five Support Workers in Enhanced Sheltered schemes have received safeguarding training.***

The Enhanced Sheltered Service is only provided in the Canterbury district, and is the only service which has support workers.

At the time of the audit our training records were retained in two locations locally at Garrity House as well as centrally with EKHR. Whilst the local record was more up to date at the time of the audit it was the central record which was consulted. We have rectified this situation.

All the Enhanced Housing Managers received their safeguarding training in September 2013 from LearnTo. They then undertook cascade training to all of their staff including support workers over the following months.

4. CONCLUSION

As with all audit processes, once an issue is identified EKH commences work to address it. In this particular case a number of the audit actions had previously been identified either through the service review undertaken by EKH staff or by the prior Tenant Health and Safety Report. You will see from the commentary above that significant progress has been made with 5 of the 6 key issues now having been fully resolved and the final action having clear plans in place to deliver the activity.

EKHs independent living service is now better organised and more robust than the service inherited in 2011, with a strong commitment to deliver the high standards of support to vulnerable customers and to ensure that the residents enjoy their time living in social housing.

Subject: SHELTERED HOUSING DBS - UPDATE
Meeting and Date: Governance Committee – 30th June 2016
Report of: Ellenor Poole – Operations Manager, East Kent Housing
Decision type: Non-key
Classification: Unrestricted

Purpose of the report: This report provides an update by East Kent Housing on Enhanced Disclosure and Barring Service and the current process.

Recommendation: That the Committee note the update report.

1. Summary

At the Governance Committee held on 24th March 2016, East Kent Housing provided a report to update members on key audit actions related to the sheltered housing service delivered by the “Independent Living Team” (ILT) within East Kent Housing.

Members asked: *“The Committee felt that it needed further information on what was covered by a DBS check and in particular, any overseas information held which met the criteria set out in the enhanced DBS check”*

2. Introduction

Disclosure Barring Service (DBS) formerly known as CRB checks are in place to identify if a person has a criminal record which would prevent them from undertaking a specific role. There are two types of criminal record checks:

- Standard (£26) this identifies spent and unspent convictions, cautions, reprimands and final warnings and
- Enhanced (£44), this includes the same as the standard check plus any additional information held by local police that’s reasonably considered relevant to the role being applied for.

East Kent housing complete an Enhanced check for all staff in ILT.

Once the DBS check application form has been verified and signed it generally takes around eight weeks for a response to be provided. The time it takes to process a DBS check depends on the level of check, if the details given are correct and what police forces need to be involved in the check (especially if an individual has changed address numerous times).

All new employees to the ILT are required to have a new DBS check and old or previous DBS checks are not accepted. Employment begins once references and new DBS check are satisfied and in place.

DBS checks have no official expiry date but it is considered best practice by KCC and many other providers of services to vulnerable persons to renew a check every three years. Although checks are renewed it should be noted that information provided as a result of a check will only be accurate at the time it was carried out and it is therefore up to the employer to decide if and when a new check is needed. EKH follows the best practice and reviews all DBS statuses on a three year basis.

With regards to overseas information, East Kent Human Resources (EKHR) who are the "Registered Body" for this process and manage application for EKH has advised the following:

"The application for criminal records checks or 'Certificates of Good Character' for someone from overseas varies from country to country, as such the individual concerned would need to apply in the country or to the relevant embassy in the UK.

The Home Office gov.uk website provides detailed documents for Countries A-Z when applying for a criminal records check for someone from overseas, detailing the relevant criteria for applying for a check including;

- *who can apply*
- *where*
- *what the applicant must supply*
- *costs*
- *turnaround times*
- *application form*
- *contact details*

Please note, there are a number of different factors as to whether a EU or non-EU person would be recorded on the 'Police National Computer' system i.e. whether the offence for which the person was convicted is deemed a crime under UK law and as such is dependant on the exchange of criminal information between EU Member States and Interpol as there is no single, international agreement which requires all countries of the world to share conviction information."

Currently of the five ILM's in post working in the Dover team there is one member that is not of UK origin but has been in residence since 1994 and in employment with East Kent Housing since 2011. In this time this member of the team has under gone a rigid recruitment and selection process with references from previous employers and subject to two Enhanced DBS Checks.

With regard to the current DBS Checks, I refer to the dates noted in the previous report and confirm that these are all within the timeline of best practice renewal.

Name	Date of DBS	Renewal date
ILM 1	15/7/15	14/7/18
ILM 2	13/1/16	13/1/19
ILM 3	26/11/13	26/11/16
ILM 4	22/6/15	22/6/18
ILM 5	23/6/15	23/6/18

3. CONCLUSION

East Kent Housing has worked closely with EKHR to improve the process of applying for Enhanced DBS checks. A comprehensive list of all relevant posts, renewal dates is in place and monitored regularly by managers. Renewal applications are made in good time to avoid any gaps in-between checks.

Subject: **QUARTERLY INTERNAL AUDIT UPDATE REPORT**

Meeting and Date: **Governance Committee – 30th June 2016**

Report of: **Christine Parker – Head of Audit Partnership**

Decision Type: **Non-key**

Classification: **Unrestricted**

Purpose of the report: This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting.

Recommendation: That Members note the update report.

1. Summary

This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting.

2. Introduction and Background

- 2.1 For each Audit review, management has agreed a report, and where appropriate, an Action Plan detailing proposed actions and implementation dates relating to each recommendation. Reports continue to be issued in full to each member of Corporate Management Team, as well as an appropriate manager for the service reviewed.
- 2.2 Follow-up reviews are performed at an appropriate time, according to the status of the recommendation, timescales for implementation of any agreed actions and the risk to the Council.
- 2.3 An Assurance Statement is given to each area reviewed. The assurance statements are linked to the potential level of risk, as currently portrayed in the Council's risk assessment process. The assurance rating given may be Substantial, Reasonable, Limited or No assurance.
- 2.4 Those services with either Limited or No Assurance are monitored, and brought back to Committee until a subsequent review shows sufficient improvement has been made to raise the level of Assurance to either Reasonable or Substantial. A list of those services currently with such levels of assurance is attached as Annex 2 to the EKAP report.
- 2.5 The purpose of the Council's Governance Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent review of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.
- 2.6 To assist the Committee meet its terms of reference with regard to the internal control environment an update report is regularly produced on the work of internal audit. The purpose of this report is to detail the summary findings of completed audit reports and follow-up reviews since the report submitted to the last meeting of this Committee.

SUMMARY OF WORK

- 2.7 There have been seven Internal Audit reports that have been completed during the period, of which two reviews were classified as providing Substantial Assurance, four as Reasonable Assurance, and one as Limited.
- 2.8 In addition six follow-up reviews have been completed during the period, which are detailed in section 3 of the quarterly update report.

3 Resource Implications

- 3.1 There are no additional financial implications arising directly from this report. The costs of the audit work will be met from the Financial Services 2015-16 revenue budgets.

Appendices

Appendix 1 – Internal Audit update report from the Head of the East Kent Audit Partnership.

Background Papers

- Internal Audit Annual Plan 2015-16 - Previously presented to and approved at the 26th March 2015 Governance Committee meeting.
- Internal Audit working papers - Held by the East Kent Audit Partnership.

Contact Officer: Christine Parker, Head of Audit Partnership



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

1. INTRODUCTION AND BACKGROUND

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

2. SUMMARY OF REPORTS:

Service / Topic		Assurance level	No. of Recs.	
2.1	Members' Code of Conduct & Standards Arrangements	Substantial	H M L	0 0 0
2.2	EKS - Debtors	Substantial	H M L	0 1 1
2.3	Procurement	Reasonable	H M L	1 3 2
2.4	Dog Warden and Street Scene Enforcement	Reasonable	H M L	3 4 2
2.5	Commercial Properties and Concessions	Reasonable	H M L	1 1 0
2.6	EKS – ICT Administration, Security, Third Party Access and Storage	Reasonable	H M L	0 1 7
2.7	Grounds Maintenance	Limited	H M L	4 4 0

2.1 Members' Code of Conduct & Standards Arrangements – Substantial Assurance.

2.1.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the highest standards of Member conduct and probity are maintained.

2.1.2 Summary of Findings

Councillors (District, Town or Parish) are elected by the general public to represent the constituents of a ward. Each Council has its own Code of Conduct to which councillors must adhere. Councillors should conduct themselves in a way that is beyond reproach, however if members of the public believe that a councillor has breached the Code of Conduct then arrangements exist to enable them to make a complaint and detail how the complaint will be dealt with

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

- Established processes (including Standards arrangements) are in place to ensure that Councillors comply with the code of conduct and are aware of their responsibility to declare any interests that may impact on the decision making process of the Council. This is in accordance with the Localism Act 2011.
- Processes for making and dealing with complaints are well documented and are readily available to the public.
- The appointment of separate independent people to carry out investigation's, and to review the complaints alongside the Monitoring Officer ensure that a consistent approach to dealing with them is in place.
- Councillors have attended training for the various committees that they sit on and unless they have completed the training they are not permitted to sit on them. (This also includes substitute Councillors).

2.2 EKS Debtors – Substantial Assurance.

2.2.1 Audit Scope

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

2.2.2 Summary of Findings

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

This audit review has focused on the role carried out by EK Services and not the elements of the debtors process carried out by Officers at Dover District Council.

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

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

Scope for improvement was however identified in the following areas:

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

2.3 Procurement – Reasonable Assurance.

2.3.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to develop Procurement strategies and policies to improve benefits to the Council and its partners and stakeholders, including the development of e-procurement options.

2.3.2 Summary of Findings

Procurement is the process of acquiring goods, works and services, covering both acquisitions from third parties and from in-house providers. Contract Standing Orders and the Financial Procedure Rules outline a number of key controls and processes which should be followed during the procurement process dependent on contract value. There are also 28 members of staff who utilise Procurement Cards for low-level spend (up to £5,000 per month). This audit focused on all procurement activity.

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

- The Council is making good progress towards implementing a Procurement Strategy which should be in place by summer of 2016;
- The procurement and purchasing guidance provided were easily accessible;
- Procurement processes were working effectively;
- Purchase Order processes were working effectively;
- The E-Tendering process was satisfactory; and
- The Council is compliant with the transparency rules.

Some scope for improvement was identified in the following areas:

- The Financial Procedure Rules need to be updated to ensure they capture up to date processes;
- There is a need to review system access to key functions within e-financials; and
- The procurement card controls could be improved.

2.4 Dog Warden & Street Scene Enforcement – Reasonable Assurance.

2.4.1 Audit Scope

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

2.4.2 Summary of Findings

The Dog Warden and Environmental Crime functions sit with the Environmental Crime Team, with the exception of barking dog complaints and Graffiti which are dealt with via the Environmental Protection Team and Waste Services, respectively.

