

# Public Document Pack



Democratic Services  
White Cliffs Business Park  
Dover  
Kent CT16 3PJ

Telephone: (01304) 821199  
Fax: (01304) 872452  
DX: 6312  
Minicom: (01304) 820115  
Website: [www.dover.gov.uk](http://www.dover.gov.uk)  
e-mail: [democraticservices@dover.gov.uk](mailto:democraticservices@dover.gov.uk)

16 June 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 26 June 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](mailto: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** (Page 4)

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

transacted on the agenda.

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

To confirm the attached Minutes of the meeting of the Committee held on 20 March 2014.

5 **GOVERNANCE COMMITTEE UPDATE** (Pages 9 - 18)

To consider the attached report from Grant Thornton.

6 **QUARTERLY INTERNAL AUDIT UPDATE REPORT** (Pages 19 - 31)

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

7 **ANNUAL INTERNAL AUDIT REPORT** (Pages 32 - 60)

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

8 **ANNUAL FRAUD REPORT 2013/14** (Pages 61 - 65)

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

9 **REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT** (Pages 66 - 69)

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

10 **2013/14 ANNUAL GOVERNANCE ASSURANCE STATEMENT** (Pages 70 - 81)

To consider the attached report of the Director of Governance.

11 **EXCLUSION OF THE PRESS AND PUBLIC** (Pages 82 - 83)

The recommendation is attached.

MATTERS WHICH THE MANAGEMENT TEAM SUGGESTS SHOULD BE CONSIDERED IN PRIVATE AS THE REPORT CONTAINS EXEMPT INFORMATION AS DEFINED WITHIN PART 1 OF SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AS INDICATED AND IN RESPECT OF WHICH THE PROPER OFFICER CONSIDERS THAT THE PUBLIC INTEREST IN MAINTAINING THE EXEMPTION OUTWEIGHS THE PUBLIC INTEREST IN DISCLOSING THE INFORMATION

12 **ANNUAL DEBT COLLECTION REPORT** (Pages 84 - 100)

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

### **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](http://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](mailto:jemma.duffield@dover.gov.uk) for details.

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

**Declarations of Interest**

Disclosable Pecuniary Interest (DPI)

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

Other Significant Interest (OSI)

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

Voluntary Announcement of Other Interests (VAOI)

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

Note to the Code:

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

Minutes of the meeting of the **GOVERNANCE COMMITTEE** held at the Council Offices, Whitfield on Thursday, 20 March 2014 at 6.04 pm.

Present:

Chairman: Councillor T J Bartlett

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

Also Present: Emily Hill, Grant Thornton  
Daniel Woodcock, Grant Thornton

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

566 APOLOGIES

It was noted that apologies for absence had been received from Councillors S J Jones and A S Pollitt.

567 APPOINTMENT OF SUBSTITUTE MEMBERS

It was noted that, in accordance with Council Procedure Rule 4, Councillor P Walker had been appointed as substitute for Councillor A S Pollitt.

568 DECLARATIONS OF INTEREST

There were no declarations of interest from Members.

569 MINUTES

The Minutes of the meetings of the Committee held on 26 September, 19 November and 5 December 2013 were approved as correct records and signed by the Chairman.

570 INTERNAL AUDIT QUARTERLY UPDATE REPORT

The Head of Audit Partnership presented the quarterly internal audit update report which summarised work undertaken by the East Kent Audit Partnership (EKAP) since 5 December 2013 and gave details of the performance of the EKAP to 31 December 2013.

Thirteen internal audits and four follow-up reviews had been completed during the period. Of the thirteen internal audits, six had received a substantial assurance level, three a reasonable assurance level, one a limited assurance level and two a split assurance which was partially limited. The remaining audit related to quarterly housing benefit claim testing for which an assurance level was not applicable.

To 31 December 2013, 210.96 chargeable days had been delivered against the target of 270, equating to 78.13% plan completion. This figure now stood at 90%.

In response to Councillor M R Eddy, the Head of Audit Partnership clarified that the inaccurate publication of performance data on the internet, highlighted on page 23 of the report, concerned the timely receipt of data, and undertook to provide more information. In relation to the environmental protection audit, the Committee was advised that Management was in the process of updating the Contaminated Land Inspection Strategy and its revision would be monitored as part of the follow-up audit. With regards to the cemeteries audit, the Head of Audit Partnership undertook to clarify for all Members what was meant by the reference on page 28 to 'the controls in place for identifying and dealing with non-residents within the Dover District'.

Councillor K E Morris raised concerns regarding the increasing cost of dealing with Freedom of Information (Fol) requests and ICT procurement. In respect of ICT procurement, it was suggested that individual procurement might be more appropriate for some services, particularly those requiring specialist software. In these circumstances, services should not be constrained by the overarching arrangement. The Director of Finance, Housing and Community agreed, advising that this issue was currently being considered by East Kent Services (EKS). EKS partner authorities had followed different procurement arrangements which needed to be aligned. It was likely that future arrangements would allow for large purchases to go through the corporate procurement process but other more specialist purchases would be handled by individual departments.

RESOLVED: That the update report be received and noted.

571 INTERNAL AUDIT PLAN 2014-15

The Head of Audit Partnership presented the report which outlined EKAP's audit work plan for 2014/15.

RESOLVED: That the Internal Audit Plan 2014/15 be adopted, subject to the recommendation that ICT procurement and disposal be earlier than 2016/17.

572 INTERNAL AUDIT SELF-ASSESSMENT AGAINST THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

The Head of Audit Partnership introduced the report which set out details of a self-assessment carried out by EKAP in order to demonstrate that the service complied with Public Sector Internal Audit Standards (PSIAS) and a supplementary application note. Progress on the resultant action plan would be reported to the Committee in June. An external assessment would be carried out within 5 years.

RESOLVED: That the report and actions required to work towards full compliance with PSIAS be received and noted.

573 TREASURY MANAGEMENT QUARTER THREE REPORT

The Head of Finance introduced the report for the third quarter, advising that the total interest received for the quarter was £59,000 which was in line with budget expectations. Internally-managed investments had out-performed investments

made through Investec, and a review would be undertaken during the next financial year to explore alternative investment options. The Committee was advised that the Council had now received 97% of its original Iceland deposit following the auction of Local Authority deposits.

In response to questions about Investec's under-performance, the Director of Finance, Housing and Community advised that the investment manager market was limited, with Investec being one of only a few that specialised in the local government sector. Requesting a change of account manager was unlikely to make any significant difference to how the Council's investments performed as the account manager had little autonomy and operated within the Council's and Investec's guidelines. Moreover, it was common to most local authorities that their in-house investments out-performed Investec investments. It was relevant that Investec tended to concentrate on the gilt market which was not currently very buoyant. The Director confirmed that the Council would continue to take a cautious, low-risk approach to investments, particularly in the light of its experience with Iceland.

RESOLVED: That the report be received and noted.

574 CERTIFICATION REPORT 2012-13

Ms Hill presented the report which detailed the certification work carried out by Grant Thornton during 2012/13. Three claims and returns for the financial year 2012/13 had been certified, totalling £83.3 million. An action plan had been drawn up to address some minor issues identified and this was attached at Appendix B to the report.

RESOLVED: That the report be received and noted.

575 CERTIFICATION WORK PLAN 2013-14

Ms Hill introduced the report which outlined arrangements for the external certification of the Council's claims for grants or subsidies in 2013/14. It was anticipated that claims relating to housing benefit subsidy and pooling of housing capital receipts would be certified for the year ending 31 March 2014.

RESOLVED: That the Certification Work Plan 2013/14 be received and noted.

576 GOVERNANCE COMMITTEE UPDATE - MARCH 2014

Ms Hill presented the report which detailed progress made in delivering the Council's audit service.

Councillor Eddy reiterated the need for the Council to monitor the impact of recent welfare reforms on its residents, and asked whether there was any information on how the changes had affected people and communities at local and national level. In order to ensure that Members were fully informed, it would be helpful to receive a paper in due course, either direct to the Governance Committee or via Scrutiny. Councillor Morris agreed that Members needed to understand the social impact of the reforms, but stressed that any statistics provided should be presented in context, with supporting information such as housing lists, job vacancies, etc.

The Director of Finance, Housing and Community explained that this matter had been looked at by the Public Accounts Committee. The Department for Communities and Local Government had not yet completed its analysis of the combined impact of the various welfare reforms nationally. At local level, specific numbers were not known but it was thought that the benefit cap was likely to have affected no more than about 25 families in the district. Local Council Tax collection rates had exceeded expectations and there had been a reduction in claimant rates. In terms of the spare room subsidy, East Kent Housing was monitoring this and working with tenants affected by it. East Kent Services would be asked to look at how this information could be collated with a view to having it considered by the Scrutiny (Policy and Performance) Committee.

- RESOLVED:
- (a) That the Scrutiny (Policy and Performance) Committee be requested to consider a report on the combined impact on local residents and communities of recent welfare reforms.
  - (b) That the report be received and noted.

577 AUDIT PLAN 2013-14

Mr Woodcock presented the report which set out Grant Thornton's approach to conducting audits at Dover District Council, including its understanding of the financial challenges and risks facing the authority and the proposed reporting timetable. In response to Councillor Eddy, it was accepted that, notwithstanding that the partnerships had been in place for a number of years and there were active controls to mitigate the risks, a comment about the risks arising from participating in shared service arrangements should have been included in the report.

RESOLVED: That the report be received and noted.

The meeting ended at 7.04 pm.





# Governance Committee Update for Dover District Council

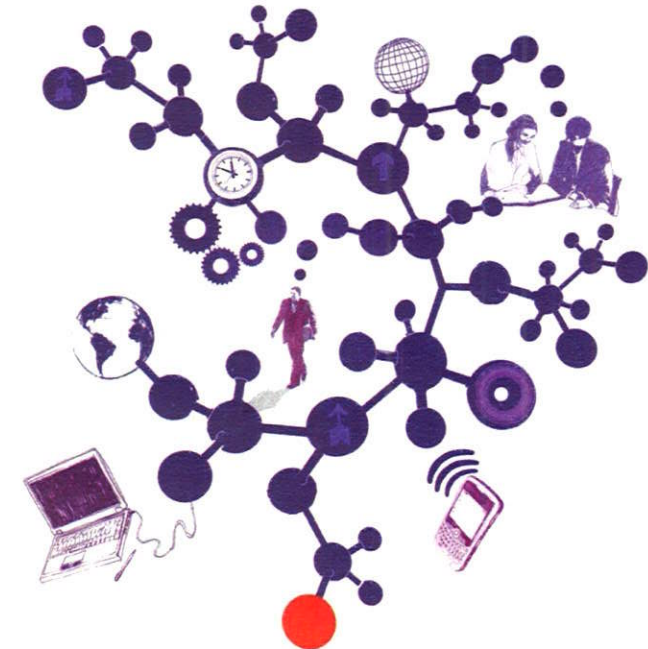
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**Year ended 31 March 2014**

June 2014

**Emily Hill**  
Associate Director  
T 020 7728 3258  
E [emily.hill@uk.gt.com](mailto:emily.hill@uk.gt.com)

**Daniel Woodcock**  
Assistant Manager  
T 01293 554 122  
E [daniel.woodcock@uk.gt.com](mailto:daniel.woodcock@uk.gt.com)



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

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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; and
- 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](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- ↪ Working in tandem, local government governance review 2014, our third annual review, assessing local authority governance, highlighting areas for improvement and posing questions to help assess the strength of current arrangements
- 2016 tipping point? Challenging the current, summary findings from our third year of financial health checks of English local authorities
- Local Government Pension Schemes Governance Review, a review of current practice, best case examples and useful questions to assess governance strengths

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.

Emily Hill, Engagement Lead, T 020 7728 3258, M 07880 456 184 [Emily.hill@uk.gt.com](mailto:Emily.hill@uk.gt.com)  
Daniel Woodcock, Audit Manager, T 01293 554 122, [Daniel.woodcock@uk.gt.com](mailto:Daniel.woodcock@uk.gt.com)

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## Progress at 10 June 2014

Work	Planned date	Complete?	Comments
<p><b>2013-14 Accounts Audit Plan</b> 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	Taken to 20 March Governance Committee
<p><b>Interim accounts audit</b> Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the Council's control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• Initial Value for Money conclusion risk assessment.</li> </ul>	January to March 2014	Yes	<p>We have 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><b>2013-14 final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2013-14 financial statements</li> <li>• proposed opinion on the Council's accounts.</li> </ul>	July to September 2014	Not due	

## Progress at 10 June 2014

Work	Planned date	Complete?	Comments
<p><b>Value for Money (VfM) conclusion</b>            The scope of our work to inform the 2013/14 VfM conclusion comprises:</p> <ul style="list-style-type: none"> <li>• The organisation has proper arrangements in place for securing financial resilience.</li> <li>• The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</li> </ul>	January to September 2014	Not due	<p>We have completed our initial risk assessment for the Value for Money Conclusion.</p> <p>This requires updating for year-end findings.</p>
<p><b>Other areas of work</b>            Grant Certification 2013/14</p>	June to November 2014	Not due	We have started early testing on the Housing Benefits certification.
<p><b>Other activity undertaken</b>            Liaison meeting with the Director of Finance, Housing and Community and the Head of Finance</p>	27 March 2014	Yes	
Liaison meeting with Head of Internal Audit	11 April 2014	Yes	

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# Understanding your accounts – member guidance

## Accounting and audit issues

### Guide to local authority accounts

Local authority audit committee members are not expected to be financial experts, but they are responsible for approving and issuing the authority's financial statements. However, local authority financial statements are complex and can be difficult to understand. We have prepared a guide for members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position.

