

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
e-mail: democraticservices@dover.gov.uk

24 November 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 4 December 2014 at 6.00 pm when the following business will be transacted.

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

Yours sincerely

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

Chief Executive

Governance Committee Membership:

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

AGENDA

1 **APOLOGIES**

To receive any apologies for absence.

2 **APPOINTMENT OF SUBSTITUTE MEMBERS**

To note appointments of Substitute Members.

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

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

transacted on the agenda.

4 **MINUTES** (Pages 5 - 11)

To confirm the Minutes of the meeting of the Committee held on 25 September 2014 and 2 October 2014.

5 **RISK MANAGEMENT** (Pages 12 - 18)

To note the report of the Director of Governance.

6 **QUARTERLY INTERNAL AUDIT UPDATE REPORT** (Pages 19 - 42)

To note the report of the Head of Audit Partnership.

7 **GOVERNANCE COMMITTEE UPDATE** (Pages 43 - 57)

To consider the attached report from Grant Thornton.

8 **ANNUAL AUDIT LETTER** (Pages 58 - 64)

To consider the attached report of Grant Thornton.

9 **TREASURY MANAGEMENT QUARTER TWO REPORT** (Pages 65 - 76)

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

10 **SOCIAL MEDIA POLICY FOR MEMBERS** (Pages 77 - 84)

To consider the attached report of the Director of Governance.

Access to Meetings and Information

- Members of the public are welcome to attend meetings of the Council, its Committees and Sub-Committees. You may remain present throughout them except during the consideration of exempt or confidential information.
- All meetings are held at the Council Offices, Whitfield unless otherwise indicated on the front page of the agenda. There is disabled access via the Council Chamber entrance and a disabled toilet is available in the foyer. In addition, there is a PA system and hearing loop within the Council Chamber.
- Agenda papers are published five clear working days before the meeting. Alternatively, a limited supply of agendas will be available at the meeting, free of charge, and all agendas, reports and minutes can be viewed and downloaded from our website www.dover.gov.uk. Minutes are normally published within five working days of each meeting. All agenda papers and minutes are available for public inspection for a period of six years from the date of the meeting.
- If you require any further information about the contents of this agenda or your right to gain access to information held by the Council please contact Jemma Duffield,

Democratic Support Officer, telephone: (01304) 872305 or email:
jemma.duffield@dover.gov.uk for details.

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

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, 25 September 2014 at 6.00 pm.

Present:

Chairman: Councillor T J Bartlett

Councillors: K E Morris
B W Bano
S J Jones
A S Pollitt
M A Russell

Also Present: Emily Hill, Grant Thornton
David Griffiths, East Kent Audit Partnership

Officers: Director of Governance
Head of Finance
Head of Audit Partnership (East Kent Audit Partnership)
Deputy Head of Audit Partnership (East Kent Audit Partnership)
Democratic Support Officer

14 APOLOGIES

An apology for absence was received from Councillor M R Eddy.

15 APPOINTMENT OF SUBSTITUTE MEMBERS

In accordance with Council Procedure Rule 4, Councillor B W Bano was appointed as substitute member for Councillor M R Eddy.

16 DECLARATIONS OF INTEREST

There were no declarations of interest made by Members.

17 MINUTES

The Minutes of the meeting of the Committee held on 26 June 2014 were approved as a correct record and signed by the Chairman.

18 QUARTERLY INTERNAL AUDIT UPDATE REPORT

The Deputy Head of Audit Partnership (East Kent Audit Partnership) introduced the Quarterly Internal Audit Update Report. There had been six audit reports undertaken during the period; two were classified as providing Substantial Assurance Levels, as set out below:

- EKS – Debtors
- Monitoring of Complaints, Comments and Compliments

A Split Substantial/Limited Assurance Level was awarded for Homelessness. The Deputy Head of Audit Partnership advised the Committee that only Limited Assurance could be placed on the recovery of temporary accommodation costs however, a policy corrective action could bring it back to Substantial Assurance. East Kent Housing – Rent Collection and Debt Management received a Reasonable

Assurance and an error in the calculations of the 2012/13 P11d's for lease cars gave rise to the Limited Assurance opinion for the Employee Benefits-in-Kind.

A Split Assurance Level was awarded to East Kent Housing (EKH) – Tenant Health and Safety. A number of necessary controls surrounding fire safety and lift maintenance were absent although there was evidence of compliance with the majority of key controls surrounding Gas Safety and Asbestos Management. EKH Management had made a written response to Audit Partnership and the Deputy Head of Audit Partnership advised Members that a follow up review of Tenant Health and Safety would be undertaken and brought back to the Committee in March 2015.

In light of the Limited Assurance level awarded to fire safety, Councillor Bartlett requested that the Chief Executive of EKH or his representative attend the December meeting of the committee to provide an update on progress.

Councillor S Jones expressed concern that tenants' lives could be at risk and informed the Committee that she had spoken to the Chairman of Scrutiny (Policy and Performance) prior to the meeting and asked that Tenant Health and Safety be considered at a future meeting of the Committee.

In light of the Limited Assurance level awarded to EK Services – ICT Software Licensing at its follow up review, Councillor A S Pollitt requested that the Head of ICT – EK Services attend the December meeting of the committee to discuss Members' concerns regarding the Licences.

RESOLVED: That the Quarterly Internal Update report be noted.

19 FINANCIAL OUTTURN 2013/14

The Head of Finance presented the Financial Outturn 2013/14 report to the Committee, advising members that it needed to be considered in conjunction with the Statement of Accounts and the Audit Findings Report.

The report set out an explanation of the outturn and financial standing of the Council, details of changes to the accounts and a condensed version of the information included in the accounts.

In response to a query from Councillor K E Morris the Financial Services Manager clarified that the £300k surplus in the General Fund was due to the Enterprise Zone Relief under the new National Non Domestic Rates arrangements.

RESOLVED: That the Financial Outturn 2013/14 report be noted.

20 AUDIT FINDINGS REPORT

Ms E Hill of Grant Thornton presented the Audit Findings report which highlighted the key matters arising from the audit of financial statements for the year ended 31 March 2014.

A verbal update was given to the Committee, the audit was now complete and there were no further issues to report. The opinion on the Council's Financial Statements and the conclusion on Value for Money were unqualified.

The audit identified that for future years the Council's Valuer should provide information relating to the valuation of buildings upfront as part of the valuation process to establish if any additional valuations are required and provide working papers and justification at the start of the audit.

Members thanked the finance team for their hard work in compiling the reports and congratulated them on the outcome of the audit findings.

RESOLVED: That the Audit Findings report be noted.

21 STATEMENT OF ACCOUNTS 2013/14

The Head of Finance presented the report on the Statement of Accounts 2013/14. The auditors, Grant Thornton, had awarded the Council an unqualified opinion in respect of the Statement of Accounts for 2013/14. Some minor adjustments and disclosure amendments were made to the draft statement of accounts provided to the auditors in order to improve the overall presentation of the financial statements; these changes did not alter the outturn for 2013/14 or the overall financial position as reported in the Outturn Report.

RESOLVED: (a) That the audited Statement of Accounts for 2013/14 be approved and signed by the Chairman of the Committee.

(b) That the Committee authorise the Chairman to sign the Letter of Representation.

22 TREASURY MANAGEMENT YEAR END REPORT

The Head of Finance presented the Treasury Management Year End report to the Committee. The Committee was advised that the Council's in-house investments (approximately £6m or 32% of total investments) and investments with the investment managers, Investec (approximately £12.9m or 68% of total investments) outperformed their benchmark. The total interest received for the year was £245k, which meant that income for the year was £10k approximately better than budget.

The Council had remained within its Treasury Management and Prudential Code guidelines during the year.

RESOLVED: That the report be received and noted.

23 TREASURY MANAGEMENT QUARTER ONE REPORT

The Head of Finance introduced the Treasury Management report for Quarter One advising the Committee that the Council had remained within its Treasury Management and Prudential Code guidelines during the period. The total interest received for the quarter was £74k, which meant that income for the period was £32k approximately better than budget.

RESOLVED: That the report be received.

The meeting ended at 6.41 pm.

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Minutes of the meeting of the **GOVERNANCE COMMITTEE** held at the Council Offices, Whitfield on Thursday, 2 October 2014 at 6.00 pm.

Present:

Chairman: Councillor T J Bartlett

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

Also Present: Mr M Gillmore (Payments Manager - EK Services)

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

24 APOLOGIES

There were no apologies for absence received from Members.

25 APPOINTMENT OF SUBSTITUTE MEMBERS

There were no notices of substitution received.

26 DECLARATIONS OF INTEREST

There were no declarations of interest made by Members.

27 VARIATION OF THE ORDER OF AGENDA ITEMS

The Chairman proposed with the consent of the meeting that the order of agenda items be varied to take Agenda Item 5 (Exclusion of the Press and Public) and Agenda Item 6 (Risk Based Verification Pilot) next in proceedings.

RESOLVED: That the order of the agenda be varied.

28 EXCLUSION OF THE PRESS AND PUBLIC

It was moved by Councillor A S Pollitt, duly seconded and

RESOLVED: 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 paragraph 7 of Schedule 12A of the Act.

29 RISK BASED VERIFICATION PILOT

The Payments Manager (East Kent Services) presented the report on the proposals for a Risk Based Verification Pilot in relation to new benefit claims for Housing Benefit and Council Tax Support.

The consensus of opinion was to support the proposals with the caveat that a further report evaluating its performance be submitted at the end of the 6 month pilot period.

RESOLVED: (a) That a Risk Based Verification policy in relation to new benefit claims for Housing Benefit and Council Tax Support be approved for testing for a 6 month period.

(b) That the Risk Based Verification policy be approved and the Chairman of the Governance Committee be authorised to sign the policy.

(c) That a further report evaluating the performance of the Risk Based Verification policy be submitted to the Governance Committee at the end of the 6 month pilot period.

30 RESOLUTION TO RE-ADMIT THE PRESS AND PUBLIC

It was proposed by Councillor M A Russell, duly seconded and

RESOLVED: That the press and public be re-admitted to the meeting for the remaining business on the agenda.

31 REVIEW OF THE CONSTITUTION 2014

The Director of Governance presented the Review of the Constitution 2014, taking the Committee through each section of the Constitution and explaining the reasons for the changes that had been made and the effects of the changes on the Council's decision-making framework where applicable.

Members were reassured that no changes had been made that would change the balance between Member / Officer decision-making.

The Committee was informed that the key focus of the Review had been as followed:

- Part 3 Responsibility for Functions – incorporating amendments required as a consequence of legislative and organisational change and reorganising the delegations to officers into a new more accessible format.
- Part 4 Council Procedure Rules (Access to Information rules)
- Part 4 Council Procedure Rules Budget and Policy Framework Procedure Rules)
- Part 5 Codes and Protocols (Members' Planning Code of Good Practice)

In addition there were other minor amendments made to the Constitution to reflect legislative and organisational change.

RESOLVED: (a) That the Review of the Constitution 2014 be noted.

(b) That it be recommended to Council that the proposed changes in the Review of the Constitution 2014, and specifically the delegations in Part 3 that relate to Council functions be approved and incorporated into the Council's Constitution.

The meeting ended at 7.15 pm.

Subject: RISK MANAGEMENT

Meeting and Date: Governance Committee – 4 December 2014

Report of: David Randall, Director of Governance

Classification: Unrestricted

Purpose of the report: To apprise Members of the Council's risk management framework and their specific responsibilities

Recommendation: Members are asked to note the report and accept the council's current risk management procedures

1. Summary

Risk management is an important part of the Council's governance process and it is therefore important that members are aware of the Risk Management Framework which contains the adopted practices and procedures to enable the effective management and mitigation of risks.

2. Introduction and Background

2.1 The Council's Risk Management Framework is reviewed each year and included in the Corporate Governance Local Code which brings together the Council's legislative requirements, governance principles and management processes.

2.2 The Risk Management Framework explains the methods used to identify and classify risks based on their type, impact and likelihood. Individual service risks are monitored and managed by the relevant service managers with corporate risks being centrally monitored and co-ordinated.

2.3 Key corporate priorities and projects are also being risk assessed as an integral part of this governance process.

2.4 The attached Risk Management Framework reflects the Council's current approach to risk management and explains the various roles and responsibilities of all interested parties.

3. Corporate Implications

3.1 The management of risks is a vital part of the governance process and it is therefore important to ensure that adequate resources are applied to enable the risk management framework to be adhered to.

4. Appendices

Appendix 1 – Risk Management Framework

5. Background Papers

None

Contact Officer: Colin Cook, extension 2118

Risk Management Framework

Introduction

Risk is the threat that an event or action will adversely affect the Council's ability to achieve its objectives successfully. Although risk is generally associated with the possibility of suffering harm, loss or liability, in some situations confrontation of risk might also enable us to capitalise on opportunities.