The legislative requirements placed on the Council to deal with Dogs and Litter have been fully detailed within the policies and procedures. There are two pieces of legislation to note that have been implemented since the last audit review that will impact on the services provided and are as follows:

- a) Public Spaces Protection Orders (PSPOs) which are designed to deal with a particular nuisance or problem in an area. The Council has successfully applied for and implements a PSPO within its district, for Dog Control purposes. This came into force in July 2015 and lasts for a period of three years.
- b) The Microchipping of Dogs (England) Regulations 2015 will come into effect from the 6th April 2016 and every keeper of a dog must ensure that it is micro chipped.

The kennelling of stray dogs has been contracted via a successful tender process for a period of four years and is due to expire in March 2017.

There is a dedicated system Northgate (M3) set up for the recording and monitoring of complaints and service requests. Information extracted from the system for 2015 including Fixed Penalty Notices (FPN's) issued was as follows:

- 121 FPN's were issued for littering offences;
- 544 Littering complaints were recorded and investigated; and
- 956 service requests were made relating to Dog Control issues.

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

- Comprehensive and up to date procedures are in place and circulated to relevant members of the team;

- Prosecutions, educational presentations and microchipping events have been covered well by the communications team and well received by the general public;
- Fixed penalty notices have been consistently applied over the last three years;
- Training has been identified and applied where relevant; Risk assessments have been carried out and are up to date.

Scope for improvement was however identified in the following areas:

- The M3 system needs to be up to date, consistently used by staff for the recording of actions taken and used more as a management tool for target setting and statistic reporting.
- Contract monitoring for the kennelling service needs to be established and clarity needs to be sought from legal services over some of the clauses within this contract. Also a contractual agreement for the out of hours service needs to be evidenced.
- A reconciliation process needs to be established to ensure that fees have been applied, collected and correctly accounted for.

2.5 Commercial Properties & Concessions – Reasonable Assurance.

2.5.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council derives the maximum value from its let properties and concessions and that where applicable these lettings further support the Council's regeneration aims and aspirations.

2.5.2 Summary of Findings

The Council has a fairly substantial corporate property portfolio comprising of 402 properties (excluding housing and garages) as at March 2014. The net book value of property (excluding housing and garages) at March 2016 was £84.4 million. These assets include investment properties, infrastructure and operational properties. There were no surplus or assets held for sale at March 2016.

Management can largely place Reasonable Assurance on the system of internal controls in operation as the lapsed Asset Management Plan (2013) is now being revised.

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

- A detailed corporate property portfolio is maintained and published on the Council's website;
- Valuations are up to date and record of ownership can be found within the Council's systems;
- Rebuild calculations for insurance purposes are maintained and up to date; and
- Debtor accounts are monitored and any arrears are pursued.

Scope for improvement was however identified in the following areas:

- The revised Asset Management Plan and its associated policies should be completed, approved and published on the intranet in 2016 and formed in conjunction with other Council business strategies, objectives and priorities.
- Performance monitoring should be regularly reported demonstrating that the use of assets is balanced between satisfying the community and maximising income and to highlight areas for improvement.
- It would be useful to raise the profile of property amongst Members of the Council and continue to look for ways to maximise regular revenue from the Council's assets e.g. by development/change of use.

2.6 EKS ICT Administration, Security, Third Party Access and Storage – Reasonable Assurance.

2.6.1 Audit Scope

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

2.6.2 Summary of Findings

The EK Services ICT annual budget is £2.4M and the total spend on IT across the partnership is around £4.5M.

- The EK Services ICT service supports around 1500 users in the following organisations:
 - Thanet District Council
 - Canterbury City Council
 - Dover District Council
 - East Kent Housing
 - East Kent Audit Partnership
 - East Kent HR
 - EK Services (about 350 users).

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

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

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

- The EK Services ICT Service Level Agreement 2015-2016 contains detailed information on its provision of security services, policies, and responsibilities;
- While not all supporting policy documents are complete and published, good progress is being made towards this end;
- Sufficient and appropriate information is provided to local authority users on real and potential security threats;

- Network and perimeter security is generally effective (note: this audit did not include penetration testing); and
- The Corporate Information Governance Group (CIGG), set up approximately 14 months ago, is a key organisation to assist local authority Senior Information Risk Officers (SIROs) and to keep Senior EKS Managers informed of information security policies and procedures in the event of an intrusion.

Scope for improvement was however identified in the following areas:

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

2.7 Grounds Maintenance – Limited Assurance.

2.7.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the business objectives are met.

2.7.2 Summary of Findings

The Grounds Maintenance function is currently delivered under a single 10 year contract that commenced in 2006 and was due to expire on 31st March 2016 but which has been extended to 31st March 2017 whilst options are considered for the future service provision either through a new contract with an outside provider or by bringing the service back in-house.

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

- There remains a lack of resources to be able to monitor the contract. The previous audit report in August 2011 and the subsequent DES review both reported issues on contract monitoring due to lack of staff resources (1.8 FTE members of staff). These issues still exist, to the point that there is now no inspection regime to monitor the works undertaken by the contractor either for both routine and non routine works. In addition due to time constraints, additional work documents are not always being completed and submitted to the contractor for all non-routine works. Instead, just verbal instructions and supporting photographs of the works required are given.
- There is a need to ensure that the refund off the contract price (routine and non-routine works) given by the contractor for 2016/17 is accounted for correctly in Confirm and also with Accountancy. (e.g. How is this to be allocated across the applicable cost centres (including leaseholders)). Clarification is also needed if Confirm is still to be used in its current format. Especially as for the period of the contract extension; the contractor is to be paid in 12 equal instalments instead of using the Confirm system to calculate the monthly cost from actual job data.

Effective control was however evidenced in the following areas:

- Monthly processes are in place for calculating the payments due to the contractor, however (as stated above) there is no monitoring of the works carried out.

- The current contract has been extended for an additional 12 months through the proper channels, however the financial effect of this needs to be accounted for correctly.

From 1st April 2017 the new grounds maintenance contract will be in place either through an in-house solution or a new external contract. There is therefore a need to ensure that there are processes in place to monitor the service both through resources and applicable performance measures. (e.g. performance indicators, complaints monitoring).

3.0 FOLLOW UP OF AUDIT REPORT ACTION PLANS:

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

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs Outstanding	
a)	Creditors	Reasonable	Reasonable	H	0	H	0
				M	5	M	0
				L	1	L	0
b)	Sickness, Annual and Flexi Leave	Reasonable /Limited	Reasonable	H	7	H	0
				M	7	M	1
				L	0	L	0
c)	Public Health Burials	Reasonable	Reasonable	H	0	H	0
				M	2	M	0
				L	4	L	0
d)	EK Services – ICT Data Files & Back Ups	Reasonable	Reasonable	H	6	H	1
				M	5	M	4
				L	0	L	0
e)	EK Services – ICT Internet & Email	Reasonable	Reasonable	H	2	H	0
				M	0	M	0
				L	2	L	0
f)	EKHR – Sickness Absence, Leave & Flexi	Reasonable / Limited	Reasonable	H	7	H	0
				M	6	M	1
				L	0	L	0

- 3.2 Details of each of the individual high priority recommendations outstanding after follow-up are included at Annex 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 Committee.

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

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: Equality and Diversity, Business Continuity and Emergency Planning, FOI, Data Protection and Information Management, Disabled Facilities Grants, Insurance and Inventories of Portable Assets, East Kent Housing Procurement, East Kent Housing Single System, & Shared Service Monitoring.

5.0 CHANGES TO THE AGREED AUDIT PLAN:

- 5.1 The 2015-16 Audit plan was agreed by Members at the meeting of this Committee on 26th March 2014.
- 5.2 The Head of the Audit Partnership meets on a quarterly basis with the Section 151 Officer 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 Annex 3.

6.0 FRAUD AND CORRUPTION:

- 6.1 There were no other new or recently reported instances of suspected fraud or irregularity that required either additional audit resources or which warranted a revision of the audit plan at this point in time.

Attachments

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

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING OR IN PROGRESS AFTER FOLLOW-UP – ANNEX 1

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
<i>EK Services – ICT Data Files & Back Ups May 2016</i>		
<p>Policies governing file controls should be discussed, written and taken through the CIGG with a view to having one set operational across all partner councils. During this process, ownership should be documented.</p>	<p>Agreed Management Action. To be taken via the CIGG with a view to obtain member validation and action</p> <p>Responsibility/Completion date. Technical Systems Manager Reported quarterly</p>	<p>Majority of new, joint policies now exist but yet to go through LA validation processes.</p> <p>CIGG is also progressing identification of IAOs [Information Asset Owners] for each of their systems.</p> <p>Conclusion In progress and waiting on client officers' instructions to complete.</p>

SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED			
Service	Reported to Committee	Level of Assurance	Follow-up Action Due
East Kent Housing - Sheltered and Supported Housing	December 2015	Limited	Work-in-Progress
East Kent Housing – Repairs, Maintenance and Void Management	March 2016	Limited	Work-in-Progress
VAT	March 2016	Limited	Work-in-Progress
Grounds Maintenance	June 2016	Limited	Summer 2017

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.

Subject:	ANNUAL INTERNAL AUDIT REPORT
Meeting and Date:	Governance Committee – 30th June 2016
Report of:	Christine Parker – Head of Audit Partnership
Decision Type:	Non-key
Classification:	Unrestricted

Purpose of the report:	This report provides a summary of the work completed by the East Kent Audit Partnership together with details of the performance of the EKAP against its targets for the year ending 31 st March 2016.
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Recommendation:	That Members note the report.
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SUMMARY

The main points to note from the attached report are that the agreed programme of audits has been completed. The majority of reviews have given a substantial or reasonable assurance and there are no major areas of concern that would give rise to a qualified opinion.

1.0 INTRODUCTION

1.1 The primary objective of Internal Audit is to provide independent assurance to Members, the Chief Executive, Directors and the Section 151 Officer on the adequacy and security of those systems on which the Authority relies for its internal control. The purpose of bringing forward an annual report to members is to:

- Provide an opinion on the overall adequacy and effectiveness of the Council's internal control environment.
- Present a summary of the internal audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies,
- Draw attention to any issues the Head of the Audit Partnership judges particularly relevant to the preparation of the Annual Governance Statement.
- Compare actual audit activity with that planned, and summarise the performance of Internal Audit against its performance criteria.
- Comment on compliance with the Public Sector Internal Audit Standards (PSIAS), and report the results of the Internal Audit quality assurance programme.

1.2 The report attached as Annex A therefore summarises the performance of the East Kent Audit Partnership (EKAP) and the work it has performed over the financial year 2015-16 for Dover District Council, and provides an overall assurance on the system for internal control based on the audit work undertaken throughout the year, in accordance with best practice. In providing this opinion, this report supports the Annual Governance Statement.

