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10 March 2014

Dear Councillor

NOTICE IS HEREBY GIVEN THAT a meeting of the **GOVERNANCE COMMITTEE** will be held in the HMS Brave Room at these Offices on Thursday 20 March 2014 at 6.00 pm when the following business will be transacted.

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

Yours sincerely

A handwritten signature in black ink, appearing to read "Nicky", written over a white background.

Chief Executive

Governance Committee Membership:

Councillor T J Bartlett (Chairman)
Councillor K E Morris (Vice-Chairman)
Councillor M R Eddy
Councillor S J Jones
Councillor A S Pollitt
Councillor M A Russell

AGENDA

1 **APOLOGIES**

To receive any apologies for absence.

2 **APPOINTMENT OF SUBSTITUTE MEMBERS**

To note appointments of Substitute Members.

3 **DECLARATIONS OF INTEREST**

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

transacted on the agenda.

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

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

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

Note to the Code:

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

4 **MINUTES** (Pages 4 - 13)

To confirm the attached Minutes of the meetings of the Committee held on 26 September 2013, 11 November 2013 and 5 December 2013.

5 **INTERNAL AUDIT QUARTERLY UPDATE REPORT** (Pages 14 - 43)

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

6 **INTERNAL AUDIT PLAN 2014-15** (Pages 44 - 50)

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

7 **INTERNAL AUDIT SELF-ASSESSMENT AGAINST THE PUBLIC SECTOR
INTERNAL AUDIT STANDARDS** (Pages 51 - 54)

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

8 **TREASURY MANAGEMENT QUARTER THREE REPORT** (Pages 55 - 66)

To consider the attached report of the Director of Finance, Housing and Community.

9 **CERTIFICATION REPORT 2012-13** (Pages 67 - 78)

To consider the attached report from Grant Thornton.

10 **CERTIFICATION WORK PLAN 2013-14** (Pages 79 - 86)

To consider the attached report from Grant Thornton.

11 **GOVERNANCE COMMITTEE UPDATE - MARCH 2014** (Pages 87 - 103)

To consider the attached report from Grant Thornton.

12 **AUDIT PLAN 2013-14** (Pages 104 - 120)

To consider the attached report from Grant Thornton.

Access to Meetings and Information

- Members of the public are welcome to attend meetings of the Council, its Committees and Sub-Committees. You may remain present throughout them except during the consideration of exempt or confidential information.
- All meetings are held at the Council Offices, Whitfield unless otherwise indicated on the front page of the agenda. There is disabled access via the Council Chamber entrance and a disabled toilet is available in the foyer. In addition, there is a PA system and hearing loop within the Council Chamber.
- Agenda papers are published five clear working days before the meeting. Alternatively, a limited supply of agendas will be available at the meeting, free of charge, and all agendas, reports and minutes can be viewed and downloaded from our website www.dover.gov.uk. Minutes 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 Jemma Duffield, Democratic Support Officer, telephone: (01304) 872305 or email: jemma.duffield@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, 26 September 2013 at 6.00 pm.

Present:

Chairman: Councillor T J Bartlett

Councillors: K E Morris
M R Eddy
S J Jones
A S Pollitt
M A Russell

Also Present: Ms E Hill, Engagement Lead – Grant Thornton
Mr D Woodcock, Assistant Manager – Grant Thornton

Officers: Chief Executive
Director of Finance, Housing and Community
Director of Governance
Head of Finance
Head of Audit Partnership (East Kent Audit Partnership)
Team Leader – Democratic Support

243 APOLOGIES

There were no apologies.

244 APPOINTMENT OF SUBSTITUTE MEMBERS

There were no substitute members.

245 DECLARATIONS OF INTEREST

There were no declarations of interest made by Members.

246 MINUTES

The Minutes of the meeting held on 20 June 2013 were approved as a correct record and signed by the Chairman.

247 CONSTITUTION REVIEW - PROVISION OF MEMBER TRAINING TO SERVE ON SPECIFIC COMMITTEES

The Director of Governance presented the report on Member Training to Serve on Specific Committees. It was stated that in addition to the information set out in the report the training would be valid for a specified duration of the four year term of the Council or any part of this period.

Members welcomed the proposals and thanked the Director of Governance for his work.

RESOLVED: That it recommended to the Council that the revisions to the Constitution Part 2, Article 13 – Decision Making, as outlined at paragraph 3.4 to 3.6 and at Annex 1.

248 REVIEW OF THE CONSTITUTION

The Director of Governance introduced the report on the proposals to recommend to the Council the introduction of remuneration for the Independent Person and Substitute Independent Person. The proposals would be considered by Council as part of the required review of Members Allowances being undertaken by the Joint Independent Remuneration Panel.

RESOLVED: That it be recommended to the Council that subject to the views of the East Kent Joint Independent Remuneration Panel:

- (a) That the Independent Person be paid an allowance of £927 per annum and be entitled to claim travel and subsistence at the same rates as if s/he were a member of the authority.
- (b) That the Substitute Independent Person be paid an allowance of £232 per annum and be entitled to claim travel and subsistence at the same rate as if s/he were a member of the authority.

249 QUARTERLY INTERNAL AUDIT UPDATE REPORT

The Head of Audit Partnership (East Kent Audit Partnership) introduced the Quarterly Internal Audit Update Report. There had been seven audits conducted during the period, six of which had received Substantial Assurance Levels as followed:

- Disabled Facilities Grants
- Business Continuity and Emergency Planning
- CCTV
- Dover Museum and Visitor Information Arrangements
- EK Services – Network Security
- Members' Code of Conduct and Standards Arrangements

The seventh audit (EK Services – Housing Benefit Quarterly Testing) was of the sort not requiring an assurance level.

In terms of planned audit days for the quarter 51.18 chargeable days were delivered against a target of 300 days equating to 18.96% plan completion.

RESOLVED: That the Quarterly Internal Audit Update report be noted.

250 GRANT CERTIFICATION WORK PLAN

The report was introduced by Mr M Woodcock of Grant Thornton. The Committee was advised that the expected claims for the year ending 31 March 2013 were as followed:

- Housing and Council Tax Benefits Scheme (Certification deadline – 30/11/13)
- Pooling of Housing Capital Receipts (Certification deadline – 12/07/13)
- National Non-Domestic Rates Return (Certification deadline – 27/09/13)

It was stated that where compliance was sound Grant Thornton could apply a three year cyclical check as opposed to annual checks.

RESOLVED: That the Grant Certification Work Plan be noted.

251 REVIEW OF THE COUNCIL'S ARRANGEMENTS FOR SECURING FINANCIAL RESILIENCE

Ms E Hill of Grant Thornton introduced the report, noting that changes made by the full Council the previous day in respect of the Housing Revenue Account (HRA) balance were not included in the report.

The Chief Executive advised the Committee that the Council had taken legal advice before the transfer of the HRA balance and was confident of its position. However, despite the transfer the Council was not intending to embark on a 'spending spree' and would maintain the current financial constraints in place. The recent SIMALTO consultation would assist in informing the Council's budget process for 2014/15.

In respect of comparisons with other authorities based on the Audit Commission's 'Nearest Neighbour' groupings, the Director of Finance, Housing and Community questioned whether it would be more useful to base the comparison on service spend per head in aggregate as an alternative benchmarking measure.

RESOLVED: That the report be noted.

252 2013/14 AUDIT FEE LETTER

Ms E Hill of Grant Thornton presented the 2013/14 Audit Fee letter to the Committee. It was stated that the fee was 2013/14 was unchanged from that of 2012/13.

RESOLVED: That the Audit Fee letter be noted.

253 FINANCIAL OUTTURN 2012/13

The Director of Finance presented the report on the Financial Outturn 2012/13. An additional paper was circulated at the meeting updating the revised Housing Revenue Accounts (HRA) position following the decision of Council to transfer HRA balances. The Committee was advised that there was no approval to spend the transferred balance without a Council Decision during 2013/14.

RESOLVED: That the Financial Outturn 2012/13 report be noted.

254 AUDIT FINDINGS REPORT

Ms E Hill of Grant Thornton presented the Audit Findings report, updating the Committee in respect of changes that had taken place in respect of the Housing Revenue Account (HRA).

The opinion on the Council's Financial Statements and the conclusion on Value for Money were unqualified. There were some minor control issues but these were to no material effect. The good work of the Council in coping with the new audit approach was acknowledged.

In respect of the HRA transfer, the view of Grant Thornton was that there was the potential for significant risk as it was a non-routine large scale transfer. There had been robust discussions with the Council during the process and it appeared that the Council had taken proper advice and followed due process with a clear and transparent report that had been considered by Cabinet, Scrutiny and Council. However, as Grant Thornton did not provide legal advice to the Council it was not in a position to confirm or refute the decision.

The Director of Finance, Housing and Community stated that the Council had received advice from CAPITA and the Solicitor of the Council had reviewed the appropriate legislation.

RESOLVED: That the Audit Findings Report be noted.

255 STATEMENT OF ACCOUNTS 2012/13

The Head of Finance presented the report on the Statement of Accounts 2012/13. The Committee was informed that the Statement included the valuation adjustment identified in the Audit Finding and an update was provided on the changes resulting from the Housing Revenue Account transfer.

- RESOLVED: (a) That the audited Statement of Accounts for 2012/13 (Appendix 1) be approved and signed by the Chairman of the Committee.
- (b) That the Committee authorise the Chairman to sign the Letter of Representation attached at Appendix 2.

256 TREASURY MANAGEMENT QUARTER ONE REPORT

The Head of Finance introduced the Treasury Management report for Quarter One, advising the Committee that the Council has remained within its Treasury Management and Prudential Code guidelines during the period.

The Council's in-house investments as of 30 June 2013 (approximately £4.5m or 26% of total investments) and investments with Investec (approximately £12.9m or 74% of total investments) had outperformed their benchmark. However, the total interest received for the quarter of £42,000 was £16,000 below the target for the period due to a drop in deposit interest rates and Investec invested funds under-performing against the budget.

The Council had received £550,000 back from Iceland in a mixture of British Pounds, US Dollars and Euros.

RESOLVED: That the report be noted.

257 GOVERNANCE LOCAL CODE REVISION

The Director of Governance presented the Governance Local Code Revision report. The Committee was informed that the Code brought together legislative requirements, governance principles and management processes to provide a framework for the proper and accountable conduct of business.

There had been changes made to the document in light of comments from Grant Thornton with the intention of making it easier to use.

RESOLVED: That it be recommended to the Council:

- (a) That the amended Corporate Governance Local Code, which incorporates the Risk Management Strategy and the Performance Management Framework, be adopted.
- (b) That the amended Corporate Governance Local Code be adopted.

258 GOVERNANCE ASSURANCE STATEMENT MID-YEAR UPDATE

The Director of Governance presented the Governance Assurance Statement Mid-Year Update.

RESOLVED: That the update report be agreed.

The meeting ended at 7.40 pm.

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Minutes of the meeting of the **GOVERNANCE COMMITTEE** held at the Council Offices, Whitfield on Tuesday, 19 November 2013 at 6.00 pm.

Present:

Chairman: Councillor T J Bartlett

Councillors: K E Morris
M R Eddy
A S Pollitt
M A Russell

Officers: Director of Governance
Solicitor to the Council
Team Leader – Democratic Support
Democratic Support Officer

320 APOLOGIES

An apology for absence was received from Councillor S J Jones.

321 APPOINTMENT OF SUBSTITUTE MEMBERS

There were no substitute members.

322 DECLARATIONS OF INTEREST

There were no declarations of interest made by Members.

323 REVIEW OF THE CONSTITUTION

The Director of Governance presented the Review of the Constitution 2013 undertaken in accordance with Article 15 of the Constitution which provided for a process of annual review.

The Committee was informed that while the Review incorporated a number of changes reflecting legislative and organisational change there were no fundamental changes proposed to the way in which the governance of the Council operated.

(a) The Articles of the Constitution

The Localism Act 2011 had necessitated a number of changes to the Articles of the Constitution, particularly in respect of the Code of Conduct. There had also been a recent judicial interpretation (Buck v Doncaster) that had set out what could be considered to be a plan or strategy of the Council.

(b) Part 3 Responsibility for Functions – incorporating amendments required as a consequence of legislative and organisational change

The Council had undergone a number of changes to its organisational structure that needed updating in the Constitution to reflect decisions of the Council and Executive. A presentational change had been made to the delegations of the Director of Finance, Housing and Community and it was proposed that this style would be adopted as part of the Review of the Constitution 2014 for other officer delegations.

(c) Part 4 – Council Procedure Rules

The Council Procedure Rules had been the subject of a number of incremental changes over recent years and the objective of reviewing the Rules was to ensure that the rules were still fit for purpose and where appropriate to make presentational changes to improve clarity.

(d) Part 5 – Codes and Protocols (Arrangements for speaking at Planning Committee)

The review proposed amendments to codify the current situation where the Chairman of the Planning Committee had been exercising his discretion to permit public speaking for a second time in instances where an item had been deferred for consideration at a future meeting.

The Committee was advised that due to the cost of printing 45 copies of the draft Constitution a copy had been placed on the Council's website that set out in tracked changes the proposed amendments.

RESOLVED: That it be recommended to Council that the Review of the Constitution 2013 be approved (including those in Part 3 in their entirety (Responsibility for Functions) and the proposed changes be incorporated into the Council's Constitution.

The meeting ended at 7.31 pm.

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Minutes of the meeting of the **GOVERNANCE COMMITTEE** held at the Council Offices, Whitfield on Thursday, 5 December 2013 at 6.00 pm.

Present:

Chairman: Councillor T J Bartlett

Councillors: K E Morris
M R Eddy
S J Jones
M A Russell
P Walker (In place of A S Pollitt)

Also Present: Emily Hill, Associate Director (Assurance) - Grant Thornton
Daniel Woodcock, Assistant Manager – Grant Thornton

Officers: Head of Finance
Head of Audit Partnership (East Kent Audit Partnership)
Deputy Head of Audit Partnership (East Kent Audit Partnership)
Team Leader – Democratic Support

378 APOLOGIES

An apology for absence was received from Councillor A S Pollitt.

The Team Leader – Democratic Support also advised the apologies of the Director of Finance, Housing and Community and the Director of Governance.

379 APPOINTMENT OF SUBSTITUTE MEMBERS

In accordance with Council Procedure Rule 4, Councillor P Walker was appointed as substitute member for Councillor A S Pollitt.

380 DECLARATIONS OF INTEREST

There were no declarations of interest made by Members.

381 MINUTES

The Team Leader – Democratic Support advised that the Minutes would need to be deferred to the next meeting.

382 TREASURY MANAGEMENT QUARTER TWO REPORT

The Head of Finance presented the Treasury Management Quarter Two report. The Committee was advised that the Council had remained within its Treasury Management and Prudential Code guidelines during the period.

There was a five day period during which Barclays Bank, with whom the Council had £5 million invested in-house, moved into 'monitoring' on Capita's rating effectively meaning that no money should have been invested with it. However, the Council had instant access to this investment throughout the five day period.

In response to a question from Councillor M R Eddy, the Head of Finance advised that the Council was exploring options in respect of the remaining Iceland debt, which was currently approximately half repaid.

RESOLVED: That the report be noted.

383 QUARTERLY INTERNAL AUDIT UPDATE REPORT

The Head of Audit Partnership and the Deputy Head of Audit Partnership presented the Quarterly Internal Audit Update report.

There had been three Internal Audit reports completed during the period, one of which received a Substantial Assurance (EK Services - Council Tax Reduction Scheme) and one a Reasonable Assurance (Right to Buy Applications). The third audit (EK Services – Housing Benefit Quarterly Testing) was not of the nature for which an assurance was applicable.

In addition to the three audits, the Council had been awarded a Substantial Assurance level in respect of the Local Code of Corporate Governance, which was one of the pillars of the Council's governance framework.

The issue of delays in information being supplied to Members by officers, including delays in Minutes for committee meetings, was raised by several members of the Committee as this had a bearing on their ward work and the reputation of the Council. It was questioned whether this was an issue of capacity and what impact rising absence levels were having.

RESOLVED: (a) That the report be noted.

- (b) That the Director of Finance and the Director of Governance be requested to provide an update to the next meeting on the provision of information to Members.

384 GOVERNANCE COMMITTEE UPDATE

The Engagement Lead – Grant Thornton presented the update to the Committee.

Members discussed the 'emerging issues' questions around simplifying the accounts and while it was recognised that the Council was limited by legislation in respect of the form of publication of some of its information it was agreed that in principle if changes could be made to simplify the information it would be of benefit to Members and the public.

RESOLVED: (a) That the update be noted.

- (b) That officers be requested to provide responses to the 'emerging issues' questions raised as part of the Governance Committee Update.

385 ANNUAL AUDIT LETTER

The Engagement Lead – Grant Thornton introduced the Annual Audit Letter. It was stated that the letter contained no new information to that previously presented in other forms to the committee.

In response to a question from Councillor M R Eddy, the Committee was informed that Grant Thornton were satisfied with the Council's position that the transfer of Housing Revenue Account (HRA) funds to the General Fund was legal. This position was reaffirmed by the Head of Finance.

However, the Department of Communities and Local Government (DCLG) had written to all Council's in respect of the issue of transfer to ask the reasons for the transfer and the level of transfer and there remained a possibility that the DCLG could use its powers of determination to force the transfer of funds back to the HRA.

The Head of Finance advised Members that while the Autumn Statement had not announced any further reductions in Revenue Support Grant for local authorities there were still reductions planned for the next two financial years.

RESOLVED: That the Annual Audit Letter be noted.

The meeting ended at 6.37 pm.

Subject: QUARTERLY INTERNAL AUDIT UPDATE REPORT

Meeting and Date: Governance Committee – 20 March 2014

Report of: Christine Parker – Head of Audit Partnership

Decision Type: Non-key

Classification: Unrestricted

Purpose of the report: This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 31st December 2013

Recommendation: That Members note the update report.

1. Summary

This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 31st December 2013.

2. Introduction and Background

2.1 For each Audit review, management has agreed a report, and where appropriate, an Action Plan detailing proposed actions and implementation dates relating to each recommendation. Reports continue to be issued in full to each member of Corporate Management Team, as well as an appropriate manager for the service reviewed. 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.

SUMMARY OF WORK

- 2.7 There have been thirteen Internal Audit reports that have been completed during the period, of which six reviews was classified as providing Substantial Assurance, three as Reasonable Assurance, one as Limited, and a further two resulted in a split assurance which was partially limited. The remaining piece of work was of a nature for which an assurance level is not applicable i.e. quarterly housing benefit claim testing. Summaries of the report findings and the recommendations made are detailed within Annex 1 to this report.
- 2.8 In addition four follow-up reviews have been completed during the period, which are detailed in section 3 of the quarterly update report.
- 2.9 For the nine-month period to 31st December 2013, 210.96 chargeable days were delivered against the planned target of 270, which equates to 78.13% plan completion.

