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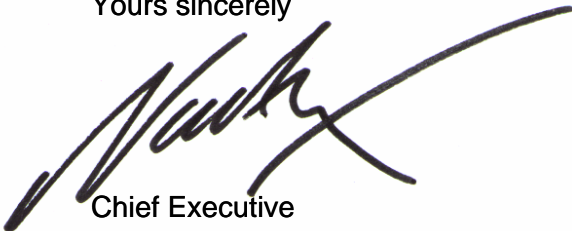
29 November 2010

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 8 December 2010 at 6.00 pm when the following business will be transacted.

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

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 4-8)

To confirm the attached Minutes of the meeting of the Committee held on 30 September 2010.

4. **FRAUD INVESTIGATION AUDIT – RESPONSE** (Pages 9-16)

To consider the attached report of the Income, Taxation and Enforcement Manager.

5. **WRITE OFF OF INVOICES DEEMED IRRECOVERABLE** (Pages 17-18)

To consider the attached report of the Income, Taxation and Enforcement Manager.

6. **POLICY STATEMENT ON FRAUD AND OTHER IRREGULARITIES** (Pages 19-26)

To consider the attached report of the Director of Governance.

7. **UPDATE OF CORPORATE GOVERNANCE LOCAL CODE** (Pages 27-83)

To consider the attached report of the Director of Governance.

8. **UPDATE ON PROGRESS AGAINST THE ANNUAL ASSURANCE STATEMENT ACTION PLAN** (Pages 84-90)

To consider the attached report of the Director of Governance.

9. **INTERNAL AUDIT QUARTERLY PROGRESS REPORT** (Pages 91-109)

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

10. **UPDATE FROM THE AUDIT COMMISSION (Minute No 240)**

To receive a verbal update from the Audit Commission in respect of the future for the Commission and the fee.

11. **ANNUAL AUDIT LETTER 2009/10** (Pages 110-126)

To consider the attached Annual Audit Letter from the Audit Commission.

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 Thursday 30 September 2010 at 6.00 pm.

Present:

Chairman: Councillor D A Mayes

Councillors: B W Bano
M D Conolly
M R Eddy
C E Kirby
D R Lloyd-Jones

Officers: Director of Finance and ICT
Director of Governance
Financial Services Manager
Audit Manager, Audit Commission
Principal Auditor, Audit Commission
District Auditor, Audit Commission
Taxation and Enforcement Manager (Minute No 238 only)
Senior Valuer (Minute No 239 only)
Community Safety and Anti-Social Behaviour Manager (Minute No 246 only)
Senior Democratic Support Officer

An apology for absence was received from Councillor J C Record.

236 APPOINTMENT OF SUBSTITUTE MEMBERS

It was noted that in accordance with Rule 4 of the Council's Procedure Rules, Councillor D R Lloyd-Jones had been appointed as substitute for Councillor J C Record.

237 MINUTES

The Minutes of the meeting of the Committee held on 30 June 2010 were approved as a correct record and signed by the Chairman.

238 INTERIM REPORT ON WRITE-OFF OF INVOICES DEEMED IRRECOVERABLE (Minute No 83)

As requested by Committee at its meeting on 16 June 2010, the Taxation and Enforcement Manager submitted a report giving details of aged and irrecoverable debts in respect of Council Tax and Business Rates. The total Council Tax bad debt over the period 1993 to 2010 was £3,406,494.08 and of this amount £92k was at the billing stage; £1.4m was with bailiff companies; £30k comprised charging orders on properties; £343k was attached to income support payments and earnings; and £64k was on warrant with Court action pending. These sums totalled £2.7m and it was hoped that most would be collected by the end of the Financial year.

The total outstanding debt in respect of Non Domestic Rates as at 31 August 2010 was £1,592,258.80 and Committee was reminded that the Council acted as a collecting agent for the Government and therefore this did not reflect monies owed to the Council. Divisional re-structuring and reduced resources were being off-set

by working with Thanet Council, employing two tracing companies, and using call-centre agents to deal with issues raised by customers at the point of enquiry.

In response to questions the Taxation and Enforcement Manager explained that 59%/65% of the current year's Council Tax had been collected; three companies of bailiffs were currently employed and the cost was recouped from the customer.

RESOLVED: (a) That the report be noted.

(b) That the Director of Business and Community Transformation be requested to submit a similar report on aged debts and write-offs to this Committee twice a year.

239 RENTAL VALUES AND ASSET VALUATIONS (Minute No 88)

At its meeting held on 16 June 2010 the Committee had asked for further details of the Council's Asset Management in respect of rental values and asset valuations which had been the subject of a review by the Internal Audit Partnership. The Senior Valuer advised that the audit report had highlighted assets where values fluctuated wildly, for example pay car parks, and incorrect information in valuations due to errors on the database. The database had subsequently been updated and provided constant visual reminders of action necessary. Initial discussions had been held with Thanet District Council's Asset Valuer with a view to putting in place reciprocal arrangements for the current year in order to identify best practice. The Senior Valuer also clarified that the Council held a number of assets with rental values below £130 per annum, for example garden properties or strategic holdings. The total number of assets of all classes was about 600 and the Chairman stressed the importance of ensuring that all future rent increases should be accurate and timely.

RESOLVED: That the report and the action taken be noted.

240 UPDATE FROM THE AUDIT COMMISSION (Minute No 90)

Following consideration of the Audit Commission's Annual Audit and Inspection Fee letter at the Committee meeting held on 16 June, a revised letter had been requested setting out the 2010/11 fees including a 6% rebate and details of the scale of fees applied together with the number of audit days to be worked. In the intervening period the Secretary of State for Local Government had announced the Government's intention to disband the Audit Commission. The Audit Manager, Audit Commission, reminded Committee that the work undertaken by the Commission covered three elements: accounts, Value for Money, and inspection/corporate assessment. Audit of accounts would not be changing; Value for Money would be subject to a 'lighter touch' with the accent remaining on economy, efficiency, effectiveness and financial resilience; and the inspection element had ceased in June. Audit of Value for Money was still required by statute but should be proportionate. Any future rebate would reflect the 6% in respect of IFRS and the Commission would be writing to authorities in October. Meetings would be held with the Director of Finance and ICT and an updated fee letter would then be submitted. As the audit for 2009/10 had just been completed it was not possible to predict events in 2011/12 but costs would be incurred in winding up the Commission. Primary legislation would be required in the present session of Parliament to abolish the Commission with the Act expected to come into force in June 2011. The Commission was likely to continue working until 2011/12 after

which authorities would select their own auditors and would no doubt explore joint procurement. A code of practice could be expected. The Committee would be kept informed of progress and in the meantime Audit Commission officers would remain focused on the high quality audit expected of them. The original intention had been to return funds to clients but it would be necessary to ensure that there was sufficient funds to wind up the Commission and pay costs.

RESOLVED: That the report be noted and a further report received in December 2010.

241 INTERNAL AUDIT QUARTERLY PROGRESS REPORT

The Head of Audit Partnership submitted a report summarising the work undertaken by Internal Audit since the previous meeting of the Committee which included eight new reviews and twelve follow-up reviews. Of the new reviews, two had been given a Substantial assurance level, three were Reasonable, one was Limited and assurance levels were not applicable in respect of either the Shared Revenues and benefits database with Thanet Council or Housing Benefit Testing. Procurement had received the Limited assurance and Members were advised that it was the strategic element of procurement which required attention. The Council's contract register required updating; development of e-procurement impacted on future joint services; contract standing orders would need to be amended; and efforts to encourage tenders from local firms required balancing against achieving value for money with public funding. Data was currently being gathered and the Procurement Panel was expected to meet in October or November. The level of ICT staffing necessary to support e-procurement would need to be evaluated, particularly if staff were pooled with neighbouring authorities in a joint service. The register of interests referred to in the report was a list of expressions of interest in contracts by companies who might wish to tender; the register required consolidation and improved access. It was noted that while an annual check of related party transactions was carried out for elected Members and senior officers, the staff register of interests was not always consulted when tenders were let. The Director of Governance recommended that this matter be investigated.

Housing Benefit Counter Fraud Arrangements remained as a Limited assurance and further details were requested.

RESOLVED: (a) That the activity of Internal Audit for the first quarter of 2010/11 be noted.

(b) That further reports be brought to Committee in respect of the Procurement function and Housing Benefit Counter Fraud.

242 STATEMENT OF ACCOUNTS 2009/10 (Minute No 117)

Following consideration of the Draft Statement of Accounts on 30 June 2010, the Director of Finance and ICT presented the audited Statement for 1009/10 which had received an unqualified audit opinion from the Audit Commission. Information on changes requested by the Auditors appeared in detail later in the agenda under the Annual Governance Report 2009/10. The final Statement included minor textual changes to the narrative which had improved the clarity of information provided.

RESOLVED: That the audited Statement of Accounts 2009/10 be received and the Chairman of the Committee be authorised to sign the final accounts.

243 TREASURY MANAGEMENT UPDATE – QUARTER 1 2010/11

After consultation with Local Authorities CIPFA had issued a revised Code of Practice for Treasury Management in November 2009 which included a suggestion that Members should be informed of Treasury Management activities at least twice a year but preferably quarterly. The Director of Finance and ICT had therefore prepared a report which covered the economic background and forecast, annual investment strategy, and borrowing. A meeting with the Council's advisers had been held on 29 September and Investec's performance remained disappointing. It was anticipated that a proportion of the funds held with Investec would be returned to in-house management when the lower yielding investments matured. The interest rates receive on short and medium term investments remained low but the level of risk incurred had also deliberately been kept low.

RESOLVED: That the report be noted.

244 ANNUAL GOVERNANCE REPORT 2009/10

The Audit Manager, Audit Commission, presented the Annual Governance Report and confirmed that the Statement of Accounts had received an unqualified opinion; that amendments made were not fundamental; the financial position had not changed and the Council had presented a robust set of accounts. It was understood that staff had coped well with constraints imposed by the loss of key officers. The draft letter of representation had been prepared for signature by the Director of Finance and ICT.

RESOLVED: That the report be welcomed, staff congratulated and the Director of Finance and ICT authorised to sign the letter of representation.

245 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED: That the press and public not be excluded for the remainder of the meeting.

246 INTERNAL AUDIT QUARTERLY PROGRESS REPORT – CHILD PROTECTION

The Committee considered the report of the Head of Audit Partnership on a review of the Council's Child Protection Policy which indicated that the policy was strong and that officers understood their roles and responsibilities. The Community Safety and Anti-Social Behaviour Manager explained that although this Council did not have a Social Services or Police function it was not exempt from S11 of the Children Act 2004 which stated that the child's welfare was paramount and every child had a right to protection from abuse, neglect and exploitation. The service had received a limited assurance but substantial progress had already been made on many of the issues raised by Internal Audit and three key items were scheduled to be completed by the end of October 2010. The need for CRB checks for officers and Members was discussed should they ever be supervising children rather than attending events where children were present. Child Protection awareness should form part of the induction for new Councillors in 2011.

RESOLVED: That the report be noted and the Community Safety and Anti-Social Behaviour Manager be requested to bring a further report to the next meeting with a follow-up review by Internal Audit expected in March 2011.

The meeting ended at 7.55 pm.

REPORT OF THE INCOME, TAXATION AND ENFORCEMENT MANAGER

GOVERNANCE COMMITTEE – 8 DECEMBER 2010

FRAUD INVESTIGATION AUDIT – RESPONSE

Recommendation

<i>Members are requested to note the report.</i>
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Background

1. The Governance Committee, at its meeting on the 30 September 2010 requested an update to the Fraud Investigation Audit following the Management action plan issued in August 2010.

Recommendation 1

2. All information held on the internet with reference to Housing Benefit fraud should be reviewed and updated to reflect the corporate fraud focus.
3. Management may wish to consider advertising the publication 'The Cheat' on the internet to publicise this authority's successful prosecution of benefit fraud.

Response

4. The Internet pages provide a fraud statement, policy and information about what the council has done about benefit fraud. This also includes how the division investigates fraud the processes and procedures for completion and decision making around court action. Information with respect to individual claimants and the actions taken against them are included on the internet and intranet. Examples shown:

Fraud Team Success

5. **Claimant of Dover** appeared at Canterbury Crown Court on 07/04/2010. Claimant C was charged under the Social Security Administration act 1992 111A (1A) for three separate benefit offences. Claimant C claimed Income Support, Housing Benefit and Council Tax Benefit as a single parent when in fact claimant C had been living with a partner since September 2002. Claimant C failed to declare this to the Department of Works and Pensions or Dover District Council. Claimant C was sentenced to an 8 month custodial sentence suspended for 12 months and 240 hours of unpaid work. Total overpayment was around £57,000.
6. **Claimant of Dover** appeared at Canterbury Magistrates Court on 31/08/2010. Claimant E was charged under the Social Security Administration act 1992 112 (1a) for offences against DWP and DDC. Claimant E claimed Income Support, Housing and Council tax benefit based on the fact that the family had no income. Claimant E's partner had in fact been working. Claimant E was given 200 hours community service and ordered to repay £250 in court costs. Total overpayment was £4422.42.
7. Extracts from the media publications of 15 April 2010 and 25 November 2010 are attached at Appendix 1.

Recommendation 2

8. The current focus on risk management should be reviewed to ensure risks associated with this service area have been identified, assessed and incorporated within a regular review cycle.

Response

9. Discussions took place with the Head of Service and the Fraud Investigators. Risks around the service were identified. However a formal register of service risks had not been created due to the implementation of the shared service agenda. It was not seen as a service priority. Procedures around Health and Safety and risk to lone workers are paramount and adherence to such policies is essential to this service and the importance of such is recognised in the team. Due to the fact that there are only 2 investigators and they only currently conduct Housing Benefit fraud investigations, risks to the Authority is minimal.

Recommendation 3

10. Management should correspond with HR to initiate the required CRB checks on existing members of staff within the fraud investigation team.
11. This risk should be included within the recommended operational risk assessment for housing benefit fraud investigations. This should ensure any possible control failing is identified and addressed within a regular review cycle.

Response

12. Fraud Investigation staff, Visiting staff and the Income Taxation and Revenues Manager, all have current CRB checks. In accordance with the CRB policy which was due for implementation in July 2010, processes for ensuring staff have the adequate CRB checks will be in place. However, dates have been noted on PPR's to ensure compliance.

Recommendation 4

13. A Health and Safety risk assessment should be undertaken to inform and implement suitable visiting procedures in line with the corporate approach.

Response

14. A full policy and procedure had been produced by the Income Taxation and Enforcement Manager to ensure safe guards and officer security whilst away from the office environment. These had been referred to Audit. At the time of the Audit, the team were working without a Team Leader. They informed each other of their whereabouts etc., when one of them was away from the office. Since the Divisional restructure the fraud team now, have a Team Leader, and further visiting procedures have now been implemented.
15. The Code of Conduct for Visiting Staff and Procedures for Visiting Staff are attached as Appendices 2 and 3 respectively.

Appendices

Appendix 1 – Media publications on 15/04/2010 and 25/11/2010.

Appendix 2 – Code of Conduct for Visiting Staff

Appendix 3 – Procedures for Visiting Staff

MANDIE KERRY

Income, Taxation and Enforcement Manager

Dover Mercury
15/04/10Dover Express
15 April 2010**Benefit fraud**

A BENEFIT-swindling mum has been given a suspended sentence at Canterbury Crown Court.

Tina Turner, 39, of Colorado Close, Dover, was sentenced on April 7 after pleading guilty to three benefit offences.

She received an eight-month prison term, suspended for one year, and was ordered to do 240 hours of unpaid work.

Dover District Council will recover the overpaid housing and council tax benefit.

Suspended prison term for cheat

A DOVER woman has been given a suspended prison sentence after admitting three benefit fraud offences.

Tina Turner, 39, of Colorado Close, appeared at Canterbury Crown Court on Wednesday last week charged under the Social Security Administration Act 1992.

She was given an eight-month custodial sentence, suspended for 12 months, and ordered to do 240 hours of unpaid work. She had claimed income support, housing benefit and council tax benefit as a single parent when in fact she had been living with a partner since September 2002.

She failed to declare this to the Department for Work and Pensions or Dover District Council.

The total overpayment of benefit was in the region of £56,000. The district council will recover the overpaid housing and council tax benefit which she was paid.

Dover Mercury
15/04/10**Benefit cheat mum swindled £57,000**

A DOVER benefit cheat has escaped an immediate jail sentence after swindling the equivalent of the wages of two teachers.

Mum Tina Turner, 39, said she was living alone in Colorado Close, on the Buckland Estate, with her two children.

She began receiving income support and both housing and council tax benefits – even though she was living with her partner.

She had fiddled more than £57,000 during a six-year period, Canterbury Crown Court heard.

The judge, Recorder John Hardy QC told her: "It is all too clear, when public finances are under terrible strain, that those who deprive the public purse of monies of which they are not

'In effect what you took was equal to the yearly salaries of two teachers or possibly three or four nurses'

entitled, are draining finances which are desperately needed elsewhere.

"In effect what you took was equal to the yearly salaries of two teachers or possibly three or four nurses."

Turner had pleaded guilty to three charges of failing to notify the Department of Works and Pensions of the change in her circumstances. Prosecutor William Hays said in 1995 her

benefit claims were genuine but by September 2002 she was living with her partner.

By last year, she had received £57,000 that she wasn't entitled to – although, had she been honest, she would have been eligible for reduced assistance, he added.

Dominic Webber, defending, said the money "hadn't been used to fund an extravagant lifestyle".

He said Turner was caught "in something of a poverty trap" and had used the money to pay off a bank loan. She was now repaying the money at £250 a month, the court heard.

The judge suspended the eight month jail sentence for 12 months and ordered her to do 240 hours of unpaid work. He warned her: "Don't you ever come back to this court again."

Pensioner convicted Of £13k benefit fraud

Repayment of £9.90 per week is set to take 25 years

Report by Eleanor Jones

eleanor.jones@kfnmedia.co.uk

A PENSIONER who swindled more than £13,500 in benefits said he used the extra money because he "liked nice things".

Edward Unsworth, of Churchill Road, Dover, pocketed the taxpayers' cash in income support payments while he was also receiving two private pensions, Folkestone magistrates heard last Thursday.

The 60-year-old pleaded guilty to two charges of failing to notify authorities of a change in circumstances.

Prosecutor Mary Jacobson told the court Unsworth started claiming the handouts, on the basis that he was incapable of working because of ill-health, in 2002.

In 2005 and 2006, he filled in review forms on which he denied receiving any other form of income or pension.

Income

Miss Jacobson said: "His income support was between £77 and £91 a week, but it came to light he was getting about £200 per month from the Merchant Navy Officers' Pension Fund and about £27 per month from Guardian Financial Services.

