

Public Document Pack



Democratic Services
White Cliffs Business Park
Dover
Kent CT16 3PJ

Telephone: (01304) 821199
Fax: (01304) 872453
DX: 6312
Minicom: (01304) 820115
Website: www.dover.gov.uk
e-mail: democraticservices@dover.gov.uk

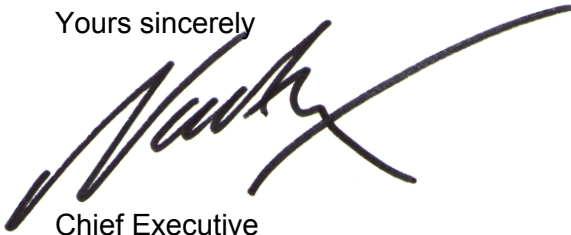
10 June 2015

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 18 June 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



Chief Executive

Governance Committee Membership:

P G Heath (Chairman)
D Hannent (Vice-Chairman)
M J Holloway
S J Jones
A S Pollitt
G Rapley

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 - 9)

To confirm the attached Minutes of the meeting of the Committee held on 26 March 2015.

5 **QUARTERLY INTERNAL AUDIT UPDATE REPORT** (Pages 10 - 23)

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

6 **ANNUAL INTERNAL AUDIT REPORT** (Pages 24 - 41)

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

7 **ANNUAL FRAUD REPORT 2014/15** (Pages 42 - 46)

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

8 **ANNUAL GOVERNANCE ASSURANCE STATEMENT 2014/15** (Pages 47 - 63)

To consider the attached report of the Director of Governance.

9 **AUDIT FEE LETTER 2015/16** (Pages 64 - 67)

To consider the attached report from Grant Thornton.

10 **AUDIT PLAN 2014/15** (Pages 68 - 85)

To consider the attached report from Grant Thornton.

11 **GOVERNANCE COMMITTEE UPDATE** (Pages 86 - 95)

To consider the attached report from Grant Thornton.

12 **APPOINTMENT OF EXTERNAL AUDITORS AND AN AUDITOR PANEL - LOCAL AUDIT AND ACCOUNTABILITY ACT 2014** (Pages 96 - 101)

To consider the attached report of the Director of Governance.

13 **MODIFICATION OF PRESCRIBED STANDING ORDERS RELATING TO THE DISMISSAL OF STATUTORY OFFICERS** (Pages 102 - 114)

To consider the attached report of the Director of Governance.

14 **PROCEDURE RULES FOR WITHDRAWAL FROM MEETINGS**

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

15 **REVISION TO CONTRACT STANDING ORDERS**

To consider the report of the Director of Finance, Housing and Community (to follow).

16 **EXCLUSION OF THE PRESS AND PUBLIC** (Page 115)

The recommendation is attached.

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

17 **ANNUAL DEBT COLLECTION REPORT** (Pages 116 - 131)

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

Access to Meetings and Information

- Members of the public are welcome to attend meetings of the Council, its Committees and Sub-Committees. You may remain present throughout them except during the consideration of exempt or confidential information.
- All meetings are held at the Council Offices, Whitfield unless otherwise indicated on the front page of the agenda. There is disabled access via the Council Chamber entrance and a disabled toilet is available in the foyer. In addition, there is a PA system and hearing loop within the Council Chamber.
- Agenda papers are published five clear working days before the meeting. Alternatively, a limited supply of agendas will be available at the meeting, free of charge, and all agendas, reports and minutes can be viewed and downloaded from our website www.dover.gov.uk. 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, 26 March 2015 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

Officers: Director of Finance, Housing and Community
Director of Governance
Director of Environment and Corporate Assets
Solicitor to the Council
Deputy Head of Audit Partnership (East Kent Audit Partnership)
Estate Valuation Manager
Director of Shared Services
Democratic Support Officer

43 APOLOGIES

There were no apologies received from Members.

44 APPOINTMENT OF SUBSTITUTE MEMBERS

There were no substitute Members appointed.

45 DECLARATIONS OF INTEREST

There were no declarations of interest made by Members.

46 MINUTES

The Minutes of the meeting held on 4 December 2014 were approved as a correct record and signed by the Chairman.