3 Resource Implications

- 3.1 There are no additional financial implications arising directly from this report. The costs of the audit work will be met from the Financial Services 2013-14 revenue budgets.
- 3.2 The financial performance of the EKAP is currently on target at the present time.

Appendices

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

Background Papers

- Internal Audit Annual Plan 2013-14 - Previously presented to and approved at the 14th March 2012 Governance Committee meeting.
- Internal Audit working papers - Held by the East Kent Audit Partnership.

Contact Officer: Christine Parker, Head of Audit Partnership



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

1. INTRODUCTION AND BACKGROUND

- 1.1 This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 31st December 2013.

2. SUMMARY OF REPORTS:

Service / Topic		Assurance level
2.1	Treasury Management	Substantial
2.2	Capital	Substantial
2.3	Budgetary Control	Substantial
2.4	Coast Protection	Substantial
2.5	Service Contract Monitoring	Substantial
2.6	Environmental Health – Food Safety	Substantial
2.7	Insurance & Inventories of Portable Assets	Substantial/ Reasonable
2.8	Freedom of Information and Record Management	Reasonable
2.9	East Kent Housing – Repairs and Maintenance	Reasonable
2.10	Environmental Protection – Contaminated land, pollution, air and water quality.	Reasonable
2.11	Cemeteries	Reasonable/ Limited
2.12	EK Services – ICT Software Procurement	Limited
2.13	EK Services – Housing Benefit Quarterly Testing (Qtr 3 of 2013-14)	Not Applicable

2.1 Treasury Management – Substantial Assurance.

2.1.1 Audit Scope

To ensure that various Treasury Management matters within the remit of the accountancy office are performed effectively & efficiently, in furtherance of the Council's Policies.

2.1.2 Summary of Findings

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations.

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

- There are appropriate policies and procedures in place for all areas of Treasury Management.
- Treasury reports are made regularly to the Cabinet and Council.
- The Treasury Accounting Technician uses robust information sources to inform decisions about where to invest, including credit ratings of institutions.
- The movement of funds is carefully and securely managed, with individual log-ins and passwords required and second authorisers in place.

Minor scope for improvement was however identified in the following areas:

- The staff that can also perform the Treasury Function may need refresher training as testing indicated that expected paperwork was missing when the Treasury Accounting Technician was on leave.

2.2 Capital – Substantial Assurance.

2.2.1 Audit Scope

To provide an effective and efficient evaluation and approval procedure for capital projects and robust financial procedures to enable sufficient budgetary provision to be made available for their funding.

2.2.2 Summary of Findings

The Section 151 Officer is responsible for ensuring that the capital programme is prepared on an annual basis for consideration by the Executive before submission to the Council. The capital programme operates on a cash funded position with no new projects being approved to commence unless either the whole project cost can be financed through additional funding, sufficient capital receipts have been banked, or other savings in the programme have been identified. The new projects in the programme have been approved subject to financing being identified and the completion and approval of a project appraisal.

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

- There are appropriate policies and procedures in place for all areas of Capital Management.

- Capital reports are made regularly to the Cabinet and Council.
- Regular reconciliations of income and expenditure are completed, and managers are regularly consulted about their projects.
- The Capital Programme is put together through a robust procedure, involving CMT, Cabinet and the Council in order to ensure that funding is available and the projects that are added to the plan are the most appropriate.

2.3 Budgetary Control – Substantial Assurance.

2.3.1 Audit Scope

To ensure that effective budgetary control is exercised across the Council on a corporate wide basis.

2.3.2 Summary of Findings

The Section 151 Officer is responsible for providing appropriate financial information to enable Budgets to be monitored effectively. They must monitor expenditure against Budget allocations and report to the Executive on the overall position on a regular basis. The Chief Executive and Heads of Service are responsible for ensuring that budgetary control is properly exercised and for taking appropriate action to ensure that budgets are not exceeded.

It is the responsibility of budget managers to control income and expenditure within their area and to monitor performance, through the Council's budget monitoring process approved by the Section 151 Officer. They should report on variances within their own areas, having regard to the parameters and timescales set by the Section 151 Officer and the Scrutiny (Policy and Performance) Committee or its equivalent. They should also take any action necessary to avoid exceeding their Budget allocation and alert the Section 151 Officer to any problems.

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

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

- The budget and any variances are reported to the Council on a quarterly basis. The report also includes reasons for the variance and any changes to the budget that need to be authorised.
- The annual budget setting process includes stages for approval from CMT, the Council and the Cabinet.
- Each budget has a dedicated accountant, and codes set-up for the income and expenditure.
- The budget monitoring system and e-Financials system are interfaced and reconciled regularly.

2.4 Coast Protection – Substantial Assurance.

2.4.1 Audit Scope

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

- To reduce the risk to people and the developed and natural environment from flooding and coastal erosion by encouraging the provision of technically, environmentally and economically sound and sustainable defence measures;
- To support the provision of adequate and cost effective flood warning systems.
- To support the provision of adequate, economically, technically and environmentally sound and sustainable flood and coastal defence measures.
- To discourage inappropriate development in areas at risk from flooding and coastal erosion.
- To ensure that appropriate funding is obtained through the Environment Agency's Medium Term Plan in accordance with the *Shoreline Management Plan*

2.4.2 Summary of Findings

Dover District Council has 33.2 km of shoreline within its boundaries. Of this, 25.9km is defended against erosion. The coast defences within the District are managed by a variety of parties although the Council retains certain legal powers as the operating authority for the area. The defended sections are managed as follows:

- Folkestone Warren to Abbots Cliff - National Rail;
- Shakespeare Beach - National Rail;
- Dover Harbour - Dover Harbour Board;
- St. Margaret's Bay - Dover District Council;
- Kingsdown Rifle Range - Ministry of Defence;
- Kingsdown to Sandown Castle, Deal - Dover District Council; and
- Sandown Castle, Deal to Sandwich Bay - Environment Agency.

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

- There is a clear *Flood and Coastal Defence Policy* that is available to all staff and the general public.
- The Council has effective flood plans in place.
- The Council has adopted and follows the *Shoreline Management Plan* for the area.
- Yearly submissions are made to the Environment Agency for funding in respect of ongoing and planned projects. Other sources of funding are also considered.
- Planned inspections are carried out yearly, with additional inspections taking place as required based on weather conditions.
- The Council fulfils its obligations with regard to environmental considerations. This is mainly achieved by following the *Shoreline Management Plan*.
- Appropriate consideration is made of flooding and coastal protection when considering planning applications.

Scope for improvement was however identified in the following areas:

- The policy appears to be very slightly out of date, and it makes reference to organisation's old names and policies that have since been superseded.

2.5 Service Contract Monitoring – Substantial Assurance:

2.5.1 Audit Scope

To evaluate the management and monitoring of a sample of contracts across Council departments with a view to ensuring that the contract terms and conditions are adequately monitored and managed and result in the Council receiving the highest levels of performance from its contractors.

2.5.2 Summary of Findings

Dover District Council maintains a contract register that includes contracts above £10,000. For the purpose of this review four contracts were selected and testing undertaken to ascertain how adequately these contracts are managed and monitored. The procurement process was not examined as part of this review.

The four contracts reviewed were as follows:

- 1 – Cleaning and Routine MTC of Public Conveniences;
- 2 – Cleaning Whitfield Offices;
- 3 – Lift Servicing Agreement; and
- 4 – Platinum Plus Support Contract for Car Parking Equipment.

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

- The level of monitoring is appropriate for each of the contracts reviewed.
- Expenditure has been well monitored for each contract and variations to the level of service required has been adequately controlled.
- Monitoring of each contract is undertaken regularly and good contact is maintained between the Council and each contractor.

2.6 Environmental Health Food Safety – Substantial Assurance:

2.6.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to promote and maintain food safety within the district through effective registration and inspection of all food businesses, investigation of food complaints, enforcement of the Food Hygiene Regulations and associated legislation, offering advice and guidance and the promotion and administration of the Food Hygiene Rating Scheme.

2.6.2 Summary of Findings

With the implementation of the new Food Hygiene Rating Scheme in 2011, the Council signed an agreement with the FSA to implement the scheme and to follow the 'Brand Standard'. Food premises are rated from 0 to 5 for their food compliance with legal requirements. As a result of an inspection a rating is given and this is uploaded to the Food Standards Agency Website and published for the public to see.

The table below shows the ratings of food premises within the Dover district. The total number of premises rated below a category 3 has reduced from 40% in April 2012 to 20% as at February 2014. A significant amount of work is undertaken by the Public Protection Team (Environmental Health) to work with the food business operators where the rating is low.

Premise Rating	April 2012	April 2013	Feb 2014
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0	4	1%	2	1%	3	1%
1	47	7%	27	3%	22	2%
2	42	6%	39	4%	35	4%
3	171	26%	180	20%	136	14%
4	189	29%	248	28%	256	26%
5	202	31%	390	44%	519	53%
Total no of premises	655		886		971	

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

- Procedure notes have been created to assist in all aspects of the food safety process and these are regularly reviewed to ensure that they reflect current working practices and legislation;
- Comprehensive evidence and notes are recorded on M3 to provide a clear trail of the action carried out; and
- Effective processes and controls have been implemented to ensure that all aspects of food safety are dealt with efficiently.

2.7 Insurance & Inventories of Portable Assets – Substantial/Reasonable Assurance.

2.7.1 Audit Scope

To ensure that sufficient insurance coverage is in place for the Council to limit the risks that face the authority in carrying out its many and varied functions.

2.7.2 Summary of Findings

Management can place Substantial Assurance on the system of internal controls in operation for the insurance function and Reasonable Assurance on the system of internal controls in operation for inventories or portable assets.

Insurance

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

- The level of insurance cover was appropriate and adequate;
- The insurance arrangements were well managed;
- All property and land tested from the asset register was covered;
- Claim monitoring processes and claim management was well documented; and
- The links between the Corporate Services Officers and the Insurance Broker was robust.

Small scope for improvement was identified in the following areas:

- A regular check by an independent employee of the physical items listed on the inventory was not currently carried out; and
- The amount of detail captured within the insurance claims records could be improved.

Inventories of Portable Assets

It was established that there are four categories of portable assets: Mobile Phones and Tablets, Computers and Laptops, Motor Vehicles, and Specialised Equipment taken away from the premises on a regular basis.

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

- The methods for recording changes in inventories of mobile phones, computers and tablets and motor vehicles was adequate; and
- Records were up to date and accurate.

Some scope for improvement was identified in the following areas:

- The links between Heads of Service and the Corporate Services Officer needed strengthening to capture changes in inventory for specialised equipment and equipment removed from the premise; and on a regular basis to ensure adequate cover is in place; and
- Expectations upon the role of managers should be further clarified.

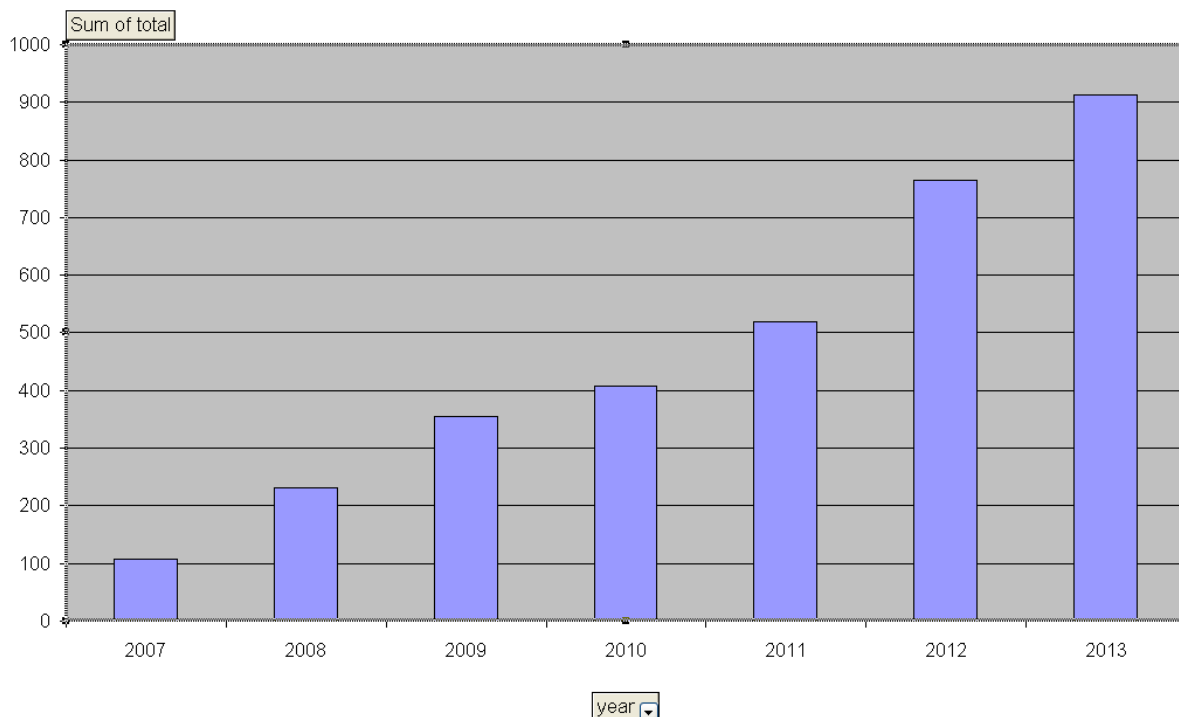
2.8 Freedom of Information & Record Management - Reasonable Assurance.

2.8.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council fulfils its statutory obligations regarding requests for information from the public under the Freedom of Information Act 2000 (FOIA) and Environmental Information Regulations 2004(EIR) and to ensure the authenticity, reliability, integrity and usability of the Council's records.

2.8.2 Summary of Findings

There has been a steady increase in Freedom of Information requests rising from 107 in 2007 to 912 in the year to date. Despite this increase the success rate for completions within 20 days has remained relatively static at around 88% and increasing in the current year to 94%.



Management can place Reasonable Assurance on the system of internal controls in operation for the responses to requests for information and FOI/EIR staff awareness of the rules covering refusals to give information.

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

- The scheme was properly designed to comply with the Information Commissioner's model scheme and subsequently approved by the Council;
- There is clear guidance available to the public on the Internet about how to request information;
- Requests are dealt with professionally, generally in a timely manner and in line with ICO guidance;
- Supporting documentation for each request and response was generally good; and
- Staff in the FOI/EIR team are experienced and have easy access to relevant guidance notes.

Scope for improvement was however identified in the following areas:

- The Publication Scheme hyperlinks on the Council website did not function at the time of the audit; and
- Performance data was inaccurately published on the Internet.

Management can also place Reasonable Assurance on the system of internal controls in operation for Records Management process.

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

- The Council has a Record Management Strategy (RMS) document available to staff;

- The RMS has been recently reviewed in 2013; and
- Reminders on the need to dispose of archived material were sent to service managers as part of *The Big Clear Up* in 2013.

Scope for improvement was however identified in the following areas:

- Only two of the sample of six Service Managers selected as part of this audit have provided evidence as part of this audit that they are complying with the terms of the RMS surrounding the tracking and destruction of records.
- The training records for staff show that over the past 3 years just 14 staff have taken the training course available through the e-learning facility.

2.9 East Kent Housing Repairs & Maintenance – Reasonable Assurance.

2.9.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that that each Councils' housing stock is well maintained, providing a good level of service to Council tenants (which demonstrates value for money and tenant participation), in partnership with the Councils' contractors and in accordance with each Councils' policy and procedures.

2.9.2 Summary of Findings

The East Kent Housing Service provides repairs and maintenance support for 16125 rented properties and 1367 leaseholder properties utilising a Revenue budget of £14.5m and a Capital budget of £12.8m. The number of individual jobs registered within the various databases is not directly comparable because of the way the local systems work; some include works done as part of the basic price per property contract whereas others do not. Bearing this variable in mind the sample size from which testing was undertaken was in excess of 31,000 recorded jobs.

From the testing completed during this review most of the necessary controls of the systems in place are managed and achieved. There is however evidence of non-compliance with some of the key controls around the inspection of completed jobs and independent validation of Performance Indicators resulting in some risk to the achievement of the system objectives.

The audit has looked at the service provided to East Kent Housing by the main responsive repairs contractor at each site and has found a number of common themes which affect each site equally, as well as individual site specific issues. Mears provided the works for three sites and during the course of the audit assumed responsibility for the fourth when they took over Morrison. There are no items of a confidential nature which would need to be redacted when the report is circulated to each of the client officers and therefore it is logical to issue just the single report as it provides both a view on where the service is and an insight into the difficulties faced by EKH in utilising the current systems inherited from the local Councils.

Relevant staff have received training on the importance of complying with Financial Procedure Rules (FPRs) and Contract Standing Orders. An authorised signatories list is available in two formats, one for managed budgets and the other for EKH expenditure these do not reflect accurately the current staff or their titles. A new procedure for obtaining quotations was drafted with different financial limits and was designed to enhance and strengthen normal procurement rules. These were trialled but suspended pending further review.

The most significant problem would appear to be the various databases used for storing repairs and maintenance data for each Council, how current the information is and their ability to effectively communicate with the database systems used by the main contractor Mears. At present the services are operating within the constraints placed upon them at initial start-up and there may be interim fixes available to overcome these handicaps but the ultimate long term aim should be to explore the feasibility of a single operational database weighing the benefits which would be obtained against the cost of implementation. Any new system would, logically, be able to hold current and all historic data and be able to communicate efficiently with any supplier systems.

The influence of separate identities amongst the individual Councils when EKH took up their role is reflected in the inconsistency of approach adopted where major works require tenants to be decanted. The situation could be improved by issuing current, relevant guidance and advice on amounts payable.

Inspections of completed repairs are a requirement of the current maintenance contracts and are a valuable management aid to test the quality of works undertaken by the contractors. During the reviewed period the documentation supporting the inspections was limited and the number of inspections undertaken was quite substantially below the anticipated level with one site not completing any; the lack of compliance with this key control exposes the overall process to significant risk. Whilst improvements in the inspection regime were being planned there remain a number of issues still to be addressed.

Customer satisfaction information on responsive repairs is collected by the main contractor and statistical data on performance is then supplied to EKH. There is limited independent verification of satisfaction levels undertaken by EKH and therefore the reliability of the data could be called in to question. Consideration should be given to establishing an in-house system to test the validity of the satisfaction levels reported.

Each service has access to a computerised system which has the facility to record details of all responsive repairs. The same system is also able to hold details of the attributes of each property i.e. the number of bedrooms, wiring, heating, roofing, kitchen etc together with the date of installation and refurbishment. The use of these two sets of data, if accurate, would provide a picture for each property which could drive and inform the planned maintenance schedule. Neither set of data is fully up to date. As a result separate spreadsheets have been developed to hold the planned programme. By ensuring the accuracy of base data and using the four systems in place the process of planning should be enhanced and simplified.

