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7 June 2010

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 Wednesday 16 June 2010 at **5.00 pm** when the following business will be transacted.

Please note the earlier start time of this meeting.

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

Yours sincerely

Chief Executive

PLEASE NOTE THAT THERE WILL BE IN-HOUSE TRAINING FOR MEMBERS OF THE COMMITTEE AND THEIR SUBSTITUTES AT THE CONCLUSION OF THIS MEETING.

Governance Committee Membership:

Councillor D A Mayes	(Chairman)
Councillor M D Conolly	(Vice-Chairman)
Councillor B W Bano	
Councillor M R Eddy	
Councillor C E Kirby	
Councillor J C Record	

DECLARATIONS OF INTEREST

Members are required to disclose the existence and nature of a personal interest at the commencement of the item of business to which the interest relates or when the interest becomes apparent. An explanation in general terms of the interest should also be given to the meeting. If the interest is also a prejudicial interest, the Member should then withdraw from the room or chamber.

AGENDA

1. **APOLOGIES**
2. **APPOINTMENT OF SUBSTITUTE MEMBERS**
To note appointment of Substitute Members.
3. **MINUTES** (Pages 4-7)
To confirm the attached Minutes of the meeting of the Committee held on 24 March 2010.
4. **WRITE OFFS OF INVOICES DEEMED IRRECOVERABLE FOR 2009** (Pages 8-9)
To consider the attached report of the Income, Taxation and Enforcement Manager as requested at the last meeting of the Committee.
5. **MEMBERS' USE OF THE IVYSOFT ON-LINE TRAINING SYSTEM OR EXTERNAL TRAINING FOR EQUALITY AND DIVERSITY ISSUES** (Page 10)
To consider the attached report of the Head of Governance.
6. **STATEMENT OF EFFECTIVENESS OF INTERNAL AUDIT** (Pages 11-13)
To consider the attached joint report of the Head of Governance and Head of Finance and ICT.
7. **INTERNAL AUDIT ANNUAL REPORT 2009/10** (Pages 14-27)
To consider the attached report of the Head of Audit Partnership.
8. **2009/10 ANNUAL GOVERNANCE ASSURANCE STATEMENT** (Pages 28-58)
To consider the attached report of the Head of Governance.
9. **INTERNAL AUDIT QUARTERLY PROGRESS REPORT** (Pages 59-118)
To consider the attached report of the Head of Audit Partnership.
10. **AUDIT OPINION PLAN 2009/10** (Pages 119-133)
To consider the attached report of the Audit Commission.
11. **ANNUAL AUDIT AND INSPECTION FEE 2010/11** (Pages 134-139)
To consider the attached letter from the Audit Commission.
12. **COMPLIANCE WITH INTERNATIONAL AUDITING STANDARD** (Page 140)
To consider the attached letter from the Audit Commission.

13. **AUDIT COMMISSION CHECKLIST – PROTECTING THE PUBLIC PURSE**

Members were recommended to view this document on-line at www.audit-commission.gov.uk/nationalstudies/localgov/Pages/20090915protectingthepublicpurs.e.aspx and bring their comments to the meeting.

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 are normally published within five working days of each meeting. All agenda papers and minutes are available for public inspection for a period of six years from the date of the meeting. Basic translations of specific reports and the Minutes are available on request in 12 different languages.
- If you require any further information about the contents of this agenda or your right to gain access to information held by the Council please contact: Pauline Hodding, Senior Democratic Support Officer, telephone: (01304) 872305 or email: paulinehodding@dover.gov.uk for details.

Large print copies of this agenda can be supplied on request.

Minutes of the meeting of the **GOVERNANCE** Committee held at the Council Offices, Whitfield on Wednesday 24 March 2010 at 6.00 pm.

Present:

Chairman: Councillor M D Conolly (Vice-Chairman in the Chair)

Councillors: B W Bano
M R Eddy
D A Mayes
J C Record

Officers: Head of Governance
Head of Finance and ICT
Audit Manager
Governance Investigator
Taxation and Enforcement Manager
Senior Democratic Support Officer

An apology for absence was received from the Head of Audit Partnership.

493 MINUTES

The Minutes of the meeting of the Committee held on 29 November 2009 were approved as a correct record and signed by the Chairman.

494 INTERNATIONAL FINANCIAL REPORTING STANDARDS (Minute No 321)

The Head of Finance and ICT referred to the Minute of the previous meeting in respect of the introduction of IFRS and implications for resources. Members were advised that two Accountancy officers had left in December 2009 with the result that, while there was currently no risk to the day to day service provided, there was a lack of resilience within the section and a risk to closing the accounts on time and to the required technical standard. The closing timetable for the Statement of Accounts had been circulated to all members of the Committee immediately prior to the meeting for information as part of the general assurance of financial probity. Members were asked to promote the importance of completing the Related Parties Transactions form which was about to be distributed to all Members, as this would greatly assist officers.

RESOLVED: That the situation be noted.

495 PROGRESS WITH SHARED SERVICES

Committee considered the report of the Governance Investigator on progress with shared services between the East Kent Authorities of Dover, Canterbury, Shepway and Thanet. The East Kent Internal Audit Partnership was already in place and the Human Resources & Payroll service had been hosted by Dover since 1 January 2010. The Head of Governance explained the withdrawal from the Investors in People (IiP) scheme in 2010 and undertook to provide a report to the next meeting on the measures necessary for this Council to reapply for IiP status. The principles behind IiP would still be maintained by the Council in the interim. In reply to a query about the meetings of East Kent Joint Arrangements Committee (EKJAC) and East Kent Joint Scrutiny Committee (EKJSC), Members were advised that the Minutes of

EKJAC were submitted to each Council's Executive and those of EKJSC to the Council's Scrutiny Committees so would be available for viewing.

- RESOLVED: (a) That the progress on joint working in relation to the Annual Governance Action Plan 2009/10 be noted.
- (b) That an update on actions required and being taken in order to facilitate a successful IIP inspection at a future date be reported to the next meeting of the Committee.

496 AMENDMENT TO THE CONSTITUTION – POLICY STATEMENT ON WRITE OFFS

The Head of Business and Community Transformation and the Head of Finance and ICT had submitted reports on progress made with improving operational practices for aged debt management and debt write-off which would require a minor change to the Council's Constitution. A new protocol for aged debt management was attached to the report. In addition the Head of Finance and ICT advised that the current policy statement on write-offs did not provide the S151 Officer with the authority to delegate write-offs to other officers and the Council's Constitution therefore required amending to permit this. An amended Appendix 8 to Part 4 of the Constitution was attached to the report.

- RESOLVED: (a) That the updated Protocol for Aged Debt Management, as now submitted, be approved.
- (b) That, subject to the agreement of Council, the amended Appendix 8 to Part 4 of the Constitution – Rules of Procedure (Financial Procedure Rules), "Proposed revised policy statement on write offs" as now submitted, be approved to provide the S151 officer with authority to delegate action on write-offs to other officers.
- (c) That further updates on aged debt and write-offs be presented to the June meeting of the Committee in line with the new Protocol.

(Councillor Mayes joined the meeting at this point.)

497 SELF-ASSESSMENT: EFFECTIVE AUDIT COMMITTEE – GUIDANCE ON WORK OF WORK OF THE COMMITTEE

The Head of Governance submitted a draft guidance booklet on the work of the Governance Committee which formed the final part of the self-assessment process undertaken by the Committee over the past year. Committee requested the addition of a paragraph to explain to the public how the work of the Governance Committee impacts on the community and a reference to members of the Committee being mindful of the need for community engagement.

- RESOLVED: That, subject to the addition of an explanatory paragraph for the public and reference to community engagement, the draft guide 'membership of the Governance Committee: guidance for Members and information for non-Members' be approved,

placed on the Council's website and appended to the Chairman's report to the Annual meeting of Council.

498 ANNUAL REPORT OF THE GOVERNANCE COMMITTEE

Members considered the draft of a report by the Chairman to the Annual meeting of Council on the work of the Governance Committee during the year 2009/10 which had been circulated earlier. In addition the Head of Governance recommended that the report should adopt the corporate style as used by the Standards and Scrutiny Committees and tabled an amended version of the same report, in the corporate style and containing further details.

RESOLVED: That, subject to the following amendments, the revised corporate style, annual report of the Chairman of the Governance Committee, be approved:

- (a) The Chairman's foreword to be amended to refer to the work of the Committee.
- (b) Paragraph 3 of the Work Undertaken in 2009/10 to be amended to include reference to the unqualified Audit opinion on the Council's Annual Accounts.
- (c) Paragraph 4 of the Work Undertaken to provide more details of Members' job descriptions, roles and competencies.

499 INTERNAL AUDIT QUARTERLY PROGRESS REPORT FOR THE THIRD QUARTER OF YEAR 2009-10

The Committee considered the report of the Head of Audit Partnership which summarised the work undertaken by Internal Audit in the third quarter of the year 2009/10 including eleven new reviews and one follow-up review. Six of the new reviews had been given a substantial assurance for which officers were to be congratulated.

With regard to the report on Capital Projects it was identified that, while Accountancy officers were in the process of preparing a post implementation report template for all projects over £50,000, no post implementation reviews had been requested by CMT. Committee recommended the production of a list of such projects to be submitted to CMT and that, on completion of 90% of a project, each one be added to the list for a decision by CMT on those requiring a post implementation review. The Deal Pier refurbishment project had been the subject of a confidential report to the Scrutiny (Policy and Performance) Committee on 17 March 2008 (Minute No 500) which had included proposals based on lessons learned from the project.

The Internal Audit Quarterly report also contained details of progress against the agreed 2009/10 Audit Plan, Customer Satisfaction feedback and EKAP Balanced Scorecard of Performance Indicators.

RESOLVED: (a) That the activity of Internal Audit for the third quarter of 2009/10 be noted.

- (b) That a report be submitted to a future meeting of the Committee on the number of capital projects which should require a post implementation report and suggestions on a mechanism to ensure that these were produced and considered.

500 INTERNAL AUDIT CHARTER, STRATEGY AND 2010-11 PLAN

The Audit Manager presented the Audit Charter, Strategy and Plan for the forthcoming year which were very little changed from that submitted the previous year. In response to a request from Committee, the 2010/11 plan included details of when a service had last been audited and where the details of any previous audit were unknown. This would be adopted as a standard format for all four Councils in the partnership.

The Head of Governance advised Members that while the Council's Complaints Monitoring had last been audited in 2004/05, the Standards Committee received regular quarterly reports on complaints which acted as a back-up to the audit process. The question was raised of whether Neighbourhood Forums were audited by KCC for value for money. The three year audit frequency for Child Protection was queried and Members were advised that all staff had undertaken Ivysoft training on child protection issues.

RESOLVED: That the East Kent Audit Partnership's Internal Audit Charter, and Internal Audit Strategy be adopted and the Internal Audit Plan of work for 2010/11 be approved.

501 PROTECTING THE PUBLIC PURSE – THE LOCAL GOVERNMENT FIGHTING FRAUD

The Audit Manager distributed copies of an Audit Commission publication 'Protecting the Public Purse' which included a checklist for those responsible for Governance and Members were recommended to view the document on the Audit Commission's website.

RESOLVED: That the Checklist for Protecting the Public Purse be considered at the meeting on 16 June 2010.

The meeting ended at 8.12 pm.

REPORT FROM INCOME, TAXATION AND ENFORCEMENT MANAGER

GOVERNANCE COMMITTEE – 16 JUNE 2010

WRITE OFF OF INVOICES DEEMED IRRECOVERABLE FOR 2009**Recommendation**

Members are asked to approve to the authorisation of identified debt to be written off.

Background

1. The Governance Committee, at its meeting on 24 March 2010 approved procedures for write off of corporate debt once all attempts to recover such debts had been exhausted (and without prejudice to future recovery).
2. Authority is sought to write off the following amounts as irrecoverable for the year 2009/10.

Council Tax

Number of invoices	Total amount	Lowest Amount	Highest Amount	Average Amount
974	£184,052.86	£3.31	£2,375.00	£188.96

Reasons for write off

3. Recovery action has taken place over a number of months and years, the amount of write off relates to all years from 1993 to 2009 where recovery action has proved to be exhausted. All the accounts will have been subject to rigorous actions, including bailiff, tracing and court actions, but due to age, amounts, and people' absconding it is no longer viable, economic or the debt has been stated barred to recover, therefore necessary to write off. This year a pro active drive to reduce age debt and remove all debt deemed irrecoverable has taken place hence the increased amount.

Comparative for 2008/2009

£3,036.96

Business Rates

Number of invoices	Total amount	Lowest Amount	Highest Amount	Average Amount
48	£73,899.08	£4.00	£16,826.00	£153.95

Reasons for write off

4. 16 accounts accounted for £67,199.70 of the above debt, these accounts were companies that had ceased trading and dissolved the business. The company will declare that there are no assets to recover therefore insolvency notice given. Whilst

the Council has supported business through hardship and helped 12 local business through the recession, these accounts would not have benefited or be able maintain the trade and it is inevitable that companies have dissolved. It is almost impossible to recover any debt as the directors will claim there are no assets or funds, and due to liability being in the company names, cannot reclaim the debt from an individual.

Comparative for 2008/2009

£32,282.97

Sundry Debts

Number of invoices	Total amount	Lowest Amount	Highest Amount	Average Amount
768	£150,526.00	£1.00	£4,949.56	£191.34

Reasons for Write off

5. These invoices have been subject to the cost calculator for recovery action and all have had extensive actions taken against them. The decision to write off these debts has been made by using the cost calculator in justifying the age, amount and cost effectiveness of the invoice. The new Income Management group will meet to discuss debt and invoices raised in order to achieve maximum recovery as well as other actions that could be made available. These invoices requested for write off are invoices that are outstanding in previous years as well as 2009.

Comparative for 2008/2009

£238,706.72 (1268 invoices)

MANDIE KERRY

Income, Taxation and Enforcement Manager

MEMBERS' USE OF THE IVYSOFT ON-LINE TRAINING SYSTEM OR EXTERNAL TRAINING FOR EQUALITY AND DIVERSITY ISSUES

Recommendation

That the Committee note the training position as outlined in paragraph 2.

Contact Officer: David Randall, extension 2141.

Background

1. At the Governance Committee on 24 March 10 Members requested an update report on Equalities and Diversity awareness training undertaken by Members either through the use of Ivysoft (Equalities & Diversity) on line training provided by the Council or through work-related, professional body or trade union training courses.

Findings

2. The results of a survey undertaken in July 2009, and updated in May 2010 show a positive picture with 27 Members having received training either in-house or externally. Six Members did not respond to the survey, but this does not necessarily mean that they have not undertaken any training. Therefore only 12 members have definitely reported that they have not received any equalities training either in-house or externally.

Background Papers

None

Resource Implications

None.

Impact on Corporate Objectives and Corporate Risks

The Equality Framework for Local Government, of which this Council has reached the "Achieving" level, states that Councillors have a central role to play in ensuring equality issues are integral to the council's performance and strategic aims. Without up to date knowledge and training this would be difficult to sustain.

Attachments

None

DAVID RANDALL

Head of Governance

JOINT REPORT OF THE HEAD OF GOVERNANCE AND HEAD OF FINANCE AND
ICT

GOVERNANCE COMMITTEE – 16 JUNE 2010

**STATEMENT OF EFFECTIVENESS OF THE COUNCIL'S INTERNAL AUDIT
ARRANGEMENTS**

Recommendation

That Governance Committee accepts the findings of the review of the effectiveness of the Council's internal audit arrangements for 2009/10.

Contact Officer: David Randall, extension 2141.

Introduction and Background

1. The Accounts and Audit (Amendment) (England) Regulations 2006 impose on councils the need to undertake a regular review of their internal control arrangements; specific requirements are that:
 - the findings of the review of the system of internal control are considered by a committee of the relevant body, or by members of the body meeting as a whole. [Regulation 4 refers]
 - the effectiveness of their system of internal audit are reviewed at least once a year and for the findings of the review to be considered by a committee of the body, or by the body as a whole, as part of the consideration of the system of internal control referred to in regulation 4. [Regulation 6 refers]
2. Subsequent guidance issued by the Department for Communities and Local Government indicates that the actions in paragraph 1 above do not require the establishment of an audit committee to undertake the exercise, although such a committee would provide an appropriate means through which to consider the findings of the review. In the case of Dover District Council, the S151 Officer and Monitoring Officer have undertaken the review, with responsibility for considering the findings being part of the powers of the Governance Committee as outlined in the Council's Constitution.
3. In line with the CIPFA guidance document 'Delivering Good Governance in Local Government' the Council is also obliged to publish an Annual Governance Assurance Statement (AGAS) within its Annual Accounts. The AGAS for Dover for 2009/10 can be found elsewhere on this Committee's agenda for the 16 June 2010 meeting.
4. The AGAS reflects the Council's overall governance arrangements and the effectiveness of these, based on evidence and assurances gained from a number of different sources, which includes information from the East Kent Audit Partnership (EKAP). The review of the effectiveness of the Council's internal audit arrangements is therefore very important in order to add credence to the assurances gained from the findings of the Audit Partnership.
5. It should be noted that this review is primarily about effectiveness, not process. In essence the need for the review is to ensure that the opinion in the annual report of the

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

6. This report presents the findings of the review of the effectiveness of the internal audit arrangements for Dover District Council for 2009/10.

Review of the Effectiveness of the Internal Audit Function

7. The internal audit function is performed by the East Kent Audit Partnership (EKAP), which provides internal audit services to the councils of Canterbury, Shepway and Thanet, as well as to Dover. As a result of this collaborative approach the partnership is able to be robustly resourced and provide a mechanism for promulgating best practice to the East Kent authorities that use its services.
8. The auditors are independent to the management of the Council and have access to the Chair of the Governance and Audit Committee if required. They provide a regular update to the Committee at each of the quarterly meetings, and attend any special meetings that may be convened during the year.
9. As at 31 March 2010 the Internal Auditors completed 431 days of review, which was spent undertaking a range of audits that have been in the main or are due to be reported to the Governance Committee. The EKAP undertake a regular schedule of follow up audits to ensure that management has implemented the action plans arising from each audit. Members can see full details within the Internal Audit Annual report, which can be found elsewhere on this Committee's agenda for 16 June 2010.
10. The East Kent Audit Partnership have met as a team and considered the CIPFA Checklist for compliance with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006. The results of this self-assessment showed that the internal audit function is 97% compliant with the Code against a target of 97%, with no identified actions to improve the score.
11. As part of EKAP's quality monitoring arrangements Members should be aware that following the completion of each audit, a satisfaction questionnaire is completed by the managers of the service that has been audited enabling the officers involved to comment on the conduct and outcome of the audit. This information is used, in part, to inform the self-assessment.
12. The EKAP Audit Manager and Head of EKAP regularly meet with the Section 151 Officer and Monitoring Officer to monitor performance against the Audit Plan. They also discuss any matters arising in relation to the performance of the Audit Partnership. Periodically the outcome of these meetings is discussed with the External Auditors of the Audit Commission, to enable them to gain assurances as to the effectiveness of the process. The Section 151 Officer, the Head of Finance and ICT, and the Monitoring Officer, the Head of Governance, have reviewed the self assessment and are pleased to be able to provide Members with assurance that in their opinion the Partnership operate to high professional standards, fostering an effective working relationship with management without fettering the independence needed to be able to take a sufficiently independent perspective.
13. In addition, feedback from the audits and any other matters arising from the work of the partnership are considered at regular meetings that are held between the Section 151 Officers of each of the partnering councils and the auditors to manage any issues arising from the process. These meetings provide an additional opportunity to assess whether the internal audit function is operating in an effective manner and is compliant with the requirements of the CIPFA code.

14. Finally, the Audit Commission undertakes an evaluation of the work of the internal audit partnership against the CIPFA Code of Practice every three years. This review was undertaken in November 2009. In summary the Audit Commission found that the EKAP "provides an adequate and effective review of the accounting records and systems of internal control" and acknowledged that the action plan items from the 2006/07 review have all been implemented.
15. Given the consistency of evidence of a quality internal audit service and the assessment outcomes referred to above, the S151 Officer and Monitoring Officer can confirm that in their opinions the Council has an effective internal audit function in place providing confidence in the context of their contribution to the Council's Annual Governance Assurance Statement.

Background Papers

The self-assessment undertaken by the East Kent Audit Partnership

Resource Implications

There are no additional resource implications arising from this report.

Impact on Corporate Objectives and Risks

If this review was not undertaken, there is a risk that the Accounts and Financial Statements for 2009/10 may be qualified.

Regulation 6 requires that the Council shall, at least once in each year, conduct a review of the effectiveness of its system of internal audit. Regulation 4 requires that a committee of the Council consider the findings of the review of the system of internal control.

Attachments

None.

DAVID RANDALL

MIKE DAVIS

Head of Governance

Head of Finance and ICT

The officer to whom reference should be made concerning inspection of the background papers is the Head of Governance, White Cliffs Business Park, Dover, Kent CT16 3PJ. Telephone: (01304) 821199, Extension 2141

REPORT OF THE HEAD OF AUDIT PARTNERSHIP

GOVERNANCE COMMITTEE – 16 JUNE 2010

INTERNAL AUDIT ANNUAL REPORT 2009/10

Recommendations

<i>Members are asked to note the Annual Report of the East Kent Audit Partnership for 2009-10</i>

Contact Officer: Mrs. C Parker, extension 2160

1.0 INTRODUCTION

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

- Provide an opinion on the overall adequacy and effectiveness of the Council's internal control environment.
- Present a summary of the internal audit work undertaken to formulate the opinion.
- Draw attention to any issues the Head of the Audit Partnership judges particularly relevant to the preparation of the Governance Assurance Statement.
- Compare actual audit activity with that planned, and summarise the performance of Internal Audit against its performance criteria.
- Comment on compliance with the CiPFA Code of Practice for Internal Audit in Local Government, 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 2009/10 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.

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. For example;-

- Best practice within the sundry debtor system at SDC was ported to TDC and DDC to assist in further developing their systems.
- Documents and procedures used in SDC for writing off bad debts were shared with TDC and DDC, including setting up a corporate debt group.
- Work for the Housing Benefit KLOE has been shared between all four sites obtaining the best possible gain for all partners from that piece of work.

- TDC car insurance processes were ported to DDC to assist with their employee allowances system.
- TDC's work in providing support and information to audit committee members was shared with DDC and SDC.
- DDC's job descriptions for members were shared with TDC.
- DDC to benefit from practices in pest control at TDC.
- TDC and DDC joined up with climate control travel plans.

The audit plan for this year has been delivered with 9.45 days carried over as work in progress at the year-end. The performance figures for the East Kent Audit Partnership as a whole for the year show impressive performance against target, and indeed the EKAP has once again delivered financial savings against its agreed budget to all its partners in the delivery of the service.

Background Papers

- **Internal Audit Annual Plan 2009-10 - Previously presented to and approved at the 19th March 2009 Governance Committee meeting.**
- **Internal Audit working papers - Held by the East Kent Audit Partnership.**

Resource Implications

There are no financial implications arising directly from this report. The costs of the audit work have been met from the Financial Services 2009/10 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, controls framework 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 2009-10 in accordance with the CiPFA Code and best practice.

Attachments

Annex 1 – East Kent Audit Partnership Annual Report 2009/10

CHRISTINE PARKER

Head of Audit Partnership

Annual Internal Audit Report for Dover District Council 2009-10

1. Introduction

The CIPFA Code of Practice for Internal Audit in Local Government for the United Kingdom 2006 defines internal audit as:

"An assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic efficient and effective use of resources."

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 CIPFA Code of Practice, 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.

The key aim of the EKAP is to deliver a professional, cost effective, efficient, internal audit function to the partner organisations. The EKAP aims to have an enabling role in raising the standards of services across the partners through its unique position in assessing the relative standards of services across the partners. The EKAP is also a key element of each council's 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 bi-annual meetings.

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. Review of the Internal Control Environment

2.1 Risks and Assurances

The audit plan is agreed with members annually following a risk assessment of all the key systems and issues facing the Council. This assessment also ensures suitable time and resources are devoted to reviewing areas on a cyclical basis. The work of Internal Audit includes agreeing with service managers that a control risk exists and

setting out a course of action to rectify this. The value of the advice given by Internal Audit is evidenced through the acceptance of the majority of audit recommendations, and the feedback from the customer satisfaction survey.

During 2009/2010, 153 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	58	38%
Medium	70	46%
Low	25	16%
TOTAL	153	100%

Naturally, more emphasis is placed on recommendations for improvement regarding high risks. Any high-risk 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 2009-10 the EKAP has further analysed the Council's progress in implementing agreed recommendations- out of 153 recommendations whilst 84% were in the High or Medium Risk categories, none are so significant that they need to be escalated at this time.

Internal Audit applies one of four 'assurance opinions' to each review, please see Appendix A 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. Where the assurance level is either 'no' or 'limited', or where high risks have been identified a follow up review is undertaken and, where appropriate, the assurance level is revised.

The summary of Assurance Levels issued on 50 reports to Dover District Council over the course of the year is as follows:

Assurance	No.	Percentage
Substantial	11	26%
Reasonable	24	57%
Limited	7	17%
No	0	0 %
Work in Progress at Year-End	4	
Not Applicable	4	

NB: 'Not Applicable' is shown against quarterly benefit check work, special investigations or work commissioned by management that did not merit an assurance level.

Taken together 83% of the reviews account for substantial or reasonable assurance, whilst only 17% of reviews placed a limited or gave no assurance to management on the system of internal control in operation at the time of the review.

2.2 Follow Up

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 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 taken by the responsible auditor, the recommendations under review are either:

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

At the conclusion of the follow up review the overall assurance level is re-assessed. The results for follow up for 2009/10 is set out below. The obvious shift to the right 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 2009-10.

Total Follow Ups undertaken¹⁶	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Original Opinion	0	2	10	4
Revised Opinion	0	0	11	5

There are no fundamental issues of note arising from the audits undertaken in 2009-10. There is however a number of matters reported in section 3 below.

Understandably, the follow up review is timed to allow the service manager sufficient time to make progress in implementing the agreed actions. To reassure the committee, those areas receiving limited or no assurance that are yet to be followed up are detailed in the following table, these areas are also recorded as an appendix to the quarterly report so that their progress is transparently monitored. The results of the follow up reviews will be reported to the quarterly committee at the appropriate time:

Area Under Review	Original Assurance	Follow Up Due
Employee Allowances	Limited	Completed April 10 – Reasonable Assurance
Benefit Fraud	Limited	June 10
Compliance with CPR's	Limited	August 10
Asset Management	Limited	October 10
Write Offs	Limited	May 10
Leasehold Services	Limited	October 10

2.3 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 role in this area and is alert to the

risk of fraud and corruption when undertaking its work. The EKAP will immediately report to the relevant officer any detected fraud or corruption identified during the course of its work; or 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, during the year 2009/10 there have been no fraud investigations conducted by the EKAP on behalf of Dover District Council.