Risk management is the process by which risks are identified, evaluated and controlled and is a key element of the framework of governance. It is about identifying, analysing, evaluating, responding and monitoring threats and opportunities with a view to minimising the chances of failure and maximising the chances of success. Risk management is about being risk aware and not risk averse.

Following the Priority Service Review during 2010, it was agreed that this Council would apply its Risk Management Strategy to monitoring risks at a Corporate and Project level only. Corporate priorities will continue to be risk assessed as a fundamental part of the Governance process. Service / Day to Day risks are monitored as appropriate by individual departments.

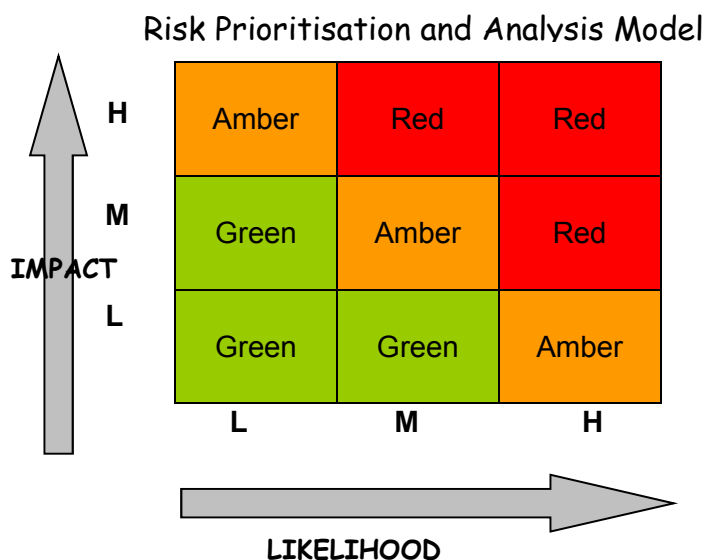
Risk Strategy and Approach

- Project Managers identify risks linked to the project objectives
- Service Managers and Directors identify risks associated with corporate priorities within their service.
- Service Managers and Directors identify risks arising from and within partnerships and other joint working arrangements.
- The Corporate Risk Register will comprise of Corporate and project risks.
- Ownership and responsibility is assigned to each risk identified.
- Each risk is recorded as an **inherent risk**, the management action necessary or already taken to mitigate the risk are recorded together with the subsequent **residual risk**.
- It is recognised that the risks will change over time as projects and Corporate Priorities develop, evolve and change. Through regular review of risk management arrangements it enables us to respond to these changes. The process is not a one-off exercise, but an ongoing task.
- Effective risk management helps us to deliver an appropriate balance between risk and control, ensure effective decision making, the better use of limited resources, greater innovation and consideration of positive risks (opportunities) as well as negative risks (threats) to the project.

Risk Management in Practice

- Risk Management is a five stage on-going process as follows:-
 - Identification
 - Analysis
 - Evaluation

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



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

IMPACT			
Key Risk Areas	High	Medium	Low
Communication and publicity	<ul style="list-style-type: none"> • Remembered long term. • Adverse national publicity 	<ul style="list-style-type: none"> • Adverse headlines in local media 	<ul style="list-style-type: none"> • Letters of complaint
Corporate Governance	<ul style="list-style-type: none"> • Project will fail to be implemented. • Governance Committee identify significant governance failings. Significant levels of fraud 	<ul style="list-style-type: none"> • Project will be delayed. Adverse governance findings by the Cabinet / Scrutiny and Governance Committee. • Extraordinary Review by External Auditors 	<ul style="list-style-type: none"> • Limited Assurance following Audit
Efficiency and Savings	<ul style="list-style-type: none"> • Failure to meet all anticipated efficiency targets • Inability to recover shortfall on budget 	<ul style="list-style-type: none"> • Failure to exploit benefits of partnership working • Budget pressures 	<ul style="list-style-type: none"> • Budget managed but performance is below that originally planned

IMPACT			
Key Risk Areas	High	Medium	Low
	overspend	with poor performance	
Financial/Funding	<ul style="list-style-type: none"> Budget Overspend > £10k or 10% Property loss or damage > £50k. Lack of external funding due to concerns over service delivery or project management Substantial loss or failure of investments 	<ul style="list-style-type: none"> Budget Overspend up to £10k or 10% Unaccountable short falls in stock / inventories or other assets. Property loss/damage in excess of £50k. Lack of provision when funding stream ends 	<ul style="list-style-type: none"> Budget Overspend up to £10k
Health & Safety	<ul style="list-style-type: none"> Potential for loss of life Large scale major illness Forced closure of offices/leisure facilities/block of flats due to H&S legislation HSE Investigation with Fine 	<ul style="list-style-type: none"> Major illness Serious injury - including disablement Forced close of smaller office/facility due to failure to comply with H&S legislation 	<ul style="list-style-type: none"> Broken bones/illness Partial closure of offices/facility
IT	<ul style="list-style-type: none"> Complete failure of IT system. Breach of licence. 	<ul style="list-style-type: none"> Temporary failure of IT system. Software problems. 	<ul style="list-style-type: none"> Minor problems with new software.
Project aims	<ul style="list-style-type: none"> Objectives of project not achieved. Time/costs greatly exceeded. 	<ul style="list-style-type: none"> Key Milestone missed. 	<ul style="list-style-type: none"> Minor delays/problems.
Personnel resourcing	<ul style="list-style-type: none"> Mass staff resignation. Inability to attract new staff 	<ul style="list-style-type: none"> Industrial action 	<ul style="list-style-type: none"> Some hostile relationships, minor non-co-operation
Service delivery	<ul style="list-style-type: none"> Long-term suspension of service. Failure of service. High level of public dissatisfaction. 	<ul style="list-style-type: none"> Short term reduction in service provision. Pockets of dissatisfaction. 	<ul style="list-style-type: none"> Low standard of service provision evidenced by messages of complaint
Statutory Responsibilities	<ul style="list-style-type: none"> Failure to enforce regulatory powers. Major fraud. Criminal Proceedings against the 	<ul style="list-style-type: none"> Adverse finding by the Local Authority Ombudsman. Failure to test emergency plans. 	<ul style="list-style-type: none"> Minor breach

IMPACT			
Key Risk Areas	High	Medium	Low
	Council. Public Inquiry to review substantial failure of a Council Service. Adverse findings of Standards Committee. No contingency planning.		

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

Risk Methodology

- Project and corporate risks are identified in line with the project and corporate priorities and objectives. Associated risks, threats and opportunities are determined for each objective and priority.
- Risks are evaluated in terms of likelihood and impact, which will determine where the axes or parameters on the model will be drawn. This will determine the categories each risk falls into.
- Each significant risk will be considered in context. The potential impact will be measured against the possible benefits and it will then be assessed as to whether it is worthwhile to continue with a particular objective if the risk outweighs the reward.
- Risk mitigation is the stage of the process when action can be taken to minimise the likelihood of risks occurring, or to reduce the severity of the consequences should it occur.
- The final stage of the risk management process will be the effective monitoring and review of the identified risks to ensure the successful delivery of the project or corporate priority. This process will also assess whether the nature of risk has changed over time.

Risk Management Strategy

The risk management policy of Dover District Council is to adopt cost-effective practices in the assessment of risks to ensure that they are eliminated or reduced to an acceptable level. This will help safeguard assets, employees, customers and the delivery of services to the local community.

The Council pursues a forward-looking and dynamic approach to delivering services to the local community and will not be averse to taking a degree of commercial risk. However, it will always exercise a prudent approach to risk taking and decisions will be made within the parameters of the Council's internal control arrangements. In particular, Financial and Contract Procedure Rules which ensure that the Council does not expose itself to risks above an acceptable level.

The risk management objectives of the Council are to:

- Help ensure that the Council's key corporate priorities are delivered
- Manage and mitigate project risk
- Be responsive to changing social, environmental and legislative requirements whilst being aware of the related risks and opportunities
- Take reasonable steps to prevent injury, damage and loss and reduce the cost of risk

These objectives will be achieved by:

- Defining roles and responsibilities of Officers and Members within the organisation in relation to risk management.
- Providing relevant training on risk management to relevant officers and Members of the authority
- Encouraging officers participating in other professional discipline groups to consider risk management.
- Making sure officers are made aware of risk management information received from insurers and other related sources.
- Maintaining a risk management framework to provide for:-
 - A useful and meaningful Corporate risk register
 - Appropriate incident recording to enable the analysis of risk data
 - The annual review of the risk management framework

Roles and Responsibilities

Members

- The Governance Committee has specific responsibility included in its terms of reference for providing independent assurance on the adequacy of the control and risk management framework and the associated control environment.
- The Governance Committee also has responsibility for the independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.

Executive and Corporate Management Team

- Corporate Management Team is responsible for identifying key risks as part of their strategic responsibilities.
- The Director of Governance will undertake an annual strategic risk review

- The Director of Governance, supported by the Head of Corporate Services has overall responsibility for ensuring the minimum agreed level of risk management is undertaken.

Directors / Service Managers

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

Employees Generally

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

Insurance

- The Director of Governance in consultation with the Corporate Services (Insurance Team) will:
 - Regularly review and advise upon the Council's insurance requirements and arrangements, and arrange insurance cover as necessary
 - Annually review the adequacy of the Council's internal Insurance Provisions and Reserves, and advise on action to be taken
 - Advise Officers and Members on insurance covers available and/or in place and advise Officers on claims procedures, and process claims arising
 - Assist in the development and provision of claims data to aid future risk control

Subject: QUARTERLY INTERNAL AUDIT UPDATE REPORT

Meeting and Date: Governance Committee – 4th December 2014

Report of: Christine Parker – Head of Audit Partnership

Decision Type: Non-key

Classification: Unrestricted

Purpose of the report: This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 30th September 2014.

Recommendation: That Members note the update report.

1. Summary

This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 30th September 2014.

2. Introduction and Background

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

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

SUMMARY OF WORK

- 2.7 There have been eight Internal Audit reports that have been completed during the period, of which two reviews was classified as providing Substantial Assurance, four as Reasonable Assurance, one as Limited, and a further one resulted in a split assurance which was partially limited. Summaries of the report findings and the recommendations made are detailed within Appendix 1 to this report.
- 2.8 In addition five follow-up reviews have been completed during the period, which are detailed in section 3 of the quarterly update report.
- 2.9 For the six-month period to 30th September 2014, 143.43 chargeable days were delivered against the planned target of 260.96, which equates to 54.96% 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 2014-15 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 2014-15 - Previously presented to and approved at the 20th March 2014 Governance Committee meeting.
- Internal Audit working papers - Held by the East Kent Audit Partnership.

Contact Officer: Christine Parker, Head of Audit Partnership



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

1. INTRODUCTION AND BACKGROUND

- 1.1 This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 30th September 2014.

2. SUMMARY OF REPORTS:

Service / Topic		Assurance level
2.1	EKS – Housing Benefit Payments	Substantial
2.2	Anti-Money Laundering	Substantial
2.3	Contract Standing Order Compliance	Reasonable
2.4	HMO Licensing	Reasonable
2.5	White Cliffs Countryside and Up on the Downs Partnerships	Reasonable
2.6	Waste Management	Reasonable
2.7	Planning and s.106 Agreements	Substantial/Limited/ Limited
2.8	Safeguarding Children and Vulnerable Groups	Limited

2.1 EKS Housing Benefit Payments – Substantial Assurance.

2.1.1 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 authorities of Canterbury CC, Dover DC and Thanet DC and incorporate relevant internal controls regarding the payments of Housing Benefit.

2.1.2 Summary of Findings

Housing Benefit payments are processed and administered by EK Services inline with the Social Security Contributions and Benefits Act 1992 and the Housing Benefit Regulations 2006. Housing Benefit payments across the UK totalled £23.8 billion during 2013/14, this accounts for almost 30% of the total welfare bill. It is therefore important that the controls in place are robust to ensure error detection and fraud detection controls are effective.

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

- Policies, processes and procedures are in place which supports the business objectives set out by EK Services;
- Robust system based controls across all three Councils; and
- Effective reconciliation routines in place.

The only scope for improvement identified was the need to align a few of the processes across the three sites to encourage a consistent approach across EK Services.

2.2 Anti-Money Laundering – Substantial Assurance.

2.2.1 Audit Scope

To ensure that the Council's obligations and responsibilities regarding money laundering are adequately discharged; specifically to do all we can to prevent, wherever possible, the organisation and its staff being exposed to money laundering, to identify the potential areas where it may occur, and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases.

2.2.2 Summary of Findings

Money laundering is the term used for a number of offences involving the proceeds of crime and terrorist funds. The following acts constitute the act of money laundering:

- Concealing, disguising, converting, transferring or removing criminal property from England and Wales, or from Scotland, or from Northern Ireland.
- Becoming concerned in an arrangement in which someone knowingly or suspects and facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person.
- Acquiring, using or possessing criminal property.

