

Public Document Pack



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18 March 2015

Dear Councillor

NOTICE IS HEREBY GIVEN THAT a meeting of the **GOVERNANCE COMMITTEE** will be held in the HMS Brave Room at these Offices on Thursday 26 March 2015 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 - 8)

To confirm the attached Minutes of the meeting of the Committee held on 4 December 2014.

5 **EK SERVICES - UPDATE FROM THE DIRECTOR**

To receive a verbal update from the Director of EK Services.

6 **QUARTERLY INTERNAL UPDATE REPORT** (Pages 9 - 28)

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

7 **AUDIT CHARTER PLAN 2015/16** (Pages 29 - 48)

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

8 **TREASURY MANAGEMENT QUARTER THREE REPORT** (Pages 49 - 61)

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

9 **TRANSPARENCY AGENDA** (Pages 62 - 71)

To note the attached report of the Director of Environment and Corporate Assets.

10 **CERTIFICATION REPORT 2013/14** (Pages 72 - 80)

To consider the attached report of Grant Thornton.

11 **CERTIFICATION WORK PLAN 2014/15** (Pages 81 - 86)

To consider the attached report of Grant Thornton.

12 **GOVERNANCE COMMITTEE UPDATE** (Pages 87 - 100)

To consider the attached report from Grant Thornton.

13 **OPTIONS FOR PUBLIC PARTICIPATION AT COMMITTEE MEETINGS**

To consider the report of the Director of Governance (to follow).

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, 4 December 2014 at 6.00 pm.

Present:

Chairman: Councillor T J Bartlett

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

Also Present: Emily Hill, Grant Thornton
Lisa Robertson, Grant Thornton

Officers: Director of Finance, Housing and Community
Director of Governance
Head of Corporate Services
Head of Audit Partnership (East Kent Audit Partnership)
Auditor (East Kent Audit Partnership)
Senior Accountant (Revenue and Treasury)
Director of Shared Services
Head of Asset Management, East Kent Housing
Mr S Hale (Head of ICT - EK Services)
Mr B Ryan (Chief Executive, East Kent Housing)
Democratic Support Officer

32 APOLOGIES

There were no apologies for absence received from Members.

33 APPOINTMENT OF SUBSTITUTE MEMBERS

There were no substitute Members appointed.

34 DECLARATIONS OF INTEREST

There were no declarations of interest received by Members.

35 MINUTES

The Minutes of the meetings held on 25 September 2014 and 2 October 2014 were approved as a correct record and signed by the Chairman.

With regard to Minute Number 18 and the Limited Assurance level awarded to fire safety as reported at the last meeting, a verbal update was given to the Committee by the Chief Executive of East Kent Housing (EKH) and the Head of Asset Management of EKH. Members were assured that of the 29 recommendations made as a result of the audit, 9 remained outstanding and would be completed by December 2014. Grab packs and evacuation plans were being rolled out to all sheltered housing schemes with the last of the packs being delivered imminently. Councillor M A Russell, a Member of the East Kent Housing Board, assured Members that the Board was keeping a very close eye on the health and safety of tenants.

36 ORDER OF BUSINESS

The Chairman proposed that the order of business be varied to take agenda item 9 (Treasury Management Quarter Two) at agenda item 5 (Risk Management).

RESOLVED: That, in accordance with Council Procedure Rule 14, the order of business be amended in order that agenda item 9 be considered at agenda item 5.

37 TREASURY MANAGEMENT QUARTER TWO REPORT

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

The Council's in-house investments and investments with the investment managers, Investec had outperformed their benchmark. The total interest received for the quarter was £69,000 with a projected budget for the year to be £22,000 approx. better than the £246,000 budget.

RESOLVED: That the Treasury Management Quarter Two report be noted.

38 RISK MANAGEMENT

The Head of Corporate Services presented the Risk Management Report to Members. The Risk Management Framework was reviewed annually and required the Governance Committee to review its processes. The report illustrated the adopted policies and practices contained within the Risk Management Framework and the methods used to identify and classify risks based on their type, impact and likelihood.

Councillor M R Eddy raised some concern regarding the forthcoming General Elections in May 2015 and that staffing levels during this time should be factored into the Risk Register. In response, the Corporate Support Manager advised that the Elections would have its own Risk Register and that through good communication and good planning, mitigation was already in place.

RESOLVED: That the Risk Management report be noted and accept the Council's current risk management procedures.

39 QUARTERLY INTERNAL AUDIT UPDATE REPORT

The Head of Audit Partnership (East Kent Audit Partnership) introduced the report summarising the work completed by the East Kent Audit Partnership (EKAP) over the last quarter and details of the performance of the EKAP to the 30 September 2014.

The Committee was advised that eight internal audit reports had been completed during the quarter, resulting in two classified as providing Substantial Assurance (EKS – Housing Benefit Payments, Anti-Money Laundering), four as Reasonable Assurance (Contract Standing Order Compliance, HMO Licensing, White Cliffs Countryside and Up on the Downs Partnerships, Waste Management), one as

limited (Safeguarding Children and Vulnerable Groups) and one split assurance which was partially limited (Planning and s106 Agreements).

In respect of planning and s106 Agreements, the Committee was advised that this was a service that would be moving forward with the implementation of the Digital Future Project which would reengineer many of the processes and administration for planning. An update would be brought back to the committee in June 2015.

In respect of Safeguarding Children and Vulnerable Groups the Director of Governance reassured members that the Council was committed to making improvements.

The Head of ICT – EK Services and Director of EK Services gave a verbal update to Members on EK Services – ICT Licensing which was awarded Limited Assurance at the follow up review in the Quarterly Internal Audit Update reported to the Committee in September 2014. Members were advised that the contract EK Services had entered into to purchase the Software Licence was in dispute. The Head of ICT advised Members that an agreed new approach and funding was in place to purchase a new Software Licence and EK Services were working with Audit and the Police in respect of concerns over possible external fraud during the purchasing of the software licence. A further update would be brought back to the Committee in March 2015.

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

40 GOVERNANCE COMMITTEE UPDATE

The Senior Manager – Grant Thornton presented the update and advised Members a full report would come to the Committee in March 2015.

In respect of a challenge question set by Grant Thornton under the topic of 'Managing council property assets', Councillor M R Eddy requested that a report be brought to the Committee in March 2015, in line with the Council's Transparency Code, giving an overview of the properties the Council owns.

RESOLVED: That the report be noted.

41 ANNUAL AUDIT LETTER

The Engagement Lead – Grant Thornton introduced the Annual Audit Letter summarising the work carried out for the year ended 31 March 2014.

RESOLVED: That the Annual Audit Letter be noted.

42 SOCIAL MEDIA POLICY FOR MEMBERS

The Director of Governance presented the Social Media Policy to Members. The policy was designed as a guide to members, defining acceptable and unacceptable use of social media to protect members from allegations of breaching the Code of Conduct and to minimise risk to the authority.

Members were advised that the Social Media Policy would be incorporated into the Members Code of Conduct.

- RESOLVED: (a) That the Social Media Policy for Members be noted.
- (b) That it be recommended to Council that the Social Media Policy for Members be approved and incorporated into the Council's Constitution.

The meeting ended at 7.37 pm.

Subject: QUARTERLY INTERNAL AUDIT UPDATE REPORT

Meeting and Date: Governance Committee – 26th March 2015

Report of: Christine Parker – Head of Audit Partnership

Decision Type: Non-key

Classification: Unrestricted

Purpose of the report: This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 31st December 2015.

Recommendation: That Members note the update report.

1. Summary

This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 31st December 2015.

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 three reviews were classified as providing Substantial Assurance, three as Reasonable Assurance, and one as Limited. There was one additional piece of work for which an assurance level was not applicable as it comprised quarterly housing benefit claim testing. Summaries of the report findings and the recommendations made are detailed within Appendix 1 to this report.
- 2.8 In addition two follow-up reviews have been completed during the period, which are detailed in section 3 of the quarterly update report.
- 2.9 For the nine-month period to 31st December 2014, 194.69 chargeable days were delivered against the planned target of 260.96, which equates to 74.61% 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 31st December 2014.

2. SUMMARY OF REPORTS:

Service / Topic		Assurance level
2.1	Pest Control	Substantial
2.2	EK Services – Council Tax	Substantial
2.3	EK Services - Housing Benefit Administration & Assessment	Substantial
2.4	EK Services – Customer Services	Reasonable
2.5	EK Services – ICT Physical & Environmental Controls	Reasonable
2.6	EK Services – ICT Internet and email	Reasonable
2.7	East Kent Housing – Leasehold Services	Limited
2.8	EK Services – Quarterly Housing Benefit Testing (Quarter 1 of 2014-15)	Not Applicable

2.1 Pest Control – Substantial Assurance.

2.1.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established in order to provide an efficient, economic and effective pest control service within the district

2.1.2 Summary of Findings

The current pest control contract was awarded in 2012 (for a four year period until 2016) in a joint procurement exercise with Shepway and Thanet District Councils. Shepway District Council took the lead on the tendering process on behalf of the three authorities. Under the terms and conditions of the contract, there is no cost to the Council and the contractor is required to pay a concession fee to the Council if the income collected exceeds £35,000 per quarter; however, to date that income level has not been achieved.

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

- The pest control service has been market tested.
- The pest control service is advertised via the Council website.
- Monitoring of the service has been carried out and the Environmental Protection Manager is aware that there is the need to arrange another meeting soon with the contractor although there have been no complaints received from the public in respect of the service provided.

2.2 EK Services Council Tax – Substantial Assurance.

2.2.1 Audit Scope

To ensure that the processes and procedures established by EK Services are sufficient to provide the level of service required by the partner councils and incorporate relevant internal controls regarding the administration of Council Tax especially the recording of accounts, billing and monitoring of accounts including changes in responsible person.

2.2.2 Summary of Findings

Canterbury City Council, Dover District Council and Thanet District Council participate in a shared service programme with EK Services. A Service Level Agreement (SLA) has been created between the partner organisations detailing service delivery. Included within the SLA is the provision for EK Services to undertake the processing and administration of Council Tax for the three authorities. The SLA is reviewed annually by all partners and it is updated accordingly.

The performance of EK Services is monitored very closely by EK Services Senior Management and the client officers from the partner authorities. Targets have been set to ensure that EK Services meet the expectations set by each authority and the commitments agreed in the SLA.

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

- There is a SLA in place which details the expectations of the partner authorities
- There are targets and performance indicators in place to ensure that EK Services attain a high standard for the processing and administration of council tax and this is reported regularly to the relevant senior management.

Scope for improvement was however identified in the following areas:

- The notes or diary are not always being utilised to provide a clear picture of the action taken on an account.
- The council tax accounts in credit need to be reviewed periodically to ensure they are kept to a minimum.

2.3 EK Services Council Tax – Substantial Assurance.

2.3.1 Audit Scope

To ensure that the processes and procedures established by EK Services are sufficient to provide the level of service required by the partner authorities of Canterbury CC, Dover DC and Thanet DC and incorporate relevant internal controls regarding the administration and assessment of housing benefit claims.

2.3.2 Summary of Findings

EK Services undertake the administration of housing benefit and council tax support for the three East Kent authorities. The SLA is reviewed annually by all partners and it is updated accordingly.

Since the last audit in March 2013, significant work has been undertaken to create a payment page on the EK Services Intranet which provides all staff with a central place where they can access assessment tools, training aids, benefit circulars, forms, case law, useful desk tools and internal guidance and procedures.

The performance of EK Services is monitored very closely by EK Services Senior Management and the client officers from the partner authorities. Targets have been set to ensure that EK Services meet the expectations set by each authority and the commitments agreed in the SLA.

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

- There is a SLA in place which details the expectations of the partner authorities
- There are targets and performance indicators in place to ensure that EK Services attain a specific standard for the administration of housing benefit and this is reported regularly to the relevant senior management.
- Since the last audit, action has been taken to collate all important and relevant information regarding the processing of housing benefit on to a page on the EK Services intranet which all staff can access.
- The Systems Team ensure that comprehensive testing is undertaken on any software patches and upgrades before they are installed onto the live systems.

Scope for improvement was however identified in the following areas:

- The procedures and records used by the Quality Team are not being consistently applied across all partner authorities.

2.4 EK Services Customer Services – Substantial Assurance.

2.4.1 Audit Scope

To ensure that the processes and procedures established by EK Services are sufficient to provide the level of service required by the partner councils and incorporate relevant internal controls regarding the interface with the public to respond to customer enquiries and requests for service via e-mail/internet, post, telephone and face-to-face contact points.

2.4.2 Summary of Findings

Customer Services is the first point of contact for most of the customers that visit or call Canterbury City, Dover District and Thanet District Councils. EK Services operates with a total of 90 full and part-time staff. Resources are distributed at a ratio of approximately 34 staff for Canterbury, 26 staff for Dover and 30 staff for Thanet.

EK Services have built some resilience within the service, training some staff to cover two or three sites in order to meet operational needs such as peaks and troughs in demand throughout the year.

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

- The service is supported by well documented and clearly defined Service Level Agreement and Service Plan;
- The Service Standards expected of staff are clearly defined in the Customer Service Standards Policy which is available on the intranet;
- Face to face contact and telephone contact was compliant with the expectations set out in the Customer Service Standards Policy;
- The training regime was well implemented;
- Information made available to the public was clear and concise; and
- The Risk Management Process seemed to be working effectively.

Scope for improvement was however identified in the following areas:

- EK Services could be more effective by introducing performance indicators which attempt to measure how effective it is at meeting it's own objective of 'right first time';
- No recorded minutes are currently being taken at Management Team Meetings and Meetings with Client Officers at each of the three councils;
- There is still some cash handling routines in place which present some level of risk to two of the Councils; and
- There is no clear instruction on what to do in an emergency available on the intranet for employees based at Thanet.

2.5 EK Services ICT Physical & Environment – Substantial Assurance.

2.5.1 Audit Scope

To ensure that the physical and environmental controls over the main ICT assets, including the servers are robust and are sufficient to enable EK Services to provide the level of ICT service required by the partner Councils.

2.5.2 Summary of Findings

EK Services ICT services is responsible for protecting and maintaining the network and providing ICT support services across all partner authorities. EK Services Business Support procures ICT equipment according to the specifications provided by EK ICT Services.

Individual authorities retain ownership of their ICT assets and are responsible for the physical and environmental controls of their ICT suites e.g. fire suppressant and cooling systems, power supplies and access controls.