The guide considers the :

- explanatory foreword – which should include an explanation of key events and their effect on the financial statements
- annual governance statement – providing a clear sense of the risks facing the authority and the controls in place to manage them
- movement in reserves statement – showing the authority's net worth and spending power
- comprehensive income and expenditure statement – reporting on the year's financial performance and whether operations resulted in surplus or deficit
- balance sheet – a 'snapshot' of the authority's financial position at 31st March; and
- other statements and additional disclosures

Supporting this guide we have produced two further documents to support members in discharging their responsibilities

- helping local authorities prepare clear and concise financial statements
- approving the minimum revenue provision

Copies of these are available from your engagement lead and audit manager

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# Working in tandem – Local Government Governance Review 2014

## Grant Thornton

### Local Government Governance Review

This report: <http://www.grant-thornton.co.uk/en/Publications/2014/Local-Government-Governance-Review-2014/> is our third annual review into local authority governance. It aims to assist managers and elected members of councils and fire and rescue authorities to assess the strength of their governance arrangements and to prepare for the challenges ahead.

Drawing on a detailed review of the 2012/13 annual governance statements and explanatory forewords of 150 English councils and fire and rescue authorities, as well as responses from 80 senior council officers and members, the report focuses on three particular aspects of governance:

- risk leadership: setting a tone from the top which encourages innovation as well as managing potential pitfalls
- partnerships and alternative delivery models: implementing governance arrangements for new service delivery models that achieve accountability without stifling innovation
- public communication: engaging with stakeholders to inform and assure them about service performance, financial affairs and governance arrangements.

Alongside the research findings, the report also highlights examples of good practice and poses a number of questions for management and members, to help them assess the strength of their current governance arrangements.

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<b>Subject:</b>	<b>QUARTERLY INTERNAL AUDIT UPDATE REPORT</b>
<b>Meeting and Date:</b>	<b>Governance Committee – 26<sup>th</sup> June 2014</b>
<b>Report of:</b>	<b>Christine Parker – Head of Audit Partnership</b>
<b>Decision Type:</b>	<b>Non-key</b>
<b>Classification:</b>	<b>Unrestricted</b>

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**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.

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**Recommendation:** That Members note the update report.

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**1. Summary**

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

**2. Introduction and Background**

- 2.1 For each Audit review, management has agreed a report, and where appropriate, an Action Plan detailing proposed actions and implementation dates relating to each recommendation. Reports continue to be issued in full to each member of Corporate Management Team, as well as an appropriate manager for the service reviewed. 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 seven Internal Audit reports that have been completed during the period, of which four reviews was classified as providing Substantial Assurance, one as Reasonable Assurance, and one as 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 two follow-up reviews have been completed during the period, which are detailed in section 3 of the quarterly update report.
- 2.9 For the year to 31<sup>st</sup> March 2014, 278.9 chargeable days were delivered against the planned target of 270, which equates to 103.3% 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.

**2. SUMMARY OF REPORTS:**

<b>Service / Topic</b>		<b>Assurance level</b>
2.1	Performance Management	Substantial
2.2	Main Accounting System	Substantial
2.3	EK Services – Housing Benefit Fraud	Substantial
2.4	EK Services – Housing Benefit Overpayments	Substantial
2.5	EK Services – Business Rates	Reasonable/ Limited
2.6	EK Services – ICT Change Controls	Limited
2.7	EK Services – Housing Benefit Quarterly Testing (Qtr 4 of 2013-14)	Not Applicable

**2.1 Performance Management – Substantial Assurance.**

**2.1.1 Audit Scope**

To ensure that the Council is taking action in response to actual performances to make outcomes for users and the public better than they would otherwise be.

**2.1.2 Summary of Findings**

Dover District Council recognises that to achieve its corporate objectives and to deliver efficient services for the community, there is a need for effective performance management, supporting Council priorities and informing decision making, with links to the service planning and budget setting processes. This audit provides assurance on the adequacy and effectiveness of the Council's '*Performance Management Framework*' and use of its performance management systems towards the achievement of the above objective.

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

- The Performance Management Framework is reviewed annually and updated as required – the latest revision was approved by the Governance Committee on 26<sup>th</sup> September 2013 and Council on 27<sup>th</sup> November 2013.
- Service plans are produced with reference to the corporate plan and the regular monitoring reports provide sufficient evidence of the ongoing monitoring of indicators and objectives.
- Data quality is managed by the individual service manager; checks are conducted on the information provided to the performance officers prior to publication in the quarterly performance report and entry into Covalent.
- The quarterly performance report is submitted to CMT, Cabinet and Scrutiny.

## **2.2 Main Accounting System – Substantial Assurance.**

### 2.2.1 Audit Scope

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

### 2.2.2 Summary of Findings

Sound systems and procedures are essential to an effective framework of accountability and control. The Section 151 Officer is responsible for the operation of the authority's accounting systems, the form of accounts and the supporting financial records. Chief Officers may not make changes to the existing financial systems or establish new systems without the approval of the Section 151 Officer.

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

- Journals are completed appropriately.
- The feeder systems observed have adequate controls in place to ensure that all transactions are brought over and coded correctly.
- All areas have a cost centre and the process for requesting new codes is appropriate.
- The year end processes are appropriate and the account received an unqualified opinion from the external auditor.

## **2.3 EK Services – Housing Benefit Fraud - Substantial Assurance**

### 2.3.1 Audit Scope

To ensure that the processes and procedures established by EK Services are sufficient to provide the level of service required by the partner Councils and these incorporate relevant internal controls regarding the administration of Housing Benefit Fraud, especially at preventing, detecting, investigating and taking action against applicants for fraudulent claims for benefit.

### 2.3.2 Summary of Findings

Criminal investigations are undertaken by EK Services Benefit Investigation Section, in accordance with the Police and Criminal Evidence Act 1984 (PACE), its Codes of Practice, and all other relevant legislation and common-law rules, and with advice from the relevant council's Legal section.

Management can currently place Substantial Assurance on the system of internal controls which have been put in place by EK Services for the detection and investigation of Housing Benefit and Council Tax fraud.

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

- A standard Anti-Fraud and Anti-Corruption Policy has been adopted across all three partner Councils.
- Suitable facilities are being provided to members of the public to allow them to report benefit fraud.
- Benefit Assessment Officers are being reminded of the ongoing requirement to be mindful of Benefit Fraud.
- All Investigation Officers are suitably qualified and experienced.
- All investigations are undertaken in accordance with the requirements laid down by the DWP with regard to fraud investigation and ensure that the service meets these targets and complies with all relevant legislation.
- The risks associated with lone working have been considered and mitigated wherever practical as part of the investigation process.
- All cases receive suitable approval from management and the relevant legal department prior to proceeding to prosecution.

## **2.4 EK Services – Housing Benefit Overpayments - Substantial Assurance**

### 2.4.1 Audit Scope

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

### 2.4.2 Summary of Findings

EK Services manage the housing benefit overpayment process for Canterbury City Council, Dover District Council and Thanet District Council. EK Services are responsible for the billing and collection of overpaid housing benefits by raising invoices, agreeing and monitoring repayment arrangements.

A Customer Delivery Service Level Agreement is in place detailing the service that will be supplied by EK Services and how the performance will be monitored and reported. The specifics of how the housing benefit overpayments are administered is detailed in the Income Management Policy which was drafted by EK Services and approved by the partner authorities.

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:

- Effective processes are in place to ensure that there is a consistent approach used at all partner authorities when dealing with housing benefit overpayments.
- Management information is produced regularly for the partner authorities for them to monitor EK Services delivery of the service.

- EK Services have introduced various preventative measures to ensure that overpayments are kept to a minimum.

## **2.5 EK Services – Business Rates – Reasonable/Limited Assurance**

### 2.5.1 Audit Scope

To ensure that the processes and procedures established by EK Services are sufficient to provide the level of service required by the partner Councils and incorporate relevant internal controls regarding the administration of Business Rates, especially the income collection, monitoring of accounts, debt recovery and write off. The audit will also review the change in legislation, which now allows the Councils to keep all newly generated business rates receipts relating to growth.

### 2.5.2 Summary of Findings

EK Services are responsible for the collection of Business Rates for the three East Kent authorities. Management can place Reasonable Assurance on the controls in place for the service provision by EK Services and Limited Assurance for Dover District Council for non-compliance with the constitution and FPR's regarding Write Offs.

At Dover District Council the constitution delegates authority to write off irrecoverable national non-domestic rates to the s.151 officer. The Financial Procedure Rules (Reg D: Systems and Procedures – Income and Expenditure D.5) also state that the "s.151 Officer will periodically report debt write offs to the Executive". During the review reports summarising authorised write offs were not found (across all financial services and systems, including Business Rates Write Offs).

The EK Services Income Management Policy states that for efficiency purposes all write off's should be 'written off' the business rates system before approval is provided; as they can be written back on to the system if approval is not subsequently granted. However, this practice has not been carried out and the irrecoverable debts currently remain live on the Business Rates system.

The collection of Business Rates and the management and award of Business Rates relief have been delegated to EKS. DDC remains ultimately responsible for this service and therefore it is reviewed from time to time, including by EKAP. Overall the Business Rates processes are working well in EK Services.

With the introduction of the Enterprise Zone at Discovery Park, the scope and importance of the award of discretionary relief has increased, and this is a significant factor in the success, to date, of the Enterprise Zone. Granting of discretionary relief has been carried out by EKS in accordance with legislation, the Council's discretionary relief policies and the government's guidelines on Enterprise Zones.

However, given the importance, both financially and reputationally, that reliefs have been awarded on a lawful and reasonable basis, and to ensure any residual risk is fully mitigated; it is important to ensure that discretionary relief reviews are programmed to be carried out regularly. This will ensure that only those entitled to discretionary relief will continue to receive it, providing they meet the criteria, and those no longer eligible will cease to have the benefit of a relief to which they are no longer entitled.



It is therefore recommended that the current policies are updated and approved by Cabinet, and that, at suitable periods, reports of the discretionary reliefs awarded are provided to the portfolio holder as a means of ensuring that the policies continue to deliver the Council's priorities, and do not create any undue financial, legal, reputational or other risks.

### 2.5.3 Management Response

The reporting position for write offs does need to be regularised. Write-offs will reduce the debt outstanding and the bad debt provision, so the net impact on the balance sheet is minimal. A template has been produced and sent to EKS suggesting how the aged debt etc could be presented in the future.

It is also agreed that the Discretionary Relief Policy should be updated to ensure that the policy reflects provides an appropriate basis upon which to award reliefs in the district in general and within the Enterprise Zone, and that it continues to comply with legislation and Enterprise Zone guidance from Government.

Director of Finance, Housing and Communities.

## **2.6 EK Services – ICT Change Control - Limited Assurance**

### 2.6.1 Audit Scope

To ensure that the procedures and internal controls established by EK Services used in relation to ICT change controls are sufficiently robust to safeguard the partner councils where new systems and upgrades are introduced.

### 2.6.2 Summary of Findings

EK Services operates a flexible and proactive ICT service to ensure the business needs of their partners are met. The operational processes of ICT change control are generally working well and support the effective implementation of the expected controls however due to the lack of change control structure or framework only a few areas have a change control system in place which they use to document the action taken.

Some officers are qualified in various levels of Information Technology Infrastructure Library (ITIL) V3 and there is a general knowledge of the ITIL framework within ICT. Action has not been taken to implement this framework or an alternative best practice to assist in change control management. This has been recognised and the ICT Business Plan is to include the implementation of incident management and change management during 2014/15.

Although EK Services are responsible for ICT, the partner authorities have software systems which are not part of the SLA and are therefore not supported. In addition to this there are numerous system administrators who are employed by the partner authorities e.g. e-financials at Thanet or Dover; that manage the systems and are able to make changes to the software and these are not recorded by EK Services as the partner authorities are making the changes and therefore should have their own method of recording change control within their service area and this should be subject to continuous review under best practice change control guidance.

Management can place Limited Assurance on the system of internal controls in operation at present regarding change control. However once a change management system has been implemented and successfully embedded throughout ICT the assurance level should increase to reflect all of the work undertaken.

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

- There are no documented standards or procedures detailing management's expectations of change control.
- Change control best practice such as ITIL or ISO 27001 are not followed.
- There is an inconsistent approach to change control throughout ICT
- In some areas the teams are small and this can lead to a lack of resilience. As a result of this it can cause duplication of work when the designated officer is absent from work and the details of the action taken have not been recorded.

Effective control was however evidenced in the following areas:

- Track It is used to record all partner ICT requests received via the Service Desk.
- There appears to be effective communication between the individual teams throughout major projects and changes.
- When 3<sup>rd</sup> party suppliers access the network, procedures are in place to ensure that their access is recorded in Track It and controlled.

#### Management comment

At the end of April 2014 EK Services released a draft Change Management Policy for internal consultation. This policy included the change management process and workflow required to efficiently control change, and roles and responsibilities.

At the end of May 2014 the policy will be finalised and the process implemented for EK Services ICT staff, further discussion will also take place with Council system administrators to achieve full integration of the policy.

EK Services are seeking to use current technology to manage change management activities so there will be no need for further investment in software or hardware.  
(Head of ICT - EK Services)

## **2.7 EK Services Housing Benefit Quarterly Testing (Quarter 4 of 2013-14):**

- 2.7.1 Over the course of the 2013/14 financial year the East Kent Audit Partnership have been 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 fourth quarter of 2013/14 financial year (January to March 2014) 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 40 benefit claims were checked and of these 38 (95%) were found to have passed the criteria set by the former Audit Commission's verification guidelines. Two claims were however found to have errors. The first one was on the weekly income figures and the second was an incorrect end date for Working Tax Credits.

**3.0 FOLLOW UP OF AUDIT REPORT ACTION PLANS:**

- 3.1 As part of the period's work, two 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)	Insurance and Inventories of Portable Assets	Substantial/ Reasonable	Substantial/ Reasonable	H	1	H	0
				M	3	M	1
				L	2	L	0
b)	Treasury Management	Substantial	Substantial	H	0	H	0
				M	0	M	0
				L	1	L	1

- 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: Leasehold Services, Planning, Payroll, CSO Compliance, Tackling Tenancy Fraud, and HMO Licensing.

**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 14<sup>th</sup> 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.

**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 year to 31st March 2014, 278.90 chargeable days were delivered against the planned target of 270, which equates to 103.3% plan completion.