1.3 The internal audit team is proactive in providing guidance on procedures where particular issues are identified during audit reviews. The aim is to minimise the risk of

loss to the Authority by securing adequate internal controls. Partnership working for the service has added the opportunity for the EKAP to port best practice across the four sites within the East Kent Cluster to help drive forward continuous service improvement.

- 1.4 During 2015-16 the EKAP delivered 94.8% of the agreed audit plan days, with 14.10 days under delivered to be adjusted for in 2016-17. The performance figures for the East Kent Audit Partnership as a whole for the year show good performance against targets, particularly as the EKAP has experienced staffing changes and delivered financial savings against its agreed budget to all its partners in the delivery of the service.

Background Papers

- **Internal Audit Annual Plan 2015-16 - Previously presented to and approved at the March 2015 Governance Committee meeting.**
- **Internal Audit working papers - Held by the East Kent Audit Partnership.**

Resource Implications

Having delivered a cost per audit day in 2015-16 of £292.57 against the budget cost of £321.33 this has resulted in a budgetary saving for Dover District Council of £863 which it has been agreed will be used to fund additional audit days in 2016-17.

There are no other financial implications arising directly from this report. The costs of the audit work have been met from the Financial Services 2015-16 budget.

Consultation Statement

Not Applicable.

Impact on Corporate Objectives and Corporate Risks

The recommendations arising from each individual internal audit review are designed to strengthen the Council's corporate governance arrangements, control framework, counter fraud arrangements and risk management arrangements, as well as contributing to the provision of economic, efficient and effective services to the residents of the District. This report summarises of the work of the East Kent Audit Partnership for the year 2015-16 in accordance with the Public Sector Internal Audit Standards.

Attachments

Annex A – East Kent Audit Partnership Annual Report 2015-16

CHRISTINE PARKER
Head of Audit Partnership

Annual Internal Audit Report for Dover District Council 2015-16

1. Introduction

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

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

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

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

2. Objectives

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

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

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

3. Internal Audit Performance Against Targets

3.1 EKAP Resources

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

3.2 Performance against Targets

The EKAP is committed to continuous improvement and has various measures to ensure the service can strive to improve. The performance measures and indicators for the year are shown in the balanced scorecard of performance measures at Appendix 5.

3.3 Internal Quality Assurance and Performance Management.

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

3.4 External Quality Assurance

The external auditors, Grant Thornton, conducted a review in February 2016 of the Internal Audit arrangements. They have concluded that, where possible, they can place reliance on the work of the EKAP.

3.5 Liaison between Internal Audit and External Audit.

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

3.6 Compliance with Professional Standards

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

3.7 Financial Performance

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

The EKAP has been able to generate income through 'selling days' for checking grant claims. This daily rate excludes any internal recharges that are added to the service by the Council. This equates to a total financial saving to Dover District Council of £863 for 2015-16 which it has been agreed will be used to fund additional audit days to undertake reviews of areas currently falling outside of the agreed three-year audit plan cycle.

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

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

4. Overview of Work Done

The original audit plan for 2015-16 included a total of 25 projects. We have communicated closely with the s.151 Officer, CMT and this Committee to ensure the projects actually undertaken continue to represent the best use of resources. As a result of this liaison some changes to the plan were agreed during the year. A few projects (3) have therefore been pushed back in the overall strategic plan, to permit some higher risk projects to come forward in the plan (2). The total number of projects undertaken in 2015-16 was 24, with 8 being WIP at the year end to be finalised in April. One project was able to be delivered from the 11.18 savings days rolled forward from 2014-15.

Review of the Internal Control Environment

4.1 Risks

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

Risk Criticality	No. of Recommendations	Percentage
High	34	28%
Medium	61	50%
Low	26	22%
TOTAL	121	100%

Naturally, more emphasis is placed on recommendations for improvement regarding high risks. Any high priority recommendations where management has not made progress in implementing the agreed system improvement are brought to management and members' attention through Internal Audit's quarterly update reports. During 2015-16 the EKAP has raised and reported to the quarterly Governance Committee meetings 121 recommendations, and whilst 78% were in the High or Medium Risk categories, none are so significant that they need to be escalated at this time.

4.2 Assurances

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

The summary of Assurance Levels issued on the 24 pieces of work commissioned for Dover District Council over the course of the year is as follows:

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

Assurance	No.	Percentage of Completed Reviews
Substantial	8	50%
Reasonable	7	44%
Limited	1	6%
No	0	0%
Work in Progress at Year-End	8	-
Not Applicable	0	-

* See list in the table below

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

Taken together 94% of the reviews account for substantial or reasonable assurance, whilst 6% of reviews placed a limited assurance to management on the system of internal control in operation at the time of the review. There were no reviews assessed as having no assurance.

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

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

For each recommendation, an implementation date is agreed with the Manager responsible for implementing it. Understandably, the follow up review is then timed to allow the service manager sufficient time to make progress in implementing the agreed actions against the agreed timescales. Those areas assessed as being as either ‘limited’ or ‘no’ assurance audit opinion during the year are detailed in the table at paragraph 6, these areas are also recorded as an appendix to the quarterly report until the follow up report is issued, so that they do not get overlooked. The results of any follow up reviews yet to be undertaken will therefore be reported to the quarterly committee at the appropriate time.

4.3 Progress Reports

In agreeing the final Internal Audit Report, management accepts responsibility to take action to resolve all the risks highlighted in that final report. The EKAP carries out a

follow up/progress review at an appropriate time after finalising an agreed report to test whether agreed action has in fact taken place and whether it has been effective in reducing risk.

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

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

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

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

Total Follow Ups undertaken 8	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Original Opinion	0	2	6	0
Revised Opinion	0	0	7	1

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

Area Under Review	Original Assurance	Follow Up Result
Safeguarding	Limited	Reasonable
Planning & s.106	Substantial/ Limited	Substantial/ Reasonable

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

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

Consequently, there are no fundamental issues of note arising from the audits and follow up undertaken in 2015-16. There are no reviews showing a limited assurance after follow up.

4.4 Special Investigations and Fraud Related Work

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

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

4.5 Completion of Strategic Audit Plan

Appendix 2 shows the planned time for reviews undertaken, against actual time taken, follow up reviews and unplanned reviews resulting from any special investigations or management requests. 257.22 audit days were completed for Dover District Council during 2015-2016 which represents 94.8% plan completion. The 14.10 days behind at the year end, will be carried over to 2016-17. The EKAP was formed in October 2007; it completes a rolling programme of work to cover a defined number of days each year. As at the 31st March each year there is undoubtedly some “work in progress” at each of the partner sites; some naturally being slightly ahead and some being slightly behind in any given year. However, the progress in ensuring adequate coverage against the agreed audit plan of work since 2007-08 concludes that EKAP is 14.10 days behind schedule as we commence 2016-17, as shown in the table below.

Year	Plan Days	Plus B/Fwd	Adjusted Requirement from EKAP	Days Delivered	Percentage Completed	Days Carried Forward (Days Planned – Days Delivered)
2008-09	450	0	450.00	459.33	102.07%	+9.33
2009-10	450	-9.33	440.67	431.22	97.80%	-18.78
2010-11	420	+9.45	429.45	445.21	103.60%	+25.21
2011-12	312	-15.76	296.24	291.25	98.32%	-20.75
2012-13	300	+4.99	304.99	313.85	102.91%	+13.85
2013-14	270	-8.86	261.14	270.18	103.46%	+0.18
2014-15	270	-9.04	260.96	259.66	99.49%	-10.34
2015-16	270	1.3	271.3	257.22	94.8%	-12.78
Total	2,742			2,727.9		-14.10

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

Appendix 4 shows the planned time for reviews undertaken, against actual time taken, follow up reviews and unplanned reviews resulting from any special investigations for East Kent Services. Dover District Council contributed 60 days from its original plan as its share in this three-way arrangement. As EKS is hosted by TDC, the EKS Annual Report in its full format, will be presented to the TDC - Governance & Audit Committee on 22nd June 2016.

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

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

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

There was one area where only a limited assurance level was given which reflected a lack of confidence in arrangements. This review is shown in the table in Paragraph 6 which details the planned follow up activity for areas awaiting a progress report.

6. Significant issues arising in 2015-16

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

The EKAP has been commissioned to perform only one follow up, there were no reviews that remained a Limited Assurance after follow up, however eleven recommendations that were originally assessed as high risk, which remained a high priority and outstanding after follow up were escalated to the Governance Committee during the year.

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

Area Under Review	Original Assurance (Date to Committee)	Progress Report
VAT	Limited March 2016	Quarter One 2016-17

And For EK Housing

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

7. Overall Conclusion

The Internal Audit function provided by the EKAP has performed well against its targets for the year. Clearly there have been some adjustments to the original audit

plan for the year 2015-16, however, this is as expected and there are no matters of concern to be raised at this time.

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

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

AUDIT ASSURANCE

Definition of Audit Assurance Statements

Substantial Assurance

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

Reasonable Assurance

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

Limited Assurance

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

No Assurance

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

**Performance Against the Agreed 2015-16
Dover District Council Audit Plan**

Review	Original Planned Days	Revised Planned Days	Actual Days	Status and Assurance Level
Financial Systems:				
Capital	5	5	4.28	Finalised - Reasonable
Bank Reconciliation	5	5	4.7	Finalised - Substantial
VAT	10	10	14.13	Finalised - Limited
Residual Housing Systems:				
Housing Allocations	10	10	10.93	Finalised - Substantial
Governance Related:				
Shared Service Monitoring	10	15	9.74	Finalised - Reasonable
Equality & Diversity	10	10	0.87	Work-in-progress
Risk Management	10	10	7	Finalised - Reasonable
Corporate Advice/CMT	2	2	3.95	Finalised for 2015-16
s.151 Meetings and support	9	9	12.12	Finalised for 2015-16
Governance Committee Meetings and Reports	12	12	14.92	Finalised for 2015-16
2016-17 Audit Plan Preparation and Meetings	9	9	11.19	Finalised for 2015-16
Contract Related:				
Procurement	10	10	11.16	Finalised - Reasonable
Service Level:				
Community Safety	10	6	5.84	Finalised - Substantial
Dog Warden and Street Scene Enforcement	10	10	17.18	Finalised - Reasonable
Electoral Registration and Election Management	10	15	15.19	Finalised - Substantial
Environmental Protection Service Requests	8	8	7.9	Finalised - Substantial
Public Health Burials	6	6	7.8	Finalised - Reasonable
Port Health	10	0	0.2	Postpone until 2016-17
Environmental Health & Safety at Work	10	10	5.55	Finalised - Substantial
Licensing	10	0	0.2	Postpone until 2016-17
Printing & Post	7	7	8.83	Finalised - Substantial
Grounds Maintenance	10	10	9.1	Finalised - Limited