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

- ICT security policies are in place and are accessible to all staff;
- Approximately 95% of local authority ICT equipment is recorded on a centrally held system (Track-IT);
- EK Services/all partner authorities are members of the PSN which means that they must satisfy an independent IT Health Check and be CoCo compliant;

- A new, more efficient, back-up system is currently being implemented.

Scope for improvement was however identified in the following areas:

- ICT server rooms should be kept clear of hazards;
- Reconcile ICT equipment across all partner authorities.

2.6 EKS ICT Internet and email – 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 Council's Officers and Members use of the Internet and email facilities are in line with corporate guidelines and legislative requirements such as the Misuse of Computers Act.

2.6.2 Summary of Findings

Canterbury City Council, Dover District Council and Thanet District Council provide technology devices, such as PCs, laptops, thin client devices, Blackberrys, and PDAs, together with access to the Internet and email to officers and members.

There are a number of legislative requirements that must be adhered to in relation to telephony, IT networks and any specific applications, e-mail and Internet use. The acceptable use policy defines for all staff what is acceptable and unacceptable use of Council systems and equipment.

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

- There are clear and concise policies relating to the acceptable use of the councils' internet and email facilities.
- EK Services are able to run reports to show usage if management request them.
- Suitable virus protection is in place to protect the councils' networks.
- Internet filtering takes place to stop access to inappropriate websites.

Scope for improvement was however identified in the following areas:

- The policies need reviewing to ensure they are still up to date with legislation.
- Internal emails are not monitored, the councils should determine if they would benefit from some monitoring to prevent miss-use.

2.7 East Kent Housing Leasehold Services – Limited Assurance.

2.7.1 Audit Scope

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

2.7.2 Summary of Findings

There are approximately 1,400 Leaseholders in the housing stock of the four East Kent councils, representing around 8% of the housing stock managed by East Kent Housing (EKH). EKH provides a management service to these leaseholders, although the nature of the service varies quite widely between each council dependant on the arrangements in place prior to the transfer of the service from each Local Authority to EKH.

The main focus of the review was directed at the following arrangements listed below. It should be noted that the results of the audit have been passed on to City West Homes who was also completing an independent review of the leaseholder service at the same time as this audit review: -

- Examination of key areas and the links between departments and partner councils;
- Examination of the consultation arrangements with leaseholders;
- Examination of the invoicing and debt collection arrangements;
- Examination of documentation and completeness of the audit trail;
- Examination of the way in which service charges were calculated and apportioned.

From the testing completed during this review many of the necessary controls were found to be either partially effective or not effective. This leads us to conclude a Limited Assurance opinion.

Despite this assurance opinion there were identified areas of good practice. Each authority could benefit from adopting at least one of the processes in place at one or more of the partner authorities. Some of the issues that arose spanned across all four sites and these are summarised below: -

- Reliable procedure notes needed to be developed and used;
- EKH needs to strengthen the links between leaseholder services and asset management;
- The Section 20 consultation process was not well exercised and a new process should be adopted which lays out clear areas of responsibility;
- Specified leaseholder satisfaction questionnaires are not provided to leaseholders for major works;
- The annual reports containing individual jobs which are passed to the leaseholder section for the purpose of annual billing should be redesigned in order to strengthen the reconciliation routines; and
- The Leaseholder Handbooks are out of date and should be rebranded, updated and put online.

Some of the issues that arose spanned across two or three sites and these are summarised below: -

- Those Councils that produce estimates should consider reviewing the arrangements and consider changing the word 'estimate' to 'payment in advance';
- Some debt collection arrangements were found to be weak;
- In some instances the audit trail was not complete; and
- In some instances the reconciliation routines were weak;

Some of the other issues that arose were individual to either each Council or to EKH.

2.8 EK Services – Housing Benefit Quarterly Testing (Quarter 1 of 2014-15):
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2.7.1 Background:

Over the course of 2014/15 financial year the East Kent Audit Partnership will be completing a sample check of Council Tax, Rent Allowance and Rent Rebate and Local Housing Allowance benefit claims.

2.8.2 Findings:

For the first quarter of 2014/15 financial year (April to June 2014) 40 claims including new and change of circumstances of each benefit type were selected by randomly selecting the various claims for verification.

A fail is categorised as an error that impacts on the benefit calculation. However, data quality errors are also shown but if they do not impact on the benefit calculation then for reporting purposes the claim will be recorded as a pass.

2.8.3 Audit Conclusion:

Forty benefit claims were checked and of these two had financial errors that did not impact on the benefit calculation, one had both a data quality error and an error that impacted on the benefit calculation (in total 1 fail - 2.50%) and two were just data quality errors.

3.0 FOLLOW UP OF AUDIT REPORT ACTION PLANS:

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

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs Outstanding	
a)	East Kent Housing – Rent Collection and Debt Management	Reasonable	Reasonable	H	1	H	1
				M	5	M	1
				L	1	L	0
b)	EK Services – Housing Benefit Payments	Substantial	Substantial	H	0	H	0
				M	1	M	0
				L	1	L	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.

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: 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 that required either additional audit resources or which warranted a revision of the audit plan at this point in time.

7.0 INTERNAL AUDIT PERFORMANCE

7.1 For the nine-month period to 31st December 2014, 194.69 chargeable days were delivered against the planned target of 260.96, which equates to 74.61% 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 31 st December 2014 against the agreed 2014/15 Audit Plan.

- Annex 4 EKAP Balanced Scorecard of Performance Indicators to 31st December 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.
<p>Dover – Reduce the £1,000 limit for refunds that are checked with EK Services for outstanding amounts to the same level that is in place at the other 3 authorities so that any refunds due are checked for outstanding amounts.</p>	<p>Dover team are not able check all debts with EKS due to access issues. I have contacted the relevant Manager at EK Services to confirm what access they can have. I am still waiting on a response on this to bring Dover into line with the other three districts – this will be a DDC decision also.</p> <p><u>Responsibility / Original Completion Date:</u></p> <p>Income Recovery Manager - 15/05/14</p>	<p>Refund limit has been reduced following discussions with Dover District Council and Area Manager. Dover team are still waiting for access from EKS for the corporate debt system so that they are able to check all debts.</p>

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 a planned audit
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 31-12-14	Status and Assurance Level
FINANCIAL SYSTEMS:				
Car Parking & PCNs	10	10	0.42	Work-in-Progress
Creditors and CIS	10	10	0.21	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	4.84	Finalised - Substantial
Fraud Prevention	10	0	0	Postpone to accommodate unplanned work
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	4.59	Work-in-Progress throughout 2014-15
s.151 Meetings and support	9	9	8.28	Work-in-Progress throughout 2014-15
Governance Committee Meetings and Reports	12	12	9.48	Work-in-Progress throughout 2014-15
2015-16 Audit Plan Preparation and Meetings	9	9	3.06	Work-in-Progress
CONTRACT RELATED:				
CSO Compliance	10	31	31	Finalised - Reasonable
Receipt and Opening of Tenders	6	0	0.17	Postpone to accommodate

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-14	Status and Assurance Level
				additional work b/fwd from 2013-14
SERVICE LEVEL:				
Safeguarding Children & Vulnerable Groups	10	15	14.28	Finalised - Limited
Community Safety	10	0	0	Postpone to accommodate additional work b/fwd from 2013-14
Pest Control	10	10	0.17	Finalised - Substantial
Towards a Digital Future	18	18	15.57	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	8.96	Finalised - Reasonable
White Cliffs Countryside Partnership and 'Up on the Downs'	10	10	14.05	Finalised - Reasonable
OTHER				
Liaison with External Auditors	2	2	0.5	Work-in-Progress throughout 2014-15
Follow-up Work	17	17	11.43	Work-in-Progress throughout 2014-15
UNPLANNED WORK				
DES Review – Property Services	0	10	5.82	Work-in-Progress
Enterprise Zone Grant Certification	0	0	0	Work-in-Progress
FINALISATION OF 2013-14- AUDITS				
Planning	5	35.96	11.54	Finalised – Substantial/Limited/ Limited
Tackling Tenancy Fraud			7.72	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 31-12-14	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	0.18	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	194.69	74.61% at 31st December 2014

EAST KENT HOUSING LIMITED:

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-2014	Status and Assurance Level
Planned Work:				
Audit Ctte/EA Liaison/Follow-up	8	8	6.41	Work-in-Progress throughout 2014-15
Finance & ICT Systems	10	10	0	Postpone until 2015-16
Tenant Health & Safety	17	27.93	27.93	Finalised
Void Property Management.	15	0	0	Postpone until 2015-16
Sheltered Housing	30	0	0.2	Postpone until 2015-16
Finalisation of 2013-14 Audits:				
Leasehold Services	0	14.77	23.19	Work-in-progress
Rent Collection and Debt Management	0	2.36	2.36	Finalised - Reasonable
Days under delivered in 2013-14	0	0	-0.32	Completed
Unplanned – CSO Compliance	0	16.94	0	Work-in-Progress
Total	80	80	59.77	74.71% at 31-12-2014

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-2014	Status and Assurance Level
Additional Days purchased with saving from 2013-14	0	8.1	0	Allocated to Leasehold Services Audit
Complaint Investigation – CSO Compliance	0	0	6.28	Finalised

EK SERVICES:

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-14	Status and Assurance Level
Planned Work:				
Housing Benefits Admin & Assessment	15	15	14.8	Finalised - Substantial
Housing Benefits Payments	15	16	16.14	Finalised - Substantial
Council Tax	30	16	8.18	Finalised - Substantial
Customer Services	15	15	14.36	Finalised - Reasonable
ICT File Controls / Data Protection / Back ups	12	12	4.15	Work in progress
ICT Internet & Email	12	18	17.64	Finalised - Reasonable
ICT Physical & Environment	12	17	16.69	Finalised - Reasonable
Corporate / Committee /follow up	9	10	8.87	Work in progress throughout 2014-15
DDC / TDC HB reviews	40	40	12.45	Work in progress throughout 2014-15
ICT SAM Procurement	0	11	11.16	Finalised
Finalisation of 2013-14 audits:				
Housing Benefit Verification	0	5.15	4.59	Finalised
Payroll	0	16	15.64	Finalised
Total	160	191.15	144.67	76% at 31-12-2014

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 3		Reported Annually		
Chargeable as % of available days	86%	80%	• Cost per Audit Day		£312.86
Chargeable days as % of planned days			• Direct Costs (Under EKAP management)		£392,980
CCC	61%	75%	• Indirect Costs (Recharges from Host)		£19,990
DDC	75%	75%	• 'Unplanned Income'		Zero
SDC	80%	75%	• Total EKAP cost		£412,970
TDC	65%	75%			
EKS	76%	75%			
EKH	75%	75%			
Overall	72%	75%			
Follow up/ Progress Reviews;					
• Issued	41	-			
• Not yet due	17	-			
• Now due for Follow Up	33	-			
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 3				
Number of Satisfaction Questionnaires Issued;	65		Percentage of staff qualified to relevant technician level	88%	75%
Number of completed questionnaires received back;	18 = 28%		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	4.18	3.5
	100%	100%	Percentage of staff meeting formal CPD requirements	43%	32%



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.

Subject: INTERNAL AUDIT CHARTER AND 2015/16 DRAFT PLAN

Meeting and Date: Governance Committee – 26th March 2015

Report of: Christine Parker – Head of Audit Partnership

Decision Type: Non-key

Classification: Unrestricted

Purpose of the report: This report presents the Audit Charter for approval and sets out the proposed Internal Audit Plan for 2015/16 detailing a breakdown of audits and an analysis of available days.

Recommendations: That Members approve to adopt the Internal Audit Charter for delivery of the internal audit service.

That Members approve the Council's Internal Audit Plan for 2015/16

1. **Summary.**

This report includes the Audit Charter for the East Kent Audit Partnership which sets out the overarching aims and strategy for the Internal Audit Service together with the draft plan of work for the forthcoming 12 months for approval.

2. **Introduction and Background.**

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

2.2 In accordance with current best practice, the Governance Committee should "review and assess the annual internal audit work plan". The purpose of this report is help the Committee assess whether the East Kent Audit Partnership has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with the professional standards for Internal Auditors.

2.0 Audit Charter.

2.1 The Audit Charter is an important document setting out the expectations of how the Internal Audit function will be delivered. Not only does having a Charter and keeping it up to date assist the Council in complying with best practice, but by considering the Audit Charter, the Governance Committee is also demonstrating its effectiveness by ensuring that these mechanisms are in place and are working effectively.

2.2 The Audit Charter establishes the purpose, authority, objectives and responsibility of the East Kent Audit Partnership, it goes on to set out the Terms of Reference, Organisational Relationships and Independence, Competence and Standards of Auditors, the Audit Process and in providing an Internal Audit function to the partner councils; as well as the resources required across the four partnership sites and details how the resource requirements will be met.

2.3 The Audit Charter is attached as Annex A to this report. It is essentially the 'Why' and 'How' the East Kent Audit Partnership will provide the Internal Audit Service for the year to 31st March 2016.

3.0 Audit Plan.

3.1 The Audit Plan for the year 2015 to 2016 is attached as Annex B and has the main components to support the Audit Charter. The plan is produced in accordance with professional guidance, including the PISAS 2013. A draft plan is produced from an audit software database (APACE) maintained by the EKAP which records our risk assessments on each service area based upon previous audit experience, criticality, financial risk, risk of fraud and corruption etc. Then following discussions with senior management, account of any changes within the Council over the last 12 months, and foreseen changes over the next have been made.

3.3 The plan has then been further modified to reflect emerging risks and opportunities identified by the Chief Executive, Directors, and the link Council's Corporate Plan and Corporate Risk Register. This methodology ensures that audit resources are targeted to the areas where the work of Internal Audit will be most effective in improving internal controls, the efficiency of service delivery and to facilitate the effective management of identified risks.

3.4 There are insufficient audit resources to review all areas of activity each year. Consequently, the plan is based upon a formal risk assessment that seeks to ensure that all areas of the Council's operations are reviewed within a three-year cycle of audits. In order to provide Members with assurance that internal audit resources are sufficient to give effective coverage across all areas of the Authority's operations, a three-year strategic plan has been included.

3.5 To comply with the best practice, the agreed audit plan should cover a fixed period of no more than 1 year. Members are therefore being asked to approve the 2015/16 plan at the present time, and the 2016/17 plan and 2017/18 plan are shown as an indicative plan only, to provide Members with assurance that internal audit resources are sufficient to provide effective coverage across all areas of the Authority's operations within a rolling cycle. If it is approved as currently drafted a number of audits will fall outside of the rolling three year plan, these are listed at the foot of Annex B, and total 133 days.