"The MNOP records go back to April 2004 and GFS to July 2006. Had this been known, his income support would have been reduced by more than half in that time, so he got £13,611 in benefits which he was not entitled to.

In interview, he seemed ambivalent as to whether he had declared them, but then said he didn't know why he hadn't.

"Later, he said he might have lost his income support had he declared them, and he said he used the extra money as he liked nice things."

The court heard Unsworth is repaying the cash, via deductions from his pension credit benefit at a rate of



Caught: Edward Unsworth wrongly claimed £13,611 in benefits

85, to pay the full amount. Stuart Green, defending, said: "He finds these proceedings somewhat confusing.

"He'd contributed to two pensions and thought he had been taxed on them, so the money was his to keep and that he didn't have to declare it.

"He did tick 'no' when asked about pensions, but he thought they wouldn't affect his benefits.

"He knows he's been paying the money back but doesn't know exactly what his income is or how much he spends - he's someone who gets confused easily. There are no aggravating factors to this - no greed or desire to live beyond his means.

"It's not a case of being dishonest, I'd say it's a case of being confused."

Magistrates adjourned the case for a report to be made, but warned Unsworth he could face a prison term.



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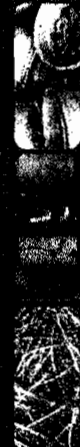
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The programme starts at 7.30pm and will include traditional Welsh hymns, as well as songs from 20th century musicals. One of the most moving pieces, Flowers of the Field, was created especially for the choir. Tickets cost £7.50 including wine, soft drinks and mince pies, from margaret.hanton@susyevdercare.org.uk, or call 01233 732684.

All dressed up

MEMBERS of the Kent Timewarp Car and Costume Group, which is based in Dover, will be collecting money for charity in the town centre on Saturday, at the Christmas lights switch-on.

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Code of Conduct for Visiting Staff

1. All investigators will act in a responsible and courteous manner and observe the dress code for employees.
2. All investigators will at all times adhere to the employee's code of conduct
3. Investigation staff will always be aware of health and safety regulations and adhere to the lone workers procedure.
4. The Council will allow the investigation team access to the building out of hours. Advanced warning to the security guard would be recommended if able to do so.
5. Investigators will always carry a mobile phone and be in constant contact with FM whilst out of the office. Failure to make contact with FM they will contact the HBM.
6. Investigation staff will always carry and wear an identity badge showing the officers photograph and name. This will be shown to everybody that comes in contact with the investigation team and anybody that requests to see it.
7. All investigators will comply with all legislative requirements and DSS guidance such as investigation techniques, standards of evidence etc., sufficient to bring effective or professional prosecutions
8. All investigations, interviews and visits will carried out with strict adherence to PACE
9. Only officers that are qualified as Authorised Officers will sign for authorised letters with regard to Social Security Fraud Administration Act 1992 section 109 b (2)
10. Prior to any visits taking place a check on the potential violent register must be observed.
11. The log sheet detailing the address of the visit, phone number and customers name along with the mobile telephone number of the office, must be completed and handed to the FM.
12. Officers will ring in after the visit has been completed.
13. Any employee of the investigation team should not allow the impression to be created that they are or may be, using their position to promote a private or personal interest, rather that forwarding the general public interest. Private and personnel interests include those of family and friends as well as those arising through membership of, or associations with, clubs, societies, trade unions and voluntary bodies.
14. All investigation staff will have been made aware of the Fraud Policy and the Statement of Fraud implemented by DDC.
15. Liaison with other agencies such as Customs, Police and local Benefits Agency will always be dealt with in a professional manner and safeguards put in place for the giving of information. (e.g. passwords)

Visiting Procedures

1. When an officer arrives at the property care should be taken when parking, to ensure a safe exit. Also attention should be taken in consideration of other road users and road traffic regulations, do not park on yellow lines.
2. Once at the property beware of the HRA and do not infringe anyone's rights (peering through windows, going around the back of the house etc.,)
3. Always carry and display your identification badge insist on showing the person your identity. Explain the purpose of your visit and the estimated length of time you will need.
4. Establish the identity of the claimant and ensure that you talking to the correct person listed on the claim form, do not speak to any one else with regard to the claim.
5. Do not enter any premises if the claimant appears to be under the influence of alcohol or drugs or not clothed.
6. The officer must wait to be invited into the property and under no circumstances should try to force entry.
7. Upon entry observe your surroundings, observe exit routes and any items that could be classed as dangerous. Notice if they lock doors behind you. It is advisable to follow them try not allow people to be behind you.
8. If you are escorted to the kitchen area, be aware of potential weapons knives, wooden rolling pins etc., also be aware of potential hazards dogs, cats and other animals, many people keep snakes and other reptiles. You may have an allergy or a phobia.
9. Wait to be asked before sitting down try to sit nearest the door for quick exit if necessary.
10. Do not under any circumstances accept any food or drink, for hygiene reasons but at worst they could contain drugs.
11. Do not insist on being shown around, ask and wait to be invited.
12. If the claimant has visitors explain that you want to discuss very personal details and that they may wish to see you at a later date. Do not start discussing anything until you have permission.
13. Never open any cupboards or drawers.
14. If the claimant has a lot of valuables and cash lying around please make a note in your diary / notebook this covers you if any discrepancy should occur.
15. Do not be confrontational, if the claimant cannot answer or provide information then request they provide at a later date.
16. Always be unbiased, polite fair and never judge somebody by your own standards.

17. If the claimant is female be aware of any potential repercussions when looking in bedrooms and bathrooms. Try to avoid this.
18. Do not try to answer questions that you are not sure of, phone the office and confirm or inform them you will clarify that at a later date.
19. Be aware of your belongings do not leave any confidential papers or your mobile telephone at the claimants home.
20. Thank them for their time.
21. Write up any details after the visit.

Safety features for clothing

22. Look professional, for example ladies should not wear short skirts, revealing blouses or tops. Wear shoes that are suitable to make a quick exit if necessary.
23. Do not wear very expensive and designer type clothes this could lead to robbery but think of a situation that you may be in if a property is not very clean and tidy.
24. Be aware of ties and scarves around your neck, could they strangle you.
25. Avoid wearing your identity badge around your neck secured by a metal chain.
26. If visiting at night, wear light coloured clothes so that you will be noticed if dark.

REPORT FROM INCOME, TAXATION AND ENFORCEMENT MANAGER

GOVERNANCE COMMITTEE – 8 DECEMBER 2010

WRITE OFF OF INVOICES DEEMED IRRECOVERABLE**Recommendation***Members are asked to accept the identified debt that has been 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. Further to the report in September 2010 the following debt has been identified as unrecoverable.

Council Tax

Number of invoices	Total amount	Lowest Amount	Highest Amount	Average Amount
1331	£220,180.36	£6.00	£1,773.55	£165.42

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.
4. Comparative for 2008/2009 – £3,036.96
5. Tracing tools are used to track a person to another Authority, most absconders have left the area with multiple debt.
6. Debts that have been written due to non trace amount to £114,393.66.
7. Uneconomical amount to £84,519.33 the lowest amount written of for this category is £5.70 and the highest £875.00 consideration is given to the recovery in manner of ways. How much resource and expense will it take to recovery and how quickly can the monies be recovered.

Business Rates

Number of invoices	Total amount	Lowest Amount	Highest Amount	Average Amount
51	£22,122.26	£5.33	£2,643.02	£433.77

Reasons for write off

8. 17 accounts accounted for £14,526.26 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.
9. Comparative for 2008/2009 – £32,282.97

MANDIE KERRY

Income, Taxation and Enforcement Manager

REPORT OF THE DIRECTOR OF GOVERNANCE

GOVERNANCE COMMITTEE – 8 DECEMBER 2010

POLICY STATEMENT ON FRAUD AND OTHER IRREGULARITIES

Recommendation

<i>To accept the proposed revisions to the Policy Statement on Fraud and Other Irregularities</i>

Contact Officer: David Randall, extension 2141.

1. The Bribery Act 2010 has been introduced. It repeals the Public Bodies Corrupt Practice Act 1889 and the Prevention of Corruption Acts 1906 & 1916. These Acts are referred to in the Council's Policy Statement on Fraud and Other Irregularities in a Section dealing with Corruption.
2. The Policy Statement is contained within the Council's Constitution.
3. Amendments proposed to the Policy Statement are shown in the document attached.

Background Papers

Policy Statement on Fraud & Irregularities

Resource Implications

None.

Consultation Statement

Officers involved in the Council's Governance processes have been consulted

Impact on Corporate Objectives and Corporate Risks

The actions identified serve to ensure the Council's arrangements remain up to date

Attachments

Appendix 1 – Policy Statement on Fraud & Other Irregularities

DAVID RANDALL

Director of Governance

The officer to whom reference should be made concerning inspection of the background papers is the Colleen Kisiel, Dover District Council, White Cliffs Business Park, Dover, Kent CT16 3PJ. Telephone: (01304) 821199, Extension 2142.

POLICY STATEMENT ON FRAUD AND OTHER IRREGULARITIES

Definitions

1. Fraud encompasses an array of irregularities and illegal acts characterised by intentional deception. It can be perpetrated for the benefit of or to the detriment of the organisation and by persons outside as well as inside the organisation.
2. Fraud is an illegal act. It can be perpetrated internally or externally and includes such areas as false claims, theft of cash or assets, computer misuse and corruption.
3. The Council has responsibilities under legislation concerned with money laundering to ensure that it has arrangements in place to identify any unusual payments which could be financed by the proceeds of crime.

Responsibilities

4. It is a management responsibility to maintain the internal control system and ensure that the organisation's resources are properly applied in the manner and on activities intended. This includes responsibility for the prevention and detection of fraud and other illegal acts, including the identification the potential for money laundering.
5. Effective internal control provides a reasonable assurance that Dover District Council's objectives and goals will be achieved; and fraud and other irregularities will be prevented or detected. The control environment to assist management in the discharge of its responsibilities, includes the following elements:
 - an appropriate system of internal control (including preventive, detective and directive controls);
 - an effective organisational structure (separation of duties, supervision, clearly defined roles and responsibilities)
 - the assignment of authority and responsibility;
 - corporate policy - a code of conduct for employees;
 - monitoring relevant legal requirements;
 - existence of an independent Internal Audit function; and
 - the appointment of Overview and Scrutiny Committees.
6. Internal Auditors should exercise due professional care in performing internal audits. Internal Audit are responsible for identifying inadequate controls, recommending improvements and providing an independent and meaningful assurance on the adequacy, reliability and effectiveness of the internal control system. Although not directly responsible for preventing fraud, Internal Auditors should be alert to those conditions and activities where fraud and irregularities are most likely to occur.
7. Financial Procedure Rule C.12 states that:

"The Director of Governance is responsible for the development and maintenance of an anti-fraud and anti-corruption policy."

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8. Corporate Governance is the system that guides members and officers, and provides the mechanisms that demonstrate accountability, honesty, integrity and openness in all of the Council's business and it permeates every level of the organisation. It is owned by all members, staff and stakeholders and is embedded in the culture of the Council and applied within a transparent framework of management processes.
9. In line with this culture of Corporate Governance we therefore expect employees, and others that we deal with, who have concerns about fraud or other irregularities, including potential money laundering, regarding any aspects of the council's work to come forward and notify these concerns. It is recognised that most cases will proceed on a confidential basis. Disclosure should be through existing line management channels to the Section 151 Officer, Head of Governance or the Head of Audit Partnership.

INTERNAL FRAUD

Communicating Suspicions of Internal Fraudulent Practices

10. There are existing procedures in place relating to complaints and grievances. These procedures are specifically intended to cover the disclosure of potential fraud and other irregularities.
11. As a first step, employees (including agency staff and contractors) are encouraged to come forward and raise concerns or suspicions with their appropriate line manager or their superior at the earliest opportunity. Concerns ideally should be raised verbally, but can be in writing. Maintaining suitable confidentiality, the allegation and information should be referred by the line manager to the Section 151 Officer, Director of Governance or the Head of Audit Partnership .
12. However, it is recognised that it may not always be desirable or feasible for an employee who wishes to report a matter to use the official channels, as they may genuinely fear the consequences of reporting through line management. This could be due to their manager or close colleagues being implicated, the risk of victimisation, loss of job, loss of promotion opportunities and other such issues.
13. In such cases, individuals are encouraged to use the alternative reporting channels detailed in the Confidential Reporting Policy at Annex 1. This provides an internal channel of communication for any employee, who feels unable to use the existing reporting avenues but still wishes to confidentially report within Dover District Council. The Confidential Reporting Policy embraces the disclosure requirements of the Public Interest Disclosure Act 1998.
14. All disclosures relating to fraud or other irregularities will be initially logged (without compromising any agreed confidentiality) and the facts carefully considered. Preliminary inquiries will be undertaken carefully and quickly under the direction of The Section 151 Officer, Director of Governance and/or the Head of Audit Partnership to establish the validity of the allegation and the risk/loss to Dover District Council. The appropriateness of a further investigation and its form will be dependent on the outcome of initial research, the seriousness and implications of the allegation, and the risk to Dover District Council and will be determined by the Section 151 Officer, Director of Governance and the Head of Audit Partnership.

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15. All information received, will be dealt with in the strictest confidence. Contact between the investigating officer and the informant will depend on the nature of the matters raised but it will usually be necessary to establish additional facts, clarify information and where appropriate (subject to legal constraints) to feedback findings and progress. Where a meeting is required, this can be arranged off-site and a trade union representative, professional associate or friend can accompany the informant.
16. Anonymous disclosure will receive equal attention but investigations risk being hampered by incomplete information and the inability to obtain further vital information and to clarify points.
17. Investigative work will be undertaken with the aim of not revealing the informant. Dover District Council will throughout any investigation actively address and minimise any difficulties an employee disclosing information may experience.
18. This policy is intended to provide an avenue within Dover District Council to raise fraud and other irregularity concerns. Although employees are encouraged to use the internal reporting channels, matters can be taken outside of Dover District Council. However, members of staff should ensure that they do not disclose confidential information and should recognise that reporting to external bodies may well precipitate far more obtrusive investigations than those conducted in-house. External contact points are:
 - External Audit;
 - Trade unions;
 - Relevant professional body; and
 - The Police.
19. Disclosures on suspicion of money laundering will be forwarded to the National Criminal Intelligence Service as required by law.

Gathering Evidence

20. Once suspicions of fraud or irregularity have been reported or found, evidence should be collected in order to:
 - prove that an offence has been committed or confirm that there is no case to answer;
 - identify a culprit wherever possible;
 - provide facts on which to base disciplinary or legal action;
 - prevent evidence being destroyed or other offences being concealed; and
 - identify and rectify weaknesses in the system of internal control.
21. Internal audit has a statutory right of access to all records, documents, contracts and correspondence relating to the accounts of the authority, in addition to any information and explanation considered necessary from officers of the authority, for the purpose of the investigation (Financial Procedure Rules C.9). Access to documents and persons outside the authority are not available to Internal Audit, but such powers do extend to the External Auditor.

The Position of the Informant

22. The policy of Dover District Council is to actively encourage open reporting, so that a fraud or other irregularities can be uncovered and stopped as quickly as possible, thus minimising losses to the Council. In certain circumstances, the "evidence" of the employee disclosing information may prove crucial to the Council's ability to take formal disciplinary action under the Disciplinary Procedure or to refer the matter to the Police. Where such a situation applies, the informant will be encouraged to release the Council from its undertaking as to confidentiality and to give evidence openly.
23. However, the confidentiality undertaking will be regarded as paramount. No employee will be pressurised in any way or treated less favourably as a result of declining to release the Council from its undertaking, unless the informant has a supervisory or managerial role in relation to an employee under suspicion of fraud. In such cases, the informant will be regarded as having a duty to co-operate fully with the Council and a failure to co-operate will be regarded as a breach of that officer's Contract of Employment.
24. However, the External Auditor and the Police are not similarly bound. Moreover, in an extreme case, an officer of the Council could be required to disclose the identity of an informant in a Court of Law or to External Audit under threat of legal process. The Council will, in such circumstances, endeavour to maintain confidentiality but will not itself act contrary to law or require its officers to do so. In this type of situation, disclosure of information will not be regarded as being a breach of any undertaking as to confidentiality, which had been previously given. Once the Council has been forced to disclose a source, the informant will be contacted immediately, to make them aware of the involvement of the Police or External Audit, and immediate action taken to minimise any difficulties.

Misconduct Pertaining to Fraud Cases

25. It is a serious disciplinary offence for management and staff to victimise employees or deter them from raising a concern about fraud or corruption suspected within the authority. Abusing the reporting process by maliciously raising unfounded allegations will also be treated as a serious disciplinary offence.
26. In the event of there being a case to answer regarding the misconduct of an employee, whether having acted fraudulently, participated in some other irregularity, or made false and malicious allegations, the Council's Disciplinary Procedure will be implemented as documented in the Staff Handbook. A detailed description of the Council's Disciplinary Procedure is not within the scope of this Policy Statement. Each case will be considered on its individual merits and, depending on the severity of the case, could result in the giving of warnings or even the dismissal of a member of staff as appropriate

Police Prosecutions

27. The decision to refer a matter for Police prosecution will be taken by the Section 151 Officer, in consultation with the Chief Executive and/or the Section 151 Officer following consultation with the Monitoring Officer and the Head of Audit Partnership as appropriate. This course of action will generally be taken in one or more of the following circumstances:

- (a) Where a fraud or other irregularity is deemed serious in that large amounts of cash, stores or other property of significant value to the Council are involved;
- (b) Where the offence is particularly blatant or otherwise indicative of a high level of dishonest intent;
- (c) Where the offence has been committed systematically over a considerable period of time;
- (d) Where (a), (b) or (c) do not apply in relation to the offence itself, but Police involvement is considered appropriate, because the ramifications of the fraud or irregularity are otherwise serious or potentially serious and/or of far reaching effect.

EXTERNAL FRAUD

Exposure to External Fraud

28. External fraud represents a major risk to the Council, as any weaknesses in control increases fraud exposure. Such frauds are committed by persons outside the organisation, but may involve collusion from within the Council. Areas at risk include:

- (a) Misappropriation of Council money or property, including cash handling, receipts and payments and computer equipment;
- (b) The deliberate misrepresentation of information for gain, such as using false statements or documentation to fraudulently obtain benefits, loans and grants;
- (c) The exploitation of vulnerable systems within an organisation by third parties, such as the submission and acceptance of fictitious or duplicate invoices resulting in fraudulent payments to third parties; and
- (d) The exploitation of over reliance on key staff, the lack of separation of duties or over delegation.
- (e) The potential for the proceeds of crime to be laundered through the Council via transactions such as through funding contracts.