47 EK SERVICES - UPDATE FROM THE DIRECTOR

The Director of EK Services gave a verbal update to the Committee. At the last meeting of the Scrutiny (Policy and Performance) Committee it was recommended to the Governance Committee that as part of its work programme it consider the internal controls relating to the performance of the Council Tax collection service and whether in cases where errors had been made there needed to be compensation for costs incurred.

Members were reassured that there were no endemic issues with regards to the systems in place in the Council Tax collection service. The most recent audit of EK Services Council Tax had been awarded Substantial Assurance by the Council's internal auditors. Of the nine errors that were found as a result of complaints received, there were no particular systemic trends and were human errors in

administration. These errors would be addressed with the Council Tax team and not individuals.

Changes had been made to the management of emails received daily from customers and would be organised into a priority workflow to reduce the risk of the repeat of previous errors. Improvements to the telephony system across all three partner authorities were hoping to be made with the introduction of a priority system although this was not yet in place.

RESOLVED: That the update be received and noted.

48 QUARTERLY INTERNAL UPDATE REPORT

The Deputy Head of Audit Partnership presented the quarterly internal audit report which summarised work undertaken by the East Kent Audit Partnership (EKAP) since 4 December 2014 and gave details of the performance of the EKAP to 31 December 2015. Members were advised of the following typo errors in the report:

- Table (page 11) – EK Services-Customer Services should read ‘Substantial Assurance level’ not ‘Reasonable Assurance level’.
- Paragraph 2.3 (page 12) – heading should read ‘EK Services Housing Benefit Administration and Assessment’ not ‘Council Tax’.
- Paragraph 2.5 (page 14) – heading should read ‘Reasonable Assurance’ not ‘Substantial Assurance’.

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

To 31 December 2014, 194.69 chargeable days had been delivered against the planned target of 260.96, equating to 74.61% plan completion and on target to complete 98% by the year end.

RESOLVED: That the Quarterly Internal Update report be received and noted.

49 AUDIT CHARTER PLAN 2015/16

The Deputy Head of Audit Partnership advised that only minor (i.e. Housekeeping) changes had been made to the Internal Audit Charter since last year. Members were informed that to comply with best practice the plan should cover a period of no more than 1 year. Annex B of the report set out priorities for 2015/16 and indicated which areas were likely to be audited for 2016/17 and 2017/18.

The draft Audit plan for 2015/2016 made 270 days available for audit of all high risk and medium risk areas of the Dover District Council to be reviewed. The Dover plan was 12.5% less than the Kent average with a total of 350 days, including audit days for EK Services (EKS) and East Kent Housing (EKH). The East Kent Audit Partnership (EKAP) could achieve another 30 days to bring the total to 380 days if an underspend for 2014/15 is confirmed.

At the inception of EKH, 100 audit days were allocated in the budget however the draft 2015/16 plan allowed for 80 days (20 days from each authority). It was

recommended that the s.151 officer consult with the partner authorities' s.151 officers to discuss the shortfall.

Members were also concerned that the current audit plan days may result in some areas awarded a Limited Assurance level not being reviewed within the three years period. Members were advised that a priority list of those not audited within three years would be maintained and would be used if capacity was available during the year.

With regards to the Housing Initiatives Programme (which formed part of the budget) and the building of 500 new homes, Councillor K E Morris requested that it be added to the 2015/16 audit plan and the process be audited and the results reported to the next available meeting of the Governance Committee.

- RESOLVED:
- (a) That the Internal Audit Charter for delivery of the internal audit service and the Council's Internal Audit Plan for 2014/16 be approved and adopted.
 - (b) That the s.151 officer consults with partner authority's s.151 officers and challenge the size of the East Kent Housing plan.
 - (c) That the Council's Housing Initiative Programme is included in the audit plan and is reported back to the next available Governance Committee meeting.

50 TREASURY MANAGEMENT QUARTER THREE REPORT

The Director of Finance, Housing and Community presented the Treasury Management report for Quarter Three advising the Committee that the Council had remained within its Treasury Management and Prudential Code guidelines during the period. The total interest received for the quarter was £101k, which meant that income for the year was projected to be £62k approximately better than the £246k budget. It was reported that Investec had returned higher rates than those achieved through in-house investments due to an improved performance of the Gilts and investments would remain the same with Investec to ensure diversity within the investment portfolio.

RESOLVED: That the Treasury Management Quarter Three report be received.