**Attachments**

- Annex 1 Summary of High priority recommendations outstanding after follow-up.  
Annex 2 Summary of services with Limited / No Assurances  
Annex 3 Assurance statements

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

<b>Original Recommendation</b>	<b>Agreed Management Action, Responsibility and Target Date</b>	<b>Manager's Comment on Progress Towards Implementation.</b>
<i>None to be reported this quarter</i>		

<b>SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED</b>				
<b>Service</b>	<b>Reported to Committee</b>	<b>Level of Assurance</b>	<b>Management Action</b>	<b>Follow-up Action Due</b>
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



## **ANNEX 3**

### **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.

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<b>Subject:</b>	<b>ANNUAL INTERNAL AUDIT REPORT</b>
<b>Meeting and Date:</b>	<b>Governance Committee – 26<sup>th</sup> June 2014</b>
<b>Report of:</b>	<b>Christine Parker – Head of Audit Partnership</b>
<b>Decision Type:</b>	<b>Non-key</b>
<b>Classification:</b>	<b>Unrestricted</b>

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<b>Purpose of the report:</b>	This report provides a summary of the work completed by the East Kent Audit Partnership together with details of the performance of the EKAP against its targets for the year ending 31 <sup>st</sup> March 2014.
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<b>Recommendation:</b>	That Members note the report, and approve the Audit Charter.
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**Internal Audit Annual Report 2013-14.**

SUMMARY

The main points to note from the attached report are that the agreed programme of audits has been completed. The majority of reviews have given a substantial or reasonable assurance and there are no major areas of concern that would give rise to a qualified opinion. The revised Audit Charter takes into account any minor changes required by the Public Sector Internal Audit Standards.

1.0 INTRODUCTION

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

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

1.2 The report attached as Annex A therefore summarises the performance of the East Kent Audit Partnership (EKAP) and the work it has performed over the financial year 2013-14 for Dover District Council, and provides an overall assurance on the system for internal control based on the audit work undertaken throughout the year, in accordance with best practice. In providing this opinion, this report supports the Annual Governance Statement.



- 1.3 The internal audit team is proactive in providing guidance on procedures where particular issues are identified during audit reviews. The aim is to minimise the risk of loss to the Authority by securing adequate internal controls. Partnership working for the service has added the opportunity for the EKAP to port best practice across the four sites within the East Kent Cluster to help drive forward continuous service improvement.
- 1.4 During 2013-14 the EKAP delivered 103% of the agreed audit plan days, with 9.04 days over delivered to be adjusted for in 2014-15. The performance figures for the East Kent Audit Partnership as a whole for the year show good performance against targets, particularly as the EKAP has experienced staffing changes and delivered financial savings against its agreed budget to all its partners in the delivery of the service.
- 1.5 New Public Sector Internal Audit Standards (PSIAS) were introduced from April 2013, and this is the first annual report to follow. As a consequence of the PSIAS, the former Audit Charter and Audit Strategy have been merged into one revised document, therefore the new Audit Charter is attached as Annex B for approval and adoption.

### **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.**
- **Internal Audit Charter 2013 & Internal Audit Strategy 2013.**

### **Resource Implications**

Having delivered a cost per audit day in 2013-14 of £290.18 against the budget cost of £319.56 (a saving of 10%) this has resulted in a total budgetary saving for Dover District Council of £6,040.54 (Net of DDC's share of purchasing new laptops for the whole team £1,893.35).

There are no other financial implications arising directly from this report. The costs of the audit work have been met from the Financial Services 2013-14 budget.

### **Consultation Statement**

Not Applicable.

### **Impact on Corporate Objectives and Corporate Risks**

The recommendations arising from each individual internal audit review are designed to strengthen the Council's corporate governance arrangements, control framework, counter fraud arrangements and risk management arrangements, as well as contributing to the provision of economic, efficient and effective services to the residents of the District. This report summarises of the work of the East Kent Audit Partnership for the year 2013-14 in accordance with the Public Sector Internal Audit Standards.

### **Attachments**

Annex A – East Kent Audit Partnership Annual Report 2013-14  
Annex B – Audit Charter 2014

CHRISTINE PARKER  
Head of Audit Partnership

**Annual Internal Audit Report for Dover District Council 2013-14****1. Introduction**

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

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

A more detailed explanation, of the role and responsibilities of internal audit, is set out in the Audit Charter (Annex B). The East Kent Audit Partnership (EKAP) aims to comply with the PSIAS, and to this end has produced evidence to the s.151 and Monitoring Officers to assist the Council’s review of the system of internal control in operation throughout the year. The PSIAS came into effect from 1<sup>st</sup> April 2013. Therefore this annual report compares EKAP activity against the new standard and any improvement actions required to achieve compliance with PSIAS will be reflected in future annual reports hereafter.

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

**2. Objectives**

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

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

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

### **3. Internal Audit Performance Against Targets**

#### **3.1 EKAP Resources**

The EKAP has provided the service to the partners based on a FTE of 8. Additional audit days have been provided via audit contractors and a KCC CIPFA Trainee, in order to meet the planned workloads.

#### **3.2 Performance against Targets**

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

#### **3.3 Internal Quality Assurance and Performance Management.**

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

#### **3.4 External Quality Assurance**

The external auditors, Grant Thornton, have conducted a review in February 2014 of the Internal Audit arrangements. They have concluded that, where possible, they can place reliance on the work of the EKAP.

#### **3.5 Liaison between Internal Audit and External Audit.**

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

#### **3.6 Compliance with Professional Standards**

The EKAP self-assessment of the level of compliance against the Public Sector Internal Audit Standards shows that some improvement actions are required to achieve full compliance. The self-assessment was reported to the March cycle of audit committee meetings and a progress update against each of the identified actions is contained in Appendix 6.

#### **3.7 Financial Performance**

Expenditure and recharges for year the 2013-14 are all in line with the Internal Audit cost centre hosted by Dover District Council. Financial management has delivered a 10% saving against budget.

The EKAP has been able to exceed its targets for financial performance for 2013-14 by generating income through 'selling days' for checking grant claims. This daily rate excludes any internal recharges that are added to the service by the Council. This equates to a total financial saving to Dover District Council of £7,933.89 for 2013-14, or £6,040.54 net of the one off cost for the Council's share of the PC Refresh project (ten laptops and associated software/licenses).

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

The EKAP was formed to provide a resilient, professional service and therefore achieving financial savings was not the main driver, despite this considerable efficiencies have been gained through forming the partnership. Additionally, external fee earning work that has been carried out, this year some £17,065.32 was procured from EKAP for Interreg Grant reviews which reduces the costs to the partners. The net result is a reduced EKAP cost per audit day below the original budget estimate. In the current climate this is excellent performance and the partner authorities have all enjoyed the overall savings of £38,787.92 generated by the EKAP.

#### 4. Overview of Work Done

The original audit plan for 2013-14 included a total of 26 projects. We have communicated closely with the s.151 Officer, CMT and this Committee to ensure the projects actually undertaken continue to represent the best use of resources. As a result of this liaison some changes to the plan were agreed during the year. A few projects (3) have therefore been pushed back in the overall strategic plan, to permit some higher risk projects to come forward in the plan (4). The total number of projects undertaken in 2013-14 was 27, with 5 being WIP at the year end to be finalised in April.

### Review of the Internal Control Environment

#### 4.1 Risks

During 2013-14, 78 recommendations were made in the agreed final audit reports to Dover District Council. These are analysed as being High, Medium or Low risk in the following table:

Risk Criticality	No. of Recommendations	Percentage
High	26	33%
Medium	39	50%
Low	13	17%
<b>TOTAL</b>	<b>78</b>	<b>100%</b>

Naturally, more emphasis is placed on recommendations for improvement regarding high risks. Any high priority recommendations where management has not made progress in implementing the agreed system improvement are brought to management and members' attention through Internal Audit's quarterly update reports. During 2013-14 the EKAP has raised and reported to the quarterly Governance Committee meetings 78 recommendations, and whilst 83% were in the High or Medium Risk categories, none are so significant that they need to be escalated at this time.

#### 4.2 Assurances

Internal Audit applies one of four 'assurance opinions' to each review, please see Appendix 1 for the definitions. This provides a level of reliance that management can place on the system of internal control to deliver the goals and objectives covered in

that particular review. The conclusions drawn are described as being “a snapshot in time” and the purpose of allocating an assurance level is so that risk is managed effectively and control improvements can be planned. Consequently, where the assurance level is either ‘no’ or ‘limited’, or where high priority recommendations have been identified, a follow up progress review is undertaken and, where appropriate, the assurance level is revised.

The summary of Assurance Levels issued on the 27 pieces of work commissioned for Dover District Council over the course of the year is as follows:

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

<b>Assurance</b>	<b>No.</b>	<b>Percentage of Completed Reviews</b>
Substantial	13	72%
Reasonable	4	22%
Limited	1	6%
No	0	0 %
Work in Progress at Year-End	5	-
Not Applicable	4	-

\* See list in the table below

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

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

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

### **4.3 Progress Reports**

In agreeing the final Internal Audit Report, management accepts responsibility to take action to resolve all the risks highlighted in that final report. The EKAP carries out a follow up/progress review at an appropriate time after finalising an agreed report to test whether agreed action has in fact taken place and whether it has been effective in reducing risk.

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

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

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

The results for the follow up activity for 2013-14 are set out below. The shift to the right in the third column in the table from the original opinion to the revised opinion also measures the positive impact that the EKAP has made on the system of internal control in operation throughout 2013-14.

<b>Total Follow Ups undertaken 11</b>	<b>No Assurance</b>	<b>Limited Assurance</b>	<b>Reasonable Assurance</b>	<b>Substantial Assurance</b>
<b>Original Opinion</b>	0	1	5	5
<b>Revised Opinion</b>	0	0	4	7

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

<b>Area Under Review</b>	<b>Original Assurance</b>	<b>Follow Up Result</b>
Data Protection	Reasonable/ Limited	Reasonable

Consequently, there are no fundamental issues of note arising from the audits and follow up undertaken in 2013-14. There are no reviews showing a limited assurance after follow up.

#### **4.4 Special Investigations and Fraud Related Work**

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

The EKAP is, from time to time, required to carry out special investigations, including suspected fraud and irregularity investigations and other special projects. Whilst some reactive work was carried out during the year at the request of management, and one investigation is currently underway, there were no other fraud investigations conducted by the EKAP on behalf of Dover District Council. The results of the current matter will be reported to this committee once fully concluded.

#### **4.5 Completion of Strategic Audit Plan**

Appendix 2 shows the planned time for reviews undertaken, against actual time taken, follow up reviews and unplanned reviews resulting from any special investigations or management requests. 270.18 audit days were completed for Dover District Council during 2013-2014. Including the 8.86 days carried forward this adjusts to the budgeted 270 days to 261.14, therefore 103.46% plan completion. The 9.04 days ahead at the year end, will be carried over to 2014-15. The EKAP was formed in October 2007; it completes a rolling programme of work to cover a defined number of days each year. As at the 31<sup>st</sup> March each year there is undoubtedly some "work in progress" at each of the partner sites; some naturally being slightly ahead and some being slightly behind in any given year. However, the progress in ensuring adequate coverage against the agreed audit plan of work since 2007-08 concludes that EKAP is 9.04 days ahead of schedule as we commence 2014-15, as shown in the table below.

Year	Plan Days	Plus B/Fwd	Adjusted Requirement from EKAP	Days Delivered	Percentage Completed	Days Carried Forward (Days Required – Days Delivered)
2008-09	450	0	450.00	459.33	102.07%	+9.33
2009-10	450	-9.33	440.67	431.22	97.80%	-18.78
2010-11	420	+9.45	429.45	445.21	103.60%	+25.21
2011-12	312	-15.76	296.24	291.25	98.32%	-20.75
2012-13	300	+4.99	304.99	313.85	102.91%	+13.85
2013-14	270	-8.86	261.14	270.18	103.46%	+0.18
<b>Total</b>	<b>2202</b>			<b>2211.04</b>	<b>100.41%</b>	<b>+9.04</b>

Appendix 3 shows the planned time for reviews undertaken, against actual time taken, follow up reviews and unplanned reviews resulting from any special investigations for East Kent Housing Ltd. Dover District Council contributed 25 days from its original plan in 2011-12 and 20 days in both 2012-13 and 2013-14 as its share in this four way arrangement. The EKH Annual Report in its full format will be presented to the EKH - Finance and Audit Sub Committee on June 30<sup>th</sup> 2014.

Appendix 4 shows the planned time for reviews undertaken, against actual time taken, follow up reviews and unplanned reviews resulting from any special investigations for East Kent Services. Dover District Council contributed 60 days from its original plan as its share in this three-way arrangement. As EKS is hosted by TDC, the EKS Annual Report in its full format, will be presented to the TDC- Governance & Audit Committee on June 25<sup>th</sup> 2014.

## 5. Overall assessment of the System of Internal Controls 2013-14

Based on the work of the EKAP on behalf of Dover District Council during 2013-14, the overall opinion is:

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

There was one area where only a partially limited assurance level was given which reflected a lack of confidence in arrangements, and this was brought to officers' attention. This review is shown in the table in paragraph 6 along with the details of our planned follow up activity for other areas awaiting a progress report.

## 6. Significant issues arising in 2013-14

From the work undertaken during 2013-14, there were no instances of unsatisfactory responses to key control issues raised in internal audit reports by the end of the year.

There are occasions when audit recommendations are not accepted for operational reasons such as a manager's opinion that costs outweigh the risk, but none of these are significant and require reporting or escalation at this time. It is particularly note worthy to report that after follow up there were no high-risk recommendations outstanding at the year-end.

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

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

<b>Area Under Review</b>	<b>Original Assurance (Date to G. Cttee)</b>	<b>Progress Report</b>
CSO Compliance	Limited June 2012	audit planned for 2014-15
Absence Management	Limited June 2013	audit planned for 2014-15
Cemeteries	Reasonable/ Limited March 2014	Follow up Mid 2014
Write Offs (Business Rates)	Limited June 2014	Quarter 3 2014-15

## **7. Overall Conclusion**

The Internal Audit function provided by the EKAP has performed well against its targets for the year. Clearly there have been some adjustments to the original audit plan for the year 2013-14, however, this is as expected and there are no matters of concern to be raised at this time.