3.6 The plan has been prepared in consultation with the Directors and the Council's statutory s.151 Officer. The plan is also designed to meet the requirements expected by the External Auditors for ensuring key controls are in place for its fundamental systems. This Committee is also part of the consultation process, and its views on the plan of work for 2015/16 are sought to ensure that the Council has an effective internal audit of its activities and Members receive the level of assurance they require to be able to place assurance on the annual governance statement.

3.7 The risk assessment and consultation to date has resulted in;

- 84% Core Assurance Projects- the main Audit Programme
 - 0% Fraud Work – fraud awareness, reactive work and investigating potential irregularities
 - 4% Corporate Risk – testing the robustness of corporate risk mitigating action
 - 12% Other Productive Work – Corporate meetings, follow up, general advice, liaison
- Total number of audits 35

For 2015/16 the days available for carrying out audit is 270 days. When compared to the resources available and working on the basis that the highest risk areas should be reviewed as a priority, the EKAP has sufficient resources to review all of the high risk areas and all of the medium risk areas this equates to 25 audits.

3.8 There are 133 days required to backfill the audits that are outside of the strategic cycle. In 2014/15 the s.151 Officers agreed that savings achieved in the delivery of the EKAP service should be used to address the shortfall in the strategic plan, and deliver as many reviews as possible. Thus any financial savings are converted into audit days and identified areas for review agreed with the s.151 Officer in the quarterly meetings as the year unfolds. This will strengthen the Internal Audit coverage and Members will have greater assurance that the systems of internal control are being regularly reviewed.

4.0 **Benchmarking the level of Internal Audit Provision.**

4.1 Members should have regard to how audit resources within the Council compare to other similar organisations when considering the adequacy and effectiveness of the internal audit plan. The results of benchmarking show that the average number of internal audit days provided by district council's within Kent is circa 400 days annum. The audit plan of Dover District Council of 270 days plus their share of the EKS and East Kent Housing audit plans totals 350. The Dover plan is therefore 12.5% less than the Kent average.

5.0 **Head of Internal Audit's Opinion of the 2015/16 Internal Audit Plan.**

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

5.2 Whilst it is recognised that resources are tight, similar financial pressures face all district Councils, however Dover's audit plan is 12.5% less than the Kent district Council average. Additionally, there is no contingency built into the plan for any urgent unforeseen work and there are a fairly significant number of audits that have now fallen outside of the three year strategic cycle; it is therefore the professional opinion of the Head of the East Kent Audit Partnership that the draft 2015/16 internal plan presented for Members consideration is less well-resourced than the Kent average and accordingly our overall audit opinion at the end of the year will be qualified in this respect. The Head of the East Kent Audit Partnership recommends that Members either approval the 2015/16 internal audit plan as drafted or that they recommend to Cabinet that additional resources are allocated to bring the plan up to the Kent average. This would require an additional 50 days per annum, which at an estimated cost per audit day of £300 would cost £15,000 per annum

5.0 **Background Papers.**

- Internal Audit Annual Plan 2014/15 - Previously presented to and approved at the March 2014 Governance Committee meeting.
- Internal Audit working papers - Held by the East Kent Audit Partnership.
- Previous Audit Strategies - Previously presented to and approved at Governance and Audit Committee meetings.

Attachments

Annex A East Kent Audit Partnership Charter

Annex B Dover District Council draft 2015/16 Internal Audit Plan

CHRISTINE PARKER
Head of Audit Partnership

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



EAST KENT AUDIT PARTNERSHIP AUDIT CHARTER

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9. Amendment to Charter

1 Introduction

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

2 Terms of Reference

2.1 Strategy & Purpose

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

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

This definition sets out the primary purpose of the Audit Partnership, but the guidance also recognises that other work may be undertaken which may include consultancy services and fraud-related work. Where relevant and applicable the Audit Partnership also follows the professional and ethical standards of the Institute of Internal Auditors, being that many of the staff are members of this Institute.

2.2 Responsibility & Scope

2.2.1 Internal Audit is responsible for appraising and reviewing:

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

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

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

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

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

2.2.5 The decision to undertake consultancy services will be made in conjunction with the relevant partner's s.151 Officer and other management as necessary. The EKAP is able to avoid conflicts of interest if carrying out consultancy work due to the flexibility of the arrangements, as auditors may be rotated accordingly. The decision to provide such a service is informed by the required timing of the work, whether the skills and resources are available and if it is in the best interest of the EKAP and the Partners to do so, the nature of this work may include for example, being involved on project teams for new

systems development. There are no contingency provisions within the agreed audit plans, therefore if work has not been included in the plan from the outset, a variation will need to be agreed for any consultancy work, to re-allocate time within the relevant partner's own plan, or through buying in additional resource to back-fill whilst partnership staff carry out the assignment.

2.3 Authority

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

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

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

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

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

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

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

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

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

2.4 Avoiding Conflicts of Interest

- 2.4.1 An additional benefit of four councils working in partnership to provide an internal audit service, is providing sufficient staff to give flexibility and the opportunity for the rotation of Auditors. Where consultancy projects are requested and agreed, conflicts of interest will be avoided by preventing the Auditor undertaking that project from reviewing that area of operation for a period of time equivalent to current year plus one (see also paragraph 3.2 below). The EKAP provides a pure audit arrangement and does not have any “non audit” or operational responsibilities that would otherwise have the potential to cause a conflict of interest.

3 Organisational Relationships and Independence

3.1 Audit Partnership Management and Staffing

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

3.2 Relationship with Service Managers

- 3.2.1 It is the responsibility of management, not auditors, to maintain systems of internal control.
- 3.2.2 To preserve its independence and objectivity, staff involved in the Audit Partnership shall not have direct responsibility for, or authority over, any of the activities subject to audit review. Staff transferring to EKAP may not review an area they were previously operationally responsible for, for a period of two years (current year plus one).
- 3.2.3 The involvement of an auditor through conducting an audit review, or providing advice, does not in any way diminish the responsibility of line management for the proper execution and control of their activities.
- 3.2.4 Co-operative relationships will be fostered with management to enhance the ability of the Audit Partnership to achieve its objectives effectively.
- 3.2.5 All employees should have complete confidence in the integrity, independence and capability of the Audit Partnership. We recognise that the relationship between auditors and service managers is a privileged one, and information gained in the course of audit work will be treated confidentially, and only reported appropriately.

3.3 Reporting Relationship with Line Management

- 3.3.1 The Head of Audit Partnership will have regular meetings with each of the Partner's s.151 Officer / nominated client officer. Any events that may have an adverse affect on the audit plan, or a significant impact on the Council will be reported immediately.
- 3.3.2 Any high risk matters of concern, which have not been adequately dealt with after an appropriate period of time and after follow up, will be escalated to the s.151 Officer / nominated client officer, who will be asked to decide for each high risk matter whether:
- Resources should be allocated to enable the risk to be reduced in the agreed way, or
 - To approve that the risk will be accepted and tolerated, or

- To determine some other action to treat the risk.

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

3.4 Reporting Relationship with the Partners

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

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

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

3.5 Relationship with Audit Committees

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

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

3.6 Relationship with External Audit

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

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

3.6.2 In particular the Head of Audit Partnership will:

- Discuss the annual Audit Plan with the External Auditors to facilitate External Audit planning,
- Hold meetings to discuss performance and exchange thoughts and ideas,

- Make all Internal Audit working papers and reports available to the External Auditors,
- Receive copies of all relevant External Auditors reports to Management, and
- Gain knowledge of the External Auditors' programme and methodology.

3.7 Other Regulators, Inspectors and Audit Bodies

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

3.8 Relationship with the Public

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

4 Competence and Standards of Auditors

4.1 Competence

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

4.2 Standards

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

5 Audit Process

5.1 The EKAP seeks to deliver effective outcomes by;

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

- Being innovative and challenging,
- Helping to shape the ethics and standards of the four councils, and
- Sharing best practice and assisting with the joint working agenda.

5.2 Planning

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

- A Strategic Plan, which ensures that coverage of each of the partner councils as a whole, over a time frame of three to five years, is maintained and reviewed annually, to take into account the new priorities and risks of each authority. This focuses internal audit effort on the risks of the four partner's objectives and priorities. It also seeks to add value to the partners by reviewing areas that most support management in meeting their objectives. The Head of Audit Partnership works together with the two Deputy Heads of Audit to consult relevant service managers and heads of service at each site to assist in formulating the strategic audit plans. Each council's corporate aims and objectives, individual service plans, risk registers, time spent on previous audits, any problems encountered, and level and skill of service staff involved are taken into account and information is entered into the audit software. All areas as identified in the strategic plan are then subject to a risk assessment to identify their risk level and whether or not they are to be included in the proposed annual plan. The audit plans are generated from the audit software based on the risk scores of each area of activity identified through the consultation process
- An Annual Plan for each partner, specifying the planned audits to be performed each year, their priority and the resource requirements for each planned audit review.

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

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

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

5.3 Documentation

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

- The samples of transactions collected when examining the adequacy, effectiveness and application of internal controls within the system.
- The results of the testing undertaken.
- Other information obtained from these examinations.
- Any e-mails, memos or other correspondence with the client concerning or clarifying the findings.

- A report summarising significant findings and recommendations for the reduction of risk or further control improvement.
- The Service Manager's response to the draft report and then agreed recommendations made in the final audit report.

5.4 Consultation

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

- issue a copy of the proposed Audit Brief by e-mail, and
- where appropriate arrange a pre-audit meeting between the Service Manager and the Auditor to discuss the purpose, scope and expected timing of the work.

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

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

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

5.5 Reporting

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

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

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

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

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

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

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

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

5.6 Follow Up

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

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

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

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

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

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

6 Resources

6.1 Staff Resources

- 6.1.1 Dover District Council is the host authority for the shared internal audit service therefore it employs or contracts with all the staff engaged to deliver the service. The current team is made up of nine full or part time staff all providing a range of skills and abilities within the Internal Audit profession. Those staff accredited to a professional body are required to record their Continued Professional Development (CPD) in order to evidence that they maintain their skills and keep up to date. Additionally, the staff are bound by the professional standards and code of ethics for their professional body, either CIPFA, the ACCA or the CIIA.
- 6.1.2 A mix of permanent staff and external contractors will provide the resources required to fill the required number of chargeable audit days. Internal Audit staff will be appropriately qualified and have suitable, relevant experience. Appropriate professional qualifications are ACCA, IIA or AAT. The DDC appraisal scheme including an assessment of personal development and training needs will be utilised to identify technical, professional, interpersonal and organisational competencies. Having assessed current skills a personal development plan will be agreed for all EKAP staff intended to fill any skill gaps.
- 6.1.3 The Dover District Council's Personal Performance Review process will be the key driver to identifying any skill gaps, and training, where appropriate, will be investigated at an individual level, as well as across the team, and on a Kent wide basis (through collaborative arrangements at Kent Audit Group). In the short-term, the specialised computer audit skills gap may be addressed through the engagement of contractors for specialist work, and where possible, a team member will shadow the "expert" to gain additional skills.

6.2 **Budget**

The EKAP budget is hosted by DDC and apportioned between the partners based on the agreed number of audit days. The cost per audit day is a metric reported annually in the Annual Report. The budget for 2015/16 is £424,150 which includes direct and indirect costs to the partnership. The individual salaries paid to the staff, including the Head of the Audit Partnership are standard grades as assessed by the DDC Job Evaluation system.

7. **Quality assurance**

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

8. **Additional Services**

8.1 **Special Investigations and Fraud Related Work**

The EKAP is, from time to time, required to carry out special investigations, including suspected fraud and irregularity investigations and other special projects. The prevention and detection of fraud and corruption is ultimately the responsibility of management within the four partner authorities. However, EKAP is aware of its role in this area and will be

alert to the risk of fraud and corruption when undertaking its work. The EKAP will immediately report to the relevant officer any detected fraud or corruption identified during the course of its work; or the discovery of any areas where such risks exist.

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

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

8.2 Ad Hoc / Consultancy Work

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

8.3 Value for Money (VFM) Reviews

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

9. Amendment to Audit Charter

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

February 2015

References:

Former Audit Strategy

Audit Manual

Public Sector Internal Audit Standards (PSIAS)

CIPFA Application Note to PSIAS

Annex B
Dover District Council
Internal Audit Plan 2015-16

Plan Area	Corporate Risk Register Ref	Year last audited	Previous Assurance level	2015-16 Planned Days	Quarter Prioritised for 2015-16	2016-17 Planned Days	2017-18 Planned Days
Financial:							
Capital	3	2013-14	Substantial	5	3		5
Treasury Management	4	2013-14	Substantial			5	
Car Parking and PCNs		2014-15	2014-15 WIP				10
Bank Reconciliation		2012-13	Substantial	5	3		
Creditors and CIS		2014-15	2014-15 WIP				10
Main Accounting System	3	2013-14	Substantial				10
Income		2014-15	2014-15 WIP			10	
Budgetary Control	3 and 11	2013-14	Substantial			10	
VAT		2012-13	Reasonable	10	2		
Insurance and Inventories of Portable Assets		2013-14	Reasonable			10	
Residual Housing Systems:							
Homelessness	12	2013-14	Substantial/Limited			10	
Housing Allocations	12	2012-13	Substantial	10	1		
Right to Buy		2013-14	Reasonable			8	
HRA Business Plan		2010-11	Limited				10
Governance Related:							
Data Protection, Freedom of Information and Information Management	15	2013-14	Reasonable			10	
Asset Management		2008-09	Reasonable				10
Members' Code of Conduct, Register of Interests, Gifts & Hospitality (incl. The Bribery Act) and Standards Arrangement		2013-14	Substantial			10	
Officers' Code of Conduct, Gifts & Hospitality (incl. the Bribery Act) and Whistle Blowing Arrangements		2012-13	Substantial			10	
Local Code of Corporate Governance		2013-14	Substantial			7	
Review compliance with the stated control measures for a sample of Corporate Risks	Informs all Corporate Risks	New Area	To be Assessed				
Equality and Diversity	13	2008-09	Reasonable	10	3		
Performance Management	21	2013-14	Substantial			10	
Anti-Money Laundering		2014-15	Substantial				7
Fraud Resilience Review		New Area	To be Assessed				10
Complaints Monitoring		2014-15	Substantial				10
Partnerships and Shared Service Monitoring and Delivery	9 and 10	2011-12	Reasonable	10	2		
Scheme of Officer Delegations		2007-08	Substantial				10
Climate Change		2009-10	Reasonable				10
Business Continuity & Emergency Planning	7	2013-14	Substantial			10	
Corporate/Governance and Audit Committee		2013-14	N/A	32	1 to 4	32	32
Risk Management	Informs all Corporate Risks	2012-13	Reasonable	10	3		
Other:							
Liaison with the External Auditors	N/A	2014-15	N/A	2	1 to 4	2	2
Previous Year Work in Progress b/fwd	N/A	2014-15	N/A	5	1	5	5
Follow-up	N/A	2014-15	N/A	15	1 to 4	15	15
Contract Audits:							
CSO Compliance		2014-15	Reasonable				12
Service Contract Monitoring		2013-14	Substantial			10	
Receipt and Opening of Tenders		2010-11	Reasonable				8
Procurement		2010-11	Limited	10	4		
Service Level:							
Cemeteries & Crematoria		2013-14	Reasonable/Limited			10	
Safeguarding Children & Vulnerable Groups/DBS		2014-15	Limited				10
s11 Safeguarding Return to KCC		Annual	N/A	1	3		
Community Safety		2011-12	Substantial	9	1		
Coast Protection		2013-14	Substantial			8	
CCTV		2013-14	Substantial			10	
Dog Warden Service and Enforcement		2012-13	Reasonable	10	3		
Election Management and Electoral Registration	14	2011-12	Substantial	10	3/4		