51 TRANSPARENCY AGENDA

The Estate Valuation Manager presented an overview of properties the Council owned. This was in response to a request by the Governance Committee as its meeting on 4 December 2014. Members were advised that the list was available to view online and that it excluded Council owned dwellings, garages and smaller pieces of land (these were marked on the Council's electronic terrier maps). An audit had recently been carried out by Property Services and Housing to identify pieces of land with development potential and further sites were being brought forward for future development under the Land Allocations Local Plan. All landholdings were critically examined, looking for disposal opportunities or for the more effective use of buildings, to be able to offer the best value for money for the Council.

RESOLVED: That the Transparency Agenda report be noted.

52 CERTIFICATION REPORT 2013/14

Ms E Hill presented the report which detailed the certification work carried out by Grant Thornton during 2013/14. Two claims and returns for the financial year 2014/14 had been certified, totalling £42 million. An Action Plan was attached at Appendix B which had been drawn up to address any minor issues that had been identified.

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

53 CERTIFICATION WORK PLAN 2014/15

The Senior Manager - Grant Thornton introduced the report. Members were advised that the Housing Benefit Subsidy claim was the only claim which required certification for 2014/15.

RESOLVED: That the Certification Work Plan 2014/15 be received and noted.

54 GOVERNANCE COMMITTEE UPDATE

The Senior Manager – Grant Thornton presented the update to the Committee. Members were advised that new standards for Group Accounting arrangements had been adopted for 2014/15 and forthcoming years.

RESOLVED: That the update be noted.

55 OPTIONS FOR MEMBER AND PUBLIC PARTICIPATION AT COMMITTEE MEETINGS

The Director of Governance introduced the report to the Committee, setting out a range of options for member and public participation at meetings of the Cabinet and Council Committees, following a motion from Councillor P M Wallace at the meeting of Council at its meeting held on 29 January 2015. Members were asked for their views on the report, with the aim of giving the Director of Governance a clear steer so that he could come back with enhanced proposals to the Governance Committee meeting in June 2015.

Councillor M R Eddy welcomed the report and noted that although participation at some committees was permitted, he would like to see other committees permitting some degree of questions (on notice) and speaking participation. In addition, allowing more member participation at meetings of the Cabinet would provide the opportunity for a more open decision making process. An example would be to allow the Shadow Cabinet member or spokesperson to give the collective view to the Cabinet.

The Director of Governance suggested that Members may wish him to consult with group(s) Leader(s) after the election as part of the process of developing proposals and the approach was endorsed by the committee.

RESOLVED: That the Director of Governance, in consultation with the group(s) Leader(s) and after the AGM, be requested to develop proposals in respect of one or more of the models for member and public participation *set out in Appendices 1 and 2 of the report* for

consideration of the Governance Committee at its meeting on 18 June 2015.

The meeting ended at 8.05 pm.

Subject: **QUARTERLY INTERNAL AUDIT UPDATE REPORT**

Meeting and Date: **Governance Committee – 18th June 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.

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.

2. Introduction and Background

2.1 For each Audit review, management has agreed a report, and where appropriate, an Action Plan detailing proposed actions and implementation dates relating to each recommendation. Reports continue to be issued in full to each member of Corporate Management Team, as well as an appropriate manager for the service reviewed. Attached as Appendix 1 to the EKAP report is a summary of the Action Plans agreed in respect of the reviews covered during the period.

2.2 Follow-up reviews are performed at an appropriate time, according to the status of the recommendation, timescales for implementation of any agreed actions and the risk to the Council.

2.3 An Assurance Statement is given to each area reviewed. The assurance statements are linked to the potential level of risk, as currently portrayed in the Council's risk assessment process. The assurance rating given may be Substantial, Reasonable, Limited or No assurance.

2.4 Those services with either Limited or No Assurance are monitored, and brought back to Committee until a subsequent review shows sufficient improvement has been made to raise the level of Assurance to either Reasonable or Substantial. A list of those services currently with such levels of assurance is attached as Annex 2 to the EKAP report.

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

2.6 To assist the Committee meet its terms of reference with regard to the internal control environment an update report is regularly produced on the work of internal audit. The purpose of this report is to detail the summary findings of completed audit

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

SUMMARY OF WORK

- 2.7 There have been seven Internal Audit reports that have been completed during the period, of which one review concluded Substantial Assurance, and four concluded Reasonable Assurance. The remaining three pieces of work were of a nature for which an assurance level is not applicable e.g. quarterly housing benefit claim testing. Summaries of the report findings and the recommendations made are detailed within Annex 1 to this report.
- 2.8 In addition nine follow-up reviews have been completed during the period, which are detailed in section 3 of the quarterly update report.