Deleted: Corruption

Deleted: This occurs when employee and/or outsider benefits from a fraud executed for the primary benefit of a third party. This includes inducing others to act improperly or accept inducements, eg the acceptance of bribes or kickbacks to secure contracts.

Deleted: In accordance with the Public Bodies Corrupt Practices Act (1889) and the Prevention of Corruption Acts (1906 and 1916), the accused person must prove their innocence rather than the accuser/investigator being obliged to prove their guilt. This requirement is clearly laid down in the Prevention of Corruption Act 1916 which states: ¶

¶ 'When money or other consideration is paid, given or received by a person in the employment of the Crown or of a Public Body by, or from, a person holding, or seeking to obtain a contract from the Crown, or a Public Body such money or consideration shall be deemed to have been given, or received, corruptly unless the contrary is proved'.

Deleted: corruption

Deleted: of corrupt practice

Bribery

29. Under the Bribery Act 2010 it is an offence to bribe another person, or to be bribed. Bribery includes the offer or the acceptance of financial or other inducements in order to influence a function or activity. A person can commit the offence of bribery / being bribed whether or not the bribe is accepted.

30. The performance of any function of a public nature falls within the scope of the Bribery Act, hence all Council activities are potentially covered by its provisions.

31. As non-employees are generally involved in bribery in the public sector through collusion with employees and members, it is difficult for the Council to successfully investigate the 'external element' of the fraud. It is therefore essential that as soon as there is any suspicion, the Section 151 Officer must be notified, enabling consideration of police involvement at an early stage of the investigation. Such notification may be either direct or via the Whistleblowing process.

Prevention and Detection of Fraud and Other Irregularities

32. Most frauds result from the absence of control or the failure to comply with procedures. It is therefore essential that systems of internal control are robust, staff correctly operate the control systems, remain vigilant at all times and react promptly, when suspicions are aroused.
33. The prevention and detection of external fraud is of importance to Dover District Council. As part of this objective Dover District Council participates in National Fraud Initiatives ~~which include~~ data matching activities ~~to assist the detection of~~ potential benefit fraud ~~and other fraud~~.
34. Cases of potential benefit fraud are investigated Dover District Council's own Benefits Fraud Operations Section. Once the fraud or irregularity has been established, evidence is collected to prove the offence, determine the amount of benefit overpaid and to support any future prosecution. In addition management should identify and rectify any weaknesses in the system of internal control. There is also a confidential Benefit Fraud hotline for members of the public or staff to report any suspicions (01304 872190).
35. Dover District Council has adopted the Verification of Benefits Administration Framework, which emphasises prevention of fraud through thorough claim checking, use of original documentation and a regime of unannounced visiting.

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Deleted: Data Matching Exercise and other

Deleted: for

Deleted: detection

CONFIDENTIAL REPORTING POLICY (WHISTLEBLOWING POLICY)

1. Dover District Council's confidential reporting policy is designed to allow employees to disclose allegations of malpractice, potential internal fraud, instances of misappropriation of monies, potential money laundering or other improper activity. It encourages employees to raise matters of concern internally, which is more likely to uphold the reputation of Dover District Council than either public disclosures or allowing malpractice or fraud to continue.
2. Disclosure is initially encouraged through the existing reporting/line management channels. However, it is recognized that it may not always be feasible or desirable for a member of staff to disclose information to their manager, as they may genuinely fear the consequences of reporting via line management channels. This could be due to management being implicated in an undesirable activity, the risk of victimisation or loss of job or loss of promotion opportunities or other similar concerns.
3. In these cases Dover District Council promotes confidential reporting to an independent person (Head of Audit Partnership) providing a secure alternative for employees who feel unable to report through the traditional line management channels. Employees can also disclose direct to the Chief Executive, Monitoring Officer or any other Director. Deleted: Head of Service
4. Employees can report issues of concern either anonymously or in confidence. Dover District Council encourages open confidential reporting, as this enables the investigating officer to make contact with the informant, facilitating a dialogue to establish additional facts, clarify information and where legally appropriate to enable the feedback of findings and progress. Anonymous disclosure will receive equal treatment but investigations risk being hampered by lack of information and the inability to obtain further vital information.
5. Confidential reporting provides an additional communication channel, which enables Dover District Council to become aware of instances of potential fraud, misappropriation or improper activity. Dover District Council recognises that reporting information regarding potential fraudulent activity involves a great deal of courage and still has negative associations. It therefore supports and protects legitimate informants, providing confidentiality, protecting against personal recriminations and providing an ongoing dialogue on progress.
6. The Confidential Reporting Policy also protects individual members of staff against false and malicious allegations. All allegations will be investigated, but any proven malicious allegations against other members of staff will be treated as a disciplinary matter.
7. The Head of Audit Partnership can be contacted on 01304 872160 and the Monitoring Officer can be contacted on 01304 872141. Alternatively a secure 24-hour answer phone service is available which the Head of Audit Partnership regularly monitors (01304 872198). The availability of this continuous service recognizes that many disclosures are reported outside of the office environment and outside of office hours. Deleted: 872142

UPDATE OF CORPORATE GOVERNANCE LOCAL CODE

Recommendation

To accept the proposed revisions to the Corporate Governance Local Code and the Basket of Measures.

Contact Officer: David Randall, extension 2141.

1. The Corporate Governance Local Code is reviewed annually by this Committee, the last review being in November 2009. The proposed changes to the Code are shown in the document attached.
2. Many of the changes to the document result from organisational change. Comments made by this committee on 16 June 2010 have been incorporated into the example Annual Governance Statement within the document.
3. Following Cabinet's decision on 4 October 2010 to reduce the level of risk management to "bronze" with the function focussing on major projects, Section 5 of the document relating to Risk Management has been reviewed in its entirety. For clarity, and due to the number of changes made, this section should be considered as though new.
4. A revised Basket of Measures is also attached.

Background Papers

The previous document, Corporate Governance Local Code 2009, is available on the Councils website at http://www.dover.gov.uk/council__democracy/governance.aspx

Resource Implications

None.

Consultation Statement

Officers involved in the Councils Governance processes have been consulted

Impact on Corporate Objectives and Corporate Risks

The actions identified serve to ensure the Councils governance arrangements remain cost effective, without being excessive. Changes have been made to reflect the Councils financial restraints.

Attachments

Appendix 1 – Proposed Local Code

Appendix 2 – Proposed Basket of Measures

DAVID RANDALL

Director of Governance

The officer to whom reference should be made concerning inspection of the background papers is the Colleen Kisiel, Dover District Council, White Cliffs Business Park, Dover, Kent CT16 3PJ. Telephone: (01304) 821199, Extension 2142.



Corporate Governance Local Code

V7 - Revised: December 2010

Deleted: V6

Deleted: 2009

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1. Introduction

1.1 **WHAT DO WE MEAN BY GOVERNANCE?**

- 1.1.1 Governance is about how we ensure that we are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 1.1.2 Good governance comprises the systems and processes, and cultures and values, by which we are directed and controlled and through which we account to, engage with and, where appropriate, lead our communities.¹
- 1.1.3 Good governance enables us to pursue our vision and corporate objectives effectively as well as underpinning these with mechanisms for the control and management of risk. We aim to meet the standards of the best and ensure that our governance arrangements are sound and also seen to be sound by our citizens.
- 1.1.4 It must permeate every level of the organisation. Governance must be owned by all stakeholders, including senior management and members, thus forming the intrinsic core of the Council. It should remain embedded in the culture of the Council and applied within a transparent framework of legislative requirements, governance principles and management processes.
- 1.1.5 Good governance leads to:
- good management,
 - good performance,
 - good stewardship of public money,
 - good public engagement and,
 - ultimately, good outcomes for our citizens and service users.

1.2 **PURPOSE OF THE CORPORATE GOVERNANCE LOCAL CODE**

- 1.2.1 We operate through a governance framework which brings together an underlying set of legislative requirements, governance principles and management processes. This local code provides a framework for discharging this accountability for the proper conduct of our public business.
- 1.2.2 This local code defines the principles that underpin the governance of this authority. We will test our arrangements by:
- Reviewing our existing governance arrangements against this revised code.
 - Maintaining an up-to-date local code of governance, including arrangements for ensuring its ongoing application and effectiveness.
 - On an annual basis, prepare a governance statement in order to report publicly on the extent to which we comply with this code,

¹ Based on the definition contained in *The Report of the Committee on the Financial Aspects of Corporate Governance* (the Cadbury Committee, 1992). Cadbury defined corporate governance as the "system by which organisations are directed and controlled".

including how we have monitored the effectiveness of our governance arrangements in the year, and on any planned changes in the coming period.

1.2.3 The preparation and publication of an annual governance statement in accordance with this Framework is necessary to meet the statutory requirement set out in Regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006 for authorities to prepare a statement of internal control in accordance with our governance framework.

1.2.4 In order to review our current arrangements, we will:

- Consider the extent to which we comply with the principles and requirements of good governance set out in this local code;
- Identify systems, processes and documentation that provide evidence of compliance;
- Identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified;
- Ensure management and reporting arrangements are in place to monitor governance effectiveness;
- Identify the issues that have not been addressed adequately and consider how they should be addressed;
- Identify the individuals who will be responsible for undertaking the actions required and plan accordingly;
- Ensure **appropriate** risk management arrangements are in place and are operating effectively; and
- Ensure systems of control are working effectively.

1.2.5 This document reflects the role or business of this authority. Four key roles have been identified as outlined in the diagram below:

4. We have a key role to play in working with others to build a strong sense of community and in encouraging individual citizens to play a full and constructive part in the lives and development of our community.

We are democratically accountable to our community.

3. We are accountable to tax payers for our stewardship and use of resources. We aim to provide excellent value for money and make the best use of the resources available to us as well as protecting the interests of local people and regeneration of the District.



1. Partnerships are a key component for public service provision and we have a major role to play in leading partnership working. We must provide leadership to our community through our ability to action an advocacy role and to promote the economic, social and environmental well-being of their area.

2. We are responsible for ensuring the delivery of services to our community either on an in-house basis or via private sector contractors or via voluntary bodies or enter into shared arrangements with partner authorities.

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1.3 **DELIVERING GOOD GOVERNANCE**

- 1.3.1 Good governance is important to all officers and members of this council. It is a key responsibility of our Leader, our Chief Executive, it is also important for other members of the Cabinet, the Corporate Management Team and the full Council, in particular the Governance Committee responsible for monitoring and providing assurance on our governance arrangements.
- 1.3.2 The Council has in place a process of continual review of its internal control arrangements, including our rules and regulations to guide members and officers, and to provide the mechanisms that demonstrate accountability, honesty, integrity and openness in all of the Council's business. These rules are now embedded into the Constitution of the Council, under the all-encompassing term of Corporate Governance. Good Corporate Governance underpins credibility and confidence in the Council and this Code of Corporate Governance promotes accountability, effectiveness, openness, integrity and inclusivity in all of our business.
- 1.3.3 As part of the Corporate Governance requirements for openness, accountability and inclusivity from 1 April 2004, the Leader, and Chief Executive have been required to sign a Governance Statement on this Council's Internal Control mechanisms. This is now replaced by an Annual Governance Assurance Statement.
- 1.3.4 This statement, the systems that support it and the overall Corporate Governance arrangements will all be subjected to an annual audit inspection by the ~~Councils external auditors.~~
- 1.3.5 This Local Code provides a mechanism for the continued development of Corporate Governance arrangements, summarising the principles and how this Council will comply with all of the requirements of the Corporate Governance Framework, including Risk Management.

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2. Determining the Governance Framework

2.1 BACKGROUND – PRINCIPLES OF CONDUCT

THE CADBURY REPORT (1992)

2.1.1 *The Report of the Committee on the Financial Aspects of Corporate Governance* (the Cadbury report) identified three fundamental principles of corporate governance as:

- **Openness:** An open approach is required to ensure all interested parties are confident in the organisation itself. Being open in the disclosure of information leads to effective and timely action and lends itself to necessary scrutiny.
- **Integrity:** This is described as both straightforward dealing and completeness. It should be reflected in the honesty of an organisation's annual report and its portrayal of a balanced view. The integrity of reports depends on the integrity of those who prepare and present them which, in turn, is a reflection of the professional standards within the organisation.
- **Accountability:** This is the process whereby individuals are responsible for their actions. It is achieved by all parties having a clear understanding of those responsibilities, and having clearly defined roles through a robust structure.

2.1.2 The Cadbury report defined these three principles in the context of the private sector, and, more specifically, of public companies, but they are as relevant to public service bodies as they are to private sector entities.

THE NOLAN COMMITTEE (1995)

2.1.3 Aspects of corporate governance in the public services have been addressed by the Committee on Standards in Public Life (the Nolan Committee, today chaired by Sir Alistair Graham) which was established in 1994 to examine concerns about standards of conduct by holders of public office. Standards of conduct are regarded as one of the key dimensions of good governance. The first report, published in May 1995, identified and defined seven general principles of conduct which should underpin public life, and recommended that all public service bodies draw up codes of conduct incorporating these principles. These principles of public life are:

- **Selflessness:** Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.
- **Integrity:** Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.
- **Objectivity:** In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for

rewards and benefits, holders of public office should make choices on merit.

- **Accountability:** Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
- **Openness:** Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and actions and restrict information only when the wider public interest clearly demands.
- **Honesty:** Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
- **Leadership:** Holders of public office should promote and support these principles by leadership and example.

2.1.4 The Relevant Authorities (General Principles) order 2001 outlined three additional principles of conduct to those identified by the Nolan Committee:

- **Respect for others:** Holders of public office should promote equality by not discriminating unlawfully against any person, and by treating people with respect, regardless of their age, religion, gender, sexual orientation or disability. They should respect the impartiality and integrity of the authority's statutory officers and its other employees.
- **Duty to uphold the law:** Holders of public office should uphold the law, and on all occasions, act in accordance with the trust that the public is entitled to place in them.
- **Stewardship:** Holders of public office should do whatever they are able to do to ensure that their authorities use their resources prudently and in accordance with the law.

2.2 **MODEL CODE OF CONDUCT FOR MEMBERS**

2.2.1 As part of the new ethical framework, the Local Government Act 2000 (England and Wales) provided for the development of a model code of conduct covering the behaviour of elected and co-opted members and gave the Secretary of State power to develop a set of general principles of conduct. This Council adopted a revised code of conduct for our members at the Council meeting on 11 July 2007, which is underpinned by a preamble which incorporates the seven Nolan and three additional principles of conduct outlined above and which is called The Ten General Principles.

2.2.2 The revised code came into force on 1 August 2007 and covers:

- general principles in relation to equality of treatment for all people irrespective of race, age, religion, gender, sexual orientation and disability; the safeguarding of the impartiality of councils' employees

- confidentiality and openness – the treatment of confidential information and access to information
- criminal offences and bringing an authority into serious disrepute
- the use of an authority's resources – the prohibition of members from using their office/position to obtain advantage or from using local authority resources for the benefit of political parties
- decision making – the requirement for members to act reasonably
- personal interest – restrictions on participation in meetings by members with a personal interest in matters under consideration
- the registration of members' interest – and gifts and/or hospitality received bullying and intimidation.

2.3 **REVISED – PRINCIPLES OF CONDUCT**

2.3.1 The Ten General Principles of Conduct as highlighted on the earlier pages form an important part of the Governance Framework for Members and also apply to the action and behaviour of Officers and our partners. These are restated at Appendix 1.

2.4 **BACKGROUND – GOVERNANCE PRINCIPLES**

THE ORIGINAL PRINCIPLES OF GOOD GOVERNANCE – OUR STANDARDS

2.4.1 In May 2001, CIPFA and SOLACE published jointly a new corporate governance framework for councils across the UK – *Corporate Governance in Local Government – A Keystone for Community Governance: Framework*, and an accompanying guidance note.

2.4.2 The first CIPFA/SOLACE Framework was based on the Cadbury definition of corporate governance and reflected Cadbury's three principles, adapted to reflect the public sector context and, in particular, Nolan's seven principles of conduct in public life. The first CIPFA/SOLACE Framework made it clear that the concept of leadership overarched these three principles; that the principles could only be adhered to if leadership was exercised through the local authority providing vision for its community and leading by example with members and managers demonstrating high standards of conduct.

2.4.3 This Council adopted the following principles of conduct in 2002, at the time they were commonly known as the vowel test. These principles of conduct were previously reflected in the six dimensions of the Council's business adopted in 2002:

- **Accountability** is the process whereby this Council and its Members and Officers are responsible for their decisions and actions including their stewardship of public funds and all aspects of performance, and submit themselves to appropriate external scrutiny. It is achieved by all parties having a clear understanding of those responsibilities, and having clearly defined roles through a robust structure.

- The **Effectiveness** of the control framework and professionalism of officers and members.
- **Integrity** comprises both straightforward dealing and completeness. It is based upon honesty, selflessness and objectivity, and high standards of propriety and probity in the stewardship of public funds and the management of an authority's affairs. It is dependent on the effectiveness of the control framework and on the personal standards and professionalism of the members and staff within the authority. It is reflected in the authority's decision-making procedures, in its service delivery and in the quality of its financial and performance reporting.
- **Openness and inclusivity** are required to ensure that stakeholders can have confidence in the decision-making and management processes of this Council, and in the approach of the individuals within them. Being open through genuine consultation with stakeholders and providing access to full, accurate and clear information leads to effective and timely action and lends itself to necessary scrutiny. Openness also requires an inclusive approach, which seeks to ensure that all stakeholders and potential stakeholders have the opportunity to engage effectively with the decision-making processes and actions of local authorities. It requires an outward focus and a commitment to partnership working. It calls for innovative approaches to consultation and to service provision.
- **Up to date**, take account of new systems and policies and the need for constant review.