The EKAP assesses the overall system of internal control in operation throughout 2013-14 as providing reasonable assurance. No system of control can provide absolute assurance, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance that there is an ongoing process for identifying, evaluating and managing the key risks.



## **AUDIT ASSURANCE**

### **Definition of Audit Assurance Statements**

#### **Substantial Assurance**

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

#### **Reasonable Assurance**

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

#### **Limited Assurance**

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

#### **No Assurance**

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

## Performance Against the Agreed 2013-14 Audit Plan

## Dover District Council

Review	Original Planned Days	Revised Planned Days	Actual days to 31-03-14	Status and Assurance Level
<b>FINANCIAL SYSTEMS:</b>				
Capital	5	5	6.20	Finalised - Substantial
Treasury Management	5	5	5.70	Finalised - Substantial
Main Accounting System	5	5	5.59	Finalised - Substantial
Budgetary Control	5	5	6.14	Finalised - Substantial
Insurance and Inventories of Portable Assets	12	12	16.46	Finalised – Substantial/Reasonable
<b>RESIDUAL HOUSING SYSTEMS:</b>				
Homelessness	10	10	0.79	Work-in-Progress
Right to Buy	5	5	7.04	Finalised - Reasonable
<b>GOVERNANCE RELATED:</b>				
FOI and Record Management	10	10	11.03	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	11.20	Finalised - Substantial
Business Continuity and Emergency Planning	10	10	6.45	Finalised - Substantial
Corporate Advice/CMT	2	2	5.83	Finalised for 2013-14
s.151 Meetings and support	9	9	10.77	Finalised for 2013-14
Governance Committee Meetings and Reports	12	12	12.10	Finalised for 2013-14
2014-15 Audit Plan Preparation and Meetings	9	9	11.37	Finalised
<b>CONTRACT RELATED:</b>				
CSO Compliance	10	0	0	Postponed till 2014-15 accommodate unplanned work
Service Contract Monitoring	10	10	10.96	Finalised - Substantial
<b>SERVICE LEVEL:</b>				
Cemeteries	10	10	11.39	Finalised – Reasonable/Limited
Coast Protection	6	6	7.97	Finalised - Substantial
CCTV	10	10	6.65	Finalised - Substantial

<b>Review</b>	<b>Original Planned Days</b>	<b>Revised Planned Days</b>	<b>Actual days to 31-03-14</b>	<b>Status and Assurance Level</b>
Environmental Health – Food Safety	10	10	6.68	Finalised - Substantial
Environmental Protection – Contaminated Land and Air Quality	10	10	10.57	Finalised - Reasonable
Disabled Facilities Grants	10	10	9.02	Finalised - Substantial
DES Project Work - Horticulture	12	6	6.36	Finalised
Health & Wellbeing	12	0	0	Postponed to accommodate unplanned work
Planning	10	10	1.9	Work-in-Progress
<b>Liaison with External Auditors</b>				
Liaison with External Auditors	3	1	0.38	Finalised for 2013-14
Follow-up Work	17	17	14.56	Finalised for 2013-14
<b>UNPLANNED WORK</b>				
Car Parking – unders and overs	0	15	15.16	Work-in-Progress
Towards a Digital Future	0	0	1.71	Finalised for 2013-14
HR Investigation	0	0	4.93	Finalised
Tackling Tenancy Fraud	0	5	2.18	Work-in-Progress
<b>FINALISATION OF 2011-12 AUDITS</b>				
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 2012-13	0	-8.86		Finalised
<b>EK HUMAN RESOURCES</b>				
Payroll, SMP and SSP	5	5	1.27	Work-in-Progress
Employee Benefits-in-Kind	5	5	4.11	Work-in-Progress
<b>TOTAL - DOVER DISTRICT COUNCIL RESIDUAL DAYS</b>	<b>270</b>	<b>261.14</b>	<b>270.18</b>	<b>103.46%</b>

### Performance against the Agreed 2013-14 EKH Audit Plan

Review	Original Planned Days	Revised Planned Days	Actual days to 31-03-14	Status and Assurance Level
<b>Planned Work:</b>				
Audit Ctte/EA Liaison/Follow-up	8	7	7.02	Work-in-Progress throughout 2013-14
Rents Accounting, Collection and Debt Management	12	12	16.71	Finalised - Reasonable
Leasehold Services	40	37	24.82	Work-in-Progress
Sheltered Housing	20	0	0.27	Postponed until 2014-15
<b>Finalisation of 2012-13 Audits:</b>				
Housing Repairs and Maintenance	0	24	24.21	Finalised - Reasonable
Days over delivered in 2012-13		-6.65		Completed
<b>Total</b>	<b>80</b>	<b>73.35</b>	<b>73.03</b>	<b>99.56%</b>
Additional days purchased with EKAP saving generated in 2012-13	8.97	8.97	8.97	Finalised – spent on the Repairs and Maintenance audit

### Performance against the Agreed 2013-14 EKS Audit Plan

Review	Original Planned Days	Revised Planned Days	Actual days to 31-03-14	Status and Assurance Level
<b>Planned Work:</b>				
Housing Benefits – Overpayments	15	15	7.19	Finalised - Substantial
Housing Benefits – Fraud Investigation Unit	15	15	13.32	Finalised - Substantial
Council Tax Reduction Scheme	0	5	4.80	Finalised - Substantial
Housing Benefits – Quarterly Testing	40	40	41.72	Finalised for 2013-14
Business Rates	30	30	29.99	Finalised - Reasonable
Debtors and Rechargeable Works	15	15	3.44	Finalised - Substantial
ICT – Change Controls	15	10	8.85	Finalised - Limited
ICT – Software Procurement	15	15	15.27	Finalised - Limited
ICT – PC Controls and Application Controls	15	10	8.68	Work-in-progress
Corporate/Committee	0	0	4.72	Finalised for 2013-14
Follow-up	0	5	5.94	Finalised for 2013-14
New Homes Bonus	0	0	0.34	Finalised
<b>Finalisation of 2012-13 Audits:</b>				
Housing Benefits and Assessment	0		9	Finalised - Reasonable
ICT – Network Security	0		3.7	Finalised - Substantial
Days under delivered in 2012-13		28.11		Finalised
<b>Total</b>	<b>160</b>	<b>188.11</b>	<b>156.96</b>	<b>83.44%</b>

**EAST KENT**  
DOVER • SHEPWAY • THANET • CANTERBURY



**AUDIT PARTNERSHIP**

**Balanced Scorecard**

<b>INTERNAL PROCESSES PERSPECTIVE:</b>	<b>2013-14 Actual</b>	<b>Target</b>	<b>FINANCIAL PERSPECTIVE:</b>	<b>2013-14 Actual</b>	<b>Target</b>
	<b>Quarter 4</b>				
Chargeable as % of available days	83%	80%	Cost per Audit Day (Reported Annually)	£290.18	£319.56
Chargeable days as % of planned days			Direct Costs (Under EKAP management)	£388,917	£402,010
CCC	97%	100%	Indirect Costs (Recharges from Host)	£11,180	£19,810
DDC	103%	100%	'Unplanned Income'	£17,065.32	-
SDC	99%	100%	Overall Saving Delivered Across Partners = 10%	£38,787.92	-
TDC	93%	100%	One Off Cost 2013-14 New ICT funded from Savings	£7,573.40	-
EKS	83%	100%	Total EKAP cost (Excluding Laptops)	£383,032	£421,820
EKH	99%	100%			
Overall	96%	100%			
Follow up/ Progress Reviews;					
• Issued	63	-			
• Not yet due	22	-			
• Now overdue for Follow Up	28	-			
Compliance with the PIAS for Internal Audit Standards	Partial	Full			

<b><u>CUSTOMER PERSPECTIVE:</u></b>	<b><u>2013-14 Actual</u></b>	<b><u>Target</u></b>	<b><u>INNOVATION &amp; LEARNING PERSPECTIVE:</u></b>	<b><u>2013-14 Actual</u></b>	<b><u>Target</u></b>
	<b>Quarter 4</b>		<b>Quarter 4</b>		
<b>Number of Satisfaction Questionnaires Issued;</b>	<b>99</b>		<b>Percentage of staff qualified to relevant technician level</b>	<b>88%</b>	<b>75%</b>
<b>Number of completed questionnaires received back;</b>	<b>62 = 63%</b>		<b>Percentage of staff holding a relevant higher level qualification</b>	<b>33%</b>	<b>33%</b>
<b>Percentage of Customers who felt that;</b>			<b>Percentage of staff studying for a relevant professional qualification</b>	<b>25%</b>	<b>13%</b>
<ul style="list-style-type: none"> <li>• Interviews were conducted in a professional manner</li> <li>• The audit report was 'Excellent, Very Good or Good'</li> <li>• That the audit was worthwhile.</li> </ul>	<b>100%</b>	<b>100%</b>	<b>Number of days technical training per FTE</b>	<b>7.15</b>	<b>3.5</b>
	<b>98%</b>	<b>90%</b>	<b>Percentage of staff meeting formal CPD requirements</b>	<b>43%</b>	<b>43%</b>
	<b>100%</b>	<b>100%</b>			

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

PSIAS Reference	PSIAS Name	Action Required	Update at June 2014
1110	Organisational Independence	<ul style="list-style-type: none"> <li>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.</li> <li>Confirm annually that EKAP is organisationally independent.</li> <li>Remind IA Staff of their ethical responsibilities.</li> <li>Ensure the HoA's performance appraisal is reviewed and signed off by Chief Executive and feedback sought from the Chair of the Audit Committee.</li> </ul>	<ul style="list-style-type: none"> <li>Completed</li> <li>Included in Annual Report</li> <li>Team Meeting 30<sup>th</sup> April 2014</li> <li>With the Director of Finance</li> </ul>
1111	Direct Interaction with the 'Board'	<ul style="list-style-type: none"> <li>Consider the need to meet in private at least annually with the Chair of the Audit Committee.</li> </ul>	<ul style="list-style-type: none"> <li>Proposed for December Meeting annually, also to be combined with assisting in the Committee's self-Assessment.</li> </ul>
1311	Internal Assessments	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing</li> </ul>
1312	External Assessments	<ul style="list-style-type: none"> <li>Ensure an external assessment is carried out in the next four years. Look into a joint procurement exercise with Kent Audit Group.</li> <li>Establish a champion/sponsor to oversee the process.</li> <li>Agree the approach, scope and budget for the External Assessment with the Audit Committee.</li> </ul>	<ul style="list-style-type: none"> <li>Diarized, and now on the KAG agenda to see how the market develops.</li> </ul>
2000	Managing the IA Activity	<ul style="list-style-type: none"> <li>General tidy up on files including ensuring compliance with the Document Retention Scheme and disposal of old files.</li> <li>Investigate how our software APACE can do more for us, including updating the Audit Universe and Risk scores held.</li> <li>Better evidence reasons for over and underspends on time budgets against individual reviews as recorded on APACE.</li> <li>Combine the former Audit Charter and the Strategy, and update the Charter</li> </ul>	<ul style="list-style-type: none"> <li>Raised at Team Meeting 30<sup>th</sup> April 2014</li> </ul>





## **EAST KENT AUDIT PARTNERSHIP AUDIT CHARTER**

1. Introduction
2. Terms of Reference
  - 2.1 Strategy & Purpose
  - 2.2 Responsibility & Scope
  - 2.3 Authority
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3. Organisational Relationships and Independence
  - 3.1 Audit Partnership Management and Staffing
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  - 3.4 Relationship with the Partners
  - 3.5 Relationship with Audit Committees
  - 3.6 Relationship with External Audit
  - 3.7 Relationship with Other Regulators, Inspectors and Audit Bodies
  - 3.8 Relationship with the Public
4. Competence and Standards of Auditors
  - 4.1 Competence
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5. Audit Process
  - 5.1 Planning
  - 5.2 Documentation
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  - 5.5 Follow-up
6. Resources
  - 6.1 Staff Resources
  - 6.2 Budget
7. Quality Assurance
8. Additional Services
9. Amendment to Charter

## **1 Introduction**

- 1.1 This Charter establishes the purpose, authority, objectives and responsibility of the Audit Partnership, in providing an Internal Audit function within the Partner Councils.
- 1.2 The EKAP is committed to the highest standards and prides itself on complying with the definition of Internal Auditing the ethical codes that the profession requires and adopting the International standards.
- 1.3 The Audit Partnership is hosted by Dover District Council. The four East Kent authorities Canterbury City Council (CCC), Dover District Council (DDC), Shepway District Council (SDC), and Thanet District Council (TDC) formed the East Kent Audit Partnership (EKAP) in order to deliver a professional, cost effective, efficient, internal audit function. A key aim for the EKAP is to build a resilient service that provides opportunities to port best practice between the four sites, acting as a catalyst for change and improvement to service delivery as well as providing assurance on the governance arrangements in place.
- 1.4 The Audit Partnership is sufficiently independent of the activities that it audits, and this enables the auditors to perform their duties in a manner, which facilitates impartial and effective professional judgements and recommendations.
- 1.5 The organisational status of the Audit Partnership is such that it is able to function effectively. The Head of Audit Partnership must be able to maintain their independence and report to members. The Head of Audit Partnership has sufficient status to facilitate the effective discussion of audit strategies, plans, results and improvement plans with the senior management and audit committees of the individual partners.
- 1.6 Accountability for the response to the advice and recommendations of the Audit Partnership lies with each partner's own management.
- 1.7 The Audit Partnership reports to those committees charged with governance. The main objective is to independently contribute to the councils' overall process for ensuring that an effective internal control environment is maintained. The work of the Audit Partnership for each of the partner authorities is summarised into an individual annual report, which assists in meeting the requirements to make annual published statements on the internal control systems in operation.