Review	Original Planned Days	Revised Planned Days	Actual Days	Status and Assurance Level
Dover Museum and VIC	10	10	17.14	Finalised - Substantial
Commercial Properties and Concessions	10	10	2.7	Work-in-progress
Building Control	10	10	10.43	Finalised - Reasonable
Your Leisure	10	10	9.64	Finalised - Reasonable
Other				
Liaison with External Auditors	2	2	0	Finalised for 2015-16
Follow-up Work	15	15	7.96	Finalised for 2015-16
Unplanned				
Members' Code of Conduct & Standards Arrangements	0	10	7.74	Finalised - Substantial
Flooding Repair and Renew Grants	0	2	1.62	Finalised
Finalisation of 2014-15- Audits				
Absence Management	5	7	3.42	Finalised - Limited
Car Parking and PCNs			0.39	Finalised - Reasonable
Creditors and CIS			4.11	Finalised – Substantial
Income			0.20	Finalised - Reasonable
Days under delivered in 2014-15	0	1.32	0	Completed
EK Human Resources				
Recruitment	5	5	0.12	Work-in-Progress
Payroll	5	5	0	Work-in-Progress
Employee Health & Safety	5	5	8.94	Finalised - Reasonable
Total	270	271.32	257.19	94.8%
Payroll – Testing of New System	0	1	0.46	Finalised - N/A
Waste & Recycling Bins	0	10	10.72	Finalised - Reasonable
Additional days purchased with EKAP saving in 2014/15			11.18	

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

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

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

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

Balanced Scorecard – 2015-16

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2015-16 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2015-16 Actual</u>	<u>Target</u>
	Quarter 4		Reported Annually		
Chargeable as % of available days	89%	80%	• Cost per Audit Day	£292.57	£321.33
Chargeable days as % of planned days			• Direct Costs	£415,735.67	£412,450
CCC	107%	100%	• + Indirect Costs (Recharges from Host)	£11,700	£11,700
DDC	95%	100%	• - 'Unplanned Income'	£7,505	Zero
SDC	99%	100%	• = Net EKAP cost (all Partners)	£419,930.67	£424,150
TDC	102%	100%	• Saving	£4,219.33	Zero
EKS	95%	100%			
EKH	123%	100%			
Overall	101%	100%			
Follow up/ Progress Reviews;					
• Issued	53	-			
• Not yet due	22	-			
• Now due for Follow Up	53	-			
Compliance with the Public Sector Internal Audit Standards (PSIAS)	Partial	Full			

<u>CUSTOMER PERSPECTIVE:</u>	<u>2015-16 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2015-16 Actual</u>	<u>Target</u>
	Quarter 4		Quarter 4		
Number of Satisfaction Questionnaires Issued;	93		Percentage of staff qualified to relevant technician level	83%	75%
Number of completed questionnaires received back;	25		Percentage of staff holding a relevant higher level qualification	36%	32%
	= 27%		Percentage of staff studying for a relevant professional qualification	28%	N/A
Percentage of Customers who felt that;			Number of days technical training per FTE	3.16	3.5
<ul style="list-style-type: none"> • Interviews were conducted in a professional manner • The audit report was 'Good' or better • That the audit was worthwhile. 	100%	100%	Percentage of staff meeting formal CPD requirements (post qualification)	36%	32%
	100%	100%			
	100%	100%			

Subject:	ANNUAL FRAUD REPORT 2015-16
Meeting and Date:	Governance Committee – 30th June 2015
Report of:	Christine Parker – Head of Audit Partnership
Decision Type:	Non-key
Classification:	Unrestricted

Purpose of the report:	This report provides a summary of the anti-fraud work completed for the year ending 31 st March 2016.
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Recommendation:	That Members note the report.
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SUMMARY

The main points to note from the attached report are that counter fraud controls are in place, however the Council is not complacent and remains committed to its zero tolerance stance, that fraud is never acceptable.

1.0 INTRODUCTION

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

2.0 Prevention and Detection of Fraud and Corruption

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

2.1 Counter Fraud & Corruption Strategy

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

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

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

2.2 Whistleblowing Policy

The Whistleblowing policy is intended to be used by Council employees, members and contractors, consultants or partners working with the Council to support the disclosure of concerns and suspicions, which can not be raised through the channels outlined in the Anti-Fraud & Corruption Strategy. During 2015-16 there were no referrals made using the Whistleblowing Policy.

2.3 Internal Control Arrangements

2.3.1 Induction

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

2.3.2 Training

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

2.3.3 Website

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

2.3.4 Publicity of Successful Prosecutions

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

2.3.5 National Fraud Initiative

The Council takes part in the bi-annual National Fraud Initiative (NFI) data matching exercise, comparing computer records held by the Council against other data bases held by other bodies. This results in matches being found requiring further investigation to determine whether it is an error or a potential fraud. In October 2014 the Council submitted data for the 2014-15 NFI exercise, and the matches from the exercise were received in January 2015.

A total of 1608 matches were received across 59 reports considering housing benefit, payroll, creditors, housing (including right-to buy), insurance claim and taxi licensing information held by the Council. Investigation work has continued during the current year and of the 1,608 matches, 1,177 have been closed with six frauds and two errors found. There are currently 53 matches being investigated with the remainder yet to be processed. This has resulted in recovery action in the sum of £16,226.36.

In addition, the Council is again participating in the Flexible Matching Service to identify possible Council Tax single person discount fraud. There were 1,777 matches for investigation and of those 1,354 have currently been processed with 367 errors identified. This has resulted in recovery action in the sum of £13,473.59.

2.3.6 Housing Tenancy Fraud

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

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

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

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

The total number of social housing fraud cases investigated by EKH.	1
The total number of cases of irregularity investigated	1
The total number of occasions on which a) fraud and b) irregularity was identified	0
total monetary value of a) the fraud and b) the irregularity that was detected	0
Total monetary value of a)the fraud and b)the irregularity that was recovered	0

2.3.7 Data Protection

Training has been provided by the Director of Governance and Solicitor to the Council and their teams to all senior managers across the Council. This is to ensure that managers have a good understanding of the Data Protection rules and the potential areas for error, misuse and fraudulent use of personal information. All staff are currently completing the on-line training tool.

3.0 Investigating Fraud

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

3.1 Corporate Fraud & Irregularity Referrals

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

3.2 Benefit Fraud Referrals

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

There were 264 referrals to the team, of which 200 were closed.

Sanction Achieved	Number
Formal Caution	23
Administrative Penalty	4
Successful Prosecution	3
30	

3.3 Other Investigation Activity

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

4.0 Future Developments in the Fraud Arrangements of the Council

4.1 Fighting Fraud Locally

- In December 2011 the NFA launched *Fighting Fraud Together*, a national fraud strategy encompassing public and private sector, not for profit organisations and law enforcement bodies.
- In April 2012 the NFA launched *Fighting Fraud Locally* as the first sector-led local government counter-fraud strategy. *Fighting Fraud Locally* sets out a three tiered approach for local authorities to follow- to Acknowledge, Prevent and Pursue fraud.
- CiPFA published its Code of Practice on Managing the Risk of Fraud and Corruption in October 2014. The five key elements of the code are to:
 - Acknowledge the responsibility of the governing body for countering fraud and corruption;
 - Identify the fraud and corruption risks;
 - Develop an appropriate counter fraud and corruption strategy;
 - Provide resources to implement the strategy;
 - Take action in response to fraud and corruption.
- In early 2016 the Local Government Counter Fraud and Corruption Strategy was updated to produce a forward look for 2016-2019. This extends the earlier requirement to transform counter fraud and corruption performance over the next three years and introduces the six C's; Culture, Capability; Capacity: Competence; Communication and Collaboration.

4.2 Assessing Fraud Risk

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

5.0 Summary

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

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

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

Background Papers

- The data required to complete this report has been supplied by the various Council teams responsible.
- Fighting Fraud Locally
- CiPFA's Code of Practice on Managing the Risk of Fraud and Corruption
- Local Government Counter Fraud and Corruption Strategy 2016

Resource Implications

There are no financial implications arising directly from this report.

Consultation Statement

Not Applicable.

Impact on Corporate Objectives and Corporate Risks

This report summarises the counter fraud work for the year 2015-16.

Attachments

None

CHRISTINE PARKER
Head of Audit Partnership

Subject:	2015/16 ANNUAL GOVERNANCE ASSURANCE STATEMENT
Meeting and Date:	Cabinet – 6 June 2016 Governance Committee – 30 June 2016
Report of:	David Randall, Director of Governance
Portfolio Holder:	Councillor Michael Conolly, Portfolio Holder for Corporate Resources and Performance.
Decision Type:	Non-Key
Classification:	Unrestricted

Purpose of the report: To agree the Annual Governance Assurance Statement 2015/16

- Recommendation:**
- (1) Cabinet are recommended to accept the Annual Governance Assurance Statement and to request the Leader and the Head of Paid Service to sign this statement
 - (2) Governance Committee are asked to accept the Annual Governance Assurance Statement alongside the 2015/16 Accounts.
-

1. Summary

- 1.1 Cabinet are asked to accept the Annual Governance Assurance Statement, as recommended by the Corporate Management Team and to request the Leader and the Head of Paid Service to sign this statement.
- 1.2 Governance Committee is asked to accept the Annual Governance Assurance Statement alongside the 2015/16 Accounts.

2. Introduction and Background

- 2.1 The Accounts and Audit Regulations 2015, require that the Council conducts at least annually, a review of the effectiveness of its System of Internal Control, and then publishes a statement on internal control within the Annual Governance Assurance Statement.
- 2.2 The statement is to be signed by the Leader and the Chief Executive, having paid due regard to any matters raised by the Section 151 Officer and the Monitoring Officer.
- 2.3 The proposed 2015/16 Statement is attached. Corporate Management Team agreed to its acceptance in May 2016. The statement has been prepared taking into account the following information:
 - The service review work performed by Internal Audit during the year.
 - Internal Audit's review of Corporate Governance arrangements.