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

- The Council's Anti-Money Laundering process is working well.
- The Council has a nominated Anti-Money Laundering Officer.
- Appropriate arrangements are in place to ensure that all relevant staff within the Council are aware of the Policy, procedures, reporting arrangements and the action that needs to be taken if they identify anything suspicious.

Small scope for improvement was identified in the following area:

- The Council should provide staff with awareness update training on the Council's Anti-Money Laundering Policy.

2.3 Contract Standing Order Compliance – Reasonable Assurance.

2.3.1 Audit Scope

The Council's practices for the procurement of goods and services achieves economic cost and good value for money and that Contract Standing Orders and the guidance and supporting procurement practices/user instructions are relevant and complied with as appropriate across both DDC and shared services who spend on Dover's behalf.

2.3.2 Summary of Findings

The purpose of the Council's Contract Standing Orders (CSOs) is to provide a structure within which procurement decisions are made and implemented. This is to ensure that resources are used efficiently, value for money is sought, corporate objectives are met, and transparency is evident. The CSOs specify financial limits which determine, prior to purchase, the number of quotes that must be obtained or whether a full tender process should be followed. In addition, high value tenders for works and services are governed by EU procurement laws and must be advertised in the OJEU (Official Journal of the European Community). The EU financial thresholds as at January 2014 are: supplies and services £172,515 and works £4,322,012. These thresholds are revised every two years.

Purchase orders are an important aid in budget monitoring and the CSOs/Procurement Guide states that purchase orders must be raised for all goods and services, unless they are exempt.

- Total number of orders raised in 2013/14: 2,336;
- Total value: £14.7m;
- Total number of orders raised in 2014/15 (Apr-Oct): 1,316; and
- Total value: £12.6m.

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

- Tender processes are followed and properly evaluated;
- Many framework agreements are in place;
- Officers are aware of CSO requirements;
- In the majority of cases, factors other than lowest price are considered; and
- Procurement Guide/CSOs is available on the intranet.

Scope for improvement was however identified in the following areas:

- Reminder needed that lowest price is not the only consideration when selecting a supplier;
- Reduce the number of retrospective orders, currently at 7.75% for 2014/15; thereby reducing the impact on suppliers' cashflow;
- Monitor orders between £10k-£99k for evidence of market testing; and
- Maintain a summary of waivers.

2.4 HMO Licensing – Reasonable Assurance.

2.4.1 Audit Scope

To provide assurance in respect of the controls and procedures operated by management to work with landlords and tenants to ensure the legal standards for housing are met.

2.4.2 Summary of Findings

The Housing Act 2004 introduced mandatory licensing of all houses in multiple occupation (HMO) which had three or more storeys and are occupied by five or more persons forming two or more households. This was to address some of the historical issues regarding badly managed and poorly maintained HMO's and specifically improve the overall management of these properties.

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

- There are effective procedures in place to ensure that the administration of the HMO license applications is dealt with consistently and effectively.
- All premises are visited prior to the license being granted.
- The information available on the Council's website regarding HMO's is comprehensive and links to the government guidance.

Scope for improvement was however identified in the following areas:

- Files are still being kept manually when M3 has the facility to scan documents and append them to the relevant premise.
- Gas safety and electrical certificates are not being effectively monitored resulting in a breach of license conditions.

2.5 White Cliffs Countryside & Up on the Downs Partnerships – Reasonable Assurance.

2.5.1 Audit Scope

To help conserve and enhance the special coast and countryside the district, and make it accessible to all.

2.5.2 Summary of Findings

White Cliffs Countryside Partnership:

The WCCP was launched in December 1989 (and is now about to celebrate its 25th anniversary) with three staff funded by seven organisations for a limited 3 year period. In 2013 the WCCP was funded by more than 23 organisations. The WCCP carries out long term management of land that has a high value for wildlife and landscape, making it accessible to everyone. Many of the sites managed by WCCP are on a national or even international level of importance for wildlife.

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

- To assist in meeting its objectives the WCCP organises around 400 events every year. These include guided walks, volunteer events and family events.
- Regular reporting to the steering group in respect of the projects that are being carried out.

- Established processes for volunteers.
- Processes are in place for dealing with income and the reconciliation of it to ensure that it is allocated to the correct cost centre.

Scope for improvement was however identified in the following areas:

- The Council's Legal Section has had a copy of the revised partnership agreement to comment on for 4 years but remains outstanding.
- Staff need to ensure that they complete the risk assessment documentation for all volunteer sessions and guided walks.
- A review of the WCCP website needs to be carried out to ensure that the information it is up to date.
- ICT issues need to be addressed in respect of how information is being backed up on the stand alone PC in the office and also how staff are saving their work on to the network

Up on the Downs Landscape Partnership Scheme:

Up on the Downs is a £2.5 million scheme which aims to make a major contribution at a landscape scale to the conservation of the heritage of the Dover and Folkestone area. This is a four year project provisionally to cease in 2017.

The scheme is largely funded by the Heritage Lottery Fund, (68% of all costs) with the remainder being contributed by its partners and the Kent Downs and Marshes Leader Programme, although other sources of funding are constantly being investigated and sort after. The scheme is hosted by Dover District Council.

The primary findings giving rise to the Reasonable Assurance opinion in this area are as below although it should be noted that the processes that are currently in place are continuing to evolve as the scheme has only been in place for approximately 18 months.

- Grant application and awarding processes have been developed and put in place with nine grants awarded so far.
- Monitoring processes are in place including quarterly project progress reports which are presented to the Heritage Lottery Funding and the partnership board.

Scope for improvement was however identified in the following areas:

- The grant application process should be reviewed to include ensuring that both risk assessments have been carried out by the applicant for the project that they are seeking funding for and where applicable have also taken into account child protection and safeguarding vulnerable adults legislation.
- Consider having a standard agenda item at each grant panel meeting to give them feedback on the current position, including the conditions imposed, or the final outcome of each of the grants they have awarded.

2.6 Waste Management – Reasonable Assurance.

2.6.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the waste management contract terms and

conditions are being complied with regarding the performance of the service and to ensure that current payments to the contractor are in accordance with the contract terms.

2.6.2 Summary of Findings

The waste contract is a joint one between Kent County Council, Shepway District Council and Dover District Council and is now into its 4th year. The contract runs for the period 16th January 2011 to 15th January 2021.

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

- Service plans and supporting strategies are in place that support and give the future direction of the service and timetables for completion of various reviews.
- Payments and recharges are processed in a timely fashion.
- Contract monitoring is in place and is continuing to be further developed including revised working practices (from 15th September 2014) which will assist in the increased monitoring of the contractor and ensure that the contractor is meeting the expected standards as per the contract and will also penalise the contractor for non-performance. The further development of the contract monitoring is in light of the decision taken not to put in place a contract monitoring tool that was expected to be delivered by Waste Consulting Ltd and KCC at the beginning of this contract and the contract monitoring team were still waiting for now.
- Regular meetings are held with the contractor in an attempt to address issues. Although one of the main issues that still needs to be addressed by Veolia is the interface between their ECHO system and each authorities M3 systems and this is with the contract now into its fourth year.

From discussions with officers and management and viewing the comparison data, there is a two tier contract in place with the Shepway side of the contract being run better than the Dover side by the contractor. At Shepway, the contractor seems to be dealing with issues as they arise and are not behind in dealing with the worksheets either for missed bins or delivering receptacles. However at Dover there appears to be an issue with the contractor not being able to keep up with the delivery of the receptacles (484 currently outstanding as at 8/8/2014) and also with the outstanding worksheets for missed bins and other contractual duties (301).

In July 2014 Veolia decided that they would not collect contaminated recycling anymore in accordance with the contract across both Dover and Shepway. This led to a huge increase in the number of contaminated notices being issued across both Dover (3377 issued) and Shepway (2986 issued) along with increased numbers of telephone calls and complaints to each authorities call centres. Whilst this is a requirement of the contract, the way that it was rolled out and communicated to the public could have been better managed by the contractor.

2.7 Planning and s.106 Agreements – Substantial/Limited/Limited Assurance:

2.7.1 Audit Scope

Planning Applications – to ensure that planning application procedures, including those in respect of fees and collection of income are in accordance with Statute, and

the organisation's Standing Orders and Financial Regulations and that applications are processed in an efficient, effective and timely manner.

Section 106 Agreements – to ensure that S106 agreements are used where appropriate in planning applications and that all legal requirements are adhered too. All income/benefits from the agreement are received and obligations imposed are complied with to the benefit of the district.

Summary of Findings

The Council's development management function is responsible for deciding whether a proposed development should be allowed. Most new buildings, major alterations to existing buildings and significant changes to the use of a building or piece of land need planning permission. Certain minor building works do not need planning permission as the effect on neighbours or the surrounding environment is minimal and in these instances they are classed as permitted development.

The number of planning applications received each year in total has not altered significantly, however the number of major applications received has increased and this can have a negative impact on the planning resources available.

Year	Major applications	Minor applications	Other applications	Total applications
2011/12	35	267	636	938
2012/13	48	225	592	865
2013/14	57	285	612	954

Key performance indicators reported quarterly for the planning function show that the targets are not being met each quarter.

2013 /14 qtr.	Major apps processed within 13 weeks	Major apps processed within 13 weeks	Minor apps processed within 8 weeks	Minor apps processed within 8 weeks	Other apps processed within 8 weeks	Other apps processed within 8 weeks
	Target	Actual	Target	Actual	Target	Actual
1	60%	50%	65%	58%	80%	50%
2	60%	43%	65%	73%	80%	67%
3	60%	56%	65%	66%	80%	71%
4	60%	71%	65%	63%	80%	72%

Management can place:

- Substantial Assurance on the system of internal controls in operation for monitoring the financial obligations recorded in S106 agreements.
- Limited Assurance on the system of internal controls in operation for the planning application function; and
- Limited Assurance on the discharge of planning conditions and the monitoring of non-financial S106 obligations.

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

- The financial obligations of the S106 agreements that have been made have been designated to one Officer and subsequently these are monitored closely to ensure the funds are received and spent correctly.
- Since the DES review the planning administration procedures have been reviewed and streamlined. However as part of the Digital Future project these will be scrutinised further and more efficiency will be sought.

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

- Inconsistency in the administration of planning applications.
- When checklists are being used these are incomplete.
- Actions are not being recorded on Acolaid to provide a complete audit trail.
- Inefficiencies have been identified where unnecessary visits are being carried out.
- Planning files are not being maintained in an orderly manner.
- The planning conditions are not being routinely monitored where appropriate.
- The S106 non-financial obligations are not systematically being monitored.
- The planning performance figures are being impacted in a negative way because extensions of time are not being correctly administered.

As part of the Digital Future Project which is looking at providing digital service delivery for Planning, the Planning Support Supervisor and the Planning Delivery Manger have reviewed many of the issues raised in the audit report. The Project will reengineer many of the current processes and administration for planning. From April 2015, Householder applications will be dealt with electronically. Once this has been implemented successfully action will be taken to digitalise the rest of the planning service, however there will be exceptions where it is not appropriate for the planning application to be made electronically however these should be kept to a minimum.

2.8 Safeguarding Children and Vulnerable Groups – Limited Assurance.

2.8.1 Audit Scope

To ensure that the Council fulfils its legal obligations under section 11 of the Children Act 2004 and under the Safeguarding Vulnerable Groups Act 2006.

2.8.2 Summary of Findings

The Council's Child Protection policy states that the authority recognises that the protection of children and young people is a corporate responsibility. It will seek to ensure that all children and young people who come into contact with the Council and its employees are protected and treated with respect. The Council will also seek to ensure that all employees appointed to work with children and young people, or who are likely to come into contact with them, are suitable through appropriate recruitment and selection processes, training, and working practices and procedures.

The last full audit in this area was carried out in September 2010 and it was identified at that time that several issues needed to be addressed. Subsequent follow up reviews were carried out as part of the audit process, with the last one in November 2011 again highlighting many of the same issues that still needed to be addressed.

This audit review in July 2014 has also identified that many of the original issues remain outstanding. Management can therefore continue to place only Limited Assurance on the system of internal controls in operation.