2.4 Completion of Audit Plan

Appendix B shows the planned time for reviews undertaken, against actual time taken, follow up reviews and unplanned reviews resulting from a special investigation or management request. 440.55 audit days out of a budgeted 450 days (97.9%) were completed for Dover District Council during 2009-2010. The EKAP was formed in October 2007. The progress in ensuring adequate coverage against the agreed audit plan of work since 2007/08 is shown in the table below:

	DDC Audit Days Required from EKAP			
	2007-08	2008-09	2009-10	Total
		490	450	450
EKAP Plan Achievement Days	489.19	459.33	431.22	1379.74
Percentage	99.8%	102%	95.8%	99.26%
Days rolled forward	0.81	-9.33	18.78	10.26

3. Overall assessment of the System of Internal Controls 2009-10

Based on the work of the EKAP on behalf of Dover District Council during 2009-10, 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 very good level of assurance in respect of all of its main financial systems and 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 Substantial assurance level following audit reviews. The Council can therefore be very assured in these areas. This position is the result of improvements to the systems and procedures over recent years and the willingness of management to address areas of concern that have been raised.

There were four areas where only a limited assurance level was given which reflected a lack of confidence in arrangements, and this was brought to officers' attention. These reviews are shown in the table above along with the details of our follow up activity.

4. Significant issues arising in 2009-10

From the work undertaken during 2009-10, there were no instances of unsatisfactory responses to key control issues raised in internal audit reports. 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 pleasing to report that after follow up there were no high-risk recommendations outstanding at the year-end.

5. Internal Audit Performance

5.1 EKAP Resources

The EKAP has provided the service to the partners based on a FTE of 8.2. Additional audit days have been provided via audit consultants or contractors in order to meet the planned workloads. How much Internal Audit resource is provided to each of the partner authorities depends on a variety of factors, including the council's historical internal control environment and the new demands of meeting the requirements of corporate governance. Any changes in the agreed plans or the level of resources are reported quarterly to each audit committee and through regular meetings with each Section 151 Officer.

5.2 Skills and Development

The East Kent Audit Partnership is staffed by a mix of qualified and part-qualified officers, who all continue to develop their skills through a range of on-the-job training, external and in-house training courses and seminars and use of the corporate e-learning resource. Skills development during 2009-10 included:

- (a) Attendance by all Kent local authority internal audit staff at the Kent Audit Conference. This provides an opportunity to exchange knowledge and skills and to receive guidance on current developments in the internal audit profession.
- (b) Two members of staff continuing studies for ACCA.
- (c) In house training on the use of specialised auditing software used to manipulate and test databases called IDEA.
- (d) Attendance at in-house training on Housing Benefits.
- (e) Use of modules on the corporate e-learning package to include diversity and equalities and child protection awareness.
- (f) Continuing to engage external audit providers, for specific audit assignments to maximise the skills that can be bought-in to enhance internal audit resources.

By using a mix of in-house expertise through the East Kent Audit Partnership and other outside resources the team is able to call upon a number of auditors with a wide range of skills and experience and also bring fresh insight into areas being audited as a means of securing the most effective and economic delivery of the service.

5.3. Plan Performance

The analysis in Appendix B shows the individual reviews that were completed during the year. When compared against the agreed audit plan for the year the performance measures and indicators for the year are shown in the table of performance measures at Appendix C.

As can be seen, the EKAP has been able to exceed its targets for 2009/10, including bringing down daily rates from £288 in 2006/07 to £277 in 2007/08 to £262 in

2008/09 and has achieved £281 in 2009/10 (this daily rate excludes any internal recharges that are added to the service by the Council, which are not under the control or management of EKAP). This equates to a saving of £19 per day against the target for 2009-10 of £300/day; a total financial saving to Dover District Council of £8,550 for 2009-10.

5.4 Internal Audit Performance against its Targets

Internal Audit is committed to continuous improvement and has various measures to ensure the service can strive to achieve its goals and ambitions:-

5.4.1 Satisfaction with Internal Audit Service

EKAP uses an electronic client satisfaction questionnaire, which is issued at the conclusion of each audit to receive feedback on the quality and perception of the service. The results and comments made by auditees and service managers are reported quarterly to committee. Additional requests for advice and specific audit requests by management are also indicative of the value placed upon the service received from EKAP. Customer feedback is used to drive continuous improvement within the service, where appropriate constructive feedback is received it is discussed at a team meeting and any improvement actions taken as a result are reflected in a change to the Audit Manual, which records in detail all the work instructions to the auditors.

5.4.2 Internal Quality Assurance and Performance Management.

All internal audit reports are subject to review, either by the relevant EKAP Audit Manager or Head of the Audit Partnership. In each case this includes a detailed examination of the working papers, action and review points, at all stages 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 Audit Manager, regular meetings are held with the s.151 Officer. The minutes to these meetings are additional evidence to the strategic management of the EKAP performance.

5.4.3 External Quality Assurance

The Audit Commission carries out an annual assessment each year and a detailed quality assessment of internal audit every three years. The Audit Commission reviewed the EKAP arrangements in detail during 2009/10 and the results of that review were reported to committee. It is pleasing to report that no areas for improvement were raised during that review and the EKAP was found to comply with the CIPFA code.

The EKAP self-assessment of the level of CIPFA Code compliance shows that EKAP is currently 97% compliant against a target of 97%. At present there are no identified actions to improve this score.

The Accounts & Audit Regulations require that each authority undertake an annual review of the effectiveness of internal audit arrangements and to report this alongside the Governance Assurance Statement within the Council's Statement of Accounts. Therefore this report, summarising the achievements of Internal Audit for the year to March 2010, is also designed to feed into that overall assessment process.

5.4.4 Liaison between Internal Audit and External Audit.

Joint liaison meetings with the Audit Commission's audit managers for the partner authorities and the EKAP audit managers are held quarterly 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 Shepway District Council. Consequently, the assurance, which follows is based on EKAP reviews of Shepway District Council's services.

5.4.5 Financial Performance

Expenditure and recharges for year 2009/10 are all in line with the budget. The financial management of the Internal Audit cost centre held by Dover District Council has been on target, although there were a number of changes this year regarding staff resources and the use of additional external suppliers due to a vacancy.

The EKAP was formed to provide a resilient, professional service and therefore to achieve financial savings was not the main driver, despite this considerable efficiencies have been gained through forming the partnership. Additionally, any external fee earning work that has been carried out, this year some £6,922 was procured by other public sector bodies from EKAP reduces the costs to the partners. The net result is a reduced EKAP cost per audit day of some £19 per day below the budget estimate. In the current climate this is excellent performance and the partner authorities have all enjoyed the savings generated by the EKAP.

6. 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 2009/2010, however, this is as expected and there are no matters of concern to be raised at this time.

The work of Internal Audit and this report contribute to the overall internal control environment in operation within the Council, and also assists in providing an audit trail to the statements that must be published annually with the financial accounts. The EKAP assesses the overall system of internal control in operation throughout 2009/10 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 2009/10 Audit Plan

Area	Original Planned Days	Revised Budgeted Days as at 31-03-10	Actual days to 31-03-10	Reason for difference planned v actual and/or revised budget
FINANCIAL SYSTEMS:				
Payroll	10	13.44	13.44	Finalised
Debtors	7	0.65	0.65	Finalised
Housing Benefits – Payments	7	0	0	Delete from Plan
Housing Benefits – Overpayments	7	3.29	3.29	Finalised
HB – Fraud Investigation Arrangements	7	14.36	14.36	Finalised
Housing Benefits – Quarterly Testing	20	17.35	17.35	Finalised for 2009-10
Council Tax	7	10.51	10.51	Finalised
Write-offs	9	11.54	11.54	Finalised
Business Rates	7	8.28	8.28	Finalised
Key Control Testing – Capital	3	4.1	4.1	Finalised
Key Control – Treasury Management	3	3.64	3.64	Finalised
Key Controls – Budgetary Control	3	1.89	1.89	Finalised
Key Control Testing – MAS	3	1.50	1.50	Finalised
Key Control Testing – Creditors	3	6.24	6.24	Finalised
GOVERNANCE RELATED:				
Compliance with CSO	15	27.47	27.47	Finalised
Local Code of Corporate Governance	5	1.11	1.11	Finalised
Performance Validation	15	14.09	14.09	Finalised
Governance Committee/Corporate	30	44.22	44.22	Finalised for 2009-10
Risk Management	10	6.5	6.5	WIP
East Kent Strategic Projects	5	7.74	7.74	Finalised
SERVICE LEVEL:				
Employee Allowances & Expenses	8	14.17	14.17	Finalised
Mortgages	5	3.86	3.86	Finalised
Members' Allowances	9	11.53	11.53	Finalised
Health and Safety	10	2.03	2.03	Planned for 2010-11
Car Parks	10	9.78	9.78	Finalised
ICT – Change Control	7	13.92	13.92	Finalised
ICT – Network Security	7	8.66	8.66	Finalised
ICT – File Security	7	10.21	10.21	Finalised
Coastal Protection	10	0	0	Included in 2010-11 Plan.
Insurance	10	5.49	5.49	Finalised
Hsing Allocations/Choice Based Lettings	10	5.49	5.49	Finalised
HRA	10	0	0	Included in 2010-11 Plan.
Leasehold Services	10	11.83	11.83	Finalised

Area	Original Planned Days	Revised Budgeted Days as at 31-03-10	Actual days to 31-03-10	Reason for difference planned v actual and/or revised budget
Regeneration	15	14.29	14.29	Finalised
Youth Development Strategy	10	5.15	5.15	Finalised
Child Protection	10	7.03	7.03	WIP
Climate Change	8	9.71	9.71	Finalised
Aylesham Development	10	0	0	Delete from Plan
Community Safety	10	11.98	11.98	Finalised
Let Properties and Concessions	10	10.13	10.13	Finalised
White Cliffs Countryside Project	8	0	0	Delete from Plan
Building Control – Joint with SDC	5	0	0	Delete from Plan
Emergency Planning	10	11.03	11.03	Finalised
Asset Management	10	10.61	10.61	Finalised
Euro	5	7.14	7.14	Finalised
Waste Management	10	12.12	12.12	Finalised
OTHER				
RIPA	5	3.32	3.32	Finalised
Liaison with Audit Commission	5	3.22	3.22	Finalised for 2009-10
Follow-up Work	25	11.27	11.27	Finalised for 2009-10
UNPLANNED WORK				
Friends of Dover Museum	0	0.76	0.76	Finalised
Job Evaluation – Felt Fair Panel	0	0.6	0.60	Finalised
Communications Group (DIG)	0	0.54	0.54	Finalised
Events Management	0	7.19	7.19	Finalised
BACS Transfer Procedures	0	2.3	2.3	Finalised
Final Contract Accounts	0	0.64	0.64	Finalised
Shared HR Services	0	0.74	0.74	Finalised
FINALISATION OF 2008-09 AUDITS				
HB – Administration and Assessment	5	6.56	0.07	Finalised
Council Tax			0.09	Finalised
Business Rates			0.11	Finalised
Partnerships			2.11	Finalised
Debtors			0.10	Finalised
ICT - ISO27001 Compliance			3.87	Finalised
Cash Collection/Miscellaneous Income			0.21	Finalised
Total	450	450	431.22	95.83% Complete
UNPLANNED ADDITIONAL WORK				
Interreg Grant – Customer Services	0	1.28	1.28	Finalised for 2009-10



Dover District Council Balanced Scorecard

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2009-10 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2009-10 Actual</u>	<u>Target</u>
	Quarter 4				
Chargeable as % of available days	84%	80%	Cost per Audit Day (Reported Annually)	£281	£300
Chargeable days as % of planned days	99%	100%			
Percentage of recommendations ;-					
Closed	30%	50%			
Not Yet Due	35%	25%			
Now Due for Follow Up	30%	25%			
No. Escalated after Follow Up	0	0			
Percentage compliance with the CIPFA IA Code	97%	97%			

<u>CUSTOMER PERSPECTIVE:</u>	<u>2009-10 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2009-10 Actual</u>	<u>Target</u>
	Quarter 4		Quarter 4		
Number of satisfaction questionnaires Issued;	33		Percentage of staff qualified to relevant technician level	76%	80%
Number of completed questionnaires received back;	14		Percentage of staff holding a relevant higher level qualification	32%	33%
Percentage of Customers who felt that the service was 'Very Good' or better- individual audits survey	100%	90%	Percentage of staff studying for a relevant professional qualification	24%	26%
			Number of days technical training per FTE	4.37	3.5
			Percentage of staff meeting formal CPD requirements	32%	33%
			Number of business efficiency/ service Improvement recommendations introduced	33	-

REPORT OF THE HEAD OF GOVERNANCE

RESPONSIBILITY – PORTFOLIO HOLDER FOR CORPORATE RESOURCES AND PERFORMANCE

NON-KEY DECISION

EXECUTIVE

CABINET – 7 JUNE 2010

GOVERNANCE COMMITTEE – 16 JUNE 2010

2009/10 ANNUAL GOVERNANCE ASSURANCE STATEMENT

Recommendation

- | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ol style="list-style-type: none">1. <i>Cabinet are asked to accept the Annual Governance Assurance Statement, as recommended by the Corporate Management Team, and authorise the Leader to sign this statement.</i>2. <i>Governance Committee is asked to accept the Annual Governance Assurance Statement alongside the 2009/10 Accounts.</i> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Contact Officer: David Randall, extension 2141.

Reasons why a decision is required

1. The Accounts and Audit Regulations (England) 2003, as amended by the Accounts and Audit (Amendment England) Regulations 2006, 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. 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.
3. The proposed 2009/10 Statement is attached. Corporate Management Team agreed to its acceptance in May 2010. 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 Heads of Service.
 - The information gathered as a result of risk assessment and management.
 - Reviews performed by other agencies and inspectorates.
4. The Action plan will be monitored during the year and progress reported to Governance Committee.

Background Papers

Accounts and Audit Regulations 2003
CIPFA Guidance on Corporate Governance

Resource Implications

None.

Comments from Finance

None.

Consultation Statement

Corporate Management Team have considered the Governance Assurance Statement.

Impact on Corporate Objectives

Effective governance is fundamental to the delivery of Corporate Objectives

Attachments

Appendix 1 – 2009/10 Governance Assurance Statement & Action Plan
Appendix 2 – 2009/10 Basket of Measures
Appendix 3 – 2008/09 Final Position

DAVID RANDALL

Head of Governance

The officer to whom reference should be made concerning inspection of the background papers is the Head of Governance, White Cliffs Business Park, Dover, Kent CT16 3PJ. Telephone: (01304) 821199, Extension 2141

Annual Governance Statement

FOR THE PERIOD 1 APRIL 2009 TO 31 MARCH 2010

1.1 SCOPE OF RESPONSIBILITY

- 1.1.1 Dover District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Dover District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.1.2 In discharging this overall accountability, Members and Senior Officers are responsible for putting in place proper arrangements for the governance of Dover District Council's affairs, the stewardship of the resources at its disposal and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.1.3 To this end, Dover District Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Code is on our website at www.dover.gov.uk or can be obtained from The Council Offices, White Cliffs Business Park, Dover, CT16 3PJ.
- 1.1.4 This Statement explains how Dover District Council has complied with the Code and also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a Statement of Internal Control.
- 1.1.5 Dover District Council has in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to Corporate Governance is both adequate and effective in practice. The Section 151 Officer, the Monitoring Officer and the Solicitor to the Council have been given responsibility for:
- Overseeing the implementation and monitoring the operation of the Local Code;
 - Reviewing the operation of the Local Code in practice; and
 - Reporting annually to the Executive and the Governance Committee on compliance with the Code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.
- 1.1.6 In addition, Dover District Council's Head of Governance has been given the responsibility to review the arrangements independently and report annually to the Executive and the Governance Committee and to provide assurance on the adequacy and effectiveness of the Local Code and the extent of compliance with it.
- 1.1.7 In discharging this overall responsibility, Dover District Council is also responsible for ensuring that there is a sound System of Internal Control which facilitates the effective exercise of Dover District Council's functions, and includes arrangements for the management of risk.

1.2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 1.2.1 The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the Community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.
- 1.2.2 The System of Internal Control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies or aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The System of Internal Control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Dover District Council's policies and aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 1.2.3 The governance framework has been in place at Dover District Council for the year ended 31 March 2010 and up to the date of approval of the Statement of Accounts.

1.3 THE GOVERNANCE FRAMEWORK

- 1.3.1 The key elements of the systems and processes that comprise the Authority's governance arrangements are summarised below:

1.3.2 Identifying and communicating our vision and outcomes for citizens and service users

In March 2008 Members agreed a Corporate Plan for the period 2008 to 2020. An Interim Corporate Plan was agreed in March 2010, reaffirming long-term aims, but taking account of the economic position and re-assessing the needs of the community. Both documents are available on the Council's website.

1.3.3 Reviewing our vision and its implications for our governance arrangements

Progress towards the achievement of the objectives is monitored through the Performance Management Framework and the key output from this process, the Performance Report. During the year the Major Projects Board was replaced with the Projects Assurance Group, which monitors key projects and reports risks and successes to the Corporate Management Team.

1.3.4 Established clear channels of communication with all sections of our Community and other stakeholders, ensuring accountability and encouraging open consultation

The Council's Communication and Consultation Strategy which was agreed by Cabinet on 6 October 2008 included actions for the two years 2008/09 and 2009/10. The Strategy was reviewed by Cabinet in February 2010. Together with our Equality and Diversity Strategy, this helps to ensure that all groups in our Community have a voice, can be heard and are suitably consulted.

1.3.5 Defining and documenting the roles and responsibilities of the Executive, Non-executive, Scrutiny and Officer functions, with clear delegation arrangements and protocols for effective communication

Dover District Council has an agreed Constitution which details how the Council operates, how decisions are made and the procedures which are to be followed to ensure that these are efficient, transparent and accountable to local people. The Executive is responsible for most decisions. The Executive is made up of the Leader and a Cabinet, who are all appointed by the Council. Major decisions required 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 the Council's 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. There are two Overview and Scrutiny Committees who support and monitor the work of the Executive. A "call-in" procedure allows Scrutiny to review Executive decisions before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered.

1.3.6 Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

The standards of conduct and personal behaviour expected of Members and Officers of Dover District Council, its partners and the Community are defined and communicated through codes of conduct and protocols. These include:

- Members' national 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; and
- A Standards Committee with five independent members.

Details of the Complaints Procedures are available on the Internet and in public offices for members of the public to refer to.

1.3.7 Whistle-blowing and receiving and investigating complaints from the public

A confidential reporting hotline is in place to enable internal and external whistle-blowing. Informants are requested to be open in their disclosure, but it is recognised that on occasions informants will wish to remain anonymous.

The Council has an effective formal and informal Complaints Procedure. Should a complainant remain dissatisfied, they may refer the matter to the Local Government Ombudsman. During 2009/10 no complaints against Dover District Council were judged by the Local Government Ombudsman to have resulted from maladministration.

1.3.8 Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

The Head of Governance and Solicitor to the Council are responsible for ensuring that the Constitution is subject to annual review. The last major review was adopted by Council on 27 January 2010. The significant changes were:

- Revisions to responsibilities for functions;
- Revisions to delegations;
- Revisions to delegations specifically in respect of the Shared Services agenda and specifically the Dover / Shepway Partnership;

- Strengthening way of working with Neighbourhood forums
- Revisions to Council procedure rules
- To update the process of dealing with petitions
- Review members allowances

In addition to the above, members agreed job profiles and descriptions for their own roles.

1.3.9 Compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

Dover District Council has a duty to ensure that it acts in accordance with the law and various regulations in the performance of its functions. It has developed policies and procedures for Officers to ensure that, as far as is possible, all Officers 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, which is published in full on the Council's website.

Other documentation includes corporate policies on a range of topics such as Equality and Diversity, Customer Care, Data Protection, Human Rights and Fraud. All policies are subject to internal review to ensure these are adequately maintained. The Council keeps all staff aware of changes in policy, or new documentation following new legislation by means of alerting them in an internal newsletter, internal meetings, use of Net Consent (via log in to the ICT systems) and where appropriate, arranging training for all or key members of staff.

In 2002, as part of the original Local Code of Corporate Governance, Dover District Council adopted a Risk Management Strategy. This document 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 a regular review. This strategy was last reviewed as part of the 2009 update of the Code of Corporate Governance.

As part of the year-end process a Service Assurance Statement has been provided by all Heads of Service, 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. Any areas identified in need of review have been included in the Action Plan for 2010/11.

The Solicitor to the Council has also provided his opinion on the Council's compliance with its legal obligations. He is satisfied that the Council is in all material respects complying with relevant legal obligations.

1.3.10 Measuring the quality of services for users, for ensuring they are delivered in accordance with our objectives and for ensuring that they represent the best use of resources

Dover District Council, through its budget monitoring and control processes, ensures that financial resources are being used to their best advantage. Monthly financial management reporting is made to the Corporate Management Team, Cabinet and Members. The report is also made available to all budget managers. A summary of the financial position is also made in the quarterly Performance Reports.

Financial planning is underpinned by service planning, with increased

expenditure in any service area being justified to the Corporate Management Team, and where necessary approved by the Executive. Key to the service planning process is a requirement to demonstrate planning for continuous improvement over several financial years. Corporate Management Team is tasked with prioritising resources to ensure that the objectives within the Corporate Plan are supported by the individual service plans, and that improvements in services are in line with corporate objectives. In recognition of the ever-increasing demands on limited resources a complete review of service delivery is planned for 2010/11.

Through the Quarterly Performance Report, corporate and key service objectives are carefully monitored to ensure that performance targets and indicators are being achieved.

Economic, effective and efficient use of resources is subject to review by the use of the Audit Commission's VFM tool, which is reported via the Quarterly Performance Report through the work of both Internal and External Audit, through benchmarking and the use of comparative techniques with other service providers, and through independent external review.

1.3.11 Financial Management

Responsibility for ensuring that an effective System of Internal Financial Control is maintained and operated rests with the Section 151 Officer. The System of Internal Financial Control provides 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 within a timely period.

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. Ongoing development and maintenance of the various processes may be the responsibility of other managers within the Council.

In particular, the process in 2009/10 included:

- The setting of annual budgets;
- Monitoring of actual income and expenditure against the annual budget on a monthly basis;
- A mid-year review of the annual budget;
- Setting of financial and performance targets, including the Prudential Code and associated indicators;
- Monthly reporting of the Council's financial position to Members;
- Clearly defined capital expenditure guidelines;
- The monitoring of finances against a Medium Term Financial Plan;
- Managing risk in key financial service areas.

The Council had funds invested with Icelandic bank Landsbanki at the time of its collapse during 2008/09. Disclosure of this was made at the time, and reports have been made to Members detailing how this impacts on the delivery of services. The UK Government, the Local Government Association (LGA) and UK local authorities are participating in the winding up of Landsbanki and are working to protect the status of UK local authorities as preferred creditors.

1.3.12 Effectiveness of Internal Audit

The Internal Audit function is provided by the East Kent Audit Partnership

(EKAP), which reports primarily to the Head of Governance and to the Section 151 Officer where appropriate. The EKAP operates under a Charter, which defines its relationship with the Council's Officers and with the Governance Committee. This Charter is reviewed annually. The main responsibility of EKAP is to provide assurance and advice on the Internal Control System of the Council to the Corporate Management Team and Members. EKAP reviews and appraises the adequacy, reliability and effectiveness of Internal Control within systems and recommends improvement. It also supports management in developing systems, providing advice on matters pertaining to risk and control. The controls created by management are evaluated to ensure:

- Council objectives are being achieved;
- Economic and efficient use is made of resources;
- Compliance with policies, procedures, laws and regulations;
- The safeguarding of Council assets;
- The integrity and reliability of information and data.

As part of the wider annual review of the governance arrangements and in particular the System of Internal Control, the Council is required to undertake an annual review of the effectiveness of the System of Internal Audit. EKAP has measured itself against CiPFA guidance, and this work was reviewed by the Head of Governance (Monitoring Officer) and Head of Finance and ICT (Section 151 Officer). The review concluded that an effective System of Internal Audit is provided through the East Kent Audit Partnership. Additionally the operation of EKAP was reviewed during the year by the Audit Commission, which concluded that it can continue to place reliance on their work. The Head of the Audit Partnership provides an annual report to the Council's Governance Committee on internal control. The full details of the review will be reported to the Governance Committee, alongside this document as it is a key element of the review of the System of Internal Control and governance framework.

1.3.13 A Governance (Audit) Committee

It is a responsibility of the Governance Committee (as detailed in the Constitution) to monitor the work of Internal and External Audit and to ensure that any actions agreed are implemented. It has previously assessed its value against CIPFA guidance. The Committee has produced a Guide to assist the community and other members to better understand how it operates. An Annual Report summarising its work during 2009/10 will be submitted to the Annual Council Meeting in May 2010.

1.3.14 Performance and Risk Management

Dover District Council produces a Quarterly Performance Report, which reports on the Best Value Performance Indicators and Local Performance Indicators which are key to the measurement of the attainment of corporate objectives. Additionally, it provides information and analysis on key objectives, major projects, joint partnership working and corporate risks for consideration by Corporate Management Team and by Members. All Members receive a copy of the Report, and it is formally considered by the Cabinet and Scrutiny (Policy and Performance Committee) and placed on the Council's Intranet.

The Performance and Risk Manager has provided a positive opinion on the Council's compliance with its Risk Management Strategy. The Governance Committee considers the effectiveness of the risk management arrangements and has not provided any adverse comments.

1.3.15 ICT

ICT governance arrangements consider the following areas to ensure soundness of the Council's arrangements for the acquisition of ICT and the security of data and equipment:

- Stakeholder engagement and representation;
- Strategic planning for information and technology investment, procurement and deployment;
- Policy development and agreement;
- High level monitoring of programme delivery;
- 'Business as usual' performance monitoring;
- Standards selection and implementation;
- Risk management;
- Policing policy, standards, conformance with legislation, and proper use.

The work of the ICT division continues to support the principles of sound governance.

1.3.16 The development needs of Members and Senior Officers in relation to their strategic roles, supported by appropriate training

Training and Development Plans are agreed with officers on an individual basis as part of their Personal Performance Reviews. Specific training is a pre-requisite for Members appointed to a number of committees. Scrutiny Committee reviews the annual training plan for Members.

1.3.17 Incorporating good governance arrangements in respect of partnerships and other group working

In 2008/09 review work began to ensure that all key governance criteria are incorporated into new and existing partnerships. Work on assessing the arrangements of pre-existing partnership continues.

1.3.18 The ethical conduct of Members and Officers of this Council

Arrangements are in place to ensure that complaints made under the Local Filter Arrangements for the review of Members' behaviour under the national Members Code of Conduct are dealt with locally.

The Standards Committee and the Head of East Kent Human Resources have provided a positive opinion on the Council's compliance with its Ten Principles of Good Conduct.

1.4 **REVIEW OF EFFECTIVENESS**

1.4.1 Dover District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the System of Internal Control. This review is informed by:

- The work of the Internal Auditors and the Head of the East Kent Audit Partnership's Annual Report;
- The work of Heads of Service and managers within Dover District Council who have responsibility for the development and maintenance of the governance environment; and
- The External Auditors in their Annual Audit and Inspection Letter and

other reports, including the Use of Resources and Direction of Travel Statements.

1.4.2 The following processes have been applied in maintaining and reviewing the effectiveness of the governance framework:

1.4.3 Council

At a corporate level the Corporate Plan for the period 2008-2020 was agreed in March 2008. This was reviewed in March 2010, and an Interim Plan for 2010/11 – 2013/14 agreed. Service Plans and the Constitution have all been subject to review in year. The Council's Quarterly Performance Report shows our performance against our key priorities. The Council has previously adopted the model Code of Conduct for Members.