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.

2. SUMMARY OF REPORTS:

Service / Topic		Assurance level
2.1	Income	Substantial
2.2	Creditors	Reasonable
2.3	Car Parking and PCNs	Reasonable
2.4	Payroll	Reasonable
2.5	Tackling Tenancy Fraud	Not Applicable
2.6	EK Services – Housing Benefit Quarterly Testing (Qtr 2 of 2014-15)	Not Applicable
2.7	EK Services – Housing Benefit Quarterly Testing (Qtr 3 of 2014-15)	Not Applicable

2.1 Income – Substantial Assurance.

2.1.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that all income due to the Council is completely and accurately accounted for in a timely manner.

2.1.2 Summary of Findings

Since the last audit review was carried out in October 2012 there have been some revisions to the processes in place for income; these include ICT no longer being involved in the daily processes and the Income Receipting Officer no longer being located in the Print and Post Room but now located within the Financial Services Team. Neither of these revisions have impacted on the income processes that are being carried out.

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

- Established processes are in place to ensure that income is processed accurately and in a timely manner.
- The interface between E-Financials and AIM is effective and accurate payments are allocated to the correct income codes and accounts and reconciliations of the feeder systems are undertaken.

2.2 Creditors and CIS – Reasonable Assurance.

2.2.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that only bona-fide invoices are paid, and that the correct procedures have been applied in the way in which the expenditure was incurred.

2.2.2 Summary of Findings

The payments process has been established for a number of years using the Cedar e-financials system with a small team of officers delivering the service to the Council.

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

- There are well established processes and supporting procedural documentation in place.
- Invoices and Credit notes are processed promptly.
- Creditor account is reconciled on a regular basis.
- BACS payments are authorised and paid correctly.
- Appropriate systems are in place to ensure that only valid bank account details are entered for organisations used by the Council. A secure system is also in place to ensure changes to bank payee details are correct before amendments are made.

Scope for improvement was however identified in the following areas:

- There is a staff resilience issue due to it being such a small team comprising of only one full-time dedicated Creditors officer and if they are absent then the service provision has to be carried out by other members of the team of which three are part time and who also they have their own roles and responsibilities to be carried out. This is highlighted by the fact that they are currently three to four weeks behind in the scanning of invoices into e-Financials following the completion of the weekly payment runs.
- There are still ongoing issues with retrospective orders being produced by staff across the Council and also with staff not completing purchase order documentation correctly. It is hoped that the implementation of e-procurement in the future will address these issues which have also been highlighted in previous audit reports together with the need for the implementation of e-procurement to be put in place.
- The performance indicator (ACC004) target of 90% for 2014/15 has been set to quite low, even for one FTE officer being in post for Credit Control. There needs to a more challenging realistic target set which drives continuous improvement.

2.3 Car Parking & PCNs - Reasonable Assurance

2.3.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that car park machine income (on-street and off-street), is adequately monitored and reconciled to expected income and that income trends are monitored for individual car parks for management information.

To provide assurance that parking restrictions are being consistently and effectively enforced and that income due to the Council from penalty charge notices is adequately monitored and reconciled to expected income and that income trends are monitored for management information.

2.3.2 Summary of Findings

Income from car parks and on and off street parking forms a significant income stream to the authority. There is therefore a need to ensure that internal controls are in place so that all income received is monitored and correctly accounted for.

In 2013/14 Dover District Council issued a total of 10,767 penalty charge notices, an average of 828 notices per Civil Enforcement Officer. This compares to 25,744 by neighbouring Authority A and 14,953 by Authority B.

Of the 10,767 notices that have been issued in 2013/14:-

- 6,772 were for on street breaches;
- 3,995 were for off street breaches;
- 6 of these were spoilt for various reasons; and
- Of the 10767 issued, 2,382 were issued for parking on double yellow lines.

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

- There are processes and procedures in place for the administration of the car parking income and penalty charge notices.
- Annual benchmarking is undertaken with other Kent Local Authorities.