2.5 **REVISED – GOVERNANCE PRINCIPLES**

THE REVISED FRAMEWORK OF PRINCIPLES OF GOOD GOVERNANCE

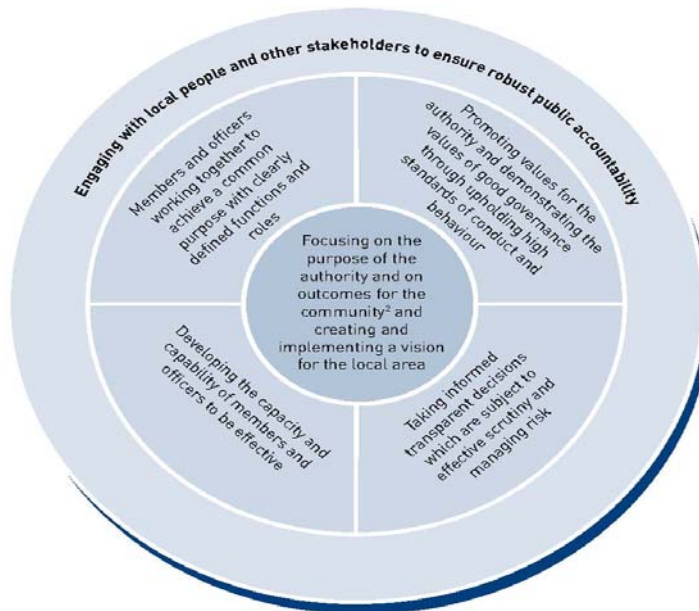
2.5.1 In 2004, the independent Commission on Good Governance in Public Services published a set of common principles that it wanted all public sector organisations to adopt. The commission, set up by CIPFA in conjunction with the Office for Public Management, stated that there should be a common governance standard for public services similar to the private sector's Combined Code.

2.5.2 The *Good Governance Standard for Public Services* built on the Nolan principles for the conduct of individuals in public life by setting out six core principles that it stated should underpin the governance arrangements of all bodies:

- a clear definition of the body's purpose and desired outcomes
- well-defined functions and responsibilities
- an appropriate corporate culture
- transparent decision making
- a strong governance team
- real accountability to stakeholders.

2.5.3 This Corporate Governance Local Code reaffirms that the actions and behaviour of both Officers and Members are underpinned by the seven Nolan and three additional principles – The Ten General Principles of Conduct.

2.5.4 The 2002 dimensions have been updated and incorporated into the principles and supporting principles outlined below:



2.6 **DEFINING THE PRINCIPLES OF GOOD GOVERNANCE**

2.6.1 The following six core principles are taken from *The Good Governance Standard for Public Services* and have been adapted for a local authority context. The principle of leadership has been expanded to emphasise this Council's role in 'leading' our community and this concept 'overarches' the other principles. Greater emphasis has also been placed on our Cabinet and Scrutiny arrangements.

2.7 **SUPPORTING PRINCIPLES**

2.7.1 The six core principles have the following supporting principles, each of which in turn translates into a range of specific requirements that are reflected in this Corporate Governance Local Code:

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

The function of governance is to ensure that with other local government and external partners we fulfil our purpose and achieve our priority outcomes for citizens and service users and operate in an effective, efficient, economic and ethical manner. We must therefore develop and articulate a clear vision of our purpose and intended outcomes for our citizens and service users that is clearly communicated, both within the organisation and to external stakeholders.

We demonstrated this by:

- exercising strategic leadership by developing and clearly communicating our purpose and vision and its intended outcomes for citizens and service users
- ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning
- ensuring that we make best use of resources and that tax payers and service users receive excellent value for money.

2. **Members and officers working together to achieve a common purpose with clearly defined functions and roles**

We demonstrate this by:

- 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
- 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
- ensuring relationships between the authority and the public are clear so that each knows what to expect of the other.

3. **Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

Good governance flows from a shared ethos or culture, as well as from systems and structures. It cannot be reduced to a set of rules, or achieved fully by compliance with a set of requirements. This spirit or ethos of good governance can be expressed as values and demonstrated in behaviour.

Good governance builds on the seven principles for the conduct of people in public life that were established by the Committee on Standards in public Life, known as the Nolan principles. In England, the Local Government Act 2000 outlined ten principles of conduct – an additional three to those identified by Nolan – for use in local government bodies. The Nolan seven principles and additional three principles are included in the guidance notes accompanying this Framework.

A hallmark of good governance is the development of shared values, which become part of the organisation's culture, underpinning policy and behaviour throughout the organisation, from the governing body to all staff. These are in addition to compliance with legal requirements on, for example, equal opportunities and anti-discrimination.

We demonstrate this by:

- ensuring members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance
- ensuring that organisational values are put into practice and are effective.

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

We demonstrate this by:

- being rigorous and transparent about how decisions – are taken and listening and acting on the outcome of constructive scrutiny
- having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs
- ensuring that an effective risk management system is in place
- using our legal powers to the full benefit of the citizens and communities in their area.

5. Developing the capacity and capability of members and officers to be effective

We demonstrate this by:

- making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles
- developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group
- 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.

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

We demonstrate this by:

- 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

- 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
- making best use of human resources by taking an active and planned approach to meet responsibility to staff.

2.7.2 These core and supporting principles are restated at Appendix 1 as a quick guide for Members and Officers. To achieve good governance, we need to be able to demonstrate that we are complying with the Core and Supporting Principles and achieving the Ten General Principles of Conduct outlined earlier. Chapters 3 and 7 explain how we monitor and review our governance arrangements to ensure that we meet these requirements set down by this Council, how we evidence compliance and the action taken to address weaknesses.

3. Annual Governance Process

3.1 **BACKGROUND**

3.1.1 The preparation and publication of an annual governance statement in accordance with this Local Code is necessary to meet the statutory requirement set out in Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) England Regulations 2006 which requires authorities to "conduct a review at least once in a year of the effectiveness of its system of internal control" and to prepare a statement on internal control "in accordance with proper practices".

3.1.2 CIPFA/SOLACE have defined proper practices for the form and content of a governance statement in accordance with the Accounts and Audit (Amendment) (England) regulations 2006.

3.1.3 We are responsible for ensuring that our 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.

3.2 **EFFECTIVE GOVERNANCE**

3.2.1 An effective governance framework will demonstrate the following attributes:

- There is a clear vision of our purpose and intended outcomes for citizens and service users that is clearly communicated, both within the Council and to external stakeholders.
- Arrangements are in place to review our vision and its implications for our governance arrangements.
- Arrangements exist for 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.
- The roles and responsibilities of the executive, non-executive, scrutiny and officer functions are clearly defined and documented, with clear delegation arrangements and protocols for effective communication.
- Codes of conduct defining the standards of behaviour for members and staff are in place, conform with appropriate ethical standards, and are communicated and embedded across the organisation.
- Standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which are reviewed and updated as appropriate, clearly define how decisions are taken and the processes and controls required to manage risks.
- The core functions of a Governance (Audit) Committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities* (2005), are undertaken by members.
- Arrangements exist to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is

lawful. All reports are considered for legal issues before submission to members.

- Arrangements for whistle-blowing and for receiving and investigating complaints from the public are in place and are well publicised.
- Arrangements exist for identifying the development needs of members and senior officers in relation to their strategic roles, and are supported by appropriate training.
- Clear channels of communication have been established with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- Governance arrangements with respect to partnerships and other group working are reflected in the authority's overall governance arrangements.

3.2.2 The review of our Corporate Governance arrangements is an ongoing process. Annually, there will be a review of the effectiveness of the Council's system of internal control, which shall inform the **Annual Governance Statement**, outlined below that the Leader and Chief Executive will be required to sign.

3.2.3 The outcome of the annual review is reported internally to the Cabinet and the Governance Committee, and externally in the Annual Report and Performance Plan and with the published accounts, this provides an assurance that:

- governance arrangements are adequate and operating effectively in practice, and
- where the review has revealed gaps, action is planned that will ensure effective governance in future.

3.2.4 The **Completion Process** outlined below and the subsequent flow chart (Annex 3(1)) provides the detailed stages of the Annual Assessment process. The Chief Executive, Statutory Officers – (Monitoring Officer and S151 Officer), other Directors, Internal Audit and managers across the authority will have a role to play in this assessment process. The overall assurance given is not a pass or fail. It is a narrative statement pointing to the Council's strengths and weaknesses.

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3.2.5 Part 7 explains the ongoing monitoring process that supports the annual statement. This will be co-ordinated by the Director of Governance.

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3.2.6 The Monitoring Officer, Section 151 Officer and Solicitor to the Council have been given responsibility to oversee the implementation and monitor the operation of the Local Code. The Head of the Audit Partnership has been given the responsibility to periodically review the arrangements. Each of these officers also contributes to the annual assessment process and a clear separation of duties is required for these complementing but distinct roles.

3.2.7 Disagreements and differing opinions on the areas of non-compliance to be included within the assurance statement, will be discussed and wherever

possible agreement be reached between signatories. An important part of the process is to develop an Action Plan to address any significant internal control issues disclosed in the statement. If agreement is not reached the Chief Executive and Leader will ultimately determine what is included, after taking advice from the Monitoring Officer, Section 151 Officer, Solicitor to the Council and Head of the Audit Partnership.

3.3 **ANNUAL GOVERNANCE ASSURANCE STATEMENT**

3.3.1 The annual governance assurance statement includes the following information:

- an acknowledgement of our responsibility for ensuring there is a sound system of governance (incorporating the system of internal control)
- an indication of the level of assurance that the systems and processes that comprise our governance arrangements can provide
- a brief description of the key elements of our governance framework, including reference to group activities where those activities are significant
- a brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements
- an outline of the actions taken, or proposed, to deal with any significant governance issues, including an agreed action plan.

3.4 **COMPLETION PROCESS**

Principles Adopted

3.4.1 Completion of the statement should flow from the normal business planning and review processes of the Council, its Governance and Standards Committees and the planned work of Internal Audit.

3.4.2 The Service Plan is one of the central mechanisms for each Head of Service managing their own area of activity and therefore sits at the centre of the Corporate Governance process.

3.4.3 Corporate Governance is integral to the whole business management process and not an add-on. Hence it uses existing documents and procedures and the risks and control framework. In particular, it links to performance reporting as good governance promotes good service but poor service performance reflects a failure of governance.

3.4.4 Effective internal controls are an important part of the Corporate Governance process. Through their audit assurance work, internal audit will provide an opinion on the effectiveness of the systems of internal control.

Preparation of the Annual Governance Statement

3.4.5 The Statement that the Leader and Chief Executive will be required to sign will be compiled from the following:

Internal Control Opinion

- (a) The Assurance Statement from the Head of the Audit Partnership, which will be compiled from the following evidence:
- The Internal Audit review of this Council's Corporate Governance arrangements;
 - The Assurance Framework, built from the audit assurance statements on individual audits; and
 - An assessment of the control and risk framework

Governance and Internal Control Framework

(b) Comment and recommendations from the Monitoring Officer, Section 151 Officer and Solicitor to the Council, who have responsibility to oversee the operation of the Governance Framework and the Corporate Governance Local Code; and contribute to the annual assessment process.

(c) The ~~Director~~ of Governance's (Monitoring Officer) review of the Council's performance against the Governance Framework (Appendix 2).

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(d) The ~~Director~~ of Governance (Monitoring Officer) and ~~Director of~~ Finance and ICT's (Section 151 Officer) review of the Effectiveness of Internal Audit

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(e) Confirmation from ~~other Directors~~ via an evidenced Service Assurance Statement (Annex 3(2)) discussed and approved by the Portfolio Holder, that:

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- Risks have been identified, and are recorded and monitored in accordance with the Councils Risk Management Strategy.
- Staff are fully aware of the requirements of their job, and have access to the appropriate Council rules and policies to assist them.
- Internal and External Audit reports and recommendations have been acted on.
- Reports from other review agencies have been acted on.
- Business arrangements are 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. Suitable supporting evidence must be maintained.
- The service 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.
- A qualified or unqualified statement of assurance, with confirmation where appropriate that improvement plans exist to rectify any acknowledged deficiency.

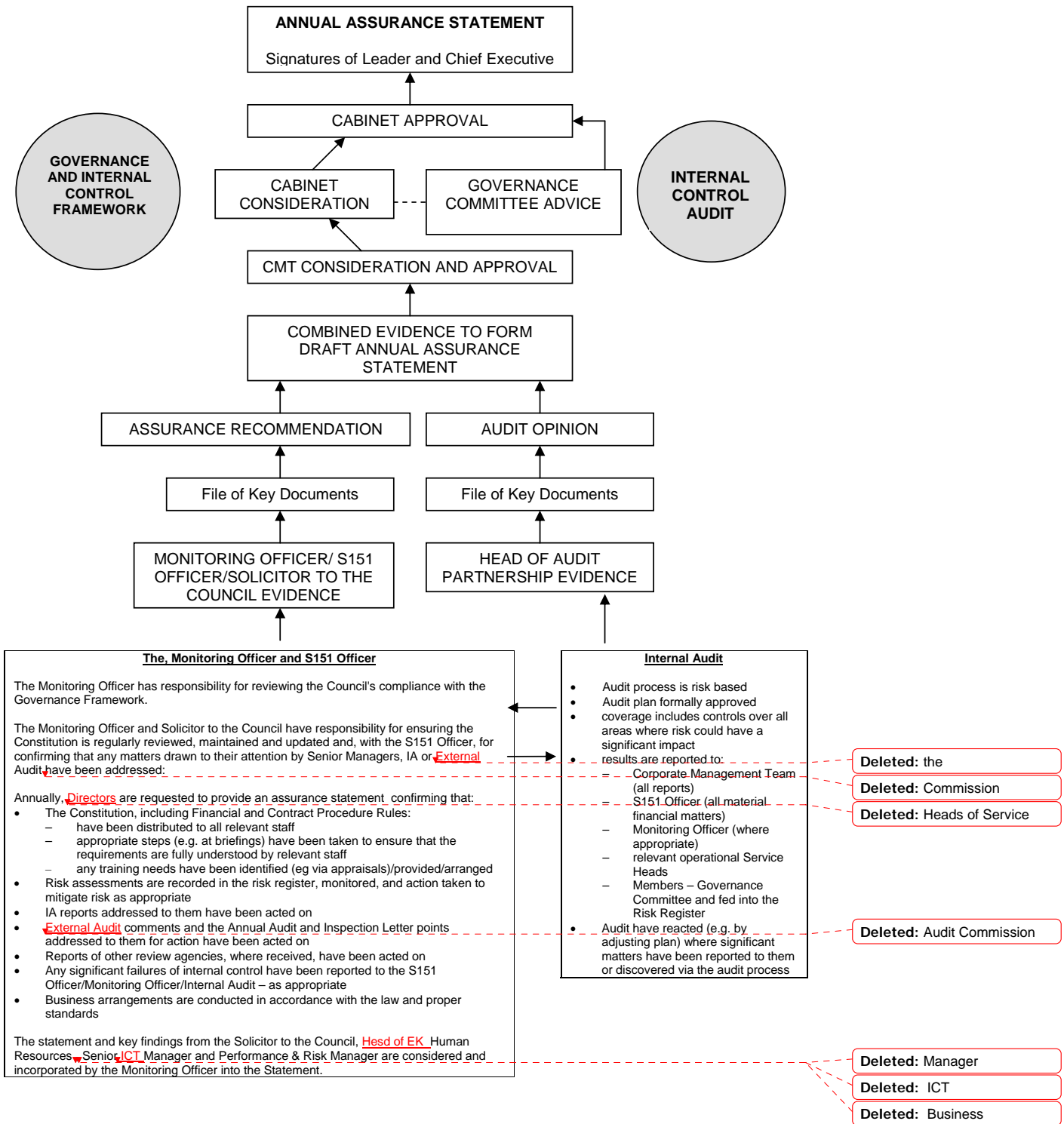
- (f) The Annual Report of the Chairman of the Standards Committee on the ethical conduct of the Council.
- (g) The ~~Director~~ of Governance (Monitoring Officer) and Solicitor to the Council's annual review of the Constitution. Deleted: Head
- (h) The Solicitor to the Council's annual statement giving his opinion on the Council's compliance with relevant laws and regulations, and its legal obligations and requirements.
- (i) The ~~Head of East Kent~~ Human Resources ~~Partnership's~~ annual statement giving her opinion on officers' compliance with the ten general principles of good conduct. Deleted: Manager
- (j) The Performance and Risk Manager's annual statement giving his opinion on compliance with the Council's Risk Management Strategy.
- (k) The ICT Business Manager's annual statement giving his opinion of the robustness of the Councils IT arrangements.

3.4.6 The Monitoring Officer and the S151 Officer will review the internal control opinion and principles framework evidence, including service assurance statements, the audit review of Corporate Governance, the Constitutional review, performance reporting, risk management arrangements and the individual audit and risk management assessments. This will ensure that all the necessary evidence is in place, there is consistency of reporting and that suitable action is being taken to address weaknesses. Other processes and reviews that help inform the governance process are:

- Council policies are implemented in practice
- An annual Constitutional review is undertaken
- high-quality services are delivered efficiently and effectively
- the Council's values and ethical standards are met
- laws and regulations are complied with
- financial statements and other published performance information are accurate and reliable
- human, financial, asset and environmental resources are managed efficiently and effectively
- the ~~External Auditor's~~ Annual Audit and Inspection Letter, ~~any service assessments~~ and other associated reviews Deleted: Audit Commission's
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- Internal Value for Money Reviews are undertaken and findings are acted upon
- Performance Reporting through BV and LPIs and other methods that drives improvement

3.4.7 The Monitoring Officer and the Section 151 Officer will prepare a Draft Annual Governance Statement, based on the internal control framework, core and supporting principles, internal and external reviews and audit evidence provided. This will be considered by CMT and Cabinet who will provide the final review, evaluation and approval. The Governance Committee, acting as the Audit Committee will monitor the overall governance process and ensure that the process is robust and agreed actions identified are properly implemented. The final statements will then be signed before the end of June by the Leader and Chief Executive based on a clear evidence trail.

Corporate Governance Assurance Statement Annual Assessment Process



Dover District Council – Annual Governance Process Head of Service Assurance Statement 200x/200x

The Council is required by law to include with the final accounts an Annual Governance Assurance Statement (AGAS). This statement is also forms part of the Annual Governance Process.

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The statement is intended to demonstrate public assurance that the Council has sound governance arrangements, including a sound system of internal control, designed to help manage and control business risk. It is considered to be an important public expression of what the Council has done to put in place good business practice, high standards of conduct and sound governance. It links to the core and supporting principles of good governance.

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In order to assist with supporting the Annual Governance Assurance Statement and the Annual Governance Process, all Directors are required to complete, certify and return the attached statement of corporate responsibility. In completing this exercise, it is acknowledged that your divisions the systems and processes can provide only reasonable and not absolute assurance that all risks have been identified, all assets safeguarded, all transactions properly authorised and recorded, and all material errors or irregularities either prevented or detected within a timely period.

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The statement attached should therefore be completed 'to the best of your knowledge' and formally agreed with your Portfolio Holder. Evidence of this agreement should be attached to the statement.

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As Director, you will need to plan a regular self-assessment of your Division's assurance arrangements. This will provide the Council with the opportunity to keep a more regular check on the adequacy of its arrangements that have been put in place with regard Corporate Governance and Risk Management.