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

- A lack of management support in ensuring that staff are aware of their responsibilities in respect of the requirements of the Safe Guarding Vulnerable Groups Act 2006 and the Children Act 2004. This is reflected in the corporate training programme which has not identified corporate training requirements, neither classroom nor online based for relevant staff for the 2013/14 or 2014/15 financial years and also in the points as listed below.
- Both the corporate risk register and the service plans (apart from Community Safety, Parking and CCTV) make no reference to child protection or safeguarding vulnerable groups.
- Non-compliance with the Child Protection Policy in respect of ensuring that contractors (including East Kent Housing and EK Services) have in place a child protection policy, if applicable for the type of works being carried out (i.e cleaning contracts) or can sign up to the Council version if they do not have one in place. These policies should be reviewed by the Designated Child Protection Co-ordinator. To date no policies have been passed to this officer for reviewing as part of the tender processes in place and this is not included in the PQQ.
- As part of the grant awarding process carried out by the Community Safety Unit, they ensure that the organisations applying for the grants comply with the Child Protection legislation, where applicable, have in place the appropriate policy and training. However, this is not being consistently applied across all the departments.
- Child protection training records held by EKHR for the Council staff are incomplete as it appears that when the online training system is updated all previous history is lost. A report has been produced by EKHR that shows staff that have completed the online training from 2009 to the current date. However, on reviewing the report there are no staff records between 01/01/2010 and 31/3/2011 and also there are very few Dover District Council employees on this report. The report also highlights that training has not been completed by all members of CMT.
- There is no communication between EKHR and the Council's Designated Child Protection Co-ordinator in respect of training and what is required for staff to complete and what reporting is required. Previous audits on this subject have flagged this up as a recommendation that needed to be addressed. The Council's Designated Child Protection Co-ordinator would like to receive a report every six months that gives him information on what training staff have carried out and then he can advise CMT of those that have not completed the training as part of his six monthly reports to them that need to be put place. This was agreed at the last follow up audit review in November 2011 but has not been implemented.
- As there are incomplete records in place for all staff, CMT and the Council's Designated Child Protection Co-ordinator should discuss the authority's training needs and how often training has to be carried out and the type of training that each officer (including casuals), volunteers and councillors are required to undertake, and then put in place the appropriate training programme that can be monitored.

Effective control was however evidenced in the following areas:

- An annual review is carried out on the Child Protection Policy every May with the revised policy in place on the intranet. However, updates need to be communicated to staff each year. One possible way to do this may be to use Net Consent as an ICT solution.
- A draft Safe Guarding Vulnerable Groups policy has been prepared but this still needs to be presented to CMT and Members for approval and will then be communicated to officers to ensure that they are aware of what is required for compliance with this policy.
- EKHR processes are in place to ensure that any new posts established within the organisation are assessed to see if a DBS check is required and that updates on existing DBS checks are carried out in a timely fashion.
- Recruitment processes are in place to ensure that any new members of staff that require a DBS check are carried out promptly.

3.0 FOLLOW UP OF AUDIT REPORT ACTION PLANS:

- 3.1 As part of the period's work, five 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)	Cemeteries	Reasonable /Limited	Reasonable	H M L	2 4 0	H M L	0 2 0
b)	EKS – Housing Benefit Fraud	Substantial	Substantial	H M L	0 2 0	H M L	0 0 0
c)	EKS – Sundry Debtors	Substantial	Substantial	H M L	0 3 0	H M L	0 0 0
d)	Right to Buy	Reasonable	Reasonable	H M L	1 1 0	H M L	0 0 0
e)	Coastal Management	Substantial	Substantial	H M L	0 0 2	H M L	0 0 0

- 3.2 Details of each of the individual high priority recommendations outstanding after follow-up are included at Annex 1 and on the grounds that these recommendations have not been implemented by the dates originally agreed with management, they are now being escalated for the attention of the s.151 Officer and Members of the Governance Committee.

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

EKS – ICT Software Licences:

- 3.3 An Internal Audit Report dated 1st March 2013 provided Limited Assurance on the controls in place for Software Licenses administered by EK Services on behalf of the partner councils. As a result EK Services made a commitment to procure a new Software Asset Management (SAM) system. An Internal Audit Progress Report was produced on 16th July 2014 and continued to place Limited Assurance on the controls in place because a 'dispute' with the Software Supplier meant that the newly purchased SAM software had not been installed

As requested by Members at the September meeting of this Committee, the Head of ICT (Sean Hale) is present this evening to provide a verbal update.

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, Creditors and CIS, Income, Car Parking, Tackling Tenancy Fraud and Payroll.

5.0 CHANGES TO THE AGREED AUDIT PLAN:

- 5.1 The 2014-15 Audit plan was agreed by Members at the meeting of this Committee on 20th March 2014.
- 5.2 The Head of the Audit Partnership meets on a regular basis with the Section 151 Officer to discuss any amendments to the plan. Members of the Committee will be advised of any significant changes through these regular update reports. Minor amendments have been made to the plan during the course of the year as some high profile projects or high-risk areas have been requested to be prioritised at the expense of putting back or deferring to a future year some lower risk planned reviews. The detailed position regarding when resources have been applied and or changed are shown as Annex 3.

6.0 FRAUD AND CORRUPTION:

- 6.1 There were no other new or recently reported instances of suspected fraud or irregularity, other than the issues that may arise from the issue referred to in point 3.2 above, 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 six-month period to 30th September 2014, 143.43 chargeable days were delivered against the planned target of 260.96, which equates to 54.96% plan completion.
- 7.2 The financial performance of the EKAP is currently on target at the present time.
- 7.3 As part of its commitment to continuous improvement and following discussions with the s.151 Officer Client Group, the EKAP has improved on the range of performance indicators it records and measures. The performance against each of these indicators is attached as Annex 4.
- 7.4 The EKAP introduced an electronic client satisfaction questionnaire, which is used across the partnership. The satisfaction questionnaires are sent out at the conclusion of each audit to receive feedback on the quality of the service. Current

feedback arising from the customer satisfaction surveys is featured in the Balanced Scorecard attached as Annex 4.

Attachments

- Annex 1 Summary of High priority recommendations outstanding after follow-up.
- Annex 2 Summary of services with Limited / No Assurances
- Annex 3 Progress to 30th September 2014 against the agreed 2014/15 Audit Plan.
- Annex 4 EKAP Balanced Scorecard of Performance Indicators to 30th September 2014.
- Annex 5 Assurance statements

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

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

SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED				
Service	Reported to Committee	Level of Assurance	Management Action	Follow-up Action Due
Absence Management	June 2013	Limited	On-going management action in progress to remedy the weaknesses identified.	Work-in-progress as part of 2014-15 plan
Employee Benefits-in-Kind	September 2014	Limited	On-going management action in progress to remedy the weaknesses identified.	Work-in-progress
Safeguarding Children and Vulnerable Groups	September 2014	Limited	On-going management action in progress to remedy the weaknesses identified.	Work-in-progress
EKS – ICT Change Control	June 2014	Limited	On-going management action in progress to remedy the weaknesses identified.	Work-in-progress

PROGRESS AGAINST THE AGREED 2014-15 AUDIT PLAN.

DOVER DISTRICT COUNCIL:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-14	Status and Assurance Level
FINANCIAL SYSTEMS:				
Car Parking & PCNs	10	10	0.17	Work-in-Progress
Creditors and CIS	10	10	0.17	Work-in-Progress
Income	10	10	0.34	Work-in-Progress
RESIDUAL HOUSING SYSTEMS:				
HRA Business Plan	10	0	0	Postpone to accommodate additional work b/fwd from 2013-14
GOVERNANCE RELATED:				
Asset Management	10	0	0	Postpone to accommodate additional work b/fwd from 2013-14
Anti-Money Laundering	5	5	0.17	Finalised - Substantial
Fraud Prevention	10	10	0	Quarter 4
Complaints Monitoring	10	10	10.24	Finalised - Reasonable
Partnerships and Shared Service Monitoring	10	0	0.17	Postpone to accommodate DES review of property services
Corporate Advice/CMT	2	2	4.32	Work-in-Progress throughout 2014-15
s.151 Meetings and support	9	9	5.39	Work-in-Progress throughout 2014-15
Governance Committee Meetings and Reports	12	12	6.85	Work-in-Progress throughout 2014-15
2015-16 Audit Plan Preparation and Meetings	9	9	0.41	Quarter 4
CONTRACT RELATED:				
CSO Compliance	10	21	13.14	Finalised - Reasonable
Receipt and Opening of Tenders	6	0	0.17	Postpone to accommodate additional work b/fwd

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-14	Status and Assurance Level
				from 2013-14
SERVICE LEVEL:				
Safeguarding Children & Vulnerable Groups	10	15	13.57	Finalised - Limited
Community Safety	10	0	0	Postpone to accommodate additional work b/fwd from 2013-14
Pest Control	10	10	0	Quarter 4
Towards a Digital Future	18	18	14.81	Work-in-Progress
HMO Licensing	10	10	7.3	Finalised - Reasonable
Land Charges	10	0	0	Postpone to accommodate additional work b/fwd from 2013-14
Building Control	10	0	0	Postpone to accommodate additional work b/fwd from 2013-14
Waste Management	10	10	7.67	Finalised - Reasonable
White Cliffs Countryside Partnership and 'Up on the Downs'	10	10	8.53	Finalised - Reasonable
OTHER				
Liaison with External Auditors	2	2	0.2	Work-in-Progress throughout 2014-15
Follow-up Work	17	17	10.06	Work-in-Progress throughout 2014-15
UNPLANNED WORK				
DES Review – Property Services	0	10	0	Quarter 4
Enterprise Zone Grant Certification	0	0	0.27	Work-in-Progress
FINALISATION OF 2011-12 AUDITS				
Planning	5	35.96	10.46	Finalised – Substantial/Limited/Limited
Tackling Tenancy Fraud			4.57	Work-in-Progress
Payroll			4.22	Work-in-Progress
Main Accounting System			0.47	Finalised - Substantial

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-14	Status and Assurance Level
Homelessness			11.51	Finalised – Substantial/Limited
Employee BIKs			1.23	Work-in-Progress
Car Parking Investigation			6.94	Finalised
Days over delivered in 2013-14			0	Finalised
EK HUMAN RESOURCES				
Absence Management	5	5	0.08	Work-in-Progress
Payroll	5	5	0	Quarter 3
Employee Allowances & Expenses	5	5	0	Quarter 3
TOTAL - DOVER DISTRICT COUNCIL RESIDUAL DAYS	270	260.96	143.43	54.96% at 30th September 2014

EAST KENT HOUSING LIMITED:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-2014	Status and Assurance Level
Planned Work:				
Audit Ctte/EA Liaison/Follow-up	8	8.5	2.96	Work-in-Progress throughout 2014-15
Finance & ICT Systems	10	0	0	Postpone until 2015-16
Tenant Health & Safety	17	30	27.93	Finalised
Void Property Management.	15	18	0	Quarter 4
Sheltered Housing	30	0	0.2	Postpone until 2015-16
Finalisation of 2013-14 Audits:				
Leasehold Services	0	21	21.5	Work-in-progress
Rent Collection and Debt Management	0	2.5	2.36	Finalised - Reasonable
Days under delivered in 2013-14	0	0	-0.32	Completed
Total	80	80	54.63	68.29% at 30-09-2014
Additional Days purchased with saving from 2013-14				
Additional Days purchased with saving from 2013-14	0	8.1	0	Allocated to Leasehold Services Audit

EK SERVICES:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-14	Status and Assurance Level
Planned Work:				
Housing Benefits Admin & Assessment	15	15	6.11	Work in progress
Housing Benefits Payments	15	15	4.59	Finalised - Substantial
Council Tax	30	30	0.27	Work in progress
Customer Services	15	15	0.27	Work in progress
ICT File Controls / Data Protection / Back ups	12	14	0.34	Work in progress
ICT Internet & Email	12	18	17.64	Finalised - Reasonable

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-14	Status and Assurance Level
ICT Physical & Environment	12	14	0.20	Work in progress
Corporate / Committee /follow up	9	9	5.31	Ongoing
DDC / TDC HB reviews	40	40	9.44	Ongoing
<u>Finalisation of 2013-14 audits:</u>				
Housing Benefit Verification	0	5.15	4.59	Completed
Payroll	0	16	14.62	Completed
Total	160	191.15	63.38	33% at 30-09-2014

BALANCED SCORECARD – QUARTER 2

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2014-15 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2014-15 Actual</u>	<u>Target</u>
	Quarter 2		Reported Annually		
Chargeable as % of available days	84%	80%	• Cost per Audit Day		£312.86
Chargeable days as % of planned days			• Direct Costs (Under EKAP management)		£392,980
CCC	46%	50%	• Indirect Costs (Recharges from Host)		£19,990
DDC	55%	50%	• 'Unplanned Income'		Zero
SDC	56%	50%	• Total EKAP cost		£412,970
TDC	51%	50%			
EKS	33%	50%			
EKH	68%	50%			
Overall	51%	50%			
Follow up/ Progress Reviews;					
• Issued	26	-			
• Not yet due	25	-			
• Now due for Follow Up	30	-			
Compliance with the PIAS for Internal Audit Standards	Partial	Full			

BALANCED SCORECARD – QUARTER 2

<u>CUSTOMER PERSPECTIVE:</u>	<u>2014-15 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2014-15 Actual</u>	<u>Target</u>
	Quarter 2				
Number of Satisfaction Questionnaires Issued;	44		Percentage of staff qualified to relevant technician level	88%	75%
Number of completed questionnaires received back;	12 =27%		Percentage of staff holding a relevant higher level qualification	43%	32%
Percentage of Customers who felt that;			Percentage of staff studying for a relevant professional qualification	25%	13%
<ul style="list-style-type: none"> • Interviews were conducted in a professional manner • The audit report was 'Good' or better • That the audit was worthwhile. 	100%	100%	Number of days technical training per FTE	2.68	3.5
	100%	100%	Percentage of staff meeting formal CPD requirements	43%	32%