Scope for improvement was however identified in the following areas:

- The overpaid penalty charge notices should be reviewed periodically and appropriate action taken to clear the credit balance from the parking system.
- General housekeeping needs to be carried out on the parking system to ensure that all tickets are current and appropriate action has been taken on them.
- A procedure needs to be implemented for reporting written off notices to the s.151 Officer in order to comply with the Council's Financial Procedure Rules.
- The reconciliation of the car park income is not currently being undertaken in a timely manner to identify any possible misappropriations.
- The maintenance contract for the pay and display machines is out of date and payments are not being made via the contract register.
- The processes and procedures followed by the Parking Admin Team need to be fully reviewed as some of them are cumbersome and historic and could be undertaken more efficiently.
- All officers within the Parking Admin Team should be generic and be able to cover all aspects of the service instead of their specific areas.

2.4 Payroll – Reasonable Assurance

2.4.1 Audit Scope

To ensure that the key internal controls in place in relation to the KCC administered payroll function are effective to provide the required shared service to the three Councils regarding payments to Officers and Councillors.

2.4.2 Summary of Findings

The Payroll function is currently provided by Kent County Council to each of the three local authorities with the assistance of staff in each of the councils including East Kent HR. The contract with Kent County Council (KCC) has run its full term (October 2014) and work is being undertaken to procure a replacement solution.

The internal control system and processes had not changed since the previous audit therefore this review was focussed on transaction testing to ensure the payroll function was correctly processing payments in line with Council Policy and legislative requirements.

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

- Large samples of transactions from each partner council were tested as part of the audit review. It is very positive to report that no significant issues were found.
- Few minor errors were identified through the testing carried out confirming the effectiveness of the controls in place.

Scope for minor improvement was however identified in the following areas:

- The reconciliation routines in place should be robust enough to capture any differences between what has been claimed (by the employee) and what has been input to the Payroll system.
- The data transfer from Payroll to the main financial systems for each council is labour intensive, and the new payroll solution should seek for opportunities to automate this.

2.5 Tackling Tenancy Fraud – Not Applicable

2.5.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that effective arrangements are in place between the four councils and East Kent Housing Ltd (EKH) to ensure that housing tenancy fraud is being tackled.

2.5.2 Summary of Findings

There are various types of tenancy fraud, sub-letting the whole property, key selling, unauthorised assignment, wrongly claimed succession, right to buy, and obtaining tenancy through false statement. Individuals who commit tenancy fraud prevent those who are legally entitled to social housing from being housed.

In the Annual Fraud Indicator 2013 the National Fraud Authority (NFA) estimated that Housing Tenancy Fraud cost social housing providers £845 million. The Audit

Commission reports that social housing fraud is the single largest category of fraud loss in local government in terms of value.

The Prevention of Social Housing Fraud Act 2013 is new legislation that is primarily concerned with strengthening the powers of social landlords to tackle tenants who sublet the whole of their dwellings for a profit. The Act was brought fully into force on 15 October 2013. The Act: -

- creates new criminal offences of unlawful subletting by assured and secure tenants in social housing;
- gives local authorities powers to prosecute in cases of unlawful subletting but subject to expiration restrictions on evidence;
- enables courts to order the recovery of any profit made from unlawful subletting from tenants; and
- provides that assured tenants who unlawfully sublet the whole of their dwelling cannot subsequently regain their security of tenure.

Right to Buy Fraud (RTB) and application/acceptance of a social housing tenancy knowingly using fraudulent information/ by deception are offences under the Fraud Act 2006.

East Kent Housing (EKH) Ltd and its staff have a reasonable level of awareness of tenancy fraud and proactive action is being taken, and further action planned, to address the issue of tenancy fraud awareness and detection. However, due to resource implications and the pressures of the 'day job' the effectiveness of some management controls could be improved and some opportunities to address tenancy fraud may be currently being missed.

A significant amount of data is held about individual tenants and households and often this data is enough to highlight common 'warning signs' of potential fraud. However, the fact that this data is held on different systems, and recorded slightly differently by these systems has resulted in a number of potential matches coming to light from the tests undertaken as part of this audit. Although it has not been possible to review all these potential matches in detail, from the samples reviewed one potential fraud has been highlighted and is currently being investigated. With the procurement of the new single solution housing system currently underway some of these issues should be addressed and the opportunity taken to carry out a full data cleanse of housing.

Despite a significant volume of data being held further work is required in order for the extent and level of risk of tenancy fraud within the four districts to be fully understood. A number of recommendations and opportunities have been highlighted within the action plan to aid with this. Once a tenancy fraud profile has been determined the four member authorities and EKH will be able to better determine the level of priority and resource that should be put into detecting and tackling tenancy fraud.