## **2 Terms of Reference**

### **2.1 Strategy & Purpose**

Internal Audit is a statutory requirement under the Local Government Act 1972 (Section 151). It is the strategy of the Audit Partnership to comply with best practice as far as possible. The East Kent Audit Partnership has therefore adopted the best practice principles set out in the Public Sector Internal Audit Standards (PSIAS). The definition of Internal Audit taken from their guidance is as follows:

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

This definition sets out the primary purpose of the Audit Partnership, but the guidance also recognises that other work may be undertaken which may include consultancy services and fraud-related work. Where relevant and applicable the

Audit Partnership also follows the professional and ethical standards of the Institute of Internal Auditors, being that many of the staff are members of this Institute.

## 2.2 Responsibility & Scope

2.2.1 Internal Audit is responsible for appraising and reviewing:

- a) the completeness, reliability and integrity of information, both financial and operational,
- b) the systems established to ensure compliance with policies, plans, procedures, laws and regulations, i.e. rules established by the management of the organisation, or externally,
- c) the means of safeguarding assets,
- d) the economy, efficiency and effectiveness with which resources are employed, and
- e) whether operations are being carried out as planned and objectives and goals are being met.

2.2.2 The scope of the Audit Partnership includes the review of all activities of the Partner Councils, without restriction. In doing this, the purpose of Internal Audit is to:

- a) Advise the Chief Executive, Directors, Senior Managers and Audit Committee on appropriate internal controls and the management of risk,
- b) Assist the Chief Executive, Directors, Senior Manager and Audit Committee with the way that organisational objectives are achieved at operational levels,
- c) Assure the Chief Executive, Directors, Senior Managers and Audit Committee of the reliability and integrity of systems, and that they are adequately and effectively controlled,
- d) Alert the Chief Executive, Directors, Senior Managers and Audit Committee to any system weaknesses or irregularities.

2.2.3 In addition, the Audit Partnership may carry out special investigations as necessary, and agreed with the s.151 Officer or Monitoring Officer as appropriate, in respect of cases of fraud, malpractice or other irregularity, or carry out individual ad hoc projects as requested by management and agreed by the Head of Audit Partnership and the partners' client officer.

2.2.4 Assurance to third parties may be agreed, by the Head of Audit Partnership with the relevant s.151 Officer on a case by case basis; such as acting as the First Level Controller for Inter Reg Grant Claims. The rate charged to a third party for assurance work is set by the Joint s.151 Client Officer Group at £375 per audit day. The decision to provide such a service is informed by the required timing of the work, whether the skills and resources are available and if it is in the best interest of the EKAP and the Partners to do so, the nature of this work may include, for example the verification of claims or returns.

2.2.5 The decision to undertake consultancy services will be made in conjunction with the relevant partner's s.151 Officer and other management as necessary. The EKAP is able to avoid conflicts of interest if carrying out consultancy work due to the flexibility of the arrangements, as auditors may be rotated accordingly. The decision to provide such a service is informed by the required timing of the work, whether the skills and resources are available and if it is in the best interest of the EKAP and the Partners to do so, the nature of this work may include for example, being involved on project teams for new systems development. There are no contingency provisions within the agreed audit plans, therefore if work has not been included in the plan from the outset, a variation will need to be agreed for any consultancy work, to re-allocate time within the relevant partner's own plan, or through buying in additional resource to back-fill whilst partnership staff carry out the assignment.

## 2.3 Authority

2.3.1 The procedures for auditing the Council are included within each of the councils' Constitutions. This typically includes words to the effect that the Authority shall:

- a) Make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has the responsibility for the administration of those affairs, and
- b) Shall maintain an adequate and effective system of Internal Audit of their accounting records and control systems.

Additionally, there may be delegated authority to the Chief Executive and Directors to establish sound arrangements for the planning, appraisal, authorisation and control of the use of resources, and to ensure that they are working properly. Maintaining adequate and effective controls is necessary to:

- a) carry out activities in an orderly, efficient and effective manner,
- b) ensure that policies and directives are adhered to,
- c) ensure compliance with statutory requirements,
- d) safeguard assets & to prevent fraud,
- e) maintain complete and reliable records and information, and
- f) prevent waste & promote best value for money.

2.3.2 The Audit Partnership is authorised to complete a programme of audit reviews within the Partner Councils through the delegation of powers to Dover District Council, as the Lead body for the Audit Partnership.

2.3.3 The Head of Audit Partnership works principally with a nominated officer, the s.151 Officer, for each of the Partner councils, to ensure that a continuous internal audit review of the accounting, financial and other operations of the Council is performed. Progress on the work undertaken shall be submitted regularly to the appropriate committee with responsibility for Internal Audit.

2.3.4 All employees and Councillors shall comply with the requirements of the Council's internal and external auditors who have authority to:-

- a) enter at all reasonable times on any Council premises or land,
- b) have access to all Council assets such as records, documents, contracts and correspondence, including computer hardware, software and data,
- c) require and receive such explanations as are necessary concerning any matters under examination, and
- d) require any employee of the Council to produce cash, stores or any other Council property under his/her control.

2.3.5 Employees and Councillors of any of the Partners may report any financial irregularity or suspected irregularities to the Head of Audit Partnership, who shall then ensure that the matter is dealt with in accordance with the individual council's Anti Fraud and Corruption Strategy.

## 2.4 Avoiding Conflicts of Interest

2.4.1 An additional benefit of four councils working in partnership to provide an internal audit service, is providing sufficient staff to give flexibility and the opportunity for the rotation of Auditors. Where consultancy projects are requested and agreed, conflicts of interest will be avoided by preventing the Auditor undertaking that project from reviewing that area of operation for a period of time equivalent to current year plus one (see also paragraph 3.2 below). The EKAP provides a pure audit arrangement

and does not have any “non audit” or operational responsibilities that would otherwise have the potential to cause a conflict of interest.

### **3 Organisational Relationships and Independence**

#### **3.1 Audit Partnership Management and Staffing**

The audit service is managed by the Head of Audit Partnership, who is responsible for providing a continuous internal audit service under the direction of the Section 151 Officers. The auditor assigned to each individual review is selected by the Head of Audit Partnership, based on their knowledge, skills, experience and discipline to ensure that the audit is conducted properly and in accordance with professional standards.

#### **3.2 Relationship with Service Managers**

3.2.1 It is the responsibility of management, not auditors, to maintain systems of internal control.

3.2.2 To preserve its independence and objectivity, staff involved in the Audit Partnership shall not have direct responsibility for, or authority over, any of the activities subject to audit review. Staff transferring to EKAP may not review an area they were previously operationally responsible for, for a period of two years (current year plus one).

3.2.3 The involvement of an auditor through conducting an audit review, or providing advice, does not in any way diminish the responsibility of line management for the proper execution and control of their activities.

3.2.4 Co-operative relationships will be fostered with management to enhance the ability of the Audit Partnership to achieve its objectives effectively.

3.2.5 All employees should have complete confidence in the integrity, independence and capability of the Audit Partnership. We recognise that the relationship between auditors and service managers is a privileged one, and information gained in the course of audit work will be treated confidentially, and only reported appropriately.

#### **3.3 Reporting Relationship with Line Management**

3.3.1 The Head of Audit Partnership will have regular meetings with each of the Partner's s.151 Officer / nominated client officer. Any events that may have an adverse affect on the audit plan, or a significant impact on the Council will be reported immediately.

3.3.2 Any high risk matters of concern, which have not been adequately dealt with after an appropriate period of time and after follow up, will be escalated to the s.151 Officer / nominated client officer, who will be asked to decide for each high risk matter whether:

- Resources should be allocated to enable the risk to be reduced in the agreed way, or
- To approve that the risk will be accepted and tolerated, or
- To determine some other action to treat the risk.

The outcome of which will be report to the Audit Committee, whose attention will be drawn to high risk matters outstanding after follow up.

#### **3.4 Reporting Relationship with the Partners**

3.4.1 The Head of Audit Partnership has a line reporting relationship directly to the Dover District Council's Director of Finance, Housing and Communities the Council's s.151 Officer. Together under the Collaboration Agreement for the provision of one shared Internal Audit Service, the four s.151 Officers form the "Client Officer Group" which is the key governance reporting line for the EKAP. The Client Officer Group meets collectively twice yearly with the Head of Audit Partnership to consider the strategic direction and development of the partnership and any performance matters.

3.4.2 The East Kent Audit Partnership overall performance is reported to all the partner authorities annually. Key performance measures and indicators have been agreed and these are also reported quarterly. As well as individual assurance reports, and the quarterly Audit Committee reports, an Annual Audit Report will:

- Provide an individual summary of the work completed for each Partner,
- Compare actual audit activity with that planned, and summarise the performance of the East Kent Audit Partnership against its performance criteria, and compliance with professional standards, and
- Include the cost of the service for the partner.

### **3.5 Relationship with Audit Committees**

3.5.1 The East Kent Audit Partnership has a direct relationship with those charged with the responsibility for governance. Consequently, the Head of Audit Partnership issues a report summarising the results of its reviews to each meeting. The Annual Report is the foundation for the opinion given through the Governance Assurance Statement, which is published annually. The Committee will also approve the Audit Partnership annual work plan for their Council.

3.5.2 The Head of Audit Partnership may escalate any high-risk matters of concern (that in his opinion have not been adequately actioned by management) directly to committee, should this ever become necessary.

### **3.6 Relationship with External Audit**

3.6.1 The Head of Audit Partnership will liaise with the External Auditors to:

- Foster a co-operative and professional working relationship,
- Reduce the incidence of duplication of effort,
- Ensure appropriate sharing of information, and
- Co-ordinate the overall audit effort.

3.6.2 In particular the Head of Audit Partnership will:

- Discuss the annual Audit Plan with the External Auditors to facilitate External Audit planning,
- Hold meetings to discuss performance and exchange thoughts and ideas,
- Make all Internal Audit working papers and reports available to the External Auditors,
- Receive copies of all relevant External Auditors reports to Management, and
- Gain knowledge of the External Auditors' programme and methodology.

### **3.7 Other Regulators, Inspectors and Audit Bodies**

The Head of Audit Partnership will foster good relations with all other audit bodies, regulators and inspectors. In particular protocols regarding joint working, access to working papers, confidentiality and setting out the respective roles will be agreed where applicable. The EKAP will only become involved with external regulators and

inspectors if expressly required by the partner authority as part of the agreed audit plan.

### **3.8 Relationship with the Public**

The councils' Anti-Fraud, Corruption, Bribery and Whistleblowing policies encourage staff, members, contractors and members of the public to raise their concerns in several ways, one of which includes making contact with Internal Audit. This Charter therefore considers the responsibility EKAP has with investigating complaints made from the general public about their concerns. It is concluded that each case must be assessed on its own merits and agreement with the s.151 Officer reached before EKAP resources are directed towards an investigation.

## **4 Competence and Standards of Auditors**

### **4.1 Competence**

The Head of Audit Partnership will ensure that those engaged in conducting audit reviews, possess the appropriate knowledge, qualifications, experience and discipline to carry them out with due professional care and skill.

### **4.2 Standards**

Regardless of membership, all auditors will be expected to work in accordance with the Public Sector Internal Audit Standard and practice statements issued by the Institute of Internal Auditors and CiPFA. The East Kent Audit Partnership strives to meet best practice as highlighted in paragraph 2.1. The auditors must also observe the Codes of Ethics of the Institute of Internal Auditors and CiPFA, which call for high standards of honesty, objectivity, diligence and loyalty in the performance of their duties and responsibilities. In addition to professional codes of ethics, the EKAP staff are bound to the DDC Code of Conduct through their employment contract.

## **5 Audit Process**

### **5.1 The EKAP seeks to deliver effective outcomes by;**

- Understanding the four partner councils, EKS and EKH their needs and objectives,
- Understanding its position with respect to other sources of assurance and to plan our work accordingly,
- Embracing change and working with the four councils to ensure our work supports management,
- Adding value and assisting the partners in achieving their objectives,
- Being forward looking, knowing where the partners wish to be and being aware of the local and national agenda, and their impact,
- Being innovative and challenging,
- Helping to shape the ethics and standards of the four councils, and
- Sharing best practice and assisting with the joint working agenda.

### **5.2 Planning**

#### **5.2.1 The internal audit process is to follow a planned approach based upon risk assessments. The planning framework comprises the following:**

- A Strategic Plan, which ensures that coverage of each of the partner councils as a whole, over a time frame of three to five years, is maintained and reviewed annually, to take into account the new priorities and risks of each authority. This focuses internal audit effort on the risks of the four partner's

objectives and priorities. It also seeks to add value to the partners by reviewing areas that most support management in meeting their objectives. The Head of Audit Partnership works together with the two Deputy Heads of Audit to consult relevant service managers and heads of service at each site to assist in formulating the strategic audit plans. Each council's corporate aims and objectives, individual service plans, risk registers, time spent on previous audits, any problems encountered, and level and skill of service staff involved are taken into account and information is entered into the audit software. All areas as identified in the strategic plan are then subject to a risk assessment to identify their risk level and whether or not they are to be included in the proposed annual plan. The audit plans are generated from the audit software based on the risk scores of each area of activity identified through the consultation process

- An Annual Plan for each partner, specifying the planned audits to be performed each year, their priority and the resource requirements for each planned audit review.

5.2.2 For each audit review undertaken, the planning framework comprises the following:

- An Audit Brief, specifying the objectives, scope and resources for the audit.
- Where appropriate either a detailed Audit Programme of tests to be conducted, or a CiPFA Audit Matrix of testing to follow.

The Audit Brief is prepared by the Head of Audit Partnership or Deputy Heads of Audit and reviewed and agreed with the client manager prior to the commencement of the audit review (except where an unannounced visit is necessary).

### 5.3 Documentation

The EKAP is committed to continuous improvement and has standardised all the working practices across the partnership. The Internal Audit team has access to a common Audit Manual to ensure that the same processes are operational across all the partner sites. The Audit Manual is subject to (at least) annual review. Audit working papers contain the principal evidence to support the report and they provide the basis for review of work. The Auditors employ an audit methodology that requires the production of working papers, which document the following:

- The samples of transactions collected when examining the adequacy, effectiveness and application of internal controls within the system.
- The results of the testing undertaken.
- Other information obtained from these examinations.
- Any e-mails, memos or other correspondence with the client concerning or clarifying the findings.
- A report summarising significant findings and recommendations for the reduction of risk or further control improvement.
- The Service Manager's response to the draft report and then agreed recommendations made in the final audit report.