Annex B
Dover District Council
Internal Audit Plan 2015-16

Plan Area	Corporate Risk Register Ref	Year last audited	Previous Assurance level	2015-16 Planned Days	Quarter Prioritised for 2015-16	2016-17 Planned Days	2017-18 Planned Days
Financial:							
Environmental Health – Environmental Protection Service Requests		2012-13	Substantial	8	2		
Environmental Health - Food Safety		2013-14	Substantial			10	
Environmental Health – Public Health Burials		2010-11	Substantial	3	4		
Environmental Health - Port Health		2012-13	Substantial	10	3		
Environmental Health – Pest Control		2014-15	Substantial				9
Environmental Health – Health and Safety at Work	8	2012-13	Substantial	10	4		
Environmental Health - Environmental Protection (Contaminated Land, Air Quality Mngmt & Monitoring, Pollution Prevention, Bathing and Drinking Water).		2013-14	Reasonable			8	
Licensing		2012-13	Reasonable	10	2		
Printing & Post		Pre 2004	To be Assessed	7	4		
Utilities, Petty Cash and Imprests		Pre 2004	To be Assessed			10	
Events Management		2009-10	To be Assessed				10
Grounds Maintenance		2011-12	Reasonable	10	1		
Disabled Facilities Grants		2013-14	Substantial			10	
HMO Licensing		2014-15	Reasonable				10
Land Charges		2011-12	Reasonable				10
Museums and VICs		2012-13	Substantial	10	2		
Let Properties and Concessions		2012-13	Reasonable	10	4		
Members' Allowances and Expenses		2012-13	Substantial			10	
Planning (including s.106 agreements)	20	2013-14	Substantial/Limited			10	
Building Control		2010-11	Reasonable	10	3		
Sports and Leisure		2012-13	Substantial/ Reasonable	10	1		
Waste Management and Street Cleansing		2014-15	Reasonable				10
Whitecliffs Countryside Partnership* and Up on the Downs Partnership		2014-15	Reasonable				10
Health and Wellbeing		New Area	To be Assessed				
Community Development		Pre-2004-05	To be Assessed				10
Human Resources							
Recruitment	17	2012-13	Reasonable	5	1		
Absence Management, Annual Leave and Flexi Leave	16	2014-15	2014-15 WIP				5
Payroll - Audit		2014-15	2014-15 WIP	5	4	5	5
Payroll - 2015-16 testing of the new system		New Area	N/A	3	1		
Post Entry Training		Pre-2004-05	To be Assessed				
Employee Health, Safety and Welfare	8	2011-12	Reasonable	5	3		
Employee Allowances and Expenses		2014-15	2014-15 WIP				5
Employee Benefits-in-Kind		2013-14	Limited			5	
Total Planned Days				270		270	270

Shared Service Audit Plans:

EK Services:							
Housing Benefits - Payments		2014-15	Substantial				15
Housing Benefits - Overpayments		2013-14	Substantial			15	
Housing Benefits – Fraud Investigations Unit		2013-14	Reasonable			15	
Housing Benefits – Admin & Assessment		2014-15	Substantial				15
Housing Benefits - Appeals		New Area	To Be Assessed	15	3		
Housing Benefits - DHP		New Area	To Be Assessed	15	4		
Housing Benefits – Quarterly Testing		2014-15	N/A	40	1 to 4	40	40
Council Tax	18	2014-15	Substantial			30	
Business Rates		2013-14	Reasonable	30	2		30
Customer Services/Gateway		2014-15	Reasonable			15	
Debtors and Rechargeable Works		2013-14	Reasonable	15	3		15
Corporate/Audit Plan/Follow-up		2014-15	N/A	9	1 to 4	9	9
ICT – Change Controls	6	2013-14	Limited			12	
ICT – File Security	6	2014-15	2014-15 WIP				
ICT – Network Security	6	2012-13	Substantial			12	
ICT – Procurement and Disposal	6	2013-14	Reasonable				12

Annex B
Dover District Council
Internal Audit Plan 2015-16

Plan Area	Corporate Risk Register Ref	Year last audited	Previous Assurance level	2015-16 Planned Days	Quarter Prioritised for 2015-16	2016-17 Planned Days	2017-18 Planned Days
Financial:							
ICT – Internet and e-mail	6	2014-15	2014-15 WIP				12
ICT – Management and Finance	6	2011-12	Reasonable	12	4		
ICT – Physical and Environment	6	2014-15	Reasonable				
ICT - PCI-DSS	6	New Area	To Be Assessed	12	1		
ICT - Disaster Recovery	6	New Area	To Be Assessed	12	1		
ICT – Software Licensing	6	2012-13	Limited			12	
ICT – PC Controls and Application Controls	6	2013-14	Reasonable				12
Total EK Services Planned Days:				160		160	160
East Kent Housing Limited:							
Governance Arrangements		2011-12	Reasonable			15	
Interfaces with Finance and ICT Systems		2011-12	Substantial				
Audit Ctte/EA Liaison/Follow-up		2014-15	N/A	6	1 to 4	6	6
Rent Accounting, Collection and Debt Management		2013-14	Reasonable			30	
Repairs and Maintenance		2013-14	Reasonable	30	3 to 4		
Leasehold Services		2013-14	Limited				30
Health and Safety (Fire, Gas etc)		2014-15	Various			29	
Owned and Supported Housing (including Executive Deals)		Pre 2004-05	To be Assessed	34	2		
Void Property Management		2010-11	Reasonable	10	3 to 4		15
Tenancy and Estate Management		2012-13	Reasonable				29
Total East Kent Housing Planned Days:				80		80	80

If the above plan is accepted as presented, the following audits areas will not have been covered within a three year cycle as required by the agreed Audit Charter :

Plan Area	Year last audited	Previous Assurance level	Year next audit proposed	Planned days
Dover District Council:				
HRA Business Plan	2010-11	Limited	2017-18	10
Asset Management	2008-09	Reasonable	2017-18	10
Officer Code of Conduct	2012-13	Substantial	2016-17	10
Fraud Resilience Review	New Area	To be Assessed	2017-18	10
Scheme of Officer Delegations	2007-08	Substantial	2017-18	10
Climate Change	2009-10	Reasonable	2017-18	10
Receipt and Opening of Tenders	2010-11	Reasonable	2017-18	8
Utilities, Petty Cash and Imprests	Pre 2004	To be Assessed	2016-17	10
Events Management	2009-10	To be Assessed	2017-18	10
Land Charges	2011-12	Reasonable	2017-18	10
Members' Allowances and Expenses	2012-13	Substantial	2016-17	10
Health and Wellbeing	New Area	To be Assessed	None	10
Community Development	2009-10	Substantial	2017-18	10
Post Entry Training	Pre-2004-05	To be assessed	None	5
East Kent Housing:				
Governance Arrangements	2011-12	Substantial	2016-17	15
Finance Systems and ICT Controls	2011-12	Substantial	None	10
Tenancy & Estate Management	2012-13	Reasonable	2017-18	29

Subject:	TREASURY MANAGEMENT - QUARTER THREE REPORT
Meeting and Date:	Governance – 26 March 2015
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 31 December 2015 (Q3) and an update of activity to date.

Recommendation: That the report is received

1. Summary

As at 31 December 2015, 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 £101k (£244k year to date), which means that income for the year is projected to be £62k 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.

3. Annual investment strategy

The investment portfolio as at the end of December is attached at Appendix 2. Since the end of the quarter, the £2m Lloyds in-house deposit has matured and been

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.

rolled-over for one year. Similarly the in-house deposit of £3m cashflow money with the Nationwide Building Society has been rolled-over for a further six months.

A further update to the end of January (for Investec) and end of February (for in-house) is attached at Appendix 4. The Investec certificates of deposit maturing since 31 January have been reinvested as follows: Standard Chartered £2.4m maturing 13 February reinvested with Bank of Nova Scotia at 0.5%; Nationwide £1.2m maturing 25 February reinvested with Credit Suisse at 0.5%; Svenska Handelsbanken £2.4m rolled-over at 0.5%. All roll-overs and reinvestments are for three month periods.

There is an ongoing increase in cashflow funds from £23.7m at 30 September 2014 to £26.9m at 31 December 2014 (see Appendix 2), and rising to £28.4m at 31 January 2015 (see Appendix 4). This increase reflects the inflow of Council Tax receipts, generally paid over 10 months from April to January, with much lower receipts in February and March, while preceptors on the Collection Fund are paid their shares of Council Tax income evenly over the year. This will reduce surplus cash by the end of March. Similarly, the six-monthly repayment of the PWLB loan and interest that will be made in March (£2.35m) will further reduce cashflow funds.

The investment manager, Investec, has returned higher rates than those achieved through in-house investments due to an improved performance of the Gilts. 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 has been undertaken to assess whether to keep the same level of investments with Investec, transfer additional investments back in-house, or investigate alternative options. It has been decided to continue to use Investec to ensure diversity within the investment portfolio.

4. Economic background

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

Introduction

February started on a positive note with oil prices rebounding by 15% after plummeting since June 2014. Greece continues to dominate headlines, after submitting economic plans for scrutiny by Euro Area creditors. Subsequently, they were granted a four month extension of their €240bn bailout, with a reform plan that backed down on some key measures and promised that spending to alleviate social distress would not derail its budget. The February Inflation Report forecast that inflation could potentially turn negative in the UK, meanwhile all members of the MPC voted to maintain Bank Rate at 0.5%.

PMI

UK Manufacturing PMI demonstrated activity expanded from December's figure of 52.7 to 53.0 in January, an improvement driven by domestic demand as opposed to exports. The survey showed expansion was predominantly driven by consistent growth and price cuts due to reduced energy costs. The Services PMI grew to 57.2 in January, up from December's 17 month low reading of 55.8. These were positive developments for the UK, allaying some fears of a slowdown. Meanwhile, the

construction survey for January depicted an unexpectedly positive turnaround, rising from 57.6 to 59.1.

Inflation

The release of the February Bank of England (BoE) Quarterly Inflation Report presented an unforeseen theme. BoE governor Mark Carney projected a fall in inflation is likely, and could possibly sink into negative territory in the coming months. The Report also cited diminishing import prices, driven by a stronger Sterling, as contributing to falling inflation. Overall, the Report was fairly relaxed regarding the prospect of deflation, suggesting if it did materialise, it would be short lived. Furthermore, it stated that the BoE would consider further Quantitative Easing or cutting Bank Rate below 0.5% if required, however it did marginally raise expectations for inflation in the long term. Alongside the inflation changes, the Report also included an upward revision to GDP forecasts, with this year unchanged at 2.9% but next year's forecast increased to 2.9% from 2.5%.

UK Inflation fell to its lowest level since 1989, with UK CPI down to 0.3% from 0.5% in January as a result of declining food and oil prices. Producer prices remained low in January with input prices falling from -11.6% to -14.3% and similarly, output prices falling to -1.8% from -1.1%, emphasising concerns expressed by the BoE that the UK consumer prices are heading for negative figures.

Retail Sales

In January monthly retail sales fell by 0.3%, but year on year data showed growth of 5.4%. This suggested that consumers will still bolster the recovery in 2015.

UK Public Finances

UK Public Finance figures demonstrated that British income tax jumped in January, producing a material monthly surplus of £8.8bn, up 35% in comparison to a year earlier. This boost in income tax receipts can be derived from the self-assessment tax returns helping to produce the biggest monthly surplus in seven years.

GDP

Growth in UK GDP in year on year terms was 2.7% for the fourth quarter, up from 2.6% seen in Q3. GDP quarter on quarter grew at 0.5% in Q4, down from 0.7% seen in Q3. Although this demonstrates a slight slowdown in expansion, the figures still indicate that the strong performance of the UK economy in 2014 is likely to continue into 2015.

Employment

Labour market data revealed the unemployment rate fell again, to 5.7%, in the three months to December, with the number of people in employment increasing by 103,000. Despite pay growth easing modestly it continued to outstrip consumer level inflation, with average weekly earnings (including bonuses) rising by 2.1% in the three months to December. However, there remains a much greater impact from falling inflation in easing the squeeze on households' budgets, as opposed to soaring wages.

US Data

US Unemployment data showed nonfarm payrolls increased by 257,000 in January, down from December's revised figure of 329,000, marking the 12th consecutive month where over 200,000 US Nonfarm jobs have been created. On the back of this, the unemployment rate increased marginally to 5.7% from 5.6%. Nonetheless, despite continued positive data for US nonfarm payrolls, the US Fed's Meeting minutes revealed a unanimous vote to hold off a hike in interest rate from 0-0.25%, citing weakening international growth.

Interest Rates

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

5. New Borrowing

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

6. 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.