The audit found that there is neither obvious nor consistent evidence of overcharging for responsive repairs work, with the exception of scaffold charges at SDC and DDC which at the time of the audit were under discussion with a view to obtaining refunds. These refunds have now been obtained. Nevertheless, there are working practices in use which are not consistent with satisfactory controls. There was evidence that contract clauses were being interpreted differently at separate sites, of verbal orders being placed and of a lack of rigor in challenging contractors' assessment of non PPP works. Approval for one contractor to spend up to £250 more per job than the base price without reference to EKH staff effectively doubled the price baseline. Such practices create an environment in which overcharging could occur and should be addressed.

The process for budgetary control is in place and practiced, however, the action taken to address possible overspends did not appear to be documented during the audit period. In addition the known error rate for estimates was not taken into account when budgets were prepared.

Management Response

We believe that we have made significant progress in the management of the repairs service in the last 18 months, especially in regard to budget management and compliance with contract standing orders. It is pleasing that this is recognised in the findings.

Two common themes underpin a number of the other findings in the report. The inconsistency and variance in approach to maintenance of the four Councils and the overriding need for a single IT system to adequately support the maintenance service. These weaknesses have been highlighted to the Councils and a detailed costed business case to move to a single IT system has been presented to them. Proposals to move to maintenance contracts that are better aligned were presented to the Councils in May 2013. These proposals not only would improve efficiency but would deliver significant savings and added value to the Councils.

Agreement by the Councils to a single IT system and to revised contracts will, we believe, significantly improve performance and efficiency. We also note the report finds no evidence of over-charging by the contractor. We believe that disputes with contractors are a recurrent and wasteful feature of a schedule of rates contracts and we have made proposals to the Councils that would reduce these kinds of disputes in future.

A number of recommendations refer to the validation of performance data provided by the contractor. We would question whether increasing resources to achieve this would represent value for money for the councils and would make a significant difference to the quality of service received by tenants. We already had plans in place to do some verification testing of tenant satisfaction with the creation of a new Customer Insight function. Checks on the quality and quantity of contractors work takes place through the system of post inspections.

The only outstanding performance area that could be checked is the timeliness of repairs. However, it is difficult to check this data without a reliance on the contractors system and data they have input. The vast majority of repairs are now carried out by appointment at a time agreed with the tenant and there are other monitoring arrangements in place for critical activities such as works to void properties.

2.10 Environmental Protection – Contaminated Land, Pollution, Air and Water Quality – Reasonable Assurance.

2.10.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established by the Council in the following areas of environmental protection:

- Air Quality Management and Air Quality Monitoring;
- Contaminated land;
- Polluting Industrial Processes (Pollution prevention and control regime);
- Bathing Water quality and

- Drinking Water.

2.10.2 Summary of Findings

The areas reviewed in this audit (Contaminated Land, Pollution, and Air and Water Quality) carry out functions to ensure that land, air and water quality does not harm the quality of lives across the district. This is carried out by following legislation and having internal processes in place that assist officers in being able to meet these objectives.

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

- There are well established environmental permitting processes and inspection routines;
- The last air quality updating and screening assessment determined that a detailed assessment for air quality within Dover District is currently not necessary for any pollutant;
- Effective air quality monitoring processes are in place; and
- Resilient procedures are in place to send any complicated contaminated land issues to Swale Borough Council for them to deal with as Dover District Council does not have a Contaminated Land Officer in post

Scope for improvement was however identified in the following areas:

- The air quality management area order documentation that is on the Dover District Council website needs to be reviewed to ensure that all 3 AQMO's are being shown. (At the time of the review the auditor could not locate the documentation / information for the one by the Dover Town Hall could not be located). and
- The Contaminated Land Inspection Strategy need to be updated to take into account any changes to legislation and to ensure that procedure notes are reviewed. This has not been carried out since 2007 and needs to reviewed to include changes in legislation from April 2012 (Management were already aware of this issue).

2.11 Cemeteries – Reasonable/Limited Assurance:

2.11.1 Audit Scope

To ensure that the Council's cemetery activities are undertaken efficiently and effectively in accordance with Council policy and procedures.

2.11.2 Summary of Findings

The Council is the burial authority for the seven cemeteries and 22 closed churchyards located within the district. On average the Council deals with approximately 169 burials each year, which are delivered in partnership with English Landscapes who maintain the cemeteries and attend burials on behalf of the Council as part of a ten-year contract, which is due to expire in 2016. The main focus of the audit was on the effectiveness of the income collection arrangements and the adequacy of the systems and business continuity arrangements.

From the testing completed during this review most of the necessary controls of the systems in place are managed and achieved which would normally lead us to conclude reasonable assurance in this area. There is however an absence of strategic direction of the service over the medium to long term resulting in a more than marginal level of risk to the achievement of the system objectives this leads us to conclude a partially Limited Assurance opinion.

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

- All fees, charges and collection arrangements were examined and were correctly administered;
- Processes for income collection are extremely robust;
- The Council is compliant with all the major pieces of legislation;
- The health and safety arrangements were adequate; and
- Records examined were well documented,

Scope for improvement was however identified in the following key areas, and it is these that lead us to conclude a partially Limited Assurance opinion:

- Contract monitoring processes should be reviewed;
- The Council is cleverly finding small pockets of burial space in its cemeteries, which is commendable; however the lack of burial capacity within the Dover Cemeteries is an issue that needs to be resolved by management in order to provide strategic direction over the medium to long-term future of burials in the district;
- The bespoke burial system has limited capability; for instance there are a number of issues relating to searching for burial plots and searching for named persons and it is unable to produce a wide variety of meaningful management information which could help assist with decision making;
- The Deed of Grants issue and monitoring processes could be more robust;
- The controls in place for identifying and dealing with non-residents within the Dover District could be improved; and
- The cemeteries webpage should include a link to all the approved fees and charges in the interest of transparency.

2.12 EK Services – ICT Software Procurement - Limited Assurance

2.12.1 Audit Scope

To ensure that the procedures and internal controls established by EK Services are sufficient to provide the level of service required by the partner Councils with regard to the control and administration of software procurement and that these procedures are being complied with, both by officers of EK Services and the partner councils.

2.12.2 Summary of Findings

Management can place Limited Assurance on the system of internal controls in operation. This is mainly due to the lack of readily available guidance to officers advising that all ICT purchases should be made via EK Services ICT team and also that some instances have been found of service areas purchasing their own software without reference to ICT which reinforces the lack of guidance comment above.

The concern of management was that purchases of software were being made by individual services outside of the arrangements contained within the existing three way collective agreement in place for each council. This states that ICT will “provide associated procurement administration including all quotations, ordering, invoicing and contract management”. It is clear from this that software purchasing should be conducted through ICT, what is not clear is that annual licence renewals also fall within this category. The collaborative arrangement for East Kent Housing is less comprehensive in its wording. By purchasing outside of the agreement councils could find that the software is unnecessary, too expensive, unsupported or not fit for purpose.

The information available to staff on the intranet at each site advising on the route to follow for software purchasing was not clearly signposted and insufficient in content to ensure that purchases were made through the correct channel. Canterbury City Council recognised that there may be an issue and have developed a new formal procedure to be adopted. Staff were advised through a directive issued on 27 August 2013. It was noted that there are still insufficient links to the new guidance through the CCC intranet. Generally the information available to staff across the three Councils and EKH is an area where some improvements are needed.

Test sampling identified some examples of software purchases that had been made outside of the proper arrangements. The general reasoning behind these separate arrangements was that ICT did not support the software and were not therefore involved and/or that there was only one supplier for a bespoke system. Although the number of cases identified was not of sufficient quantity to confirm that the practice was as widespread as feared, the practice needs to be restrained and brought in to line with the arrangements set out in the collective agreements.

Purchases undertaken by the ICT Business Unit conformed to the financial procedures applicable to each authority. Purchases made by the local service units similarly complied with the local financial procedure rules.

Management Response

EK Services will liaise with client officers in each authority to ensure the recommended changes are actioned within the specified timescales. (Head of ICT - EK Services).

2.13 EK Services Housing Benefit Quarterly Testing (Quarter 3 of 2013-14):

- 2.13.1 Over the course of the 2013/14 financial year the East Kent Audit Partnership will be completing a sample check of council tax, rent allowance, rent rebate and Local Housing Allowance benefit claims to support the External Auditor’s verification work.

For the third quarter of 2013/14 financial year (October to December 2013) 20 claims including new and change of circumstances of each benefit type were selected by using Excel software to randomly select the various claims for verification.

In total 20 benefit claims were checked and of these 19 (95%) were found to have passed the criteria set by the former Audit Commission’s verification guidelines. One claim was also found to contain two data quality errors; however these have no effect on the subsidy claim or the amount payable to the claimant. The issues have been raised with the Quality Team and corrective action has been taken to amend the claims.

3.0 FOLLOW UP OF AUDIT REPORT ACTION PLANS:

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

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs Outstanding	
a)	Members' Code of Conduct & Standards Arrangements	Substantial	Substantial	H M L	0 2 2	H M L	0 1 0
b)	Officers' Code of Conduct and Whistleblowing	Reasonable	Substantial	H M L	1 11 1	H M L	1 7 0
c)	Data Protection	Reasonable /Limited	Reasonable	H M L	13 2 0	H M L	6 0 0
d)	EK Services – ICT Network Security	Substantial	Substantial	H M L	1 0 2	H M L	1 0 0

- 3.2 Details of each of the individual high priority recommendations outstanding after follow-up are included at Appendix 1 and on the grounds that these recommendations have not been implemented by the dates originally agreed with management, they are now being escalated for the attention of the s.151 Officer and Members of the Governance Committee.
- The purpose of escalating outstanding high-risk matters is to try to gain support for any additional resources (if required) to resolve the risk, or to ensure that risk acceptance or tolerance is approved at an appropriate level.

4.0 WORK-IN-PROGRESS:

- 4.1 During the period under review, work has also been undertaken on the following topics, which will be reported to this Committee at future meetings: Performance Management, Leasehold Services, Planning, Homelessness, Rent Collection and Debt Management, Payroll, Employee Benefits-in-Kind, Housing Benefit Overpayments, Housing Benefit Fraud Investigations, Business Rates, Main Accounting System, Debtors, and ICT Change Controls.

5.0 CHANGES TO THE AGREED AUDIT PLAN:

- 5.1 The 2013-14 Audit plan was agreed by Members at the meeting of this Committee on 14th March 2013.
- 5.2 The Head of the Audit Partnership meets on a regular 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 nine-month period to 31st December 2013, 210.96 chargeable days were delivered against the planned target of 270, which equates to 78.13% plan completion.
- 7.2 The financial performance of the EKAP is currently on target at the present 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 Quarter 3 of 2013-14 is attached as Annex 4.
- 7.4 The EKAP 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 Annex 4.

Attachments

- Annex 1 Summary of High priority recommendations outstanding after follow-up.
- Annex 2 Summary of services with Limited / No Assurances
- Annex 3 Progress to 31st December 2013 against the agreed 2013/14 Audit Plan.
- Annex 4 EKAP Balanced Scorecard of Performance Indicators to 31st December 2013.
- Annex 5 Assurance statements

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

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
<i>Data Protection – January 2014:</i>		
<p>The Information and Computer Security Policy must be updated to include changes within current technology and consider introducing Net Consent for each member of staff to sign off confirming that they are aware of what is acceptable use of Council equipment.</p>	<p>Agreed to be examined by Officer Working Group</p> <p>Proposed Completion Date: 30.06.13</p> <p>Responsibility: Officer Working Group</p>	<p>A new policy is being created with EKS, however the responsible Officer has been off sick for a period of time. They have returned recently and action will be taken to contact them to complete this task.</p> <p align="center"><i>Recommendation Outstanding with intent to implement</i></p>
<p>Consideration needs to be given to how the Council's IT equipment can be secured to prevent staff using non-authorized portable equipment and downloading personal data</p>	<p>This can be done and can be tailored to machines [this one can do 'x', that one cannot]. ICT can report against machines and are working toward a low level of monitoring [as it is resource intensive]. Detailed discussion with ICT should take place.</p> <p>Proposed Completion Date: June 2013</p> <p>Responsibility: Technical Systems Manager EKS and Senior Management at DDC</p>	<p>This is being considered as part of the ICT replacement project at DDC.</p> <p align="center">Recommendation Outstanding with intent to implement.</p>

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

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
<p>Action must be taken to assist EK Services in compiling a comprehensive list of all laptops and USB memory sticks in use within the Council.</p>	<p>EKS manage the secure memory sticks. As such items are readily available from stationery catalogues, ICT could not police this. This item should be linked to data theft above..</p> <p>Proposed Completion Date: June 2013</p> <p>Responsibility: - Technical Systems Manager EKS</p>	<p>As part of the Council's ICT replacement project this is being considered.</p> <p align="center">Recommendation Outstanding with intent to implement.</p>
<p>Once action has been taken to identify the officers with USB sticks, consideration should be given to labelling each one with a unique reference number so that they can be monitored and recovered when an officer leaves.</p>	<p>Refer to above – as ICT cannot control procurement, we would be unable to police this.</p> <p>USB sticks are only one method of data theft; DVDs, email, printed matter, cameras and mobile phones are among others.</p> <p>Proposed Completion Date: - June 2013</p> <p>Responsibility:- Technical Systems Manager EKS</p>	<p>As part of the Council's ICT replacement project this is being considered.</p> <p align="center">Recommendation Outstanding with intent to implement.</p>
<p>Management must either amend the current policy to allow for home working using personal equipment or ascertain the number of staff that work from home regularly and supply them with the relevant equipment so that they can do this effectively and in compliance with the current policy.</p>	<p>Not data protection, although agree to revisit policy.</p> <p>Proposed Completion Date:- 30.06.13</p> <p>Responsibility: - Officer Working Group</p>	<p>This is to be included in the new policy currently being created with EKS.</p> <p align="center">Recommendation Outstanding with intent to implement.</p>

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

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
<p>Where practicable action must be taken so that outside bodies who rent or otherwise occupy part of the Council building should only be able to access the part they use in and not the whole Council building.</p>	<p>Not data protection, agree in principle, must evaluate the cost versus the risk.</p> <p>Proposed Completion Date:- 30.06.13</p> <p>Responsibility: - Officer Working Group</p>	<p>Consideration will be given to introducing a clear desk policy and to add a screensaver on to the Council's systems advising staff of data protection and physical security of personal information.</p> <p align="center">Recommendation Outstanding with intent to implement.</p>
<p><i>EK Services ICT Network Security – January 2014:</i></p>		
<p>Management should consider introducing a single comprehensive policy on network and information security for all partners to follow; this should include password control, remote access controls and 3rd party access. Once approved this should be available to all staff on the appropriate intranet pages and new users should be emailed a copy or once netconsent is available the policy should be mandatory when they first log on to the system.</p>	<p>An objective has been set to harmonise the 3 LA policies into a common document that addresses the points specifically covered and others.</p> <p>Information Security, or rather Information Assurance [IA] and Governance – as this is wider than IT controls – is also being discussed with the Legal/Governance staff within the LAs. This would be out of scope of this audit on 'network security' and is an LA responsibility supported by ICT.</p> <p>Responsibility / Completion Date</p> <p>Technical Systems Manager</p> <p>Dec 2013</p>	<p>Follow Up Findings as at 24.01.2014</p> <p>The objective to harmonise LA policies was delayed by other priorities and has been rolled over to 2014 objectives. A lot of work for PSN compliance has brought clients closer together operationally and this will aid the policy alignment; example being remote access and 2FA tokens. The role of SIRO within LAs has also been acknowledged and has allowed progress of related IAG work.</p> <p>Conclusion</p> <p>Progressing with intent to implement</p>

SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED				
Service	Reported to Committee	Level of Assurance	Management Action	Follow-up Action Due
CSO Compliance	June 2012	Limited	On-going management action in progress to remedy the weaknesses identified.	As part of planned audit in 2014-15
EK Services – Software Licenses	June 2013	Limited	On-going management action in progress to remedy the weaknesses identified.	Work in Progress – March 2014
Absence Management	June 2013	Limited	On-going management action in progress to remedy the weaknesses identified.	As part of planned audit in 2014-15
Cemeteries	March 2014	Reasonable/ Limited	On-going management action in progress to remedy the weaknesses identified.	Mid-2014

PROGRESS AGAINST THE AGREED 2013-14 AUDIT PLAN.