### 5.4 Consultation

5.4.1 Prior to the commencement of an audit, the Head of Audit Partnership or Deputy Heads of Audit will communicate by phone, e-mail or face to face meeting with the relevant Manager to discuss the terms of reference. Having agreed the proposed brief with the Manager, the Head of Audit Partnership or Deputy Heads of Audit will:

- issue a copy of the proposed Audit Brief by e-mail, and



- where appropriate arrange a pre-audit meeting between the Service Manager and the Auditor to discuss the purpose, scope and expected timing of the work.

In the case of special investigations, such prior notification may not be given where doing so may jeopardise the success of the investigation. In such an event, the prior approval of the Chief Executive, s.151 Officer or Monitoring Officer will be obtained.

5.4.2 During the conduct of reviews, Auditors are to consult orally and / or in writing with relevant staff to:

- ensure that information gathered is accurate and properly interpreted,
- allow Management to present adequate/reliable evidence to ensure a balanced judgment is formed,
- ensure recommendations add value, are cost effective and practicable, and
- keep Management informed of the progress of the audit.

## 5.5 Reporting

5.5.1 A written discussion document (draft report) is prepared and issued by the responsible Auditor at the conclusion of each audit. Prior to its issue, the appropriate Deputy Head of Audit reviews the draft together with the supporting working papers. The purpose of this document is to allow the service manager the opportunity to confirm factual accuracy and challenge any of the findings of the review.

5.5.2 The draft document will contain an outline action plan listing proposed individual recommendations for internal control improvement. These recommendations are categorised to indicate whether there is a high, medium or low risk of the control objectives failing. It is at this stage that the Service Manager accepts or negotiates that the risks are in fact present, that they accept responsibility for the risks and discuss how they proposed to mitigate or control them.

5.5.3 The document is then updated, and if changes are required following the discussion, is presented to the Service Manager as a Draft Report. On completion of the Action Plan, a final version of the report containing "Agreed Actions" is issued to the Service Manager with a copy to the relevant Director. Additional copies are circulated as agreed with each Partner Authority.

5.5.4 The agreed actions will be followed up, and high priority recommendations will be tested to ensure they have been effective after their due date has passed.

5.5.5 Audit reports are to be clear, objective, balanced and timely. They are to be constructed in a standardised format which will include:

- The objectives of the audit,
- The scope of the audit, and where appropriate anything omitted from the review,
- An overall conclusion and opinion on the subject area,
- Proposed actions for improvement,
- Service Manager's comments (where appropriate), and
- A table summarising all the Proposed/Agreed Actions, risk category, a due date and any management responses.

5.5.6 Each Final Report carries one of four possible levels of Assurance. This is assessed as a snapshot in time, the purpose of which is for all stakeholders to be able to place reliance on that system of internal controls to operate as intended; completely, consistently, efficiently and effectively. Assurance given by Internal Audit at the year end is based on an overall assessment of the assurance opinions it has given during

that year, and can only apply to the areas tested. There are insufficient resources to audit every aspect of every area every year.

- 5.5.7 In addition to individual audit reports for each topic, the performance of the East Kent Audit Partnership is analysed and reviewed as described in section 3.4 of this Charter.

## **5.6 Follow Up**

- 5.6.1 The Audit Partnership will follow up on management action arising from its assignments. Each individual recommendation is recorded on the specialist auditing software used. Each recommendation is classified as to whether it is high, medium or low risk. The due date for implementation and the responsible person are also recorded.

- 5.6.2 Following the last due date within the Action Plan, the auditors follow up whether or not action has been taken to reduce the identified risk. They ask the responsible officer for each individual recommendation whether:

- a. The control improvement has successfully been implemented
- b. Progress is being made towards implementing the control improvement
- c. No action has yet occurred due to insufficient time or resources
- d. That after agreeing the action, the risk is now being tolerated
- e. That the control improvement is no longer relevant due to a system change
- f. Other reason (please specify).

- 5.6.3 Further testing will be carried out where necessary (e.g. high risk recommendations) to independently confirm that effective action has in fact taken place.

- 5.6.4 A written summary of the results of the follow up action is issued to the relevant Service Manager and Director, and where appropriate a revised assurance level is issued. The results of follow-up reviews and the revised assurance opinions issued are also reported to members.

- 5.6.5 Any areas of concern after follow up, where it is thought that management has not taken appropriate action, will be escalated to senior management and ultimately the Audit Committee as described in paragraph 3.3.2 of this Charter.

## **6 Resources**

### **6.1 Staff Resources**

- 6.1.1 Dover District Council is the host authority for the shared internal audit service therefore it employs or contracts with all the staff engaged to deliver the service. The current team is made up of nine full or part time staff all providing a range of skills and abilities within the Internal Audit profession. Those staff accredited to a professional body are required to record their Continued Professional Development (CPD) in order to evidence that they maintain their skills and keep up to date. Additionally, the staff are bound by the professional standards and code of ethics for their professional body, either CIPFA, the ACCA or the IIA.

- 6.1.2 A mix of permanent staff and external contractors will provide the resources required to fill the required number of chargeable audit days. Internal Audit staff will be appropriately qualified and have suitable, relevant experience. Appropriate professional qualifications are ACCA, IIA or AAT. The DDC appraisal scheme including an assessment of personal development and training needs will be utilised to identify technical, professional, interpersonal and organisational competencies.

Having assessed current skills a personal development plan will be agreed for all EKAP staff intended to fill any skill gaps.

- 6.1.3 The Dover District Council's Personal Performance Review process will be the key driver to identifying any skill gaps, and training, where appropriate, will be investigated at an individual level, as well as across the team, and on a Kent wide basis (through collaborative arrangements at Kent Audit Group). In the short-term, the specialised computer audit skills gap may be addressed through the engagement of contractors for specialist work, and where possible, a team member will shadow the "expert" to gain additional skills.

## 6.2 **Budget**

The EKAP budget is hosted by DDC and apportioned between the partners based on the agreed number of audit days. The cost per audit day is a metric reported annually in the Annual Report. The budget for 2014-15 is £402,840 which includes direct and indirect costs to the partnership. The individual salaries paid to the staff, including the Head of the Audit Partnership are standard grades as assessed by the DDC Job Evaluation system.

## 7. **Quality assurance**

The quality assurance arrangements for the EKAP include all files being subject to review by either the Deputy Head of Audit for the site and/or by the Head of Audit Partnership (especially if the review has 'no' or 'limited' assurance). The review process is ongoing and includes adequate supervision of the audit staff and of the audit work performed. This review ensures that the work undertaken complies with the standards defined in the Public Sector Internal Audit Standards and with the requirements of this Charter. In addition to the ongoing review of the quality of individual working papers and reports and performance against the balanced scorecard of performance indicators; an annual assessment of the effectiveness of Internal Audit is undertaken separately by each of the partner authorities. To comply fully with the PSIAS the EKAP will arrange for an external quality assessment to be undertaken before April 2017.

## 8. **Additional Services**

### a. **Special Investigations and Fraud Related Work**

The EKAP is, from time to time, required to carry out special investigations, including suspected fraud and irregularity investigations and other special projects. The prevention and detection of fraud and corruption is ultimately the responsibility of management within the four partner authorities. However, EKAP is aware of its role in this area and will be alert to the risk of fraud and corruption when undertaking its work. The EKAP will immediately report to the relevant officer any detected fraud or corruption identified during the course of its work; or the discovery of any areas where such risks exist.

Consequently, a provision for any additional time in the event of fraud related work being required has not been included in any of the annual audit plans. Any special investigations which the EKAP is requested to undertake may be accommodated from re-allocating time within the relevant partner's own plan, or through buying in additional resource to either investigate the case, or to back-fill whilst partnership staff carry out the investigation. The provision of resources decision will be made on a case-by-case basis in conjunction with the relevant partner's s.151 Officer and other management as necessary.

An added advantage due to the flexibility of the arrangements within the EKAP means that we are able to use auditors who are not known at an authority to complete special investigations as this strengthens independence.

## **b. Ad Hoc / Consultancy Work**

A contingency has not been included in any of the partners' plans. Therefore if work has not been included in the plan from the outset, a variation will need to be agreed for any subsequently requested work, to re-allocate time within the relevant partner's own plan, or through buying in additional resource, to back-fill whilst partnership staff carry out the assignment. The decision will be made in conjunction with the relevant partner's s.151 Officer and other management as necessary. Again, we are able to avoid conflicts of interest if carrying out consultancy work due to the flexibility of the arrangements within the EKAP, as we are able to rotate auditors accordingly.

## **8.3 Value for Money (VFM) Reviews**

VFM relates to internal audit work that assesses the economy, efficiency and effectiveness of an activity. The work of EKAP is planned to take account of VFM generally, indeed this is supported by the objective to port best practice between sites where appropriate. Also, some agreed audit plans have a specific provision for VFM reviews (or a review of VFM arrangements). Where possible VFM reviews will be run concurrently with other sites within East Kent where this is deemed to be most beneficial to participating authorities. The EKAP staff are alert to the importance of VFM in their work, and to report to management any examples of actual or possible poor VFM that they encounter in the course of their duties.

## **9. Amendment to Audit Charter**

Amendment of this Charter is subject to the approval of the Partners' Audit Committees, Chief Executives, s.151 Officers and the Head of Audit Partnership.

February 2014

### **References:**

- Former Audit Strategy
- Audit Manual
- Public Sector Internal Audit Standards (PSIAS)
- CIPFA Application Note to PSIAS

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<b>Subject:</b>	<b>ANNUAL FRAUD REPORT 2013-14</b>
<b>Meeting and Date:</b>	<b>Governance Committee – 26<sup>th</sup> June 2014</b>
<b>Report of:</b>	<b>Christine Parker – Head of Audit Partnership</b>
<b>Decision Type:</b>	<b>Non-key</b>
<b>Classification:</b>	<b>Unrestricted</b>

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<b>Purpose of the report:</b>	This report provides a summary of the work completed by the East Kent Audit Partnership together with details of the performance of the EKAP against its targets for the year ending 31 <sup>st</sup> March 2014.
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<b>Recommendation:</b>	That Members note the report.
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**Annual Fraud Report 2013-14.**

SUMMARY

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

1.0 INTRODUCTION

1.1 In 2013-14 Dover District Council spent around £14.7 million (net) providing services to the 111,000 people that reside within the district. These services range from the payment of housing and council tax benefit to collection of household waste and the control of development. To provide these services, the Council directly employs 232 staff, and together with East Kent Services and East Kent Housing they are responsible for conducting significant number of administrative, operational and financial processes on behalf of the Council.

1.2 In the Annual Fraud Indicator 2013 the National Fraud Authority (NFA) estimates that fraud costs the UK £52bn a year. The NFA also estimates that within the public sector, £20.6bn is lost annually due to fraud, with £2.1bn of this affecting local authorities. The major areas of fraud within local government are cited as;

- Housing Tenancy fraud (estimated £845 million)
- Procurement Fraud (£876 million)
- Payroll Fraud (£154 million)
- Council Tax Fraud (£133 million).

1.3 The NFA also estimates that Benefit Fraud (fraud and error for benefits administered by the Department for Work and Pensions and local authorities) costs the UK economy £1.2bn annually, with Housing Benefit fraud remaining the largest area of fraud overpayment within the benefits system at £350 million.

1.4 Dover District Council is opposed to all forms of fraud and corruption and recognises that such acts can undermine the standards of public service, which it promotes, and have a detrimental effect on the ability of the Council to meet its own objectives. This, in turn, can impact on the service provided to the residents of this district.

- 1.5 This report is intended to provide details of the Council's activity in preventing, detecting and investigating fraud and corruption during the 2013-14 financial year. The report includes action taken in respect of both corporate fraud (acts of fraud within and against the Council) and benefit related fraud.

## **2.0 Prevention and Detection of Fraud and Corruption**

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

### **2.1 Counter Fraud & Corruption Strategy**

The Council has an integrated and coherent set of policies and strategies for:

- Anti-fraud and corruption
- Dealing with allegations of fraud and corruption
- Anti-money laundering
- Anti bribery; and
- Dealing with whistleblowing

These are public documents which set out the Council's stance on fraud and corruption and providing and outline of its arrangements to prevent, detect and investigate instances. There were no referrals made using the Whistleblowing Policy during 2013/14

The documents were revised in 2012 and adopted by Council on 25<sup>th</sup> July 2012 and they are kept under review for relevance. Net Consent and briefing sessions have been used to ensure that all are aware of the policies and strategies and they are available on the Council's internet and intranet web sites.

### **2.2 Housing & Council Tax Benefit Anti-Fraud Policy**

The Housing & Council Tax Benefit Anti-Fraud Policy provides an additional element of the Council's counter fraud culture, it is a public document setting out the Council's stance on fraud specifically related to benefits. The document was updated December 2012 to reflect changes introduced by the Welfare Reform Act including the Council Tax Reduction Scheme.

### **2.3 Internal Control Arrangements**

#### **2.3.1 Induction**

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

#### **2.3.2 Training**

In addition to the Counter Fraud and Corruption Strategy briefings, specific training and feedback is provided to the Benefit and Council Tax processing staff on referrals made to the investigators. Investigation Officers have commenced working more closely with Housing Officers and Internal Audit, to provide an effective way of sharing the skills, knowledge and experience of conducting investigations.

#### **2.3.3 Website**

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

#### **2.3.4 Publicity of Successful Prosecutions**

The Council is committed to publicising where it has been able to successfully pursue proven cases of fraud. During the 2013-14 year one press release relating to the Council's detection of fraudulent activity was issued. The publicity provides

assurance that the Council does and will deal with such cases effectively, acting both as a deterrent to those contemplating fraudulent activity, and encouraging those with information to come forward and report this to the Council.