7. 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 31 December 2014

Appendix 3 – Borrowing portfolio as at 31 December 2014

Appendix 4 – Investment portfolio as at 31 January 2015 (Investec) and 28 February 2015 (In-House)

Background Papers

Medium Term Financial Plan 2014/15 – 2016/17

Contact Officer: Stuart Groom, extension 2072

Treasury Management Update

Quarter Ended 31st December 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 growth in 2013 at an annual rate 2.7%, and then in 2014 0.7% in Q1, 0.9% in Q2 2014 (annual rate 3.2% in Q2), Q3 has seen growth fall back to 0.7% in the quarter and to an annual rate of 2.6%. It therefore appears that growth has eased since the surge in the first half of 2014 leading to a downward revision of forecasts for 2015 and 2016, albeit that growth will still remain strong by UK standards. 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 than expected. The MPC is now focusing on how quickly slack in the economy is being used up. It is also particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back significantly 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. Unemployment is expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in wage growth 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 1.0% in November, the lowest rate since September 2002. Forward indications are that inflation is likely to remain around or under 1% for the best part of a year. The return to strong growth has helped lower forecasts for the increase in Government debt over the last year but monthly public sector deficit figures during 2014 have disappointed until November. The autumn statement, therefore, had to revise the speed with which the deficit is forecast to be eliminated.
- The U.S. Federal Reserve ended its monthly asset purchases in October 2014. GDP growth rates (annualised) for Q2 and Q3 of 4.6% and 5.0% have been stunning and hold great promise for strong growth going forward. It is therefore confidently predicted that the first increase in the Fed. rate will occur by the middle of 2015.

- The Eurozone is facing an increasing threat from deflation. In November the inflation rate fell to 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 and is currently expected to embark on quantitative easing early in 2015 to counter this threat of deflation and to stimulate growth.

2. Interest Rate Forecast

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

	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Bank rate	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	1.75%	2.00%
5yr PWLB rate	2.20%	2.20%	2.30%	2.50%	2.60%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.60%
10yr PWLB rate	2.80%	2.80%	3.00%	3.20%	3.30%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
25yr PWLB rate	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
50yr PWLB rate	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%

Capita Asset Services undertook a review of its interest rate forecasts on 5 January 2015 after a proliferation of fears in financial markets around the plunge in the price of oil had caused a flight from equities into bonds and from exposure to the debt and equities of emerging market oil producing countries to safe havens in western countries. These flows were compounded by further fears that Greece could be heading towards an exit from the Euro after the general election on January 25 and financial flows generated by the increasing likelihood that the ECB would soon be starting on full blown quantitative easing (QE) purchase of Eurozone government debt. In addition, there has been a sharp increase in confidence that the US will start increasing the Fed. rate by the middle of 2015 due to the stunning surge in GDP growth in quarters 2 and 3 of 2014. This indicated that the US is now headed towards making a full recovery from the financial crisis of 2008.

The result of the combination of the above factors is that we have seen bond yields plunging to phenomenally low levels, especially in long term yields. These falls are unsustainable in the longer term but just how quickly these falls will unwind is hard to predict. In addition, positive or negative developments on the world political scene could have a major impact in either keeping yields low or prompting them to recover back up again. We also have a UK general election coming up in May 2015; it is very hard to predict what its likely result will be and the consequent impact on the UK economy, and how financial markets will react to those developments.

This latest forecast includes a move in the timing of the first increase in Bank Rate from quarter 2 of 2015 to quarter 4 of 2015 as a result of the sharp fall in inflation due to the fall in the price of oil and the cooling of the rate of GDP growth in the UK, albeit, that growth will remain strong by UK standards, but not as strong as was previously forecast. The Governor of the Bank of England, Mark Carney, has repeatedly stated that increases in Bank Rate will be slow and gradual. The MPC is

concerned about the impact of increases on many heavily indebted consumers, especially when average disposable income is only currently increasing marginally as a result of wage inflation now running slightly above the depressed rate of CPI inflation, though some consumers will not have seen that benefit come through for them. In addition, whatever party or coalition wins power in the next general election, will be faced with having to implement further major cuts in expenditure and / or increases in taxation in order to eradicate the annual public sector net borrowing deficit.

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).

Year to Date Investment performance for period ended 31st December 2014

Benchmark	Benchmark Return	Council Performance	Investment Interest Earned
7 day	0.36%	0.73%	244k

As illustrated, the Council outperformed the benchmark by 37 bps. The Council’s budgeted investment return for 2014/15 is £264K, and performance for the year to date is projected to be £62k above budget.

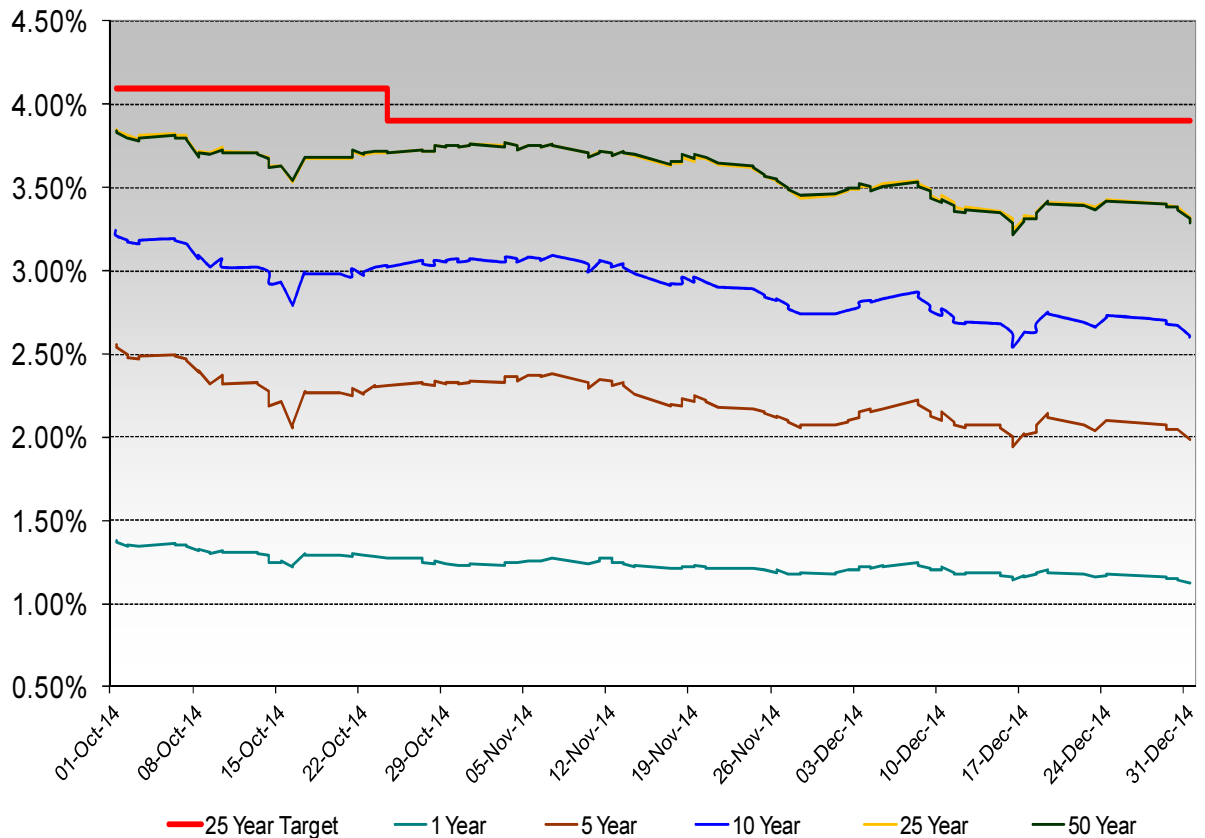
4. New Borrowing

The 25 year PWLB target (certainty) rate for new long term borrowing for the quarter fell from 4.10% to 3.9% in late October. No borrowing has been undertaken in the quarter.

PWLB certainty rates, quarter ended 31st December 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	1.12%	1.94%	2.54%	3.24%	3.22%
Date	31/12/2014	16/12/2014	16/12/2014	16/12/2014	16/12/2014
High	1.38%	2.56%	3.24%	3.85%	3.84%
Date	01/10/2014	01/10/2014	01/10/2014	01/10/2014	01/10/2014
Average	1.24%	2.23%	2.91%	3.60%	3.60%



Borrowing in advance of need

This Council has not borrowed in advance of need during the quarter ended 31st December 2014 and has not borrowed in advance in all of 2014/15

5. Debt Rescheduling

No debt rescheduling was undertaken during the quarter ended 31st December 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 Annex 1 below.

ANNEX 1: Prudential and Treasury Indicators as at 31st December 2014

Treasury Indicators	2014/15 Budget £'000	Quarter 3 Actual £'000
Authorised limit for external debt	113,500	113,500
Operational boundary for external debt	108,000	108,000

Maturity structure of fixed rate borrowing - upper and lower limits		
Under 12 months	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 3 Actual £'000
Capital expenditure *	15,758	5,025
Capital Financing Requirement (CFR) *	98,233	94,062

Investec Funds as at 31/12/14 - In-house as at 31/12/14
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	03/03/15	0.480	2,400,000	Sweden - Gov 'AAA'	
Standard Chartered Bank	Certificate of deposit	A/F1/1	13/02/15	0.500	2,400,000	UK - Gov 'AA+'	
Rabobank	Certificate of deposit	A+/F1+/1	25/03/15	0.480	2,500,000	Netherlands - Gov 'AAA'	
Nationwide	Certificate of deposit	AA-/F1+/1	25/02/15	0.500	1,200,000	UK - Gov 'AA+'	
Nationwide	Certificate of deposit	AA-/F1+/1	16/01/15	0.500	1,200,000	UK - Gov 'AA+'	
					9,700,000		
United Kingdom	Commercial Paper		15/06/15	0.460	299,254		
United Kingdom	Gilt		22/07/18	1.010	1,877,360		
United Kingdom	Commercial Paper		26/05/15	0.480	997,549		
ANZ Bank			01/04/14	0.250	64,259		
GBP cash - settled balance					0		
GBP cash - outstanding settlements					935		
					12,939,357		
In-house Investments - Portfolio							
Lloyds	Term deposit	A/F1/1	17/12/15	1.000	3,000,000	UK - Gov 'AA+'	Duration 364 days
BOS	Bond	A/F1/1	07/11/15	1.000	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		18,939,357		
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 31/12/14):							
DMA					0		Rate
Global Treasury Fund					4,550,106		0.39%
SIBA					4,074,137		0.25%
SIBA SEEDA					55,821		0.10%
SIBA HCA					47,545		0.10%
SIBA ASDA					11,053		0.10%
Santander					5,027,740		0.80%
BoS					5,108,062		0.40%
Barclays					5,061,375		0.62%
Abbey					1		
Total Cash flow					26,935,840		
Total Portfolio and Cashflow			Total Portfolio and Cashflow		45,875,197		

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 31/01/15 - In-house as at 28/02/15
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	03/03/15	0.480	2,400,000	Sweden - Gov 'AAA'	
Standard Chartered Bank	Certificate of deposit	A/F1/1	13/02/15	0.500	2,400,000	UK - Gov 'AA+'	
Rabobank	Certificate of deposit	A+/F1+1	25/03/15	0.480	2,500,000	Netherlands - Gov 'AAA'	
Nationwide	Certificate of deposit	AA-/F1+1	25/02/15	0.500	1,200,000	UK - Gov 'AA+'	
Nationwide	Certificate of deposit	AA-/F1+1	16/04/15	0.500	1,200,000	UK - Gov 'AA+'	
					9,700,000		
United Kingdom	Commercial Paper		15/06/15	0.460	299,254		
United Kingdom	Gilt		22/07/18	1.010	1,877,360		
United Kingdom	Commercial Paper		26/05/15	0.480	997,549		
ANZ Bank			02/02/15	0.250	64,272		
GBP cash - settled balance					14,384		
GBP cash - outstanding settlements							
					12,952,820		
In-house Investments - Portfolio							
Lloyds	Term deposit	A/F1/1	17/12/15	1.000	3,000,000	UK - Gov 'AA+'	Duration 364 days
BOS	Bond	A/F1/1	07/11/15	1.000	1,000,000	UK - Gov 'AA+'	364 days
Lloyds	Term deposit	A/F1/1	30/01/16	1.000	2,000,000	UK - Gov 'AA+'	364 days
					6,000,000		
Total Portfolio			Total Portfolio		18,952,820		
Cashflow							
Nationwide	Fixed term deposit	A/F1/1	23/08/15	0.620	3,000,000	UK - Gov 'AA+'	185 days
Call Accounts/MMF (as at 28/2/15)							
DMA					0		Rate
Global Treasury Fund					4,550,106		0.39%
SIBA					5,579,137		0.25%
SIBA SEEDA					55,821		0.10%
SIBA HCA					47,545		0.10%
SIBA ASDA					11,053		0.10%
Santander					5,027,740		0.80%
BoS					5,109,798		0.40%
Barclays					5,061,375		0.62%
Abbey					1		
Total Cash flow					28,442,576		
Total Portfolio and Cashflow			Total Portfolio and Cashflow		47,395,396		

Subject: **TRANSPARENCY AGENDA**

Meeting and Date: **Governance Committee – 26 March 2015**

Report of: **Director of Environment and Corporate Assets**

Portfolio Holder: **Access and Property Management**

Purpose of the report: Governance Committee requested that a report on Transparency be brought before the Committee

Recommendation: That the Governance Committee note this report.

1. Summary

At their last meeting on 4 December 2014, Governance Committee requested that a report be brought before the Committee to give an overview of the properties which the Council owns.

2. Introduction and Background

- 2.1 As part of the government’s Transparency Agenda, local Councils were required to publish a list of the property they owned by April 2015.
- 2.2 Dover District Council published this data in April 2014 and can be inspected by the public on the Council’s website at <http://www.dover.gov.uk/Corporate-Information/Council-Land-Buildings.aspx> and I have attached an abbreviated copy of the spreadsheet to this report with some columns omitted to allow the document to be viewed more easily.
- 2.3 The properties are listed on this spreadsheet by category, starting with operational property and concluding with non-operational property.
- 2.4 The list excludes Council owned dwellings and garages and smaller pieces of land. These pieces of land are marked on the Council’s electronic terrier maps. Property Services and Housing sections have recently carried out an audit of all such pieces of land to identify plots with development potential, such as the site at Adelaide Road Elvington on which the Council has recently built 3 new houses for Council tenants and the site at the corner of Castle Street Dover which is presently being redeveloped with 8 council flats.
- 2.5 Further sites are being brought forward for future development under the recently adopted Land Allocations Local Plan.
- 2.6 The spreadsheet includes land purchased for regeneration purposes in both St James Dover and Dorman Avenue Aylesham. It should be noted that Burlington House and the County Hotel both appear under Ground Leases.
- 2.7 Property Services continues to critically examine all of its landholdings looking for disposal opportunities or for more effective use of buildings, such as the lease of part of the Whitfield offices to the NHS local clinical commissioning group.