- Assurance Statements produced by individual Directors of Service.
 - The information gathered as a result of risk assessment and management.
- 2.4 The Action plan will be monitored during the year and progress reported to Governance Committee.
- 3. Identification of Options**
- 3.1 Agree the Annual Governance Assurance Statement including the key actions identified for signature by the Leader and then inclusion in the 2015/16 Accounts.
- 3.2 Do not agree the Annual Governance Assurance Statement as provided and require further analysis and clarification.
- 4. Evaluation of Options**
- 4.1 Option 1 is the preferred option.
- 5. Resource Implications**
- None.
- 6. Corporate Implications**
- 6.1 Comment from the Section 151 Officer: Finance has been consulted and has no further comment to add (VB).
- 6.2 Comment from the Solicitor to the Council: The Solicitor to the Council has been consulted in the preparation of this report and has no further comments to make.
- 6.3 Comment from the Equalities Officer: This report does not specifically highlight any equalities implications however, in discharging their responsibilities members are required to comply with the public sector equality duty as set out in section 149 of the Equality Act 2010 <http://www.legislation.gov.uk/ukpga/2010/15>.
- 7. Appendices**
- Appendix 1 – Governance Assurance Statement
- Appendix 2 – Action Plan – Backward Looking
- Appendix 3 – Action Plan – Forward Looking
- 8. Background Papers**
- Accounts and Audit Regulations 2003
- CIPFA Guidance on Corporate Governance

Contact Officer: David Randall, Director of Governance

Dover District Council Annual Governance Assurance Statement

1 APRIL 2015 TO 31 MARCH 2016

1. WHAT WE ARE RESPONSIBLE FOR

We are responsible for ensuring that our business is conducted in line with the law and proper accounting standards, and for using public money economically, efficiently and effectively. We have a duty under the Local Government Act 1999 to continually review and improve the way we work and at the same time have regard to a combination of economy, efficiency and effectiveness.

In order to meet our responsibility we have in place proper arrangements for overseeing what we do and this is called Governance. These arrangements make sure that we do the right things in the right way, that our services reach the right people and that we are open, honest and accountable in the way that we deliver those services.

We have approved and adopted a Local Code of Corporate Governance and a copy of this is available on our website here <http://www.dover.gov.uk/Corporate-Information/CorporateGovernance.aspx> or one can be obtained from The Council Offices, White Cliffs Business Park, Dover, CT16 3PJ.

2. THE AIM OF THE GOVERNANCE FRAMEWORK

The Governance Framework details the systems, processes, culture and values that we are controlled by and which we are answerable to. It also shows what we get involved with and how we engage with the community. It also shows how we monitor what we are achieving so that we can deliver services that are appropriate and value for money.

The system of internal control is an important part of the framework and is designed to manage risk to a reasonable level. It cannot remove all risk of failure to achieve policies and aims and can only provide reasonable protection. The system of internal control is based on an ongoing process designed to:

- Identify and prioritise anything that could prevent us from achieving our policies and aims
- Assess how likely it is that identified risks might happen and what the result would be if they did
- Manage those risks efficiently, effectively and economically

The Governance Framework describes what has been in place at Dover District Council for the year ended 31 March 2016 and up to the date of approval of the Council's accounts.

3. **OUR GOVERNANCE FRAMEWORK**

Our Governance Framework is made up of a Corporate Plan as well as many systems, policies, procedures and operations. The key features are:

(a) **Our Corporate Plan**

This is our main strategic document providing a framework for the delivery of our services and providing context for all the other strategies and plans that we have. The Corporate Plan for 2016-2020 is published and is available on the Council's website. The Council approved a new Corporate Plan in March 2016 which continues with the overall direction of travel as the previous version.

The following strategic priorities have been identified in the 2016-2020 Corporate Plan:

- Thriving Economy
- Clean, Green and Safe Environment
- Healthier People and Communities
- Smarter Council

(b) **Business Plans**

We have business plans in place supporting the aims of the Corporate Plan which include performance indicators that are used to measure our achievements. Copies of our performance report are available on our website.

(c) **Our Constitution**

Our Constitution details how we operate, how decisions are made and the procedures, which are to be followed. It also ensures that we work in an efficient and transparent way and that we are accountable to local people. The Monitoring Officer and Solicitor to the Council are responsible for keeping the Constitution under review.

(d) **The Executive**

The Executive are responsible for most decisions and is made up of the Leader and a Cabinet. Major decisions to be taken are published in advance in the Executive's Forward Plan, and will generally be discussed in a meeting open to the public. All decisions must be in line with our overall policies and budget. Any decisions the Executive wishes to take outside the budget or policy framework must be referred to Council as a whole to decide.

(e) **Corporate Management Team**

The Corporate Management Team comprises the Chief Executive (and Head of Paid Service) with responsibility for Regeneration and Development; Director of Governance (and Monitoring Officer); Director of Finance, Housing and Community (and S151 Officer) and Director of Environment and Corporate Assets.

Members of Corporate Management Team have a responsibility for the day to day running of each Division of the Council. They must regularly assess their Division's assurance arrangements and provide the Council with the opportunity to keep check on the adequacy of its overall arrangements.

(f) **Governance Committee**

The six appointed members of the Council provide independent assurance of the adequacy of the risk management framework and the associated control environment together with independent review of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment. The Committee also oversees the financial reporting process by considering the final Statement of Accounts. The Chairman provides an Annual Report of the Governance Committee to the Annual Council Meeting

(g) **Overview and Scrutiny**

There are two overview and scrutiny committees who support and monitor the work of the Executive. A "call-in" procedure or addition to the work programme allows scrutiny to review Executive decisions before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered. The Monitoring Officer provides an Annual Report of the Scrutiny Committees to the Annual Council Meeting.

(h) **Standards**

The standards of conduct and personal behaviour expected of our members and our officers, our partners and the community are defined in codes of conduct and protocols. These include:

- Members' code of conduct
- An effective performance management system
- Regular performance appraisals for staff linked to corporate and service objectives
- A fraud and corruption policy
- Member/officer protocols
- A Standards Committee.

The Chairman and Monitoring Officer jointly provide an Annual Report of the Standards Committee to the Annual Council Meeting.

We have effective formal and informal complaints procedures. Complaints of service maladministration are investigated and reported to the Standards Committee. Lessons learned from these complaints are reviewed and acted on.

The Monitoring Officer is responsible for considering allegations of Members breaches of the codes of conduct.

(i) **Our Solicitor**

The Solicitor to the Council provides his opinion on our compliance with our legal obligations.

(j) **Financial procedures and Contract Standing Orders**

We have to ensure that we act in accordance with the law as well as various other regulations. We have developed policies and procedures for our officers to ensure that, as far as are possible, they understand their responsibilities both to the Council

and to the public. Two key documents are the Financial Procedure Rules and the Contract Standing Orders, which are available to all officers via the Council's Intranet, as well as available to the public as part of the Constitution. The Contract Standing Orders were reviewed and changes approved by the Council at its meeting on 22 July 2015.

The Responsibility for Functions are currently being reviewed and changes will be considered by the Governance Committee during 2016.

(k) Financial Management

Our financial management arrangements conform with the requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. In addition to the Financial and Contractual procedure rules contained within the constitution, in order to maintain its financial management the Council operates budgetary control procedures which are used in conjunction with a Medium Term Financial Plan (MTFP).

Responsibility for ensuring that an effective system of internal financial control is maintained rests with the Section 151 Officer. The systems of internal financial control provide reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected quickly.

Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the segregation of duties, management supervision and a system of delegation and accountability. On-going development and maintenance of the various processes may be the responsibility of other managers.

In particular, the process includes:

- The setting of annual budgets;
- Producing the Medium Term Financial Plan
- Monitoring of actual income and expenditure against the annual budget;
- A mid-year review of the annual budget;
- Setting of financial and performance targets, including the use of the prudential code and associated indicators;
- Quarterly reporting of the Council's financial position to Members;
- Clearly defined capital expenditure guidelines;
- Treasury Management Strategy
- The monitoring of finances against a Medium Term Financial Plan;
- Managing risk in key financial service areas.
- A continuous and effective internal audit.

Through our budget monitoring processes we are able to ensure that financial resources are being used to their best advantage, this includes quarterly management reporting to the Corporate Management Team and Members.

Financial planning is underpinned by business planning. Increased expenditure in any service area has to be justified to the Corporate Management Team, and where necessary approved by the Executive. Corporate Management Team is tasked with prioritising resources to ensure that the objectives within Corporate Plan are

supported by the individual business plans, and that improvements are in line with corporate objectives.

(l) **Policies**

Corporate policies on a range of topics such as Equality, Information Governance and Data Protection are all subject to internal review. We keep all staff aware of changes in policy, or documentation through a system called NETconsent. The corporate training needs are identified each year and appropriate training for all or key members of staff is provided.

(m) **Risk**

The risk management strategy, which forms part of the Governance Local Code, shows the role both Members and Officers have in the identification and minimisation of risk. Risks are recorded in a Corporate Risk Register and are then subject to regular review.

(n) **Service Assurance**

A Service Assurance Statement is produced annually by all Directors of this Council and of Shared Services detailing their assessment of their services. They are required to give assurance that risks have been identified, that sound business arrangements operate in their service areas, and that the service is subject to monitoring and review in order to assess performance.

(o) **Performance Management Framework**

Progress towards the achievement of our objectives is monitored through our Performance Management Framework. A quarterly Performance Report is produced and reviewed by Corporate Management Team, by Cabinet and by the Scrutiny (Policy and Performance) Committee.

(p) **Internal Audit**

The East Kent Audit Partnership Internal Audit Team reports to the Director of Finance, Housing and Community. They operate under a Charter, which defines their relationship with our officers, and the Governance Committee. Their main responsibility is to provide assurance and advice on our internal control systems to the Corporate Management Team and Members. Internal Audit reviews the adequacy, reliability and effectiveness of internal control and recommends improvements where appropriate. It also supports the development of systems, providing advice on risk and control.

As part of the annual review of governance arrangements and in particular the System of Internal Control, we are required to undertake an annual review of the effectiveness of the system of internal audit.

(q) **Service Reviews**

The Delivering Effective Services (DES) group consists of a small number of senior managers, supported by the Corporate Services Team who carry out the following tasks:

- Act as a Corporate think-tank to aid Service Managers and CMT in decision-making
- Identification of potential efficiencies and budget savings.
- Offer a review service to encourage and produce innovation and transformation in service delivery, especially involving the digital agenda.
- A review team holding a strategic overview of the organisation (and wider environment) to consider potential duplication as well as the benefits of links between services, both internally and externally, supporting the prevention of silo decision-making and services.

(r) **Digital Service Reviews**

Digital service reviews are undertaken by the DES Group, in conjunction with the Heads of Service, in order to maximise the use of digital technology across the Council, to include:

- A redesign the review process to be focused on digital opportunities for services for the medium term and to assess the resources needed to deliver those opportunities;
- Adoption of a digital project approval process.
- Involvement of a business analyst function during the review processes.
- A proactive role in developing the ICT corporate investment requirements for the future which should include both hardware and software developments.
- Providing a centralised corporate focus for digital innovation and encourage the use of technology for all services.

(s) **Core Strategy**

The Core Strategy is the overarching statutory planning document for the District and was adopted by the Council in February 2010. The Core Strategy identifies the overall economic, social and environmental objectives for the District and the amount, type and broad location of development that is needed to fulfil those objectives.

(t) **State of the District Report**

This is published on our website and revised annually. It is a backward look over the last year using the latest information, data and statistics available at the time of drafting.