DOVER DISTRICT COUNCIL:

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-13	Status and Assurance Level
FINANCIAL SYSTEMS:				
Capital	5	5	2.46	Finalised - Substantial
Treasury Management	5	5	3.64	Finalised - Substantial
Main Accounting System	5	5	1.55	Work-in-Progress
Budgetary Control	5	5	2.22	Finalised - Substantial
Insurance and Inventories of Portable Assets	12	12	16.46	Finalised – Substantial/Reasonable
RESIDUAL HOUSING SYSTEMS:				
Homelessness	10	10	0.17	Work-in-Progress
Right to Buy	5	5	7.04	Finalised - Reasonable
GOVERNANCE RELATED:				
FOI and Record Management	10	10	10.8	Finalised – Reasonable
Members Code of Conduct & Standards Arrangements	10	10	10.26	Finalised - Substantial
Local Code of Corporate Governance	6	6	4.97	Finalised - Substantial
Performance Management	10	10	0.21	Work-in-Progress
Business Continuity and Emergency Planning	10	10	6.45	Finalised - Substantial
Corporate Advice/CMT	2	2	4.62	Work-in-Progress throughout 2013-14
s.151 Meetings and support	9	9	9.18	Work-in-Progress throughout 2013-14
Governance Committee Meetings and Reports	12	12	9.5	Work-in-Progress throughout 2013-14
2014-15 Audit Plan Preparation and Meetings	9	9	2.06	Work-in-Progress
CONTRACT RELATED:				
CSO Compliance	10	0	0	Postponed to accommodate unplanned work
Service Contract Monitoring	10	10	10.96	Finalised - Substantial
SERVICE LEVEL:				

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-13	Status and Assurance Level
Cemeteries	10	10	11.39	Finalised – Reasonable/Limited
Coast Protection	6	6	7.97	Finalised - Substantial
CCTV	10	10	6.65	Finalised - Substantial
Environmental Health – Food Safety	10	10	0.34	Finalised - Substantial
Environmental Protection – Contaminated Land and Air Quality	10	10	8.11	Finalised - Reasonable
Disabled Facilities Grants	10	10	9.02	Finalised - Substantial
DES Project Work - Horticulture	12	6	6.19	Finalised
Health & Wellbeing	12	0	0	Postponed to accommodate unplanned work
Planning	10	10	1.3	Work-in-Progress
OTHER				
Liaison with External Auditors	3	1	0.38	Work-in-Progress throughout 2013-14
Follow-up Work	17	17	9.88	Work-in-Progress throughout 2013-14
UNPLANNED WORK				
Car Parking – under and over bankings	0	15	15.16	Work-in-Progress
Tackling Tenancy Fraud	0	5	0.49	Work-in-Progress
FINALISATION OF 2011-12 AUDITS				
Dover Museum and VIC	5	15	15.45	Finalised - Substantial
Recruitment & Induction			1.75	Finalised - Reasonable
Licensing			2.77	Finalised - Reasonable
Officers' Code of Conduct & Whistle Blowing Arrangements			1.22	Finalised - Reasonable
Environmental Protection Service Requests			0.3	Finalised - Substantial
Port Health			0.99	Finalised - Substantial
Days over delivered in 2011-12	0	0	8.86	Finalised
EK HUMAN RESOURCES				
Payroll, SMP and SSP	5	5	0.07	Work-in-Progress
Employee Benefits-in-Kind	5	5	0.12	Work-in-Progress

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-13	Status and Assurance Level
TOTAL - DOVER DISTRICT COUNCIL RESIDUAL DAYS	270	270	210.96	78.13 % complete as at 31st December 2013

EAST KENT HOUSING LIMITED:

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-13	Status and Assurance Level
Planned Work:				
Audit Committee/EA liaison/follow-up	8	7	4.77	Work-in-Progress throughout 2013-14
Rent Collection and Debt Management	12	12	1.89	Work-in-Progress
Leasehold Services	40	37	3.14	Work-in-Progress
Sheltered Housing	20	0	0.27	Postpone until 2014-15
Finalisation of 2012-13 Audits:				
Housing Repairs and Maintenance	9	33	33.18	Finalised - Reasonable
Days over delivered in 2012-13	0	0	6.65	Finalised
Total	89	89	49.9	56.07% Complete as at 31-12-2013

EK SERVICES:

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-13	Status and Assurance Level
Planned Work:				
Housing Benefits – Overpayments	15	15	0.04	Work-in-Progress
Housing Benefits – Fraud Investigation Unit	15	15	0.09	Work-in-Progress
Council Tax Reduction Scheme	0	15	4.8	Finalised
Housing Benefits – Quarterly Testing	40	40	18.01	Work-in-progress throughout 2013-14
Business Rates	30	23	22.98	Work-in-Progress
Debtors and Rechargeable Works	15	15	0.04	Work-in-Progress
ICT – Change Controls	15	15	1.49	Work-in-progress
ICT – Software Procurement	15	15	14.93	Finalised - Limited
ICT – PC Controls and	15	15	0.03	Work-in-Progress

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-13	Status and Assurance Level
Application Controls				
Corporate/Committee	0	2	2.01	Work-in-progress throughout 2013-14
Follow-up	0	5	4.56	Work-in-progress throughout 2013-14
New Homes Bonus	0	0	0.34	Work-in-progress
<u>Finalisation of 2012-13 Audits:</u>				
Housing Benefits and Assessment	0	9	8.68	Finalised
ICT – Network Security	0	4	4.02	Finalised
Days under delivered in 2012-13	0	-28	-28.11	Work-in-progress
Total	160	160	53.91	33.69% Complete as at 31-12-2013

BALANCED SCORECARD – QUARTER 3

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2013-14 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2013-14 Actual</u>	<u>Target</u>
	Quarter 3				
Chargeable as % of available days	81%	80%	Cost per Audit Day (Reported Annually)		£319.56
Chargeable days as % of planned days			Revised Budget November 13		£302.28
CCC	79%	75%			
DDC	78%	75%			
SDC	63%	75%			
TDC	70%	75%			
EKS	34%	75%			
EKH	56%	75%			
Overall	66%	75%			
Follow up/ Progress Reviews;					
• Issued	50	-			
• Not yet due	22	-			
• Now due for Follow Up	29	-			

BALANCED SCORECARD – QUARTER 3

<u>CUSTOMER PERSPECTIVE:</u>	<u>2013-14 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2013-14 Actual</u>	<u>Target</u>
	Quarter 3			Quarter 3	
Number of Satisfaction Questionnaires Issued;	74		Percentage of staff qualified to relevant technician level	75%	75%
Number of completed questionnaires received back;	41 =55%		Percentage of staff holding a relevant higher level qualification	33%	33%
Percentage of Customers who felt that;			Percentage of staff studying for a relevant professional qualification	25%	13%
<ul style="list-style-type: none"> • Interviews were conducted in a professional manner • The audit report was 'Good' or better • That the audit was worthwhile. 	100%	100%	Number of days technical training per FTE	4.43	3.5
	100%	90%	Percentage of staff meeting formal CPD requirements	33%	33%
	100%	100%			



ANNEX 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.

DOVER DISTRICT COUNCIL

REPORT OF THE HEAD OF AUDIT PARTNERSHIP

GOVERNANCE COMMITTEE – 20 MARCH 2014

INTERNAL AUDIT PLAN 2014-15

Recommendations

<i>Members are asked to consider and adopt the Internal Audit 2014-15 plan of work</i>
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Contact Officer: Mrs C Parker, extension 2160

1.0 Introduction and Background

- 1.1 The purpose of the Council's Governance Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent review of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.
- 1.2 To assist the Committee meet its terms of reference with regard to the internal control environment reports are regularly produced on the work and remit of Internal Audit. The purpose of this report is to consider for adoption the East Kent Audit Partnership Audit Plan of work for the forthcoming year.

2.0 Audit plan 2014-15

- 2.1 The Audit Plan for the year 2014 to 2015 is attached as Annex A and has been produced from an audit software database (APACE) maintained by the EKAP which records our risk assessments on each service area based upon previous audit experience, criticality, financial risk, risk of fraud and corruption etc.
- 2.2 The plan has then been modified to reflect emerging risks and opportunities identified by the Chief Executive, Directors, and the Council's corporate plans.
- 2.3 Additionally, the plan is based upon a formal risk assessment that seeks to ensure that all areas of the Council's operations are reviewed within a three-year cycle of audits. In order to provide Members with assurance that internal audit resources are sufficient to give effective coverage across all areas of the Authority's operations, a three-year strategic plan has been included.
- 2.4 To comply with the Public Sector Internal Audit Standards, the agreed audit plan should cover a fixed period of no more than 1 year. Members are being asked to approve the 2014-15 plan at the present time and the 2015-16 plan (modified as necessary) will be presented for consideration in March 2015 and similarly the 2016-17 plan will be presented for consideration in March 2016. The purpose of showing an indicative 2015-16 and 2016-17 plan at this time is to provide Members with assurance that internal audit resources are sufficient to provide effective coverage across all areas of the Authority's operations within a rolling cycle.

2.5 The plan has been prepared in consultation with the Directors and the Council's Statutory S151 Officer. The plan is also designed to meet the requirements expected by the External Auditor for ensuring key controls are in place for its fundamental systems. This Committee is also part of the consultation process, and its views on the plan of work for 2014-15 are sought to ensure that the Council has an effective internal audit of its activities and Members receive the level of assurance they require.

3.0 Head of Internal Audit's Opinion of the 2014-15 Internal Audit Plan.

3.1 This report is presented to Members by the Council's Director of Finance whose s.151 responsibility it is to maintain an effective internal audit plan. In the interests of openness and transparency and in order to enable Members to make an informed decision on the internal audit plan presented for their approval consideration should also be given to the opinion of the Head of Internal Audit on the effectiveness of the plan.

3.2 In the professional opinion of the Head of the East Kent Audit Partnership the draft 2014-15 internal plan presented for Members' consideration represents an effective internal audit plan which ensures reasonable coverage of the vast majority of the Council's operations within a three year period. The Head of the East Kent Audit Partnership recommends to Members the approval of the 2014-15 internal audit plan.

4.0 Recommendations

4.1 That Members approve the Council's Internal Audit Plan for 2014/15

5.0 Background Papers

- Internal Audit Annual Plan 2013/14 - Previously presented to and approved at the March 2013 Governance Committee meeting.
- Internal Audit working papers - Held by the East Kent Audit Partnership.

6.0 Resource Implications

There are no additional financial implications arising directly from this report. The costs of the audit work have been met from the Financial Services 2014/15 budget.

7.0 Consultation Statement

Not Applicable.

8.0 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 resident of the District.

Attachments

Annex A Dover District Council draft 2014-15 Internal Audit Plan & draft
3 year strategic Internal Audit Plan 2014-17

CHRISTINE PARKER
Head of Audit Partnership

The officer to whom reference should be made concerning inspection of the background papers is the Head of Audit Partnership, White Cliffs Business Park, Dover, Kent CT16 3PJ. Telephone: (01304) 821199, Extension 2160.

Plan Area	Year last audited	Previous Assurance level	2014-15 Planned Days	Quarter Prioritised for 2014-15	2015-16 Planned Days	2016-17 Planned Days
Financial:						
Capital	2013-14	Substantial			5	
Treasury Management	2013-14	Substantial			5	
Car Parking and PCNs	2012-13	Reasonable	10	3		10
Bank Reconciliation	2012-13	Substantial			5	5
Creditors and CIS	2012-13	Reasonable	10	3		10
Main Accounting System	2013-14	Substantial			10	
Income	2012-13	Substantial	10	3		10
Budgetary Control	2013-14	Substantial			10	
VAT	2012-13	Reasonable				
Insurance and Inventories of Portable Assets	2013-14	2013-14 WIP				10
Residual Housing Systems:						
Homelessness	2013-14	2013-14 WIP				10
Housing Allocations	2012-13	Substantial			10	
Right to Buy	2013-14	2013-14 WIP				5
HRA Business Plan	2010-11	Limited	10	4		
Governance Related:						
Data Protection;	2012-13	Reasonable/ Limited			10	
Freedom of Information and Information Management.	2013-14	2013-14 WIP				10
Asset Management	2009-10	Reasonable	10	2		
Members' Code of Conduct, Register of Interests, Gifts & Hospitality (incl. The Bribery Act) and Standards Arrangement	2013-14	Substantial				10
Officers' Code of Conduct, Gifts & Hospitality (incl. the Bribery Act) and Whistle Blowing Arrangements	2012-13	Substantial			10	
Local Code of Corporate Governance	2013-14	Substantial				7
Equality and Diversity	2008-09	Reasonable				
Performance Management/Validation	2013-14	2013-14 WIP				10
Anti-Money Laundering	2011-12	Substantial	5	1		
Fraud Resilience Review	New Area	To be Assessed	10	2		
Complaints Monitoring	2011-12	Reasonable/Limited	10	1		
Partnerships and Shared Service Monitoring	2011-12	Reasonable	10	2		
Scheme of Officer Delegations	2007-08	Substantial				
Climate Change	2009-10	Reasonable				
Business Continuity & Emergency Planning	2013-14	Substantial				10
Corporate/Governance and Audit Committee	2013-14	N/A	32	1 to 4	32	32
Risk Management	2012-13	Reasonable			10	
Other:						
Liaison with the External Auditors	2013-14	N/A	2	1 to 4	2	2
Previous Year Work in Progress b/fwd	2013-14	N/A	5	1	5	5
Follow-up	2013-14	N/A	17	1 to 4	17	17
Contract Audits:						
CSO Compliance	2011-12	Limited	10	1		
Service Contract Monitoring	2013-14	Substantial				10
Receipt and Opening of Tenders	2010-11	Reasonable	6	2		
Procurement	2010-11	Limited			10	

Plan Area	Year last audited	Previous Assurance level	2014-15 Planned Days	Quarter Prioritised for 2014-15	2015-16 Planned Days	2016-17 Planned Days
Service Level:						
Cemeteries & Crematoria	2013-14	Reasonable/Limited				10
Child Protection/DBS	2011-12	Reasonable	10	4		
Community Safety	2011-12	Substantial	10	4		
Coast Protection	2013-14	2013-14 WIP				6
CCTV	2013-14	Substantial				10
Dog Warden Service and Enforcement	2012-13	Reasonable			10	
Election Management and Electoral Registration	2011-12	Substantial				10
Environmental Health – Environmental Protection Service Requests	2012-13	Substantial			10	
Environmental Health - Food Safety	2013-14	2013-14 WIP				10
Environmental Health – Public Health Burials	2010-11	Substantial			6	
Environmental Health - Port Health	2012-13	Substantial			10	
Environmental Health – Pest Control	2011-12	Reasonable	10	1		
Environmental Health – Health and Safety at Work	2012-13	Substantial			10	
Environmental Health - Environmental Protection (Contaminated Land, Air Quality Mngmt & Monitoring, Pollution Prevention, Bathing and Drinking Water).	2013-14	2013-14 WIP				6
Licensing	2012-13	Reasonable			10	
Towards a Digital Future	New Area	To be Assessed	18	1 to 4		
Events Management	2009-10	To be Assessed				
Grounds Maintenance	2011-12	Reasonable			10	
Disabled Facilities Grants	2013-14	Substantial				10
HMO Licensing	Pre 2004	To be Assessed	10	1		
Land Charges	2011-12	Reasonable	10	3		
Museums and VICs	2012-13	Substantial			13	
Let Properties and Concessions	2012-13	Reasonable			10	
Members' Allowances and Expenses	2012-13	Substantial			10	
Planning (including s.106 agreements)	2013-14	2013-14 WIP				10
Building Control	2010-11	Reasonable	10	4		
Sports and Leisure	2012-13	Substantial/ Reasonable			10	
Waste Management and Street Cleansing	2011-12	Substantial	10	2		10
Whitecliffs Countryside Partnership* and Up on the Downs Partnership	2011-12*	Reasonable*	10	3		
Youth Development Strategy	2009-10	Substantial			5	
Human Resources						
Recruitment	2012-13	Reasonable			5	
Absence Management, Annual Leave and Flexi Leave	2011-12	Limited	5	1		
Payroll, SMP and SSP	2013-14	2013-14 WIP	5	1 to 4	5	5
Post Entry Training	Pre-2004-05	To be Assessed				
Employee Health, Safety and Welfare	2011-12	Reasonable			5	
Appraisal System	Pre-2004-05	To be Assessed				5
Relocation expenses	Pre-2004-05	To be Assessed				
Employee Allowances and Expenses	2011-12	Reasonable	5	2		
Employee Benefits-in-Kind	2013-14	2013-14 WIP				5
Total Planned Days			270		270	270

Plan Area	Year last audited	Previous Assurance level	2014-15 Planned Days	Quarter Prioritised for 2014-15	2015-16 Planned Days	2016-17 Planned Days
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Shared Service Audit Plans:

EK Services (Note: Benefit work beyond 2013-14 subject to actual date of Welfare reform implementation):						
Housing Benefits - Payments	2012-13	Substantial	15	1		15
Housing Benefits - Overpayments	2011-12	Substantial			15	
Housing Benefits – Fraud Investigations Unit	2011-12	Reasonable			15	
Housing Benefits – Admin & Assessment	2010-11	Substantial	15	2		15
Housing Benefits – Quarterly Testing	2013-14	N/A	40	1 to 4	40	40
Council Tax	2012-13	Substantial	30	3		30
Business Rates	2013-14	2013-14 WIP			30	
Customer Services/Gateway	2011-12	Reasonable	15	1		15
Debtors and Rechargeable Works	2011-12	Reasonable			15	
Corporate/Audit Plan/Follow-up	2013-14	N/A	9	1 to 4	9	9
ICT – Change Controls	2013-14	2013-14 WIP				12
ICT – File Security	2007-08	Reasonable	12	2		
ICT – Network Security	2012-13	Reasonable			12	
ICT – Procurement and Disposal	2013-14	Limited				12
ICT – Internet and e-mail	2011-12	Reasonable	12	2		
ICT – Management and Finance	2011-12	Reasonable			12	
ICT – Physical and Environment	2011-12	Reasonable	12	4		
ICT – Software Licensing	2012-13	Limited			12	
ICT – PC Controls and Application Controls	2013-14	2013-14 WIP				12
Total EK Services Planned Days:			160		160	160
East Kent Housing (ALMO):						
Governance Arrangements	2011-12	Reasonable				15
Interfaces with Finance and ICT Systems	2011-12	Substantial	10	3		
Audit Ctte/EA Liaison/Follow-up	2013-14	N/A	8	1 to 4	8	8
Rent Accounting, Collection and Debt	2013-14	2013-14 WIP				30
Repairs and Maintenance	2013-14	Reasonable			40	
Leasehold Services	2013-14	2013-14 WIP				27
Health and Safety (Fire, Gas etc)	2011-12	Reasonable	17	1		
Sheltered and Supported Housing (including	Pre 2004-05	To be Assessed	30	2		
Void Property Management	2010-11	Reasonable	15	4		
Tenancy and Estate Management	2012-13	Reasonable			32	
Total East Kent Housing Planned Days:			80		80	80

DOVER DISTRICT COUNCIL

REPORT OF THE HEAD OF AUDIT PARTNERSHIP

GOVERNANCE COMMITTEE – 20 MARCH 2014

INTERNAL AUDIT SELF-ASSESSMENT

Recommendations

<i>Members note the content of the report and the actions required to work towards full compliance with the PSIAS</i>

Contact Officer: Mrs C Parker, extension 2160

1.0 Introduction and Background

- 1.1 From 1st April 2013 the EKAP has been working to the Public Sector Internal Audit Standards (PSIAS), defined as the proper practice for Internal audit in the UK Public Sector. A mandatory local government sector-specific application note issued by the Chartered Institute of Public Finance & Accountancy (CIPFA) supplements the Standards.
- 1.2 Previously the East Kent Audit Partnership worked to fulfil the requirements of the CIPFA Code of Practice for Internal Audit in the UK 2006. Members will recall that a self-assessment was carried out annually and any improvement actions would be noted in the Effectiveness of Internal Audit Review conducted by your s.151 Officer. Our level of compliance with professional standards was also reported on our Balance Scorecard of Performance Indicators.
- 1.3 The last detailed independent External Assessment of how well EKAP complied with the then CIPFA Code was conducted by the Audit Commission in 2009-10. That review found some minor housekeeping improvements, which were all successfully addressed.

2. Self-Assessment Against the Public Sector Internal Audit Standards

- 2.1 The Head of the Audit Partnership has undertaken a self-assessment to demonstrate the extent to which the service complies with the PSIAS (and supplementary application note) and to identify any areas where further work was required to demonstrate compliance.
- 2.2 This review, therefore notes the changes from the previous to the new standard and the resultant action plan addresses the areas that are required before the EKAP can accurately use the phrase “conforms with the International Standard for the Professional Practice of Internal Auditing”.
- 2.3 The PSIAS are broken down into two main areas
 - **Attribute Standards** address the characteristics of organisations performing the Internal Audit activities.

Standard 1000 – Purpose, Authority and Responsibility
Standard 1100 – Independence and Objectivity

Standard 1200 – Proficiency and Due Professional Care
Standard 1300 – Quality Assurance and Improvement Programme

- **Performance Standards** describe the nature of Internal Audit activities and provide quality criteria against which the performance of these services can be evaluated.

Standard 2000 – Managing the Audit Activity
Standard 2100 – Nature of Work
Standard 2200 – Engagement Planning
Standard 2300 – Performing the Engagement
Standard 2400 – Communicating Results
Standard 2500 – Monitoring Progress
Standard 2600 – Communicating the Acceptance of Risks.