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Please return the certified statements, both in electronic format and hard copy, to David Randall, Director of Governance by xx April 200x. (Please also copy in Colleen Kisiel, Governance Investigator and Colin Cook, Performance and Risk Manager).

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It is advised that Directors also keep securely a copy of 'the statement' made, together with a file of documentary evidence where possible. It is likely that the External Auditors will make further enquiries in connection with how the statement can be supported.

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Thank you for your assistance.

David Randall
Director of Governance and Monitoring Officer

Mike Davis
Director of Finance and ICT and S151 Officer

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Dover District Council – Annual Governance Process

Directors Assurance Statement 200x/200x

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1. Fulfilment of Corporate Responsibilities

This statement is given in respect of the Council's 200x/200x Annual Governance assurance Statement and final accounts.

I acknowledge my responsibility in maintaining and operating my Business Unit(s) in accordance with the Council's procedures and practices that uphold the internal control and assurance framework. The information provided in this section of the document is given to the best of my knowledge in connection with the service areas for which I have responsibility. Where I am unable to confirm all, some or any of the following, I have provided details in the column headed 'Exceptions'.

Reference	Area of Responsibility	Confirmation (Yes /No) & Evidence	Exceptions & Action Plan
<p>CP No. 4</p> <p>Rigorous and transparent about how decisions are taken.</p>	<p>I can confirm that:</p> <p>Key controls over systems and arrangements are in place to ensure Council assets are safeguarded from error or irregularity.</p> <p>I keep the key controls under review and that I take action to address internal control weaknesses identified.</p> <p>Agreed Internal and External Audit recommendations have been acted upon in a timely manner.</p> <p>Spending is maintained within budget, and the appropriate approval has been gained for any overspending.</p>		

Reference	Area of Responsibility	Confirmation (Yes /No) & Evidence	Exceptions & Action Plan
<p>CP No. 1</p> <p>Ensuring DDC makes best use of its resources</p>	<p>I can confirm that:</p> <p>All resources at my disposal are deployed in the achievement of Council business objectives</p> <p>I keep the use of resources under review and take action to address any instances of ineffective, inefficient and uneconomic use.</p>		
<p>CP No. 1</p> <p>Customers receive a high quality of service</p> <p>Ensure DDC makes best use of its resources</p> <p>CP No.6</p> <p>Ensure effective and appropriate service delivery</p>	<p>My service plan contributes to the Council's wider business priorities and is reflective of existing policies and strategies.</p> <p>This can be demonstrated by:</p> <p>Key performance targets and indicators</p> <p>Clear links to the Corporate Plan</p> <p>Budget setting and allocation of resources</p> <p>Identifiable improvements in service, including achievement of explicit outputs and / or milestones</p> <p>A positive response to reports and recommendations from internal and external reviews</p> <p>Action plans prepared to assist with achievement of objectives, further improvements in service delivery and performance, or to overcome</p>		

Reference	Area of Responsibility	Confirmation (Yes /No) & Evidence	Exceptions & Action Plan
	service delivery and performance failures.		
<p>CP No. 4</p> <p>An effective risk management system is in place</p>	<p>With regard to business risk management:</p> <p>I seek to identify and assess business risks arising from new initiatives through the Council's Risk Reporting process</p> <p>I take action to manage and review business risks that are within my control in my area of responsibility</p> <p>My business risks are included in the Councils Risk Register.</p>		
<p>CP No. 2</p> <p>The responsibilities of officers are carried out to a high standard.</p> <p>CP No. 3</p> <p>High standards of conduct and effective governance</p>	<p>I ensure that both myself and staff have access to, are familiar with and work in accordance with the following and that I take action where non-compliance is identified:</p> <p>The Council's Financial Procedure Rules</p> <p>The Council's Contract Standing Orders</p> <p>Employee Code of Conduct</p> <p>General Scheme of Delegation</p>		
<p>CP No. 1</p> <p>Ensure DDC makes best use of its resources</p>	<p>I ensure that the decisions I take and the activities that my service is involved in are done with due regard for:</p>		

Reference	Area of Responsibility	Confirmation (Yes /No) & Evidence	Exceptions & Action Plan
<p>CP No. 3</p> <p>High standards of conduct and effective governance</p> <p>The Council's values are put into practice and are effective</p> <p>CP No. 5</p> <p>Officers have the skills, knowledge, experience and resources they need to perform well in their roles.</p>	<p>The Councils' business objectives</p> <p>Value for money and service improvement</p> <p>Legality</p> <p>Financial implications</p> <p>Staffing & other resource implications</p> <p>Sustainable development implications</p> <p>Equal opportunities implications</p> <p>Community safety implications</p> <p>Health & Safety improvement implications</p> <p>Property implications</p> <p>Anti-Fraud & Corruption and Anti-Money Laundering implications</p> <p>Business risk.</p>		
<p>CP No. 2</p> <p>The responsibilities of officers are carried out to a high standard</p>	<p>I confirm that:</p> <p>My Division has in place appropriate management structures, staffing skills and reporting arrangements to enable the objectives identified in the service plan to be delivered.</p>		

~~The Action Plan (where applicable) drawn up from the previous Annual Governance Assurance Statement in which there were control weaknesses to be corrected by my business unit has been completed with the exception of the following:~~

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2. Accounts - Financial and Legal Implications

This statement is given in respect of the Council's 200x/200x final accounts and on the state of my Division's business unit(s)' operations up to the date on which my signature has been appended below.

The information provided is given to the best of my knowledge in connection with the service areas for which I have responsibility. I have made appropriate enquiries with other officials of the Council and of information systems and records maintained and can confirm the following statements as detailed in the column below headed 'Accounts – Financial and Legal Implications'. However, where I am aware of such circumstances, I am able to provide further relevant information in the column headed 'Details and Action Plan':

Reference	Accounts - Financial and Legal Implications	Confirmed (Yes /No) & Evidence	Details & Action Plan
2.1	In my business unit(s), there are no contingent liabilities (see footnote 1 below) that are likely to have a significant effect on the finances or operations of the Council.		
2.2	In my business unit(s), there are no instances of non-compliance with laws or regulations that are likely to have a significant effect on the finances or operations of the Council.		
2.3	In my business unit(s), there are no post balance sheet events (see footnote 2 below) that have occurred that are likely to have a significant effect on the finances or operations of the Council.		
2.4	In my business unit(s), there are no		

Reference	Accounts - Financial and Legal Implications	Confirmed (Yes /No) & Evidence	Details & Action Plan
	pending claims, proceedings or litigation that are likely to have a significant effect on the finances or operations of the Council.		
2.5	In my business unit(s), there are no other significant transactions with related parties other than those already disclosed.		
2.6	In my business unit(s), there are no instances of known error, irregularity, including fraud, which are likely to have a significant effect on the finances or operations of the Council.		

Footnotes:

1. A contingent liability is in effect a possible obligation at the balance sheet date (31 March 200x) arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events which may not be within the Council's control
2. A post-balance sheet event is an event, both favourable and unfavourable, which occurs between the balance sheet date (31st March 200x) and the date on which the financial statements are approved by the Council.

	<u>Director</u>	<u>Portfolio Holder</u>
Certified by, Signature:		
Name:		
Designation:		
Date:		

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4. Example Annual Governance Statement

FOR THE PERIOD 1 APRIL 200X TO 31 MARCH 200X

4.1 SCOPE OF RESPONSIBILITY

4.1.1 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.

4.1.2 In discharging this overall responsibility 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.

4.1.3 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 [] or can be obtained from The Council Offices, White Cliffs Business Park, Dover, CT16 3PJ.

4.1.4 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 an Audit (Amendment) (England) regulations 2006 in relation to the publication of a statement of internal control.

4.1.5 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.
- 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.

4.1.6 In addition, Dover District Council's Director 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.

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4.1.7 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 which include arrangements for the management of risk.

4.2 **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

4.2.1 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, cost-effective services.

4.2.2 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, 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, 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.

4.2.3 The governance framework described below has been in place at Dover District Council for the year ended 31 March 200x and up to the date of approval of the Council's accounts.

4.3 **CORPORATE MANAGEMENT TEAMS FINDINGS**

The Council's Corporate Management Team, comprising the Chief Executive and the Directors have reviewed the findings of the review into the Councils governance arrangements. They consider that the improvements during the year, and the significant governance issues to be addressed as recorded in sections xx and xx of this statement are complete and accurate and will enhance governance arrangements within the Council.

(Any additional comments from Management Team here)

Based on work throughout the year, the Councils Internal Auditors have provided a (Substantial) Assurance on the Councils systems of internal control. Further details of this are included in the Annual Report by the Head of the East Kent Audit Partnership.

4.4 **THE GOVERNANCE FRAMEWORK**

4.4.1 The key elements of the systems and processes that comprise the authority's governance arrangements are summarised below:

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

A Corporate Plan was in existence throughout the year, with Members agreeing the revised version in February 200x. The Corporate Plan is available on the Council's web site. This document sets out the Council's

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objectives for the period 200x to 20xx.

Reviewing our vision and its implications for our governance arrangements

~~In previous years progress towards the achievement of the objectives has been monitored through the Performance Management Framework, the Performance Report, the Major Projects Board and through other internal review mechanisms. In the year in review these controls were relaxed to enable a wholesale review of the Council's priorities, to take account of direction received from the new Government, and to achieve significant savings in service delivery.~~

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

~~Communication and Consultation strategies are in place, together with an Equality and Diversity Strategy helping to ensure that all groups in our community have a voice, can be heard and are suitably consulted.~~

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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.

~~Comment required on move to new arrangements ?~~

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

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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. We have received no findings against Dover District Council from the Local Government Ombudsman.

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 Director of Governance and Solicitor to the Council are responsible for ensuring that the Constitution is subject to annual review. The last review was adopted by Council on xx/xx/xx. The significant changes are

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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 its 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 on the Council's website.

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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, where appropriate arranging training for all or key members of staff.

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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 quarterly review. This strategy was reviewed as part of the 2007 update.

As part of the year-end process a Service Assurance Statement has been provided by all Directors, 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.

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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

complying with relevant legal obligations.

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 budgetary monitoring and control processes ensures that financial resources were being used to their best advantage, via monthly management reporting to the Corporate Management Team and Members.

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

~~Corporate and key service objectives are carefully monitored to ensure that performance targets and indicators are being achieved.~~

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~~Economic, effective and efficient use of resources is subject to review 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.~~

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Financial Management

Responsibility for ensuring that an effective system of internal financial control is maintained and operated rests with the Section 151 Officer. The systems of internal financial control provide reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected 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 200x/0x included:

- The setting of annual budgets;
- Monitoring of actual income and expenditure against the annual budget;
- A mid-year review of the annual budget;
- Setting of financial and performance targets, including the introduction of 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.

Effectiveness of Internal Audit

The Internal Audit Team reports to the Director of Governance, and operates under a Charter, which defines its relationship with the Council's officers, and the Governance Committee. The main responsibility of the Internal Audit Team is to provide assurance and advice on the internal control system of the Council to the Corporate Management Team and Members. Internal Audit 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:

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- Council objectives are being achieved;
- Economic and efficient use of resources;
- Compliance with policies, procedures, laws and regulations;
- The safeguarding of Council assets; and
- 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. This review was undertaken by the Director of Governance (Monitoring Officer) and Director 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 and the opinion of the Head of the Audit Partnership in her annual report can be relied upon. The full details of the review will be reported to the Governance (Audit) Committee, alongside this document as it is a key element of the review of the system of internal control and governance framework.

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A Governance (Audit) Committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*

It is a responsibility of the Governance Committee (as detailed in the Constitution) to monitor the work of Internal Audit and to ensure that any actions agreed are implemented. The review also considered the effectiveness of the Council's Governance (Audit) Committee, The review concluded that the Governance (Audit) Committee was effective and added value to the internal control system. Its terms of reference are outlined in the Council's Constitution.

Deleted: Dover District Council produces a quarterly "Performance Report" which reports on all the Best Value Performance Indicators and all local performance indicators. Additionally, it provides key 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 placed on the Council's Intranet.

Performance and Risk Management

The Council's Performance reporting to Members was suspended during the year to enable a major review of the Councils key service priorities and to identify savings.

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.

(Add note on departmental arrangements)

The development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

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A fully resourced training and development plan is in place for officers and members of the Council, clearly linked to the Corporate and Service Plans and statutory responsibilities.

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

A partnership evaluation criteria has been established to help ensure that all key governance criteria are incorporated into new and existing partnerships.

The ethical conduct of members and officers of this Council

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

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4.5 REVIEW OF EFFECTIVENESS

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4.5.1 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:

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- The work of the Internal Auditors and the Head of the Audit Partnership's Annual Report.
- The work of Directors and managers within Dover District Council who have responsibility for the development and maintenance of the governance environment.
- The external auditors in their Annual Audit and Inspection Letter and other reports, including the CPA Use of Resources and Direction of Travel Statements.

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4.5.2 The following process have been applied in maintaining and reviewing the effectiveness of the governance framework:

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Council

At a corporate level the Corporate Plan, Service Plans and the Constitution have all been subject to review in the period leading up to a report to Cabinet on xx June 200x. The Council's Annual Report and Performance Plan reports on our performance against our key priorities and outlines our priorities and targets for the forthcoming year. The Council has also adopted the revised model code of conduct for members.

Cabinet and Scrutiny (Policy and Performance) Committee

The Cabinet and Scrutiny (Policy and Performance) Committee have responsibility for monitoring the achievement of key priorities and setting robust and challenging targets.

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Governance Committee

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The Governance Committee receive quarterly updates from the Head of the Audit Partnership on the assurance which can be placed against various systems and processes during the year, along with an annual assessment at the year end.

The Governance Committee have reviewed reports presented to it by the Head of the Audit Partnership in connection with the review of internal control. The Committee keeps a check on those areas that have not achieved a satisfactory level of assurance. Additionally, this committee receives the Council's annual Constitutional Review, for recommendation on to Council and ensures the effectiveness of the Council's risk management arrangements.

Standards Committee

The Standards Committee receives a quarterly report on progress of formal complaints against the Council. During 200x/200x, it has also reviewed the member code of conduct and recommended the revised model code to the Council. It has considered no breaches of the code of conduct by members of Dover District Council. An Annual Report of the work of the Standards Committee was presented to the Annual Council Meeting in May 200x. It gave a positive opinion on the ethical conduct of the members of this Council.

Internal Audit

Based on the work undertaken by them during the year, the Head of the Audit Partnership consider that positive 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, current risk assessments, and the Heads of Service Assurance Statements the Head of the Audit Partnership places an Adequate Assurance on the systems of internal control in place. (Definitions of assurance levels follow the signatures at the end of this statement).

External Agencies

Within the year, the Council's xxxxx service has been inspected ~~and an improvement plan agreed~~.

Deleted: as part of the Comprehensive Performance Assessment programme. The results of the review will not be known until June 200x

4.6 IMPROVEMENTS DURING THE YEAR

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4.6.1 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:

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High Priority

- Detailed risk assessments for each division are now embedded. A Risk Register has been compiled and will be used as a tool to help monitor risk and identify areas, which need management attention.

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- A Leader as Coach programme to better equip heads of service, managers and supervisors has been rolled out across the Council
- There has been significant improvement of the Council's budgetary reporting in order to demonstrate accountability both to Members and to the community.

Medium Priority

- The Council's Performance Management Framework has been further developed and is operational across the Council.
- The Council undertook its annual review of the Constitution in an effort to improve the governance arrangements of the Council.

Low Priority

- Training sessions including topics such as Equality and Diversity and the implications of the revised Members' Code of Conduct have been provided for Members.

4.7 SIGNIFICANT GOVERNANCE ISSUES

4.7.1 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 Directors, we are satisfied that, except for the matters listed below, the Corporate Governance arrangements for Dover District Council are adequate and operating effectively.

4.7.2 Areas of Non Compliance:

High Priority

- The provisions within the Performance Management Framework encourage the continual review, measurement and monitoring of services. We need to develop this further to ensure that the Council concentrates its efforts on the functions that are key to the health of the organisation and seeks to use this tool to identify service areas for improvement.
- The Council needs to continue to build on the enhanced arrangements introduced during the year in respect of budgetary control and monitoring of business risk in order to ensure that these lead to tangible improvements in services for our customers.

Medium Priority

- The Council has not always reported back to groups/partners on how their comments have affected the Council's plans. We will improve communications with the community to inform everyone, in a timely manner, of the changes that we will instigate as a result of their

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comments.

- We need to investigate ways of publishing financial information in a format that the public generally can more easily understand, and ensure that this is made available specifically to key stakeholders and partners.

Low Priority

- Additional training should be offered to Members and Officers including, specifically, topics relating to improving knowledge on the way the Council operates, and training aimed at explaining and strengthening governance arrangements.

4.7.3 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.

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4.7.4 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.

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Signatures: _____ Date: _____

Leader of the Council

_____ Date: _____

Chief Executive

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.

5. Risk Management

Introduction

- 5.1 Risk is the threat that an event or action will adversely affect the Council's ability to achieve its objectives and execute its strategies successfully. Although risk is generally associated with the possibility of suffering some harm, loss or liability, in some situations confrontation of risk might also be the gateway to capitalising on opportunities. Risk management is the process by which risks are identified, evaluated and controlled and is a key element of the framework of governance.
- 5.2 Risk Management is about identifying, understanding, analysing, evaluating, and responding and monitoring appropriately to the threats and opportunities involved with a given activity with a view to minimising the chances of failure and maximising the chances of success. Risk management is about being risk aware and not risk averse.
- 5.3 The Council has had a formal Risk Management Strategy for a number of years. However, following the Priority Service Review during 2010, it was agreed that this Council would formally apply its Strategy and continue to corporately monitor risks at project level only. Consequently, this document outlines the process as it applies to Project Management only.
- 5.4 The Governance Committee continues to have specific responsibility included in its terms of reference to provide independent assurance of the adequacy of the control and risk management framework and the associated control environment. The Governance arrangements and the Constitution are annually reviewed and updated as required. The Governance Committee also has responsibility for the independent scrutiny 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. The Governance Committee also sits as the Council's Audit Committee receiving reports from both internal and external audit, approving the audit programmes and ensuring sufficient resources to deliver the internal audit service.
- 5.5 Risk management awareness training will be provided as necessary for those members with specific responsibility for risk management. Risk management training and guidance will also be made available to staff involved in projects to enable them to fully understand and take responsibility for managing risk within their projects.
- 5.6 The Director of Governance, supported by the Performance and Risk Manager has overall responsibility for ensuring a minimum agreed level of risk management is undertaken.