#### 2.3.5 National Fraud Initiative

The Council takes part in the bi-annual National Fraud Initiative (NFI) data matching exercise, comparing computer records held by the Council against other data bases held by other bodies. This results in matches being found requiring further investigation to determine whether it is an error or a potential fraud. In October 2012 the Council submitted data for the 2012-13 NFI exercise, and the matches from the exercise were received in January 2013. In October 2012 the Council submitted data for the 2012-13 NFI exercise, and the matches from the exercise were received in January 2013. The results of the NFI Exercise will be reported to the committee when finalised.

#### 2.3.6 Housing Tenancy Fraud

Internal Audit was commissioned to undertake a review of Tackling Tenancy Fraud arrangements working with the four East Kent councils and East Kent Housing (EKH). As part of this review, the incorrect phone number for reporting potential tenancy fraud was corrected on the EKH webpage. Shortly following this, a report was made by a member of the public. The matter was fully investigated, and unfortunately not proven; despite much circumstantial evidence. As a consequence the case has not been fully closed in the event that circumstances regarding the documentary evidence may change in the future. The changes in legislation and new powers available will be fully explained in the final report by Internal Audit due to be finalised and reported to this committee in the near future. The Council will continue to build on this early work in 2014-15.

#### 2.3.7 Data Protection

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

### 3.0 Investigating Fraud

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

#### 3.1 Corporate Fraud & Irregularity Referrals

To ensure the effective use of the skills and resources available to it the Council intends to utilise officers from HR and Internal Audit, and senior managers based on the nature of the allegation and the investigatory skills required. During 2013-14 no referrals were made to the Council;

#### 3.2 Benefit Fraud Referrals

The investigation team is currently made up of two Investigation Officers whose primary focus is the detection and investigation of benefit fraud. The team works closely with other agencies to progress investigations. Partnership working is actively undertaken with these agencies to ensure that the best outcome is received through the pooling of resources.

The investigation team is reliant on a number of sources for referrals of potential benefit fraud cases. During 2013-14 505 referrals were made to the team, as set out in the table below.

Referral type	No. of Referrals received	No. of referrals Accepted for Formal Investigation
Housing Benefit Matching Service	31	24
Fraud Hotline	159	18
Benefits Staff	220	118
Council staff	17	1
DWP	33	33
Other	45	32
	505	226

During 2013-14 226 formal investigations were carried out, a total of 24 sanctions were achieved as follows

Sanction Achieved	Number
Formal Caution	19
Administrative Penalty	4
Successful Prosecution	1
	24

Additionally, through this work, overpayments of £108,718 in Housing Benefit and £21,001 in Council Tax Benefit were identified during the year.

### 3.3 Other Investigation Activity

Internal Audit has also responded to a referral regarding possible missing income. The full investigation is underway, and the results will be reported to this Committee once resolved.

## 4.0 Future Developments in the Fraud Arrangements of the Council

### 4.1 Fighting Fraud Locally

In December 2011 the NFA launched *Fighting Fraud Together*, a national fraud strategy encompassing public and private sector, not for profit organisations and law enforcement bodies. In April 2012 the NFA launched *Fighting Fraud Locally* as the first sector-led local government counter-fraud strategy. *Fighting Fraud Locally* sets out a three tiered approach for local authorities to follow- to Acknowledge, Prevent and Pursue fraud.

The Council commission Internal Audit to consider the existing arrangements against *Fighting Fraud Locally* to identify opportunities to further develop the framework. The officer working group has received the action plan that resulted from this review, and Internal Audit have been asked to attend the working group as required..

### 4.2 Assessing Fraud Risk

The Council will continue to closely monitor the development of the Single Fraud Investigation Service (SFIS) and the wider Welfare Reform agenda. This will directly impact dedicated Housing Benefit investigation staff, although pilot sites have been established by the DWP, the latest date indicated for this initiative to be fully implemented nationally is March 2016. Individual Councils have been given their transfer date between October 2014 and March 2016. Dover's resource will transfer in December 2015. This will present a risk of a loss of skills, and the lost opportunity to share expert knowledge and experience across the Council departments.

Internal Audit will continue to assess fraud risk to which the Council may be exposed annually as part of the development of the annual internal audit plan. In 2014-15 there is a specific Fraud Resilience review scheduled for quarter 3.



## **5.0 Summary**

- 5.1 The Council continues to react positively to review, update and publicise its counter fraud arrangements and encourage referrals to be made where fraud or corruption is suspected.
- 5.2 In the forthcoming year it is considered that the risk of the Council being subject to fraudulent activity is not likely to reduce. To ensure that the Council maintains its counter fraud culture, activities will include to;
- Ensure that the Council has the right policies and procedures in place to support counter fraud work and that these are widely publicised, promoted and enforced.
  - Provide an ongoing awareness of fraud and corruption issues to staff and members, particularly by evaluating an e-learning module.
  - Work with stakeholders across the Council in acknowledging their fraud risk.
  - Undertake reactive investigations where fraud is reported and ensure that the maximum possible is recovered for the Council.
  - Ensure that the lessons learned from investigations, and the skills and knowledge required to carry them out effectively, are shared across the relevant parts of the Council.
  - Ensure that proven cases are publicised.
  - Maintain an overview of the changing fraud landscape to ensure that the Council continues to maintain an effective, but proportionate, response to fraud risk.

### **Background Papers**

- The data required to complete this report has been supplied by the various Council teams responsible.

### **Resource Implications**

There are no financial implications arising directly from this report.

### **Consultation Statement**

Not Applicable.

### **Impact on Corporate Objectives and Corporate Risks**

This report summarises the counter fraud work for the year 2013-14 and sets out the forward look for assessing ongoing fraud risk.

### **Attachments**

None

CHRISTINE PARKER  
Head of Audit Partnership

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<b>Subject:</b>	<b>EFFECTIVENESS OF INTERNAL AUDIT</b>
<b>Meeting and Date:</b>	<b>Governance – 26 June 2014</b>
<b>Report of:</b>	<b>Director of Finance, Housing and Community</b>
<b>Portfolio Holder:</b>	<b>Cllr Mike Conolly, Portfolio Holder for Corporate Resources and Performance</b>
<b>Decision Type:</b>	<b>Non Key</b>
<b>Classification:</b>	<b>Unrestricted</b>

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**Purpose of the report:** To comply with the Accounts and Audit Regulations 2011 by reporting to Members on the effectiveness of Internal Audit

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**Recommendation:** It is recommended that Members receive the report.

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**Summary**

1. Regulation 6 of the Accounts and Audit Regulations (England) 2011 require the Council to review the effectiveness of the Internal Audit service and to consider the findings of the review in the context of the Annual Governance Statement which is also presented to Governance Committee.

**Introduction and Background**

2. In order to assess the effectiveness of the system of internal audit, from 1st April 2013 the East Kent Audit Partnership has been working to the Public Sector Internal Audit Standards (PSIAS), defined as the proper practice for Internal audit in the UK Public Sector.
3. A mandatory local government sector-specific application note issued by the Chartered Institute of Public Finance & Accountancy (CIPFA) supplements the Standards. Previously the East Kent Audit Partnership worked to fulfil the requirements of the CIPFA Code of Practice for Internal Audit in the UK 2006. The Head of Audit Partnership reported to Governance on 20 March 2014 and summarised the self-assessment against the Public Sector Internal Audit Standards (PSIAS).
4. The PSIAS cover the following:
  - 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
5. In addition, the review also considered the extent to which the system of internal audit added value to the organisation and how it helped deliver the council's objectives. To help assess this, the following factors were taken into account:
- The percentage of productive time (83%).
  - Feedback from Senior Management
  - The extent to which the external auditors (Grant Thornton, formally the Audit Commission) place reliance on internal audit in relation to the key systems' controls
  - The Section 151 Officer meetings to review the performance of internal audit

**The review of the effectiveness of the internal audit function**

6. The internal audit function is performed by the East Kent Audit Partnership (EKAP), which provides internal audit services to the councils of Canterbury, Dover, Shepway and Thanet. As a result of this collaborative approach the partnership is able to be robustly resourced and provides a mechanism for sharing best practice to the East Kent authorities that use its service.
7. The partnership provides regular updates to the Audit and Standards Committee at each of its meetings.
8. The external auditors, Grant Thornton, have conducted a review in February 2014 of the Internal Audit arrangements. They have concluded that, where possible, they can place reliance on the work of the EKAP.
9. The EKAP also demonstrates that it is committed to continuous improvement having various measures with the performance measures and indicators for the year being reported on a Balance Scorecard of Performance Indicators.
10. The Head of EKAP and her deputy meet regularly with Director of Finance, Housing and Community (the S151 officer) to monitor performance against the Audit Plan and to discuss any matters arising in relation to the performance of the Audit Partnership.
11. The Director is able to assure Members that Partnership operates to appropriate professional standards and fosters a good working relationship with management, while maintaining the unfettered independence required to take a sufficiently independent perspective.

12. Feedback from the audits and any other matters arising from the work of the partnership are considered at regular meetings that are held between the Section 151 Officers of each of the partnering councils and the auditors to address any issues, to ensure the internal audit function continues to operate in an effective manner, and remains compliant with the requirements of the new PSIAS.
13. In reviewing the work of internal audit during 2013/14 the plan was completed and for the bulk of audits an assurance level of either substantial or reasonable was awarded. These included Food Safety, Coast Protection, Capital, Treasury Management, Main Accounting System, Budgetary Control and Performance Management. The Data Protection review demonstrates internal audit's contribution to mitigating risk and improving controls with a previous assurance level of limited which has now been assessed as reasonable.
14. EKAP's self-assessment in 2013/14 reported general compliance with the new PSIAS, and an action plan was set out in the report to Governance on 20th March 2013 for those improvements required to achieve full compliance with the new standard. The self-assessment concluded that EKAP complies in all other areas.
15. Areas where action is required included:
  - An update to the Audit Charter
  - Requirement of an external assessment to be carried out in the next four years
  - Confirm annually that EKAP is organisationally independent.
16. The progress towards achieving the improvement actions contained in the Action Plan is also reported elsewhere on this agenda in the 'Internal Audit Annual Report'. The new standards also require an update to the Audit Charter incorporating the (currently separate) Audit Strategy and this is also included in the 'Internal Audit Annual Report'.

### **CONCLUSION**

17. The conclusion of the review was that the effectiveness of internal control gives sufficient assurance to enable the Annual Report provided by the Head of EKAP to be relied upon. The council can be confident in the context of EKAP's contribution to the council's Annual Governance Statement.
18. The review enables the council to demonstrate its compliance with Regulation 6 of the Accounts and Audit Regulations 2011.

### **RISK MANAGEMENT ISSUES**

19. The key risks and mitigations are set out below.

Risk	Impact	Likelihood	Mitigation
The system of Internal Audit may not be effective or robust.	High	Low	Risk based approach to audit planning.  Appropriate quality control of internal audit reviews.

Risk	Impact	Likelihood	Mitigation
Accounts may be qualified due to failure to assess the effectiveness of the internal audit system.	High	Low	Robust scrutiny of the effectiveness of internal audit.

### **Corporate Implications**

20. Comment from the Section 151 Officer: The Section 151 Officer has been involved in the production of this report and has no comments to add (MD).
21. Comment from the Equalities Officer: This report does not specifically highlight any equalities implications however, in discharging their responsibilities members are required to comply with the public sector equality duty as set out in section 149 of the Equality Act 2010 <http://www.legislation.gov.uk/ukpga/2010/15>

### **Background Papers**

22. The Accounts and Audit Regulations (England) 2011  
I:\Accountancy\Closing\2013-14\Assurance Statements and Letters\Review of the Effectiveness of Internal Audit.doc
23. Contact Officer: Director of Finance, Housing and Community

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<b>Subject:</b>	<b>2013/14 ANNUAL GOVERNANCE ASSURANCE STATEMENT</b>
<b>Meeting and Date:</b>	<b>Cabinet – 2 June 2014</b> <b>Governance Committee – 26 June 2014</b>
<b>Report of:</b>	<b>Dave Randall, Director of Governance</b>
<b>Portfolio Holder:</b>	<b>Councillor Paul Watkins, Leader of the Council.</b>
<b>Decision Type:</b>	<b>Non-key</b>
<b>Classification:</b>	<b>Unrestricted</b>

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<b>Purpose of the report:</b>	Cabinet:- To agree the Annual Governance Assurance Statement 2013/14  Governance Committee:- To note the report and it's inclusion alongside the 2013/14 accounts.
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<b>Recommendation:</b>	To agree the report
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**1. Summary**

- 1.1 Cabinet are asked to accept the Annual Governance Assurance Statement, as recommended by the Corporate Management Team, and authorise the Leader to sign this statement.
- 1.2 Governance Committee is asked to accept the Annual Governance Assurance Statement alongside the 2013/14 Accounts.

**2. Introduction and Background**

- 2.1 The Accounts and Audit Regulations (England) 2003, as amended by the Accounts and Audit (Amendment England) Regulations 2006, require that the Council conducts at least annually, a review of the effectiveness of its System of Internal Control, and then publishes a statement on internal control within the Annual Governance Assurance Statement
- 2.2 The statement is to be signed by the Leader and the Chief Executive, having paid due regard to any matters raised by the Section 151 Officer and the Monitoring Officer.
- 2.3 The proposed 2013/14 Statement is attached. Corporate Management Team agreed to its acceptance in May 2014. The statement has been prepared taking into account the following information:
  - The service review work performed by Internal Audit during the year.
  - Internal Audit's review of Corporate Governance arrangements.
  - Assurance Statements produced by individual Directors of Service.
- 2.4 The information gathered as a result of risk assessment and management.