3. **Appendices**

Appendix 1 – Corporate Property List

4. **Background Papers**

None

Contact Officer: Rob Reid-Easton Property Services x2257.

DOVER DISTRICT COUNCIL
CORPORATE PROPERTY LIST (abbreviated version)

APPENDIX 1

LLPG Number	Other Asset ID	Name	Street Number	Street Name	Post Town	Postcode
OPERATIONAL PROPERTY						
OFFICES						
100062288955	6711907100	Castle Street Gateway Offices	69/ 71	Castle Street	Dover	CT16 1PD
100062620270	6747380500	Dover Citizens Advice Bureau & CCTV Office		Maison Dieu Road	Dover	CT16 1RU
100062620500	8214599900	Sandwich Area Office, The Guildhall		Cattle Market	Sandwich	CT13 9AH
10034877292	9011580501	Whitfield Offices		Honeywood Close, W	Dover	CT16 3PJ
		251 South Street Parking Services and Bus Waiting Room		South Street	Deal	
SPORTS CENTRES & POOLS						
100062288676	6777780700	Dover Leisure Centre		Townwall Street	Dover	CT16 1LN
100062286683	6559580200	Deal Leisure Centre, Pool & Tennis Centre		Park Avenue	Deal	CT14 9UU
100062620766	6550899999	Walmer Green Paddling Pool		Marine Road	Deal	CT14 7DN
CEMETERIES						
		0009 Aylesham Cemetery		Adisham Road, Barha	Canterbury	CT4 6EY
100062287066	6536788800	Hamilton Road Cemetery		Hamilton Road	Deal	CT14 9BP
		6719399900 Cowgate Cemetery		Cowgate Hill	Dover	
		6721799999 Buckland Cemetery		Crabble Meadows	Dover	
		6757180200 St Mary's Cemetery		Connaught Road	Dover	
		6757180300 Charlton Cemetery		Old Charlton Road	Dover	
		6757180400 St James' Cemetery		Old Charlton Road	Dover	
		8230599900 Woodnesborough Cemetery		Woodnesborough Rc	Sandwich	
MUSEUMS						
100062620286	6749580301	Dover Museum, Bronze Age Boat Gallery & Visitor Information C		Market Square	Dover	CT16 1PH
PARK BUILDINGS & RECREATION						
100062620190	6721977700	Crabble Athletic Ground & Pavilion		Crabble Road, River	Dover	CT17 0QE
100062289339	6757177700	Danes Recreation Ground		Old Charlton Road	Dover	CT16 2QQ
		6717777700 Connaught Park Recreation Ground & Play Area		Connaught Road	Dover	
		6761199900 Pencester Gardens, Play Area & Skate park		Pencester Road	Dover	
		6721999900 Bushy Ruff Recreation Ground		Alkham Road	Temple Ewell	
100062289443	8800533333	Kearsney Abbey Tea Room		Alkham Road	River	
		L0464 Western Heights			Dover	
10034886677	0284	The Butts Playing Field & Pavilion		The Butts	Sandwich	
10034885282	8227044444	Gazen Salts Recreation Ground		Strand Street	Sandwich	

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	8227022222 Gazen Salts Nature Reserve		Sandwich	
	L0412 Sandwich Quay		Sandwich	
	0129 Granville Gardens	Marine Parade	Dover	
	5657388800 St George's Garden of Rest	West Street	Deal	
	6749199900 Marine Gardens	Marine Parade	Dover	
	6575455555 Walmer Green		Walmer	
	6511899999 Royal Marines Memorial Garden	Canada Road	Walmer	
	6705799999 St Martin's Battery Western Heights		Dover	
	L0505 Whinless Down		Dover	
	8223588888 Townwall Walk		Sandwich	
10034876588	8101082400 St. Margaret's Bay Kiosk	The Bay	St Margarets	CT15 6DY
	6524177700 Markewood Recreation Ground (Trustees) & Play Area	Dover Road	Walmer	
	8800577700 Kearsney Abbey Recreation Ground & Play Area	Alkham Road	River	
	8800566600 Russell Gardens Recreation Ground & Play Area	Alkham Road	Temple Ewell	
	6729199900 Elms Vale Recreation Ground, Play Area & MUGA	Elms Vale Road	Dover	
	6756580000 Northbourne Avenue Playingfield & Play Area	Northbourne Avenue	Dover	
	L0604 Aycliffe Playingfield & MUGA	St David's Avenue	Dover	
	L0606 Colton Crescent Play Area	Colton Crescent	Dover	
	6772599900 Sheridan Road Play Area & MUGA	Sheridan Road	Dover	
	6559566500 Victoria Park Recreation Ground & Play Area	Park Road	Deal	
6559580300/ 003	Victoria Park Skate Park	Park Road	Deal	
	6582077777 North Deal Playingfield & MUGA	Western Road	Deal	
	0345 Travers Road Play Area	Travers Road	Deal	
	0319 Wilson Avenue Play Area	Wilson Avenue	Deal	
	6519399900 Cowdray Square Play Area	Cowdray Square	Deal	
	L0443 William Pitt Avenue	William Pitt Avenue	Deal	
	6307199999 Derwent Way Play Area	Derwent Way	Aylesham	
	0335 Chance Meadow Play Area	Chance Meadow	Guston	
	0342 Ringwould Play Areas	Queen's Rise	Ringwould	
	8218099900 Poulders Gardens Play Area	Poulders Gardens	Sandwich	
	The Butts MUGA Play Area & Skate Park	The Butts	Sandwich	
	8219055555 The Bulwarks Play Area	The Bulwarks	Sandwich	
	L0414 Spinney Wood	Spinney Lane	Aylesham	

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L0408 Gandis Wood	Ackholt Road	Aylesham	
L0572 Herald Wood Men of Trees	A2	Temple Ewell	
L0499 Coxhill Mount		River	

DEPOTS

6717777770 Connaught Park Depot	Connaught Road	Dover	
100062289603 Tower Hamlets South Depot	Tower Hamlets Road	Dover	CT17 0BL
8800599700 Kearsney Abbey Depot	Alkham Road	Temple Ewell	
6536788800 Hamilton Road Depot	Hamilton Road	Deal	CT14 9BP

PAY CAR PARKS

6741580300 Ladywell Car Park	Ladywell	Dover	
6581799900 St George's (West Street) Car Park	West Street	Deal	
6747380520 Maison Dieu Road Car Park	Maison Dieu Road	Dover	
8227080000 Gazen Salts Car Park	Strand Street	Sandwich	
6573980200 Stanhope Road Car Park	Stanhope Road	Deal	
6756399900 Priory Road Large & Small Car Parks	Norman Street	Dover	
6525380000 Union Road (Duke Street) Car Park	Union Road	Deal	
6503981300 Beach Street Car Park	Beach Street	Deal	
6553299999 Oak Street (Permit Only) Car Park	Oak Street	Deal	
6710780110 Camden Crescent Car Park	Camden Crescent	Dover	
6700500000 Albany Place Car Park	Albany Place	Dover	
6700500000 Castle Hill Coach Park	Castle Hill Road	Dover	
8101077777 St Margarets Bay Car Park	St Margarets Bay	St Margarets	
8219080400 The Quay Car Park	The Quay	Sandwich	
8204081500 Guildhall Car Park	Cattle Market	Sandwich	
6784999900 Woolcomber Street (Sports Centre) Car Park	Woolcomber Street	Dover	
6777780800 Townwall Street (Sports Centre) Car Park	Townwall Street	Dover	
6774580100 Stembrook Car Park	Stembrook	Dover	
6767980700 Russell Street Car Park	Russell Street	Dover	
6761180500 Pencester Road Car Park	Pencester Road	Dover	
6553299900 Middle Street Car Park	Middle Street	Deal	
6539499800 Town Hall Car Park	St George's Road	Deal	
6559580300 Tides Leisure Centre Car Park	Park Avenue	Deal	
6721999600 South Street Car Park	South Street	Deal	

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FREE CAR PARKS

6543099900 Borrow Pit (opposite 14-56) Car Park	Kingsdown Road	Walmer
9019199900 Manley Close Car Park	Manley Close	Whitfield
6810080700 High Street Car Park	High Street	Eastry
9107583800 St Mary's Meadow Car Park	St Mary's Meadow	Wingham
8120585900 Reach Road Car Park	Reach Road	St Margarets
8045199900 River Recreation Ground Car Park	Lower Road	River
6543099800 Granville Road Car Park	Kingsdown Road	Walmer
6543099700 Walmer Castle (Leased) Car Park	Kingsdown Road	Walmer
6709199900 Buckland Bridge Car Park	London Road	Dover
6511899999 Canada Road Car Park	Canada Road	Walmer
6223099900 The Street Car Park	The Street	Ash
0234 Queens Road Car Park	Queens Road	Ash
6773399900 South Military Road Car Park	South Military Road	Dover
0176 Ackholt Road Car Park	Ackholt Road	Aylesham

PUBLIC CONVENIENCES

6536780100 Hamilton Road Toilets	Hamilton Road	Deal
6543380300 King Street Toilets	King Street	Deal
9543083000 Granville Road Toilets	Granville Road	Walmer
6550881200 Marine Road Walmer Paddling Pool Toilets	Marine Road	Walmer
6524199900 Markewood Toilets	Markewood	Walmer
6573380600 South Street Toilets	South Street	Deal
6559599800 Victoria Park Toilets	Park Avenue	Deal
6746980000 Maison Dieu Toilets	Maison Dieu	Dover
6717777700/ 005 Connaught Park Toilets	Connaught Park	Dover
6774580301 Stembrook Car Park Toilets	Stembrook	Dover
8800599900 Kearsney Abbey Toilets	Alkham Road	River
8204081400 Guildhall Toilets	Cattle Market	Sandwich
8219080800 The Quay (with Sandwich Town Council) Toilets	The Quay	Sandwich
6223080300 Ash Car Park Toilets	The Street	Ash
6810080500 Eastry Toilets	High Street	Eastry
6543083000 Kingsdown Toilets	Underhill Road	Kingsdown
8101080800 St Margarets Bay Toilets	St Margarets Bay	St Margarets

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8120582901 Reach Road Toilets	Reach Road	St Margarets
9107583810 Wingham Car Park Toilets	St Mary's Meadow	Wingham

REGENERATION

100062288495	Centurion House	17 - 19 Bench Street	Dover	CT16 1RG
10034874899	6769780000 St. James Lane Multi-Storey Car Park	St. James Lane	Dover	
100062662702	0086 Dolphin House Flats and garages	Market Square	Dover	CT16 1NY
100062662702	0086/ 002 Shop 10/ 11 Dolphin House	Market Square	Dover	CT16 1NY
100062662702	0086/ 003 Shop 12 Dolphin House	Market Square	Dover	CT16 1NY
100062662702	0086/ 004 Shop 13/ 14 Dolphin House	Market Square	Dover	CT16 1NY
100062662702	0086/ 005 Shop 15 Dolphin House	Market Square	Dover	CT16 1NY
100062662702	0086/ 006 Shop 16 Dolphin House	Market Square	Dover	CT16 1NY
100062662702	0086/ 007 Shop 17 Dolphin House	Market Square	Dover	CT16 1NY
100062288501	Fanum House	Townwall Street	Dover	CT16 1PX
10006260397	Site of Britannia PH, 42 & 42A Townwall Street	Townwall Street	Dover	
	L0594 Site of Charrington's Brewery	Dolphin Lane	Dover	
	L0603 Site of Lidl	Woolcomber Street	Dover	
	L0412 Dorman Avenue North	Dorman Avenue North	Aylesham	

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NON-OPERATIONAL PROPERTY

COMMERCIAL PROPERTY (EXCLUDING SHOPS)

100062620168	0060 Centre Road Garage, Western Heights (BCB Garage)	Centre Road	Dover	CT17 9DY
	0061 Centre Road Store, Western Heights	Centre Road	Dover	CT17 9DY
10034885789	6503981002 Jasins Restaurant, Deal Pier	Beach Street	Deal	CT14 6HZ
100060887085	6503902900 Beachbrow Hotel	29 Beach Street	Deal	CT14 6HY
10034880059	6559580500 Victoria Park Nursery School	Park Avenue	Deal	CT14 9AL
100062285683	6573980100 Astor Theatre	Stanhope Road	Deal	CT14 6AB
100062285758	6579699900 Deal Citizens Advice Bureau	26 Victoria Road	Deal	CT14 7BJ
10034874412	6749580500 Silver Screen Cinema	Market Square	Dover	CT16 1PH
100062620502	8204082000 Womens Institute Building, Sandwich Market	Cattle Market	Sandwich	
	8806511001 Temple Ewell Players Store, (Former Public Convenience)	London Road	Temple Ewell	CT16 3DA
	0279 Strand Street Store	Strand Street	Sandwich	
100062285657	6559899900 Deal Centre for the Retired	Park Street	Deal	CT14 6AG
10034882789	6751981600 BMS Garage North Military Road	North Military Road	Dover	CT 17