1.4.4 Cabinet and Scrutiny (Policy and Performance) Committee

The Cabinet and the Scrutiny (Policy and Performance) Committee receive and consider the Quarterly Performance Report, which reports on performance against our key priorities and sets robust and challenging targets.

1.4.5 Governance Committee

The Governance Committee receives quarterly updates from the Head of EKAP on the assurance which can be placed against various systems and processes during the year, including reviews of internal controls, along with an annual assessment at the year end. The Committee keeps a check on those areas that have not achieved one of the two highest levels of audit assurance.

Additionally, this Committee receives the Council's Annual Constitutional Review for recommendation to Council and ensures the effectiveness of the Council's risk management arrangements.

1.4.6 Standards Committee

The Standards Committee receives a quarterly report on the progress of formal complaints against the Council. It also considers alleged breaches of the Code of Conduct by Members of Dover District Council and the members of the Town and Parish Councils of the district. An Annual Report of the work of the Standards Committee throughout the year will be presented to the Annual Council Meeting in May 2010. The report to the Annual Council Meeting in May 2009 commented positively on work undertaken by the committee during 2008/09, in particular the introduction of the Local Filter.

1.4.7 Internal Audit

Based on the work undertaken by them during the year, the Head of EKAP considered that appropriate steps are being taken in all those areas where a Limited Assurance had been given, in order to raise that assurance level to Reasonable or Substantial. Based on an overview of the work undertaken throughout the year, in conjunction with previous years' work and current risk assessments, the Head of EKAP has stated that the Council can have very high levels of assurance in respect of all of its main financial systems and the majority of its Governance arrangements. Following Audit reviews, almost all of the main financial systems which feed into the production of the Council's Financial Statements have achieved a Substantial assurance level. The Council can therefore be very assured in these areas.

1.4.8 External Agencies and commissioned reviews

The Council has previously been accredited under the "Investors in People" scheme. During 2009/10 a re-assessment was undertaken which resulted in recommendations for retaining the status. However, due to the range of challenges currently facing the Council, including budgetary constraints and a shift to Partnership working, it was decided not to submit to a further inspection to maintain this accreditation at this time. The Council will however implement a range of actions consistent with the requirements for liP to ensure that the liP status can be readily re-gained when it has the capacity to undertake a fresh re-assessment.

1.5 **IMPROVEMENTS DURING THE YEAR**

1.5.1 In the period covered by this Annual Governance Assurance Statement, improvements have been made to the Council's arrangements in respect of the following areas, which had been previously identified as areas in which we could improve:

1.5.2 Focusing on our purpose and on outcomes for the Community and creating and implementing a vision for the local area.

An Interim Corporate Plan has been agreed to help document the focus of our work.

Plans for partnership working with our neighbouring East Kent Authorities to deliver some key services and make efficiency gains have progressed, with a joint Human Resources service now in place. A joint waste collection service is due to commence in October 2010. Plans for other joint services are being developed.

1.5.3 Members and Officers working together to achieve a common purpose with clearly defined functions and roles.

An annual review of the Constitution occurs to ensure that there is clarity between the respective roles of Members and Officers. Members' job descriptions linked to their individual roles have been agreed.

Joint committees with neighbouring authorities have been established to oversee joint working arrangements.

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

Communication of values is promoted through the use of Net Consent log in software, which requires the reading of and then acknowledgement by users to show their acceptance of policies and procedures.

1.5.5 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

Procedures in managing the key corporate policies have been strengthened to ensure that risks attributable to the change in the economic climate are carefully managed with the aim of ensuring projects can still be successfully implemented.

1.5.6 Developing the capacity and capability of Members and Officers to be effective.

Through the Local Development Framework Advisory Committee, Planning Committee, Cabinet and Council and the careful management of staffing resources, the Council's Local Development Core Strategy was deemed to be sound following examination by an independent Planning Inspector. It was formally adopted by the Council in February 2010.

Training courses have been extended to include Town & Parish Councillors.

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

The format of the Neighbourhood Forums has been subject to review to ensure engagement is meaningful.

1.6 SIGNIFICANT GOVERNANCE ISSUES

1.6.1 On the basis of the Corporate Governance Position Statements compiled by the Monitoring Officer following a review of the Council's processes, and reviewed by the Council's Corporate Management Team, and the Statements produced by the Heads of Service, we are satisfied that, except for the matters listed below, that the Corporate Governance arrangements for Dover District Council are adequate and operating effectively.

1.6.2 Tasks to address further development:

1.6.3 Focusing on our purpose and on outcomes for the community and creating and implementing a vision for the local area.

A Priority Service Review will be undertaken during 2010/11 to ensure that resources are properly focussed on the outcomes important to the community.

1.6.4 Members and Officers working together to achieve a common purpose with clearly defined functions and roles.

The Constitution has received its annual review, and work has commenced to ensure that the next review addresses the new Leader models and will be recommended for adoption by the Council during 2010.

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

With the increased incidence of joint working between authorities, Senior Management and Members needs to be particularly vigilant to ensure that decisions are properly made by those within the Authority with the power to make them.

Work will commence to ensure that Partners' standards are compatible with those adopted by the Council.

1.6.6 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

Improving the resilience for all major ICT systems, and upholding existing principles to protect information.

1.6.7 Developing the capacity and capability of Members and Officers to be effective.

Development of a formal workforce planning strategy.

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

Implement changes to the Neighbourhood Forum process, ensuring that the element of accountability is not lost.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Cabinet, Governance Committee and the Scrutiny (Policy and Performance) Committee and a plan to address weaknesses and ensure continuous improvement of the system 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 in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signatures: _____ Date: _____

Leader of the Council

_____ Date: _____

Chief Executive

AUDIT ASSURANCE

Definition of Audit Assurance Statements

Substantial Assurance

Evaluation: Either there is a sound system of control designed to achieve the system objectives, or, while most of the necessary controls of the system are in place, there are minor weaknesses which result in a negligible level of risk to achievement of the system objectives;

and/or

Testing: Either the controls are being consistently applied and are operating as intended, or, there is evidence that the level of non-compliance with some of the key controls may result in a negligible level of risk to achievement of the system objectives.

Reasonable Assurance

Evaluation: While most of the necessary controls of the system are in place, there is scope for some improvement, resulting in a marginal level of risk to achievement of the system objectives;

and/or

Testing: There is evidence that the level of non-compliance with some of the key controls may result in a marginal level of risk to achievement of the system objectives.

Limited Assurance

Evaluation: Only some of the necessary controls of the system are in place, putting achievement of the system objectives at a critical level of risk;

and/or

Testing: There is evidence of substantial non-compliance with many key controls not operating as intended, leaving the achievement of the system objectives at a critical level of risk.

No Assurance

Evaluation: A substantial number of the necessary key controls of the system are absent or weak leaving the system open to fundamental error or abuse;

and/or

Testing: There is evidence of significant non-compliance with the basic controls leaving the system open to fundamental error or abuse.

Core Principles	Supporting Principles	DDC Requirement	Evidence Required to Satisfy	DDC Status at 31 March 2010	Associated Risks and Controls	Actions to be taken	Officer Responsible	Target date
CP1: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area	Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcomes for citizens and service users	Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners	Partnership protocol Governance code	Partnership database updated, review of work of Partnerships commenced	Work of Partnerships may not be complimentary to the Corporate aims	Review of all partnerships to be completed	Performance & Risk Manager	ongoing - as required
	Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money	Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions	The results are reflected in authority's performance plans and in reviewing the work of the authority.	Financial constraints have impacted on service levels, and in order to focus on priorities, a major corporate review is proposed.	Failure to review how priorities can be resources may result in poor VFM to the taxpayer.	Review of organisation to take through the Employment Stability / Priority Service proposals throughout 2010/11	CMT	end of 2010/11
CP2: Members and officers working together to achieve a common purpose with clearly defined functions and roles	Ensuring relationships between the authority and the public are clear so that each knows what to expect of the other	Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process, including an effective remuneration panel (if applicable)	Pay and conditions policies and practices	Remuneration panel operates for Members pay & conditions. Job Evaluation process undertaken throughout 2009/10 in respect of officer pay.	DDC pay & conditions differ from those of our East Kent Partners. Harmonisation is appropriate given Joint Working	Inter-authority agreement reached, EKHR to adopt Action Plan to ensure pay & conditions are harmonised as far as is practicable & do not hinder Joint Working projects	Head of EKHR	Dec-10
		Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated	Vision Strategy Corporate plans Performance plan.	The Corporate Plan is subject to review, and progress towards achievement of its aims is monitored via the Performance Report. Neighbourhood Forums provide the opportunity for community involvement, and the operation of these has been reviewed to ensure they continue to meet the need of both the Council and the Community.	Failure to consult & publicise on the vision could result in mis-directed services	Implement recommendations from Cabinet report 1 March 2010 to ensure Neighbourhood Forums continue to play a valuable role in the direction of the Councils work	Leadership Support Manager	throughout 2010/11
		Establish a medium term business and financial planning process to deliver strategic objectives including: A medium term financial strategy to ensure sustainable finances. A robust annual budget process that ensures financial balance. A monitoring process that enables this to be delivered. • Ensure that these are subject to regular review to confirm the continuing relevance of assumptions used	MTFP reported to Members in Feb / March 2010. Scrutiny review requested additional reporting throughout the year.	Risk that Members do not receive sufficient information to properly understand financial pressures on the Authority.	Implement recommendations from Scrutiny to re-inforce the information received by Members	Head of Finance & ICT	throughout 2010/11	

Core Principles	Supporting Principles	DDC Requirement	Evidence Required to Satisfy	DDC Status at 31 March 2010	Associated Risks and Controls	Actions to be taken	Officer Responsible	Target date
		When working in partnership: - ensure that there is clarity about the legal status of the partnership - ensure that representatives of organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions	Protocols for partnership working. For each partnership there is: - a clear statement of the partnership principles and objectives - clarity of each partner's role within the partnership - definition of roles of partnership board members - line management responsibilities for staff who support the partnership - a statement of funding sources for joint projects and clear accountability for proper financial administration - a protocol for dispute resolution within the partnership	The Councils Partnerships were subject to high level review during 2009/10. Work with a few partnerships should be reviewed in greater depth to ensure their aims continue to support / match those of the Council	Differing views on the status / work of a partnership could divert resources from other areas.	Ensure that sufficient controls are put in place by new partnerships to protect the Councils interests.	Head of Legal / Performance Manager	throughout 2010/11
CP3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour	Ensuring that organisational values are put into practice and are effective	Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice	Codes of conduct	Annual report to Standards committee produced in May provides opportunity to monitor Members standards	Failure to monitor compliance with standards may lead to a deterioration of values on which services are based	Officer Codes of Conduct to be reviewed to ensure commonality with those of key partners	Head of EKHR	Dec-10
		In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively	Protocols for partnership working, Contract procedure rules	See Part 8 of the Constitution for East Kent Authority arrangements, and Partnership database for outline arrangements for others	Failure to monitor compliance with standards may lead to a deterioration of values on which services are based	Officer Codes of Conduct to be reviewed to ensure commonality with those of key partners	Head of EKHR	Dec-10
CP4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk	Having good-quality information, advice and support to – ensure that services are delivered effectively and are what the community wants/needs	Ensure that information held by the Council is secure, and retained in accordance with Legal provisions	ICT policies, CoCo	Government Code of Connection implemented, strengthening ICT controls. However, growth in computer capacity needed suggests compliance	Unchecked growth in ICT files could result in Data Protection issues, problems with answering FOI requests and unnecessary cost in respect of storage	Compliance with Data Retention Policies needs enforcing for electronic records as well as paper.	Head of Governance	throughout 2010/11
	Ensuring that an effective risk management system is – in place	Ensure that effective arrangements for whistle-blowing are in place to which officers, staff and all those contracting with or appointed by the authority have access	Whistle-blowing policy	Whistle blowing policy promoted via Lan Consent & brought to the attention of all DDC ICT users	Internal abuse discouraged through the encouragement of internal reporting	External publicity on the whistle-blowing policy to be refreshed.	Head of Governance	Dec-10
CP5: Developing the capacity and capability of members and officers to be effective	Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles	Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis	Training and development plan Induction programme Update courses/information	Training plan for members devised by Democratic Services. Officers provided with training via PPR process / career development .	Risk of poor performance through lack of knowledge /understanding	The HR partnership presents an opportunity for more inter-authority training to be considered & offered	Head of EKHR	throughout 2010/11

Core Principles	Supporting Principles	DDC Requirement	Evidence Required to Satisfy	DDC Status at 31 March 2010	Associated Risks and Controls	Actions to be taken	Officer Responsible	Target date
	Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group	Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively	Training development plan. Embed financial competencies in person specifications and appraisals. Ensure that councillors' roles and responsibilities for monitoring financial performance/budget management are clear, that they have adequate access to financial skills and are provided with appropriate financial training on an ongoing basis to help them discharge their responsibilities.	Training provided to all members of Governance Committee & substitutes to enable them to perform their duties. Other training poorly attended by members during the year	Risk of poor performance through lack of knowledge /understanding	Personal Development plans for members to be introduced	Democratic Services Manager	throughout 2010/11
		Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed	Training and development plan reflect requirements of a modern councillor including: - the ability to scrutinise and challenge - the ability to recognise when outside advice is required - advice on how to act as an ambassador for the community - leadership and influencing skills	Expert advice bought in re review of accounts to assist governance process	Risk of poor performance through lack of knowledge /understanding	Personal Development plans for members to be investigated for consideration for adoption after the 2011 election	Democratic Services Manager	throughout 2010/11
		Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs	Performance management system		Ensuring officers & members have the appropriate skills to undertake work expected of them	Personal Development plans for members to be introduced	Democratic Services Manager	throughout 2010/11
	Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal	Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority	Strategic partnership framework Stakeholders' forums' terms of reference Area forums' roles and responsibilities Residents' panel structure, Local democracy day	Review of the operation of Neighbourhood Forums undertaken	Failure to attract resources leading to stagnation of services	Revised approach to running of Neighbourhood Forums agreed & to be implemented	Leadership Support Manager	throughout 2010/11
		Ensure that career structures are in place for members and officers to encourage participation and development	Succession planning, PPR process, Leader as Coach programme etc	Members job descriptions agreed in year. Corporate training such as Leader as Coach assisting staff development	Failure to attract resources leading to stagnation of services	Review of organisation to take through the Employment Stability / Priority Service proposals throughout 2010/11	CMT	throughout 2010/11
	Making best use of human resources by taking an active and planned approach to meet responsibility to staff	Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making	Constitution, staff consultative procedures, HR procedures			Review of organisation to take through the Employment Stability / Priority Service proposals throughout 2010/11	CMT	throughout 2010/11
CP6: Engaging with local people and other stakeholders to ensure robust public accountability	Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships	Make clear to themselves, all staff and the community to whom they are accountable and for what	Arrangements surrounding Community strategy / LSP / Kent Local Area Agreement 2 / Compact / Scrutiny terms of reference	Review of the operation of Neighbourhood Forums undertaken to ensure capacity exists to manage these	Failure to attract resources leading to stagnation of services	Revised approach to running of Neighbourhood Forums agreed & to be implemented	Leadership Support Manager	throughout 2010/11
		Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required	Arrangements surrounding Community strategy / LSP / Kent Local Area Agreement 2 / Compact / Scrutiny terms of reference	Role of LSP agreed, action plan in process of agreement by various parties	Where DDC has the influence, ensure that community plans are co-ordinated and attempt to achieve complementary aims	EK LSP action plan to be agreed & implemented	Leadership Support Manager	throughout 2010/11

Core Principles	Supporting Principles	DDC Requirement	Evidence Required to Satisfy	DDC Status at 31 March 2010	Associated Risks and Controls	Actions to be taken	Officer Responsible	Target date
	Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning	Ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements and ensure that they operate effectively	Community strategy Processes for dealing with competing demands within the community	Communication strategy reviewed Feb / Mar 2010 to ensure relevance into 2010/11. Corporate approach to consultation exists	Poor consultaion results in missed opportunities	Review of organisation to take through the Employment Stability / Priority Service proposals throughout 2010/11, to include consultaion stage	CMT	throughout 2010/11
Hold meetings in public unless there are good reasons for confidentiality		Community strategy Processes for dealing with competing demands within the community	Meetings held in public, and Public Speaking allowed at some committees.	Transparancy in the decision making process is promoted	Ensure that suggestions from Neighbourhood Forums are considered by members	Leadership Support Manager	throughout 2010/11	
Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands		Community strategy Processes for dealing with competing demands within the community	Customer Access Reviews undertaken as services are reviewed / implemented	CARs help to ensure equality of services	Review of organisation to take through the Employment Stability / Priority Service proposals throughout 2010/11, to include consultaion stage	CMT	throughout 2010/11	
Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result		Partnership framework Communication strategy	Communication strategy reviewed Feb / Mar 2010 to ensure relevance into 2010/11	Ensuring the community heard by confirming changes in services and the reasons for those changes	Review of organisation to take through the Employment Stability / Priority Service proposals throughout 2010/11, to include consultaion stage. Feedback to the community will be necessary during the process	CMT	throughout 2010/11	
On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period		Annual report Annual financial statements Corporate plan Annual business plan	Corporate information published on website.	Public is informed of the Councils results in a timely manner	Need /capacity to produce an annual report to be reviewed	Performance & Risk Manager	Dec-10	

Governance Framework – Revised Basket of Measures 2009/10

APPENDIX 2

Factor	Measure	Target	Result
1. Ethical Standards	(a) Number of complaints upheld against (i) Members of Dover District Council (ii) Members of Town & Parish Councils (iii) Formal Service Delivery (iv) Officers (b) Turnover rate (c) Number of grievances upheld against staff (d) Number of disciplinaries against staff (i) Major (ii) Minor (e) Sickness levels	(a) 0 (b) < 5%. (c) 0 (d) 0 (e) <8 days/employee/year.	(a) (i) 0 (ii) 0 complaints, but 25 cases still pending (iii) 116 (iv) 0 (b) 7.4% (c) 0 (d) (i) 1 (ii) 1 (e) 7.79
2. Constitutional Review undertaken	(a) Effective Scheme of Delegation (b) Effective Financial Procedure Rules (c) Effective Contract Procedure Rules	Completed and reviewed annually by the relevant Committee	Review of Constitution undertaken in year, and updated as required. Latest version dated January 2010.
3. Clear and up to date Corporate Objectives	(a) Corporate Plan (b) Medium Term Financial Plan (c) Annual Budget	(a) Completed and reviewed annually by the relevant Committee (b) Completed and reviewed annually by the relevant Committee (c) Budget delivered within tolerance	(a) Corporate Plan 2008-2020 last updated March 2010 (b) MTF reviewed by Scrutiny 16/02/10 & Cabinet 1/03/10 and recommendations made to Council (c) Budget reviewed by Cabinet 1/03/10, adverse variance of £395k reported for 2009/10

Factor	Measure	Target	Result
4. Use of Resources assessment	(a) Managing Finances (b) Governing the business (c) Managing resources	Overall Level 2 score for 2008/09 based judgement (Equates to level 3 on previous scoring system)	(a) 2 (b) 3 (c) 2 <i>(Note: scores for 2009/10 not available until end of 2010)</i>
5. Openness and Transparency	(a) Accurate Records of Decisions (b) Easy access to decision making process (c) Up to date Anti Fraud and Corruption Policy, including a Whistleblowing Policy (d) Effective Scrutiny Committee (e) Agendas published in accordance with Statutory requirements	(a) No significant challenge (b) Agendas, reports & minutes available online (except exempt information) (c) Reviewed annually (d) Number of reviews undertaken and number of recommendations accepted (e) All agendas published 5 clear days prior to meetings	(a) No challenges (b) Documentation made available on-line (c) Review of policy undertaken alongside Constitution review. (d) Annual report shows 75 recommendations made with 61 approved (e) Target met
6. Performance Management	(a) Quarterly reporting of performance against Corporate Priorities (b) Effective Project Management (c) Periodic review of Risk Management Strategy by relevant Committee	(a) Evidence of positive action taken to monitor red indicators (b) Major Projects risks and milestones are identified and effectively project managed (c) Risk Management Strategy is reviewed by Governance (Audit) Committee annually	(a) Performance report produced quarterly & monitored (b) Risks reported in Performance Report (c) Risk Management Strategy review undertaken in November 2009
8. Efficiency Reviews	Number of internal efficiency reviews completed	Three reviews based on a risk process All recommendations are implemented	No internal review in year. Recommendations from Corporate Income & Development Control reviews continued to be

Factor	Measure	Target	Result
			implemented & monitored.
9. Ethical Framework	(a) Up to date job descriptions for Statutory Officers (b) Up to date Member/Officer Protocols (c) Up to date pay and conditions practices	(a) In place and annual PPR undertaken (b) In place and subject to annual review (c) In place and reviewed annually	(a) Job descriptions in place, PPR process undertaken (b) Reviewed as part of the Constitution review (c) Job evaluation results effective from April 2009
10. Partnerships	(a) Partnership Evaluation Criteria in place and used effectively for new, existing and exit strategy (b) Framework for Partnership Working	(a) Evidence of use for all partnerships (b) In place and reviewed annually	(a) & (b) Partnership toolkit updated in 2008/09. Database reviewed in 2009/10. Formal arrangements for Partnership Working agreed with neighbouring Councils with joint committee in place.
11. Member and Officer Development	(a) Up to date Training Plan that addresses Corporate Priorities (b) Up to date Member and Officer Induction Scheme	(a) (i)100% minimum attendance at training events for quasi-judicial committees (ii)Annual review of training provision for Members (b) Delivered and kept up to date	(a) (i)Target achieved (ii) Reviewed by Scrutiny (b) On an as required basis
12. Levels of public satisfaction/ community confidence	(a) Positive statements in response to QB10 on the Place Survey (b) LPI59 @ Your Service provision	(a) 50% (b) 85% -Target as per Performance Management Report	(a) 65% (b) 97%
13. Avenues of accessibility to Council Services	(a) DDA compliance LP158 (b) Average waiting times for all contact centre areas LP157	(a) 100% - Target as per Performance Management Report (b) 60 secs - Target as per Performance	(a) 100% (b) 1min 14secs

Factor	Measure	Target	Result
	(c) Website visitors LP156	(c) Management Report 60,000 Target as per Performance	(c) 150,432
	(d) Website accessibility rating LP155	(d) Management Report 116 th Target as per Performance Management Report	(d) 157 ^h out of 463
14. Legality of decision making	(a) Number of ultra vires decisions (b) Number of breaches of Constitution	(a) 0 (b) 0	(a) 0 (b) 0

ACTION PLAN ARISING FROM THE 2008/09 GOVERNANCE ASSURANCE STATEMENT, POSITION AS AT END OF MARCH 2010

Core Principles	Supporting Principles	DDC Requirement	Evidence Required to Satisfy	DDC Status at 31 March 2009	Associated Risks and Controls	Actions to be taken	Responsibility	Target date	Actual completion date	Comments
CP1: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area	Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money	Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions	The results are reflected in authority's performance plans and in reviewing the work of the authority	Vfm measured at service level against other authorities / Kent Price book. Long term strategy of Partnership working with East Kent neighbours promoted. Environmental impact of services not fully assessed or reported on.	Risk that the cost to the environment in delivering services is not adequately investigated as part of service planning.	Environmental assessments to be undertaken for new projects	Project managers	Ongoing		Vfm assessed as part of the project planning process.
		That best use is made of the councils limited resources, including its property portfolio	Upto date Asset Management Plan, with SMART targets	Current Plan in existence with Action Plan	Continual review required to ensure best use made of resource	Ongoing monitoring against the action plan required	Head of Property, Leisure & Waste Management		Sep-09	New Asset Management Plan and action plan Considered by Cabinet in September 09
		Regeneration is delivered to the community in an efficient manner	Audit Commission report	Positive report received from the Audit commission, with Action plan to be agreed	Risk of failure of parts of the regeneration project controlled via project planning & control	Action Plan to be agreed by June 2009	Head of Regeneration	Initial date 01/06/2009	Sep-09	The Action plan is wide ranging and has resource implications that need to be balanced against other budget and service constraints. Considered by Cabinet in September 09. The plan was submitted to the Audit Commission in November 2009 and is being monitored by the Regeneration Manager.
		That best use is made of the councils limited resources, including legal & governance support to the Regeneration Projects	Service Planning	Service Plans for 2009/10 agreed	Continual review required to ensure best use made of resource	Ongoing monitoring required	Performance & Risk Manager, Head of Regeneration & Solicitor to the Council	Ongoing monitoring required	In-year monitoring completed	From 2007/08 action plan - Effective use of in house and external legal support. Strong control provided by the Head of Governance and Solicitor to the Council to ensure that in-house resources are used effectively and if external skills are required they are secured at best value for money and wherever possible with suitable skills transfer back to in-house staff.
		Continual monitoring of services to ensure use of resources achieves the aims of the Council	Performance management system	Quarterly reporting embedded across the Council	Following the introduction of new National Indicators, the monitoring of PIs via the Quarterly Performance Report and Service Plans to ensure quality of services provided is on-going.	Following the introduction of new National Indicators, the monitoring of PIs via the Quarterly Performance Report and Service Plans to ensure quality of services provided is on-going.	Performance & Risk Manager	Quarterly	Report produced quarterly	The quarterly performance report continues to be considered by Cabinet and Scrutiny (P&R). Challenging but realistic targets have been set and Heads of Service are required to explain red indicators and what remedial action is proposed.
		Introduction of the improvements to the Development Control Service as per the Trevor Roberts report	Implementation of the Action Plan from the Trevor Roberts report	The majority of the 291 recommendations from the Trevor Roberts report have been implemented. The remaining are considered low priority, and will be subject to continual re-assessment as the higher priority items are completed.	Failure to improve the Development Control service	Implementation of remainder of the recommendations as still relevant	Head of Development & Public Protection	Ongoing		The recommendations continue to be implemented as appropriate.