41



ANNEX 5

AUDIT ASSURANCE

Definition of Audit Assurance Statements

Substantial Assurance

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

Reasonable Assurance

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

Limited Assurance

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

No Assurance

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



Dover District Council Governance Committee Update

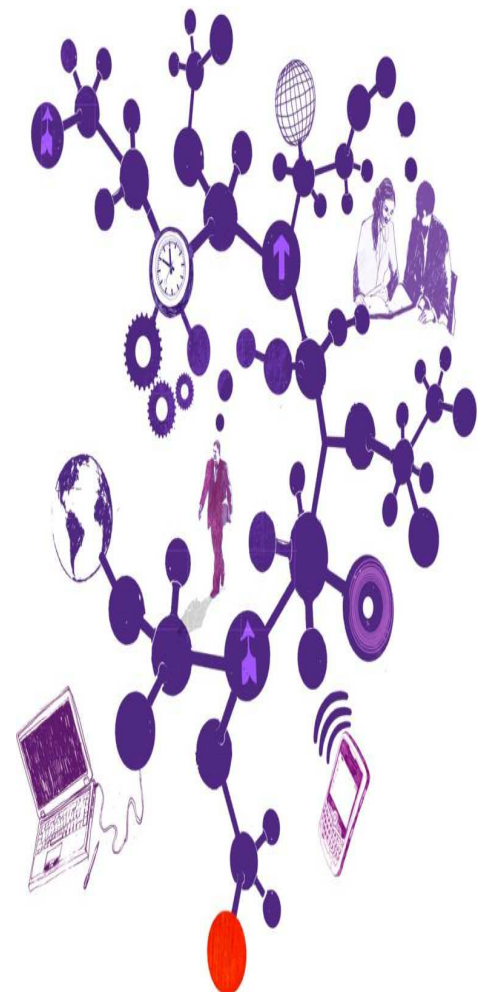
Year ended 31 March 2015

November 2014

Emily Hill
Engagement Lead
T 020 7728 3259
E emily.hill@uk.gt.com

Lisa Robertson
Senior Manager
T 020 7728 3341
E lisa.e.robertson@uk.gt.com

Neil Robertson
Executive
T 020 7383 5100
E neil.a.robertson@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

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, 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
- Responding to the challenge – Alternative Delivery Models in Local Government

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.

Progress at November 2014

Work	Planned date	Done?	Comments
<p>2014-15 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2014-15 financial statements.</p>	March 2015	Not yet due	<p>The 2014/15 audit fee letter was issued to the Council in April 2014. The Audit Commission has independently set the scale fee for all bodies. The Council's scale fee for 2014/15 is £71,580 (£70,680 in 2013/14). The £900 increase in the main audit scale fee has been made to recognise the additional work required to gain assurance over non domestic rates, which in previous years was covered by the audit of the NNDR return.</p> <p>We will provide details of our planned audit work in the 2014-15 audit plan due to be issued in March 2015.</p>
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing. 	November 2014 -March 2015	Not yet due	We will provide initial feedback on our interim audit within our audit plan due to be issued in March 2015.
<p>2014-15 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2014-15 financial statements • proposed opinion on the Council's accounts. 	July 2015 – August 2015	Not yet due	The findings will be provided in our Annual Findings Report, presented to Committee in September 2015

Progress at November 2014

Work	Planned date	Done?	Comments
<p>Value for Money (VfM) conclusion The scope of our work to inform the 2014/15 VfM conclusion is based on the reporting criteria specified by the Audit Commission: The Council has proper arrangements in place for:</p> <ul style="list-style-type: none"> • securing financial resilience – with work focusing on arrangements relating to financial governance, strategic financial planning and financial control. • challenging how it secures economy, efficiency and effectiveness in its use of resources. 	Ongoing review November 2014- September 2015	Not yet due	We will provide details of our planned audit work in the 2014-15 audit plan due to be issued in March 2015. The findings will be provided in our Annual Findings Report, presented to Committee in September 2015.
<p>Grant Certification Our grant certification work for 2013/14 is complete.</p> <p>We will be required to certify the following grants for the Council in 2014/15:</p> <ul style="list-style-type: none"> • Housing and council tax benefit • Pooling of housing capital receipts 	June 2015 – November 2015	Not yet due	The certification work for 2013/14 is reported separately in the annual report on grants certification, which will be presented at the next Governance Committee. All initial testing on the housing benefit grant claim for 2014/15 will be completed before the end of September and used to support our audit opinion on the financial statements.
<p>Other activity undertaken Since our last update:</p> <ul style="list-style-type: none"> • We sponsored the Kent Audit Conference attended by East Kent Audit Partnership which included a presentation on 'effective audit and assurance when working with the private sector' 	-	-	We would always be happy to discuss any other ways in which Grant Thornton can support the Council.

Code changes – have your say

Accounting and audit issues

Code of Practice on Local Authority Accounting 2015/16

At the end of July, CIPFA/LASAAC released the [2015/16 Code of Practice on Local Authority Accounting in the United Kingdom](#) (the Code) Exposure Draft (ED) and Invitation to Comment (ITC) for public consultation. The changes proposed in the ITC include:

- IFRS 13 fair value measurement: the proposed approach would result in remeasurement of property, plant and equipment assets that do not provide service potential for the authority. IFRS 13 also applies to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions) and will have an impact on the reporting of, for example, financial instruments and investment properties.
- Other amendments to IFRSs: including the accounting treatment of pensions' contributions
- IFRIC 21 Levies (ie levies imposed by governments)
- changes to UK GAAP particularly relating to Heritage Assets
- other minor and drafting amendments.

CIPFA/LASAAC also launched a second stage consultation on [simplifying and streamlining the presentation of local authority financial statements](#).

Challenge question

- Has your Head of Finance reviewed the proposed amendments and assessed the potential impact?

Local Authority Reserves and Balances

[LAAP bulletin 99](#) Local Authority Reserves and Balances – provides guidance on the establishment and maintenance of local authority reserves and balances.

Challenge question

- Has your Head of Finance reviewed the guidance and assessed the potential impact for your authority?

2020 Vision

Grant Thornton

Our national report '2020 Vision' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/2020-Vision-Exploring-finance-and-policy-futures-for-English-local-government-as-a-starting-point-for-discussion/>

In a time of unprecedented challenge for English local government, how can the sector develop towards 2020 if it is to have a sustainable future? Our latest report provides a thorough analysis of the current political and economic context, explores a range of potential policies and outcomes, and suggests several scenarios to facilitate an open debate on the future for the sector.

Produced in collaboration with the University of Birmingham's Institute for Local Government Studies (INLOGOV), our report suggests that fundamental changes to local government are both operationally necessary and constitutionally inevitable, for the sector to remain relevant by 2020. The report offers a thorough analysis of the current political and economic context and explores a range of potential future policies and outcomes that English local government will need to adopt and strive towards as they seek to adapt and overcome these challenges.

Placed in the context of enhanced devolution, following the Scottish independence referendum, 2020 Vision maintains a wary eye fixed on the 2015/16 Spending Round and looks ahead to the life time of the next government. It highlights that the economic and financial situation remains increasingly untenable, with an expanding North/South divide arising from the pattern of funding reductions and economic growth.

English local authorities continue to face unprecedented challenges, relating to the pressures of austerity and central government funding reductions, and demographic and technological change. Our report highlights the vital role of a successful local government sector and encourages it to think hard about how it will cope in the future.

Informed by the views of a broad range of local authority leaders, chief executives and other sector stakeholders, the report offers a set of six forward-looking scenarios* in which councils could be operating within by 2020. Though not mutually exclusive, we suggest that key stakeholders need to take urgent action to avoid a potential slow and painful demise for some councils by 2020.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

Where Growth Happens

Grant Thornton

Our national report 'Where Growth Happens' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/Where-growth-happens-The-high-growth-index-of-places/>

As the UK emerges from recession, increasing attention is being given, both nationally and locally, as to how to accelerate economic sector growth. Our report presents the findings of research undertaken by our Place Analytics team on the dynamics of local growth. It will give FDs and CEOs of local authorities and LEPs:

- an insight into the geographic areas of high growth and dynamic growth (ie the quality of growth)
- an understanding of the characteristics of both growing and dynamic places to help frame policy and sustain future growth
- an understanding of growth corridors and their implications, not only for UK policy makers, but also for those locally sitting within and outside the corridors
- an insight into the views of different leaders charged with making growth happen in their locality.

The report provides a ranking of English cities according to their economic growth over an eight year period (2004 – 2012). Outside of London – which maintains eight of the top 10 best performing districts overall – it places Manchester, Birmingham and Brighton and Hove in the top three, as measured by economic, demographic and place (dwelling stock and commercial floor space) growth.

The analysis also assess the quality of local growth - or 'dynamism' - to identify areas with a vibrant and dynamic economy capable of supporting future expansion, based on five key drivers. London again tops the ranking, with nine out of the top 10 dynamic growth areas. Outside the capital, Cambridge, Reading and Manchester top the list of future sustainable growth.

Based on this analysis of past progress and future prospects, our report reveals a number of 'growth corridors' – functional and large scale local economic areas in England – which are playing a significant role in the country's overall growth levels. Though predominantly stemming from London, the intra-city growth corridors include a number of other large cities at their core, creating a network of key strategic linkages between high growth and dynamic areas.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

New routes to housing development

Grant Thornton

We have issued the first in a series of good practice papers on topical issues for local government.

This paper considers good practice in councils' approaches to delivering affordable housing. Until recently, local authorities have acted as an enabler of new affordable housing; increasingly they are now undertaking a direct delivery role. Delivery routes vary and must be structured with the council's objectives and capacity in mind as there is no 'one size fits all' approach. The paper considers the benefits and challenges of council owned housing companies, including:

- Setting and delivering objectives
- Identifying optimal funding routes
- Assessing viability and working with others

The paper stresses the importance of a properly developed business case and business plan to support the setting up of a housing company.

Copies of our good practice paper are available from your engagement lead or audit manager.

Anti - fraud and corruption update

Grant Thornton

Key current issues include:

Single Fraud Investigation Service (SFIS) - The SFIS will bring together all investigative capacity in relation to benefits and tax credits under the control of the Department of Work and Pensions. However a number of local authorities have expressed concern that such a transfer will cause them to lose the capacity to readily investigate other issues such as employee fraud and corruption allegations.

Corruption risk - In 2013 Transparency International (TI), the world's leading non-governmental anti-corruption organisation, published a report on corruption in UK Local Government. It identified twelve key risk areas covering public procurement, control over outsourced services, personnel transferring between local authorities and companies bidding to provide services, planning issues, collusion in housing fraud and manipulation of electoral registration. TI expressed concern that audit committees were unable to fulfil the function of reducing risks in many authorities.

Non-benefits fraud - There are striking differences between the identification of benefit and non-benefit fraud within local government. The Audit Commission has reported that 79 district councils did not detect a single non-benefit fraud whereas only 9 councils among all London boroughs, metropolitan districts and unitary authorities reported non-benefit frauds. Procurement fraud in particular is consistently estimated as accounting for the largest losses to fraud within local government. In its most recent Protecting the Public Purse publication the Audit Commission estimated annual losses at £876 million, representing 1% of total procurement spend.

Our Forensic Investigation Services provide a range of services to local authorities including fraud prevention and detection. If you are interested in a further discussion on these areas please contact your audit manager.

Right to report

Local government guidance

The Local Government Minister signed a signed a Parliamentary order on 6 August 2014 allowing the press and public to film and digitally report from all public meetings of local government bodies. The new rules will apply to all public meetings, including town and parish councils and fire and rescue authorities. The Local Government Secretary, Eric Pickles, said:

"Half a century ago, Margaret Thatcher championed a new law to allow the press to make written reports of council meetings. We have updated her analogue law for a digital age... This will change the way people see local government, and allow them to view close up the good work that councillors do"

Challenge question

- Have members considered the implications of the Parliamentary order for conducting Council meetings and facilitating public and media access thereto?

Managing council property assets

Local government guidance

The Audit Commission has issued its briefing paper **Managing Council Property Assets: Using Data from the VFM Profiles**

In the paper the Audit Commission:

- advocates that councils should be active and strategic managers of their estates – understanding property markets and asking questions about the properties they own or lease,
- prompts councils to consider whether assets are in the right place, whether they should keep, sell, or transfer them, and how much they should invest in building, buying and maintaining property,
- invites local authorities to balance the value realised through sales of surplus assets, against the cost of maintaining them.