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	6774500000 Roman Quay PH 0183 Mill Road Garage & Yard	Stembrook r/o 250 Mill Road	Dover Deal	CT16 1PF
SHOP PREMISES				
	10034883235 6503981000 North Toll House Angling Shop Deal Pier	Beach Street	Deal	CT14 6HZ
	10034883226 6503981001 South Toll House Deal Pier	Beach Street	Deal	CT14 6HZ
	100062289101 6710901600 16 Cannon Street	16 Cannon Street	Dover	CT16 1BZ
	100062289100 6710901700 17 Cannon Street	17 Cannon Street	Dover	CT16 1BZ
	100062284977 8214500208 2 Market Street Sandwich (Trustee)	2 Market Street	Sandwich	CT13 9DA
	100062298607 6305506200 62 Cornwallis Avenue	62 Cornwallis Avenue	Aylesham	CT3 3HQ
	100062298604 6305506300 63 Cornwallis Avenue	63 Cornwallis Avenue	Aylesham	CT3 3HG
	100062298608 6305506400 64 Cornwallis Avenue	64 Cornwallis Avenue	Aylesham	CT3 3HQ
	100062298605 6305506500 65 Cornwallis Avenue	65 Cornwallis Avenue	Aylesham	CT3 3HG
	100062298609 6305506600 66 Cornwallis Avenue	66 Cornwallis Avenue	Aylesham	CT3 3HQ
	100062298616 6305506700 67 Cornwallis Avenue	67 Cornwallis Avenue	Aylesham	CT3 3HG
	100062298610 6305506800 68 Cornwallis Avenue	68 Cornwallis Avenue	Aylesham	CT3 3HQ
	100062298606 6305506900 69 Cornwallis Avenue	69 Cornwallis Avenue	Aylesham	CT3 3HG
69	100062289181 6772500100 1/ 1a Sheridan Road	1 Sheridan Road	Dover	CT16 2BZ
	100062289186 6772500500 5 Sheridan Road	5 Sheridan Road	Dover	CT16 2BZ
	100062289223 6772500510 5a Sheridan Road	5A Sheridan Road	Dover	CT16 2BZ
	100062289182 6772501300 13 Sheridan Road	13 Sheridan Road	Dover	CT16 2BZ
	100062289397 6772500900 9 Sheridan Road	9 Sheridan Road	Dover	CT16 2BZ
INDUSTRIAL LAND				
	100062285655 ;582080401 /002 Western Road Depot Unit A1	Western Road	Deal	CT14 6PJ
	10034886540 ;582080401/ 003 Western Road Depot Unit A2	Western Road	Deal	CT14 6PJ
	10034886541 6582080402 Western Road Depot Unit B	Western Road	Deal	CT14 6PJ
	6582080403 Western Road Depot Unit C	Western Road	Deal	CT14 6PJ
RECREATIONAL LAND & PROPERTY				
	10034885769 6559577600 Victoria Park Bowls Pavilion & Bowling Green	Mill Road	Deal	CT14 9AB
	100062620018 6567980000 Charles Sports Ground	Mill Road	Deal	CT14 9BE
	6569799900 St Richards Road Playingfield	St Richards Road	Deal	
	100062285954 6575488800 Lifeboat House, The Strand, Walmer	The Strand	Walmer	CT14 7DY
	10034883561 6575499900 Downs Sailing Club, The Strand, Walmer	The Strand	Walmer	CT14 7DY
	200002882632 6721980100 Crabble Football Ground	Crabble Road	River	CT17 0QE

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10034881624	6746977777	Maison Dieu Bowling Club	Maison Dieu Garden:	Dover	CT16 1TG
100062288781	6746980300	Riverside Centre, Maison Dieu Gardens (Part Only)	Maison Dieu Road	Dover	CT16 1RL
10034877676	6807080700	Woodnesborough Poison Cross Football Grounds	Foxborough Hill	Woodnesborough	CT13 0NY
	6408099900	Lancaster Avenue Playingfield	Lancaster Avenue	Capel le Ferne	CT18 7LX
100062620290	6755580200	Roman Painted House	New Street	Dover	CT17 9AJ
	L0420	Capel Battery Site	New Dover Road	Capel le Ferne	CT18 7JJ
	0243	Sandown Road Allotments	Sandown Road	Sandwich	
	8223580000	Sandown Road Tennis Courts	Sandown Road	Sandwich	

AGRICULTURAL LAND

0073	Coombe Farm	St Radigunds	Dover	
0103	Elvington Farmland	Adelaide Road	Elvington	
0245	Sea Street arable land	Sea Street	St Margarets	
0100	Elms Vale Farmland	Elms Vale Road	Dover	
L0475	Astley Avenue Grazing Land	Astley Avenue	Dover	
0247	Shooters Hill grazing land	Shooters Hill	Eythorne	
L04540	St Mary's Close grazing land	St Mary's Close	Nonington	
0127	Golf Road Grazing land	Golf Road	Deal	

GROUND LEASES

100062663100	0045	Burlington House, Townwall Street	Townwall Street	Dover	CT16 1JR
100062288499	0075	County Hotel, Townwall Street	Townwall Street	Dover	CT16 1SZ
10034882620	6554180500	Victoria Park Gymnastics Club	Mill Road	Deal	CT14 9AB
100062284542	8224080000	Phoenix Youth Centre	Jubilee Road	Sandwich	CT13 0QP
200001881765	0143	Jubilee Road Playgroup	Jubilee Road	Sandwich	CT13 0QP
	6762583301	St. Radigund's Community Centre	Poulton Close	Dover	

COMMUNITY

100062620389	6773188888	Grand Shaft Kiosk & Arch, Snargate Street	Snargate Street	Dover	CT17 9DA
10034883722	8101082501	The Endeavour Centre	St. Margaret's Bay	St. Margaret's	
10034883209	6503980600	Timeball Tower, Beach Street	Victoria Parade	Deal	CT14 7BP
100062285389	6503999800	Deal Pier	Beach Street	Deal	CT14 6HZ
100062288778	6737180401	Dover Town Hall	High Street	Dover	CT16 1HQ
	8101080700	St. Margaret's Bay Beach Huts	St. Margaret's Bay	St. Margaret's	
	8204081300	Sandwich Guildhall	Cattle Market	Sandwich	CT13 9AH
	6746944444	Biggin Hall	Ladywell	Dover	CT16 1DW

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APPENDIX 1

6744187400 Buckland Bridge former Toilets
6917000000 Sweetbriar Lane

London Road

Dover
Elvington

Last Updated on 20 March 2014



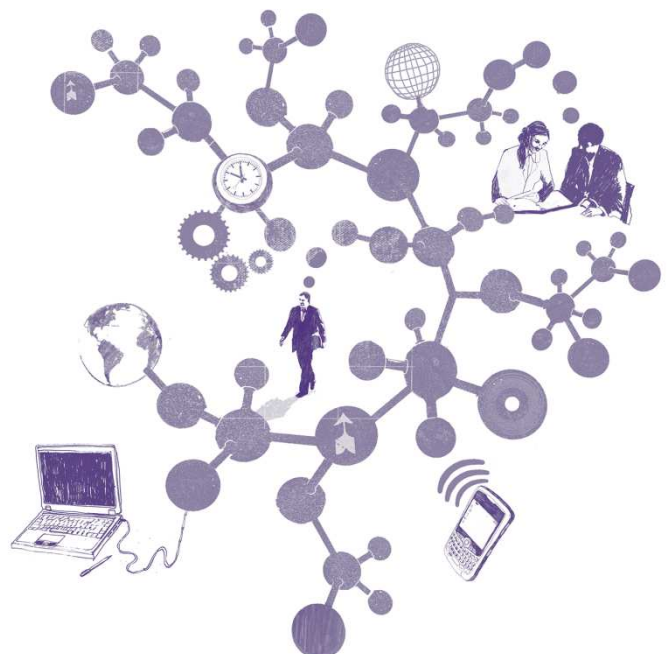
Certification report 2013/14 for Dover District Council

Year ended 31 March 2014

December 2014

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Summary of findings

Introduction

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

We have certified two claims and returns for the financial year 2013/14 relating to expenditure of £42 million.

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

Approach and context to certification

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

Our approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform were set out in our Certification Plan issued to the Council in March 2014.

Key messages

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

Aspect of certification arrangement	Key Messages	RAG rating
Submission & certification	Both claims continue to be submitted for audit on time and were all certified within the required deadlines.	● Green
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	The Council continue to perform well overall: <ul style="list-style-type: none"> • the pooling of housing receipts return was certified without amendment or qualification. • a qualification letter was issued in relation to the Housing Benefit claim and a minor amendment made to the claim with no impact on subsidy claimed. 	● Amber
Supporting working papers	Working papers provided for both claims were of a high standard with clear audit trails back to the claim forms. This enabled certification within the deadlines.	● Green

Certification fees

The indicative certification fee set by the Audit Commission for 2013/14 for Dover District Council is based on final 2011/12 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification (such as the national non-domestic rates return) have been removed. The fees for certification of housing benefit subsidy claims were reduced by 12 per cent, to reflect the removal of council tax benefit from the scheme. This is set out in more detail in Appendix C.

The way forward

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

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

Acknowledgements

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

Grant Thornton UK LLP
December 2014

Appendices

Appendix A: Details of claims and returns certified for 2013/14

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing benefit subsidy claim	40,645,945	Y	<p style="text-align: right;">£283,238</p> <p>Subsidy was increased by £282,489 prior to audit to correctly reflect parameters for Local Housing Authority Cap levels. Testing was based on this updated claim.</p> <p>Subsidy was increased by £749 based on a review of the full population of prisoner accommodation figures as a result of an error identified in the initial sample.</p>	<p>Y - The claim was qualified as a result of the following:</p> <ul style="list-style-type: none"> • Incorrect eligible rent applied: Our initial testing identified one case where benefit had been overpaid due to applying the incorrect rent figure. As a result an additional sample of 40 cases were tested and a further three errors identified. • Incorrect state retirement pension applied: Our initial testing identified one case where benefit had been overpaid as a result of the incorrect pension figure being applied. As a result an additional sample of 40 cases were tested and no further errors identified • An issue was raised at other Civica sites highlighting a potential system error. This was included for information in all letters for those sites using Civica. 	See action plan on page 7 for management responses.
Capital receipts return	2,274,590	N	0	N	There were no issues arising.

Appendix B: Action plan

Priority

High - Significant effect on arrangements

Medium – Some effect on arrangements

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	<p>Housing benefit subsidy claim</p> <p>Review and training to address issues identified by the 2013/14 audit including:</p> <ul style="list-style-type: none"> • application of eligible rent figure in the benefit calculation • application of state retirement pension figure in the benefit calculation 	Medium	<p>Incorrect eligible rent applied:</p> <p>This occurred as a result of inconsistent templates being used by Housing during the notification of B&B rents. Housing have agreed to use a single template to guarantee consistency of frequency and all staff have been reminded about this issue. All possible affected cases have already been checked to ensure on-going accuracy.</p> <p>Incorrect state retirement pension applied:</p> <p>This appears to be a one-off manual data transposition error. All staff have been reminded by email about the need to double check data input prior to claim processing.</p>	<p>EKS Operational Support Manager</p> <p>Immediate</p>
2	<p>Follow up with Civica whether any system errors apply to Dover DC.</p>	Medium	<p>Whilst Dover do not believe that they are affected by this issue, Civica have issued a bulletin advising that a global fix will be applied shortly which will enable all affected cases to be identified and automatically resolved via an adjustment in the 2014/2015 claim.</p>	<p>EKS Operational Support Manager</p> <p>2014/15 claim preparation</p>

Appendix C: Fees

Claim or return	2012/13 fee (£)	2013/14 indicative fee (£)	2013/14 actual fee (£)	Variance year on year (£)	Explanation for significant variances
Housing benefits subsidy claim	25,040	16,455	16,455	-8,585	<p>The fees for certification of housing benefit subsidy claims were reduced by 12 per cent, to reflect the removal of council tax benefit from the scheme.</p> <p>The Audit Commission fee scale is based on the historic actual fee from two years prior to the current year. The 2012/13 fee is set on historical 2010/11 data and the 2013/14 fee is set on historical 2011/12 data. Therefore an improvement from 2010/11 to 2011/12 drives a fee decrease from 2012/13 to 2013/14.</p>
Capital receipts return	1,016	501	501	-515	The 2012/13 fee reflects the a required amendment to the claim. In 2013/14 no issues were identified.
Total	26,056	16,956	16,956	-9,100	



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Housing Benefit Subsidy certification work plan for Dover District Council

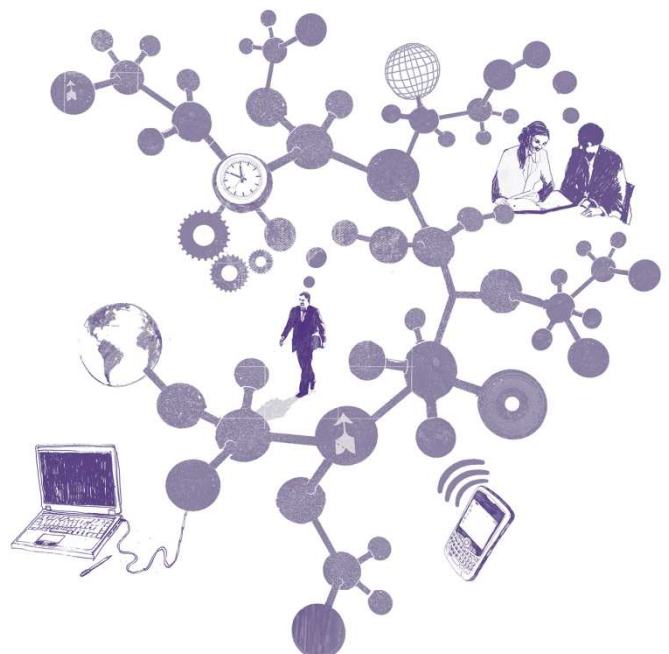
Year ended 31 March 2015

March 2015

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Our approach to Housing Benefit Subsidy certification work

Introduction

As the Council's appointed external auditor, we undertake grant certification work acting as an agent of the Audit Commission. The only claim which requires certification at Dover District Council for 2014/15 is the Housing Benefit Subsidy claim.

The Department for Work and Pensions (DWP) requires external certification of the Housing Benefit Subsidy claim each year. The Audit Commission agrees certification arrangements with the DWP and issues a certification instruction. The arrangements include the deadline for submission of each claim by authorities (30 April 2015) and the deadline for certification by auditors (30 November 2015).

Role of all parties

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

Party	Role & responsibility
DWP	Sets conditions of subsidy and deadline for submission for pre-certified and certified claims
Audit Commission	Issues certification instruction (BEN01) for auditor work
Council	Submits claim for certification to the Appointed Auditor within DWP submission deadlines
Appointed Auditor	Certifies claim in accordance with Audit Commission certification instruction and within certification deadline

The Council's role is set out in more detail below.

- East Kent Services is responsible for ensuring that supporting accounting records are sufficient to document the transactions for which claims are made. These records should be maintained in accordance with proper practices and kept up to date, including records of income and expenditure in relation to the Housing Benefit Subsidy claim
- The Council should ascertain the requirements of schemes at an early stage to allow those responsible for incurring eligible expenditure to assess whether it falls within the scheme rules and to advise those responsible for compiling claims and returns to confirm any entitlement.
- The Council should ensure all deadlines for interim and final claims are met to avoid sanctions and penalties from the DWP.
- The DWP requires the Council's certificate to be given by an appropriate senior officer. This is typically the s.151 officer or an officer authorised by written delegated powers.
- The Council should monitor arrangements with any third parties involved in the certification process.