Risk Strategy and Approach

- 5.7 Project Managers identify risks linked to the project objectives. Where relevant, risks arising from and within partnerships and other joint working arrangements may be identified as part of this process. The Risk Register will comprise project risk registers that identify and assign operational risks. There is clear ownership and responsibility for the risks identified and each risk is recorded as an **inherent risk**.

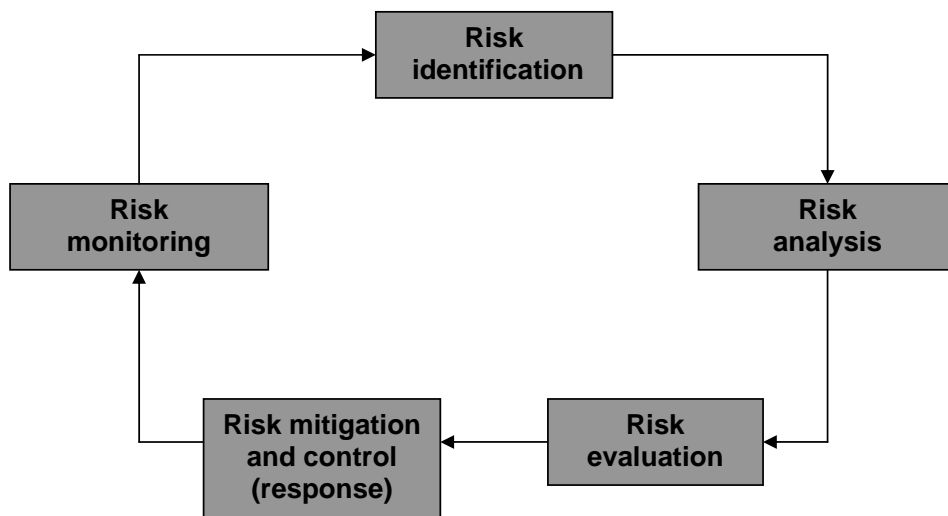
with the management action and controls necessary or already taken to mitigate the risk and the subsequent residual risk.

5.8 It is recognised that the risks will change over time as projects develop, evolve and change. Through a regular review process, the risk management arrangements enable us to respond to these changes and it is clearly recognised that the process is not a one-off exercise, but an ongoing task.

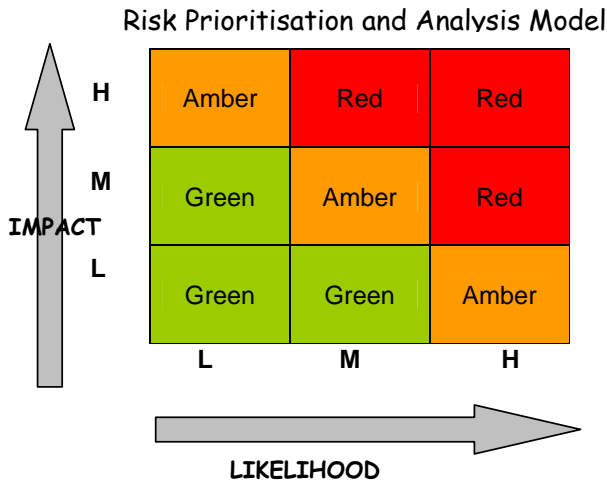
5.9 Effective project risk management helps us to deliver an appropriate balance between risk and control, ensure effective decision making, the better use of limited resources, greater innovation and consideration of positive risks (opportunities) as well as negative risks (threats) to the project.

Risk Management in Practice

5.10 Risk Management is a five stage ongoing cyclical process, as outlined in the diagram below.



5.11 As part of project risk analysis, an assessment should be undertaken of the impact and likelihood of risks occurring. Risks can then be plotted onto the following evaluation model:



5.12 The following scoring guidance is provided to simplify the assessment process, provide consistency and assist in determining where on the grid various risks should be plotted:

IMPACT			
Key Risk Areas	High	Medium	Low
<u>Communication and publicity</u>	<u>Remembered long term. Adverse national publicity</u>	<u>Adverse headlines in local media</u>	<u>Letters of complaint</u>
<u>Corporate Governance</u>	<u>Project will fail to be implemented. Standards Committee identify significant governance failings. Significant levels of fraud</u>	<u>Project will be delayed. Adverse governance findings by the Standards Committee. Extraordinary Review by External Auditors</u>	<u>Limited Assurance following Audit</u>
<u>Efficiency and Savings</u>	<u>Failure to meet all anticipated efficiency targets. Inability to recover shortfall on budget overspend</u>	<u>Failure to exploit benefits of partnership working. Budget pressures with poor performance</u>	<u>Budget managed but performance is below that originally planned</u>
<u>Financial/Funding</u>	<u>Budget Overspend > £10k or 10%. Property loss or damage > £50k. Lack of external funding due to concerns over service delivery or project</u>	<u>Budget Overspend up to £10k or 10%. Unaccountable short falls in stock / inventories or other assets. Property loss/damage in excess of £50k.</u>	<u>Budget Overspend up to £10k</u>

IMPACT			
Key Risk Areas	High	Medium	Low
	management <u>Substantial loss or failure of investments</u>	<u>Lack of provision when funding stream ends</u>	
<u>Health & Safety</u>	<u>Potential for loss of life</u> <u>Large scale major illness</u> <u>Forced closure of offices/leisure facilities/block of flats due to H&S legislation</u> <u>HSE Investigation with Fine</u>	<u>Major illness</u> <u>Serious injury - including disablement</u> <u>Forced close of smaller office/facility due to failure to comply with H&S legislation</u>	<u>Broken bones/illness</u> <u>Partial closure of offices/facility</u>
<u>IT</u>	<u>Complete failure of IT system.</u> <u>Breach of licence.</u>	<u>Temporary failure of IT system.</u> <u>Software problems .</u>	<u>Minor problems with new software.</u>
<u>Project aims</u>	<u>Objectives of project not achieved.</u> <u>Time/costs greatly exceeded.</u>	<u>Key Milestone missed.</u>	<u>Minor delays/problems.</u>
<u>Personnel resourcing</u>	<u>Mass staff resignation.</u> <u>Inability to attract new staff</u>	<u>Industrial action</u>	<u>Some hostile relationships, minor non-co-operation</u>
<u>Service delivery</u>	<u>Long-term suspension of service.</u> <u>Failure of service.</u> <u>High level of public dissatisfaction.</u>	<u>Short term reduction in service provision.</u> <u>Pockets of dissatisfaction.</u>	<u>Low standard of service provision evidenced by messages of complaint</u>
<u>Statutory Responsibilities</u>	<u>Failure to enforce regulatory powers.</u> <u>Major fraud.</u> <u>Criminal Proceedings against the Council.</u> <u>Public Inquiry to review substantial failure of a Council Service.</u> <u>Adverse findings of Standards Committee.</u> <u>No contingency planning.</u>	<u>Adverse finding by the Local Authority Ombudsman.</u> <u>Failure to test emergency plans.</u>	<u>Minor breach</u>

LIKELIHOOD			
	High	Medium	Low
<u>Timing</u>	<u>Imminent</u>	<u>Next 12 months</u>	<u>After 12 months</u>
<u>Probability</u>	<u><75%</u>	<u>25-75%</u>	<u>>25%</u>

Risk Methodology

- 5.13 The Project Team will identify the strategic / corporate priorities and objectives for this project. They will then determine the associated risks, threats and opportunities for each objective and priority.
- 5.14 The Project Team will assess the risk tolerance level for the project, which will determine where the axes or parameters on the model will be drawn. This will determine the categories each risk falls into.
- 5.15 Having identified, evaluated and plotted each significant risk, a number of decisions will be made. Firstly, each significant risk will be considered in the context of the projects priorities and objectives and the impact measured against the benefits that will be obtained by achieving the objectives – in other words, is it worthwhile to continue with a particular objective if the risk outweighs the reward?
- 5.16 Risk mitigation and control will be the stage in the process when action is taken to minimise the likelihood of the identified risks occurring and/or to reduce the severity of the consequences should it occur. Risk mitigation and control will require the identification and implementation of strong management, and where appropriate revised or new operational procedures and robust internal controls.
- 5.17 The final stage of the risk management process will be the effective monitoring and review of the identified risks to ensure the successful delivery of the project. This process will also assess whether the nature of risk has changed over time. This stage links into the performance management process, with the reporting of the project risks to members. The outcomes from this exercise will be reflected in the Corporate Plan.

6. Risk Management Strategy

- 6.1 The risk management policy of Dover District Council is to adopt cost-effective practices in the identification, analysis, evaluation, and management control of risks to ensure that they are eliminated or reduced to an acceptable level, thereby safeguarding its assets, employees and customers and the delivery of services to the local community.
- 6.2 The Council pursues a forward-looking and dynamic approach to delivering services to the local community and will not be averse to taking a degree of commercial risk. However, it will always exercise a prudent approach to risk taking and decisions will be made within the parameters of the Council's internal control arrangements. In particular, Financial and Contract Procedure Rules will serve to ensure that the Council does not expose itself to risks above an acceptable level.
- 6.3 The risk management objectives of the Council are to:
- help ensure that the Council's key corporate priorities are delivered
 - continue to embed risk management into the culture of the Council
 - manage and mitigate project risk in accordance with best practice
 - be responsive to changing social, environmental and legislative requirements whilst being aware of the related risks and opportunities
 - take reasonable steps to prevent injury, damage and loss and reduce the cost of risk
- 6.4 These objectives will be achieved by:
- defining the roles and responsibilities, in relation to risk management, of Officers and Members within the organisation
 - providing relevant training on risk management to relevant officers and Members of the authority
 - participating in inter-authority governance, internal audit and insurance benchmarking groups where economic to do so
 - encouraging officers participating in other professional discipline groups to consider risk management as an agenda topic
 - disseminating to officers as appropriate published risk management information received from insurers and other related sources
 - maintaining a risk management framework that will secure the consideration and review on a rolling basis project risks confronted by the Council – this framework will provide for:
 - a useful and meaningful risk register

- the risks and management actions are reported quarterly to members
- appropriate incident recording to facilitate the analysis of risk data
- committee reports proposing new initiatives to include a section on the risk management issues to be taken into account
- the annual review of the risk management framework

Roles and Responsibilities

Members

- 6.5 The Governance Committee has specific responsibility included in its terms of reference to provide independent assurance of the adequacy of the control and risk management framework and the associated control environment.
- 6.6 The Governance Committee also has responsibility for the independent scrutiny 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.
- 6.7 All reports to the Cabinet and Council include consideration of the link to the Council's corporate objectives and key risks and as appropriate the identification of mitigating action.

Executive and Corporate Management Team

6.8 The Cabinet and Scrutiny (Policy and Performance) will review the project risks confronted by the Council as part of performance monitoring.

6.9 ~~Corporate Management Team are responsible for identifying key risks as part of their strategic responsibilities.~~

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6.10 The Director of Governance will undertake an annual strategic risk review

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Directors / Service Managers

6.11 ~~Directors, and Service Managers in conjunction with members of their teams and other parties/partners (where applicable) will review and monitor project risks relating to their services.~~

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Employees Generally

6.12 Employees will be expected in the first instance, to refer risk management concerns to their line managers. Should such concerns remain outstanding, then employees can refer their concerns elsewhere as prescribed in the Council's Whistleblowing Guide.

Insurance

6.13 The Director of Governance in consultation with the Insurance Team will:

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- regularly review and advise upon the Council's insurance requirements and arrangements, and arrange insurance cover as necessary

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- annually review the adequacy of the Council's internal Insurance Provisions and Reserves, and advise on action to be taken
- advise Officers and Members on insurance covers available and/or in place and advise Officers on claims procedures, and process claims arising
- assist in the development and provision of claims data to aid future risk control

7. Ongoing Monitoring and Review Process

7.1 The contents of this code will be reviewed on an annual basis in conjunction with the Annual Governance Assurance Statement and Risk Management Strategy and will be kept up to date in the light of changing circumstances. The Director of Governance (Monitoring Officer) will maintain the documentation but all Members and Officers must own the whole process.

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7.2 In addition, ongoing review and monitoring will be undertaken during the course of the year. This will be co-ordinated by the Director of Governance (Monitoring Officer) and includes:

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- Ongoing monitoring of the Corporate Governance arrangements and recommended courses of action by the Section 151 Officer, Monitoring Officer and Solicitor to the Council.
- Internal Audit review of Corporate Governance arrangements and auditable activities identified through its risk based audit plans.
- Ensuring management ownership for the delivery of agreed objectives, within a Corporate Governance Framework, whilst managing effectively their identified opportunities and risks.
- Performance measurement of governance arrangements, key objectives and associated risks using Value for Money Reviews and Best Value tools and national, key and local performance indicators.
- Ongoing review of the Risk Management arrangements and recommended courses of action by the Performance and Risk Manager, Section 151 Officer and Head of the Audit Partnership.
- Ongoing monitoring and review of compliance with the Ten Principles of Conduct by the Monitoring Officer, Head of EK Human Resources, Solicitor to the Council, Democratic Services Manager and the Standards Committee.
- Ad hoc reviews initiated by the Chief Executive and/or Head of Service or necessitated by future circumstances.
- External Audit review of Corporate Governance arrangements and other auditable activities.

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7.3 The External Auditors will inspect the Annual Governance Assurance Statement, the evidence and position statements that support the statement, the risk management process and this Council's overall Corporate Governance arrangements.

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THE GOVERNANCE FRAMEWORK

A QUICK GUIDE

THE TEN GENERAL PRINCIPLES OF CONDUCT

Selflessness	Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.
Integrity	Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.
Objectivity	In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
Accountability	Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
Openness	Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and actions and restrict information only when the wider public interest clearly demands.
Honesty	Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
Leadership	Holders of public office should promote and support these principles by leadership and example.
Respect for others	Holders of public office should promote equality by not discriminating unlawfully against any person, and by treating people with respect, regardless of their age, religion, gender, sexual orientation or disability. They should respect the impartiality and integrity of the authority's statutory officers and its other employees.
Duty to uphold the law	Holders of public office should uphold the law, and on all occasions, act in accordance with the trust that the public is entitled to place in them.
Stewardship	Holders of public office should do whatever they are able to do to ensure that their authorities use their resources prudently and in accordance with the law.

CORE AND SUPPORTING PRINCIPLES OF GOOD GOVERNANCE

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

The function of governance is to ensure that with other local government and external partners we fulfil our purpose and achieve our priority outcomes for citizens and service users and operate in an effective, efficient, economic and ethical manner. We must therefore develop and articulate a clear vision of our purpose and intended outcomes for our citizens and service users that is clearly communicated, both within the organisation and to external stakeholders.

We demonstrated this by:

- exercising strategic leadership by developing and clearly communicating our purpose and vision and its intended outcomes for citizens and service users
- ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning
- ensuring that we make best use of resources and that taxpayers and service users receive excellent value for money.

2. **Members and officers working together to achieve a common purpose with clearly defined functions and roles**

We demonstrate this by:

- 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
- 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
- ensuring relationships between the authority and the public are clear so that each knows what to expect of the other.

3 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

Good governance flows from a shared ethos or culture, as well as from systems and structures. It cannot be reduced to a set of rules, or achieved fully by compliance with a set of requirements. This spirit or ethos of good governance can be expressed as values and demonstrated in behaviour.

Good governance builds on the seven principles for the conduct of people in public life that were established by the Committee on Standards in public Life, known as the Nolan principles. In England, the Local Government Act 2000 outlined ten principles of conduct – an additional three to those identified by Nolan – for use in local government bodies. The Nolan seven principles and additional three principles are included in the guidance notes accompanying this Framework.

A hallmark of good governance is the development of shared values, which become part of the organisation's culture, underpinning policy and behaviour throughout the organisation, from the governing body to all staff. These are in addition to compliance with legal requirements on, for example, equal opportunities and anti-discrimination.

We demonstrate this by:

- ensuring members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance
- ensuring that organisational values are put into practice and are effective.

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

We demonstrate this by:

- being rigorous and transparent about how decisions – are taken and listening and acting on the outcome of constructive scrutiny
- having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs
- ensuring that an effective risk management system is in place
- using our legal powers to the full benefit of the citizens and communities in their area.

5. Developing the capacity and capability of members and officers to be effective

We demonstrate this by:

- making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles
- developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group
- 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.

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

We demonstrate this by:

- 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
- 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
- making best use of human resources by taking an active and planned approach to meet responsibility to staff.

Governance Framework – Revised Basket of Measures 2010/11

Factor	Measure	Target
1. Ethical Standards	(a) Number of complaints upheld against <ul style="list-style-type: none"> (i) Members (ii) Formal Service Delivery (iii) Officers (b) Turnover rate (c) Number of grievances upheld against staff (d) Number of disciplinaries against staff <ul style="list-style-type: none"> (i) Major (ii) Minor (e) Sickness levels	(a) 0 (b) < 5% (c) 0 (d) 0 (e) <8 days/employee/year
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
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
4. 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
5. Performance Management	(a) Effective Project Management (b) Periodic review of Risk Management Strategy by relevant Committee	(a) Major Projects risks and milestones are identified and effectively project managed (b) Risk Management Strategy is reviewed by Governance (Audit) Committee annually

Factor	Measure	Target
6. 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
7. 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
8. 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)50% minimum attendance at training events (ii)Annual review of training provision for Members (b) Delivered and kept up to date
9. Levels of public satisfaction/ community confidence	(a) Number of service level complaints received. (b) No.of complaints upheld by the ombudsman	(a) Reduction year on year. (b) none
10. Avenues of accessibility to Council Services	(a) DDA compliance (previously LP158) (b) Average waiting times for all contact centre areas(previously LP157) (c) Website visitors (previouslyLP156) (d) Website accessibility rating (previously LP155)	No unplanned reduction in service from 2009/10 levels
11. Legality of decision making	(a) Number of ultra vires decisions (b) Number of breaches of Constitution	(a) 0 (b) 0

REPORT OF THE DIRECTOR OF GOVERNANCE

RESPONSIBILITY – PORTFOLIO HOLDER FOR CORPORATE RESOURCES AND PERFORMANCE

NON-KEY DECISION

EXECUTIVE

CABINET – 6 DECEMBER 2010

GOVERNANCE COMMITTEE – 8 DECEMBER 2010

UPDATE ON PROGRESS AGAINST THE ANNUAL ASSURANCE STATEMENT ACTION PLAN

Recommendation

That progress against the action plan be noted.

Contact Officer: David Randall, extension 2141.

1. This report is for Members' information, to update them on progress against the Action Plan which emanated from the Annual Governance Assurance Statement for 2009/2010.
2. Progress against individual actions is shown in the updated action plan attached. Many of the Actions are of an on-going nature and are becoming embedded in the Councils processes. Work is progressing on completing those of a one-off nature.