The background to the briefing is the collation of information from the government's capital outturn return which identifies that the local government estate has a net book value of £169.8 billion of which £2.5 billion have been classified as 'surplus' assets. In this context the Audit Commission is calling on councils to ensure they have a strategic approach to managing these assets, in order to get the best value for money they can from this portion of the local government estate. The Audit Commission Chair, Jeremy Newman said:

"we are neither advocating that local government starts a wholesale sell-off of their land and property nor are we suggesting councils shouldn't spend money on buying assets or on investment to improve their existing property. What we are highlighting is a group of assets that do not provide immediate benefit to local communities, but still require councils to spend money on maintaining them. These assets have potential value for councils. While not all such land or buildings may be sellable, councils should consider how much value they gain from surplus assets and how this could be increased. I urge councils to use the data held in the Commission's 'Value for Money (VFM) Profiles Tool', such as spending on and value of land and property assets and 'surplus' assets, alongside their unique and detailed local knowledge, to regularly review if their estate is fit-for-purpose."

Challenge question

- Are members satisfied that the Council has adequate management arrangements in place to ensure its property assets are being efficiently and effectively managed?

The National Fraud Initiative

Local government guidance

On 12 June 2014 the Audit Commission released its national report, [The National Fraud Initiative \(NFI\): National Report \(June 2014\)](#) highlighting that its data matching exercise has identified a further £229 million of fraud, overpayment or error in England, Scotland, Wales and Northern Ireland, since it last reported in May 2012. The Chairman of the Audit Commission, Jeremy Newman said;

"We publish a report from the NFI every two years and continue to produce great results. The national figure for identified fraud, error and overpayment, that would otherwise be lost to the taxpaying public, is down by £46 million compared to the previous report although the number of cases has increased by nearly 20 per cent. This is great news if, as we believe, it is due to improving detection rates. However, we cannot be complacent. The more participants in the exercise, the richer the data for everyone involved and the harder it is for fraudsters to hide from detection".

The Audit Commission's National Fraud Initiative will move to the Cabinet Office in April 2015 to secure the continuation of the counter fraud data matching initiative which over its 18 year history has identified over £1.17 billion in fraud, error and overpayment .

Challenge question

- Are members satisfied that the Council's support for the NFI's data matching exercise is adequate and that local data matches are being properly investigated to identify potentially fraudulent activity?



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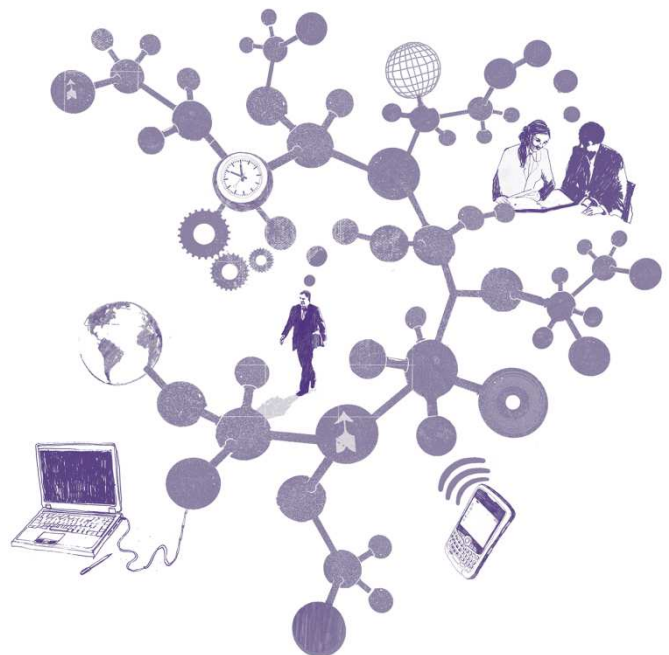
The Annual Audit Letter for Dover District Council

Year ended 31 March 2014

October 2014

Emily Hill
Associate Director
T 020 7728 3259
E emily.hill@uk.gt.com

Lisa Robertson
Senior Manager
T 020 7728 3341
E Lisa.E.Robertson@uk.gt.com



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Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Dover District Council (the Council) for the year ended 31 March 2014.

The Annual Audit Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued in March 2014 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

<p>Financial statements audit (including audit opinion)</p>	<p>We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 25 September 2014 to the Governance Committee. The key messages reported were:</p> <ul style="list-style-type: none"> • the accounts were prepared on time and to a good standard; • staff responded quickly and efficiently to all audit queries; and • the adjustments made to the draft statements were largely in relation to improvements in presentation and disclosure. <p>We issued an unqualified opinion on the Council's 2013/14 financial statements on 29 September 2014, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.</p>
<p>Value for Money (VfM) conclusion</p>	<p>We issued an unqualified VfM conclusion for 2013/14 on 29 September 2014.</p> <p>On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.</p>
<p>Whole of Government Accounts (WGA)</p>	<p>The specified figures in the Council's financial statements fell below the audit threshold specified by the National Audit Office (NAO), therefore a detailed review of the WGA consolidation pack was not required.</p> <p>We were required to check whether there were any inconsistencies between the audited statutory accounts and the WGA consolidation pack in respect of the IAS19 pensions liability and Property, Plant and Equipment. We did not identify any inconsistencies in this information and reported this to the NAO.</p>

Key messages (cont.)

Certification of grant claims and returns	<p>We have certified one grant claim, Pooling of Capital Receipts, without amendment. Our work on Housing Benefit Subsidy for 2013/14 is in progress and will be completed by the end November, in accordance with the certification deadline.</p> <p>The results of this work will be reported in our Annual Report on Grant Claim Certification.</p>
Audit fee	<p>Our fee for 2013/14 was £71,580, excluding VAT and was £900 greater than our fee for 2012/13 and our planned fee for the year. The increase reflects the additional work required to gain assurance over non domestic rates, which in previous years was covered by the certification of the NNDR return.</p> <p>Further detail is included within Appendix B.</p>

Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2013/14 audit.

No.	Issue and recommendation	Priority	Management response/ responsible officer/ due date
1.	<p>The implementation of the e-financials upgrade has delayed progress to bring the bank reconciliation up-to date.</p> <p>Recommendation: The Council should ensure the bank reconciliation is kept up to date on a monthly basis and any on-going variances are cleared.</p>	Deficiency	<p>Resources have been committed to the process and the backlog is in the process of being cleared.</p> <p>Responsible officer: Head of Finance Due date: December 2014</p>
2.	<p>The Council do not currently take the corporate risk register to its Governance Committee. This is recognised good practice and provides a high level assessment of completeness and progress.</p> <p>Recommendation: The Council's Governance Committee should regularly review the corporate risk register to confirm it is complete and that appropriate action is being taken to mitigate the key risks.</p>	Deficiency	<p>The Council will review its reporting and monitoring arrangements to ensure they are appropriate.</p> <p>Responsible officer: Head of Corporate Services Due date: December 2014</p>
3.	<p>In accordance with the Code, the Council needs to satisfy itself that the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014. For 2013/14, this review was not complete at the start of our audit of the accounts.</p> <p>Recommendation: The Council should ensure that detailed working papers are obtained from the valuer in order to satisfy itself that the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation at the year end.</p>	Deficiency	<p>The process will be built into the 2014/15 closedown timetable.</p> <p>Responsible office: Head of Finance Due date: March 2015</p>
4	<p>There is currently a difference of £101,000 on the reconciliation of the LOBO borrowing which dates back a number of years.</p> <p>Recommendation: The Council should ensure that the variance on the LOBO account is reviewed and cleared.</p>	Deficiency	<p>The Council will review this discrepancy in 2014/15.</p> <p>Responsible office: Head of Finance Due date: March 2015</p>

Appendix B: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan	Actual fees
	£	£
Audit Fee	70,680	71,580*
Grant certification fee	19,200	16,956** (expected)
Total fees	89,880	88,536

Fees for other services

	Actual fees
	£
None	Nil

Certification work is on-going. The final fee will be reported to the Governance Committee in our annual certification report.

*There is additional fee of £900 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. The additional fee is 50% of the average fee previously charged for NDR3 certifications for District Council's and is subject to agreement by the Audit Commission.

**The £2,244 expected reduction in grant certification scale fee relates to the removal of the external certification requirement for Council Tax Benefits and the NNDR3 return.

Reports issued

Report	Date issued
Audit Plan	March 2014
Audit Findings Report	September 2014
Certification report	Due December 2014
Annual Audit Letter	October 2014



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Subject:	TREASURY MANAGEMENT QUARTER TWO REPORT
Meeting and Date:	Governance – 04 December 2014
Report of:	Mike Davis – Director of Finance, Housing & Community
Portfolio Holder:	Councillor Mike Connolly – Portfolio Holder for Corporate Resources and Performance
Decision Type:	Non-Key Decision
Classification:	Unrestricted

Purpose of the report: To provide details of the Council’s treasury management for the quarter ended 30 September 2014 (Q2) and an update of activity to date.

Recommendation: That the report is received

1. Summary

As at 30 September 2014, the Council’s in-house investments (approximately £6m or 32% of total investments) and investments with the investment managers, Investec (approximately £12.9m or 68% of total investments) outperformed their benchmark¹. The total interest received for the quarter was £69k (£143k year to date), which means that income for the year is projected to be £22k approx. better than the £264k budget.

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

2. Introduction and Background

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

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

Council adopted the 2014/15 Treasury Management Strategy on 5 March 2014 as part of the 2014/15 Budget and Medium Term Financial Plan.

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

3. **Annual investment strategy**

The investment portfolio as at the end of September is attached at Appendix 2. Since the end of the quarter, the Investec deposit of £1.2m with Nordea Group (Sweden) matured and was then invested with Nationwide Building Society for three months.

A further update to the end of October is attached at Appendix 4. However, since the end of October, the Investec deposit of £2.4m with Standard Chartered Bank has matured and been re-invested with them for a further three months. Similarly, the in-house deposit of £1m with Bank of Scotland has matured and been re-invested with them for one year. A further £3m of cashflow money remains invested with the Nationwide Building Society until Feb 2015.

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

4. **Economic background**

The report attached contains information up to the end of September 2014; since then we have received the following update from Capita (please note that their reference to quarters is based on *calendar* years):

Bank of England Inflation Report (November 2014)

The outlook for global growth weakened in the last quarter, as market interest rate expectations have fallen with the general consensus now being for a Q2 2015 rise. Declines in risky asset prices added to the gloomy outlook and caused considerable market volatility in October. Expectations for where interest rates will be in three years' time have dramatically dropped off, with rates now expected to remain below 2% in the UK over this period. Unemployment continued to fall at a quicker pace than expected in the previous Inflation Report. In the three months to August, the rate was 6.0%, with the Bank of England (BoE) forecasting this to drop to 5.4% by late 2015. In a similar vein, the BoE expect inflation to fall below 1.0% in the next six months, endorsing markets' view that the Bank will not raise interest rates until later next year. If inflation does dip below 1.0%, Governor Mark Carney will have to write a letter of explanation to the Chancellor, George Osborne.

UK GDP

Britain's rapid economic growth slowed slightly between July and September. Gross domestic product rose 0.7%, compared with 0.9% in the April-June period. A slowdown in services output and manufacturing expanding at its weakest pace in eighteen months held growth back. The UK still looks set to be the fastest growing advanced economy this year, confounding economists views that the growth seen since the start of 2013 could be sustained. This favours the ruling Conservative Party, with the General Election taking place in May 2015, hoping that voters will be

influenced by this continued growth. The opposition, Labour, state that the effects of this recovery are not filtering through to the general public, as wage growth remains sluggish.

UK Inflation

British inflation slowed sharply in September to its lowest level in five years, further easing pressure on the BoE to raise interest rates, regardless of the aforementioned economic recovery. Consumer prices rose 1.2% on the year, affected by a fall in the prices of food and motor fuels, compared with a 1.5% rise in August. Wage growth remains below inflation, as it has since April of this year, but total pay, excluding bonuses rose 1.0% in the July to September period. As with the sustained gross domestic product, the signs of a pick-up in pay are likely to be embraced by the Conservative Government, as the opposition has pedalled the issue of stretched living standards at the centre of its message to voters in the lead up to the general election.

UK PMI Services

The UK's services sector was affected more than expected in October by mounting economic uncertainty. The sector, which accounts for a large amount of Britain's GDP, sank to a seventeen month low of 56.2, from 58.7 in September, according to the Purchasing Managers' Index. Despite the index remaining above the 50 threshold that separates growth from contraction, this was weaker than most economists' forecasts, and was tempered by worries about the Eurozone, the risk of a sharp slowdown in China amongst other geopolitical fears.

UK PMI Manufacturing

Weak demand from a struggling Eurozone sent manufacturing export orders tumbling at the fastest pace since January 2013 in October. Despite this, manufacturing activity expanded at its fastest rate in three months, rising to 53.2 from 51.5. Growth in new orders rose from September's seventeen month low to its highest since July, thanks to increased demand in the domestic market. Senior economist for PMI compiler, Markit, Rob Dobson, said "Although the pace of expansion remains below that seen at the start of the year... it is positive to see the sector break its recent sequence of slower growth".