Core Principles	Supporting Principles	DDC Requirement	Evidence Required to Satisfy	DDC Status at 31 March 2009	Associated Risks and Controls	Actions to be taken	Responsibility	Target date	Actual completion date	Comments
		Implement recommendations from previous reports concerning the Licencing Service	Implementation of the Action Plan	Partial implementation of recommendations	Failure to improve the Licencing service	Implementation of remainder of the recommendations as still relevant	Head of Governance		Aug-09	Internal Audit have completed their follow up review. Their report to the Governance Committee of 23/9/09 advised: "Following discussions with the Licencing Manager and obtaining further information from the Licencing team it is evident that the recommendations have all been addressed and where it has not been possible to fully implement the recommendations, what can be done has been done and the resulting business risks have been acknowledged and accepted by management Overall, I am pleased to report that as a result of the action you have taken the system's controls have improved and the risks have been reduced. Consequently the original audit opinion is revised to give a higher level of assurance, from limited assurance to reasonable assurance".
		Links to key business units to be reviewed & strengthened through corporate projects (e.g. transformation project) wherever possible.	Management arrangements to review & managed corporate projects	Management has concentrated on prioritising, working closely with partners (e.g. SEEDA/ GOSE) to maximise use of their resource, and sourcing new funding (e.g. Growth Point) to maximise external resourcing. All instructions to external solicitors are made via the Solicitor to the Council to ensure Value for Money is attained. This activity continues in relation to the expenditure of the confirmed Growth Point Funding, opportunities for Community Infrastructure Funding and associated sources of support arising via the growth and regeneration agenda.	Links to other major aspects of the Councils work are unsupported, and parts of the Councils strategic framework may suffer (e.g. LDF)	Ongoing review	CMT	Ongoing	Revised arrangements now in place.	From 2007/08 action plan. A Project Advisory Group consisting of a number of Heads of Service oversee from an officer perspective the Council's major projects including Aylesham, DTIZ, Harbour Revision Order. This ensures the careful co-ordination of the Governance, Financial and Land owning aspects (as appropriate) of major projects.
		Limited resources may lead to unplanned reductions in the Housing service	Review by the Housing Improvement Board & implementation of appropriate action plans	Review by the Housing Improvement Board & implementation of appropriate action plans	That the HRA may not be sustainable	The production of a revised HRA business plan to review its position is due in December 2009 following the completion of the housing condition survey	Head of Housing & Community	Dec-09	Mar-10	A new draft HRA business plan has been prepared by the Finance section and is looking fairly healthy. This will be discussed with relevant Portfolio Holders in June
		That the Housing Service meets the minimum requirements as outlined in the Audit Commissions KLOE	Positive report from the Audit Commission	Review by the Housing Improvement Board & implementation of appropriate action plans	That the Housing Service may be seen as poor	The Head of Housing has implemented a review and monitoring process of all aspects of the Landlord Service covered in the current KLOE (report due to HIB in November) This provides a mechanism for monitoring and improving the service in advance of the planned new short notice inspection regimes	Head of Housing & Community	Nov-09	Nov-09	Regular reports on progress being made to Housing Improvement Board and November date achieved

Core Principles	Supporting Principles	DDC Requirement	Evidence Required to Satisfy	DDC Status at 31 March 2009	Associated Risks and Controls	Actions to be taken	Responsibility	Target date	Actual completion date	Comments	
CP2: Members and officers working together to achieve a common purpose with clearly defined functions and roles	Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function	Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the authority's approach towards putting this into practice	Constitution Record of decisions and supporting materials	Constitution subject to annual and adhoc review.	Risk that constitution is not maintained in order to facilitate the long-term Partnership working aims. Transformation Board to ensure that Legality aspects feature as part of project reviews	The Constitution is currently being reviewed to address the new Leader models and will be recommended for adoption by the Council in Autumn 2009. Transformation Board to ensure that Legality aspects feature as part of project reviews	Head of Governance	Spring 2010	Annual review completed	The Constitutional Review for 2009 is complete and adopted by Council. A number of changes to the constitution have been actioned, however the major piece of work remains the need to reflect by late 2010 the new Leader Model. This is now likely to be presented to the Governance Committee in late 2010.	
		Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers	Constitution Record of decisions and supporting materials	Constitution subject to annual and adhoc review.	Risk that constitution is not maintained in order to facilitate the long-term Partnership working aims. Transformation Board to ensure that Legality aspects feature as part of project reviews	The Constitution is currently being reviewed to address the new Leader models and will be recommended for adoption by the Council in Autumn 2009. Transformation Board to ensure that Legality aspects feature as part of project reviews	Head of Governance	as above	Annual review completed, Leader Model to be considered by Governance in 2010	The Head of Governance, Solicitor to the Council and Democratic Services Manager maintain a constant review of the Constitution making urgent changes as required and logging others for an annual review.	
		Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers	Job descriptions exist for Members	Work in progress on developing job descriptions	That the individual roles and responsibilities of Members are not clear	Develop specific job descriptions for Members - Cabinet & Shadow Cabinet roles, Leaders & committee Chairs	Head of Governance	Early 2010	Job descriptions for Ward Councillor and other specific roles considered by Governance Cttee 230909. Copies to all members for consideration and views back to Governance Cttee for 261109.	From 2007/08 action plan. Governance Committee in November 2009 recommended to Council the adoption of job descriptions for all members and specific job descriptions for the Leader and his Cabinet, the opposition Leader and his Shadow Cabinet and chairmen of various committees. This was adopted by Council in January 2010 and incorporated into the Constitution.	
		Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of authority members and officers are carried out to a high standard	Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required	Constitution	Constitution subject to annual and adhoc review as services / policies are reviewed.	The risk that changes to the constitution are missed during service / policy reviews mitigated through review of change by the Legal Section	Add statement to reports to the effect that service managers have ensured that proposals do not affect the Constitution or the legality of service provision	Head of Governance		New Cabinet Report template on Intranet Oct 09	A new officer procedure has been adopted to sign off Cabinet reports. These are formally considered by Governance, Legal, Finance, HR and Equalities to ensure that they are supportive and/or unresolved issue or gaps in information are resolved prior to member consideration.
		Ensuring relationships between the authority and the public are clear so that each knows what to expect of the other	Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process, including an effective remuneration panel (if applicable)	Pay and conditions policies and practices	Members remuneration set by independent panel. Job evaluation exercise has been taking place throughout the year to review officer remuneration.	Risk that the revised officer remuneration package may not be acceptable to staff, causing disharmony, lost time and potentially key members of staff leaving. Control required via effective management of the remainder of the process, being communication of the results and an effective appeals process.	Consultation on the JE scheme will finish on 10th August. A report will go to JSCC and GPC on 18th September.	Human Resources Manager	For all staff to accept the new scheme by December 2009	Process completed by end March 2010	From 2007/08 action plan. The Council's General Purposes Committee agreed on 18 September 09 that: (a) That the Council's job evaluation scheme, Job Evaluation Support System (JESS), developed in conjunction with The Reward Partnership, following formal consultation with staff and the Trade Union, be adopted. (b) That the Job Evaluation Support System be implemented with effect from 1 April 2009, with a minor variation to the scheme to extend the car allowance to Band E. All staff have now transferred to the new scheme and the resultant change to their terms and conditions. trained JE assessors considered re-evaluation requests in late 2009/early 2010 and the Appeal Panel has considered a small number of appeals from staff who believe that they had been wrongly graded.

Core Principles	Supporting Principles	DDC Requirement	Evidence Required to Satisfy	DDC Status at 31 March 2009	Associated Risks and Controls	Actions to be taken	Responsibility	Target date	Actual completion date	Comments
		Ensure that effective mechanisms exist to monitor service delivery	Pay and conditions policies and practices	Service targets monitored via the Performance Report. Staffing monitored via variety of measures including absence monitoring, individual performance reviews.	PPR process is not undertaken adequately to address staff weaknesses and to promote development	Monitoring to be undertaken to ensure all staff participate in the PPR process, and training given as appropriate	Head of Governance	Ongoing	PPR training completed	PPR training has been provided to all staff across DDC and forms part of the induction process for new staff as they start their career with the Council. Continual focus is given to linking individual PPRs to service plans and the Council's wider Corporate Plan. A behavioural competency framework is currently being developed and piloted in a number of areas with the intention to roll out for all staff at DDC.
		When working in partnership, ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority	Protocols for partnership working. For each partnership there is: - a clear statement of the partnership principles and objectives - clarity of each partner's role within the partnership - definition of roles of partnership board members - line management responsibilities for staff who support the partnership - a statement of funding sources for joint projects and clear accountability for proper financial administration - a protocol for dispute resolution within the partnership	Partnership evaluation criteria and toolkit is in place, and was reviewed in June 2008. Partnership database is not complete, therefore evidence lacking to show that requirement is fully met. However, Partnerships which help to deliver the core services (e.g.Audit) are adequately controlled via clear agreements reached between parties. The Audit Commission were positive about the use & development of the Toolkit in their Data Quality review reported in March 2009	Risk that partnerships may not deliver the intended outputs in an effective, efficient manner. To be controlled via agreed performance measures	Develop & report on key performance measures for significant partnerships	Performance & Risk Manager	Mar-10	Database reviewed and risk assessments to commence on those where either no assessment has been previously completed, or where these are out of date	The Partnership data base is currently being reviewed to ensure that it reflects the current status across DDC. The toolkit is used to assess new or emerging partnerships.
GP3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour	Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance	Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect		Members Registers of Interests is on the Internet. Officer registers on Intranet, and reminders re their use circulated periodically	Risk of challenge if members / officers fail to make appropriate declarations. Members register is made public.	Staff to be reminded of need to complete registers.	All Managers	Dec-09	completed	The Register of Interest is monitored by the Governance Division to ensure that entries are being correctly entered and suitably authorised. A reminder on its use was sent to all staff and members in early 2010.
		Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols	Members/officers' code of conduct performance management system Complaints procedures Anti-fraud and -corruption policy Member/officer protocols	Members signed up to the SBE National Code of Conduct. Code of Conduct in place for officers.	Risk of differing standards with different partners to be controlled via review by the Transformation Board to ensure common expectations	Programme of review of Partners standards to be prioritised and implemented.	Transformation Board	Ongoing into 2010		The EK HR Partnership on behalf of the EK Forum are starting to review key officer terms and conditions across the 4 EK authorities with the aim of consolidating into a standard set for shared services. This will be a complex process requiring consultation and dialogue with staff and the Trade Unions.
		Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice	Standing orders Codes of conduct Financial regulations	Members signed up to the SBE National Code of Conduct. Code of Conduct in place for officers.	Risk of differing standards with different partners to be controlled via review by the Transformation Board to ensure common expectations	Programme of review of Partners standards to be prioritised and implemented.	Transformation Board	as above	completed	All members have signed their declaration of acceptance of office and to accept the National Member Code of Conduct.
	Ensuring that organisational values are put into practice and are effective	Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations, and communicate these with members, staff, the community and partners	Codes of conduct	Members signed up to the SBE National Code of Conduct. Code of Conduct in place for officers.	Risk of differing standards with different partners to be controlled via review by the Transformation Board to ensure common expectations	Programme of review of Partners standards to be prioritised and implemented.	Transformation Board	as above	completed	As above
		Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice	Codes of conduct	Members signed up to the SBE National Code of Conduct. Code of Conduct in place for officers. Arrangements in place for receiving and investigating complaints against Members and Officers	Risk of differing standards with different partners to be controlled via review by the Transformation Board to ensure common expectations	Programme of review of Partners standards to be prioritised and implemented.	Transformation Board	as above	completed	As above

Core Principles	Supporting Principles	DDC Requirement	Evidence Required to Satisfy	DDC Status at 31 March 2009	Associated Risks and Controls	Actions to be taken	Responsibility	Target date	Actual completion date	Comments
		In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively	Protocols for partnership working	Use of Partnership toolkit in assessing merit of partnerships & ensuing control processes	Risk that protocols are not set early enough in a partnership to promote sound practices from the outset.	On going development of the partnership toolkit.	Performance & Risk Manager	Ongoing	Initial phase completed, ongoing review as partnerships develop	The viability of a number of future Shared Services Projects is currently being developed through dialogue with the EK Forum, EK Leaders and Cabinets. Any future projects will build on the successful model developed for the EK HR Partnership and lessons learnt from the project. This will include robust governance, legal and financial arrangements.
		With the increased incidence of joint working between authorities, Management needs to be particularly vigilant to ensure that decisions are properly made by those with authority to make them.		Involvement of Senior Officers in planning joint projects, including those with responsibility for Governance arrangements	Risk of project failure through incorrect decision making	Review reporting arrangements	Performance & Risk Manager	as above	as above	As above
		Retention of the Investors in Pepole status	Retention of the Investors in Pepole status	The 'Dover Manager' behaviours were launched at the staff forum on the 6th August 2008 detailing the framework of behaviours expected of a Dover Manager. These will be incorporated into the PPR process for measurement. IIP reassessment took place in September 2008 and the Council has now gone into retained recognition status and will be reassessed within the next 12 months.	Risk of not being seen to be a good employer	A health check will take place in August 09 for IIP	Head of Governance	To continue to address the issues raised, but not to seek re-accreditation at this stage.	Health Check undertaken, no further action re IIP assessment.	From 2007/08 action plan. The IIP follow up health check was undertaken in September 09. There are still some areas of improvement to be achieved and an action plan to address this has been prepared. However, it is clear that the changes required - to develop further the Dover Manager behaviours into a competency framework, introduce a change management programme to address the people issue around change and uncertainty and ensure that all staff have an opportunity to contribute to their team's service plans, are not quick fixes, but require a cultural shift. DDC has therefore decided that with the current shared service uncertainties, regeneration priorities and budget constraints, it will not be ready for a re-inspection in the summer of 2010 and has therefore withdrawn from the accredited scheme, but remains committed to the principles.
		Management are supported to be effective in their roles	Adoption of competency framework	Work in progress	Risk of ineffective management	Implementation of competency framework, linked to the job evaluation process	Human Resources Manager	Spring 2010 to link with JE scheme	to be carried forward to 2010/11	From 2007/08 action plan - see above
		Levels of sickness are monitored	Adherence to the monitoring regime	The sickness monitoring system has undergone live testing in a number of departments and is due to be rolled out to all division 1st April 2009	Risk of loss of productivity through high levels of sickness absence	Implementation of monitoring process	Human Resources Manager	Apr-09	Apr 2009, but see comments also	From 2007/08 action plan - an absence management plan is currently being piloted at Dover, with emphasis on the use of the Bradford Score and effective follow up action. At the same time, the EK HR Partnership is developing an EK Absence Management Policy which it is hoped will be rolled out across EK in 2010.

Core Principles	Supporting Principles	DDC Requirement	Evidence Required to Satisfy	DDC Status at 31 March 2009	Associated Risks and Controls	Actions to be taken	Responsibility	Target date	Actual completion date	Comments
		Consistency across Kent authorities, particularly with regard to Partnership working, in respect of purchasing & contractual arrangements	Adoption of common contract procedure rules / purchasing framework	Kent wide rules adopted	Out dated Contract Procedure Rules should the Kent wide rules fail to be implemented	Training as appropriate to ensure understanding of the Kent wide rules	Head of Governance	Training ongoing as need arises	Training given as appropriate. Action plan arising from Audit review agreed.	From 2007/08 action plan - DDC adopted the Kent Wide Contract Standing orders in 2008. A key development following an IA review was to introduce a formal authorisation procedure for waivers, requiring managers to clearly identify the procurement process and the rationale for their application. A recent Internal Audit follow up review has highlighted continued concerns as to the consistent application of the CSOs across the Council. The Council has decided not to fill the Procurement Manager vacancy and is looking at a new structure and approach, in the short term education is being addressed via reminders and one to one training.
CP4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk	Being rigorous and transparent about how decisions – are taken and listening and acting on the outcome of constructive scrutiny	Develop and maintain an effective audit committee (or equivalent) which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee	Terms of reference Membership Training for committee members	Governance committee meets at least 4 times per annum. ToRs in the Constitution. At March 2009 meeting the committee considered a review of their compliance against NAO guidance on Audit committees & adopted an action plan to meet those areas in which it fell short.	Risk of committee work being ineffective to be measured against NAO guidance	Implementation of Action plan from March 2009 Governance meeting to meet NAO standard	Head of Governance		Terms of reference approved by Governance Cttee 24/6/09	The Governance Committee has assessed itself against the NAO Audit Committee Checklist Framework. It has found itself to have a high level of compliance with the requirements and has developed its own action plan for areas of improvement. This self awareness is helping to maintain an effective Governance Committee.
	Having good-quality information, advice and support to – ensure that services are delivered effectively and are what the community wants/needs	Ensure that information held by the Council is secure, and retained in accordance with Legal provisions	ICT policies, CoCo	Policies in place, plans for improving the resilience for all major ICT systems, and upholding principles to protect information made.	Risk of loss of personal data via compliance with CoCO	Timetable for implementation of improvements to security	Senior ICT Manager	ongoing		The Council continually strives to ensure its systems are protected from new threats, and through compliance with COCO has reduced the risk of loss of personal data.
		The delivery of service is influenced by customer feedback	Positive customer feedback / reaction to negative comments	To be considered as part of the I-space project. Changes in service following complaints discussed between relevant service manager & Professional Standards Officer	Risk of failure to recognise potential to improve services	New Transformation strategy being implemented to accommodate significant new requirements for spending reductions	Transformation Board	Ongoing		Managers are encouraged to make positive changes to service delivery where necessary following the consideration of complaints. Review of Priority services to be undertaken in 2010
	Ensuring that an effective risk management system is – in place	Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their jobs	Risk management protocol Financial standards and regulations	Risk Management arrangements are contained within the Local Governance Code, and reviewed annually. Risk is reported in the Performance Report.	Failure to recognise risk mitigated through project planning, Performance & Governance frameworks	Continual monitoring of risk as on-going work	Performance & Risk Manager	Ongoing	ongoing throughout life of project	The active requirement for risk assessments on significant elements of the key DTIZ and Aylesham regeneration projects highlights the effective embedding of risk management across the Council.
		Ensure that effective arrangements for whistle-blowing are in place to which officers, staff and all those contracting with or appointed by the authority have access	Whistle-blowing policy	Whistle blowing policy promoted internally & externally	Reminders of the policy made to staff during the year.	Ways of publicising the policy externally & with partners to be investigated & implemented	Head of Governance		Internal - Oct 09	The requirement for all staff to read the Fraud and Corruption policy, including Whistleblowing was recently achieved via the NetConsent system. Policy is also published on the Council's internet site.
	Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal	Ensure that career structures are in place for members and officers to encourage participation and development	Succession planning, PPR process, Leader as Coach programme etc	PPR encourages personal development. Leader as Coach encourages officers to play an active role in the development of services / performing their job	Risk of over-reliance on key personnel mitigated via supporting training	Workforce Planning to include consideration of succession planning	Human Resources Manager	Summer 2010	to be carried forward to 2010/11	A high level workforce strategy has been developed for DDC. The EK HR Partnership will in 2010 work with the Strategic HR Board (Directors from each Council) to develop a wider EK solution.

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	Making best use of human resources by taking an active and planned approach to meet responsibility to staff	Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making	Constitution, staff consultative procedures, HR procedures	Decision making process detailed in Constitution. Communications strategy provides additional guidance, Staff Consultative committee with Union reps in attendance, I-Space.	Failure to make best use of staffing resource mitigated via various processes / policies which have been developed with staff involvement & consultation.	Formal workforce planning strategy to be developed & maintained	Human Resources Manager	Jun-09	additional work to be carried forward to 2010/11	A high level workforce strategy has been developed for DDC, from which a number of new actions arise. The EK HR Partnership will in 2010 work with the Strategic HR Board (Directors from each Council) to develop a wider EK solution.
		Completion of the Job Evaluation process	Job evaluation project timetable	Agreement reached with Unions, staff to be advised of individual results April 2009	Risk of demoralised workforce to be controlled via ongoing consultation throughout planned appeals process	Conclude project by Autumn 2009	Human Resources Manager	Dec-09	Mar-10	The JE project has now been completed.
CP5: Developing the capacity and capability of members and officers to be effective	Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles	Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis	Evidence of workforce development strategy	Cabinet Members PPR training took place on 23rd June 2008. Succession planning will follow on from the competency framework. A "Manpower Planning Strategy" is currently being developed.	Risk of failing to develop members & officers leading to poor management of the councils services	The Workforce development strategy has been written. A lot of the work will be undertaken by the new Shared HR service	Human Resources Manager	ongoing	A high level workforce strategy has been developed for DDC, from which a number of new actions arise, see above	From 2007/08 action plan - see above re PPRs, competency framework and workforce strategy
		A Transformation strategy has been agreed now needs to be embedded across the organisation	Implementation of the Transformation strategy	Work in progress	That the Council fails to adopt innovative ways of service improvement & delivery	New Transformation strategy being implemented to accommodate significant new requirements for spending reductions	Head of Business & Community Transformation		To be replaced by Priority service review.	The Employment Stability (Phase 2) report explores different options for the Council to deliver its services going forward in the current financial climate. This will include consultation with key partners and stakeholders, which will inform the 2011/12 budget process.
CP6: Engaging with local people and other stakeholders to ensure robust public accountability	Ensure robust public accountability exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships	Make clear to themselves, all staff and the community to whom they are accountable and for what	Arrangements surrounding Community strategy / LSP / Kent Local Area Agreement 2 / Compact / Scrutiny terms of reference	Consultation exercises during the year ensure local engagement. Dedicated web-site for LSP, formal agreement in existence for LAA	Risk that public do not understand the arrangements mitigated by publicity / communication.	Public speaking at Scrutiny being introduced from April 2009	Democratic Services Manager		Completed May 09	Public speaking introduced at Scrutiny from spring 2009. Neighbourhood Forums continue to provide community focus and access
		Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required	Arrangements surrounding Community strategy / LSP / Kent Local Area Agreement 2 / Compact / Scrutiny terms of reference	Consultation exercises during the year ensure local engagement. Dedicated web-site for LSP, formal agreement in existence for LAA	Risk that public do not understand the arrangements mitigated by publicity / communication.	Public speaking at Scrutiny being introduced from April 2009	Democratic Services Manager		as above	see above
		Produce an annual report on the activity of the scrutiny function	Annual report	Annual report produced in May and available on Internet	Lack of accountability overcome via annual report	Annual report produced in May and available on Internet	Democratic Services Manager		Completed May 09	Annual report considered at the Annual Council meeting in May 09 and will be presented to the May 2010 AGM
	Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning	Ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements and ensure that they operate effectively	Community strategy Processes for dealing with competing demands within the community	Two year action plan emanating from the communications strategy in place	Risk that actions might slip	Periodic review of actions to ensure effective strategy	Head of Business & Community Transformation			There is no social regeneration strategy, actions are contained within the service plan. Work will be undertaken to see how this should be developed in light of the various community driven strategies being developed, including street scene.
		Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands	Community strategy Processes for dealing with competing demands within the community	Communications strategy reviewed October 2008.	Failure to recognise sectors of the community is controlled via Equalities policies & performance of Customer Access reviews	Post-implementation review of the new Communications strategy to be undertaken to ensure effectiveness	Head of Business & Community Transformation		Completed, Cabinet report 1 March 2010	Communication strategy review complete and reported to Scrutiny. New strategy for 2010/11 developed with the Communication Plan
		Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result	Partnership framework Communication strategy	Communications strategy reviewed October 2008.	Risk of lack of co-ordination, wasting of time on trivial matters controlled via agreement of work timetable	Implementation of Action plan from Communications Strategy	Head of Business & Community Transformation		Completed, Cabinet report 1 March 2010	Communication strategy review complete and reported to Scrutiny. New strategy for 2010/11 developed with the Communication Plan

Core Principles	Supporting Principles	DDC Requirement	Evidence Required to Satisfy	DDC Status at 31 March 2009	Associated Risks and Controls	Actions to be taken	Responsibility	Target date	Actual completion date	Comments
		On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period	Annual report Annual financial statements Corporate plan Annual business plan	Performance Plan published June annually	Lack of accountability overcome via annual report	Performance Plan published June annually	Performance & Risk Manager	Dec-09	Performance Plan no longer legal requirement, information published in other forms	The Interim Corporate Plan and Medium Term Financial Plan were adopted by Council on 3 March 2010. The Quarterly Performance Report continues to bring together the key financial and performance information for the Council.
		Accountability extends to the recording of assets held on trust for the community	Inventories	Controls over inventories included in the Constitution	Risk of loss of assets mitigated via at least annual checks	new museum collections plan is being put in place as part of museum accreditation assessment to improve knowledge of the location of items in storage.	Museums & Tourism Manager	2 year programme	2 year programme	Fixed term post in place to carry out a 2 year programme to meet the requirements of the collections plan, supplemented with 8 volunteers to assist with the project. New internet based collection catalogue being trialled

REPORT OF THE HEAD OF AUDIT PARTNERSHIP

GOVERNANCE COMMITTEE – 16 JUNE 2010

INTERNAL AUDIT QUARTERLY PROGRESS REPORT

Recommendations

<i>Members are asked to note the Internal Audit Progress Report of the Head of the Audit Partnership.</i>

Contact Officer: Mrs C Parker, extension 2160

1.0 INTRODUCTION

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 March 2010.

2.0 AUDIT REPORTING

2.1 For each Audit review, management has agreed a report, and where appropriate, an Action Plan detailing proposed actions and implementation dates relating to each recommendation. Reports continue to be issued in full to each member of Corporate Management Team, as well as an appropriate manager for the service reviewed. Attached as Appendix 1 to the EKAP report is a summary of the Action Plans agreed in respect of the reviews covered during the period.

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 Appendix 2 to the EKAP report.

2.5 The purpose of the Council's Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent review of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

2.6 To assist the Committee meet its terms of reference with regard to the internal control environment an update report is regularly produced on the work of internal audit. The purpose of this report is to detail the summary findings of completed audit

reports and follow-up reviews since the report submitted to the last meeting of this Committee.

3.0 SUMMARY OF WORK

- 3.1 There have been twenty-one Internal Audit reports that have been completed during the period. These have been allocated assurance levels ranging from limited assurance to substantial assurance as follows: Six reviews were classified as providing Substantial assurance, eight as Reasonable assurance, four as limited assurance and one report resulted in a split assurance level of Limited/No Assurance. Additionally, for two reports an assurance level was not applicable as the reviews related to either Housing Benefit quarterly testing or a special project. Summaries of the report findings and the recommendations made are detailed within Annex 1 to this report.
- 3.2 In addition, six follow-up reviews has been completed during the period. There are no continuing concerns regarding this review to bring to Members' attention at this time and we are pleased to report that of these six areas followed-up, four have had their assurance level increased due to the positive action taken by management, including two which previously had an assurance level of Limited or No Assurance.
- 3.3 For the year ended on 31st March 2010, 431.22 chargeable days were spent out of a planned total of 450. Approximately 95.83% of the plan was therefore completed, and the remaining days were completed in early April 2010.
- 3.4 Other performance figures for the East Kent Audit Partnership for the fourth quarter of 2009-10 show excellent performance against target.

Background Papers

- Internal Audit Annual Plan 2009-10 - Previously presented to and approved at the 19th March 2009 Governance Committee meeting.
- Internal Audit working papers - Held by the East Kent Audit Partnership.

Resource Implications

There are no financial implications arising directly from this report. The costs of the audit work have been met from the Financial Services 2009/10 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, controls framework and risk management arrangements, as well as contributing to the provision of economic, efficient and effective services to the residents of the District.

Attachments

Annex 1 – EKAP Internal Audit Progress Report
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 March 2010.

2. SUMMARY OF REPORTS:.

Service / Topic		Assurance level	Number of Recs Made		Number of Recs Accepted	
2.1	Compliance with Contract Standing Orders	Limited	H	5	H	5
			M	0	M	0
			L	0	L	0
2.2	Payroll	Reasonable	H	5	H	5
			M	2	M	2
			L	0	L	0
2.3	Insurance	Substantial	H	0	H	0
			M	1	M	1
			L	1	L	1
2.4	Write-offs	Nil/Limited	H	6	H	6
			M	7	M	7
			L	1	L	1
2.5	Members' Allowances	Reasonable	H	4	H	4
			M	3	M	3
			L	1	L	1
2.6	Leasehold Services	Limited	H	3	H	3
			M	7	M	7
			L	3	L	3
2.7	ICT – Change Control	Reasonable	H	0	H	0
			M	3	M	3
			L	0	L	0
2.8	ICT – File Security	Reasonable	H	4	H	4
			M	4	M	2
			L	0	L	0
2.9	Regeneration	Reasonable/ Limited	H	11	H	11
			M	1	M	1
			L	0	L	0
2.10	Performance Management	Reasonable	H	0	H	0
			M	4	M	4
			L	0	L	0
2.11	Local Code of Corporate	Substantial	H	0	H	0

	Governance		M L	0 0	M L	0 0
2.12	Housing Benefits – Overpayments	Substantial	H M L	0 3 0	H M L	0 3 0
2.13	Debtors	Reasonable	H M L	1 3 0	H M L	1 3 0
2.14	Main Accounting System – Key Controls	Substantial	H M L	0 0 0	H M L	0 0 0
2.15	Asset Management	Limited	H M L	4 2 1	H M L	4 2 1
2.16	Housing Benefits – Counter Fraud Arrangements	Limited	H M L	9 5 0	H M L	9 2 0
2.17	Choice Based Lettings	Substantial	H M L	0 0 3	H M L	0 0 3
2.18	Housing Benefits – 2009-10 Quarter 3 Testing	Not Applicable				
2.19	Climate Change	Reasonable	H M L	4 4 0	H M L	4 4 0
2.20	Waste Management	Substantial	H M L	1 0 0	H M L	1 0 0
2.21	Events Management	Not Applicable				

2.1 Compliance with Contract Standing Orders:

2.1.1 Business Objective

To ensure compliance with the Council's Contract Standing Orders and thereby ensuring that goods and services are acquired at the best cost/value to the Council.