- 2.4 The Action Plan records those improvements required to comply with the new standard. The self-assessment therefore concludes that EKAP complies in all other areas. A full copy of the PSIAS can be downloaded free at;

<http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>

3. Next Steps

- 3.1 The progress towards achieving the improvement actions contained in the Action Plan shown as Annex 1 will be reported in the annual report brought to the Committee in June. Additionally, the new standards only require an Audit Charter, so an updated Charter incorporating the (currently separate) Audit Strategy will also be presented to the June Meeting.

4.0 Recommendations

- 4.1 That Members note the content of the report and the actions required to work towards full compliance with the PSIAS.

5.0 Background Papers

- PSIAS
- CIPFA Local Government Application Note
- CIPFA Checklist for Self-Assessment
- IIA Checklist for Self-Assessment.

6.0 Resource Implications

There are no additional financial implications arising directly from this report. The costs of the audit work have been met from the Financial Services 2014/15 budget.

7.0 Consultation Statement

Not Applicable.

8.0 Impact on Corporate Objectives and Corporate Risks

The internal audit process is 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 resident of the District.

Attachments

Annex 1 Action Plan for the Self-Assessment against the Public Sector Internal Audit Standards (PSIAS).

CHRISTINE PARKER
Head of Audit Partnership

The officer to whom reference should be made concerning inspection of the background papers is the Head of Audit Partnership, White Cliffs Business Park, Dover, Kent CT16 3PJ. Telephone: (01304) 821199, Extension 2160.

Improvement Actions Required for EKAP to “conform with the International Standard for the Professional Practice of Internal Auditing

PSIAS Reference	PSIAS Name	Action Required
1110	Organisational Independence	<ul style="list-style-type: none"> • Update the Audit Charter to reflect that the Head of Audit has direct access to the Chair of the Audit Committee should this be ever required. • Confirm annually that EKAP is organisationally independent. • Remind IA Staff of their ethical responsibilities. • Ensure the HoA’s performance appraisal is reviewed and signed off by Chief Executive and feedback sought from the Chair of the Audit Committee.
1111	Direct Interaction with the ‘Board’ (=Audit Committee).	<ul style="list-style-type: none"> • Consider the need to meet in private at least annually with the Chair of the Audit Committee.
1311	Internal Assessments	<ul style="list-style-type: none"> • Improve the internal quality assessment in accordance with the new requirements; specifically to capture more evidence of the assessments done and include budget information in the annual report.
1312	External Assessments	<ul style="list-style-type: none"> • Ensure an external assessment is carried out in the next four years. Look into a joint procurement exercise with Kent Audit Group. • Establish a champion/sponsor to oversee the process. • Agree the approach, scope and budget for the External Assessment with the Audit Committee.
2000	Managing the IA Activity	<ul style="list-style-type: none"> • General tidy up on files including ensuring compliance with the Document Retention Scheme and disposal of old files. • Investigate how our software APACE can do more for us, including updating the Audit Universe and Risk scores held. • Better evidence reasons for over and underspends on time budgets against individual reviews as recorded on APACE. • Combine the former Audit Charter and the Strategy, and update the Charter

Subject:	TREASURY MANAGEMENT QUARTER THREE REPORT
Meeting and Date:	Governance – 20 March 2014
Report of:	Director of Finance, Housing & Community
Portfolio Holder:	Corporate Resources and Performance

Purpose of the report:	To provide details of the Council's treasury management for the quarter ended 31 December 2013 (Q3) and an update of activity to date.
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Recommendation:	That the report is received
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1. Summary

As at 31 December 2013, the Council's in-house investments (approximately £6.5m or 33% of total investments) and investments with the investment managers, Investec (approximately £12.9m or 67% of total investments) are currently outperforming their benchmark¹. The total interest received for the quarter is £59k, which means that income for the year-to-date is in line with budget. With deposit interest rates offered continuing to drop, and Investec currently under-performing against the budget, this position may change by the end of the year.

The Council has remained within its Treasury Management and Prudential Code guidelines during the period.

2. Introduction and Background

CIPFA (the Chartered Institute of Public Finance and Accountancy) issued the revised Code of Practice for Treasury Management in November 2009: it recommends that members should be updated on treasury management activities at least twice a year, but preferably quarterly. This report therefore ensures this council is implementing best practice in accordance with the Code.

In order to comply with the CIPFA code referred to above, but minimise the resource requirements in producing this report, a brief summary is provided below, and Appendix 1 contains a full report from the Council's Treasury Management Advisers, Capita.

Council adopted the 2013/14 Treasury Management Strategy on 6 March 2013 as part of the 2013/14 Budget and Medium Term Financial Plan.

3. Annual investment strategy

The investment portfolio as at the end of December is attached at Appendix 2. Since the end of quarter two, the Investec deposits with various banks have all matured (exceeding £10m) and the majority have been reinvested with the same institutions for periods of three or six months. An in-house deposit with Lloyds also matured (£3m) and has been reinvested with Lloyds for 12 months.

¹ The "benchmark" is the interest rate against which performance is assessed. DDC use the London Inter-Bank Bid Rate or LIBID, as its benchmark.

A further update is attached at Appendix 4. There is a temporary increase in cashflow funds from 31st December 2013 (£19.9m – see Appendix 2) to 28th February 2014 (£24.2m – see Appendix 4), but this will reduce when the precepts are paid on 17th March (£4m approx.) and the PWLB loan repayment on 28th March (£2.3m approx.).

The investment manager, Investec, has returned lower rates than those achieved through in-house investments. Investec have continued to be used as they are able to offer a wider spread of our counter party risks and use of additional financial instruments (e.g. gilts). A review will be undertaken to assess whether to keep the same level of investments with Investec, transfer additional investments back in-house or investigate alternative options.

4. **Economic background**

The report attached contains information up to the end of December 2013; since then we have received the following update from Capita (please note that their reference to Q4 is based on *calendar* years):

UK GDP

The second estimate of Q4 GDP provided further reassurance that the economic recovery is becoming better balanced and is therefore set to last. As was widely expected, the initial estimate of a 0.7% quarterly rise in GDP was left unrevised. And while GDP is now thought to have grown by 1.7%, rather than 1.8%, in 2013 as a whole, this small revision does little to change the overall picture. Meanwhile, the expenditure breakdown of Q4 GDP showed that the recovery has become less dependent on the consumer. The recent improvement in many surveys of firms' investment intentions suggests that the economy's supply potential will continue to expand in response to stronger demand. This indicates that the recovery is unlikely to cause inflation to pick up and, as a result, suggests that the MPC may be able to leave interest rates on hold for longer than the year or so currently anticipated by the markets. At the same time, the recovery in consumer spending seems unlikely to fizzle out either. Further gains in employment, easing credit constraints and a return to rising real pay should provide firm foundations for a further pick-up in spending in 2014.

UK Retail Sales & Public Finances

The sharp monthly drop in retail sales volumes in January is unlikely to herald the start of a consumer spending slowdown. Meanwhile, the fiscal consolidation remains on track despite January's disappointingly small budget surplus. While January's 1.5% monthly fall in retail sales volumes was the biggest drop seen since April 2012 and was larger than the 1% decline anticipated by the consensus, it should not cause concern. A fall back in sales volumes after their hefty 2.5% monthly rise in December had always looked likely.

Meanwhile, January's public finances were a little weaker than expected. Usually the public finances return to surplus in January as it is a bumper month for corporation and income tax receipts. However, the underlying budget surplus (which excludes the temporary effects of financial interventions and Royal Mail and APF transfers) was just £4.7bn this year, somewhat smaller than the £6bn attained last year.

UK Labour data/MPC minutes

The latest labour market data showed that there is still plenty of spare capacity in the job market. Since the minutes of February's MPC meeting confirmed that the Committee is committed to eliminating most of the slack in the economy before tightening policy, the first rise in interest rates still appears to be some way off. Employment rose by a strong 193,000 in the three months to December. However, the workforce also expanded rapidly over the same period, so unemployment fell by just 125,000. This brought the unemployment rate down from 7.6% in the three months to September to 7.2% in the three months to December. The minutes of February's MPC meeting showed that all Committee members were content to support the new form of forward guidance set out in the recent Inflation Report. Although there was not a formal vote on the new communications, the minutes were notable for the absence of any major disagreements amongst the members.

UK CPI

January's consumer prices figures showed that inflationary pressures are continuing to ease steadily and so presented another reason to be upbeat about the outlook for GDP growth this year. CPI inflation fell from 2% in December to 1.9%, the first reading below the MPC's 2% target since November 2009. While January's figure matched our forecast, it was the fifth consecutive month that inflation has undershot the consensus forecast. The drop was largely down to a fall in core inflation from 1.7% to 1.6%, reflecting very generous discounting over the January sales period. A smaller contribution to inflation from energy prices, as petrol prices fell and the first utility company dropped its prices to reflect the Government's recent cuts to environmental levies, also helped.

5. Interest Rates

Following the release of the latest Bank of England inflation report (February) Capita has updated its interest rate forecast and now expects the base rate to increase in the fourth quarter of 2015 rather than the second quarter of 2016, which is different to the table in Appendix 1 which is stated based on the previous inflation report.

6. New Borrowing

The Council's borrowing portfolio is attached at Appendix 3. No new borrowing was undertaken during the quarter.

7. Debt Rescheduling

At this time it is not of benefit to the Council to consider rescheduling of its long-term debt, as advised by Capita.

8. Compliance with Treasury and Prudential Limits

The Council has operated within the treasury limits and Prudential Indicators and in compliance with the Council's Treasury Management Practices.

9. **Iceland update**

The Icelandic Supreme Court found in favour of UK local authorities and other UK wholesale depositors last year. This judgement meant that UK local authorities' claims were recognised as deposits with priority status over other creditors' claims and that they would be paid first when it comes to getting their money back.

The winding up board published details of LBI's (formerly Landsbanki) financial position as at 31 December 2012. This showed that LBI's assets, including partial payments already made in respect of priority claims were greater than the sum of the priority claims. It was therefore considered likely that UK local authorities would eventually recover 100% of their deposits. However, the value recovered would fluctuate due to currency valuations as the sums are being paid in sterling, US dollars, Euros and Icelandic Kroner, leading to uncertainty about the amount collectible over a prolonged period. Therefore, DDC has now sold at auction the balance of its claim, and the matter is now concluded. DDC has received 97% of the original £1 million deposit and, as the estimated impairment (shortfall) had previously been provided in the statement of accounts to 31st March 2013, there should be no further material adverse impact on the General Fund balances.

Appendices

Appendix 1 – Capita treasury management report for quarter three

Appendix 2 – Investment portfolio as at 31 December 2013

Appendix 3 – Borrowing portfolio as at 31 December 2013

Appendix 4 – Investment portfolio as at 31 January 2014 (Investec) and 28 February 2014 (In-House)

10. **Background Papers**

Medium Term Financial Plan 2013/14 – 2015/16

Contact Officer: Stuart Groom, extension 2072

Treasury Management Update

Quarter Ended 31st December 2013

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (TMSS, annual and midyear reports). This report therefore ensures this Council is implementing best practice in accordance with the Code.

1. Economic Background

- After strong UK growth of 0.7% in quarter 2 and 0.8% in quarter 3, it appears that UK GDP is likely to have grown at an even faster pace in quarter 4 of 2013. Forward surveys are also very encouraging in terms of strong growth and there are positive indications that recovery is broadening away from reliance on consumer spending and the housing market into construction, manufacturing, business investment and exporting. This strong growth has resulted in unemployment falling much faster towards the threshold of 7%, set by the MPC before it said it would consider any increases in Bank Rate, than it expected last August when that threshold was initially set. Accordingly, markets are expecting a first increase in early 2015 though recent comments from MPC members have emphasised they would want to see strong growth well established, and an increase in real incomes, before they would consider raising Bank Rate.
- Also encouraging has been a sharp fall in inflation (CPI) to 2.1% in November and forward indications are that inflation will continue to be subdued. The return to strong growth has also helped lower forecasts for the increase in Government debt by £73bn over the next five years, as announced in the Autumn Statement, and fostered optimism for achieving a balance in the cyclically adjusted budget within five years, a year earlier than previously forecast.
- The big news in financial markets was that the Federal Reserve, in December, felt sufficiently confident that the premise for strong growth had been established in America that it could start to taper its asset purchases by reducing them by \$10bn per month from January 2014. These encouraging growth scenarios in the USA and UK led to a sharp jump up, in December, in short dated gilts; this, accordingly, impacted 5 and 10 year PWLB rates.

2. Interest Rate Forecast

The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.00%	1.25%
5yr PWLB rate	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.40%
10yr PWLB rate	3.60%	3.70%	3.80%	3.80%	3.90%	3.90%	4.00%	4.10%	4.20%	4.30%	4.30%	4.40%	4.50%
25yr PWLB rate	4.40%	4.50%	4.50%	4.60%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.10%	5.10%	5.10%
50yr PWLB rate	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.20%	5.20%	5.20%

Capita Asset Services undertook a review of its interest rate forecasts in late November, after the Bank of England's latest quarterly Inflation Report. This latest forecast now includes a first increase in Bank Rate in quarter 2 of 2016 (previously quarter 3) and reflects greater caution as to the speed with which the MPC will start increasing Bank Rate than the current expectations of financial markets.

SUMMARY OUTLOOK

Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth has rebounded during 2013 to surpass all expectations, propelled by recovery in consumer spending and the housing market. Forward surveys are currently very positive in indicating that growth prospects are also strong for 2014, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. This is very encouraging as there does need to be a significant rebalancing of the economy away from consumer spending to construction, manufacturing, business investment and exporting in order for this start to recovery to become more firmly established. One drag on the economy is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have ameliorated this to some extent. Labour productivity must improve significantly before increases in pay rates are warranted. With regard to the US, the main world economy, it faces similar debt problems to those of the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth, although labour force participation rates remain lower than ideal.

As for the Eurozone, concerns have subsided considerably in 2013. However, sovereign debt difficulties have not gone away and major concerns could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise to levels that could result in a loss of investor confidence in the financial viability of such countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed.

3. Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2013/14, which includes the Annual Investment Strategy, was approved by the Council on 06/03/13. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield.

The Council will also aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cashflow needs, but also to seek out value available in periods up to 12 months, with highly credit rated financial institutions, using our suggested creditworthiness approach, including sovereign credit rating and Credit Default Swap (CDS) overlay information.

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 31st December 2013.

Investment rates available in the market have continued at historically low levels and have fallen further during the quarter as a result of the Funding for Lending Scheme. Additional funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme. The Council holds £19m core cash balances for investment purposes (i.e. funds available for more than one year).

Investment performance for quarter ended 31st December 2013

Benchmark	Benchmark Return	Council Performance	Investment Interest Earned
7 day	0.35%	0.69%	£59k

As illustrated, the Council outperformed the benchmark by 34 basis points. The Council's budgeted investment return for 2013/14 is £260k, and performance for the year to date is in line with the budget. However, this figure excludes unrealised losses of £60k at 31st December, mainly relating to gilts, which are subject to market fluctuations during the remainder of the year that may increase or reduce such potential losses, as well as realised losses of £5k.

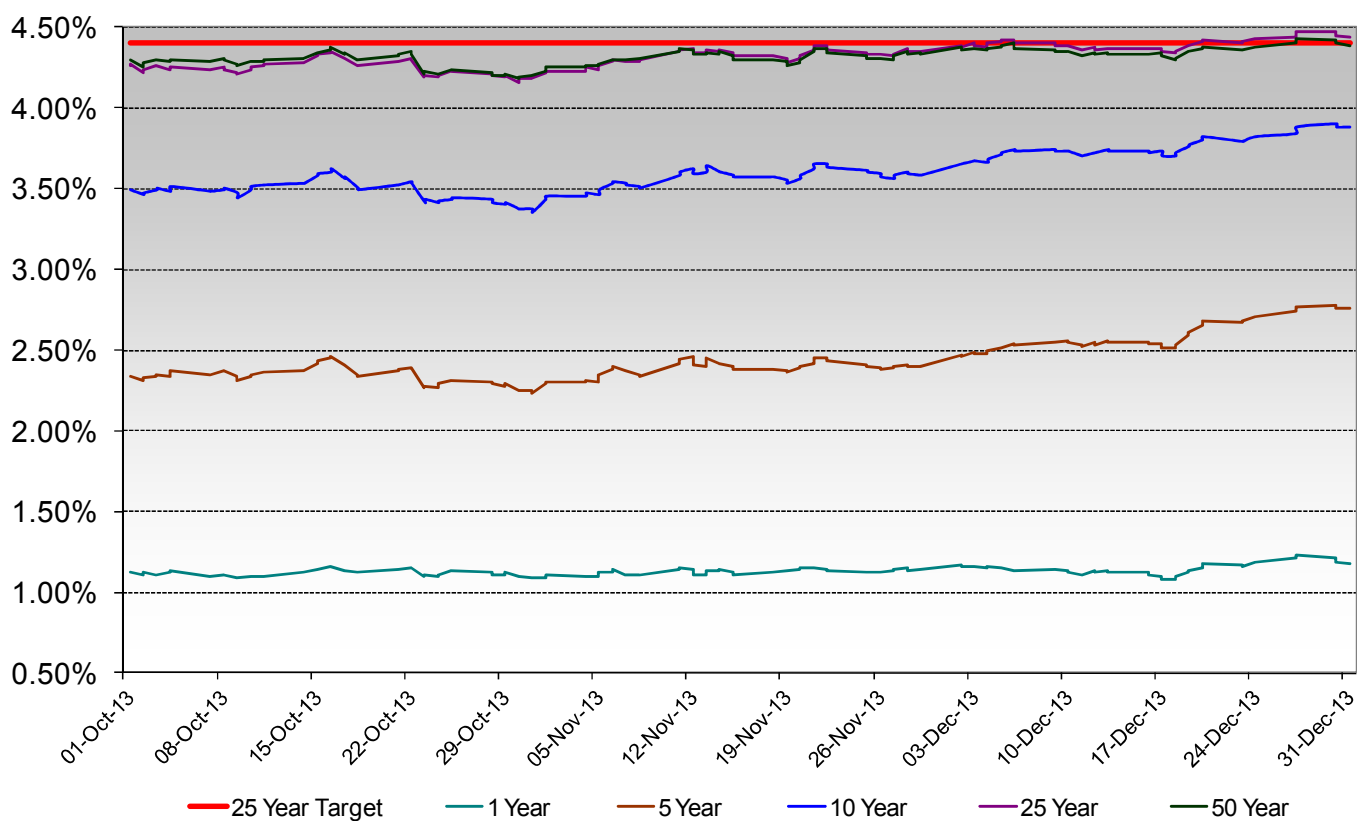
4. New Borrowing

No borrowing was undertaken during the quarter.

The 25 year PWLB target rate for new long term borrowing for the quarter remained at 4.40%, borrowing rates are detailed below.