(u) **Communication and Consultation**

Strategies are in place. We have active Twitter and Facebook accounts, enabling the Council to communicate effectively with our communities and also enabling members of the public to communicate their views on a wide range of matters. In 2015 the Council launched its 'Keep Me Posted' email alert service which enables members of the public to subscribe to email messages from the Council on a wide range of topics. Subscribers to the service can choose from as many topics as they wish and can update their preferences as often as they like.

(v) **Equality**

We have published our equality objectives and report helping to ensure that all groups in our community have a voice, can be heard and know how we make our decisions. A revised equality policy was adopted by Cabinet in March 2016.

(w) **Whistleblowing**

A confidential reporting hotline is in place to enable internal and external whistleblowing. Informants are requested to be open in their disclosure, but it is recognised that on occasions informants will wish to remain anonymous. There are also processes in place for staff to report through their line managers or East Kent Audit.

(x) **Employment Management**

The Employment Management Group considers all requests to fill staff vacancies. The group is chaired by the Director of Governance and supported by the Head of Finance, Head of Communications and Engagement and the EK Human Resources Business Partner. Their recommendations are considered by the Head of Paid Service who provides the final decision as to which posts can be filled.

(y) **Partnerships**

Partnership evaluation criteria have been established to help ensure that all key governance criteria are incorporated into new and existing partnerships.

4. REVIEW OF EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

We have a responsibility for conducting, at least annually, a review of the effectiveness of our governance framework including the system of internal control. This review is informed by the work of our Internal Auditors and the Head of the Audit Partnership's Annual Report, the work of our Directors and Heads of Services and their managers who have responsibility for the development and maintenance of the governance environment. This review is also informed by the findings and reports of our external auditors together with any other review agencies or inspectorates.

(a) **The Director of Governance has responsibility for:**

- Monitoring the Constitution and keeping it up to date
- Overseeing and monitoring the Corporate Code of Governance
- Maintaining and updating the code if required by best practice
- Reporting annually to members on compliance with the code

(b) **Cabinet has responsibility for:**

- All Executive Decisions in respect of functions delegated to it by the Leader of the Council
- Setting robust and challenging targets and
- Monitoring the achievement of key priorities

(c) **Scrutiny (Policy and Performance) Committee has responsibility for:**

- Scrutiny of budgets and major policies
- Monitoring the achievement of key priorities
- Scrutiny co-ordination

(d) **The Governance Committee has a responsibility for:**

- Ensuring effective internal audit and internal control arrangements
- Receiving the annual Internal Audit Programme of work
- Receiving quarterly updates from the Head of the Audit Partnership on the assurance which can be placed against various systems and processes during the year
- Reviewing the annual assessment at the year end.
- Receiving the annual review of internal control
- Receiving the annual constitutional review
- Reviewing risk management arrangements
- Receiving Quarterly Treasury Management Reports
- Receiving the Annual Statement of Accounts

(e) **Internal Audit has responsibility to:**

- Provide an independent annual statement on the systems of internal control, highlighting areas of concern
- Report on the level of assurance in respect of the Council's internal control systems
- Provide an overall level of assurance

5. **THIS YEAR'S REVIEW**

(a) **Council**

A new Corporate Plan for 2016-2020 was approved by Council in March 2016.

Article 15 of the Council's Constitution makes provision for the regular review of the Constitution by the Monitoring Officer. During 2015/16 a number of changes have been incorporated to reflect legislative and organisational change, as well as some format changes intended to make the document more accessible. The key focus of the next review due in 2016 review is Part 3 Responsibility for Functions – incorporating amendments required as a consequence of legislative and organisational change and reorganising the delegations into a new easier to read format.

(b) **Cabinet**

Key Executive decisions were considered by the Cabinet, in particular relating to the budget and medium term financial plan, and the delivery of key regeneration priorities.

The Council's Quarterly Performance Report was reviewed quarterly. This examines our performance against agreed performance targets and our key priorities.

(c) **Scrutiny**

The Council's key priorities and Performance Indicators were reviewed regularly and challenged if necessary.

The Annual Report of the work of the Scrutiny Committees for 2015/16 was presented to the Annual Council Meeting on 18 May 2016. This identified sound

governance arrangements, including an effective scrutiny process, which underpins the achievement of all the Council's corporate objectives.

(d) **Governance Committee**

The Governance Committee received quarterly updates from the Head of East Kent Audit Partnership on the assurance which can be placed against various systems and processes during the year, including reviews of internal controls, along with the annual assessment. The Committee kept a check on those areas that have not achieved expected levels of audit assurance.

This Committee also reviewed the effectiveness of the Council's risk management arrangements.

The Director of Governance and Solicitor to the Council are responsible for ensuring that the Constitution is subject to annual review. A full review was not undertaken during 2015/16 however a number of changes have been incorporated to reflect legislative and organisational change, as well as some format changes intended to make the document more accessible. These changes were agreed by the Governance Committee during the year and these are all documented on our website.

The Annual Report of the work of the Governance Committee for 2015/16 was presented to the Annual Council Meeting on 18 May 2016. This gave a positive opinion on the system of internal control. The Governance Committee continued to be assured of the integrity and reliability of data held in financial statements. The work undertaken by Internal and External Audit provided detailed assurance on those areas of the Council's work which were the subject of reports.

The assurances from the Director of Finance, Housing and Community, Director of Governance and Director of Environment and Corporate Assets and the work of Internal and External Audit together supported the Committee in forming their opinion of the financial statements, enabling them to agree to sign the 2014/15 accounts in accordance with the regulations. For this year, the same process provides the committee with the necessary assurances to approve the 2015/16 accounts at its meeting on 30 June 2016.

The submission of this Annual Report continues to enhance the effective communication.

(e) **Standards Committee**

The Standards Committee received quarterly reports on the progress of formal complaints against the Council and lessons learned from those complaints.

There were no findings against Dover District Council from the Local Government Ombudsman in 2015/16.

Changes adopted by Council in January 2014, included a provision which allows Members to declare non-financial interests. The Model Code of Conduct continues to be regularly reviewed in order to ensure that it remains fit for purpose. The ability to declare a non-financial interest has been welcomed by Members and has been utilised on several occasions to ensure transparency in decision-making.

Training on the Code of Conduct was provided in May/June 2015 for new Members following the local elections on 7 May 2015.

During 2015/16 the Monitoring Officer received eight complaints, three cases related to Parish Councillors and five related to a District Councillor. No cases were subject to further investigation and the Standards Committee Hearing Panel did not meet during 2015/16 to conduct a hearing into a complaint that had been the subject of an investigation.

During the municipal year 2015/16 there were two requests for dispensation relating to the Kent County Council Electoral Arrangements Review which applied from 16 July 2015 until 6 May 2019.

(f) **Review of Internal Audit**

The effectiveness of internal audit is monitored jointly by the Monitoring Officer and the Section 151 Officer through:

- Quarterly review meetings with the Head of Internal Audit
- Sign off of the Audit Plan
- Review of the internal audit annual report
- Attendance at Governance Committee
- Review of individual audit reports
- Meetings with the S151 officers of the other partners

(g) **The Work of Internal Audit**

Based on their work undertaken during the year, the Head of the Audit Partnership considers that there are no major areas of concern, which would give rise to a qualified audit statement regarding the systems of internal control.

The report also considers that the Council can have very good level of assurance in respect of all of its main financial systems and a good level of assurance in respect of the majority of its Governance arrangements.

Many of the main financial systems, which feed into the production of the Council's Financial Statements, have achieved a good level of assurance following audit reviews. The report goes on to state that the Council can be very assured in these areas and that this position is the result of improvements to the systems and procedures over recent years and the willingness of management to address areas of concern that have been raised.

There was one audit review where only a limited assurance level was given and a follow-up has been arranged for the first quarter of 2016/17; 94% of the reviews account for substantial or reasonable assurance on the system of internal control in operation at the time of the review. There were no reviews assessed as having no assurance. During 2015/16 Internal Audit raised and reported to the quarterly Governance Committee meetings 121 recommendations, and whilst 78% were in the High or Medium Risk categories, none were so significant that they needed to be escalated at the time. After follow up there are no high-risk recommendations outstanding at the year-end.

There were no fraud investigations carried out during 2015/16.

(h) **External Reviews**

There were no external reviews held this year.

(i) **Service Reviews during the Year**

During the year reviews were undertaken in the following areas:

- Parking Service
- Digital Services
- Regulatory Services
- Communications
- Document Management

(j) **Training**

Member training is now contained in the constitution where requirements for different roles and committees are explained in detail.

(k) **Members Code of Conduct**

The Principles of Good Conduct are contained within the Member Code of Conduct, a revised version of which came into force in February 2014.

6. **SIGNIFICANT GOVERNANCE ISSUES DURING THE YEAR**

- (a) Local Government Ombudsman. There were seven cases investigated by the Local Government Ombudsman during 2015/16 but no maladministration was found.
- (b) DBS checks required for certain posts to meet our 2015 PSN obligations and the 2016 PSN requirements.
- (c) The transition to Individual Electoral Registration ended with the publication of the Register of Electors on 1 December 2015. All applications to register are now the subject of identity checks by the Electoral Registration Officer.
- (d) This Council was a defendant, (as were virtually all District and Unitary Councils), in proceedings brought by a group of Property Search Companies for fees paid to the Council to access land charges data. The first claim has now been settled, a second claim has also been settled although the costs remain to be agreed.
- (e) Corporate information governance – an East Kent Corporate Information Governance Group has been established and meets regularly to improve the management and security of sensitive data. The Group is developing a number of new and revised policies which will be subject to staff consultation before adoption during 2016/17
- (f) Parliament now sits for a fixed term of five years. The General Election held on 7 May 2015 coincided with the District Council and Parish elections. This was the most complex set of elections held for many years, with a high turnout that impacted on the polling stations and election counts. To successfully deliver these elections efficiently and effectively required the involvement of most Council staff on the day, whilst a significant number of key staff were seconded to election duties, before the date.

- (g) Work on revised Statement of Particulars and a Conditions of Service Handbook, which incorporates a revised Employee Code of Conduct and a range of updated policies was progressed. This will be the subject of formal consultation with all staff during the early summer 2016, with the aim of seeking General Purposes Committee approval in September 2016.
- (h) The Council is the strategic procurement lead in procuring a new telephone system on behalf of all three East Kent partners. The new system will be implemented during 2016/17.
- (i) East Kent Services Collaboration Agreement – a further review of the Collaboration Agreement for EKS and EKHR was undertaken and approved for sealing by this Council in January 2015 and by the East Kent Services Committee in February 2015. The process of sealing began in April 2015, but a number of subsequent minor legislative changes will require the schedules to be reconsidered by each Cabinet and Council and EKSC before formal sealing can be finalised.
- (j) The Assets of Community Value requirements have added an additional responsibility for the Council, dealing with high profile listing and, in some cases, reviews of listings.