2.1.2 Audit Objective

To ensure compliance with the Council's Contract Standing Orders.

2.1.3 Summary of Findings

In total 37 invoices and purchase orders (High, Intermediate and Low values) raised across all departments and individually exceeding the tender and quotation thresholds were reviewed as part of this audit. Of this sample 16 did not comply with Contract Standing Orders in some form.

The reasons for failure to adhere to CSOs comprised the following:

- 16 out of the sample of 21 High and Intermediate values (71%) had not been subjected to market testing or paid in accordance with the CSO's. (In addition an officer did not respond to the auditor when questioning an order raised by them). Of the 16 that failed to comply with CSO's they arose from different departments

thereby demonstrating a need for education of staff and promotion of the CSOs across the whole Authority. (2008 Figure was 25% from a sample of 26)

- Upon reviewing a sample of higher value procurements there was 1 example of non compliance with CSO's. (2008 figure was 2)

A significant amount of money is spent on the use of consultants across the Authority that is not being accounted for correctly on the contract register and is not being paid correctly via the use of the certificate routine. During times of financial constraint, the Authority has to consider if using consultants is providing the best use of monies for public services. At a neighbouring local authority the use of all consultants now has to be approved by their CMT to ensure that the expenditure is controlled and necessary.

Below is a summary table of the expenditure that has been processed on the Consultants' Fee code 45033 across all areas of the authority (General Fund, Capital etc) for the last 2 complete financial years and the current financial year up to February 2010. The total expenditure for the above period of time is £3,303,784 as taken from efinancials.

Summary of consultancy costs on code 45033				
	General Fund			
Department Totals	07/08	08/09	09/10	Dept Totals
	£	£	£	£
Chief Executive	53754.04	142720.81	49888.08	246362.93
Housing, Culture & Community Safety	9010.03	97876.70	63763.24	170649.97
Governance	79575.27	152592.20	53153.76	285321.23
Business & Community Transformation	7132.82	18987.35	11387.54	37507.71
Finance & ICT	7495.10	7200.00	7062.00	21757.10
Development & Public Protection	292163.64	469946.39	112285.53	874395.56
Property, Leisure and Waste Management	24328.96	96746.57	76745.40	197820.93
Special Projects	90513.47	38948.70	134598.32	264060.49
HRA	71857.95	63311.92	94391.22	229561.09
Capital Projects	412562.71	280772.62	283012.34	976347.67
Totals	1048393.99	1369103.26	886287.43	3303784.68

The lower value procurement (£0 to £9,999) is working reasonably well with quotes being obtained prior to placing an order. The medium value procurement (£10,000 to £99,999) is the problem area where the evidence from the selected samples demonstrates this has not improved. Non-compliance is not focussed on one department but rather across the whole Authority. There is insufficient evidence that the Council's CSOs are being consistently adhered to in order to ensure value for money and good corporate governance. From the sample of high value procurements (£100,000+) concerns over the use of WSP Development and Transportation who have received £332,964.66p worth of work on various projects since February 2007 but none of it has been paid through the contract register or by certificate, in accordance with the rules.

Staff therefore need to be reminded – through training on and promotion of CSOs - of the need to ensure that they are paying contractors / consultants in the correct way and that procurement demonstrates value for money. This should be through the contracts register and by certificate. Guidance notes should be put onto the intranet to ensure that staff are aware of the processes. This would help to raise the profile of the contract procedure rules. Following the above mentioned training and promotion of CSOs, the Council needs to make it clear that it will no longer tolerate non-compliance and will take a firm and robust stance with any future non-compliance with CSOs, potentially including disciplinary action

As part of the previous audit, a recommendation was to implement an application form for an exemption from contract standing orders. The Procurement and Income Manager and the Monitoring Officer introduced this form and the required process.. Guidance notes and the application form should be put onto the intranet to ensure that staff are aware of the processes that need to be followed.

2.1.4 Management Response

A new structure for the Procurement team is being introduced and training and guidance for budget managers is to be their main priority once established. An initial reminder to managers has been included in the Accountancy year-end training to managers being held during March and further training will take place in the new financial year. In addition the Intranet is currently being updated to ensure the correct information is available for managers and use of Net Consent is being investigated.

The Procurement team will develop their processes to tighten controls at the purchase order and invoice payment stages and will offer support, advice and challenge to budget managers as required.

2.1.5 Audit Assurance

Management can have limited assurance across all divisions within the Authority that the Council can adequately demonstrate that it is sufficiently complying with its Contract Standing Orders (CSOs), in order to demonstrate economy and probity in the procurement process.

2.2 **Payroll:**

2.2.1 Business Objective

To ensure that employees of Dover DC are paid the correct amounts in accordance with the terms of their employment and that the Council pays the appropriate amounts over to various parties from employees' deductions / employer contributions, in order to ensure that there are no unresolved / unidentified issues prior to the handover of the service, and that the appropriate plans are in place.

2.2.2 Audit Objective

To provide assurance that the key controls within the administration of the Payroll system have continued to operate throughout the year and that the business objectives were met.

2.2.3 Summary of Findings

The majority of the requisite internal controls are in place to ensure that employees of Dover DC are paid the correct amounts in accordance with the terms of their employment and that the Council pays the appropriate amounts over to various parties from employees' deductions / employer contributions.

The former Payroll Assistant left the employ of the Council in 2009 and was not replaced in light of the emerging plans for a shared East Kent payroll service. This vacancy has resulted in some of the expected separation of duties controls not being in place. Our testing has confirmed that this has not affected the timely payment of salaries and expenses to Council staff.

Testing of redundancy payments, payments in lieu, market supplements and relocation expenses have raised some concerns in relation to the current DDC agreed policies and practices of consistency and equality. There needs to be some further clarity provided to alleviate these concerns.

The parallel payment run testing did not go ahead in February as planned and the March one has been delayed. At the time of writing this report there were no details of variances to the live run available and the auditor is unable to provide any assurances on whether or not the transition will be a success as there are still some concerns over the differences in procedures and the transfer of information from the current Frontier system to KCC.

The proposed self service software has not yet been installed at DDC and is not proposed to be so until the end of April 2010. Managers and Staff have not yet been trained on how to use this system, which is of concern because the current processes in place are manual and staff will be required to enter all information electronically to KCC. During the transition period the current manual processes will have to be reviewed until the electronic system is in place.

The East Kent Human Resources Partnership (EKHRP) is now tasked with ensuring that salary reductions as a result of the implementation of Job Evaluation are calculated and communicated effectively to KCC. They are also tasked with ensuring that up to date detailed procedures are drawn up of terms and conditions that will be relevant to the four partnership authorities. At the time of review, we were reasonably assured with the level of preparation in this area.

2.2.4 Management Response

The delay of the formal legal agreement with KCC resulted in a delay and supply of the system software for the Midland i-Trent system. This system is an integrated HR and Payroll system that will provide; robust end to end data management of employee data, manager self service and employee self service. This will further be utilised to provide automated reporting against employee information (where and when available), performance management, learning and Health and Safety.

There remained an immovable date with the cessation of the current DDC payroll system on 31st March 2009, the project therefore had to focus purely on the safe transfer of the payroll with the supporting elements of change management and communication de-prioritised to enable basic transfer.

Decisions by the HR Strategic Board (DDC representative – Head of Governance) to further roll out basic payroll at speed across SDC and CCC will impact the ability to roll out Self Service at DDC against the original plan. The automation of the self service system was planned to remove significant elements of manual and

administration work, checking and authorisation, without this being implemented at this stage EKHRP are working with DDC Management to ensure some interim tools to support this period are developed and resources identified where required.

With the transfer of the payroll and the processes, transitional and permanent, in development all provide distinct separation of duties, with checking and sign off of the Payrolls already being carried out by team members with no amend access to the system. EK Audit Partnership are supporting with advice on the development of the operational checking process.

2.2.5 Audit Assurance

Management can place Reasonable Assurance on the system of internal controls in operation.

2.3 **Insurance:**

2.3.1 Business Objective

To ensure that sufficient insurance coverage is in place for the Council to limit the significant risks that face the authority in carrying out its many and varied functions. This is partly achieved by Council Officers taking into consideration the risks within their own service areas and where these can be mitigated by insurance coverage, advising the Council's Insurance Officer to enable him to either put in place appropriate insurance coverage or recommend alternatives to reduce the risk to the authority.

2.3.2 Audit Objective

To ensure that all relevant information concerning Council functions and activities is being submitted to the Council's Insurance Officer, to enable him to form a professional judgement on the insurance coverage that is required by the authority, or to recommend that certain activities are restricted to limit the liability of the Council.

2.3.3 Summary of Findings

There has been significant work undertaken by the Performance and Risk team with the assistance of the Insurance Manager (AR) from Canterbury and an Insurance Officer from Shepway since the beginning of 2010. The absence of the insurance officer has been managed extremely well and resilience has very much improved.

The Insurance contract was last tendered in November 2006 for the new contracts to commence in April 2007. The Auditor was able to examine the tender documents that were sent to the insurance companies via the broker AON Limited; however the Auditor was unable to view the quotes provided and the decision process undertaken when awarding the contract to Zurich Municipal and whether it complied with the council's contract standing orders. This may be because the records are with the broker.

There are robust controls in place that ensures the levels of insurance and the insurance premiums are accurate and that they are reviewed annually by the Performance and Risk Manager in consultation with Property Services and Managers of relevant departments.

Three Officers who record all claims electronically and monitor the claims through to closure, manage the claims process. It is not always easy to establish when a claim is complete and can be closed. This is something that needs to be resolved with Property Services and a decision made to implement a notification process.

From the claims log there were approximately 76 insurance claims received during 2009/10 of which 33 were property related and the remainder were either motor or personal injury related. 34 claims were closed, 6 claims repudiated by Zurich Municipal and 36 remain outstanding at the time of this review.

2.3.4 Management Response

The long term absence of the Insurance Officer has necessitated a significant review of the insurance processes and procedures to streamline the work and enable the sharing of data between a number of officers who have assisted in insurance duties. This has resulted in a more efficient and effective insurance function with a greater degree of resilience within the organisation. However the long-term future of this post needs to be determined once the staffing situation has been resolved.

2.3.5 Audit Assurance

Management can place Substantial Assurance on the system of internal controls in operation.

2.4 **Write-offs:**

2.4.1 Business Objective

To ensure that debts are written off in an open and transparent manner after all recovery of the debt has been attempted.

2.4.2 Audit Objective

To provide assurance on the adequacy and effectiveness of the procedures and internal controls surrounding the write-off of debts owed to the Council.

2.4.3 Summary of Findings

A "Write-Off" is a debt that the Authority have decided is no longer economical to recover, so therefore take the decision to remove the transaction from the balance sheet. It should be noted that this process only stops further recovery action by the Authority and does not prevent the Authority accepting payment for the debt at a later date.

The service has developed the "Ready Recknor" system that calculates the cost of recovering a debt, which is a superb tool for deciding when a debt is no longer economical to recover. Further use of the tool should be deployed across the Council as the trigger for recommending debts to be written off.

The "Ready Recknor" system is best practice reviewed in the East Kent Cluster by the East Kent Audit Partnership.

Whilst a general understanding is in place that debts that are written off will be authorised by the Taxation and Enforcement Manager (MK), no formal procedure of upper limits is in place. High value write offs are generally discussed with the Head

of Business and Community Transformation (DW) before the action is taken, however this is not recorded.

The only system outside of this process is that for Car Parking debts. Annually the Parking Services and CCTV Manager (DH), notifies the Section 151 Officer of write offs. However, this is too fine a detail as it details individual transactions. An analytical report, would be of more value to the Section 151 Officer, along with a breakdown of the actual value of write offs by category. E.g. Foreign Vehicles, Unable to trace etc.

There are three elements of the Council Constitution that the Authority is not currently compliant with.

- **Financial Regulation D: Systems and Procedures;**
- **Appendix 8, Policy Statement for write offs; and**
- **The Scheme of Officer Delegations.**

All corporate debt within the Council, apart from that generated by Parking Services, falls under the authority of the Head of Business and Community Transformation (DW). This is currently in conflict with the Constitution and scheme of officer delegations which, places responsibility for write-offs on the Head of Finance and ICT.

To this extent, the Council's Constitution should be reviewed to delegate the power of writing off of Corporate Debt to Head of Business and Community Transformation (DW), and that regular reports of the debt profile and write offs are then made to the Section 151 Officer, at a more strategic analytical level.

The reporting of the corporate debt and write offs is not undertaken. Performance is not reported in an analytical way to the Section 151 Officer and Members so that they can see what the service is learning and improving on.

Neighbouring authorities are reporting on a monthly basis to the Section 151 Officer and on a quarterly basis to the appropriate Committee. DDC Constitution states, ***"The Section 151 Officer will periodically report debt write off to the Executive."***

Reports to the Section 151 Officer and the Executive should be in a format as agreed with the Section 151 Officer as the statutory responsibilities of the Corporate Debts still resides with him.

Additional benchmarking revealed that Thanet District Council has an Income Management Group that meets on a monthly basis to review the current debt levels within the Council and the write offs that are under consideration.

2.4.4 Management Response

The Head of Community and Business Transformation recognises that the original audit identified a number of areas of reporting and technical delegation issues that hadn't been finalised following extensive initial work by the management and staff to deliver improved write-off procedures. I also welcome the work that has been done to turn this assurance to reasonable over a very short timeframe and appreciate the support that audit has given to this work.

2.4.5 Audit Assurance

Management can have no assurance that write offs are being authorised in accordance with the Constitution and can place Limited Assurance on the system of internal controls in operation governing the processing, recording and reporting of write-offs.

2.5 **Members' Allowances:**

2.5.1 Business Objective

To ensure that Members' allowances are calculated and paid in accordance with the prevailing regulations.

2.5.2 Audit Objective

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure achievement of the stated business objective.

2.5.3 Summary of Findings

Given the current economic climate careful consideration should be made by Councillors when planning to attend conferences not included within the approved list in the Constitution to ensure that the value obtained from attending these conferences is sufficient compared to the cost. Consideration should be given to amending the Constitution to delegate authority for the Leader (or his Deputy) to determine which conferences/seminars should be attended and by whom.

Review of 25 travel and subsistence claims identified the level of detail being entered when describing the duty to which the claim relates is not always sufficient. This combined with the inherent nature of the Councillors roles makes it difficult and time-consuming for Democratic Services to check and approve the claims being made. The Member should also be responsible for entering the standard rail fare equivalent on the claim when this is payable in substitution for mileage for journeys out of the District.

All Councillors need to be reminded that they should submit their travel and subsistence claims on a monthly basis, and no claim should be made more than three months after the date of travel as per the decision of Council at its meeting held on 25 November 2009 (Minute No 308). If the claim is more than three months old they should present a case to the Democratic Services Manager for payment of the claim. The Auditor has reviewed the claim forms submitted for between April 2008 and July 2009 payrolls and found nine instances of claims being submitted for multiple months (prior to the decision of Council in relation to time limits). Submitting late claims could impact on the budget monitoring process. The Joint Independent Remuneration Panel (JIRP) has previously made recommendations advocating a limit of the time between travel and claiming for that travel.

During the course of testing it was identified that VAT receipts were not being consistently collected from Councillors as there was some uncertainty as to why this was necessary..

2.5.4 Management Response

The Democratic Support Manager appreciates the work undertaken by Audit on the Members' Allowances scheme that raised a number of issues that have been brought to the attention of Members. These included the practical amendments to the expenses form and collection of VAT fuel receipts which have already been actioned. Council has resolved that claims made later than 3 months after date of travel will not be paid unless exceptional circumstances can be demonstrated to the Democratic Services Manager; and the decision to amend the Constitution in respect of amending or deleting the list of approved Conferences will be dealt with under the next review of the Constitution.

2.5.5 Audit Assurance

Management can place Reasonable Assurance on the system of internal controls in operation.

2.6 **Leasehold Services:**

2.6.1 Business Objective

To ensure that the service costs incurred by the Council in respect of properties within the Housing Portfolio, for which the Council owns the freehold, and which are occupied on lease, or have been sold are appropriately re-charged to the tenants/leaseholders/owners in accordance with statutory provisions and Council policy.

2.6.2 Audit Objective

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the appropriate costs relating to relevant properties are properly accounted for, and annual costs are notified and recharged to the tenants/leaseholders/owners within properly defined timescales.

2.6.3 Summary of Findings

Leasehold Services is delivered as the result of a number of different areas coming together to provide the service and supporting data. Several of these "partner" areas have undergone a number of changes in terms of procedures and IT support which have not yet been fully reflected in revised documented procedures.

The absence of a complete suite of up to date procedures offers scope for error or personal interpretation that may conflict with other departments

Performance Indicators and benchmarking are not undertaken arising from lack of comparability data elsewhere.

Defective leases give rise to shortfalls and work arounds. There are no procedures to cover this situation.

2.6.4 Management Response

Management accepts the findings of the audit report and is in the process of implementing the recommendations.

2.6.5 Audit Assurance

Management can place Limited Assurance on the system of internal controls in operation.

2.7 **ICT Change Control:**

2.7.1 Business Objective

To ensure that robust change control standards exist for making amendment to the IT environment, specifically relating to application software upgrades.

2.7.2 Audit Objective

To provide assurance on the adequacy and effectiveness of the procedures and controls established within the system for application software change control.

2.7.3 Summary of Findings

The process of application software change control is generally working well. Most of the operational processes in place support effective implementation of the expected controls. Enhancement of existing procedures to prompt the consistency and completeness of information trails would improve overall control effectiveness.

The Office of Government Commerce IT Infrastructure Library (ITIL) is the most widely accepted approach to IT service delivery management in the world. ITIL provides a set of best practice, derived from the public and private sectors. This is the standard that has been adopted by the Council.

Within the ICT Services System Support Team the Business Change Manager maintains responsibility for system change control and is the author of the Systems Support Procedures. This audit has focused on application software system change controls within this operational area.

Documented 'Systems Support Procedures' focuses on where ITIL covers specific Systems Support provision ie Change Management. System support protocols have been developed around ITIL principals and utilise the existing TrackIT application to provide a single repository and point of reference. There is recognition of crossovers to other areas of ICT support including Helpdesk, Infrastructure and Release Management.

The 'owners' of application software systems are not necessarily the members of staff who actually have responsibility for undertaking and/or implementing system changes. In practice, this has been delegated to other staff ie system administrators and/or those staff who have a greater knowledge of the system than the owners themselves. This would seem to be an appropriate working practice although formal recognition of the delegated responsibilities should ensure the awareness and accountability of mandated staff.

2.7.4 Management Response

ICT Management welcomes the Reasonable Assurance on the internal change controls.

The three areas where action is required are being addressed, with a target date for completion of 30 April 2010.

2.7.5 Audit Assurance

Management can place Reasonable Assurance on the system of internal controls in operation.

2.8 **ICT File Security:**

2.8.1 Business Objective

To ensure that Council files and data are protected from unauthorised access, loss, damage, destruction and corruption, including those held on portable medium or accessed remotely.

2.8.2 Audit Objective

To provide assurance on the adequacy and effectiveness of the procedures and controls established within the system for ICT File Security.

2.8.3 Summary of Findings

Laptop and Blackberry users are generally well aware of the relevant security issues surrounding portable devices. Positive action by ICT management has introduced appropriate security software which has brought the Authority into CoCo compliance. The ICT Security Policy is a strong document that states risks and sanctions to be applied in the case of breaches in security by users.

A short survey was used to ask random users of laptops and Blackberries about how they used the various DDC portable devices and whether their experience of remote access was satisfactory. This last question produces some interesting, if sometimes irrelevant responses (found at Appendix 3) that may be helpful in improving "customer satisfaction" where practical.

Most of the discrepancies found in the hardware inventories were subsequently resolved. 100% accuracy of inventory is not attainable due to TrakIT's acknowledged inadequacies but may readily be addressed by a physical reconciliation programme between users, machines and inventory reference numbers in order to benchmark a point in time when each laptop has been located and identified.

The main concern highlighted by this review is the situation regarding Outlook and Network capacity. The Senior ICT Manager has brought this to the attention of Corporate Management Team with a set of proposals that should be considered and implemented as a matter of urgency.

2.8.4 Management Response

ICT welcome the Reasonable assurance placed on the internal controls.

ICT Technical staff are now using information held in the network system's 'Active Directory' of resources to cross check the Track-It inventory.

We are continuing to work on the email and server capacity issues identified by the review.

2.8.5 Audit Assurance

Management can place Reasonable Assurance on the system of internal controls in operation regarding the Network and remote access.

2.9 **Regeneration:**

2.9.1 Business Objective

To regenerate and revitalise Dover thereby turning Dover into a World Class Town.

2.9.2 Audit objective

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the project and all associated risks are adequately managed and that any governance issues are given due consideration.

2.9.3 Summary of Findings

The Council is clearly committed to the regeneration of the district and can justifiably lay claim to having both a 'World Class Port' (Dover is undoubtedly one of the busiest ports in the world and one of the major sea gateways to the UK) and also 'World Class Heritage' (Dover Castle and the iconic White Cliffs are world renown).

The Council has set it self a high level aspiration to become a "World Class Town" but has not defined what a 'World Class Town' looks like or what the attributes of such a World Class Town would be. Aspirational or 'stretch' targets should not be discouraged, indeed it is only by stretching themselves that organisations drive continuous improvement. However based on the current state of the town of Dover to the wider community and the residents the authority has not met such aspirations but now has the necessary designations in place to enable the delivery of a comprehensive agenda. It is acknowledged that change does take time but compared to neighbouring authorities the progress of change in Dover has run at a slower pace due to the many complexities associated with nature of the agenda.

Within the opening sentence of the 2008-2020 Corporate Plan the Council recognises that the district 'is on the brink of transformational regeneration that will effect every resident and visitor'. At the time of this review, our conclusion in this regard is that the Council's Regeneration efforts remain somewhat aspirational. Regeneration is generational and is often complex and time consuming if the core foundations such a commercial viability, planning certainty, land and community buy-in are not achieved. In the case of the DTIZ scheme, the authority is in a much stronger position today having secured major land interests, planning consent and with the growth programme. However there is a lack of demonstrable outputs visible to the community compared to the level of financial input and the associated elapse of time.

The Council has however contributed significantly to the delivery of a number of very important and highly successful projects that have had a positive impact upon the regeneration of the district. Examples of this include:

- The Deal Pier project;
- The refurbishment of Dover Priory Station (thereby encouraging improved high speed rail access to Dover from the capital);
- White Cliffs Business Park;
- The Sea Sports Centre;

- The Sea Change programme
- Attracting the British Open Golf to Sandwich.

The Dover Regeneration process requires further work to enhance the documentation that is place to support the ongoing regeneration process, particularly in the areas of

- Project Management;
- Risk Management; and
- Knowledge Management.

Within the sample selected there is a weakness in the Council's formal project management arrangements. Whilst it appreciated that almost all regeneration projects are largely dependant upon external partners, achievement against reasonably clear project milestones needs to be monitored in order to provide assurance that the Council is achieving its key corporate aim of regeneration.

The Head of Regeneration is responsible for all the regeneration projects within the District. The Aylesham Development and Open Golf projects have been delegated to other members of staff within the team however the Head of Regeneration retains overall responsibility. There is concern over knowledge management as the Head of Regeneration has a vast knowledge of this area and in the event of him being unavailable this could have a serious impact on the Council's Regeneration aspirations as a whole. The previous audit highlighted the resilience issue to ensure that contingency plans are in place that includes the provision of additional efficient management support. However despite there now being in place a Regeneration Manager there is no sign of the workload easing as more and more regeneration ideas are discussed, initiated and brought to the table now that the authority is in the delivery phase according to the Head of Regeneration. The potential benefits therefore of bringing in additional management support have not been fully realised from a contingency perspective as the Regeneration Manager is at certain times working almost exclusively on the Aylesham or other projects. This issue will need to be considered further in the context of the Employment Stability exercise.

Monthly budget monitoring processes are in place for all the regeneration projects. Regular meetings are held between Accountancy staff and the Head of Regeneration to go through the budget process. Based on the current maps of the of the DTIZ regeneration site there are several large sections of land / buildings that still need to be purchased. These may have to be acquired under a Compulsory Purchase Process in due course in the event of negotiated solutions not coming forward However estimates of the possible expenditure that may be occurred in the purchase of these properties and land have yet to be established.

In discussions with the Head of Regeneration, it has been highlighted that the balance of £877k from the SEEDA grant will not be enough to complete all of the purchases for the DTIZ project. Had ASDA committed to the project then they were expected to bring another £10.2 million pounds to the table which would be used to purchase the outstanding property subject to agreed valuations. However, now that they have withdrawn from the project, other funding streams will have to be identified. Any estimates on property values could assist with any future grant applications in this area.

No payments since 2003 have been processed through the Contract Register for consultants Nabarro and Capita Symmonds (River Dour Study) since 2007. This

means that the payments are not complying with the Contract Procedure Rules. This issue was highlighted in the recent Compliance with Contract Procedure Rules audit that was carried out recently.

Although the Project Dashboard is in place and is reported to CMT on a regular basis and the Project Advisory Group is now sitting (Which is a rebirth of a previous Project Management Group) there is still a major ongoing weakness in respect of the documenting of risk assessments and identifying further risks as the regeneration projects are developed. Dover District Council is involved in several regeneration projects but a major weakness is the documenting of risks and putting in place contingency plans if the plans do not come to fruition. (i.e What happens to all the property / land purchased and the development does not go ahead) There is no operational risk register in place within the Regeneration team. Although the risks are most likely discussed at CMT and Project Board level there is no formal documentation of the risks and the agreed actions to reduce the level of risk. The recent withdrawal of ASDA from the DTIZ project has highlighted the strategic risks to the Council in terms of its regeneration aspirations and the need for robust contingency plans although it should be noted that to have a discloseable contingency plan could have undermined the CPO process had that been initiated.

The Head of Regeneration stores all of his emails within his inbox on Outlook rather than on the main system under the shared area for Regeneration and Transport. The sensitive nature of some of the information is of concern but this information could be password protected. The danger is that if Outlook crashed or became corrupted then vital information on the regeneration projects could be lost. The Senior ICT Manager has confirmed that he is happy for the current practice to continue.

Communication with the public could be improved. The information on the regeneration internet pages is out of date and needs refreshing to state the current position of each of the projects. All forms of communication should be used to keep the regeneration aims in the public eye so that they are fully aware of the current position and what they can expect to be developed across the district. The regeneration of Dover is clearly prioritised within the Corporate Plan, as the key priority for the Council and accordingly the Council, should make available open and transparent information to its residents regarding progress towards to achievement of these aims.