PWLB certainty rates, quarter ended 31st December 2013

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.08%	2.23%	3.35%	4.16%	4.18%
Date	17/12/2013	31/10/2013	31/10/2013	30/10/2013	30/10/2013
High	1.23%	2.78%	3.90%	4.47%	4.43%
Date	27/12/2013	30/12/2013	30/12/2013	27/12/2013	27/12/2013
Average	1.13%	2.43%	3.59%	4.32%	4.31%



Borrowing in advance of need.

This Council has not borrowed in advance of need during the quarter ended 31st December 2013 and has no intention to borrow in advance in 2013/14.

5. Debt Rescheduling

Debt rescheduling opportunities have been limited in the current economic climate and following the increase in the margin added to gilt yields which has impacted PWLB new

borrowing rates since October 2010. No debt rescheduling was undertaken during the quarter.

6. Compliance with Treasury and Prudential Limits

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators are included in the approved TMSS.

During the financial year to date the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The prudential and treasury Indicators are shown below.

Prudential and Treasury Indicators as at 31st December 2013

Treasury Indicators	2013/14 Budget £'000	Quarter 3 Actual £'000
Authorised limit for external debt	113,500	113,500
Operational boundary for external debt	108,000	108,000
Maturity structure of fixed rate borrowing - upper and lower limits		
Under 12 months	2,100	2,100
12 months to 2 years	3,022	3,022
2 years to 5 years	6,489	6,489
5 years to 10 years	12,272	12,272
10 years and above	71,190	71,190
Capital Expenditure	10,035	3,526 (YTD)
Capital Financing Requirement (CFR)	98,223	98,223

Investec Funds as at 31/12/13 - In-house as at 31/12/13

APPENDIX 2

Organisation	Type of investment	Current rating	Maturity date	Market yield %	Book cost	Government Sovereign Debt rating	Options available
Investec Investments							
Nationwide Building Society	Certificate of deposit	AA-/F1+/1	19/05/14	0.510	300,000	UK - Gov 'AA+'	
Svenska Handelsbanken	Certificate of deposit	AA-/F1+/1	30/05/14	0.550	1,500,000	Sweden - Gov 'AAA'	
Nordea Group	Certificate of deposit	AA-/F1+/1	08/01/14	0.380	1,200,000	Sweden - Gov 'AAA'	
Nova Scotia	Certificate of deposit	A/F1/1	03/03/14	0.410	2,350,000	Canada - Gov 'AA+'	
Deutsche Bank	Certificate of deposit	A+/F1+/1	14/02/14	0.500	2,500,119	Germany - Gov 'AAA'	
Commonwealth Bank	Certificate of deposit	AA/F1+/1	20/03/14	0.440	1,200,000	Australia - Gov 'AAA'	
Nordea Group	Certificate of deposit	AA-/F1+/1	19/02/14	0.390	1,300,000	Sweden - Gov 'AAA'	
					10,350,119		
United Kingdom	Commercial Paper		16/06/14	0.390	299,462		
United Kingdom	Gilt		22/07/18	1.910	1,919,321		
United Kingdom	Commercial Paper		27/05/14	0.380	199,650		
Rabobank	Deposit		02/12/14	0.200	60,029		
					103,521		
GBP cash - settled balance					103,521		
GBP cash - outstanding settlements							
					12,932,103		
In-house Investments - Portfolio							
Landsbanki Islands	Term deposit	Not rated by sectc	26/11/08	6.170	447,758	Iceland - Gov 'BBB-'	Duration 364 days - Repayment received £499,514.61
Lloyds	Term deposit	A/F1/1	17/12/14	0.980	3,000,000	UK - Gov 'AA+'	364 days
BOS	Bond	A/F1/1	07/11/14	0.980	1,000,000	UK - Gov 'AA+'	364 days
Lloyds	Term deposit	A/F1/1	30/01/14	0.750	2,000,000	UK - Gov 'AA+'	182 days
					6,447,758		
					19,379,860		
				Total Portfolio	19,379,860		
Cashflow							
		Call Accounts/MMF (as at 31/12/13)				Rate	
					0		
					55,106	0.33%	
					4,615,993	0.50%	
					55,541	0.50%	
					47,306	0.50%	
					10,998	0.50%	
					4,987,691	0.80%	
					5,078,782	0.40%	
					5,028,190	0.62%	
					1		
				Total Cash flow	19,879,608		
				Total Portfolio and Cashflow	39,259,468		

Interest Type	Date Loan Taken Out	Date Loan Matures	Repayment Dates	Loan Number	Principal Balance 01-Apr-13	Interest Rate %	Principal Repaid 2013/14	Annual Interest 2013/14	Lender	Type of loan
Fixed	02/10/97	02/10/57	APR-OCT	479961	1,000,000	6.75		67,500	PWLB	Principal due on maturity
Fixed	28/05/97	28/05/57	MAY-NOV	479542	2,000,000	7.38		147,500	PWLB	Principal due on maturity
Fixed	23/08/46	23/06/26	JUNE-DEC	131582	602	2.50	44.64	15	PWLB	Equal installment of principal
Fixed	27/09/46	27/06/26	JUNE-DEC	131583	113	2.50	8.40	3	PWLB	Equal installment of principal
Fixed	16/11/01	30/09/26	SEPT-MAR	486237	1,000,000	4.75		47,500	PWLB	Principal due on maturity
Variable	16/12/02	16/12/42	JUNE-DEC	NA	3,000,000	4.75		142,500	KA Finanz AG	Repayable if called by bank
Fixed	26/03/12	26/03/42	SEPT-MAR	499853	88,633,727	3.18	1,898,227.02	2,803,581	PWLB	Annuity
Fixed	01/05/12	01/11/27	MAY-NOV		121,934	0.00	8,709.60	0	Lawn Tennis Association	Interest free
Fixed	01/03/11	31/12/14	MAR-SEP		9,289	0.00	6,192.50	0	Salix	Interest free
					95,765,665		1,913,182	3,208,598		

Investec Funds as at 31/1/14 - In-house as at 28/2/14
APPENDIX 4

Organisation	Type of investment	Current rating	Maturity date	Market yield %	Book cost	Government Sovereign Debt rating	Options available
Investec Investments							
National Australia Bank	Certificate of deposit	AA-/F1+/1	19/05/14	0.510	300,000	Australia - Gov 'AAA'	
Svenska Handelsbanken	Certificate of deposit	AA-/F1+/1	30/05/14	0.490	1,500,000	Sweden - Gov 'AAA'	
Nordea Group	Certificate of deposit	AA-/F1+/1	09/04/14	0.470	1,200,000	Sweden - Gov 'AAA'	
Nova Scotia	Certificate of deposit	A/F1/1	03/03/14	0.440	2,350,000	Canada - Gov 'AA+'	
Deutsche Bank	Certificate of deposit	A+/F1+/1	14/02/14	0.500	2,500,119	Germany - Gov 'AAA'	
Commonwealth Bank	Certificate of deposit	AA/F1+/1	20/03/14	0.480	1,200,000	Australia - Gov 'AAA'	
Nordea Group	Certificate of deposit	AA-/F1+/1	19/02/14	0.420	1,300,000	Sweden - Gov 'AAA'	
					10,350,119		
United Kingdom	Commercial Paper		16/06/14	0.410	299,462		
United Kingdom	Gilt		22/07/18	1.660	1,919,321		
United Kingdom	Commercial Paper		27/05/14	0.410	199,650		
Rabobank	Deposit		03/02/14	0.350	150,032		
Nova Scotia	Deposit		03/02/14	0.200	10,002		
GBP cash - settled balance					17,018		
GBP cash - outstanding settlements					0		
					12,945,603		

In-house Investments - Portfolio

							Duration
Lloyds	Term deposit	A/F1/1	17/12/14	0.980	3,000,000	UK - Gov 'AA+'	364 days
OS	Bond	A/F1/1	07/11/14	0.980	1,000,000	UK - Gov 'AA+'	364 days
Lloyds	Term deposit	A/F1/1	30/07/14	0.700	2,000,000	UK - Gov 'AA+'	182 days
					6,000,000		
					18,945,603		
			Total Portfolio		18,945,603		

Cashflow

Call Accounts/MMF (as at 28/2/14)		Rate
DMA	0	
Global Treasury Fund	555,106	0.33%
SIBA	8,453,493	0.50%
SIBA SEEDA	55,541	0.50%
SIBA HCA	47,306	0.50%
SIBA ASDA	10,998	0.50%
Santander	4,994,472	0.80%
BoS	5,082,289	0.40%
Barclays	5,028,190	0.62%
Abbey	1	
Total Cash flow	24,227,395	
Total Portfolio and Cashflow	43,172,998	

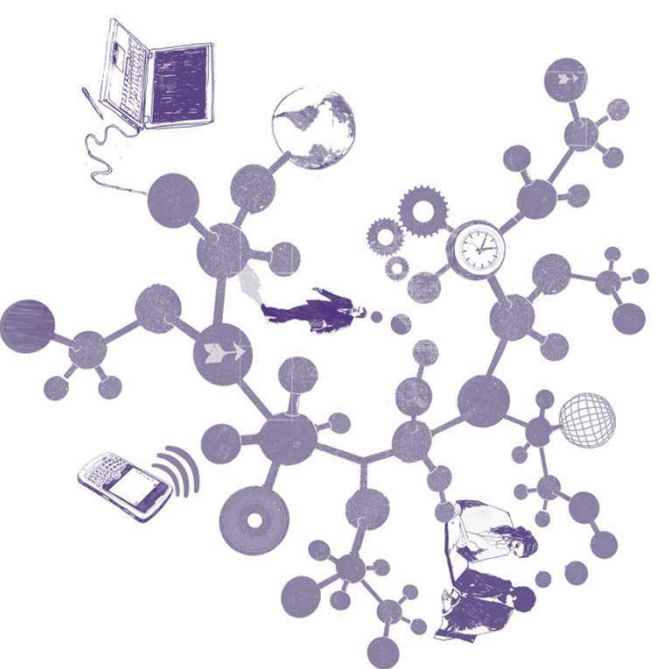
Certification report 2012/13 for Dover District Council

Year ended 31 March 2013

17 February 2014

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Section 1: *Executive summary*

01. **Executive summary**

02. Results of our certification work

Executive summary

Introduction

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

We have certified three claims and returns for the financial year 2012/13 relating to expenditure of £83.3 million.

70 This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

Approach and context to certification

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

Our approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform were set out in our Certification Plan issued to the Council on 26 September 2013.

Key messages

A summary of all claims and returns subject to certification is provided at Appendix A. The key messages from our certification work are summarised in the table below and set out in detail in the next section of the report.

Aspect of certification arrangements	Key Messages	RAAG rating
Submission & certification	The majority of the claims were submitted to audit on time and all claims were certified before the required deadline.	 AMBER
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	Minor amendments were made to all three claims, with the Housing and Council Tax Benefit claim being qualified.	 AMBER
Supporting working papers	Supporting working papers for the three claims certified were found to be accurate and officers provided these in a timely manner.	 GREEN

The way forward

We set out recommendations to address the key messages above and other findings arising from our certification work at Appendix B.

Implementation of the agreed recommendations will assist the Council in compiling accurate and timely claims for certification. This will reduce the risk of penalties for late submission, potential repayment of grant and additional fees.

Acknowledgements

- 1 We would like to take this opportunity to thank the Council and East Kent Services officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP
February 2014

Section 2: Results of our certification work

01. Executive summary





02. Results of our certification work

Results of our certification work

Key messages

We have certified three claims and returns for the financial year 2012/13 relating to expenditure of £83.3 million.

The Council's performance in preparing claims and returns is summarised below. However, it should be noted that the number of claims changing between years impacts on the direction of travel.

Performance measure	Target	Achievement in 2012/13		Achievement in 2011/12		Direction of travel
		No.	%	No.	%	
Number of claims		3		4		
Claims submitted on time	100%	2	67	3	75	
Claims certified on time	100%	3	100	4	100	
Claims certified with amendment	0%	3	100	1	25	
Claims certified with qualification	0%	1	33	1	25	

This analysis of performance shows that:

- All claims were amended during 2012/13 compared to only one in 2011/12.
- Although the direction of travel appears to have worsened, this is mainly caused by the reduction in the number of claims in 2012/13.

Details of the certification of all claims and returns are included at Appendix A.

Significant findings

Our work has identified the following issues in relation to the management arrangements and certification of individual grant claims and returns:

- In relation to the National Non-domestic Rates return, deferrals testing highlighted a prior year deferral that should have been removed from the claim. The Council reviewed all deferrals and found further prior year deferrals which were been removed from the claim correctly.

Recommendations for improvement are included in the action plan at Appendix B

Certification fees

The Audit Commission set an indicative scale fee for grant claim certification based on 2010/11 certification fees for each audited body. The indicative scale fee for the Council for 2012/13 is £26,450.

Due to the cyclical testing requirements of the Audit Commission whereby detailed testing is required every three years, the actual fee charged to the Council for 2012/13 was £28,667, which is an increase of £2,217. This increase has been agreed with both officers and the Audit Commission. Overall, the fee has reduced, on a like-for-like basis, by 37% compared to 2010/11.

Appendices

Appendix A: Details of claims and returns certified for 2012/13

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Pooling of housing capital receipts	£1.25m	Yes	(680) (reduction)	No	
National non-domestic rates return	£32.8m	Yes	(6,922) (reduction)	No	
Housing and Council Tax Benefit	£49.3m	Yes	£0	Yes	Although the claim form was amended there was no impact on the amount of subsidy payable to the Council.

Appendix B: Action plan

Priority

High - Significant effect on arrangements

Medium – Some effect on arrangements

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The Council should review prior year deferrals on an annual basis to ensure that "old" deferrals are correctly excluded from the claim form.	Medium	The process of checking deferred accounts has been added to our annual year end testing process.	March 2014 Income Manager (EKS)
2	Where reconciliation differences arise between benefit paid and benefit granted the lower figure should be applied to each individual claim type.	Medium	Agreed	Already implemented Operational Support Manager (EKS)

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Appendix C: Fees

Claim or return	2011/12 actual fee (£)	2011/12 fee (£) including 40% reduction	2012/13 indicative fee (£)	2012/13 actual fee (£)	Variance year on year (£)	Explanation for significant variances
Pooling of housing capital receipts	822	493	500	1,016	523	Results from additional (Part B) testing being required in 2012/13 in line with the cyclical approach required under Audit Commission guidance.
National non-domestic rates return	1,327	796	910	2,611	1,815	Results from additional (Part B) testing being required in 2012/13 in line with the cyclical approach required under Audit Commission guidance.
Housing benefits subsidy claim	30,700	18,420	25,040	25,040	6,863	The 2012/13 indicative fee was based on the 2010/11 fee less 40% and there was a greater level of additional testing required in 2010/11 than in 2011/12. In comparison to 2010/11 on which the 2012/13 audit fee is based, a 37% reduction has been achieved on a like-for-like basis.
Housing revenue account subsidy	982	589	-	-	-	Not required to be audited in 2012/13
Total	33,831	20,298	26,450	28,667	9,201	



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Grant certification work plan for Dover District Council

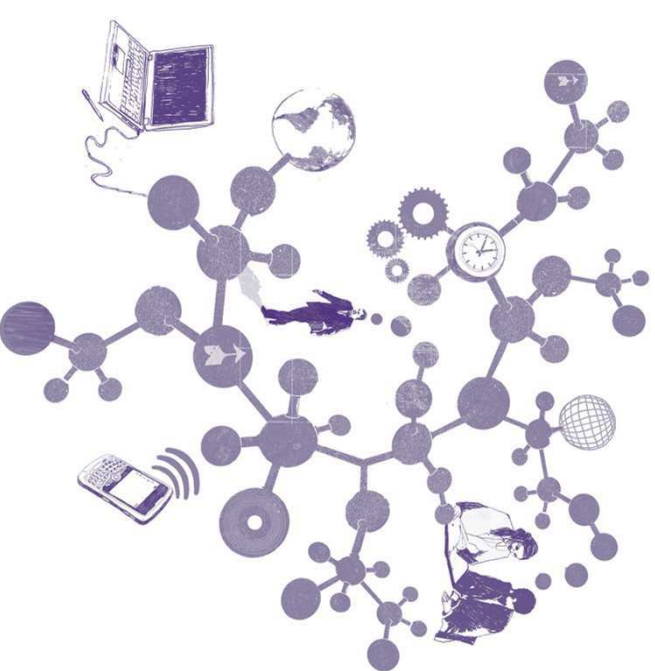
Year ended 31 March 2014

March 2014

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Our approach to grant certification work

Introduction

Various grant-paying bodies require external certification of claims for grant or subsidy and returns of financial information.

The Audit Commission makes certification arrangements with grant-paying bodies, including confirming which claims and returns require certification and issuing certification instructions. These instructions are tailored to each scheme and set out the specific procedures to be applied in examining the claim or return. The Audit Commission agrees the deadline for submission of each claim by authorities and the deadline for certification by auditors.

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As the Council's appointed external auditor, we undertake grant certification work acting as an agent of the Audit Commission.

Certification arrangements

The Audit Commission's certification arrangements are designed to be proportionate to the claim or return. The arrangements for 2013/14 are:

- for claims and returns below £125,000, certification by us is not required, regardless of any statutory certification requirement or any certification requirement set out in grant terms and conditions
- for claims and returns above £125,000 and below £500,000, we are required to perform limited tests to agree entries on the claim or return to underlying records, but are not required to undertake any testing of the eligibility of expenditure or data

- for claims and returns over £500,000, we are required to assess the control environment for the preparation of the claim or return and decide whether or not to place reliance on it. Where reliance is placed on the control environment, we are required to undertake limited tests to agree entries on the claim or return to underlying records but not to undertake any testing of the eligibility of expenditure or data. Where reliance is not placed on the control environment, we are required to undertake all the tests in the relevant certification instruction and use our assessment of the control environment to inform decisions on the level of testing required.

In determining whether we place reliance on the control environment, we consider other work we have undertaken on the Council's financial ledger and any other relevant systems, and make appropriate use of relevant internal audit work where possible.

However, due to the cyclical testing requirements of the Audit Commission, we are required to complete detailed testing is required every three years in any event.

Role of all parties

The table below summarises the respective roles and responsibilities of the parties involved in the certification process.

Party	Role & responsibility
Grant paying body	Sets conditions of grant and deadline for submission for pre-certified and certified claims
Audit Commission	Issues certification instructions for auditor work
Council	Submits claims for certification to the Appointed Auditor within grant paying body submission deadlines
Appointed Auditor	Certifies claims in accordance with Audit Commission certification instructions and within certification deadlines

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The Council's role in set out in more detail below:

- the Head of Finance is responsible for ensuring that supporting accounting records are sufficient to document the transactions for which claims are made. These records should be maintained in accordance with proper practices and kept up to date, including records of income and expenditure in relation to claims and returns
- the Council should ascertain the requirements of schemes at an early stage to allow those responsible for incurring eligible expenditure to assess whether it falls within the scheme rules and to advise those responsible for compiling claims and returns to confirm any entitlement
- the Council should ensure all deadlines for interim and final claims are met to avoid sanctions and penalties from grant paying bodies
- grant-paying bodies usually require the Council's certificate to be given by an appropriate senior officer. This is typically the Director of Finance, Housing and Community or an officer authorised by written delegated powers
- the Council should monitor arrangements with any third parties involved in the certification process.