7. IMPROVEMENTS DURING THE YEAR

- (a) The Council obtained Public Sector Network (PSN) Compliance for 2015. This included IT Equipment, systems and software upgrades to ensure PSN compliance. Staff and members can work safely and securely from any location.
- (b) In February 2015 the three SIROs (Senior Information Risk Owner) and their deputies of the Councils of Canterbury, Dover and Thanet together with key staff from EKS (ICT), EKHR and EKAP formed the East Kent Corporate Information Governance Group. The main objective was to provide support to the SIROs and to develop a suite of Information Governance Policies for the three Councils. These policies and their overarching framework will be the subject of formal consultation with all staff during summer 2016, with the aim of seeking General Purposes Committee approval in autumn 2016 before formal launch with the intention of affecting behavioural change.
- (c) The use of digital technology across the Council has continued to grow which will enable more efficient processes to be adopted.
- (d) Safeguarding Children was identified as a key issue for the Council and suitable online training was provided for all staff.
- (e) All staff were required to undertake data protection training as well as a range of health and safety training (display screen equipment; fire safety; basic manual handling; slips, trips and falls and basic personal safety) via the Council's online e-learning system.
- (f) A Health and Safety Project Team supported the production of risk assessments for every service across the Council. The Project Team has identified corporate training needs across the Council which support managers in mitigating the key risks.

8. **STATEMENT OF THE LEADER OF THE COUNCIL AND THE CHIEF EXECUTIVE**

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and plan to address weaknesses and ensure continuous improvement of our systems is in place.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified and will monitor their implementation and operation as part of our next annual review.

Signature: _____ Date: _____
Councillor Paul Watkins
Leader of the Council

Signature: _____ Date: _____
Nadeem Aziz
Chief Executive

Governance Assurance Statement Action Plan – Backward Looking

Action Description	Evidenced by	Due
The corporate plan to be kept up to date and any necessary update is published	Corporate plan has been revised and is up to date and published on the website	31/03/16
The Constitution and Code of Conduct are subject to an annual review and updated where applicable	The constitution has been changed to reflect legislative and organisational change and amendments agreed by Council	31/03/16
Business Plans prepared and published for each division	Business plans for the forthcoming year completed and returned to Corporate Services.	31/03/16
Quarterly performance reports all reviewed by Cabinet and Scrutiny.	Performance reports published on the website.	31/03/16
	Performance reports reviewed by Cabinet and Scrutiny as per minutes published on the Website.	31/03/16
Audit reports reviewed quarterly by Governance Committee and follow up reviews undertaken where the audit review show the expected levels of assurance had not been achieved.	Actions in Audit reports followed up	31/03/16
	Quarterly audit reports all reviewed by Governance Committee	31/03/16
Standards Committee have received quarterly reports on the progress of formal service complaints against the Council and lessons learned from those complaints.	Standards committee review progress on all formal complaints at least half yearly. Reports published on website.	31/03/16
Alleged breaches of the Members' Code of Conduct by District, Town and Parish Councillors are considered by the Monitoring Officer in a timely manner	Breaches of the Member Code of Conduct have been considered by the Monitoring Officer in consultation with the Independent Person throughout the year.	31/03/16
Audit undertakes their annual review of the effectiveness of systems of internal control.	Audit have undertaken their annual review of the system of internal control and the results are built in to their annual report	31/03/16
All digital service reviews that are planned are undertaken	Digital service reviews were held during the year as planned and changes implemented.	31/03/16
The actions brought by property search companies are carefully managed and addressed	Land charges actions carefully managed and addressed.	31/03/16
Governance Framework reviewed and any amendments approved.	All amendments approved	31/03/16
The provision for clawback of MMI insurance claims is reviewed and is adequate	MMI provision is as per the MMI annual statement	31/03/16

Action Description	Evidenced by	Due
Employee Code of Conduct Developed	Employee code of conduct is being developed as part of revised Conditions of Service and Statement of Particulars for consideration by the General Purposes in 2016/16	Ongoing
Officer Training Plan Developed	Corporate Training Needs agreed and in use	31/03/16
Safeguarding Children	Training to be provided for all staff.	25/09/15
Corporate Information Governance	Development of corporate information and security governance policies for East Kent	31/03/16
Audit Panel	At the Governance Committee on 3 December 2015, it was resolved that the Council would opt in to the sector lead approach in accordance with the Local Audit (Appointing Person) Regulations 2015. The Council will be asked to approve this approach during 2016/17.	31/12/15

Governance Assurance Statement Action Plan – Forward Looking

Action Description	Evidenced by	Due
The corporate plan to be been kept up to date and any necessary update is published	Corporate plan is up to date and published on the website	31/03/17
The Constitution and Code of Conduct are subject to an annual review and updated where applicable	The constitution has been reviewed and amendments agreed by Council	31/03/17
Business Plans prepared and published for each division	Business plans for the forthcoming year completed and returned to Corporate Services.	31/03/17
Quarterly performance reports all reviewed by Cabinet and Scrutiny.	Performance reports published on the website.	31/03/17
	Performance reports reviewed by Cabinet and Scrutiny as per minutes published on the Website.	31/03/17
Audit reports reviewed quarterly by Governance Committee and follow up reviews undertaken where the audit review show the expected levels of assurance had not been achieved.	Actions in Audit reports followed up	31/03/17
	Quarterly audit reports all reviewed by Governance Committee	31/03/17
Standards Committee have received reports on the progress of formal service complaints against the Council and lessons learned from those complaints.	Standards committee review progress on all formal complaints at least half yearly. Reports published on website.	31/03/17
Alleged breaches of the Members' Code of Conduct by District, Town and Parish Councillors are considered by the Monitoring Officer in a timely manner	Breaches of the Member Code of Conduct have been considered by the Monitoring Officer throughout the year.	31/03/17
Audit undertake their annual review of the effectiveness of systems of internal control.	Audit have done their annual review of the system of internal control and the results are built in to their annual report	31/03/17
All digital service reviews that are planned are undertaken	Digital service reviews were held during the year as planned and changes implemented.	31/03/17
Governance Framework reviewed and any amendments approved.	All amendments approved	31/03/17
The provision for clawback of MMI insurance claims is reviewed and is adequate	MMI provision is as per the MMI annual statement	31/03/17
Employee Code of Conduct Developed	Employee code of conduct is being developed as part of revised Conditions of Service and Statement of Particulars for consideration by the General Purposes in 2016/17	01/10/16

Action Description	Evidenced by	Due
Officer Training Plan Developed	Corporate Training Needs agreed and in use	31/03/17
Corporate Information Governance	Development of corporate information and security governance policies for East Kent	30/10/16
Audit Panel	At the Governance Committee on 3 December 2015, it was resolved that the Council would opt in to the sector lead approach in accordance with the Local Audit (Appointing Person) Regulations 2015. The Council will be asked to approve this approach during 2016/17.	31/12/16



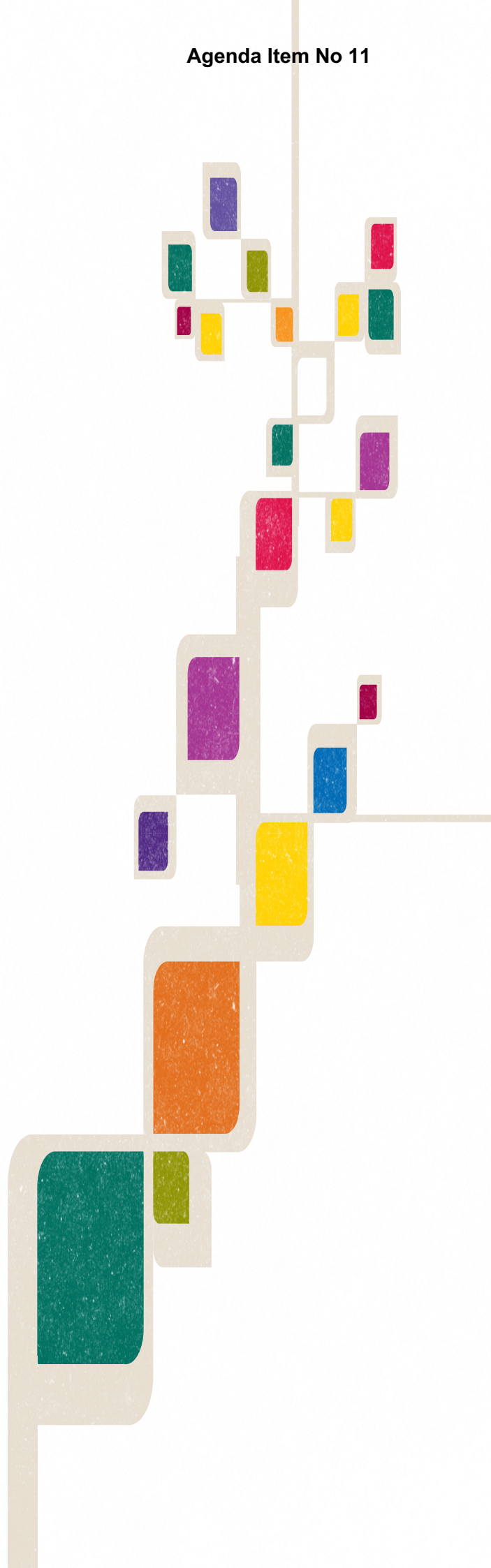
Governance Committee Update Report for Dover District Council *Year ended 31 March 2016*

June 2016

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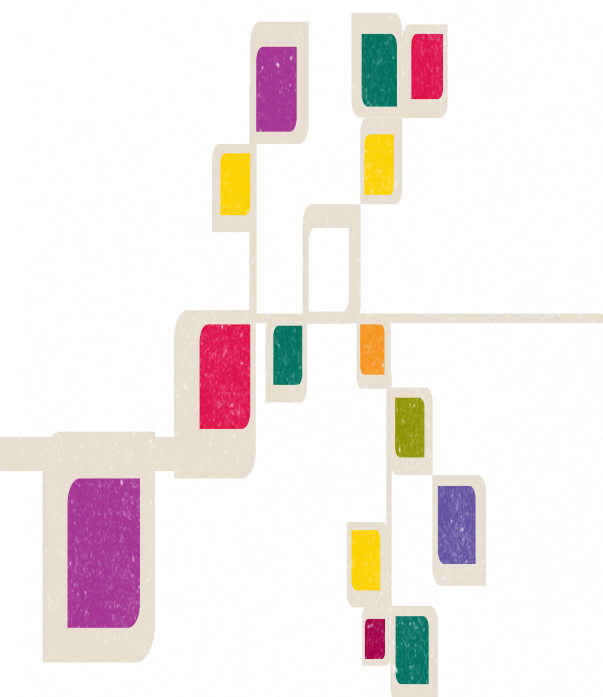
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business 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

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

Members of the Governance Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications including:

- Better Together: Building a successful joint venture company;
<http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>
- Knowing the Ropes – Audit Committee; Effectiveness Review ; www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/
- Making devolution work: A practical guide for local leaders (October 2015)
www.grantthornton.co.uk/en/insights/making-devolution-work/

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.