- 2.5 The Action plan will be monitored during the year and progress reported to Governance Committee.
3. **Identification of Options**
- 3.1 Agree the report
- 3.2 Do not agree the report
4. **Evaluation of Options**
- 4.1 Option 1 is the preferred option.
5. **Resource Implications**
- None.
6. **Corporate Implications**
- 6.1 Comment from the Section 151 Officer: Finance has been consulted and has no further comments to add (SJL)
- 6.2 Comment from the Solicitor to the Council: The Solicitor to the Council has been consulted in the preparation of the report and has no further comments to make.
- 6.3 Comment from the Equalities Officer: This report does not specifically highlight any equalities implications however, in discharging their responsibilities members are required to comply with the public sector equality duty as set out in section 149 of the Equality Act 2010 <http://www.legislation.gov.uk/ukpga/2010/15>
7. **Appendices**
- Appendix 1 – Governance Assurance Statement
- Appendix 2 – Action Plan – Backward looking
- Appendix 3 – Action Plan – Forward looking
8. **Background Papers**
- Accounts and Audit Regulations 2003
- CIPFA Guidance on Corporate Governance

Contact Officer: Mary Venables, Corporate Services Officer

# Dover District Council Annual Governance Assurance Statement

1 APRIL 2013 TO 31 MARCH 2014

## **WHAT WE ARE RESPONSIBLE FOR**

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

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

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

## **THE AIM OF THE GOVERNANCE FRAMEWORK**

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

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

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

The governance framework describes what has been in place at Dover District Council for the year ended 31 March 2014 and up to the date of approval of the Council's accounts.

## **OUR GOVERNANCE FRAMEWORK**

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

Our Corporate Plan. This is our main strategic document providing a framework for the delivery of our services and providing context for all the other strategies and plans that we have. The Corporate Plan for 2012-2016 is published and is available on the Council's website.

The following strategic priorities have been identified:-

- Enabling and supporting growth of the economy and opportunity for investment and jobs
- Facilitating strong communities with a sense of place and identity
- Serving our communities effectively



- An effective and efficient Council

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

Our Constitution. Our Constitution details how we operate, how decisions are made and the procedures, which are to be followed. It also ensures that we work in an efficient and transparent way and that we are accountable to local people.

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

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

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

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

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

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

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

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

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

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

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

Financial procedures and Contract Standing Orders. We have to ensure that we act in accordance with the law as well as various other regulations. We have developed policies and procedures for our officers to ensure that, as far as are possible, they understand their responsibilities both to the Council and to the public. Two key documents are the Financial Procedure Rules and the Contract Standing Orders, which are available to all officers via the Council's Intranet, as well as available to the public as part of the Constitution.

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

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

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

In particular, the process includes:

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

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

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

Policies. Corporate policies on a range of topics such as Equality and Diversity, Customer Care, Data Protection, Human Rights, and Fraud are all subject to internal review. We keep all staff aware of changes in policy, or documentation through a system called Netconsent and where appropriate arrange training for all or key members of staff.

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

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

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

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

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

Service Reviews. Delivering Effective Services (DES). The DES group has been established and consists of a small number of senior managers who carry out the following tasks:

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

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

Land Allocations Document. This follows on from the Core Strategy. Its primary purpose is to identify and allocate specific sites that are suitable for employment, retail and housing development in order to meet the Core Strategy's requirements and makes a major contribution to delivering the Strategy. It covers the same plan period as the Core Strategy.

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

Communication and Consultation Policies and strategies are in place. These include the dissemination of information via social media stimulating two way communication and allowing questions to be asked by the public. Our website continues to be used for on-line services. The public can also communicate via Neighbourhood forums.

Equality. We have published our equality objectives and annual report helping to ensure that all groups in our community have a voice, can be heard and know how we make our decisions.

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

Employment Stability. The Employment Stability Group considers all requests to fill staff vacancies. The group is chaired by the Director of Governance and supported by the Head of Financial Services and a Human Resources representative. Their recommendations are considered by the Head of Paid Service who provides the final decision as to which posts can be filled.

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

## **REVIEW OF EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK**

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

The Director of Governance has a responsibility for:-

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

Cabinet

- Setting robust and challenging targets and
- Monitoring the achievement of key priorities

Scrutiny (Policy and Performance) Committee:-

- Monitoring the achievement of key priorities

The Governance Committee:-

- Receive quarterly updates from the Head of the Audit Partnership on the assurance which can be placed against various systems and processes during the year,
- Review the annual assessment at the year end.
- Receive the annual review of internal control
- Receive the annual constitutional review
- Review risk management arrangements
- Receives Quarterly Treasury Management Reports
- Receives the Annual Statement of Accounts

Internal Audit:-

- Required to provide an independent annual statement showing areas of concern
- The level of assurance in respect of systems
- The overall level of assurance

**This year's review has involved:-**

Council

The Corporate plan for 2012-2016 was published in 2012. The Constitution was reviewed in November 2013 and a detailed review of the Scheme of Delegation is currently on-going.

Cabinet

The Council's Quarterly Performance Report was reviewed regularly and shows our performance against our key priorities.

## Scrutiny

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

## Governance Committee

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

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

The Director of Governance and Solicitor to the Council are responsible for ensuring that the Constitution is subject to annual review. This year's review was agreed by the Governance Committee on 19<sup>th</sup> November 2013 and adopted by Council on 26<sup>th</sup> November 2013. Several amendments to the Constitution were also agreed by the Governance Committee during the year and these are all documented on our website.

## Standards Committee

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

There were no findings against Dover District Council from the Local Government Ombudsman in 2013/14.

The Annual Report of the work of the Standards Committee for 2013/14 was presented to the Annual Council Meeting on 14th May, 2014. This gave a positive opinion on the ethical conduct of the members of this Council.

A new version of the Code of Conduct for Members as well as Towns and Parishes was agreed by Standards Committee in December 2013 and Council in January 2014. It came into effect on 1st February, 2014.

During 2013/14 there were no complaints against members referred to the Monitoring Officer other than those where no further action was taken.

## Internal Audit

### Review of Internal Audit.

The effectiveness of internal audit is monitored jointly by the monitoring Officer and the S151 officer through:-

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

The Work of Internal Audit. Based on the work of the EKAP on behalf of Dover District Council during 2013-14, the overall opinion is:

There are no major areas of concern, which would give rise to a qualified audit statement regarding the systems of internal control concerning either the main financial systems or overall systems of corporate

governance. The Council can have very good level of assurance in respect of all of its main financial systems and a good level of assurance in respect of the majority of its Governance arrangements. Many of the main financial systems, which feed into the production of the Council's Financial Statements, have achieved a Substantial assurance level following audit reviews. The Council can therefore be very assured in these areas. This position is the result of improvements to the systems and procedures over recent years and the willingness of management to address areas of concern that have been raised.

There was one area where only a partially limited assurance level was given which reflected a lack of confidence in arrangements, and this was brought to officers' attention.

There were no fraud investigations carried out.

#### External Reviews.

There were no external reviews held this year

#### Service Reviews during the Year

During the year there were reviews held in the following areas:-

- Communication and Engagement
- Horticulture, Ecology, Landscape Maintenance, Trees and High Hedges

#### Training

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

#### Members Code of Conduct

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

### **SIGNIFICANT GOVERNANCE ISSUES DURING THE YEAR**

- Local Government Ombudsman.

There were no findings of maladministration in the year

- This Council was a defendant, (as were virtually all District and Unitary Councils), in proceedings brought by a group of Property Search Companies for fees paid to the Council to access land charges data. This case has now been settled, however a second group of Property Search Companies are also seeking to claim refunds. All potential defendant authorities have signed a standstill agreement and reconciliation of these claims continues, with the hope that they will be settled outside of the Court without the need for proceedings

### **IMPROVEMENTS DURING THE YEAR**

- Data Security has been improved following last year's ombudsman report in which some email addresses were divulged. Managers have received further training on Data Protection and all staff have been asked to complete on-line data protection training.
- IT Equipment, systems and software have all been upgraded to be PSN (Public Sector Network) compliant. This means both staff and members can work safely and securely from any location.

- Members and senior staff have been issued with Ipads, which means that minutes and agendas no longer need to be printed. The payback time is less than 2.5 years.
- A major Constitutional Review of the Scheme of Delegations is currently on going, which started during 2013. This will be report to the Governance Committee in June 2014. The review is proving to be very beneficial to all departments as each director has been directly involved allowing the scheme to be adjusted to meet their needs and understanding.
- The Land Allocations document has reached the public examination stage. The inspector's report is expected in mid-May and will recommend modifications, which will be consulted on before final adoption. The process is now close to the final stage.
- Communication with the public has been enhanced through the use of social media. This provides up to date information and stimulates two-way communication, enabling residents to ask questions on matters that concern them. A quarterly resident's newsletter is also produced electronically. Neighbourhood forums are held regularly for residents who wish to have face-to-face discussions.

**STATEMENT OF THE LEADER OF THE COUNCIL & THE CHIEF EXECUTIVE.**

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

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

Signatures:

Date: \_\_\_\_\_ 26<sup>th</sup> June, 2014 \_\_\_\_\_

Leader of the Council - Paul Watkins \_\_\_\_\_

Date: \_\_\_\_\_ 26<sup>th</sup> June, 2014 \_\_\_\_\_

Chief Executive - Nadeem Aziz \_\_\_\_\_

**Governance Assurance Action Plan 12-13 - Forward Looking to 31st March 2014**

<b>Action Description</b>	<b>Evidence</b>	<b>Completed Date</b>
The corporate plan to be been kept up to date and any necessary update is published	Corporate plan is up to date and published on the website	31-Mar-14
The Constitution and Code of Conduct are subject to an annual review and updated where applicable	The constitution has been reviewed and amendments agreed by Council on 27th November, 2013. Full details are on the website in Committee and Council minutes.	27-Nov-13
Service Plans Prepared and Published for each division	Service plans for the forthcoming year completed and returned to Corporate Services. Restructured services did not produce full service plans this. year	12-Mar-14
Quarterly performance reports all reviewed by Cabinet and Scrutiny.	Performance reports published on the website.	31-Mar-14
Audit reports reviewed quarterly by Governance Committee and follow up reviews undertaken where the audit review show the expected levels of assurance had not been achieved.	Actions in Audit reports followed up	31-Mar-14
Standards Committee have received quarterly reports on the progress of formal service complaints against the Council and lessons learned from those complaints.	Standards committee review progress on all formal complaints quarterly. Reports published on website.	31-Mar-14
Alleged breaches of the Members' Code of Conduct by District, Town and Parish Councillors are considered by the Monitoring Officer in a timely manner	Breaches of the Member Code of Conduct have been considered by the Monitoring Officer throughout the year.	31-Mar-14
Audit undertake their annual review of the effectiveness of systems of internal control.	Audit have done their annual review of the system of internal control and the results are built in to their annual report	31-Mar-14
All service reviews that are planned are undertaken	Service reviews were held during the year as planned and changes implemented.	31-Mar-14
Issues arising from the new welfare reforms are monitored, progressed and reported as appropriate	Any issues have been addressed as appropriate	31-Mar-14
The actions brought by property search companies are carefully managed and addressed		Still on-going
Governance Framework revised and incorporated with Performance Management Framework	The Governance framework was revised and agreed by Council	31-Mar-14
The provision for clawback of MMI insurance claims is reviewed and is adequate	MMI provision is as per the MMI annual statement	31-Mar-14
Employee Code of Conduct Developed	Code of conduct developed	Draft plan prepared. Waiting for revised statement of particulars and Conditions of Service. Now due 31/3/15



**Governance Assurance Action Plan 2013/14 forward looking to 31st March 2015.**

<b>Action Description</b>	<b>Evidenced by</b>	<b>Due</b>
The corporate plan to be kept up to date and any necessary update is published	Corporate plan is up to date and published on the website	31/03/15
The Constitution and Code of Conduct are subject to an annual review and updated where applicable	The constitution has been reviewed and amendments agreed by Council	31/03/15
Service Plans Prepared and Published for each division	Service plans for the forthcoming year completed and returned to Corporate Services.	31/03/15
Quarterly performance reports all reviewed by Cabinet and Scrutiny.	Performance reports published on the website.	31/03/15
	Performance reports reviewed by Cabinet and Scrutiny as per minutes published on the Website.	31/03/15
Audit reports reviewed quarterly by Governance Committee and follow up reviews undertaken where the audit review show the expected levels of assurance had not been achieved.	Actions in Audit reports followed up	31/03/15
	Quarterly audit reports all reviewed by Governance Committee	31/03/15
Standards Committee have received quarterly reports on the progress of formal service complaints against the Council and lessons learned from those complaints.	Standards committee review progress on all formal complaints quarterly. Reports published on website.	31/03/15
Alleged breaches of the Members' Code of Conduct by District, Town and Parish Councillors are considered by the Monitoring Officer in a timely manner	Breaches of the Member Code of Conduct have been considered by the Monitoring Officer throughout the year.	31/03/15
Audit undertake their annual review of the effectiveness of systems of internal control.	Audit have done their annual review of the system of internal control and the results are built in to their annual report	31/03/15
All service reviews that are planned are undertaken	Service reviews were held during the year as planned and changes implemented.	31/03/15
The actions brought by property search companies are carefully managed and addressed	Land charges actions carefully managed and addressed.	31/03/15
Governance Framework reviewed and any amendments approved.	All amendments approved	31/03/15
The provision for clawback of MMI insurance claims is reviewed and is adequate	MMI provision is as per the MMI annual statement	31/03/15
Employee Code of Conduct Developed	Employee code of conduct developed	31/03/15
Media Policy completed	Media Policy completed	31/03/15
Code of conduct for officers revised	Code of conduct revised in line with conditions of service	31/03/15
Officer Training Plan Developed	Training plan agreed and in use	31/03/15

DOVER DISTRICT COUNCIL

Agenda Item No 11

GOVERNANCE COMMITTEE – 26 JUNE 2014

**EXCLUSION OF THE PRESS AND PUBLIC**

**Recommendation**

That, under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the remainder of the business on the grounds that the items to be considered involve the likely disclosure of exempt information as defined in the paragraph of Part I of Schedule 12A of the Act set out below:

<u>Item Report</u>	<u>Paragraph Exempt</u>	<u>Reason</u>
Annual Debt Collection Report	3	Information relating to the financial or business affairs of any particular person (including the authority holding that information).



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

**Agenda Item No 12**

Document is Restricted