US Non Farm/GDP

US job growth increased at a moderate pace in October as employers added 214,000 new jobs to their payrolls. Job growth has now exceeded 200,000 in each of the last nine months, which could provide sufficient strength to keep the economy on a higher growth path after it expanded at a 3.5% pace in Q3. The unemployment rate fell to a six year low of 5.8%, underscoring the economy's resilience in the face of slowing global demand. Despite the strengthening labour market picture, wage growth remained tepid in the US, suggesting that the Federal Reserve would be in no rush to raise their interest rates, similar to that of the BoE.

ECB

In September, the European Central Bank (ECB) cut their interest rates to 0.05%, with the deposit rate at -0.2%. This cut in rates was an attempt to spur economic growth and stave off the threat of deflation and is currently still in place. In the third quarter, gross domestic product rose at 0.2%. This was stronger than expected, with France beating market expectations and the bloc's largest economy, Germany, steering clear of a recession. Year on year, Eurozone growth was 0.8% higher in the third quarter.

5. Interest Rates

Capita has updated its interest rate forecast and now expects the base rate to increase in the second quarter of 2015 rather than the first quarter of 2015.

6. New Borrowing

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

7. Debt Rescheduling

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

8. Compliance with Treasury and Prudential Limits

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

Appendices

Appendix 1 – Capita treasury management report for quarter four

Appendix 2 – Investment portfolio as at 30 September 2014

Appendix 3 – Borrowing portfolio as at 30 September 2014

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

Background Papers

Medium Term Financial Plan 2014/15 – 2016/17

Contact Officer: Stuart Groom, extension 2072

Treasury Management Update

Quarter Ended 30th September 2014

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

1. Economic Background

- After strong UK GDP quarterly growth of 0.7%, 0.8% and 0.7% in quarters 2, 3 and 4 respectively in 2013, (2013 annual rate 2.7%), and 0.7% in Q1 and 0.9% in Q2 2014 (annual rate 3.2% in Q2), it appears very likely that strong growth will continue through 2014 and into 2015 as forward surveys for the services and construction sectors are very encouraging and business investment is also strongly recovering. The manufacturing sector has also been encouraging though the latest figures indicate a weakening in the future trend rate of growth. However, for this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting, and particularly of manufactured goods, both of which need to substantially improve on their recent lacklustre performance.
- This overall strong growth has resulted in unemployment falling much faster through the initial threshold of 7%, set by the Monetary Policy Committee (MPC) last August, before it said it would consider any increases in Bank Rate. The MPC has, therefore, subsequently broadened its forward guidance by adopting five qualitative principles and looking at a much wider range of about eighteen indicators in order to form a view on how much slack there is in the economy and how quickly slack is being used up. The MPC is particularly concerned about the current squeeze on the disposable incomes of consumers. They expect wage inflation to rise back above the level of inflation, in order to ensure that the recovery will be sustainable. There also needs to be a major improvement in labour productivity, which has languished at dismal levels since 2008, to support increases in pay rates. Most economic forecasters are expecting growth to peak in 2014 and then to ease off a little, though still remaining strong, in 2015 and 2016. Unemployment is therefore expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in pay rates at some point during the next three years. However, just how much those future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence, the rate of growth in consumer expenditure and the buoyancy of the housing market, are areas that will need to be kept under regular review.
- Also encouraging has been the sharp fall in inflation (CPI), reaching 1.5% in July, the lowest rate since 2009. Forward indications are that inflation is likely to fall further in 2014 to possibly 1%. The return to strong growth has also helped lower forecasts for the increase in Government debt by £73bn over the next five years, as announced in the Autumn Statement, and by an additional £24bn, as announced in the March 2014 Budget - which also forecast a return to a significant budget surplus, (of £5bn), in 2018-19. However, monthly public sector deficit figures have disappointed so far this year.

- In September, the U.S. Federal Reserve continued with its monthly \$10bn reductions in asset purchases, which started in December 2014. Asset purchases have now fallen from \$85bn to \$15bn and are expected to stop in October 2014, providing strong economic growth continues. First quarter GDP figures were depressed by exceptionally bad winter weather, but quarter 2 rebounded strongly to 4.6%.
- The Eurozone is facing an increasing threat from deflation. In September, the inflation rate fell further, to reach 0.3%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the ECB did take some rather limited action in June and September to loosen monetary policy in order to promote growth.

2. Interest Rate Forecast

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

	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Bank rate	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	2.00%	2.00%
5yr PWLB rate	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.50%
10yr PWLB rate	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.30%	4.30%
25yr PWLB rate	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.80%	4.90%	4.90%
50yr PWLB rate	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.80%	4.90%	4.90%

Capita Asset Services undertook a review of its interest rate forecasts in mid-August, after the Bank of England's Inflation Report. By the beginning of September, a further rise in geopolitical concerns, principally over Ukraine but also over the Middle East, had caused a further flight into safe havens like gilts, which has depressed PWLB rates further. However, there is much volatility in rates as news ebbs and flows in negative or positive ways.

This latest forecast includes a move in the timing of the first increase in Bank Rate from quarter 3 of 2015 to quarter 1 of 2015 as a result of the building momentum of strong GDP growth over the last eighteen months. Confidence has also substantially increased that strong growth will continue into 2015 and 2016. However, the Governor of the Bank of England, Mark Carney, has repeatedly stated that increases in Bank Rate will be slow and gradual as the MPC is concerned about the impact of increases on many heavily indebted consumers, especially when disposable income is currently being squeezed by wage inflation running significantly under the rate of CPI inflation.

3. Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2014/15, which includes the Annual Investment Strategy, was approved by the Council on **05/03/2014**. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and

- Yield.

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

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

Investment performance for quarter ended 30th September 2014

Benchmark	Benchmark Return	Council Performance	Investment Interest Earned
7 day	0.35%	0.65%	£143k

As illustrated, the Council outperformed the benchmark by 30 bps. The Council's budgeted investment return for 2014/15 is £264K, and performance for the year is projected to be £22k above budget.

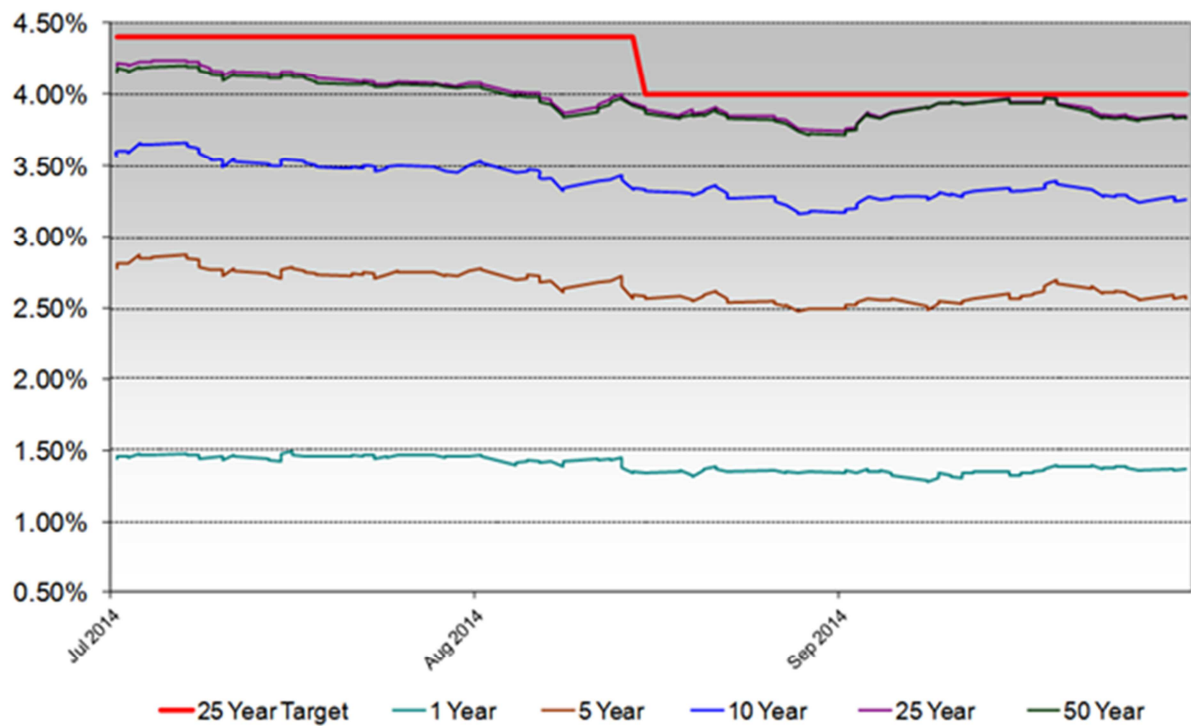
4. New Borrowing

The 25 year PWLB target (certainty) rate for new long term borrowing for the quarter fell from 4.40% to 4.0% in mid-August. No borrowing was undertaken during the quarter.

PWLB certainty rates, quarter ended 30th September 2014

(Please note that the graph below is unable to show separate lines for 25 and 50 year rates as those rates were almost identical)

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.28%	2.48%	3.16%	3.74%	3.72%
Date	08/09/2014	28/08/2014	28/08/2014	01/09/2014	29/08/2014
High	1.49%	2.87%	3.66%	4.24%	4.20%
Date	16/07/2014	03/07/2014	03/07/2014	04/07/2014	07/07/2014
Average	1.40%	2.66%	3.39%	3.98%	3.96%



Borrowing in advance of need

This Council has not borrowed in advance of need during the quarter ended 30th September 2014 and has not borrowed in advance in all of 2014/15.

5. Debt Rescheduling

No debt rescheduling has been undertaken in the quarter ended 30 September 2014.

6. Compliance with Treasury and Prudential Limits

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

During the financial year to date the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The prudential and treasury Indicators are shown in Appendix 1.

APPENDIX 1: Prudential and Treasury Indicators as at 30th September 2014

Treasury Indicators	2014/15 Budget £'000	Quarter 2 Actual £'000
Authorised limit for external debt	113,500	113,500
Operational boundary for external debt	108,000	108,000

Maturity structure of fixed rate borrowing - upper and lower limits		
Under 12 months	1,971	1,971
12 months to 2 years	3,070	3,070
2 years to 5 years	6,592	6,592
5 years to 10 years	12,467	12,467
10 years and above	69,753	69,753

Prudential Indicators	2014/15 Budget £'000	Quarter 2 Actual £'000
Capital expenditure	15,758	2,664
Capital Financing Requirement (CFR)	98,233	94,062

Investec Funds as at 30/09/14 - In-house as at 30/09/14
APPENDIX 2

Organisation	Type of investment	Current rating	Maturity date	Market yield %	Book cost	Government Sovereign Debt rating	Options available
Investec Investments							
Svenska Handelsbanken	Certificate of deposit	AA-/F1+/1	01/12/14	0.430	1,500,000	Sweden - Gov 'AAA'	
Nordea Group	Certificate of deposit	AA-/F1+/1	14/10/14	0.460	1,200,000	Sweden - Gov 'AAA'	
Standard Chartered Bank	Certificate of deposit	AA-/F1+/1	10/11/14	0.410	2,400,000	UK - Gov 'AA+'	
Rabobank	Certificate of deposit	AA-/F1+/1	24/11/14	0.420	2,500,000	Netherlands - Gov 'AAA'	
Toronto Dominion Bank	Certificate of deposit	AA-/F1+/1	24/11/14	0.420	1,200,000	Canada - Gov 'AAA'	
Nationwide	Certificate of deposit	A/F1/1	24/11/14	0.420	900,000	UK - Gov 'AA+'	
					9,700,000		
United Kingdom	Commercial Paper		15/12/14	0.460	299,702		
United Kingdom	Gilt		22/07/18	1.730	1,877,360		
United Kingdom	Commercial Paper		24/11/14	0.480	998,865		
GBP cash - settled balance					60,073		
GBP cash - outstanding settlements					3,654		
					12,939,654		
In-house Investments - Portfolio							
Lloyds	Term deposit	A/F1/1	17/12/14	0.980	3,000,000	UK - Gov 'AA+'	Duration 364 days
BOS	Bond	A/F1/1	07/11/14	0.980	1,000,000	UK - Gov 'AA+'	364 days
Lloyds	Term deposit	A/F1/1	30/01/15	0.700	2,000,000	UK - Gov 'AA+'	182 days
					6,000,000		
Total Portfolio			Total Portfolio		18,939,654		
Cashflow							
Nationwide	Fixed term deposit	A/F1/1	23/02/15	0.620	3,000,000	UK - Gov 'AA+'	185 days
Call Accounts/MMF (as at 30/9/14):							
DMA					0		Rate
Global Treasury Fund					4,550,106		0.39%
SIBA					947,604		0.25%
SIBA SEEDA					55,786		0.10%
SIBA HCA					47,515		0.10%
SIBA ASDA					11,046		0.10%
Santander					5,017,725		0.80%
BoS					5,093,178		0.40%
Barclays					5,037,392		0.62%
Abbey					1		
Total Cash flow					23,760,353		
Total Portfolio and Cashflow			Total Portfolio and Cashflow		42,700,007		