Claims history

The most significant claims and returns in 2012/13 were:

- housing and council tax benefit claim
- national non-domestic rates return
- pooling of housing capital receipts

Due to changes in government funding, there are a number of schemes that either finished in 2012/13 or where funding is no longer ring-fenced. For the Council this means that there will be no certification under the Audit Commission regime of the following schemes this year:

- council tax benefit (previously part of the housing and council tax benefit claim)
- national non-domestic rates return

Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification
- without qualification but with agreed amendments incorporated by the Council or
- with a qualification letter (with or without agreed amendments incorporated by the Council).

Where a claim is qualified because the Council has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the Council or claw back funding which has already been provided or has not been returned.

In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which may impact on the certification fee.

Certification work fees

The Audit Commission set an indicative fee for grant claim certification based on 2011/12 actual certification fees for each council. The indicative fee for the Council is £19,200. This fee may be subject to revision by the Audit Commission as certification of council tax benefit is no longer required as part of the Housing Benefit Subsidy scheme. The fee is based on the following assumptions:

- there will be no change in the scope of our work due to the control environment in place during the year
- the Council provides adequate working papers to support each entry in the claim/return
- the Council's staff are available to deal with our queries in a timely manner and provide such explanations and supporting evidence necessary to support entries.

Where there is any significant variation from these assumptions, we will discuss a variation to the indicative scale fee with the Council and the Audit Commission.

The Council has identified all claims and returns requiring certification and this information is incorporated into Appendix A to this plan.

Administration

When each expected claim or return is completed, a copy of the signed claim should be sent to Emily Hill at the following address:

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

- The **original** claims and returns should be retained by the Council.
- If additional claims and returns are identified by either us or the Council they will be incorporated into the appendix in this plan
- All claims and returns listed in Appendix A should be sent to us, even if below the de minimis limit so that we can confirm that no certification is required. We are required to report the value of these claims to the Audit Commission in our annual certification report.

Managing the certification process – our role

- We intend to certify all claims and returns in accordance within the deadlines set by the Audit Commission. If we receive any claims after the Council's submission deadline, we will endeavour to certify them within the Audit Commission deadline but, where this is not possible, within three months from receipt
- A copy of each certified claim or return will be sent to the relevant named contact when the certification process is complete, along with a copy of the qualification letter, where applicable
- Copies of the certification instructions can be provided on request
- We expect to complete the certification of all claims by late 2014 and will issue a grant certification report highlighting any issues that need to be brought to the Council's attention.

Appendix A: Summary of expected claims & returns for the year ended 31 March 2014

Claim (CI reference)	Authority deadline **	Certification deadline **	Claim certified in prior year	Prior year outcome
Housing benefits subsidy (BEN01) *	30/04/14	30/11/14	Yes	Claim qualified and amended
Pooling of housing capital receipts (CFB06)	28/06/14	27/09/14	Yes	Claim amended

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* No certification of council tax benefit is required in 2013/14

** Indicative deadlines only – final deadlines to be confirmed by the Audit Commission



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Governance Committee Update for Dover District Council

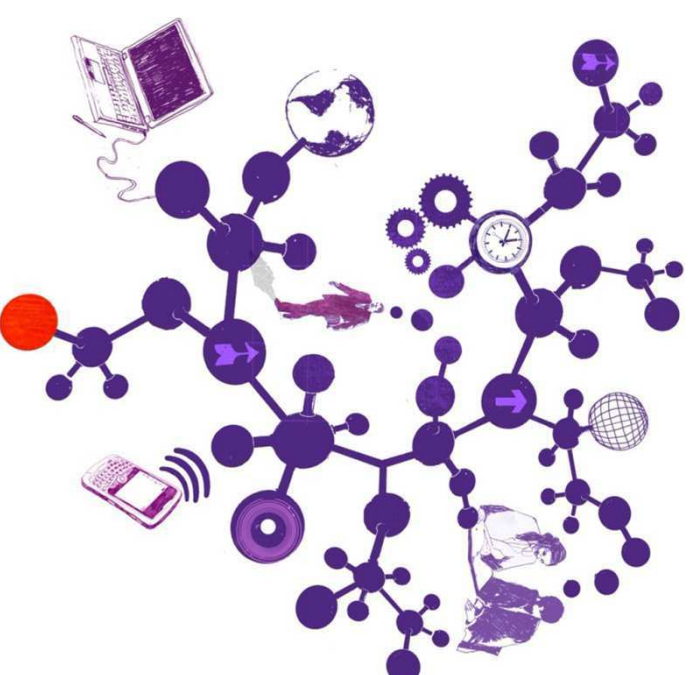
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to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

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Introduction

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

- a summary of emerging national issues and developments that may be relevant to you as a District Council
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Governance Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

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

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Progress at 05 March 2014

Work	Planned date	Complete?	Comments
<p>2013-14 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2013-14 financial statements.</p>	20 March 2014	Yes	Included on the agenda
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	January to March 2014	On-going	<p>We have already completed updating our review of the control environment and our understanding of the financial systems, subject to a review of IT controls.</p> <p>We have completed our initial risk assessment for the Value for Money Conclusion.</p> <p>The audit team is on site from 3 March 2014 for two weeks to complete the remainder of the interim fieldwork</p>
<p>2013-14 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	July to September 2014	Not needed	

Progress at 05 March 2014

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2013/14 VfM conclusion comprises:</p> <ul style="list-style-type: none"> • The organisation has proper arrangements in place for securing financial resilience. • The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness. 	January to September 2014	On-going	
<p>Other areas of work</p> <p>Grant Certification 2012/13</p>	November 2013	Yes	The Grant Certification work for 2012/13 is complete with the associated report being delivered to the Governance Committee on 20 March 2014.
<p>Other activity undertaken</p> <p>Liaison meeting with the Director of Finance, Housing and Community and the Head of Finance</p>	23 January 2014	Yes	

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Councils choosing their auditors one step closer

Local government guidance

Local Audit and Accountability Act

The Local Audit and Accountability Act received Royal Assent on 30 January 2014.

Key points:

- the Act makes provision for the closure of the Audit Commission on 31 March 2015;
- arrangements are being worked through to transfer residual Audit Commission responsibilities to new organisations;
- there will be a new framework for local public audit due to start when the Commission's current contracts with audit suppliers end in 2016/17, or potentially 2019/20 if all the contracts are extended;
- the National Audit Office will be responsible for the codes of audit practice and guidance, which set out the way in which auditors are to carry out their functions;
- Local Authority's will take responsibilities for choosing their own external auditors;
- recognised supervisory bodies (accountancy professional bodies) will register audit firms and auditors and will be required to have rules and practices in place that cover the eligibility of firms to be appointed as local auditors;
- Local Authority's will be required to establish an auditor panel which must advise the authority on the maintenance of an independent relationship with the local auditor appointed to audit its accounts;
- existing rights around inspection of documents, the right to make an objection at audit and for declaring an item of account unlawful are in line with current arrangements;
- transparency measures give citizens the right to film and tweet from any local government body meeting.

Issues to consider/challenge questions:

- Have members considered the implications of the Local Audit and Accountability Act for the Council's future external audit arrangements?

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Helping the High Street

Local government guidance

Support for UK high streets

On December 6, 2013 the Communities Secretary set out a £1 billion package of support for UK high streets, the stated objectives being to:

- support business and the private sector to have a greater stake in their high streets;
- make it easier to diversify town centres;
- ensure town centres remain accessible to visitors;
- promote the use of technology to modernise town centres.

Key elements of the strategy include:

- a £1,000 discount in 2014/15 and 2015/16 for retail premises with a rateable value of up to £50,000 – including shops, pubs, café and restaurants;
- capping the Retail Price Index (RPI) increase in bills to 2% in 2014/15;
- extending the doubling of Small Business Rates relief to April 2015;
- a reoccupation relief for 18 months with a 50% discount for new occupants of retail premises empty for a year or more;
- assisting business cash flow by allowing businesses to pay their bills over 12 months (rather than 10)

Issues to consider/challenge questions:

- Has the Council assessed the local economic impact of the measures announced by the Communities Secretary?
- Has the Director of Finance, Housing and Community assessed the impact of the measures on the Council's finances and the 2014/15 and 2015/16 budgets?

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79% of Councils anticipate Tipping Point soon

Grant Thornton

2016 tipping point? Challenging the current

This report http://www.grant-thornton.co.uk/Global/Publication_pdf/LG-Financial-Resilience-2016-tipping-point.pdf is the third in an annual series which assesses whether English local authorities have the arrangements in place to ensure their sustainable financial future.

Local authorities have so far met the challenges of public sector budget reductions. However, some authorities are predicting reaching tipping point, when the pressure becomes acute and financial failure is a real risk. Based on our review of forty per cent of the sector, this report shows that seventy nine per cent of local authorities anticipate some form of tipping point in 2015/16 or 2016/17.

Our report rates local authorities in four areas - key indicators of financial performance, strategic financial planning, financial governance and financial control. It also identifies a series of potential 'tipping point scenarios' such as local authorities no longer being able to meet statutory responsibilities to deliver a range of services.

Our report also suggest some of the key priorities for local authorities in responding to the challenge of remaining financially sustainable. This includes a relentless focus on generating additional sources of revenue income, and improving efficiency through shared services, strategic partnerships and wider re-organisation.

Challenge questions

- Our report includes a good practice checklist designed to provide senior management and members with an overview of key tipping point risks. Has the Director of Finance, Housing and Community completed the checklist and reported it to the Governance Committee?
- The report also includes good practice case studies in strategic financial planning, financial governance and financial control. Has the Director of Finance, Housing and Community reviewed these case studies and considered whether there is scope to adopt these?

Alternative Delivery Models – are you making the most of them?

Grant Thornton

Alternative delivery models in local government

This report: <http://www.grant-thornton.co.uk/en/Publications/2014/Responding-to-the-challenge-alternative-delivery-models-in-local-government/> discusses the main alternative delivery models available to local government. These are based on our recent client survey and work with local government clients. It aims to assist others as they develop their options and implement innovation strategies.

Local government has increased the variety and number of alternative delivery models it uses in recent years including contracts and partnerships with other public bodies and private sector organisations, as well as developing new public sector and non-public sector entities. With financial austerity set to continue, it is important that local authorities continue innovating, if they are to remain financially resilient and commission better quality services at reduced cost.

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This report is based on a brief client survey and work with local authority clients and:

- Outlines the main alternative delivery models available to local authorities
- Aims to assist other authorities as they develop their options and implement innovation strategies
- Considers aspects of risk.

Challenge question

- Our report includes a number of case studies summarising how public services are being delivered through alternative service models. Has the Authority reviewed these case studies and assessed whether there are similar opportunities available to it?
- Our report includes three short checklists on supporting innovation in service delivery, setting up a company and questions that members should ask officers when considering the development of a new delivery model. Are the checklists being considered as part of the development of the Authority's commissioning strategy?

Welfare reforms – what you think of it so far?

Grant Thornton

Reaping the benefits: first impressions of the impact of welfare reform.

- The potential scope of this topic is broad, so our report focuses on the financial and managerial aspects of welfare reform. This involves:
- Understanding the challenges currently facing local government and housing associations in regard to welfare reform and what organisations have been doing to meet this challenge in terms of strategy, projects and new processes.
 - Reporting on the early indications of effectiveness following the implementation of these measures and the impact of reform.
 - Providing early insight into challenges facing these organisations in the near future.

We have pulled together information from a variety of sources, including our regular conversations across the local government and housing sectors and surveying local authorities and housing associations in England.

We found that:

- In general, organisations have been very active in engaging with stakeholders and putting in place appropriate governance arrangements and systems to implement specific reforms. A minority of organisations did not fully exploit all the options open to them in preparing for reform.
- So far, the indication is that the impact of reform experienced by local authorities and partners has been managed effectively. This may be because the full impact has not yet been felt. Some worrying signs are emerging, including rising rental arrears, homelessness and reliance on food banks, which may be linked to the reforms.
- Looking ahead, further reforms, such as the implementation of universal credit and the move to direct payments present significant uncertainties and challenges over the next few years.

Challenge questions

- Has the Director of Finance, Housing and Community kept members informed of progress with stakeholder engagement and changes to governance arrangements to implement specific reforms?
- What impact assessment is the Authority carrying out on council tax localisation, the benefit cap and housing benefit, the spare room subsidy and changes to the Social Fund?
- Does the Authority have a plan in place or in development for the introduction of universal credit?

Revaluing your assets – clarification of accounting guidance

Accounting and audit issues

Property, plant and equipment valuations

The 2013/14 Code has clarified the requirements for valuing property, plant and equipment and now states explicitly that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.' This means that a local authority will need to satisfy itself that the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014. This is likely to be a complex analysis which might include consideration of:

- the condition of the authority's property portfolio at 31 March 2014
- the results of recent revaluations and what this might mean for the valuation of property that has not been recently valued
- general information on market prices and building costs
- the consideration of materiality in its widest sense - whether an issue would influence the view of a reader of the accounts.

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The Code also follows the wording in IAS 16 more closely in the requirements for valuing classes of assets:

- items within a class of property, plant and equipment are to be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates
- a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date.

There has been much debate on what is a short period and whether assets that have been defined as classes for valuation purposes should also be disclosed separately in the financial statements. These considerations are secondary to the requirement that the carrying value does not differ materially from the fair value. However, we would expect auditors to report to those charged with governance where, for a material asset class:

- all assets within the class are not all valued in the same year
- the class of asset is not disclosed separately in the property, plant and equipment note.

Challenge question

- Has your Director of Finance, Housing and Community consulted you on the programme of valuations and the proposals for disclosing information about classes of assets?

Estimating the impact of business rate appeals

Accounting and audit issues

Business rate appeals provisions

Local authorities are liable for successful appeals against business rates. They should, therefore, recognise a provision for their best estimate of the amount that businesses have been overcharged up to 31 March 2014.

However, there are practical difficulties which mean that making a reliable estimate for the total amount that has been overcharged is challenging:

- the appeals process is managed by the Valuation Office Agency (VOA) and so local authorities are reliant on the information provided to them by the VOA
- some businesses may have been overcharged but not yet made an appeal.

We would expect local authorities:

- to work with the VOA to make sure that they have access to the information they need
- where appeals have been made, to determine a methodology for estimating a provision and to apply this methodology consistently
- where appeals have not been made:
 - to consider the extent to which a reliable estimate can be made (for example, in relation to major businesses)
 - to recognise a provision where a reliable estimate can be made
 - to disclose a contingent liability where a reliable estimate cannot be made
 - to provide a rationale to support their judgement that a reliable estimate cannot be made
- to revisit the estimate with the latest information available immediately before the audit opinion is issued.

Challenge questions:

- Is your authority confident of obtaining the information it needs from the VOA?
- Has your authority recognised a provision where it is possible to make a reliable estimate? Has a robust methodology been used?
- Has your authority provided a robust rationale where it has decided it cannot make a reliable estimate? Is it planning to disclose a contingent liability?
- Is your authority planning to revisit its provision and contingent liability before the audit opinion is issued?

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Accounting for pensions

Accounting and audit issues

Accounting for and financing the local government pension scheme costs

Accounting issues

The 2013/14 Code follows amendments to IAS 19 and changes the accounting requirements for defined benefit pension liabilities such as those arising from the local government pension scheme (LGPS). This is a change in accounting policy and will apply retrospectively.

The main changes we expect to see are:

- a reallocation of amounts charged in the comprehensive income and expenditure statement (CIES)
- more detailed disclosures.

We do not expect changes to balance sheet items (the net pension liability and pension reserve balance). This means that whilst we would expect the CIES to be restated, a third balance sheet is not required. Actuaries should be providing local authorities with the information they need to prepare the financial statements, including restated comparatives.

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Financing issues

The amount to be charged to the general fund in a financial year is the amount that is payable for that financial year as set out in the actuary's rates and adjustments certificate. Some local authorities are considering paying pension fund contributions early in exchange for a discount but not charging the general fund until later.

Local authorities must be satisfied that the amounts charged to the general fund in a financial year are the amounts payable for that year.

Where local authorities are considering making early payments, we would expect them to obtain legal advice (either internally or externally) to determine the amounts that are chargeable to the general fund. We would expect this to include consideration of:

- the actuary's opinion on the amounts that are payable by the local authority into the pension fund
- the agreement between the actuary and the local authority as to when these payments are to be made
- the wording in the rates and adjustments certificate setting out when amounts are payable for each financial year.

For example, if a local authority agrees to make a payment to the pension fund in a single year and proposes to charge this amount to the general fund over a three-year period, we would expect the rates and adjustments certificate to show, unambiguously, that the amount payable is spread over the three years.

Accounting for pensions

Accounting and audit issues

Challenge questions:

- Is your local authority confident of getting the information from its actuary to meet the changes in the requirements for accounting for the LGPS (including restating the comparatives)?
- If your authority is considering making an early payment to the pension fund, has it set out a reasonable argument for how it proposes to charge this amount to the general fund? Is this supported by legal advice?

Changes to the public services pension scheme

Accounting and audit issues

Changes to the Local Government Pension Scheme

The Public Service Pensions Bill received Royal Assent in April 2013, becoming the Public Service Pensions Act 2013 ('the Act'). The Act makes provision for new public service pension schemes to be established in England, Wales & Scotland. Consequent regulations have been laid to introduce changes to the LGPS in England and Wales from 1st April 2014. (The regulations for the changes in Scotland have not yet been laid and will only impact from 1 April 2015).

These introduce a number of changes including:

- a change from a final salary scheme to a career average scheme
- introduction of a 50/50 option whereby members can choose to reduce their contributions by 50% to receive 50% less benefit
- calculation of contributions based on actual salary which could lead to some staff with irregular patterns of working moving between contribution rate bandings on a regular basis
- changes in employee contribution rates and bandings
- transitional protection for people retiring within 10 years of 1 April 2014 (further regulations are still awaited).

The above changes have implications for all employers involved in the LGPS introducing required changes to their payroll systems to ensure pension contributions are calculated correctly. This has consequent implications for administering authorities to communicate with employers and consider how they will obtain assurance over the accuracy and completeness of contributions going forwards since the calculations are more complex going forwards and less predictable. In addition changes are also required to pension administration/payment systems as well as much more detailed processes around maintaining individual pension accounts for all members to ensure the correct payment of future pensions.

The Act also requires changes to the governance arrangements although regulations for the LGPS have not yet been laid for these and the changes in governance arrangements are not expected to be implemented until 1 April 2015.