Elizabeth Olive
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Terry Blackman
Engagement Manager

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Progress at June 2016



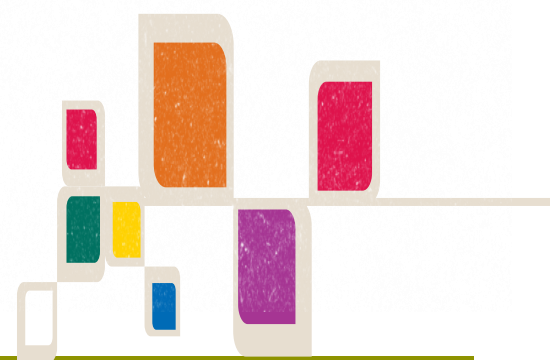
Progress against plan
On track

Opinion and VfM conclusion
Plan to give in July 2016, before deadline of 30 September 2016

Outputs delivered
Fee letter, Progress Reports, delivered to plan

2015/16 work	Completed	Comments
<p>Fee Letter We issued the 'Planned fee letter for 2015/16 in April 2015.</p>	April 2015	<p>The Commission published the work programme and scales of fees for the audit of the 2015/16 accounts reducing scale audit fees for Councils by 25%.</p> <p>The fee letter confirmed the 2015/16 scale audit fees as £60,311.</p> <p>After the Commission’s closure, the 2015/16 work programme and fees is accessible from the PSAA website psaa.co.uk.</p> <p>We have also recently issued the fee letter for 2016/17, with no change to the fee proposed. This is reported to this meeting of the Audit Committee.</p>
<p>Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2015-16 financial statements. We also inform you of any subsequent changes to our audit approach.</p>	March 2016	This was presented to the Audit Committee in March 2016
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early substantive testing 	March 2016	<p>The finding from our interim audit were included in the audit plan, presented to the March 2016 Audit Committee.</p> <p>As part of our formal communication between auditors and the council's Audit Committee, we have sent letters to the Chair of the Audit Committee and the Director of Finance, requesting views on management's arrangements and member oversight, to prevent and detect fraud and to ensure compliance with laws and regulations. (see separate item on this June agenda)</p>

Progress at June 2016



2015/16 work	Completed	Comments
<p>Final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> • Audit of the 2015-16 financial statements • proposed opinion on the Council's accounts 	<p>In progress (due July 2016)</p>	<p>We are planning to complete our audit by 31st July as part of the transition to the earlier closedown and audit cycle that is required from 2018.</p> <p>The findings from this work will be presented within our Audit Findings Report, presented to the Committee in July 2016.</p>
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work has changed and is set out in the final guidance issued by the National Audit Office in November 2015. 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".</p> <p>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".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties <p>We will be required to report by exception if we conclude that we are not satisfied that the Council has in place proper arrangements to secure value for money in the use of its resources for the period.</p>	<p>In progress (due July 2016)</p>	<p>We set out the results of our risk assessment and the proposed focus of our work in the audit plan presented to the March Audit Committee.</p> <p>The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report in July 2016.</p> <p>We will include our conclusion as part of our report on your financial statements which we are planning to issue by 31 July 2016.</p>
<p>Housing Benefits 2015/16</p> <p>We are required to certify the Housing Benefit Claim in accordance with HBCOUNT approach by 30 November 2016.</p>	<p>August 2016 – November 2016.</p>	<p>Our initial fieldwork is scheduled for September 2016.</p>
<p>Other activities</p> <p>Since our last committee update, we have issued our LG financial health and governance review.</p>	<p>n/a</p>	<p>We would always be happy to discuss any other ways in which Grant Thornton can support the Council.</p>

Grant Thornton
reports

Better Together: Building a successful joint venture company

Local government is evolving as it looks for ways to protect front-line services. These changes are picking up pace as more councils introduce alternative delivery models to generate additional income and savings.

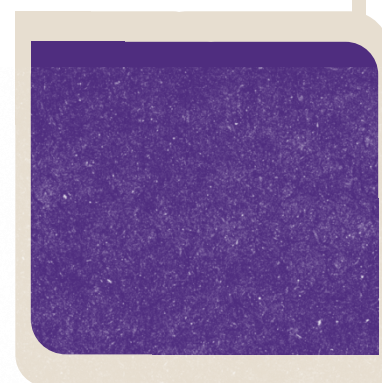
'Better together' is the next report in our series looking at alternative delivery models and focuses on the key areas to consider when deciding to set up a joint venture (JV), setting it up and making it successful.

JVs have been in use for many years in local government and remain a common means of delivering services differently. This report draws on our research across a range of JVs to provide inspiring ideas from those that have been a success and the lessons learnt from those that have encountered challenges.

Key findings from the report:

- JVs continue to be a viable option – Where they have been successful they have supported councils to improve service delivery, reduce costs, bring investment and expertise and generate income
- There is reason to be cautious – Our research found a number of JVs between public and private bodies had mixed success in achieving outcomes for councils
- There is a new breed of JVs between public sector bodies – These JVs can be more successful at working and staying together. There are an increasing number being set up between councils and wholly-owned commercial subsidiaries that can provide both the commercialism required and the understanding of the public sector culture.

Our report, Better Together: Building a successful joint venture company, can be downloaded from our website: <http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>



Grant Thornton
An instinct for growth™

ALTERNATIVE SERVICE DELIVERY MODELS IN LOCAL GOVERNMENT

Better together
Building a successful
joint venture company



Knowing the Ropes – Audit Committee Effectiveness Review

We have published our first cross-sector review of Audit Committee effectiveness encompassing the corporate, not for profit and public sectors.

It provides insight into the ways in which audit committees can create an effective role within an organisation's governance structure and understand how they are perceived more widely. The report is structured into four key issues:

- What is the status of the audit committee within the organisation?
- How should the audit committee be organised and operated?
- What skills and qualities are required in the audit committee members?
- How should the effectiveness of the audit committee be evaluated?

The detailed report is available here

<http://www.grantthornton.co.uk/en/insights/knowning-the-ropes--audit-committee-effectiveness-review-2015/>

Size: 3-5 members is an ideal size for an audit committee

Frequency: meetings should be regular and the length should adapt to content

Relevance: audit committee members should be selected based on the skills and experience they bring

Communication: papers should strike the balance between detail and length

Ability: training should be provided for audit committee members

Clarity: the role of the audit committee and its relationship with other committees, should be clearly defined

Evolution: audit committees should continually develop

The two key things that audit committee members should be asking are:

- 1 What is expected of the audit committee and does it reflect the specific nature of the industry in which the organisation sits?
- 2 Does the audit committee have clear terms of reference in place? Audit committees should set themselves targets for what they want to achieve and define how these will be measured to ensure they are operating effectively.

Fighting Fraud and Corruption Locally

CIPFA publication

Fighting Fraud and Corruption Locally is a strategy for English local authorities that is the result of collaboration by local authorities and key stakeholders from across the counter fraud landscape .

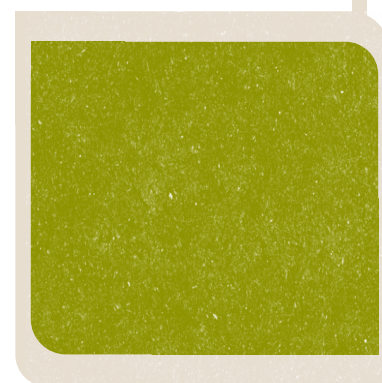
This strategy is the result of an intensive period of research, surveys, face-to-face meetings and workshops. Local authorities have spoken openly about risks, barriers and what they feel is required to help them improve and continue the fight against fraud and to tackle corruption locally.

Local authorities face a significant fraud challenge. Fraud costs local authorities an estimated £2.1bn a year. In addition to the scale of losses, there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes. Local authorities will need to work with new agencies in a new national counter fraud landscape.

The strategy:

- calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment
- illustrates the financial benefits that can accrue from fighting fraud more effectively
- calls upon central government to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers to improvement
- updates and builds upon Fighting Fraud Locally 2011 in the light of developments such as The Serious and Organised Crime Strategy and the first UK Anti-Corruption Plan
- sets out a new strategic approach that is designed to feed into other areas of counter fraud and corruption work and support and strengthen the ability of the wider public sector to protect itself from the harm that fraud can cause.

The strategy can be downloaded from <http://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally>





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Tuesday, 21 June 2016

Dear Councillor Heath,

Dover District Council Financial Statements for the year end 31 March 2016 - obtain an understanding how the Audit Committee gains assurance from management

To comply with International Auditing Standards, each year we need to refresh our understanding of how the Governance Committee gains assurance over management processes and arrangements.

I would be grateful, therefore, if you could write to me with your responses to the following questions.

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

We would be grateful if you could provide a response by 30 June 2015. You may find it useful to co-ordinate both the Committee and management responses to our letters in time for discussion at that the June Committee meeting.

Please contact me if you wish to discuss anything in relation to this request.

Yours sincerely

A handwritten signature in black ink, appearing to read 'T Blackman', with a long horizontal flourish extending to the right.

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21 April 2016

Dear Nadeem

Planned audit fee for 2016/17

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

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

Scale fee

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

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

PSAA have proposed that 2016/17 scale audit fees are set at the same level as the scale fees applicable for 2015/16. The Authority's scale fee for 2016/17 has been set by PSAA at £53,685.

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

Scope of the audit fee

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

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

The scale fee covers:

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

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

Value for Money conclusion

The Code requires us to consider whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

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

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

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

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2016	13,421.25
December 2016	13,421.25
March 2017	13,421.25
June 2017	13,421.25
Total	53,685.00
<hr/>	
Grant Certification	
March 2017	38,224

Outline audit timetable

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

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

Our team

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

	Name	Phone Number	E-mail
Engagement Lead	Elizabeth Olive	0207 728 3329 07880 456 184	elizabeth.lolive@uk.gt.com
Engagement Manager	Terry Blackman	0207 728 3194 07880 456 179	terry.blackman@uk.gt.com
Support Manager	Andy Ayre	0207 728 2328 07709 165 208	andy.j.ayre@uk.gt.com
In Charge Auditor	Andy Southall	01173 057636	andy.m.southall@uk.gt.com

Additional work

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

Quality assurance

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

Yours sincerely



Elizabeth Olive
Engagement Lead

For Grant Thornton UK LLP