2.6 EK Services Housing Benefit Quarterly Testing (Quarter 2 of 2014-15):

2.6.1 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.

2.6.2 Findings:

For the second quarter of 2014/15 financial year (July to September 2014) 10 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.

2.6.3 Audit Conclusion:

Twenty one benefit claims were checked and of these one (4.76%) had a financial error that did impact on the benefit calculation, two other claims passed as there was no impact on the benefit entitlement but correct financial information had not been recorded.

2.7 EK Services Housing Benefit Quarterly Testing (Quarter 3 of 2014-15):

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.

2.7.2 Findings:

For the third quarter of 2014/15 financial year (October to December 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.

2.7.3 Audit Conclusion:

Forty benefit claims were checked and of these three (7.5%) had financial errors that did impact on the benefit calculation, one other claim passed as there was no impact on the benefit entitlement but procedures were not followed in respect of capital entitlement for the calculation.

3.0 FOLLOW UP OF AUDIT REPORT ACTION PLANS:

- 3.1 As part of the period's work, eight 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)	Service Contract Monitoring	Substantial	Substantial	H M L	0 3 0	H M L	0 2 0
b)	Homelessness	Substantial	Substantial	H M L	1 2 1	H M L	0 0 0
c)	EKH – Tenant Health & Safety (Lifts)	No Assurance	Reasonable	H M L	2 0 0	H M L	0 0 0
d)	CCTV	Substantial	Substantial	H M L	0 1 1	H M L	0 1 0
e)	White Cliffs Countryside and Up on the Downs Partnerships	Reasonable	Reasonable /Substantial	H M L	1 7 1	H M L	0 2 0
f)	Waste Management & Street Cleansing	Reasonable	Substantial	H M L	2 1 4	H M L	0 1 1
h)	EK Services – Housing Benefit Payments	Substantial	Substantial	H M L	0 1 1	H M L	0 0 0
i)	EK Services – Software Procurement	Limited	Reasonable	H M L	4 2 0	H M L	0 0 0
j)	Planning & s105	Substantial Limited Limited	Substantial Reasonable Reasonable	H M L	0 6 3	H M L	0 1 3

- 3.2 Details of each of the individual high priority recommendations outstanding after follow-up are included at Appendix 1 and on the grounds that these recommendations have not been implemented by the dates originally agreed with management, they are now being escalated for the attention of the s.151 Officer and Members of the Governance Committee.
- 3.3 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.
- 3.4 As highlighted in the above table, those areas previously reported as having either Limited or No assurance have been reviewed and, in respect of those remaining at below Reasonable assurance, Members are advised as follows:

a) ICT Software Licensing

At the September committee it was reported that no significant progress in implementing the ICT Asset Management Software had been made due to an issue

with the software supplier. This has resulted in a new procurement process being required with a different Software Asset Management (SAM) system needing to be sourced. Until the SAM system is implemented, which enables the tracking of software licences on all ICT assets, this will remain at Limited Assurance.

An additional review of the controls and procedures within the software procurement process was undertaken, and the assurance for this has been raised to Reasonable Assurance as reported in the table above under Software Procurement.

Management Response:

Tender invites are being issued week commencing 26/05/2015 to start the procurement process having received final approvals from Thanet procurement. The SAM system is being purchased alongside two other key products; a replacement for the Service Desk system and the Introduction of a new Software Contract Management system. We are seeking all products as a combined software suite under a single tender. The implementation of the suite will be complex but we are hopeful that full procurement and staged go live will be completed by the end of this financial year with the SAM system taking priority. In the interim we are using an inventory module within the existing software to keep track of software licences aided by manual procedures for ensuring licence purchases are managed.
Head of ICT, EK Services.

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: Dover Museum and VIC, Grounds Maintenance, Community Safety, Housing Allocations, Your Leisure, and Absence Management.

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.

6.0 FRAUD AND CORRUPTION:

6.1 There were no other new or recently reported instances of suspected fraud or irregularity that required either additional audit resources or which warranted a revision of the audit plan at this point in time.

7.0 INTERNAL AUDIT PERFORMANCE

7.1 For the year to 31st March 2015, 259.66 chargeable days were delivered against the planned target of 260.96, which equates to 99.5% plan completion.