Background Papers

Annual Governance Statement 2008/09

Resource Implications

None.

Comments from Finance

None.

Communication Statement

None.

Impact on Corporate Objectives and Corporate Risks

The actions identified serve to strengthen the Councils governance arrangements, thereby reducing risk to the Council, and supporting the implementation of corporate objectives.

Customer Access Review

Not relevant.

Comments from Equalities Officer

There are no Equality implications in this report and action plan.

Attachments

Appendix 1 – Updated Action Plan

DAVID RANDALL

Director of Governance

The officer to whom reference should be made concerning inspection of the background papers is the Colleen Kisiel, Dover District Council, White Cliffs Business Park, Dover, Kent CT16 3PJ. Telephone: (01304) 821199, Extension 2142.

ACTION PLAN FOR 2010/11 ARISING FROM 2009/10 ANNUAL GOVERNANCE ASSURANCE STATEMENT

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	Responsible Officer's comments - position as at 30 Sept 2010
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	A partnership Toolkit and Database has been developed. The key partnerships have been identified but work on evaluating them has been delayed due to competing priorities.
	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	The Delivering Effective Services report was considered by Cabinet and Scrutiny during September, October and November 2010 and approved by Council. This identified a comparative priority ranking for services and proposed savings of £1.7m. Following the CSR the Council is projecting a further £1.5m of savings for 2011/12.
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 practicable & do not hinder Joint Working projects	Head of EKHR	Dec-10	Conditions - EKHR have been commissioned to align policies and terms across 3 of the 4 EK councils, consultation concludes in October, and revised conditions will be in place by 31.3. 2010 or earlier. Pay - EKHR have commissioned and agreed a feasibility assessment across 3 of the 4 EK councils in relation to the options to harmonise pay or pay assessment this is due to conclude in April 2011, the underpinning principles are minimum disruption and inflation along with simplicity and potential to include performance related assessments such as competencies.

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	Responsible Officer's comments - position as at 30 Sept 2010
		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	Neighbour Forums continue to play an important role in the communities. Representatives from County, District, Towns and Parish Councils together with the public have considered a range of matters important to the community and have determined grant funding across the district for community projects.
			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	The Budget Monitoring Reporting process has continued to be refined, supplemented by reports to Cabinet, Scrutiny and Council
		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	A partnership Toolkit and Database has been developed. The key partnerships have been identified but work on evaluating them has been delayed due to competing priorities.
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	Codes of conduct are not being reviewed currently, however there is work to design and embed competencies which would support the baseline of conduct requirements.
		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	

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	Responsible Officer's comments - position as at 30 Sept 2010
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 with Data Retention Policies may not be strictly adhered to across the Council.	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	Staff have all been reminded by e-mail of the Data Protection requirements and particularly retention requirements.
	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	To be refreshed in early 2011
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 programme and statutory training has been planned and rolled out as required. The main discretionary work has been in relation to change management skills and support for employees through the continuing changes within the districts and local government.
	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	Member Job Descriptions implemented. We are preparing an Induction Programme for the new Council from May 2011.
		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	Member Job Descriptions implemented. We are preparing an Induction Programme for the new Council from May 2011.
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	Member Job Descriptions implemented. We are preparing an Induction Programme for the new Council from May 2011.	

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	Responsible Officer's comments - position as at 30 Sept 2010
	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	Revised approach in place and working effectively
		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	The Delivering Effective Services report was considered by Cabinet and Scrutiny during September, October and November 2010 and approved by Council. This identified a comparative priority ranking for services and proposed savings of £1.7m. Following the CSR the Council is projecting a further £1.5m of savings for 2011/12.
	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	Revised approach in place and working effectively
		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	The LSP is currently being reviewed and may be superseded by a Local Enterprise Board.
	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	The Delivering Effective Services report was considered by Cabinet and Scrutiny during September, October and November 2010 and approved by Council. This identified a comparative priority ranking for services and proposed savings of £1.7m. Following the CSR the Council is projecting a further £1.5m of savings for 2011/12.
		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.	Transparency in the decision making process is promoted	Ensure that suggestions from Neighbourhood Forums are considered by members	Leadership Support Manager	throughout 2010/11	Neighbourhood Forums held including Participatory budget events - public made recommendations on funding to be ratified by Cabinet. All meetings reported back to members through SMT.
	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	The Delivering Effective Services report was considered by Cabinet and Scrutiny during September, October and November 2010 and approved by Council. This identified a comparative priority ranking for services and proposed savings of £1.7m. Following the CSR the Council is projecting a	

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	Responsible Officer's comments - position as at 30 Sept 2010
		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	the committee is progressing a further £1.5m of savings for 2011/12.
		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	The format of the quarterly performance report is under review to reduce its content. The revised report will be recommended to the December 2010 Cabinet as an interim measure for the remaining 2010/11 financial year. A more permanent performance report will be designed for the 2011/12 year once resourcing levels are known and more information on the Government's reporting requirements are announced. All quarterly performance reports will continue to be published on the Council's website which will avoid the need for the annual performance report

REPORT OF THE HEAD OF EAST KENT AUDIT PARTNERSHIP

GOVERNANCE COMMITTEE – 8 DECEMBER 2010

INTERNAL AUDIT QUARTERLY PROGRESS REPORT

Recommendations

<p><i>Members are asked to note the Internal Audit Progress Report of the Head of the East Kent Audit Partnership.</i></p>
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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 30th September 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 seven Internal Audit reports that have been completed during the period. These have been allocated assurance levels as follows: Three reviews were classified as providing Substantial assurance, two as Reasonable assurance. Additionally, for two reports an assurance level was not applicable as the review 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, four follow-up reviews have been completed during the period. These are detailed in section 3 of the quarterly update report.
- 3.3 For the six month period to 30th September 2010, 203.06 chargeable days were spent out of a planned total of 429.45. Approximately 47.28% of the plan has therefore been completed.
- 3.4 Other performance figures for the East Kent Audit Partnership for the second quarter of 2010-11 show excellent performance against target.

Background Papers

- Internal Audit Annual Plan 2010-11 - Previously presented to and approved at the 24th 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 2010/11 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 30th September 2010.

2. SUMMARY OF REPORTS:

	Service / Topic	Assurance level
2.1	Disabled Facilities Grants	Substantial
2.2	CCTV	Substantial
2.3	Business Rates	Substantial
2.4	Value for Money Strategy	Reasonable
2.5	Employee Health and Safety	Reasonable
2.6	Absence Management	Not Applicable
2.7	Housing Benefits Quarterly Testing – Quarters 1 of 2010-11	Not Applicable

2.1 Disabled Facilities Grants – Substantial Assurance:

2.1.1 Audit Scope

To ensure that Disabled Facility Grants are efficiently and effectively administered to maximise the funds available to make the most difference to those in need of the scheme.

2.1.2 Summary of Findings

The Disabled Facilities Grant process is generally working well and most of the expected controls are effective. There are excellent working arrangements between the Council, KCC and Dover's Home Improvement Agency and grants are being managed effectively.

2.1.3 Management Response

As a result of the substantial assurance, a management response is not required

2.2 CCTV – Substantial Assurance:

2.2.1 Audit Scope

To ensure that the CCTV operation is undertaken in accordance with the Code of Practice and all prevailing legislation such as the Data Protection Act and the Human Rights Act.

2.2.2 Summary of Findings

The CCTV operation is process is working very well with most of the expected controls in place and effective.

2.2.3 Management Response

As a result of the substantial assurance, a management response is not required.

2.3 Business Rates - Substantial Assurance:

2.3.1 Audit Scope

To ensure that the Business Rates function is performed effectively, efficiently and in line with the Council's policies and the prevailing legislation.

2.3.2 Summary of Findings

The Business Rates joint working arrangement between Dover District Council and Thanet District Council is generally working well. The expected controls were found to be working effectively. Operational management are actively addressing the unresolved reconciliation issues between Dover District Council's Rating List and the Valuation Office records.

2.3.3 Management Response

As a result of the substantial assurance, a management response is not required.

2.4 Value for Money Strategy - Reasonable Assurance:

2.4.1 Audit Scope

To achieve on-going demonstrable Value for Money in the delivery of public services.

2.4.2 Summary of Findings

The Value for Money approach adopted by the Council recognises that there is no single approach available to provide the necessary efficiencies and savings which are needed in the present economic climate.

The current Medium Term Financial Plan states that a range of measures needs to be introduced to meet the expected savings target. To this end a range of options are being considered which closely reflect the themes set out in the CSR07 documentation. Those measures used by the Council to identify and deliver savings include Service Plans, benchmarking, shared services, i-space staff forum, Delivering Effective Services/Employment Stability Programme and Asset Management as the main pillars

The Value for Money strategy and structure currently established should ensure that the process works well with positive action taken to produce a functioning system, however, staff support and training needs to be reviewed to ensure continued progress.

2.4.3 Management Response

Management accept the findings of the internal audit report and are pleased to receive a reasonable level of assurance in this area. Work is underway to implement the agreed recommendations contained within the report.

2.5 Employee Health and Safety - Reasonable Assurance:

2.5.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established in the system for employee health, safety and welfare.

2.5.2 Summary of Findings

The Purpose of this audit assignment was to provide management with a position statement in respect of its employee health and safety arrangements and associated action plan prior to changes in the structure of who employee health and safety is managed by at Dover District Council.

At the time of the review the manner in which employer health and safety is delivered at DDC was subject to review. This audit review has concluded that there is strong emerging evidence that controls are much improved.

The recommendation made within the report concerned the following:

- A review of the Council's Health and Safety Policy and communication of the policy to all staff;
- The establishment of a health and safety inspection programme together with a mechanisms for reporting the results to management;
- Enhancing the accident reporting arrangements to make them more robust; and
- A training programme for Managers concerning employee health and safety and work place risk assessments.

2.5.3 Management Response

Management is grateful for this informative and timely audit review, which has highlighted areas of strength and areas requiring improvement. The service is now being provided by Health and Safety specialist from the East Kent Human Resource Partnership and positive steps have either already been taken or are being taken to address the recommendations raised in this audit report.

2.6 Absence Management – An assurance level is not applicable for this work:

2.6.1 The purpose of this review was to provide management with a position statement as regards compliance with the existing Absence Management policy at Dover District Council ahead of the drafting of the new policy which is now out to consultation. The

review has also provided assurance that any weaknesses identified in respect of compliance with the existing policy will be addressed through the implementation of the new one together with the training which will accompany its roll out.

2.7 Housing Benefit Testing (Quarter 1 of 2010-11) – An assurance level is not applicable for this work:

- 2.7.1 Over the course of the 2010/11 financial year the East Kent Audit Partnership will complete 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.
- 2.7.2 For the first quarter of the 2010/11 financial year five claims, including new, cancellation and change of circumstances, of each benefit type were randomly selected for verification.
- 2.7.3 In total 20 benefit claims were checked and of these only 1 failed the criteria set by the Audit Commission's verification guidelines in respect of quarter 1 (April to June) as it impacted upon the subsidy claim and 2 failed on data quality.

3.0 FOLLOW UP OF AUDIT REPORT ACTION PLANS:

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

Service/ Topic		Original Assurance level	Revised Assurance level
a)	Compliance with Contract Standing Orders	Limited	Limited
b)	Waste Management	Substantial	Substantial
c)	Cemeteries	Substantial	Substantial
d)	Sundry Debtors	Reasonable	Reasonable

- 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) Compliance with Contract Standing Orders:

The original audit identified that the medium value procurement (£10,000 to £99,999) was the problem area where the evidence from the selected samples demonstrated had not improved. Non-compliance was not focussed on one department but rather across the whole Authority. There was insufficient evidence that the Council's CPRs were being consistently adhered to in order to ensure value for money and good corporate governance.

As part of the follow up process an additional sample of invoices (10 due to time constraints on follow up reviews) have been reviewed from the medium value procurement range to see if compliance had improved. The sample included some

areas where there were problems identified in the previous audit. Overall the conclusion drawn from this small sample is that non-compliance is still an issue.

Examples of this are again payments being made under invoice that should have gone onto the contract register and processed by certificate or failing to obtain the correct number of quotes. In some instances it is still the same officers that are not complying with the Contract Procedure Rules despite 2 audits flagging up the issues of non-compliance.

There were several areas on the action plan where no action has yet been taken to implement the recommendations. Consequently these outstanding high-risk recommendations are now escalated to the S151/Management Team/ Members via this East Kent Audit Partnership Audit quarterly report.

The purpose of escalating outstanding high-risk matters is to try to gain support for the additional resources required to resolve the risk, or to ensure that risk acceptance or tolerance is approved at an appropriate level. Please can I assure you that the escalation of high-risk control matters is a requirement under the CiPFA Code, and is of course best practice in terms of risk management, there are no other motives for escalation.

Overall, controls have not improved and consequently the identified risks remain of concern. The original audit opinion stands at limited assurance and the revised assurance as a result of this follow up review remains at Limited Assurance (see Appendix 5 for definitions).

Management Response:

In order to address this matter, the Council has established a Procurement Panel comprising of representatives from Finance, Procurement, Legal and Audit. Management acknowledge the current concerns in this area and accordingly the work programme of the Procurement Panel has been designed to pick these up as part of their terms of reference. The Procurement Panel has now met on two occasions and it is anticipated that by the time of the next audit review in this area, procedures would have been sufficiently improved to warrant an increase in the assurance level.

4.0 WORK-IN-PROGRESS:

- 4.1 During the period under review, work has also been undertaken on the following topics, which will be reported to this Committee at future meetings: Data Protection, FOI and Information Management, Right to Buy, Planning and Building Control, Public Health Burials, HRA Business Plan, Housing Benefit Quarterly Testing, Absence Management, Employee Health and Safety, 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 2010-11 Audit plan was agreed by Members at the meeting of this Committee on 24th March 2010.
- 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 three month period ended on 30th September 2010, 203.06 chargeable days were spent out of a planned total of 429.45. Approximately 47.28% of the plan has therefore been completed.
- 7.2 The financial performance of the EKAP is on target and there are no concerns to highlight at this time.
- 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 4. 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 first quarter of 2010-11.
- 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 featured in the Balanced Scorecard attached as Appendix 4.

Attachments

- Appendix 1 Summary of High priority recommendations resulting from the period's work
- Appendix 2 Summary of services with Limited / No Assurances
- Appendix 3 Progress to 30th September 2010 against the agreed 2010/11 Audit Plan.
- Appendix 4 EKAP Balanced Scorecard of Performance Indicators to 30th September 2010.
- Appendix 5 Assurance statements

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

RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
Disabled Facilities Grants – October 2010		
Monthly monitoring should be implemented of all DFG payments made each month, comparing the payments requested from the MVM system to those payments actually made from the EFinancials system. Ensuring that the correct amounts have been paid and there are no duplications made.	This is already carried out in Private Sector Housing for general housing assistance. Agreed process has been put in place and monthly monitoring meetings to be held with Finance.	First meeting to be held in November 2010.
CCTV – July 2010		
An internal procedure to monitor the Police vetting renewal dates should be established to ensure that the reviews are not overlooked.	The reviews are a Police initiative, and it is their responsibility to maintain current records. However, it is accepted that it would be advantageous for the CCTV Unit to independently monitor this.	CCTV (Operations) Manager – ongoing requirement.
Management should ensure that an accurate record of all cameras with programmed privacy zones is maintained. Management should also undertake and record random checks to ensure that the zones have not been removed, thus demonstrating the continuing integrity of the system.	Whilst this is not documented, random checks of privacy zones takes place by way of the Lay Visitor and Management routine inspections. Every camera has privacy zones set where possible, and these are already monitored. CCTV (Operations) Manager to document checks on privacy Zones. CCTV Supervisor to document, in general terms, where privacy zones have been set.	CCTV (Operations) Manager. CCTV Supervisor. From December 2010 and – on-going.
Absence Management – November 2010		

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

RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
The sickness absence procedures should be reviewed and a revised policy produced that is sufficiently detailed and adequate to the requirements of both Dover District Council and the other East Kent cluster Councils.	The sickness absence procedures have now been reviewed and a new proposed Sickness Absence Management Policy, Management Guidance and Staff Guidance is under consultation at the current time for the three East Kent cluster Councils.	April 2011 EKHRP
The One Touch Consultants from each partner Council should be actively involved in the production of the new policy ensuring their experience is utilised to its full potential when implementing one set of guidance for all partner Councils promoting consistency and fairness across the three sites.	The One touch Consultants have been actively involved in the creation of the new proposed policy and guidance notes.	Implemented
Provide all managers and responsible officers with training and guidance to ensure that the necessary skills are developed and appropriate procedures are properly understood and adhered to when reporting and monitoring short and long term sickness across the three partner Councils.	A programme of training on the new policies and procedures will be delivered to coincide with the launch of these documents.	April 2011 EKHRP
Ensure that any incidences of dismissal are supported by reports and advice of the Occupational Health provider (where applicable) and any other medical specialists who have been involved after all options have been explored.	No decision is taken without consultation with EKHRP. All decisions are based on advice from Occupational Health where they have been involved in the case. Management are encouraged to record all meetings and discussions to provide a complete management information trail.	April 2011 EKHRP

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

RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
Ensure that there is a segregated reconciliation process in place to ensure that all records of sickness are reported correctly and communicated to payroll in a timely manner ensuring that the correct payment is made to employees.	The reconciliation is currently facilitated via data which is owned by service managers and which is collated by EKHRP and sent to KCC on a spreadsheet. Reconciliation arrangements will be further enhanced with the introduction of I-Trent self-service.	Implemented
Employee Health and Safety – November 2010		
The Council's Health and Safety Statement and Policy should be reviewed regularly in accordance with any significant legislative changes.	A Draft Statement and Policy representing the four partnership authorities is going to the General Purposes Committee on 25/11/2010 and will be presented to the joint Health and Safety Committee.	EKHRP H & S Consultants 28/01/2011
The authority should be able to demonstrate that adequate training on risk assessment has been provided to all relevant officers, especially those organising external events, and that all risks are identified, their potential consequences are determined and the most effective way of controlling and monitoring them is undertaken to ensure the safety at all times of event staff, volunteers and members of the public.	The EKHRP consultants are already involved in attending external events meetings and are part of the safety advisory group. An external training course will be attended by a DDC officer based on external events risk assessment and safety.	February 2011 EKHRP H & S Consultants
Risk assessments should be undertaken of all individual workstations and all staff should be reminded to undertake the e learning training module for work station risk assessments.	A number of workstation risk assessments have been undertaken in recent months. The E learning modules are to be rolled out to DDC staff to encourage take up to satisfy this control	EKHRP H & S Consultants 31/01/2011

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

RECOMMENDATION/ WEAKNESS	ACTION TO BE TAKEN	RESPONSIBILITY AND TARGET DATE
Managers of home workers should ensure that the necessary arrangements have been made with either local authorities or in house that each home worker has their work station risk assessed and reviewed when necessary.	DDC have a home workers policy that includes health and safety. This is to be followed up and home workers will be encouraged to undertake the e learning module and notify EKHRP consultants of any concerns. Will consider the use of webcams to communicate more effectively	EKHRP H & S Consultants 01/04/2011
The Fire evacuation procedures should be reviewed and updated taking account of the change in floor plan and the nominated fire marshals and deputies who are no longer employed by the council.	It has been recognised that action is required in this area and the fire safety processes will be reviewed and new processes implemented.	EKHRP H & S Consultants 01/04/2011

SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED				
Service	Reported to Committee	Level of Assurance	Management Action	Follow-up Action Due
Asset Management	16-06-10	Limited	Management action plan agreed and in the process of implementation.	Winter 2010
Leasehold Services	16-06-10	Limited	Management action plan agreed and in the process of implementation.	Winter 2010
Procurement	29-09-10	Limited	Management action plan agreed and in the process of implementation.	Quarter 4

PROGRESS AGAINST THE AGREED 2010-11 AUDIT PLAN.