Interest Type	Date Loan Taken Out	Date Loan Matures	Repayment Dates	Loan Number	Principal Balance 01-Apr-14	Interest Rate %	Principal To Be Repaid 2014/15	Annual Interest 2014/15	Lender	Type of loan
Fixed	02/10/97	02/10/57	APR-OCT	479961	1,000,000	6.75		67,500	PWLB	Principal due on maturity
Fixed	28/05/97	28/05/57	MAY-NOV	479542	2,000,000	7.38		147,500	PWLB	Principal due on maturity
Fixed	23/08/46	23/06/26	JUNE-DEC	131582	602	2.50	22.32	15	PWLB	Equal installment of principal
Fixed	27/09/46	27/06/26	JUNE-DEC	131583	113	2.50	4.20	3	PWLB	Equal installment of principal
Fixed	16/11/01	30/09/26	SEPT-MAR	486237	1,000,000	4.75		47,500	PWLB	Principal due on maturity
Variable	16/12/02	16/12/42	JUNE-DEC	NA	3,000,000	4.75		142,500	KA Finanz AG	Repayable if called by bank
Fixed	26/03/12	26/03/42	SEPT-MAR	499853	86,735,500	3.18	1,959,070.53	2,742,737	PWLB	Annuity
Fixed	01/05/12	01/11/27	MAY-NOV		113,225	0.00	4,354.80	0	Lawn Tennis Association	Interest free
Fixed	01/03/11	31/12/14	MAR-SEP		3,096	0.00		0	Salix	Interest free
					93,852,536		1,963,452	3,147,755		

Investec Funds as at 31/10/14 - In-house as at 31/10/14
APPENDIX 4

Organisation	Type of investment	Current rating	Maturity date	Market yield %	Book cost	Government Sovereign Debt rating	Options available
Investec Investments							
Svenska Handelsbanken	Certificate of deposit	AA-/F1+/1	01/12/14	0.430	1,500,000	Sweden - Gov 'AAA'	
Nationwide	Certificate of deposit	A/F1/1	16/01/15	0.460	1,200,000	UK - Gov 'AA+'	
Standard Chartered Bank	Certificate of deposit	AA-/F1+/1	10/11/14	0.410	2,400,000	UK - Gov 'AA+'	
Rabobank	Certificate of deposit	AA-/F1+/1	24/11/14	0.420	2,500,000	Netherlands - Gov 'AAA'	
Toronto Dominion Bank	Certificate of deposit	AA-/F1+/1	24/11/14	0.420	1,200,000	Canada - Gov 'AAA'	
Nationwide	Certificate of deposit	A/F1/1	24/11/14	0.420	900,000	UK - Gov 'AA+'	
					9,700,000		
United Kingdom	Commercial Paper		15/12/14	0.460	299,702		
United Kingdom	Gilt		22/07/18	1.730	1,877,360		
United Kingdom	Commercial Paper		24/11/14	0.480	998,865		
GBP cash - settled balance					51,101		
GBP cash - outstanding settlements					877		
					12,927,906		
In-house Investments - Portfolio							
Lloyds	Term deposit	A/F1/1	17/12/14	0.980	3,000,000	UK - Gov 'AA+'	Duration 364 days
BOS	Bond	A/F1/1	07/11/14	0.980	1,000,000	UK - Gov 'AA+'	364 days
Lloyds	Term deposit	A/F1/1	30/01/15	0.700	2,000,000	UK - Gov 'AA+'	182 days
					6,000,000		
Total Portfolio			Total Portfolio		18,927,906		
Cashflow							
Nationwide	Fixed term deposit	A/F1/1	23/02/15	0.620	3,000,000	UK - Gov 'AA+'	185 days
Call Accounts/MMF (as at 31/10/14):							
DMA					0		Rate
Global Treasury Fund					4,550,106		0.39%
SIBA					587,904		0.25%
SIBA SEEDA					55,786		0.10%
SIBA HCA					47,515		0.10%
SIBA ASDA					11,046		0.10%
Santander					5,021,024		0.80%
BoS					5,094,852		0.40%
Barclays					5,058,853		0.62%
Abbey					1		
Total Cash flow					23,427,088		
Total Portfolio and Cashflow			Total Portfolio and Cashflow		42,354,993		

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Subject:	SOCIAL MEDIA POLICY FOR MEMBERS
Meeting and Date:	Governance Committee – 4th December 2014 Standards Committee – 17th December 2014 Council – 28 January 2015
Report of:	David Randall, Director of Governance and Monitoring Officer
Portfolio Holder:	Leader of the Council
Decision Type:	Council Decision
Classification:	Unrestricted

Purpose of the report: To introduce a Social Media Policy for Members.

That it be recommended to the Governance and Standards Committees:

- (a) That they note the Social Media Policy for Members.
- (b) That they recommend to Council that the Social Media Policy for Members be approved and incorporated into the Council's Constitution.

That it be recommended to Council:

- (c) That the Social Media Policy for Members, be approved and be incorporated into the Council's Constitution.
 - (d) That the Director of Governance and Monitoring Officer is authorised to make minor changes to the policy to reflect legislative changes.
-

1. Summary

Social Media is technology that is now widely available and used, which allows online users to interact and share information (including video, audio, photographs, and text) publicly or privately with one another.

Social Media includes a variety of internet based communication tools, such as Facebook, Twitter, blogs and wikis. The use of social media by individuals both inside and outside of the Council is now widespread and continues to proliferate.

Introducing a pragmatic social media policy, which defines acceptable and unacceptable is intended to help protect Members from allegations of breaching the Code of Conduct and to minimise risk to the authority.

2. Introduction and Background

- 2.1 All Members of this authority have recently been issued with i-pads to assist them in conducting the business of the Council. In addition the recent Openness of Local Government Bodies Regulations 2014 now allows members of the public to film, blog and record council meetings. With this comes increased scrutiny and an expectation that councillors act responsibly when engaging with and using social media.

- 2.2 In drafting this policy, it has been necessary to consider a number of factors. Firstly the Council's attitude towards social media, which is to encourage responsible use; secondly the nature of its use, in that we allow personal use of social media from Council i-pads and other Council equipment, but encourage members to set up distinct accounts to clearly separate personal use, from that use when acting as a councillor; and thirdly the environment where social media is used, which for members could be anywhere, but potentially has more public interest when attending Council meetings.

3. Identification of Options

- 3.1 Option 1: to adopt the Social Media Policy for Members at Appendix 1
- 3.2 Option 2: not to adopt the Social Media Policy for Members at Appendix
- 3.3 Option 3: adopt an amended policy

4. Evaluation of Options

- 4.1 The preferred option is Option 1. This Social Media Policy for Members has been developed from a short form policy available through Practical Law Employment. It is therefore based on the latest legislative framework and is compatible alongside the adopted Code of Conduct for Members.
- 4.2 Option 2 is not recommended, as this will leave the Council and Members without a clear policy and at risk from allegations of improper conduct.

5. Resource Implications

- 5.1 No additional resource implications.

6. Corporate Implications

- 6.1 Comment from the Section 151 Officer: Finance has been consulted and has nothing further to add. SB
- 6.2 Comment from the Solicitor to the Council: The Solicitor to the Council has been consulted during the preparation of this report and has no further comment 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 – Social Media Policy for Members

8. Background Papers

None

Contact Officer: David Randall, Director of Governance

DOVER DISTRICT COUNCIL

SOCIAL MEDIA POLICY FOR MEMBERS

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1. ABOUT THIS POLICY

- 1.1 This policy has been adopted by Dover District Council to
- (a) minimise the risks to the Council through use of social media.
 - (b) minimise the risk of members being the subject of complaint under the Code of Conduct for Members
- 1.2 This policy deals with the use of all forms of social media, including Facebook, LinkedIn, Twitter, Google+, Wikipedia, Whisper, Instagram, Vine, Tumblr and all other social networking sites, internet postings and blogs. It applies to use of social media for Council purposes as well as personal use that may affect the Council in any way.
- 1.3 This policy does not form part of the Code of Conduct for Members and the Council may amend it at any time.

2. GENERAL OBLIGATIONS

- 2.1 Members must comply with this policy:-
- (a) whenever they act in their capacity as a member or co-opted member of the Council or,
 - (b) at all times when using the Council's IT resources and communications systems.

3. PERSONAL USE OF SOCIAL MEDIA

- 3.1 This policy does not purport to regulate a member's personal use of social media. Members should, when using social media in a personal capacity make it clear in their social media postings, or in their personal profile, that they are speaking on their own behalf, use a separate personal e-mail account and address, avoid reference to being a councillor and reference to issues concerning the council.

4. COUNCILLOR USE OF SOCIAL MEDIA

- 4.1 If members are using their social media profile in their capacity as councillor, they must disclose their affiliation to the Council on their profile or in any social media postings, they must state that their views do not represent those of the Council (unless they are authorised to speak on the Council's behalf).

Members should also ensure that their profile and any content they post are consistent with the image they present to the Council and the public.

5. GUIDELINES FOR RESPONSIBLE USE OF SOCIAL MEDIA

- 5.1 Members must be respectful to others when making any statement on social media and be aware that they are personally responsible for all communications which will be published on the internet for anyone to see.
- 5.2 If members are uncertain or concerned about the appropriateness of any statement or posting, they should refrain from posting it until they have discussed with the Monitoring Officer

6. COMPLIANCE WITH RELATED POLICIES AND AGREEMENTS

- 6.1 Members must never use social media in a way that breaches any of the Council's other policies or the Council's Code of Conduct for Members. If an internet post would breach any of the Council's policies in another forum, it will also breach them in an online forum. For example, members must not use social media to:
- (a) breach the Council's ICT Policy;
 - (b) breach the Council's obligations with respect to the rules of relevant regulatory bodies;
 - (c) breach any obligations contained in those policies or the Code of Conduct for Members relating to confidentiality;
 - (d) harass or bully any person;
 - (e) unlawfully discriminate against any person **OR** breach the Council's Equal Opportunities Policy;
 - (f) breach the Council's Data Protection Policy (for example, never disclose personal information about any person online); or
 - (g) breach any other laws or regulatory requirements
- 6.2 Members should never provide references for other individuals on social or professional networking sites, as such references, positive and negative, can be attributed to the Council and create legal liability for both the member and the Council.
- 6.3 The Council is mindful that members of the public and the staff of the council and its contractors have not sought election to public office and public life and have rights to private and family life under the European Convention on Human Rights. Accordingly, in their use of social media members must

respect these rights and not record or publish visual or audio recordings of members of the public and the staff of the council and contractors, or publish comments about them unless to do so is both reasonable and legally justifiable in terms of their convention protections.

7. PROHIBITED USE

7.1 Members must avoid making any social media communications that could reasonably be regarded as bringing their office of the Council into disrepute.

7.2 Members must not use social media to

- (a) defame or disparage any person;
- (b) nor to harass, bully or unlawfully discriminate against any person;
- (c) to make false or misleading statements; or to impersonate any person.

7.3 Members must not express opinions on behalf of the Council via social media, unless expressly authorised to do so.

7.4 Members must not post comments or do anything to jeopardise the Council's confidential information and intellectual property. Members must not include the Council's logos or other trademarks in any social media posting or in their profile on any social media.

7.5 Any misuse of social media should be reported to the Monitoring Officer.

8. PERSONAL RESPONSIBILITY FOR COMPLYING WITH THIS POLICY

8.1 Members are personally responsible for operating within the boundaries of this policy and should ensure that they take the time to read and understand it

9. MONITORING

9.1 The Council reserves the right to monitor, intercept and review social media activity, without further notice. This is to ensure that this policy and other relevant Council's ICT policies are being complied with.

10. BREACH OF THIS POLICY

10.1 Although a breach or non-compliance with this policy would not of itself be a breach of the Code of Conduct for Members any breach of this policy may be relied upon as evidence that a member has failed to comply with a specific

requirement of the Code of Conduct for Members, for example, that a member has bullied someone or intimidated them under paragraph 3(2)(a) of the Code of Conduct for Members.

- 10.2 At least annually, the Monitoring Officer will report to the Standards Committee in anonymized form any breaches of this policy that don't result in a breach of the Code of Conduct.

11. MAINTENANCE OF THIS POLICY

- 11.1 The Standards Committee has overall responsibility for the effective operation of this policy, but has delegated day-to-day responsibility for its operation to the Monitoring Officer.
- 11.2 Responsibility for monitoring and reviewing this policy and making recommendations for change to minimise risks lies with the Standards Committee who will review this policy on the advice of the Monitoring Officer and/or as and when necessary to ensure that it meets legal requirements and reflects best practice.