2.9.4 Management response

The report has been compiled in the knowledge that the key retail anchor at the DTIZ Scheme, Asda, decided to not proceed with the proposals for which consents and approvals had been obtained.

A presentation has been given to Cabinet and Council by Bond City Limited. As a consequence, Council has requested that a detailed report that will examine all options is presented to the Council Meeting on 28 July.

The report acknowledges the issues and the challenges in relation to the DTIZ scheme, the complexities of which have previously been reported to Cabinet and were referred to in part during the recent presentations. While the delivery of the scheme remains a key corporate ambition, the immediate implementation of the scheme falls outside the Council's control and is reliant on the support of others, including both the public and developer sectors. There is, nonetheless, an array of activity and investment being undertaken in the Dover area which provides a framework for continuing optimism that the circumstances which provided the

foundation to the DTIZ scheme are stronger today than was the case in 2002 when Bond City was selected.

It is noted that the report highlights concerns over resilience in relation to the expansion of the regeneration programme – this is an issue which needs to be examined in greater detail through the Employment Stability exercise.

Aside from these matters, other issues which have been highlighted, and in some cases are of historical, in the report will be addressed as appropriate in accordance with an agreed Action Plan.

Response from the Portfolio Holder:

I welcome the report and Audit's acceptance that regeneration of the district is moving to a "delivery phase". Asda's withdrawal from DTIZ is seen by the regeneration team as disappointing but also as an opportunity to explore further the stronger position the district now enjoys through its new designations.

The regeneration of our district is heavily reliant on private investment and the council has limited ability to affect timing of delivery. It is important that the council continues to facilitate and enable investment and equally important that we have capacity within our planning and legal departments to ensure delivery is achieved.

2.9.5 Assurance Statement

Management can place Reasonable Assurance on the Council's aspiration to regenerate and revitalise Dover thereby turning Dover into a 'World Class Town' and Limited Assurance on the systems of internal control for risk management, project management and non compliance with the Contract Procedure Rules for the payments to consultants and contractors.

2.10 **Performance Management:**

2.10.1 Business Objective

To ensure that performance indicators are correctly calculated, recorded and reviewed in accordance with both official guidance and the Council's performance strategy.

2.10.2 Audit Objective

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that performance indicators are reliable and data is of the highest quality.

2.10.3 Summary of Findings

The Council has a duty to ensure that the data it uses to monitor performance and inform decision making is fit for purpose. The Council needs accurate, valid, reliable, timely, relevant and complete information to manage services and account for performance. For this reason a data quality review was prioritised for the 2009-10 approved audit plan.

The National Indicators have replaced all other existing sets of indicators including the Best Value Performance Indicators (BVPIs) and the Performance Assessment

Framework (PAF). Performance against each of the national indicators will be published annually by the Audit Commission, as part of Comprehensive Area Assessment (CAA).

In consultation with the Performance and Risk Manager a review of a sample of high-risk national and local performance indicators was undertaken to ensure that they are calculated and reported correctly. Results of the testing revealed that there are a number of minor errors being made on the reporting of performance figures submitted by the responsible divisions that are not being identified as part of validation checking. However, any major variations from quarter to quarter, or period to period, are selected for further investigation.

The Performance Team confirmed that BVPI's are no longer reported to the Audit Commission or Central Government; any that continue to be used are treated as local indicators only. The Performance Team has stated that they are carrying out their own validation checks based on the figures arising and any risks from getting results wrong. This process is a "sore thumbing" exercise and it is not necessary that evidence of their checks are maintained. Consequently there is a shift in passing back responsibility for accuracy and the need for collating local indicators to the responsible division, the Performance Team focus their work on collating and reporting the information to stakeholders.

The inclusion of the performance reports on the staff intranet during 2009/10 has been delayed for twelve months due to a change in the way web pages are now published. During the review from August 2009 to 15 January 2010 it was noted there were no performance reports reported on the staff intranet for 2009/2010 and the last one reported for 2008/09 was for quarter 3. However, with effect from 29 January the training has now been delivered and quarters 1 and 2 for 2009/10 have now been published

During the audit review it was noted that in addition to the statutory National Indicators, there are many local indicators that are being reported on. Corporate Management Team may wish to consider the overall objectives and value obtained from performance management now that there is a shift to measuring outcomes rather than processes. Clearly service managers are to be encouraged to collate data regarding indicators that help them meet their objectives, but a review of targets and information published may be a worthwhile efficiency exercise. This review may be particularly relevant now that the new system is being implemented and rolled out to the divisions.

2.10.4 Management Response

The comments made in the Audit Findings have been noted and all recommendations have been implemented. The Council's performance management function provides the necessary information for Members and managers to gauge progress on key targets and objectives as well as communicating this information to staff. A balance needs to be struck between simply double-checking all data provided by service managers and sense checking information and verifying data reported externally such as the National Indicators. The findings in this report have found this approach to be correct.

As part of the annual performance reporting review managers are asked to consider their local indicators to see if they are still all required. The 2010/11 review is currently taking place and in the light of the audit comments it will be emphasised that any unnecessary local indicators should be deleted.

2.10.5 Audit Assurance

Management can place Reasonable Assurance on the system of internal controls in operation.

2.11 **Local Code of Corporate Governance:**

2.11.1 Business Objective

To ensure that the Council's governance arrangements are adequately designed to lead to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users.

Good governance should enable an authority to pursue its vision effectively as well as underpinning that vision

2.11.2 Audit objective

To provide assurance on the adequacy and effectiveness of the procedures and controls established in the systems, to ensure achievement of the business objectives.

2.11.3 Summary of Findings

The Council has well established governance arrangements in place to deliver their intended outcomes for citizens and service users, and operate in an effective, efficient and ethical manner.

The Council has a Corporate Governance Local Code to ensure it operates through a governance framework which incorporates the set of legislative requirements, governance principles and management processes. Testing carried out confirmed the previous audit report findings that showed that the Council's arrangements support the six fundamental principles of good governance.

2.11.4 Management response

It is pleasing to note that this review has placed a positive assurance on the governance framework the Council has adopted.

2.11.5 Assurance Statement

Management can place Substantial Assurance on the system of internal controls in operation.

2.12 **Housing Benefits – Overpayments:**

2.12.1 Business Objective

To ensure that overpayments of benefit are dealt with in accordance with the organisation's policy, standing orders and financial regulations and prevailing legislation.

2.12.2 Audit objective

To provide assurance on the adequacy and effectiveness of the procedures and controls established in the system for the identification and recovery of housing benefit overpayments.

2.12.3 Summary of Findings

The Housing Benefit (Overpayments) process is working very well and almost all of the expected controls are in place and are effective.

The only, relatively minor, issue that needs addressing is to ensure that training notes, procedures and guidance are kept up to date and easily accessible to all staff.

2.12.4 Management response

The positive feedback reflects the hard work and effective working of the team. Action to respond to the minor issue surrounding training notes, procedures and guidance have been initiated.

2.12.5 Assurance Statement

Management can place Substantial Assurance on the system of internal controls in operation.

2.13 **Debtors:**

2.13.1 Business Objective

To ensure that sundry debtor accounts are promptly raised where appropriate for all good and services provided by the Council and that the resultant debt collected for the benefit of the Authority.

2.13.2 Audit objective

To provide assurance on the adequacy and effectiveness of the procedures and internal controls surrounding the raising of sundry debtor accounts and the subsequent collection, recovery, cancellation and/or write-off actions.

2.13.3 Summary of Findings

The previous audit on Sundry Debtors was finalised in April 2009. Eight recommendations have been made and the action plan was completed by the relevant officers. Of the eight recommendations only two have been actioned the other six have either not been started or are in the process of being actioned. Several of the recommendations are being addressed through the recent write off audit review that was carried out.

The separate write offs review identified several areas of weakness / non compliance across the authority that need to be addressed. An action plan has been put in place and officers are currently implementing the recommendations. A proposed follow up audit review is to be carried out in May / June of 2010 on write offs.

There is ongoing development work being carried out on e-forms for Sundry Debtors. However there is the need to put in place a project timetable for the completion of the project, training and the rolling out of the forms and process to all staff.

As at 31st March 2010 the total debt outstanding on the 3 Sales Ledgers for sundry debtors was £1,133,186.13p. Below is a table of how the debt is broken down based on current and aged debt.

Ledger	Current	0-30 Days	Aged Debt			Total
			31-60 Days	61-90 Days	Over 90 Days	
SL1	415002.90	152571.90	10093.87	108127.94	428814.03	1114610.64
SL2	0.00	283.08	0.00	166.08	1316.73	1765.89
SL3	8833.26	2796.34	850.00	0.00	4330.00	16809.60
TOTAL	423836.16	155651.32	10943.87	108294.02	434460.76	1133186.13
% of Total Debt	37.00%	14.00%	1.00%	10.00%	38.00%	

2.13.4 Management response

I acknowledge the improvements identified by audit in the debtors service and confirm the write-off work is also on timetable. The Division has also just, April 2010, re-structured and the new team leader is working hard to continue to deliver these ongoing improvements.

2.13.5 Assurance Statement

Management can place Reasonable Assurance on the system of internal controls in operation.

2.14 **Main Accounting System – Key Controls:**

2.14.1 Business Objective

To ensure that the main accounting system provides complete and accurate data for the production of the annual accounts and financial returns.

2.14.2 Audit objective

To provide assurance on the adequacy and effectiveness of the procedures and controls established for the production of the annual accounts and financial returns.

2.14.3 Summary of Findings

The Main Accounting System process is generally working well and most of the expected controls are effective. Positive action is taken to control risk and additional controls have been put in place to further enhance the processes that are already in place.

2.14.4 Management response

I am pleased to again receive recognition for the good processes put in place by the Accountancy team. We endeavour to improve processes and strengthen controls

where practical and the substantial assurance given highlights the continuing efforts in this regard.

2.14.5 Assurance Statement

Management can place Substantial Assurance on the system of internal controls in operation.

2.15 **Asset Management:**

2.15.1 Business Objective

To ensure that:

- The Council has a corporate approach to asset management.
- That property and land owned by the Council is utilised so that it best supports the Council's overall aims and objectives.
- That the Council's budget and medium term financial plan reflect, at least, the minimum required level of maintenance expenditure to keep property in good condition and address any maintenance backlog, and that disposals are prioritised to meet the agreed Medium Term Financial Plan targets.

2.15.2 Audit Objective

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

2.15.3 Summary of Findings

An up to date and formally approved Asset Management Plan is in place to provide guidance to management and officers to ensure that the entire asset portfolio is effectively managed to assist with the objectives of the organisation as a whole. Suitable controls were found to be in place to ensure that all asset valuations are undertaken or reviewed by a suitably qualified person.

As part of the audit, the asset register and the provisions in place for the maintenance of the register were reviewed to ensure that the register itself is complete and that asset valuation calculations are correctly reflected in the register as the register is considered to be the prime source of information relating to asset values which are reported in the Financial Statements each year. During the review, a total of 10 assets were found to have been incorrectly valued, for example in some cases the assets had been 'double counted' whereas in other cases the incorrect rental income had been used to calculate the capital value of the asset. The amount of the errors varied between the undervaluation of one asset by £89,601 with other asset being overvalued by £70,414. The net effect of the under and overvaluations means that the asset valuation should be increased by £130,530 based solely upon this sample of ten transactions. Details of the incorrectly valued assets have since been made available to the Senior Valuer.

It was confirmed by the Senior Valuer that no independent review of any asset valuations is undertaken to ensure that valuations are undertaken using the most relevant basis for valuation and also that any assumptions made are reasonable. Therefore a recommendation has been made within this report that a sample of valuations are submitted to an independent review by a suitable qualified person from

outside of the organisation; the possibility of a reciprocal arrangement with other East Kent cluster Council partners should be considered.

The review of the whole asset portfolio to identify surplus properties, or properties suitable for disposal was last undertaken in 2004, since that time significant changes have taken place in the type of assets required, and also the funding available to achieve organisational objectives. Therefore a further recommendation has been made within this report that a Surplus Property review is again undertaken and that its findings are reported to the Asset Management Group.

Maximisation of rental income from assets being used as investment properties is considered to be an essential part of effective asset management. As part of the review, it was identified that a number of rent reviews have not been undertaken in accordance with the terms and conditions of the lease. In the case of one of the assets reviewed, the current rent of £6,500pa has remained unchanged since the commencement of the 10 year lease in 1991. This is despite a provision being in the lease for a rent review every 5 years, and an independent evaluation of the asset in 2006 making management aware that the rent should be increased to approximately £14,000pa. The valuation of this asset is based entirely on the rental income being received from the asset, therefore the current asset valuation of £52,000 based on a rental income of £6,500 would be higher than that if the rent had been reviewed and set at £14,000 as independently recommended.

2.15.4 Management Response

The findings of the Audit Review have been duly noted, an action plan has been developed to address system failures and implement the recommendations put forward. Many findings were immediately addressed, the remainder will be implemented in accordance with the time scales in the agreed action plan. Once all actions have been implemented we will be in a position to ensure that the business objectives of the service are met.

2.15.5 Audit Assurance

Management can place Limited Assurance on the system of internal controls in operation to ensure that the Council's Asset Portfolio is correctly managed to ensure that all assets are correctly valued and that income received from properties is maximised.

2.16 **Housing Benefits – Fraud Investigation Arrangements:**

2.16.1 Business Objective

To ensure that adequate controls and procedures are in place to ensure that all suspected or attempted fraud is investigated.

2.16.2 Audit objective

To ensure that all fraud prevention and detection is in accordance with statute, professional guidelines and the organisation's standing orders, financial regulations and other existing policies.

2.16.3 Summary of Findings

Weaknesses have been identified in the application of some controls, procedures and general risk management. These weaknesses adversely impact on the control environment and business objective relating to the investigation of suspected or attempted housing benefit fraud. Various activities within this operational area link in with other services involved in front line customer contact. A corporate focus should align processes in place to provide policy, procedural and risk management consistency.

An Anti-Fraud and Anti-Corruption Policy has been adopted and issued by Dover District Council confirming its support for fraud prevention and detection. However this overarching policy is not adequately supported by the current housing benefits fraud investigation policies.

There is a lack of evidenced engagement in the Council's risk management process specific to housing benefit fraud investigation. A demonstrable focus on the associated risks within this operational area would provide an additional level of assurance on service risk management.

This council has a policy of zero tolerance to fraud and this should be communicated by all means available to provide an effective deterrent to would-be fraudsters. The intranet is a valuable tool in providing access to information and highlighting the organisations stance against fraud. It is however only effective if the information is up to date, relevant and a source that the reader can have confidence in. The out of date and irrelevant information currently available on the Fraud Investigation web page is a poor reflection on the reputation of this Council and undermines the organisation's anti-fraud stance.

Performance data is available to demonstrate the level of activity and results of fraud investigation work. This type of information could be used to help address the perceived lack of resource that may be impeding the overall effectiveness of this service. Information to date reports 44 successful sanctions have been achieved in 2009/10 resulting in the overpayment of benefits totalling £137,787.

Administrative duties currently undertaken by fraud investigation officers dilute the focus and pro-active pursuance of investigating suspected fraud in an already reduced resourced team. Better use of existing resources would help to maintain a more pro-active fraud-visiting regime.

The Audit Commission's 2008/09 National Fraud Initiative involved the submission of a number of data sets from other council services not only housing benefits. This audit incorporated a review of the results of the housing benefit element but it would be beneficial for a value for money review of the NFI as a whole to be undertaken, particularly with the current focus on the effectiveness of corporate fraud measures.

The risk of *'failing to employ appropriate individuals that, due to their role responsibilities, hold a position of trust'* exists not only within the Housing Benefit Fraud Investigation Department but throughout Council services as a whole. There is a corporate responsibility here to ensure proper guidance is available through an approved Criminal Records Bureau Policy.

Visiting activities within this operational area link in with other services involved in front line customer contact. Corporate focus via the Lone Working Policy and Health & Safety risk assessments should align processes in place within the Housing Benefit Fraud Investigation Department to provide procedural and risk management consistency.

2.16.4 Management response

I note the assurance provided by audit and reflect on the fact that a significant part of the report relates to corporate issues surrounding the National Fraud Initiative (NFI) from the Audit Commission. This element of corporate work was taken into the fraud service by default and is under review to identify a better sharing of the responsibility for the NFI as resources from the fraud service have not been designed for this additional work. It is also important to note that for housing and council tax benefit, Dover DC has very low successes from historic NFI returns.

Other issues raised by audit reflect a difference in view between audit and management regarding resources assigned to housing and council tax benefit fraud and administrative activity. Anti-fraud activity is not just contained within the fraud team, it is a collective operation for the whole Division as well as within the successful partnership with the local Department for Work and Pensions fraud service. A significant amount of filtering and preventative activity is carried out within the benefits and system improvement teams, which was outside the scope of this audit and as such is not recorded, but which creates significantly strong returns from referrals to the team.

Elements of process have been tightened and other elements of policy development will be undertaken over the next year in line with the emerging shared services programme. However, it will remain a key objective for this small and effective team to deliver results as the highest priority. This is a credit to this fraud team and is acknowledge by the audit to be good and has improved since the reduction in fraud resources.

2.16.5 Assurance Statement

Management can place Limited Assurance on the system of internal controls in operation

2.17 **Choice Based Lettings:**

2.17.1 Business Objective

To ensure that the housing property is let efficiently and effectively to qualifying tenants in accordance with Council policy and procedures.

2.17.2 Audit objective

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

2.17.3 Summary of Findings

The audit has reviewed the procedures in place to ensure that the Council is taking suitable steps to allocate its properties to the applicants based entirely on their priority need and how long they have had that priority need.

Whilst a small number of improvements were identified during the audit, sound controls were found to be in place to ensure that the Councils scarce housing stock is correctly allocated to the applicant with the greatest housing priority need on a fair basis. Some work is requirement by management to ensure that the current Lettings

procedures ensure that all tenancies commence as soon possible and wherever possible at the time of the initial viewing to maximise rental income.

Suitable measures were found to be in place to give potential applicants details of the application process, how to contact Housing Options Staff and where to obtain a copy of the Housing Register Application Form.

The Council has adopted a choice based lettings scheme called Kent Homechoice. This, through the use of a bidding process, gives people on the housing waiting list a choice over where they want to live. This has meant that the applicants themselves have a choice of placing a bid on any property which is available for them according to their housing requirement which has meant that the day-to-day operation of Choice Based Lettings is undertaken on a two week cycle of properties being open to have bids placed and then at the end of that cycle, the bidding process is closed and officers then allocate properties to the applicants with the highest priority need which have placed a bid on that particular property. During the audit suitable controls were found to be in place to ensure that if a property is not allocated to the applicant placed at the top of the bidding list, the reasons for allocating the property to another applicant were well documented.

The void time on a property being re-let is considered to be a key measure of the effectiveness of the allocation process. The average number of days taken to re-let void properties was compared to a neighbouring authority and for the sample tested was found to be 3 days higher than the authority used as a comparison. Part of the additional three days delay could be as a result of the tenant having to attend the Council offices to sign a tenancy agreement as opposed to the tenancy agreement being signed at the time of the viewing, therefore a recommendation has been made within this report that the Housing Needs Manager give consideration to the tenancy agreement being signed at the time of the initial viewing.

2.17.4 Management response

Management are pleased to note the findings of this report which has provided assurance of the strong internal control regime in place with regards to Choice Based Lettings.

2.17.5 Assurance Statement

Management can place Substantial Assurance on the system of internal controls in operation.

2.18 **Housing Benefits 2009-10 Quarter 3 Testing:**

Findings:

Over the course of the 2009/10 financial year the East Kent Audit Partnership is completing a sample check of council tax, rent allowance and rent rebate and Local Housing Allowance benefit claims to support the Audit Commission's verification work.

For the third quarter of 2009/10 financial year (October to December 2009) five claims including new, cancellation and change of circumstances of each benefit type were randomly selected for verification

In total 20 benefit claims were checked and of these 3 have failed the criteria set by the Audit Commission's verification guidelines. This means that under the Audit

Commission requirements 40 additional claims have to be checked for each error type found on the failures. The Service Improvement Team will undertake this work.

In quarters 1 and 2 a total of 3 failures were identified that failed the criteria set by the Audit Commissions verification guidelines. This meant that a total of 120 additional claims had to be checked by the Service Improvement Team. Below is a table of their findings.

Qtr Tested	Number and Type of Additional Claims Checked	No of Failures
1	40 Claims on Termination Dates	2
	Further additional 40 claims checked, which identified another incorrect claim. As a result additional training is to be carried out for Benefit Assessors.	
2	40 Claims on Private Pensions	Nil
	40 Claims on Wage Calculations	Nil

2.19 **Climate Change:**

2.19.1 Business Objective

To address climate change and its impact on the lives of the Authority's citizens.

2.19.2 Audit objective

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the business objective is achieved.

2.19.3 Summary of Findings

The Council currently has no climate change policy in place. Whilst, a carbon reduction plan has been established, some of the areas within the plan do not have timescales or officers responsible for the objectives. The Climate Change Officer has confirmed that SMT had concerns over resources so that is why some of the plans do not have timescales or officers responsible. In addition the Nottingham Agreement has not been signed yet.

Cabinet reports have developed over time to include areas on the reports for public consultation and equalities. A future consideration could be to include an area for potential climate / green issues. This will show that the Authority is being proactive in identifying potential issues that could either harm or improve the environment and further enhance the Corporate Governance process.

DDC has joined with Shepway District Council to share resources and best practice, and a Climate Change action group has been formed, with a view to implementing best practice. A travel plan is to be developed to identify ways of reducing costs and smarter working. However, it should be noted that the Climate Change Officer has only 2 years until he could retire so there is a need to start succession planning in this area.

The Corporate Plan 2008 to 2020 and the revised Corporate Plan 2010 to 2013 make no reference to adapting to climate change or reducing the carbon footprint of the district. The document is directed towards the regeneration of the district and does

not take into account the possible impact of all the proposed regeneration on the environment.

Over the last 3 years the Climate Change Officer has obtained grant monies that total over £783,000 for the benefit of the district.

2.19.4 Management response

Management are pleased to accept the findings of the audit, which has highlighted some areas for improvement, and are in the process of implementing the agreed management actions.

2.19.5 Assurance Statement

Management can place Reasonable Assurance on the system of internal controls in operation.

2.20 **Waste Management:**

2.20.1 Business Objective

To ensure that the waste collection service including recycling is undertaken in an effective and efficient manner and that waste and recycling targets are met, any grants/credits are properly received and contract deliverables are achieved in accordance with the contractual terms and conditions.

2.20.2 Audit objective

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the waste management service is carried out efficiently and effectively.

2.20.3 Summary of Findings

The only issue that needs to be addressed is that within the Waste team no reconciliation routines are carried out on the income streams. One of the reasons for this is that the income and forms for bulk collections come in from different places. Payments come to the Authority from the post office, card payments are taken over the phone by the call centre and cheques are received direct with application forms. With the new contract coming in to place from October 2010 reconciliation routines need to be developed to ensure that income is being correctly accounted for. In addition a new income system has been put in place from 1st April 2010 that could assist in developing reconciliation routines.

Recycling rates have improved significantly since the black box scheme was rolled out across 95% of the properties across the district. As a result this Authority is on track to meet its recycling targets and contribute towards the Kent Waste Partnership target of 40% across the county.

2.20.4 Management response

The findings of the audit team are noted and it is very welcome as always to note the substantial assurance given to the service area. The single issue raised in terms of reconciliation of payments is noted and will be considered in the lead up to the award of the new contract.

2.20.5 Assurance Statement

Management can place Substantial Assurance on the system of internal controls in operation.

2.21 **Events Management:**

2.21.1 Business Objective

To ensure that arrangements exist for effectively managing the Council's exposure to risk when seizing opportunities to run special events, in order to meet relevant objectives within the Council's Corporate Plan.

2.21.2 Audit Objective

To carry out an independent post event review so that the learning from this event is shared corporately in order to provide confidence in future risk taking and to inform any future events the Council may wish to run - either directly or through its associates and partners.

The scope of the review was therefore to determine what went well to identify those aspects of the event that carried risk and the extent to which that risk was recognised and mitigated.

2.21.3 Summary of Findings

Internal Audit concluded a review regarding events management; most of the observations are based on the arrangements in place for the Bleriot Celebrations event, and the findings will be used to inform future planned events.

An unprecedented National Event was held in the Dover District, the fireworks events alone were worth £60k, and the international publicity generated is something that it is very difficult to quantify, there was extensive, positive media coverage. The people of Dover benefited from a, largely, free event.

The event organiser asked DDC to provide volunteers to assist in activities such as car park management on the days of the event. DDC faced the options of declining to provide volunteers and the event being unable to proceed (and the resulting adverse publicity), or assisting the organiser by providing volunteers. DDC staff volunteers should be praised, as without them the event could not have taken place. The DDC staff worked professionally and were flexible, and adapted to the changing circumstances on the day and indeed "saved the event".

The review recognised that there are some important lessons to be learnt for future events and these were highlighted under four key areas; the event organiser, the volunteers, the expenditure controls and governance arrangements. The learning points centred around, effective risk assessments, ensuring CPO waivers are in place when necessary, identifying key milestones and exit strategies if elements of projects look unlikely to be successful, having contingency arrangements, securing necessary funding and allowing sufficient resources for effective planning. The report also noted that to ensure openness and transparency of governance both staff and members should be reminded of the need to declare and make the relevant entries on the registers of disclosure, gifts and hospitality at all times.

Dover District Council has considerable in house expertise and knowledge in organising events, including Royal Visits, therefore if organising large scale events is to be carried out in-house in the future then planning the event needs to be effectively resourced and if necessary staff seconded from their regular duties.

2.21.4 Management Response

Management will use the report to assist and inform future events.

2.21.5 Audit Assurance

An assurance level is not applicable to this review as it is a management requested piece of work.

3.0 FOLLOW UP OF AUDIT REPORT ACTION PLANS:

- 3.1 As part of the period's work, six follow up review has 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	No of Recs Made		No of Recs Implemented	
a)	Write-offs	Nil/Limited	Reasonable	H	6	H	4
				M	7	M	5
				L	1	L	1
b)	Let Properties and Concessions	Reasonable	Reasonable	H	0	H	0
				M	4	M	3
				L	2	L	0
c)	Capital	Reasonable	Reasonable	H	1	H	0
				M	2	M	2
				L	0	L	0
d)	Employee Allowances and Expenses	Limited	Reasonable	H	6	H	3
				M	5	M	1
				L	0	L	0
e)	ICT Change Control	Reasonable	Substantial	H	0	H	0
				M	3	M	3
				L	0	L	0
f)	Youth Strategy	Substantial	Substantial	H	1	H	1
				M	0	M	0
				L	0	L	0

- 3.2 As highlighted in the above table, those areas previously reported as having a Limited or No assurance have been reviewed and Members are advised as follows:

a) Write-Offs:

A significant number of the high category recommendations contained within the March 2010 report have been completed by the implementation dates originally agreed with management and a reasonable level of work has been undertaken in respect of the medium and low category recommendations.

Therefore I am pleased to confirm that the level of assurance that management can place on the write offs process has increased from No/Limited Assurance to Reasonable Assurance. Whilst all the recommendations have been implemented the new process has not been in full operation long enough to complete testing to a level that a Substantial assurance could be warranted.