Challenge questions

- Is the authority aware of the detailed requirements and their impact on its current payroll system and processes?
- Is the authority taking appropriate action to ensure implementation of the required changes to its payroll system and processes by 1 April 2014?
- Has the authority liaised with the administering authority over any changes they may need in the assurances provided over the completeness and accuracy of contributions?



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The Audit Plan for Dover District Council

Year ended 31 March 2014

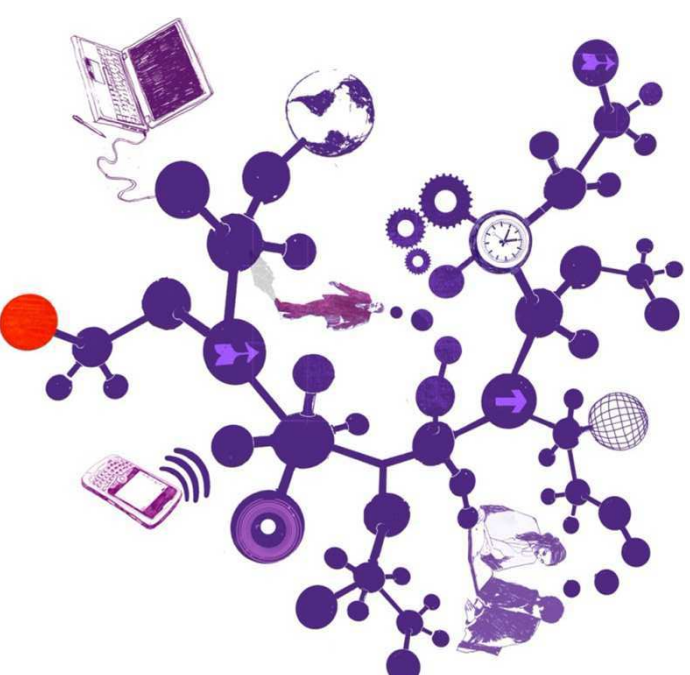
05 March 2014

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

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2. Developments relevant to your business and the audit
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5. Significant risks identified
6. Other risks
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8. Value for Money
9. Logistics and our team
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11. Communication of audit matters with those charged with governance

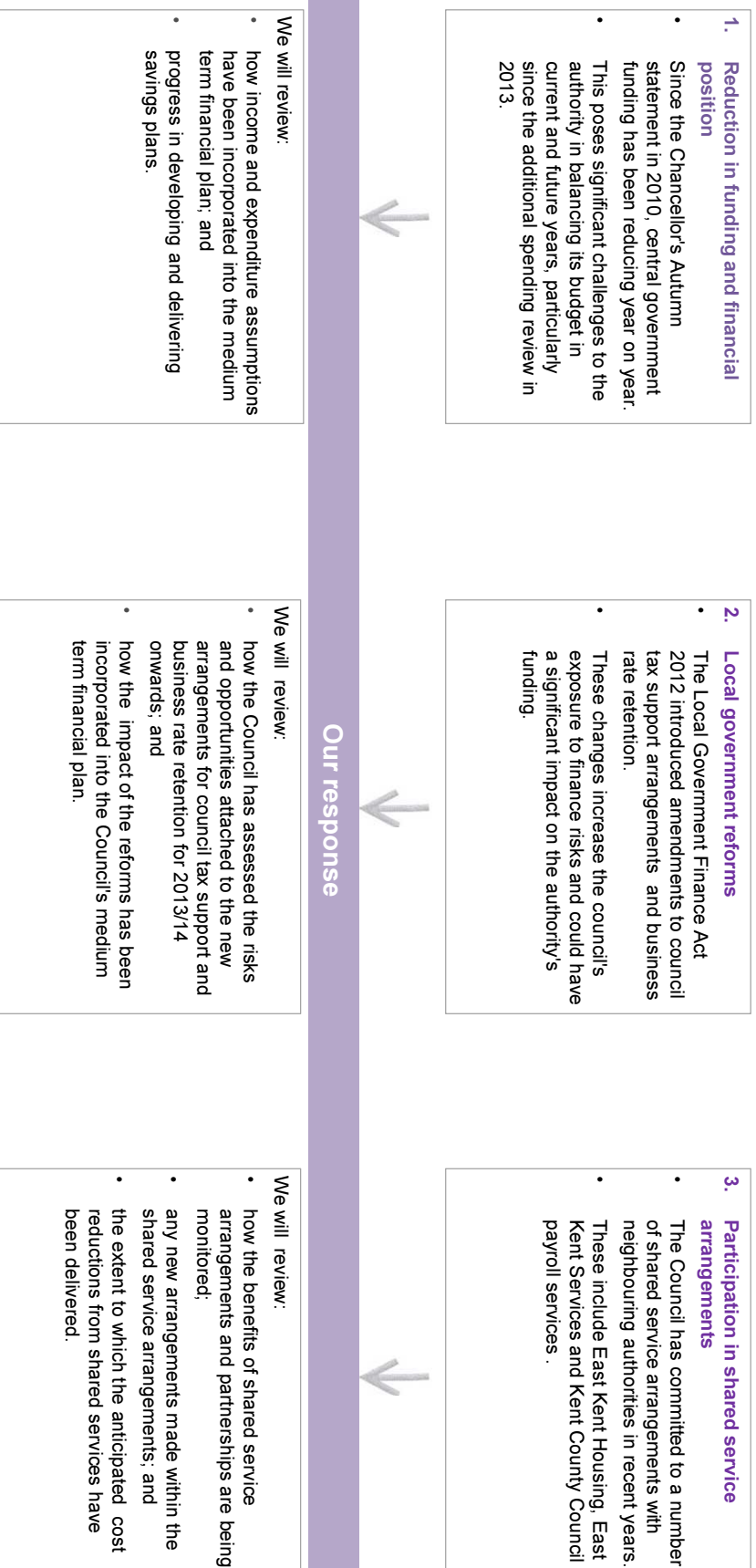
Appendices

- A. Action plan

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

Challenges/opportunities



Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice (the code¹) and associated guidance.

Developments and other requirements

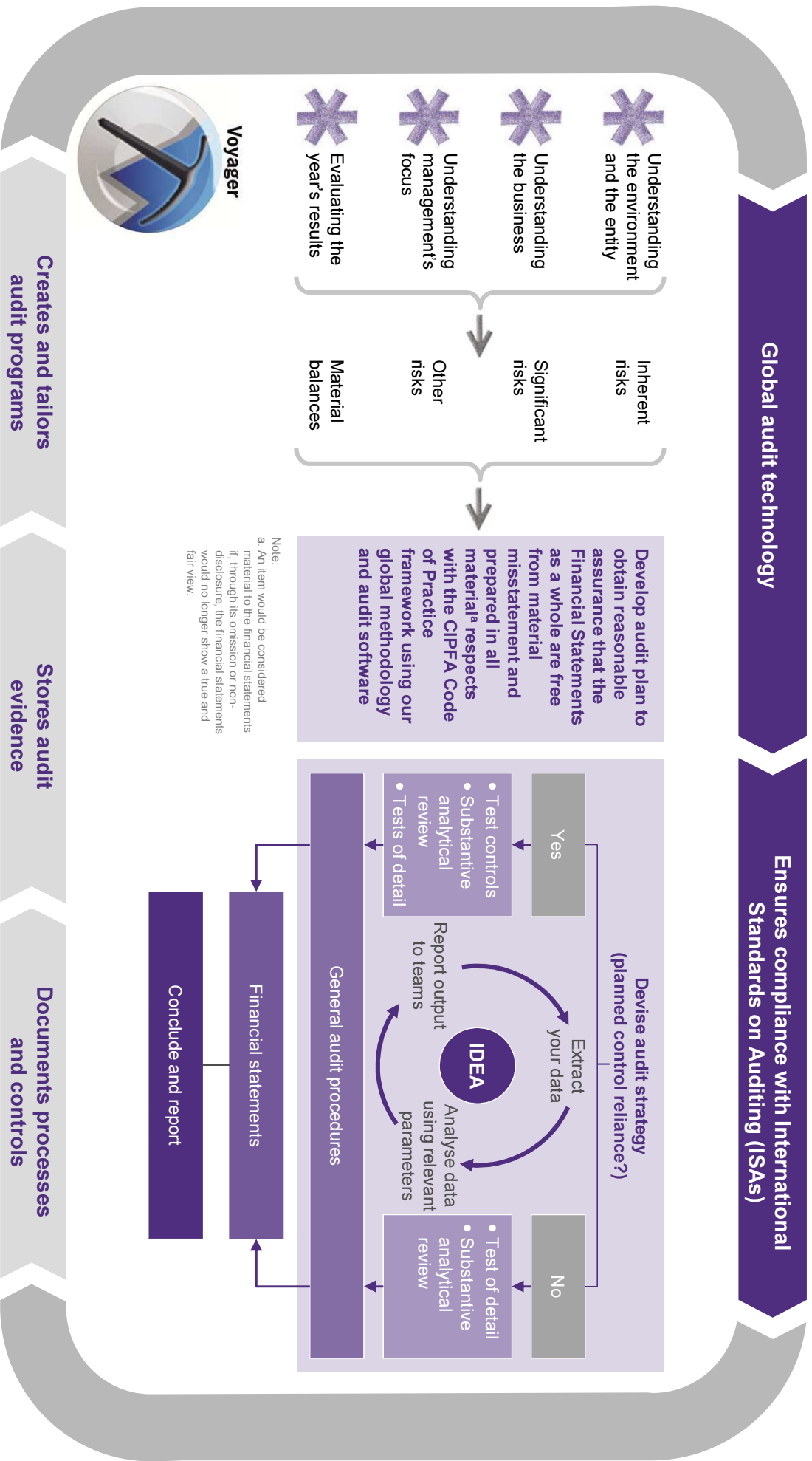
<p>1. Financial reporting</p> <ul style="list-style-type: none"> • Changes to the CIPFA Code of Practice including clarification of requirements around Property, Plant and Equipment valuations and accounting for Pension Fund costs • New accounting requirements for business rates and provisions for business rate appeals 	<p>2. Legislation</p> <ul style="list-style-type: none"> • Local Government Finance settlement • Welfare Reform Act 2012 • Local Government Finance Act 2012 	<p>3. Corporate governance</p> <ul style="list-style-type: none"> • Annual Governance Statement (AGS) • Explanatory foreword 	<p>5. Financial Pressures</p> <ul style="list-style-type: none"> • Managing service provision with less resource • Progress against savings plans 	<p>6. Other requirements</p> <ul style="list-style-type: none"> • The Council is required to submit a Whole of Government Accounts pack on which we provide an audit opinion • The Council completes grant claims and returns on which audit certification is required
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Our response

<ul style="list-style-type: none"> • We will ensure that the Council complies with the requirements of the CIPFA Code of Practice through our substantive testing • We will discuss the impact of accounting for the new business rates system and the Council's methodology for estimating provisions. 	<ul style="list-style-type: none"> • We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate • We will consider how the Council has reflected the impact of these in the medium term financial plan in reviewing Financial Resilience as part of our VFM conclusion 	<ul style="list-style-type: none"> • We will review the arrangements the Council has in place for the production of the AGS • We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge 	<ul style="list-style-type: none"> • We will review the Council's performance against the 2013/14 budget, including consideration of performance against the savings plan • We will undertake a review of Financial Resilience as part of our VFM conclusion 	<ul style="list-style-type: none"> • We will carry out work on the WGA pack in accordance with requirements • We will certify grant claims and returns in accordance with Audit Commission requirements
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Our audit approach



Significant risks identified

Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>Work planned:</p> <ul style="list-style-type: none"> • Review and testing of revenue recognition policies • Substantive testing of material revenue streams
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<p>Work planned:</p> <ul style="list-style-type: none"> • Review of prior year accounting estimates, judgments and decisions made by management • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> We have documented and walked through the controls in place over this cycle. Internal controls have been implemented by the Council in accordance with our documented understanding. Within the action plan below we have raised one recommendation in relation to an automatic control failure and one recommendation in relation to the bank reconciliation. 	<ul style="list-style-type: none"> Cut-off testing around the year-end to ensure expenditure is accounted for in the correct period
Employee remuneration	Employee remuneration accrual understated	<ul style="list-style-type: none"> We have documented and walked through the controls in place over this cycle. Internal controls have been implemented by the Council in accordance with our documented understanding. We have raised one recommendation within the action plan below in relation to the frequency of reconciliations. 	<ul style="list-style-type: none"> Tests of the completeness of the payroll system interfaces in the general ledger and control account reconciliations Monthly trend analysis
Welfare Expenditure	Welfare benefit expenditure improperly computed	<ul style="list-style-type: none"> We have documented and walked through the controls in place over this cycle. Internal controls have been implemented by the Council in accordance with our documented understanding. Our work has not identified any issues which we wish to bring to your attention at this stage. 	<ul style="list-style-type: none"> Substantive testing of a sample of housing and council tax benefit claims Reconcile benefit expenditure to the benefit subsidy claim and assess the impact of any significant differences Complete benefit software diagnostic tool, uprating checks and analytical review compared to prior year subsidy claim

Other risks identified continued

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work completed to date	Further work planned
Housing Rent Revenue Account	Revenue transactions not recorded	<ul style="list-style-type: none"> We have documented and walked through the controls in place over this cycle. Internal controls have been implemented by the Council in accordance with our documented understanding. Our work has not identified any issues which we wish to bring to your attention at this stage. 	<ul style="list-style-type: none"> Predictive analytical review of housing rents revenues Tests of the completeness of the housing rents system interfaces in the general ledger and control account reconciliations Cut-off testing
Plant, Property and Equipment	Revaluation measurements not correct	<ul style="list-style-type: none"> We have documented and walked through the controls in place over this cycle. Internal controls have been implemented by the Council in accordance with our documented understanding. Our work has not identified any issues which we wish to bring to your attention at this stage. 	<ul style="list-style-type: none"> Evaluate the qualifications and work of the valuation expert Substantive testing of all assets re-valued, agreeing to valuation certificates Ensure assets not re-valued in-year are not materially misstated

Value for money

Value for money

The Audit Commission's Code of Audit Practice requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

Our VFM conclusion is based on the following criteria specified by the Audit Commission:

VFM criteria

Focus of the criteria

1 The organisation has proper arrangements in place for securing financial resilience

The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future

2 The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have undertaken a risk assessment to identify areas of risk to our VFM conclusion. We will undertake work in the following areas to address the risks identified:

- Follow up the progress the Council has made in implementing the recommendations raised in our 2012/13 Financial Resilience report
- Review the revised Medium Term Financial Plan in the light of the Local Government finance settlement and transfer from the Housing Revenue Account

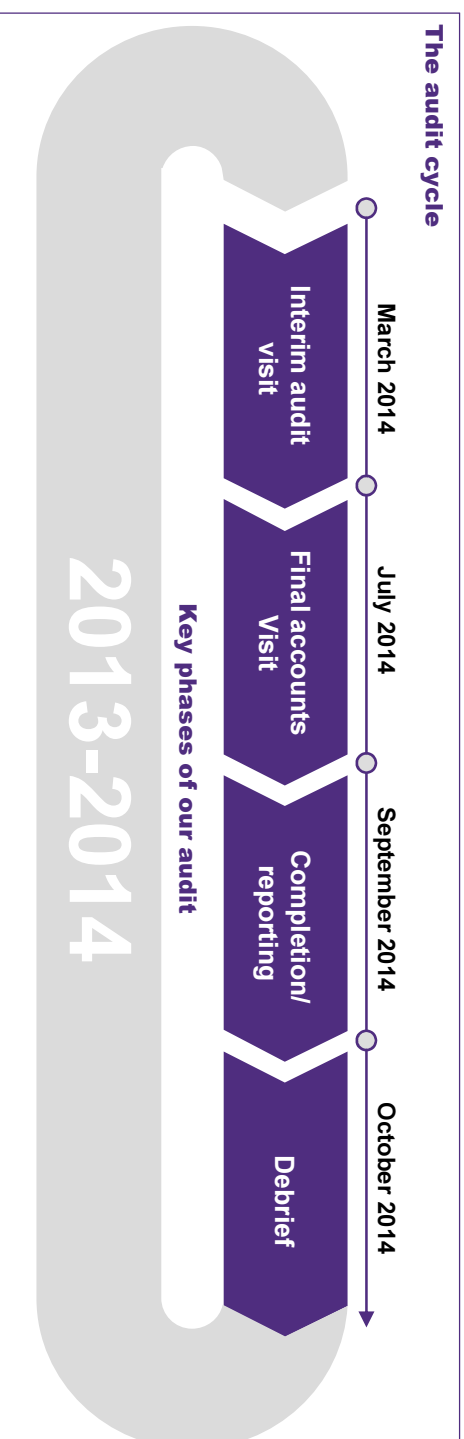
The results of our VFM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter. We will discuss and agree with officers whether to issue a separate report in respect of VFM with detailed findings.

Results of interim audit work

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

	Work performed and findings	Conclusion
Internal audit	<p>We have reviewed internal audit's overall arrangements in accordance with auditing standards. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Walkthrough testing	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach to date.</p> <p>However, a number of minor issues have been identified as raised within the action plan at Appendix 1 to this report.</p>
Review of information technology controls	<p>Our information systems specialist will perform a high level review of the general IT control environment, as part of the overall review of the internal controls system. We will also perform a follow up of the issues that were raised last year.</p> <p>IT (information technology) controls will be observed to confirm they have been implemented in accordance with our documented understanding.</p>	<p>The results of this work are currently outstanding. If any issues are identified that require reporting, these will be reported within the Audit Findings Report at the end of the audit.</p>
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p>	<p>We have updated our understanding of the journal policies and procedures. Our work has not identified any weaknesses which impact on our audit approach to date.</p> <p>We will undertake detailed testing on journal transactions by extracting and testing 'unusual' entries posted during the year.</p>

Key dates



Date	Activity
January 2014	Planning
March 2014	Interim site visit
March 2014	Presentation of the Audit Plan to the Governance Committee
July 2014	Year end fieldwork
September 2014	Audit findings clearance meeting with Director of Finance, Housing and Community
September 2014	Report audit findings to those charged with governance (the Governance Committee)
September 2014	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	70,680
Grant certification	19,200
Total fees (excluding VAT)	89,880

Fees for other services

Service	£
None	Nil

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

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Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The Council should ensure the bank reconciliation is kept up to date on a monthly basis and any on-going variances are cleared.	Medium	The implementation of the e-financials upgrade has slightly delayed progress to bring the bank reconciliation up-to-date but work is on-going to achieve this.	Accounting Assistant June 2014
2	Payroll reconciliations should be completed on a timely basis in line with the planned frequency of review.	Medium	Monthly reconciliations are being undertaken.	Accounting Technician On-going
3	The Council should ensure that the system controls within the Accounts Payable system over the entering of an invoice date is reviewed and working correctly.	Medium	System controls to be review with EKS ICT.	Creditors Officer April 2014



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