Claims history

The claims and returns subject to auditor certification in 2013/14 were:

- housing benefits scheme
- pooling of housing capital receipts return.

Due to changes instituted centrally by the Audit Commission, there will be no certification under the Audit Commission regime of the pooling of housing capital receipts return for 2014/15.

Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this states that the claim is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

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

Where a claim is qualified because the Council has not complied with the strict requirements set out in the DWP's terms and conditions, there is a risk that the DWP will retain funding claimed by the Council or claw back funding which has already been provided or has not been returned.

In addition, where the claim requires amendment or is qualified, this increases the time taken to undertake this work, which may impact on the certification fee.

Certification work fees

The Audit Commission sets an indicative fee for grant claim certification based on the 2012/13 actual certification fees for each council. The indicative fee for the Council is £22,040. The fee is based on the following assumptions:

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

Where there is any significant variation from these assumptions, we will discuss a variation to the indicative scale fee with the Council and Public Sector Audit Appointments Ltd, the body that is to assume contract management responsibilities in respect of existing Audit Commission assurance appointments from 1 April 2015.

Administration

When the claim is completed, a the signed claim should be sent to Lisa Robertson at the following address:

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

- A copy of the original claim should be retained by the Council.

Managing the certification process – our role

- We intend to certify the Housing Benefit Subsidy claim in accordance with the deadlines set by the Audit Commission. If we receive the claim after the Council's submission deadline, we will endeavour to certify it within the Audit Commission deadline but, where this is not possible, within three months from receipt.
- A copy of the certified claim will be sent to the relevant named contact when the certification process is complete, along with a copy of the qualification letter, where applicable.
- Copies of the certification instruction can be provided on request.
- We expect to complete the certification work by 30 November 2015 and will issue a grant certification report highlighting any issues that need to be brought to the Council's attention.



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Dover District Council Governance Committee Update

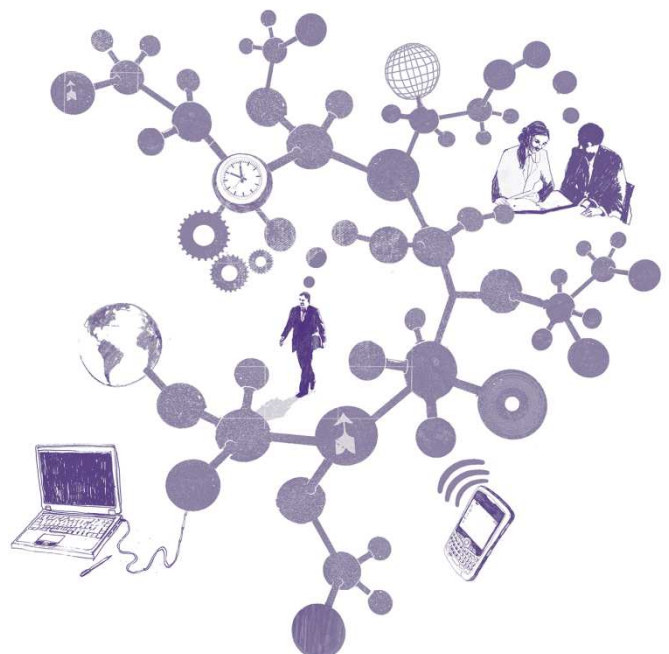
Year ended 31 March 2015

March 2015

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

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Introduction

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

- a summary of emerging national issues and developments that may be relevant to you; and
- a summary of emerging issues relevant to the Committee's role 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:

- Rising to the challenge: the evolution of local government, summary findings from our fourth year of financial health checks of English local authorities
- 2020 Vision, exploring finance and policy future for English local government
- Where growth happens, on the nature of growth and dynamism across England.

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 Engagement Manager.

Progress at March 2015

Work	Planned date	Complete ?	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 in April 2014. At the last Committee we noted an expected £900 increase to the audit fee for 2014/15 due to work required on business rates. The Audit Commission has approved the supplementary fee as reflected in the published fee scale of £71,580.</p> <p>We will provide details of our planned audit work in the 2014/15 audit plan. We will be presented to the next committee.</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	<p>Based on the interim work completed to date, there are no concerns that we need to bring to the attention of the committee.</p> <p>We will provide feedback on our interim audit in the 2014-15 audit plan to be presented to the next committee.</p>
<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	<p>The findings will be provided in our Audit Findings Report, to be presented to the September Governance Committee.</p>

Progress at March 2015

Work	Planned date	Complete ?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2014/15 VfM conclusion is based on the reporting criteria specified by the Audit Commission that the Council has proper arrangements in place for:</p> <ul style="list-style-type: none"> • Securing financial resilience – focusing on financial governance arrangements, strategic financial planning and financial control • Challenging how it secures economy, efficiency and effectiveness in its use of resources 	November 2014 - September 2015	Not yet due	<p>We will provide details of our planned audit work in the 2014/15 Audit Plan to be presented to the next committee.</p> <p>The findings will be reported in our Audit Findings Report, to be presented to the committee in September 2015.</p>
<p>Grant Certification</p> <p>We are required to certify the Housing Benefit Claim in 2014/15</p>	June 2015 - November 2015	Not yet due	<p>The Grants work plan will be presented to the Committee alongside this update paper.</p> <p>Initial testing will be completed to support the work on the financial statements by September 2015.</p> <p>Additional testing will be agreed and completed before end November submission.</p>
<p>Other activity undertaken</p> <p>Since our last committee:</p> <ul style="list-style-type: none"> • Finance officers have attended the CIPFA/FAN workshops supported by Grant Thornton. • We invited officers to our LG seminar • We have circulated our recent thought leadership documents on "Where Growth happens, 2020 vision and Local Government Governance Review" • We have held audit liaison meetings with CE & DoF and 	-	-	<p>We would always be happy to discuss any other ways in which Grant Thornton can support the Council.</p>

All Aboard? - Local Government Governance Review 2015

Grant Thornton

Our fourth annual review of local government governance is available at <http://www.grant-thornton.co.uk/en/Publications/2015/Local-Government-Governance-review-2015-All-aboard1/>.

We note that the challenges faced by local authorities are intensifying as austerity and funding reductions combine with demographic pressures and technological changes to create a potential threat to the long-term sustainability to some organisations. Maintaining effective governance is becoming ever more complex and increasingly important.

Against this background we have focused this year's review on three key areas:

Governance of the organisation – the main area of concern highlighted in this year's governance survey is the level of dissatisfaction with the scrutiny process.

Governance in working with others – there is an urgent need for scrutiny to exercise good governance over the complex array of partnerships in which local authorities are now involved. Boundary issues notwithstanding, by 'shining a light' on contracted-out activities and joint operations or ventures, scrutiny committees can bring a new level of transparency and accountability to these areas

Governance of stakeholder relations – despite the work that a number of local authorities are doing with the public on 'co-production', almost a third of respondents to our survey did not think their organisation actively involves service users in designing the future scope and delivery of its services.

We conclude that local authorities need to ensure that their core objectives and values are fulfilled through other agencies. This implies a greater role for scrutiny and a need to make sure local public sector bodies' arrangements are as transparent as possible for stakeholders.

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

Rising to the challenge

Grant Thornton

Our national report, Rising to the Challenge, the Evolution of Local Government, was published in December and is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/Rising-to-the-challenge---The-evolution-of-local-government/>

This is the fourth in our series of annual reports on the financial health of local government. Like previous reports, it covers key indicators of financial performance, strategic financial planning, financial governance and financial control. It also includes case studies of best practice and a comparison to the NHS. This year it has been extended to use benchmarking information on savings plans and budget performance.

The overall message is a positive one. What stands out is how well local authorities have navigated the first period of austerity in the face of ever increasing funding, demographic and other challenges. Many authorities are forecasting financial resilience confidently in their medium term financial strategy. This reflects an evolution in financial management that would have been difficult to envisage in 2010. However, there remains much to be achieved if the sector is to become sustainable in the long term, and authorities should consider if their:

- medium- to long-term strategy redefines the role of the authority creatively
- operational environment will adapt, working in partnership with other authorities and local organisations
- strategy looks beyond the traditional two- to three-year resource planning horizon
- organisational culture is aligned to where the authority needs to be in the medium to long term
- senior leadership teams (both officers and members) have the necessary skills and capacity to ensure delivery against the medium-term challenges
- corporate governance arrangements ensure effective oversight and scrutiny of the organisation as it adapts to the challenges it faces.

The importance of these actions will be magnified if local government devolves further, particularly in relation to fiscal devolution. The new-found confidence of local government in responding to the medium-term challenges will be tested significantly by the second phase of austerity.

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

Independent Commission into Local Government Finance

Local government issues

The Independent Commission on Local Government Finance was established in 2014 to examine the system of funding local government in England and bring forward recommendations on how it can be reformed to improve funding for local services and promote sustainable economic growth. It published its final report, [Financing English Devolution](#), on 18 February 2015.

The report notes that the core of the Commission's proposition is the devolution of powers, funding and taxes to sub-national entities over a 10 year period. They estimate that this could lead to over £200 billion in public expenditure being controlled at a sub-national level. The expectation is that councils and their partners would work collaboratively to manage differences in capacity and resources. They see local areas becoming self sufficient.

The Commission advocates a 'variable speed' approach to reform with 'Pioneers' able to and wishing to reform at a faster pace. Reforms advocated for all authorities include:

- An independent review of the functions and sustainability of local government in advance of the next spending review
- Freedom to set council tax and council tax discounts and full retention of business rates and business rates growth
- Multi-year financial settlements
- The ability to raise additional revenue through the relaxation of the rules on fees and charges

'Pioneer' authorities would also implement:

- Single placed-based budgets for all public services
- Management of funding equalisation across a sub-national area
- Further council tax reforms including the ability to vary council tax bands and undertake revaluations
- Newly assigned and new taxes such as stamp duty, airport taxes and tourism taxes

Local Public Accounts Committees should be established to oversee value for money across the placed-base budget.

Provision for Business Rates Appeals

Accounting and audit issues

Unlodged appeals

The Chancellor's Autumn Statement included a change to the rules relating to business rates appeals. As a result we will not expect to see any provisions for unlodged appeals in local authorities' 2014/15 accounts, although we will expect this to be re-considered for 2015/16 accounts.

The change restricts the backdating of Valuation Office Agency (VOA) alterations to rateable values. Only VOA alterations made before 1 April 2016 and ratepayers' appeals made before 1 April 2015 can now be backdated to the period between 1 April 2010 and 1 April 2015. The aim is to put authorities in the position as if the revaluation had been done in 2015 as initially intended, before the deadline was extended to 2017.

There may be some fluctuations in provisions at 31 March 2015 as unlodged appeals provisions are released. However, there may also be increased numbers of appeals lodged prior to 31 March 2015. These appeals may be more speculative in nature and therefore authorities may need to consider whether prior year assumptions remain valid in estimating their provisions.

Utilisation of provision

As part of the provisions disclosures in the accounts, local authorities need to disclose additional provisions made in the year, the amounts used (incurred and charged against the provision) during the year and unused amounts reversed during the year.

We understand that the software used for business rates may not provide values for the amounts charged against the provision during the year and that there is no simple software solution for this for 2014/15. Local authorities will need to consider available information and make an estimate of the amount for appeals settled in the year.

Earlier closure and audit of accounts

Accounting and audit issues

Legislation was recently passed to bring forward the deadlines for the preparation and audit of Local Government financial statements from 2017/18 onwards. The timeframes for the preparation of the financial statements and their subsequent audit will be reduced by one month and two months respectively as follows:

- Deadline for preparation of financial statements – 31 May (currently 30 June)
- Deadline for audit completion – 31 July (currently 30 September)

Although July 2018 is over 3 years away, both local authorities and their auditors will have to make real changes in how they work to ensure they are 'match-fit' to achieve this deadline. This will require leadership from members and senior management.

Local government accountants and their auditors should start working on this now.

Top tips for local authorities:

- make preparation of the draft accounts and your audit a priority, investing appropriate resources to make it happen
- make the year end as close to 'normal' as possible by carrying out key steps each and every month
- discuss potential issues openly with auditors as they arise throughout the year
- agree key milestones, deadlines and response times with your auditor
- agree exactly what working papers are required.

Auditors are already working on bringing forward testing to before the financial statements are prepared and will be discussing further changes with local authorities including greater use of estimates in the accounts which will enable the audits to be brought forward further.

Some authorities currently produce their financial statements ahead of the current deadline, or have plans to do so in 2014/15, and some audits are completed before 31 July.

We will be assessing how this has been achieved and will share our findings in a national report, expected in early 2016.

Group accounting standards

Accounting and audit issues

The CIPFA Code has adopted a new suite of standards for accounting for subsidiaries, associates and joint arrangements. These changes affect how local authorities account for services delivered through other entities and joint working with partners.

The key changes for 2014/15 are to:

- the definition of control over 'other entities' – the revised definition is set out in IFRS 10 and determines which entities are treated as subsidiaries
- the accounting for joint arrangements – this now follows IFRS 11 and includes changes to the definition of joint ventures and how joint ventures are consolidated in group accounts
- disclosures in relation to subsidiaries, joint arrangements, associates and unconsolidated entities as set out in IFRS 12.

The key challenge for most local authorities will be determining whether their joint arrangements are joint ventures or joint operations. This should be determined by review of the contractual arrangements and in some cases judgement may be required. Local authorities will therefore need to reconsider any previous group accounting decisions based on the application of the new accounting standards.

Inclusion of overtime in the calculation of holiday pay

Accounting and audit issues

The Employment Appeal Tribunal (EAT) has delivered its judgement on the extent to which overtime pay should be included in the calculation of holiday pay. This case stems from an apparent conflict between UK law and European Law.

The EAT found that non-guaranteed overtime (i.e. overtime, which is not guaranteed by the employer, but which the worker is obliged to work, if it is offered), should be included in the calculation of holiday pay. Following the ruling, back-dated claims can only be made if it is less than three months since the last incorrect payment of holiday pay.

It is now unlikely that there will be an Appeal to this decision. Local authorities should be considering their own circumstances and if necessary taking their own legal advice as to the extent they might be affected by the ruling. Where affected a local authority should assess whether the liability can be reliably measured and therefore accounted for as a provision in the 2014/15 financial statements.



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