However, it should be noted that a Substantial level of assurance is achievable if the new processing controls that have been implemented are fully complied with when the new process is well established.

d) Employee Allowances and Expenses:

The outstanding recommendations will be dealt with by either the implementation of the self service expenses system which is due to be rolled out to staff at Dover District Council during 2010 or through the HR policies programme that is due for delivery / implementation by March 2011.

I therefore confirm that the level of assurance placed on the internal controls has been revised to Reasonable. This is due to the revisions in the Cash for Car Scheme which have mitigated the risks that led to an original Limited assurance being given. However there is still work to be done to fully implement the outstanding recommendations.

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: Procurement, Receipt and Opening of Tenders, Child Protection, Risk Management, Housing Rents, Housing Benefit Quarterly Testing, Shared Payroll controls, and the shared Revenues and Benefits database being established with Thanet District Council.

5.0 CHANGES TO THE AGREED AUDIT PLAN:

- 5.1 The 2009-10 Audit plan was agreed by Members at the meeting of this Committee on 19th March 2009.
- 5.2 The Head of the Audit Partnership meets on a monthly 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 Appendix 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.

7.0 INTERNAL AUDIT PERFORMANCE

- 7.1 For the period ended on 31st March 2010, 431.22 chargeable days were spent out of a planned total of 450. Approximately 95.83% of the plan was therefore completed, and the remaining days were completed in early April 2010.
- 7.2 EKAP has performed very well against its Balanced Scorecard of performance indicators for 2009-10..
- 7.3 As part of its commitment to continuous improvement and following discussions with the s.151 Officer Client Group, the EKAP has improved on the range of performance indicators it records and measures. The performance against each of these indicators for 2009-10 is attached as Appendix 5. There are no concerns regarding the resources engaged or outputs achieved at this time, and the East Kent Audit partnership has performed well against it's targets for the 4th Quarter of 2009-10.
- 7.4 The EKAP audit introduced an electronic client satisfaction questionnaire, which is used across the partnership. The satisfaction questionnaires are sent out at the conclusion of each audit to receive feedback on the quality of the service. Current feedback arising from the customer satisfaction surveys is attached as Appendix 4.

Attachments

- Appendix 1 Summary of recommendations resulting from the period's work
- Appendix 2 Summary of services with Limited / No Assurances
- Appendix 3 Progress to 31st March 2010 against the agreed 2009/10 Audit Plan.
- Appendix 4 Feedback From Customer Satisfaction Questionnaires received during the period.
- Appendix 5 EKAP Balanced Scorecard of Performance Indicators to 31st March 2010.
- Appendix 6 Assurance statements

SUMMARY OF HIGH CATEGORY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK				
REVIEW	DATE REPORT ISSUED	RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
Compliance with Contract Standing Orders	22-03-10	All officers to be reminded of the criteria for the contract register and making payments by certificate. Persistent offenders should be subject to disciplinary action as stated within the Council's CPRs.	Reminder to be included at the budget manager year-end training sessions in March. Procurement web page to be updated to reflect correct info and websense to be utilised to ensure budget managers receive the latest information on procedures. Further training to be given to budget manager's in 2010/11.	Financial Services Manager (First session held 18/03/10. Final session due 26/03/10) Senior Income Officer End April 2010 Financial Services Manager and Senior Income Officer End Sept 2010
		Guidance notes for paying consultants and contractors should be put onto the intranet to raise the profile of CPR's and ensure that staff are aware of the processes.	As recommendation 1	As recommendation 1
		The application form for justified exemptions to the Contract Procedure Rules should be put onto the intranet along with appropriate guidance notes.	Intranet to be updated	Senior Income Officer End April 2010

SUMMARY OF HIGH CATEGORY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK

REVIEW	DATE REPORT ISSUED	RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
Compliance with Contract Standing Orders	22-03-10	The application process for exemptions to Contract Procedure Rules needs to be re-launched to all staff to ensure that they are aware of the rules on how to spend money, the circumstances when waiving the rules will be justified and tolerated and how the authorisation and reporting process works.	As recommendation 1	As recommendation 1
		The Head of Service certifying the application form for a CPR Waiver must obtain a second authorisation from either the Section 151 Officer or the Monitoring Officer. No officer can certify a CPR waiver and grant the authority for it also.	Acknowledged & to be included in procedures.	On-going
Members' Allowances	29-03-2010	Democratic Services and Councillors should ensure that VAT receipts are attached to all travel and subsistence claims in line with the rules for claims submitted by Officers.	All members reminded to attach fuel receipts.	Claim form amended by Senior Democratic Support Officer on 30/11/09 and now in use.

SUMMARY OF HIGH CATEGORY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK

REVIEW	DATE REPORT ISSUED	RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
Members' Allowances	29-03-2010	<p>a) Councillors should carefully consider the expenditure incurred for attendance at any conference and whether the conference adds value for the Council.</p> <p>b) Additionally Councillors should ensure that attendance at conferences, not included on the approved list contained in the Constitution, are appropriately agreed. Alternatively the process outlined within the Constitution should be amended to reflect a new agreed process e.g. authority for the Leader to determine which conferences will be attended and by whom against the overarching cost consideration detailed in recommendation 2(a).</p>	<p>a) Leader is advised if/when conference budget is likely to run over. Only councillors can confirm if value is added by attendance.</p> <p>b) Amended Allowances scheme for travel and subsistence has been drafted to include mechanism for conference attendance.</p>	<p>Drafted by Senior Democratic Support Officer, now with Head of Governance, to be discussed with Members</p>

SUMMARY OF HIGH CATEGORY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK

REVIEW	DATE REPORT ISSUED	RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
Members' Allowances	29-03-2010	<p>Where Councillors submit inaccurate information they should be reminded of the rules outlined in the Constitution especially with regard to travel outside the County, subsistence and the supply of receipts, and the level of detail required concerning the duties to which the claim relates. If further claims are then submitted which contain similar errors the affected part of the claim should not be processed and should be returned to the Councillor for them to re-submit.</p>	<p>Members had not previously been asked to supply rail fare equivalent for out of County travel therefore their entries were not inaccurate. They have now been advised that this is their responsibility.</p>	<p>Claim form amended 30/11/09 by Senior Democratic Support Officer and now in use.</p>
		<p>Councillors should ensure that Travel and Subsistence claims are submitted on a monthly basis in accordance with the Financial Procedure Rules and the Constitution.</p>	<p>Councillors are frequently reminded of this. Council approved maximum period of 3 months for claims at its meeting held on 25/11/09.</p>	

SUMMARY OF HIGH CATEGORY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK

REVIEW	DATE REPORT ISSUED	RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
Asset Management	30-03-2010	<p>Valuations staff should ensure that the correct rental values are used when undertaking the valuation of assets.</p>	<p>Property Services have commenced a data cleansing exercise checking every lease, starting with the highest value properties. First 90 properties (all assets with rents in excess of £125) to be checked by 30 April. Remaining 194 properties to be checked by 31 May. Any errors in rental values will lead to recalculation of Asset Valuations and Accountancy will be advised to amend their data. There will be a random quality check on quality of data during the year commencing 1 June.</p>	<p>Initial data cleansing by 31 May, thereafter ongoing. Senior Valuer</p>
		<p>The Senior Valuer should ensure that a documented review of all assets is undertaken to identify surplus assets and assets which are not generating sufficient income. The findings of the review should be presented to the Asset Management Group.</p>	<p>Review of Assets to be completed and reported to Cabinet</p>	<p>Oct 2010 Senior Valuer</p>

SUMMARY OF HIGH CATEGORY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK

REVIEW	DATE REPORT ISSUED	RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
Asset Management	30-03-2010	The Senior Valuer should ensure that all leases containing a provision for a rent review are reviewed to ensure that all rent reviews are documented and undertaken in accordance with the terms and conditions of the lease.	Data cleansing already started (see 2) Where a large difference emerges between actual and market rents, lease to be checked and if permitted, late reviews undertaken. Logotech will provide early warning of rent review dates for future reviews.	Ongoing Senior Valuer
		Accountancy staff should seek advice on the correct reporting treatment for assets which have had their asset values incorrectly reported in previous years.	The Senior Valuer has discussed with accountancy who have confirmed that any incorrect asset valuations with a difference of £100,000 or less is considered immaterial and the revised asset valuation will be noted in next year's accounts; larger amounts or a cumulative total of £300,000 or more would need to be considered in more detail and may need to be noted in the next set of accounts. Implement any necessary action.	Action completed. Senior Valuer Capital post to consider impact of any assets revalued. Ongoing
ICT File Security	12-04-2010	As an immediate action a pilot study by one section to measure their Outlook and Network footprint before and after conducting rigorous housekeeping and use of file management techniques e.g. archiving to zip file. If results are positive then the process should be undertaken across the Authority.	ICT will be issuing further guidance on email and network storage. Additional storage will be added to the network to accommodate the immediate pressures. Email archiving procedures are being tested by ICT, ahead of a wider rollout across the organisation	Summer 2010 Technical Architect Subject to successful implementation and testing of email archive system

SUMMARY OF HIGH CATEGORY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK

REVIEW	DATE REPORT ISSUED	RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
ICT File Security	12-04-2010	Senior management should issue definitive instructions regarding carrying out active file management in Outlook and on the Network to all divisions.	See 1 above	
		In consultation with ICT management, Senior management should consider setting limits on storage space in Outlook and the Network as other authorities have.	Agreed, mailbox limits will be implemented as part of the email archiving project.	As 1 above
		That the PC and Laptop inventories should be physically reconciled to individual machines and the current user, a global recall initiated to confirm location, user and continued existence of machines in use to allow prompt removal or write off of machines that no longer exist.	Agreed that this is desirable, but ICT section lacks resource to conduct a global census. Proposed that the inventory is checked by: -Checking the Track It inventory entry for each PC when a fault/problem is reported -Reviewing the date last logged (held in Track It) to identify machines which are apparently inactive -Reviewing the entries in Active Directory, to identify inactive machines and (if necessary) disable them to see if they are still in use.	Service Delivery Manager Target – achieve 96% inventory accuracy by March 2011 This represents an error rate of 40 out of a current recorded population of 750.

SUMMARY OF HIGH CATEGORY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK

REVIEW	DATE REPORT ISSUED	RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
Write-offs	12-04-2010	<p>The procedures that have been documented for the recovery process should be updated to include the level of authority Officers have in the write off process. This should be adopted across the authority, except for Parking Services.</p> <p>For example: - Up to £2000: - The Taxation and Enforcement Manager (MK) Up to £5000: - Head of Business and Community Transformation (DW) Up to £10,000: - Head of Finance and ICT (Section 151 Officer) (MD) Over £10,000: - Finance Portfolio Holder</p>	<p>Amendment to the constitution to enable the s151 officer to establish write-off procedures and delegations.</p> <p>This process is set for Governance committee on 24 March 2010 and Council on 12 April 2010.</p>	<p>End May 2010. Head of Finance & ICT. (MD)</p>

SUMMARY OF HIGH CATEGORY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK

REVIEW	DATE REPORT ISSUED	RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
Write-offs	12-04-2010	The Constitution should be amended to take into consideration the requirement for the delegated authority of the write off process to be delegated to the Head of Business and Community Transformation, with the requirement of an appropriate reporting mechanism to and set by, the Head of Finance and ICT (Section 151 Officer).	Disagree – approval will remain with the s151 Officer, but he will have the authority to delegate to other officers.	End May 2010. Head of Finance & ICT. (MD)
		The formal procedure that has been adopted by the Head of Finance and ICT (Section 151 Officer) and Parking Services and CCTV Manager (DH) of the annual notification of PCN write offs should be included in the Constitution as a delegated power.	Agree – see responses above.	End May 2010. Head of Finance & ICT. (MD)

SUMMARY OF HIGH CATEGORY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK

REVIEW	DATE REPORT ISSUED	RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
Write-offs	12-04-2010	A quarterly report should be produced and submitted to both the Section 151 Officer and the Cabinet as stated within the Councils Constitution. The report should be of an analytical structure with focus on the write off in comparison to the level of debt, the reasons why debt is being written off and any matters of concern.	Reports requesting authority, updating the Constitution and identifying new processes will be presented to Governance Committee on 24 March 2010 and Council on 12 April 2010. Write offs up to the end of 2009/10 will be reported to the June Governance Committee.	Procedures will be updated by Taxation & Enforcement Manager (MK). 30 April 2010
		All Write Offs should be allocated to the originating General Ledger Cost Centre and Account Code.	Allocation will commence in 2010/11 following adoption of the delegations by governance and Council.	Procedures will be updated by Taxation & Enforcement Manager (MK). 30 September 2010
		The provision for the outstanding PCN's should be reflected within the financial statements, possibly using the statistical information provided by the Parking Services and CCTV Manager (DH) on the percentage of cancelled and written off PCN's for the current financial year and an increased rate for subsequent financial years.	Debtor position for PCN's to be calculated at year end. On completion the decision to be made by Head of Finance & ICT on materiality for inclusion within the final accounts.	End May 2010. Head of Finance & ICT. (MD) Accounting Technician. (KE)

SUMMARY OF HIGH CATEGORY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK

REVIEW	DATE REPORT ISSUED	RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
Climate Change	29-04-10	Establish a climate change policy that identifies the Councils role in meeting the targets / objectives of the 4 key levels at which climate change can be seen to impact.	A target has been set through the PPR process to write a strategy / plan.	Climate Change Officer to do this by March 2011.
		Ensure that the Carbon Reduction Plan has target dates and responsible officers in place for all its objectives.	The Carbon Reduction Plan to be incorporated into the above plan.	Climate Change Officer to do this by March 2011.
		The Nottingham Declaration needs to be signed off by the Leader and the Chief Executive to enhance the Authority's commitment to climate change and to support the climate change policy.	The aim is to develop a joint declaration for both SDC and DDC to sign.	Climate Change Officer Declaration to be drafted by July with approval to sign being sought in Sept 2010.
		Any future rewrites of the corporate plan to take into account the authorities commitment to the environment and to reduce the carbon footprint.	CMT to consider the priorities for the Corporate Plan.	CMT Mid-2011.
Leasehold Services	07-05-10	Evidence data quality and basis of transfer for data used in calculations (implementation of new IT systems / modules) to provide assurance of data standards.	The Supported Housing Manager will liase with the Technical Analyst (AA) to ensure that the most recent data transfer was accurate.	Supported Housing Manager 30 th June 2010

SUMMARY OF HIGH CATEGORY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK

REVIEW	DATE REPORT ISSUED	RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
Leasehold Services	07-05-10	Defective leases should be rectified.	The Strategic Housing Manager is undertaking discussions with Legal in respect of this issue with a view to the re-writing of leases where necessary. A decision on this matter is expected shortly however any re-writing of leases will take longer to implement.	Strategic Housing Manager 31 st March 2011
		The Lease pro forma should be reviewed to ensure references are up to date and consistency (e.g. Acts of Parliament "as amended"). The pro forma should be marked with a version control identifier (version number and date).	The Strategic Housing Manager is undertaking discussions with Legal in respect of the defective leases issue with a view to the re-writing of leases where necessary. A decision on this matter is expected shortly however any re-writing of leases will take longer to implement. A revised lease pro-forma will arise as a result of this exercise.	Strategic Housing Manager 31 st March 2011

SUMMARY OF HIGH CATEGORY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK

REVIEW	DATE REPORT ISSUED	RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
Payroll	07-05-10	<p>a) Regular checks should be made on employee standing data after each payment run to ensure accuracy.</p> <p>b) A list of exception reports should be established which will be reviewed by Shared HR following each payment run by KCC e.g:</p> <ul style="list-style-type: none"> • Net pay in excess of a predetermined amount e.g. £3,000; • Bank Accounts receiving more than one salary payment; • Employees on Emergency Tax Codes; • Employees without National Insurance numbers; • Employees without valid tax codes; • Employees receiving overtime in excess of 10% of their basic salary; • Mileage in excess of a predetermined amount. 	Standard Payroll processing identification and detective measures will be put in place as per KCC current processes, and EKRHP checking procedures.	June 2010 KCC/EKHRP

SUMMARY OF HIGH CATEGORY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK

REVIEW	DATE REPORT ISSUED	RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
Payroll	07-05-10	Review the level of understanding and compliance with the 'Alabaster Ruling' across the four authorities and make any necessary adjustments in keeping with the current legislation.	Robust rules have been implemented as per KCC processes to ensure maternity pay procedures are compliant. It was identified early on that DDC processes were deviant. Transitional agreements will be honoured with staff, all new maternity receivers will be as per KCC compliant process.	June 2010 KCC/EKRHP
		Review terms and conditions of employment across the three/four partnership Council's, and establish a common set of terms and conditions that are consistently adhered to and (where applicable) communicated effectively to KCC to facilitate redundancy payments etc.	Aligned policy, processes and procedures will be included in the rollout of "complete package".	January 2011 EKHRP
		EKHRP Management should ensure that the mileage and expenses claims are processed and monitored for accuracy and payment prior to the implementation of the I Trent self service software In April/May 2010.	HR would not be responsible for making sure the expenses are transferred to KCC for payment. The managers signing off the expenses are responsible for ensuring accuracy and compliance with policy.	On-going

SUMMARY OF HIGH CATEGORY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK

REVIEW	DATE REPORT ISSUED	RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
Payroll	07-05-10	EKHRP Management should ensure that the staff from all 4 authorities are kept informed of implementation of, and receive sufficient training on, the I Trent self-service software to ensure the smooth transitions to KCC.	EKHRP are running with a programme of truncated time. There was an imperative to transfer DDC payroll by end March 2010 to ensure ability to pay staff. The HRSB has given direction to continue the programme at the same speed for SDC/CCC. The resource allocation for Comm's/Change management is one of the risks highlighted on this option. EKHRP will do their best to mitigate this risk however it is anticipated that this will not have as much time allocated as is desirable.	On-going
Regeneration	20-05-10	Any future redrafts of the 2010 to 2013 Corporate Plan should include deliverables in the form of key milestones for the Dover Town Investment Zone.	The Regeneration Team has proposed, through its annual service plan, to refocus its efforts on project management with the aim of delivering key projects. If this is agreed by CMT, then a more structured project management system can be introduced and key milestones and related information will be identified and monitored within the new Covalent system. In the case of DTIZ, Bond City will be presenting to Cabinet on 10 May and a report will be placed before Council on 19 May.	Second Quarter 2010/11 – Regeneration Manager and Head of Regeneration. Report to Cabinet 10 May and Council 19 May in respect of DTIZ.

SUMMARY OF HIGH CATEGORY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK

REVIEW	DATE REPORT ISSUED	RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
Regeneration	20-05-10	The Council should establish a formal corporate project management methodology that is consistently used across the Council, used by all staff and driven forward by CMT.	See recommendation 1 above. However, it is suggested that the Project Advisory Group (which includes key members of CMT) undertakes the role of Project Board enabling projects to be driven forward.	Project Advisory Group to be requested to act as Project Board – May 2010. Head of Regeneration.
		Management should develop a resilient contingency plan or succession plan to include the provision of additional management support to avoid the loss of organisational memory if something should happen to the officers responsible for the various regeneration projects.	The Regeneration Team has reallocated resources to increase the number of project managers by 1FTE. This means that the Head of Regeneration will be able to provide the resilience and management required as he will no longer undertake a project management role.	Additional consideration should be given to this via the Employment Stability Review – June/July 2010.
		Payments to consultants and contractors should be made through the contract register in accordance with the Contract Procedure Rules and to help the Council with its long term budgetary control commitments..	There is a historic process which needs to be corrected.	Undertaken with immediate effect through liaison with Procurement.
		All future possible expenditure for the DTIZ development should be identified to estimate what funding will be required to complete the project. This should include an internal valuation of the properties and land that need to be purchased.	This needs to be seen in the context of revised proposals coming forward through the current Development Partner – in the absence of these, DDC will be liaising further with the regeneration agencies. This will be reviewed by the Project Advisory Group Group.	This will be determined following consideration by Cabinet and Council following the presentation and report on 10 May and 19 May respectively.

SUMMARY OF HIGH CATEGORY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK

REVIEW	DATE REPORT ISSUED	RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
Regeneration	20-05-10	For each of the regeneration projects that Dover District Council is involved in there should be in place an estimate of possible future expenditure (i.e. Land Bridge) to ensure that funds are available from within the MTFP or to identify where the required monies can be obtained from (i.e. grants).	This will be determined through the Project Brief/Capital Appraisal process.	This will be determined through the Project Advisory Group and reported to CMT.
		The BBP Regeneration risk assessment of December 2008 for DTIZ should be updated to take into account the current position of the risks identified and to identify new risks that have identified themselves as the regeneration project has developed and what would happen if the development did not take place.	The Regeneration Risk Register will be updated regularly with a quarterly report being considered by the Project Advisory Group	This will be determined through the Project Advisory Group and reported to CMT.
		Risk assessments should be documented, reviewed and updated on a continual basis throughout the life of the regeneration projects in a formal format and included within the operational risk register for Regeneration that also needs to be put in place.	This will become a role for the Project Advisory Group who will document the risk management activity.	To be considered by the Project Advisory Group – May 2010.

SUMMARY OF HIGH CATEGORY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK

REVIEW	DATE REPORT ISSUED	RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
Regeneration	20-05-10	As the revised corporate plan has now been approved by members, there is the need to ensure that management action is now carried out to address the risk as stated in the quarterly performance report for regeneration.	See response at recommendation 8 above	As above.
		The Head of Regeneration should ensure that all correspondence is saved within the shared area of the system and not within the personal inbox. This would be in compliance with the ICT Security Policy.	This needs to be reviewed. The implication here is that all email traffic or attachments across the authority should be copied and saved. Central storage of such documentation is relevant only for projects. Activity around potential regeneration activity is only of benefit corporately if a project emerges from it. At that stage, a formal project brief with all the relevant information will be available to the PAG and passed to the relevant project manager	Second quarter 2010/11 and via liaison with ICT and Head of Regeneration.
		Utilise all forms of communication (i.e. the district wide newsletter) to keep the residents informed on the current position of the various regeneration projects that are in place and where necessary take guidance from the Communication Group headed up by Head of Business and Community Transformation on the best channels to be used (Press, Radio etc).	See response at recommendation 10 above	As above.

SUMMARY OF HIGH CATEGORY RECOMMENDATIONS RESULTING FROM THE PERIOD'S WORK

REVIEW	DATE REPORT ISSUED	RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
Debtors	27-05-10	As part of the ongoing development work of the e-forms put in place a timetable for the completion of the project, training and the rolling out of the forms and process to all staff.	Delay due to new Income System. Tentative meeting arranged for 28.05.2010 to discuss further enhancements.	Corporate Income RSB Team Leader Senior Corporate Income RSB Officer 30.09.2010

SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED				
Service	Reported to Committee	Level of Assurance	Management Action	Follow-up Action Due
Data Protection and Information Management	04-12-08	Limited	Management action plan agreed and in the process of implementation.	As part of 2009-10 Internal Audit Plan
Euro Handling Procedures	24-03-10	Partially Limited	Management action plan agreed and in the process of implementation.	Follow-up in Progress
Compliance with Contract Standing Orders	16-06-10	Limited	Management action plan agreed and in the process of implementation.	As part of 2010-11 Internal Audit Plan
Asset Management	16-06-10	Limited	Management action plan agreed and in the process of implementation.	Autumn 2010
Housing Benefits – Counter Fraud Arrangements	16-06-10	Limited	Management action plan agreed and in the process of implementation.	Autumn 2010
Leasehold Services	16-06-10	Limited	Management action plan agreed and in the process of implementation.	Late Summer 2010

PROGRESS TO DATE AGAINST THE AGREED 2009-10 AUDIT PLAN.

Area	Original Planned Days	Revised Budgeted Days as at 31-03-10	Actual days to 31-03-10	Reason for difference planned v actual and/or revised budget
FINANCIAL SYSTEMS:				
Payroll	10	13.44	13.44	Finalised
Debtors	7	0.65	0.65	Finalised
Housing Benefits - Payments	7	0	0	Delete from Plan to accommodate unplanned work
Housing Benefits - Overpayments	7	3.29	3.29	Finalised
Housing Benefits – Fraud Investigation Arrangements	7	14.36	14.36	Finalised
Housing Benefits – Quarterly Testing	20	17.35	17.35	Finalised for 2009-10
Council Tax	7	10.51	10.51	Finalised
Write-offs	9	11.54	11.54	Finalised
Business Rates	7	8.28	8.28	Finalised
Key Control Testing - Capital	3	4.1	4.1	Finalised
Key Control Testing – Treasury Management	3	3.64	3.64	Finalised
Key Controls Testing – Budgetary Control	3	1.89	1.89	Finalised
Key Control Testing – MAS	3	1.50	1.50	Finalised
Key Control Testing - Creditors	3	6.24	6.24	Finalised
GOVERNANCE RELATED:				
Compliance with Contract Standing Orders	15	27.47	27.47	Finalised
Local Code of Corporate Governance	5	1.11	1.11	Finalised
Performance Validation	15	14.09	14.09	Finalised
Governance Committee/Corporate	30	44.22	44.22	Finalised for 2009-10
Risk Management	10	6.5	6.5	WIP – June 2010
East Kent Strategic Projects	5	7.74	7.74	Finalised
SERVICE LEVEL:				
Employee Allowances & Expenses	8	14.17	14.17	Finalised – additional testing required due to Limited assurance level.