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-10	Status and Assurance Level
FINANCIAL SYSTEMS:				
Housing Benefits – Payments	10	10	0	Quarter 4
Shared Revenues and Benefits database with Thanet District Council	10	6	4.25	Finalised – Not Applicable
Housing Benefits – Quarterly Testing	20	15	7.51	2009-10 Quarter 4 – Finalised 2010-11 Quarter 1 – Finalised
Payroll	5	5	4.26	Work-in-Progress
Bank Reconciliation	5	5	0.17	Work-in-Progress
Miscellaneous Income/Cash Collection	10	10	0	Quarter 4
Business Rates	10	8	0.37	Finalised - Substantial
Postal Remittances	5	5	0	Quarter 4
HOUSING SYSTEMS:				
Housing Rents	10	9.51	9.51	Finalised - Reasonable
HRA Business Plan	8	8	1.09	Work-in-Progress
Right to Buy	8	8	0.17	Work-in-Progress
Homelessness	10	10	0	Quarter 4
ICT SYSTEMS:				
ICT – Procurement and Disposal	7	7	0	Quarter 4
ICT - Internet and e-mail	7	7	0	Quarter 4
ICT – Physical and Environment	7	7	0	Quarter 4
HUMAN RESOURCES RELATED:				
Recruitment and CRB	10	0.17	0.17	Deleted from Plan due to very low levels of recruitment.
Absence Management	10	11	9.79	Finalised – Not Applicable
GOVERNANCE RELATED:				
Data Protection and FOI	10	12	1.49	Work-in-Progress
Members' Code of Conduct and Standards Arrangements	8	7.77	7.77	Finalised - Substantial
Performance Management	10	10	0	Work-in-Progress
Value for Money Strategy	10	10.98	10.98	Finalised - Reasonable
Business Continuity	10	10	0	Quarter 4

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-10	Status and Assurance Level
Corporate/CMT/Committee	30	36	18.79	Work-in-Progress throughout 2010-11
CONTRACT RELATED:				
Compliance with Contract Standing Orders	15	15	0	Quarter 4
Contract Monitoring	10	10	0	Quarter 4
Receipt and Opening of Tenders	5	3.62	3.62	Finalised – Reasonable
Procurement	15	17.16	17.16	Finalised - Limited
SERVICE LEVEL:				
Employee Benefits-in-Kind	10	13	11.68	Work-in-Progress
Customer Services/Gateway	10	0	0	Delete from plan to accommodate higher risk audit work
Public Health Burials	8	8	0.17	Work-in-Progress
Coast Protection	10	10	0.17	Quarter 4
Cemeteries	10	10.82	10.82	Finalised - Substantial
Planning and Building Control	20	20	0.24	Work-in-Progress
Museums	10	0	0	Delete from plan to accommodate higher risk audit work
Electoral Registration	10	0	0	Delete from plan to accommodate higher risk audit work
Equality and Diversity	7	0.37	0.37	Delete from plan to accommodate higher risk audit work
Disabled Facilities Grants	10	8.28	8.28	Finalised – Substantial
CCTV	10	10	1.45	Finalised - Substantial
OTHER				
Liaison with Audit Commission	5	3.81	0.09	Work-in-Progress throughout 2010-11
Follow-up Work	15	17	10.73	Work-in-Progress throughout 2010-11
UNPLANNED WORK				
EK Services – Validation of Tranche 1 Performance Indicators	0	2	0	Finalised
FINALISATION OF 2009-10 AUDITS				
Child Protection	19.45	61.96	15.03	Finalised - Limited

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-10	Status and Assurance Level
Insurance			3.39	Finalised – Substantial
Choice Based Lettings			5.95	Finalised – Substantial
Debtors			5.39	Finalised - Reasonable
Housing Benefits – Fraud Investigation Arrangements			1.28	Finalised – Limited
Regeneration			1.97	Finalised – Reasonable/Limited
Main Accounting System			0.47	Finalised – Substantial
Housing Benefits - Overpayments			3.55	Finalised – Substantial
Write-offs			0.75	Finalised – Limited/Nil
Climate Change			0.33	Finalised – Reasonable
Performance Management			0.07	Finalised – Reasonable
Employee Health & Safety			11.71	Work-in-Progress
Leasehold Services			0.31	Finalised – Limited
Local Code of Corporate Governance			2.53	Finalised – Substantial
Payroll			0.41	Finalised – Reasonable
Risk Management			8.82	Finalised - Reasonable
Total	429.45	429.45	203.06	47.28% Complete as at 30-09-10
UNPLANNED ADDITIONAL WORK				
Interreg Grant – Customer Services	2	4	3.44	First Level Controller sign off charged to project

BALANCED SCORECARD – QUARTER 2

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2010-11 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2010-11 Actual</u>	<u>Target</u>
	Quarter 2				
Chargeable as % of available days	87%	75%	Cost per Audit Day (Reported Annually)		£300
Chargeable days as % of planned days	47%	50%			
Follow up Reviews;					
<ul style="list-style-type: none"> • Issued • Not yet due • Now overdue for Follow Up 	19	-			
	11	-			
	4	0			
Percentage compliance with the CIPFA Code for Internal Audit 2006	97%	97%			

BALANCED SCORECARD – QUARTER 2

<u>CUSTOMER PERSPECTIVE:</u>	<u>2010-11 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2010-11 Actual</u>	<u>Target</u>
	Quarter 2				
Number of Satisfaction Questionnaires Issued;	25		Percentage of staff qualified to relevant technician level	76%	75%
Number of completed questionnaires received back;	4		Percentage of staff holding a relevant higher level qualification	32%	32%
Percentage of Customers who felt that;			Percentage of staff studying for a relevant professional qualification	24%	24%
<ul style="list-style-type: none"> • Interviews were conducted in a professional manner 	100%	100%	Number of days technical training per FTE	1.72	3.5
<ul style="list-style-type: none"> • The audit report was 'Excellent or Very Good' 	75%	90%	Percentage of staff meeting formal CPD requirements	32%	32%
<ul style="list-style-type: none"> • That the audit was worthwhile. 	100%	100%	Number of business efficiency/ service improvement recommendations introduced	11	-



Appendix 5

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.

Annual Audit Letter

Dover District Council

Audit 2009/10

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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Key messages

This report summarises my findings from the 2009/10 audit. My audit comprises two elements:

- **the audit of your financial statements (pages 3 and 4); and**
- **my assessment of your arrangements to achieve value for money in your use of resources (pages 5 to 8).**

I have included only significant recommendations in this report. The Council has accepted these recommendations.

Audit opinion and financial statements

1 I issued an audit report including an unqualified opinion on the financial statements on 30 September 2010. The accounts presented for audit were prepared to a sound standard overall.

Value for money

2 I issued an unqualified value for money conclusion stating the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources during the year ending 31 March 2010.

Delivering effective services

3 The Council has managed its budget well over the last year, delivering service efficiencies and financial savings. The economic downturn and the recent comprehensive spending review are however imposing unprecedented financial pressures on the public sector. The Council has recognised that difficult decisions will be required regarding spending priorities and is proactively exploring options to deliver improved efficiency and effective services.

Financial statements and annual governance statement

The Council's financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds.

I gave an unqualified opinion on the Council's 2009/10 financial statements on 30 September 2010.

Overall conclusion from the audit

4 The Council prepared accounts to a sound standard overall. Although I identified some errors and adjustments during the audit, none of the amendments impacted on the overall out-turn position or balance sheet. The Council's finance team has faced resource constraints during the year following the loss of two key members of staff, and in context, this represents a solid achievement overall.

5 The most significant amendment to the accounts in value terms was a material adjustment to the Cash Flow Statement. I am satisfied that this was a technical accounting adjustment only. However I have recommended to the Director of Finance and his team that they build early reviews of work completed by less experienced accounting staff into their closedown programme. The Director of Finance has agreed to this.

International Financial Reporting Standards (IFRS)

6 The Audit Commission carried out a national survey in July 2010 to assess the Council's preparation for implementing IFRS from 2010/11. This is a complex new area which requires significant input from staff, in finance and across the Council.

7 As part of this survey I assessed the Council's performance as 'Red'. The survey was on a Red/Amber/Green scale and my assessment reflected the fact that the Council still had a lot of preparatory work to do including on key areas such as the valuation and classification of non current assets (formerly known as fixed assets) and the identification of leases.

8 I have referred above to the capacity issues that the Council's finance team has faced this year and I recognise that the timing of IFRS is certainly difficult for the Council. Since my survey the Council has begun to redraw its plans for next year and is talking both with my team and colleagues across Kent about the steps required to ensure a smooth transition to IFRS. However there remains a lot to do. I will continue to work with you over the coming months as you complete the preparatory work for IFRS, providing support and expertise as a 'critical friend' where I can.

Recommendation

R1 Revise the project timetable for the completion of IFRS and ensure appropriate resources are in place to deliver it.

Value for money

I considered whether the Council is managing and using its money, time and people to deliver value for money.

I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.

2009/10 use of resources assessments

9 At the end of May 2010, the Commission wrote to all chief executives to inform them that following the government's announcement, work on CAA would cease with immediate effect and the Commission would no longer issue scores for its use of resources assessments.

10 However, I am still required by the Code of Audit Practice to issue a value for money conclusion. I have therefore used the results of the work completed on the use of resources assessment up to the end of May to inform my 2009/10 conclusion.

11 I report the significant findings from the work I have carried out to support the VFM conclusion.

VFM conclusion

12 I assessed your arrangements to achieve economy, efficiency and effectiveness in your use of money, time and people against criteria specified by the Audit Commission. The Audit Commission specifies each year, which Key Lines of Enquiry (KLOE) are the relevant criteria for the VFM conclusion at each type of audited body.

13 This is a summary of my findings overleaf.

Criteria	Adequate arrangements?
Managing finances	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial reporting	Yes
Governing the business	
Commissioning and procurement	Yes
Use of information	Yes
Good governance	Yes
Risk management and internal control	Yes
Managing resources	
Natural resources	Yes

14 I issued an unqualified conclusion stating the Council had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources.

Managing finances

15 The Council's financial planning process ensures that financial resources are allocated to corporate priorities. The risk register is used to develop and monitor financial planning risks and strategies to overcome them. The budget setting process is timely, budget management is good ensuring delivery of efficiency savings. Involvement with stakeholders is good and Neighbourhood forums have influenced financial planning and decision making, with some resources devolved to the forums. Senior officers and members display satisfactory financial leadership.

16 The Council has an overall picture of its comparative cost and performance which helps it to prioritise service planning and review. It delivers reasonable VFM with services of average quality at below average cost overall. Areas of higher cost are justified by local priorities. The Council is working with East Kent partners to plan service quality improvements in a cost-effective way.

17 The Council has good financial monitoring and forecasting processes to identify variances, enable corrective action and support decision making. Summary accounts are distributed to households and the full statutory accounts are available on its website with a set of FAQs.

Governing the business

18 The Council has a clear corporate plan and service strategies informed by consultation with local communities which inform decision making on major plans. Service reviews have led to improved quality for example in waste and housing management. A structured approach to procurement is in place – using joint arrangements where appropriate to support limited internal resources. The Council is working with partners to identify VFM opportunities through joint working.

19 The Council has sound policies and systems in place to produce relevant and reliable data, and data security arrangements are sound. Management assess data quality risks and implement improvements. Performance reports are accessible and actively used in the decision making process. Improvements to services have been demonstrated as a result of the performance management system. Data quality protocols need to be extended to cover local partners.

20 The Council has a sound governance framework with all expected codes, constitutional arrangements and procedures operating effectively and reviewed regularly. Members and managers understand governance principles and undertake appropriate development activities. The Council has a clear vision which is explained in its corporate plan. Good arrangements are in place to investigate and respond to complaints. A joint committee oversees governance arrangements for East Kent Partnership projects.

21 The Council's risk management arrangements operate effectively and members and staff receive appropriate training. The risk management of partnerships is developing as the Council enters more joint working arrangements through the East Kent Partnership. The Audit Committee and internal audit functions are effective and systems of internal control are sound. The Council has a strong anti-fraud culture – its benefits fraud team has continued to achieve successful prosecutions in 2009/10 which are publicised in the local press.

Managing resources

22 The Council's approach to dealing with its environmental footprint is sound. It is producing a comprehensive plan which will show how it will reach its carbon reduction targets. It has worked with the Carbon Trust to develop a Carbon Reduction Management Plan and has a climate mitigation delivery plan with service plans in 2010/11 addressing climate change. Effective performance management underpins collecting data for National Indicators. It has worked with the Carbon Trust and completed energy audits of leisure centres and its main offices and Dover Museum in November 2009. It has trained staff to help them reduce driving emissions.

Approach to local value for money work from 2010/11

23 Given the scale of pressures facing public bodies in the current economic climate, the Audit Commission has been reviewing its work programme for 2010/11 onwards. This review has included discussions with key stakeholders of possible options for a new approach to local value for money (VFM) audit work. The Commission aims to introduce a new, more targeted and better value approach to our local VFM audit work.

24 My work will be based on a reduced number reporting criteria, specified by the Commission, concentrating on:

- securing financial resilience; and
- prioritising resources within tighter budgets.

25 I will determine a local programme of VFM audit work based on my audit risk assessment, informed by these criteria and my statutory responsibilities. I will no longer be required to provide an annual scored judgement relating to my local VFM audit work. Instead I will report the results of all my local VFM audit work and the key messages for the Council in my annual report to those charged with governance and in my annual audit letter.

Current and future challenges

Future challenges – Delivering effective services

26 During 2009/10 the Council has demonstrated sound financial management in difficult circumstances. However, in common with the rest of the public sector, it is facing significant financial challenges ahead. The Council estimates that in the light of the Government's Comprehensive Spending Review (CSR) it will need to make savings from its annual budget of approximately £6 million. In year one (2011/12) this will be significantly higher due to the anticipated impact of front loading of the CSR funding reductions and reduced turnover resulting in a loss of savings currently achieved by the vacancy provision. The Council currently has a general fund balance of £1.9 million, which compares to a minimum target level of £1.5 million and preferred level above £2 million. There is therefore limited scope to make use of reserves.

27 In a paper to Cabinet in November 2010 entitled 'Delivering Effective Services' the Executive set out its approach to dealing with these unprecedented financial pressures. The Council's approach will focus on:

- service prioritisation (using a Gold/Silver/Bronze approach, where Gold represents maintaining the current service but still expecting efficiencies; other options may lead to service reductions);
- restructuring;
- further efficiencies within services/departments; and
- moving forward the shared services agenda.

28 The success of these initiatives will be particularly important in driving through efficiencies and ensuring the resilience of service provision. Actions taken already in terms of shared services include:

- the appointment of an East Kent Shared Service Director and dedicated team for Canterbury, Dover and Thanet Councils;
- an accelerated programme which is currently being negotiated to deliver shared services where there is benefit to the both the customer and the negotiating authorities;
- plans for the establishment of an Arms Length Management Organisation (ALMO) during 2011, subject to Secretary of State approval. This would be the first four way ALMO in the country;
- approval has been given for a joint Waste contract, between Dover District Council, Shepway District Council and Kent County Council, by a Joint Cabinet meeting in October 2010; and
- internal services have already moved to a shared service platform with the East Kent Audit Partnership and East Kent Human Resources Partnership, hosted by Dover council.

29 This is a demanding programme but a necessary one. It is clear that both Members and officers realise that difficult decisions will be required over the coming months, including re fundamental questions regarding service provision. It is now key that the Council continues to make progress with delivery of the shared services agenda. My audit team and I will continue to work with you and your colleagues in East Kent, sharing good practice where appropriate and providing support throughout the year.

Closing remarks

30 I have discussed and agreed this letter with the Chief Executive and the Director of Finance and ICT. I will present this letter at the Governance Committee on 8 December 2010 and will provide copies to all board members.

31 Full detailed findings, conclusions and recommendations in the areas covered by our audit were included in the reports I issued to the Council during the year.

Report	Date issued
Audit Fee Letter	June 2009
Opinion Audit Plan	June 2010
Annual Governance Report	September 2010

32 The Council has taken a positive and helpful approach to our audit. I wish to thank the Council staff for their support and cooperation during the audit.

Andy Mack
District Auditor
November 2010

Appendix 1 Audit fees

	Actual	Proposed	Variance
Financial statements and annual governance statement	84,360	84,360	0
Value for money	36,540	36,540	0
Whole of government accounts	1,800	1,800	0
Total audit fees	122,700	122,700	0

Appendix 2 Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question;
- whether they have been prepared properly, following the relevant accounting rules; and
- for local probation boards and trusts, on the regularity of their spending and income.

Financial statements

The annual accounts and accompanying notes.

Qualified

The auditor has some reservations or concerns.

Unqualified

The auditor does not have any reservations.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of money, people and time.

Appendix 3 Action plan

Recommendations

Recommendation 1

Revise the project timetable for the completion of IFRS and ensure appropriate resources are in place to deliver it.

Responsibility	Director of Finance and ICT
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Priority	High
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Date	March 2011
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Comments	The Council accepts the recommendation to revise the timetable for the completion of IFRS and look forward to working with the Audit Commission on this. Every effort will be made to meet the requirements of IFRS. However, it should be noted that resource constraints arising from the Government's spending review and the resource requirements of supporting initiatives on shared services within East Kent, joint waste services, and creation of the Housing ALMO, mean that delivering IFRS will be a significant challenge.
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