Area	Original Planned Days	Revised Budgeted Days as at 31-03-10	Actual days to 31-03-10	Reason for difference planned v actual and/or revised budget
Mortgages	5	3.86	3.86	Finalised
Members' Allowances	9	11.53	11.53	Finalised
Health and Safety	10	2.03	2.03	Planned for 2010-11
Car Parks	10	9.78	9.78	Finalised
ICT – Change Control	7	13.92	13.92	Finalised
ICT – Network Security	7	8.66	8.66	Finalised
ICT – File Security	7	10.21	10.21	Finalised
Coastal Protection	10	0	0	Delete from Plan to accommodate unplanned work and included in 2010-11 Plan.
Insurance	10	5.49	5.49	Finalised
Housing Allocations/Choice Based Lettings	10	5.49	5.49	Finalised
HRA	10	0	0	Delete from Plan to accommodate unplanned work and included in 2010-11 Plan.
Leasehold Services	10	11.83	11.83	Finalised
Regeneration	15	14.29	14.29	Finalised
Youth Development Strategy	10	5.15	5.15	Finalised
Child Protection	10	7.03	7.03	WIP –June 2010
Climate Change	8	9.71	9.71	Finalised
Aylesham Development	10	0	0	Delete from Plan to accommodate unplanned work
Community Safety	10	11.98	11.98	Finalised
Let Properties and Concessions	10	10.13	10.13	Finalised
White Cliffs Countryside Project	8	0	0	Delete from Plan to accommodate unplanned work
Building Control – Joint Arrangements with Shepway District Council	5	0	0	Delete from Plan to accommodate unplanned work
Emergency Planning	10	11.03	11.03	Finalised
Asset Management	10	10.61	10.61	Finalised
Euro	5	7.14	7.14	Finalised

Area	Original Planned Days	Revised Budgeted Days as at 31-03-10	Actual days to 31-03-10	Reason for difference planned v actual and/or revised budget
Waste Management	10	12.12	12.12	Finalised
OTHER				
RIPA	5	3.32	3.32	Finalised
Liaison with Audit Commission	5	3.22	3.22	Finalised for 2009-10
Follow-up Work	25	11.27	11.27	Finalised for 2009-10
UNPLANNED WORK				
Friends of Dover Museum	0	0.76	0.76	Finalised
Job Evaluation – Felt Fair Panel	0	0.6	0.60	Finalised
Communications Group (DIG)	0	0.54	0.54	Finalised
Events Management	0	7.19	7.19	Finalised
BACS Transfer Procedures	0	2.3	2.3	Finalised
Final Contract Accounts	0	0.64	0.64	Finalised
Shared HR Services	0	0.74	0.74	Finalised
FINALISATION OF 2008-09 AUDITS				
Housing Benefits – Administration and Assessment	5	6.56	0.07	Finalised
Council Tax			0.09	Finalised
Business Rates			0.11	Finalised
Partnerships			2.11	Finalised
Debtors			0.10	Finalised
ICT - ISO27001 Compliance			3.87	Finalised
Cash Collection/Miscellaneous Income			0.21	Finalised
Total	450	450	431.22	95.83% Complete as at 31-03-10
UNPLANNED ADDITIONAL WORK				
Interreg Grant – Customer Services	0	1.28	1.28	Finalised for 2009-10

Feedback from Customer Satisfaction Questionnaires received during the period to date

APPENDIX 4

Position	Business Change Manager	Senior Valuer	Head of Property, Leisure & Waste	Head of Property, Leisure & Waste Asset Mngmt	Waste Services Officer	Governance Investigator	Community Development Manager
Service audited	ICT Change Control	Asset Mngmt	Waste Mngmt		Waste Mngmt	Local Code of Governance	Housing Benefits Overpayment
Were you given adequate notice of the audit?	YES	YES	YES	YES	YES	YES	YES
Was the audit work undertaken at a convenient time?	YES	YES	YES	YES	YES	YES	YES
Were you informed of the audit objectives and scope?	YES	YES	YES	YES	YES	YES	YES
Were you given the opportunity to influence the scope	YES	YES	YES	YES	YES	YES	YES
Were the interviews conducted in a professional manner?	YES	YES	YES	YES	YES	YES	YES
Were the findings adequately supported by the evidence?	YES	YES	YES	YES	YES	YES	YES
How would you rate the standard of the report	EXCELLENT	VERY GOOD	EXCELLENT	EXCELLENT	EXCELLENT	VERY GOOD	EXCELLENT
After the audit what perception does your service area have of audit	EXCELLENT	VERY GOOD	EXCELLENT	EXCELLENT	EXCELLENT	VERY GOOD	EXCELLENT
Do you feel the audit was worthwhile?	YES	YES	YES	YES	YES	YES	YES

BALANCED SCORECARD

INTERNAL PROCESSES PERSPECTIVE:	2009-10 Actual	Target	FINANCIAL PERSPECTIVE:	2009-10 Actual	Target
	Quarter 4				
Chargeable as % of available days	84%	80%	Cost per Audit Day (Reported Annually)	£281	£300
Chargeable days as % of planned days	96%	100%			
Percentage of recommendations at Quarter 4;					
Closed	35%	50%			
Not Yet Due	30%	25%			
Now Due for Follow Up	35%	25%			
No. Escalated after Follow Up	0	0			
Percentage compliance with the CIPFA IA Code	97%	97%			

BALANCED SCORECARD

<u>CUSTOMER PERSPECTIVE:</u>	<u>2009-10 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2009-10 Actual</u>	<u>Target</u>
	Quarter 4			Quarter 4	
Number of satisfaction questionnaires Issued;	33		Percentage of staff qualified to relevant technician level	76%	80%
Number of completed questionnaires received back;	14		Percentage of staff holding a relevant higher level qualification	32%	33%
Percentage of Customers who felt that the service was 'Very Good' or better-individual audits survey	100%	90%	Percentage of staff studying for a relevant professional qualification	24%	26%
			Number of days technical training per FTE	4.37	3.5
			Percentage of staff meeting formal CPD requirements	32%	33%
			Number of business efficiency/ service Improvement recommendations introduced	33	-



Appendix 6

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.

Audit Opinion Plan

Dover District Council
Audit 2009/10

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Auditors report on the financial statements	6
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Key milestones and deadlines	9
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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
-

Introduction

- 1 This plan sets out the audit work that we propose to undertake for the audit of financial statements 2009/10. The plan is based on the Audit Commission's risk-based approach to audit planning. It reflects:
 - audit work specified by the Audit Commission for 2009/10;
 - current national risks relevant to your local circumstances; and
 - your local risks.

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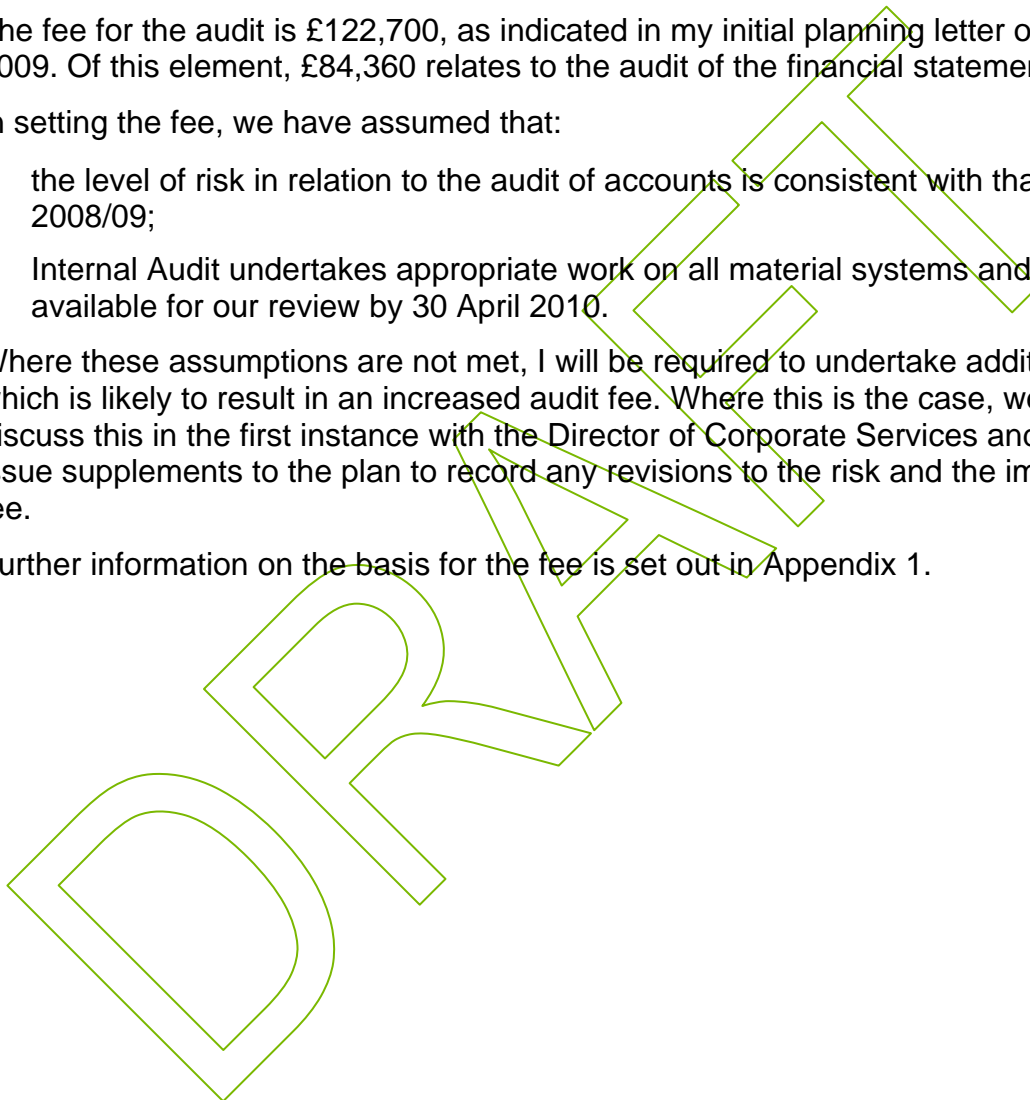
Responsibilities

- 2 The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to every audited body.
- 3 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end, and our audit work is undertaken in the context of these responsibilities.
- 4 We comply with the statutory requirements governing our audit work, in particular:
 - the Audit Commission Act 1998; and
 - the Code of Audit Practice.

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Fee for the audit of financial statements

- 5 The fee for the audit is £122,700, as indicated in my initial planning letter of 22 April 2009. Of this element, £84,360 relates to the audit of the financial statements.
- 6 In setting the fee, we have assumed that:
 - the level of risk in relation to the audit of accounts is consistent with that for 2008/09;
 - Internal Audit undertakes appropriate work on all material systems and this is available for our review by 30 April 2010.
- 7 Where these assumptions are not met, I will be required to undertake additional work which is likely to result in an increased audit fee. Where this is the case, we will discuss this in the first instance with the Director of Corporate Services and we will issue supplements to the plan to record any revisions to the risk and the impact on the fee.
- 8 Further information on the basis for the fee is set out in Appendix 1.



Auditors report on the financial statements

- 9 I will carry out the audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).
- 10 I am required to issue an audit report giving my opinion on whether the accounts give a true and fair view of the financial position of the Council as at 31 March 2010.

Identifying opinion audit risks

- 11 As part of our audit risk identification process, we need to fully understand the audited body to identify any risk of material misstatement (whether due to fraud or error) in the financial statements. We do this by:
 - identifying the business risks facing the Council, including assessing your own risk management arrangements;
 - considering the financial performance of the Council;
 - assessing internal control - including reviewing the control environment, the IT control environment and Internal Audit; and
 - assessing the risk of material misstatement arising from the activities and controls within the Council information systems.



Identification of specific risks

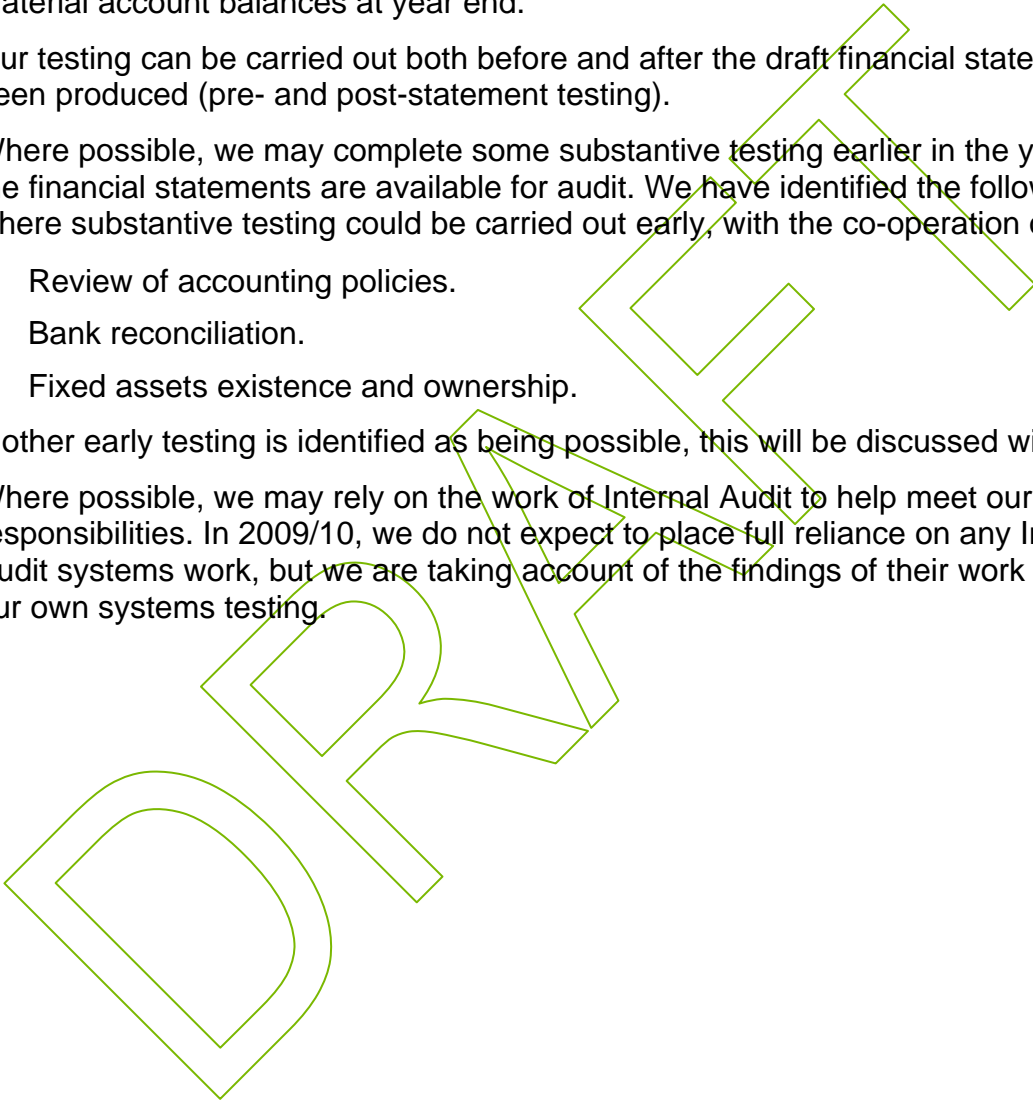
12 We have considered the additional risks that are appropriate to the current opinion audit and set these out below.

Table 1 **Specific risks**
Specific opinion risks identified

Risk area	Audit response
There is a continued risk with regard to the recovery of investments held in Icelandic banks, and their valuation in the Council's accounts.	We will continue to monitor the position and discuss the valuation of the investments with finance staff.

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Testing strategy

- 13 On the basis of risks identified above we will produce a testing strategy which will consist of testing key controls and/or substantive tests of transaction streams and material account balances at year end.
- 14 Our testing can be carried out both before and after the draft financial statements have been produced (pre- and post-statement testing).
- 15 Where possible, we may complete some substantive testing earlier in the year before the financial statements are available for audit. We have identified the following areas where substantive testing could be carried out early, with the co-operation of officers.
- Review of accounting policies.
 - Bank reconciliation.
 - Fixed assets existence and ownership.
- If other early testing is identified as being possible, this will be discussed with officers.
- 16 Where possible, we may rely on the work of Internal Audit to help meet our responsibilities. In 2009/10, we do not expect to place full reliance on any Internal Audit systems work, but we are taking account of the findings of their work in planning our own systems testing.
- 

Key milestones and deadlines

- 17 The Council is required to prepare the financial statements by 30 June, and the Head of Finance and IT has agreed to provide us with a complete draft of the 2009/10 accounts by 1 July 2010. We are required to complete our audit and issue our opinion by 30 September. The key stages in the process of producing and auditing the financial statements are shown in Table 2.
- 18 We will agree with you a schedule of working papers required to support the entries in the financial statements.
- 19 Every week, we will meet with the key contact and review the status of all queries. If appropriate, we will meet at a different frequency depending upon the need and the number of issues arising.

Table 2 **Proposed timetable**

Task	Deadline
Control and early substantive testing	12 March 2010
Receipt of accounts	1 July 2010
Forwarding audit working papers to the auditor	28 June 2010
Start of detailed testing	28 June 2010
Progress meetings	Weekly
Present report to those charged with governance at the Audit committee	September 2010
Issue opinion	30 September 2010

The audit team

20 The key members of the audit team for the 2009/10 audit are shown in the table below.

Table 3 **Audit team**

Name	Contact details	Responsibilities
Andy Mack District Auditor	a-mack@audit-commission.gov.uk 0844 798 2846	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive.
Andrew Turner Audit Manager (until 20/04/10)	a-turner@audit-commission.gov.uk 0844 798 1384	Manages and coordinates the different elements of the audit work. Key point of contact for the Director of Finance.
Deborah Moorhouse Audit Manager (from 21/04/10)	d-moorhouse@audit-commission.gov.uk 0844 798 1373	Manages and coordinates the different elements of the audit work. Key point of contact for the Director of Finance.

Independence and objectivity

- 21 I am not aware of any relationships that may affect the independence and objectivity of the District Auditor and the audit staff, which we are required by auditing and ethical standards to communicate to you.
- 22 I comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised in Appendix 2.

Meetings

- 23 The audit team will maintain knowledge of your issues to inform our risk-based audit through regular liaison with key officers. Our proposals are set out in Appendix 3.

The audit team

Quality of service

- 24** 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 the South East Head of Operations.
- 25** If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet 'Something to Complain About' which is available from the Commission's website or on request.

Planned outputs

- 26** Reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Table 4 **Planned outputs**

Planned output	Indicative date
Audit opinion plan	April 2010
Annual governance report	September 2010
Auditor's report giving an opinion on the financial statements	September 2010
Final accounts memorandum	October 2010

Appendix 1 – Basis for fee

- 1 The Audit Commission is committed to targeting its work where it will have the greatest effect, based upon assessments of risk and performance. This means planning work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees.
- 2 The risk assessment process starts with the identification of the significant financial and operational risks applying to the Council with reference to:
 - our cumulative knowledge of the Council;
 - planning guidance issued by the Audit Commission;
 - the specific results of previous and ongoing audit work;
 - interviews with Council officers; and
 - liaison with Internal Audit.

Assumptions

- 3 In setting the fee, I have assumed that:
 - the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2008/09;
 - you will inform us of significant developments impacting on the audit;
 - Internal Audit meets the appropriate professional standards;
 - Internal Audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;
 - good quality working papers and records will be provided to support the financial statements by 22/06/10;
 - requested information will be provided within agreed timescales;
 - prompt responses will be provided to draft reports; and
 - additional work will not be required to address questions or objections raised by local government electors.
- 4 Where these assumptions are not met, I will be required to undertake additional work which is likely to result in an increased audit fee.

Appendix 2 – Independence and objectivity

- 1 Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of the appointment. When auditing the financial statements, auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).
- 2 The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 3 International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:
 - discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client; and
 - confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised
- 4 The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the Audit Committee. The auditor reserves the right, however, to communicate directly with the Council on matters which are considered to be of sufficient importance.
- 5 The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

- 6 The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows.
- Appointed auditors should not perform additional work for an audited body (ie work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the Audit and Inspection Plan as being 'additional work' and charged for separately from the normal audit fee.
 - Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.
 - The District Auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years.
 - The District Auditor and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.
- 7 The District Auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.

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Appendix 3 – Working together

Meetings

- 1 The audit team will maintain knowledge of your issues to inform our risk-based audit through regular liaison with key officers.
- 2 Our proposal for the meetings is as follows.

Table 5 Proposed meetings with officers

Council officers	Audit Commission staff	Timing	Purpose
Head of Finance and IT	AM and TL	March, July, September	General update plus: March - audit plan July - accounts progress September - annual governance report
Chief Accountant	AM and Team Leader (TL)	Quarterly	Update on audit issues
Governance Committee	DA and AM, with TL as appropriate	As determined by the Committee	Formal reporting of: Audit Plan Annual governance report Other issues as appropriate

Sustainability

- 3 The Audit Commission is committed to promoting sustainability in our working practices and we will actively consider opportunities to reduce our impact on the environment. This will include:
 - reducing paper flow by encouraging you to submit documentation and working papers electronically;
 - use of video and telephone conferencing for meetings as appropriate; and
 - reducing travel.



23 April 2010

Mr Nadeem Aziz
 Chief Executive
 Dover District Council
 White Cliffs Business Park
 Dover
 Kent
 CT16 3PJ

Email

a-mack@audit-
 commission.gov.uk

Dear Nadeem

Annual audit and inspection fee 2010/11

I am writing to confirm the audit and inspection work that we propose to undertake for the 2010/11 financial year at Dover District Council. The fee is based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2010/11. For inspection, it is based on the Comprehensive Area Assessment (CAA) framework and associated guidance. This is the responsibility of Claire Bryce-Smith, the CAA Lead, and I have consulted with her on this element of the proposal.

As I have not yet completed my audit for 2009/10, the audit planning process for 2010/11, including the risk assessment, will continue as the year progresses and I will review and discuss my plans and fee proposals with you as necessary. The inspection plan will also be reviewed and updated as necessary by Claire in discussion with you.

Audit fee

We propose an indicative fee for the audit for 2010/11 of £122,767 which compares to our planned fee for 2009/10 of £120,000. A summary of this is shown in the table below.

Audit fee	Planned fee 2010/11 (£)	Updated fee 2009/10 (£)
Financial statements	96,450	84,360
Use of Resources/VFM Conclusion	25,750	36,540
Whole of Government Accounts	1,800	1,800
Gross audit fee	124,000	122,700

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We have set our fees within the context of the Audit Commission's published work programme and scales of fees 2010/11. A copy of this document can be found on the Audit Commission's website. For comparison, the scale audit fee for Dover District Council is £124,115.

In setting the fee at this level, I have assumed that the general level of risk in relation to the audit of the financial statements will not be significantly different from that identified in 2009/10. I will issue a separate plan for the audit of the financial statements once my work is further advanced detailing audit risks identified at that stage, planned audit procedures and any changes in fee. If I need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with the Director of Corporate Services and then prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Committee.

The following are the key additional accounts risks which we have identified for 2010/11:

Audit of the accounts

New accounts risk for 2010/11	Planned work	Timing of work
The 2010/11 financial statements will be produced in accordance with International Financial Reporting Standards (IFRS). The new standards will require restatement of both opening and closing balances from the previous year as well as additional disclosures. There is a risk that councils which are not well prepared for the new requirements will not succeed in preparing the necessary information in time.	We will monitor the Council's progress in introducing IFRS as set out in its implementation plan. We will undertake specific work to review the restated balances from 2009/10 and to review the treatment of complex transactions such as leases. We will assess your progress during the year and report back on the findings to your Audit Committee.	April 2010 – June 2011
There is a continued risk with regard to the recovery of investments held in Icelandic banks, and their valuation in the Council's accounts.	We will continue to monitor the position and discuss the valuation of the investment with finance staff.	April 2010 – June 2011
The Council plans to enter into arrangements with other councils for the provision of various shared services. There is a risk that the accounting implications are not fully understood and addressed.	We will review the accounting treatment of new joint working arrangements due to commence during the year.	April 2010 - June 2011

The implementation of IFRS will result in a number of significant and complex changes to the Council's accounting policies and to the format of its accounts. The work programme published by the Commission signalled a 6% increase from the previous year to take account of additional audit work arising from IFRS and this is reflected in my proposal. Our Chief Executive, Steve Bundred, set out further background to this in his letter to you of 5 February 2010.

In terms of this significant change to your accounting framework, I would like to take this opportunity to remind you that those charged with governance within the Council are responsible for ensuring you are prepared for the introduction of IFRSs. Although I do not have direct audit responsibilities in respect of balances at the transition date these do form the opening balances for the comparative period. I will therefore consider your risk assessment process and gap analysis to inform my ongoing risk assessment.

In recognition of the financial pressures that public bodies are facing in the current economic climate, the Audit Commission has decided that it should rebate the 'one-off' element of the cost of transition to IFRS that will arise in 2010/11, the year of transition. For Dover District Council this rebate will amount to **£7,456** and is due to be paid to the Council in April 2010. Changes in international auditing standards for 2010/11 will also increase the audit procedures I need to carry out. However, the Audit Commission has agreed to fully absorb the cost of these additional requirements within the fee.

Use of resources assessment

My use of resources assessments will be based upon the evidence from three themes: managing finances, governing the business and managing resources.

The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2010/11. My work on use of resources informs my 2010/11 value for money conclusion. However, I have identified some early risks in relation to my value for money conclusion. For each risk, I will consider the arrangements put in place by the Council to mitigate the risk, and plan my work accordingly. My initial risk assessment for value for money audit work is shown in the table below.

Risk	Planned work	Timing of work
The Council's ability to deliver its planned future level of service provision in light of both the local impact of the recession and anticipated reductions in central government funding.	We will review the Council's plan for closing the medium term funding gap and monitor progress throughout the year.	April 2010 – April 2011
The Council is due to enter a number of arrangements with other councils for the provision of various shared services. This can offer significant economies of scale but	We will monitor the Council's progress in managing the associated risks as part of our continuous audit work.	April 2010 - July 2011

service performance, business continuity and contractual risks will need managing.		
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Inspection and other fees

A summary of other non-audit fees is shown in the table below.

Work	Planned fee 2010/11 (£)	Planned fee 2009/10 (£)
Certification of claims and returns	35,335	36,785
Inspection work		
Managing performance assessment	9,152	9,152

Claire Bryce-Smith does not currently plan any inspection work other than the managing performance theme of the organisational assessment. She will write to you if any significant amendments are needed to the inspection plan and fee during the course of the year, and any proposed changes would initially be discussed with you.

Outputs and other matters

I will issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 1.

The above fee excludes work the Commission may agree to undertake using its advice and assistance powers. Any such work would be separately negotiated and a detailed project specification agreed with you.

The key members of our engagement team for 2010/11 are:

Audit Manager	Deborah Moorhouse
Performance Specialist	Gordon Brown
Team Leader	Sarah Bubb

I am 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 the South East Head of Operations, Neil Childs (n-childs@audit-commission.gov.uk).

Yours sincerely

Andy Mack
District Auditor

cc Mike Davis, Head of Finance and IT
Dave Randall, Head of Governance
Councillor David Mayes, Chair of the Governance Committee
Claire Bryce Smith, Comprehensive Area Assessment Lead

Appendix 1 – Planned outputs

Reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Table 1 Planned outputs

Planned output	Indicative date
Audit Opinion Plan	April 2011
Interim audit memorandum (if required, to the Head of Finance)	May/June 2011
Annual governance report	September 2011
Auditor's report giving an opinion on the financial statements and value for money conclusion	September 2011
WGA auditor's report	September 2011
Final accounts memorandum (to the Head of Finance)	October 2011
Housing and council tax benefits report giving key findings from our associated grant certification work (to the relevant head of service)	November 2011
Organisational assessment (incorporating the managing performance assessment and the use of resources assessment)	October 2011
Annual Audit Letter	December 2011
Certification of claims and returns – annual report	February 2012

Our reference South/AS00210A/DM

3 June 2010

Mr DA Mayes
 Chairman of the Governance Committee
 Dover District Council
 White Cliffs Business Park
 Dover
 Kent
 CT16 3PJ

Email

d-moorhouse@audit-
 commission.gov.uk

Dear Mr Mayes

Dover District Council financial statements - Compliance with International Standards on Auditing

This is a request for your assistance as Chairman of the Governance Committee (identified as 'those charged with governance') with our current work on the Council's financial statements for 2009/10.

In order to comply with a number of International Auditing Standards, I am required to obtain an understanding of the following:

- 1) How those charged with governance have exercised oversight of management's processes in relation to:
 - undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud;
 - identifying and responding to risks of fraud in the organisation;
 - communication to employees of views on business practice and ethical behavior; and
 - communication to those charged with governance the processes for identifying and responding to fraud.
- 2) How the Governance Committee has overseen management processes to identify and respond to the risk of fraud and possible breaches of internal control.
- 3) Whether you have knowledge of any actual, suspected or alleged frauds.
- 4) How you have gained assurance that all relevant laws and regulations have been complied with.

A brief response by letter (or e-mail) by 30 June 2010 will suffice. 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 'D L Moorhouse'.

Deborah Moorhouse
 Audit Manager

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