Attachments

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

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

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

SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED				
Service	Reported to Committee	Level of Assurance	Management Action	Follow-up Action Due
Absence Management	June 2013	Limited	On-going management action in progress to remedy the weaknesses identified.	Work-in-progress as part of 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



ANNEX 3

AUDIT ASSURANCE

Definition of Audit Assurance Statements

Substantial Assurance

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

Reasonable Assurance

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

Limited Assurance

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

No Assurance

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

Subject:	ANNUAL INTERNAL AUDIT REPORT
Meeting and Date:	Governance Committee – 18th June 2015
Report of:	Christine Parker – Head of Audit Partnership
Decision Type:	Non-key
Classification:	Unrestricted
Purpose of the report:	This report provides a summary of the work completed by the East Kent Audit Partnership together with details of the performance of the EKAP against its targets for the year ending 31 st March 2015.
Recommendation:	That Members note the report.

Internal Audit Annual Report 2014-15.

SUMMARY

The main points to note from the attached report are that the agreed programme of audits has been completed. The majority of reviews have given a substantial or reasonable assurance and there are no major areas of concern that would give rise to a qualified opinion.

1.0 INTRODUCTION

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

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

1.2 The report attached as Annex A therefore summarises the performance of the East Kent Audit Partnership (EKAP) and the work it has performed over the financial year 2014-15 for Dover District Council, and provides an overall assurance on the system for internal control based on the audit work undertaken throughout the year, in accordance with best practice. In providing this opinion, this report supports the Annual Governance Statement.

- 1.3 The internal audit team is proactive in providing guidance on procedures where particular issues are identified during audit reviews. The aim is to minimise the risk of loss to the Authority by securing adequate internal controls. Partnership working for the service has added the opportunity for the EKAP to port best practice across the four sites within the East Kent Cluster to help drive forward continuous service improvement.
- 1.4 During 2014-15 the EKAP delivered 99% of the agreed audit plan days, with 1.32 days under delivered to be adjusted for in 2015-16. The performance figures for the East Kent Audit Partnership as a whole for the year show good performance against targets, particularly as the EKAP has experienced staffing changes and delivered financial savings against its agreed budget to all its partners in the delivery of the service.

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.**

Resource Implications

Having delivered a cost per audit day in 2014-15 of £286.65 against the budget cost of £312.86 (a saving of 8.42%) this has resulted in a total budgetary saving for Dover District Council of £7,076 which it has been agreed will be used to fund 24.68 additional audit days in 2015-16 to undertake reviews of areas currently falling outside of the agreed three-year audit plan cycle.

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

Consultation Statement

Not Applicable.

Impact on Corporate Objectives and Corporate Risks

The recommendations arising from each individual internal audit review are designed to strengthen the Council's corporate governance arrangements, control framework, counter fraud arrangements and risk management arrangements, as well as contributing to the provision of economic, efficient and effective services to the residents of the District. This report summarises of the work of the East Kent Audit Partnership for the year 2014-15 in accordance with the Public Sector Internal Audit Standards.

Attachments

Annex A – East Kent Audit Partnership Annual Report 2014-15

CHRISTINE PARKER
Head of Audit Partnership

Annual Internal Audit Report for Dover District Council 2014-15

1. Introduction

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

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

A more detailed explanation, of the role and responsibilities of internal audit, is set out in the approved Audit Charter. The East Kent Audit Partnership (EKAP) aims to comply with the PSIAS, and to this end has produced evidence to the s.151 and Monitoring Officers to assist the Council’s review of the system of internal control in operation throughout the year. This annual report compares EKAP activity against auditing standards and any improvement actions required to achieve compliance with PSIAS are therefore reflected.

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

2. Objectives

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

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

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

3. Internal Audit Performance Against Targets

3.1 EKAP Resources

The EKAP has provided the service to the partners based on a FTE of 8.1. Additional audit days have been provided via audit contractors in order to meet the planned workloads.

3.2 Performance against Targets

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

3.3 Internal Quality Assurance and Performance Management.

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

3.4 External Quality Assurance

The external auditors, Grant Thornton, have conducted a review in February 2015 of the Internal Audit arrangements. They have concluded that, where possible, they can place reliance on the work of the EKAP.

3.5 Liaison between Internal Audit and External Audit.

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

3.6 Compliance with Professional Standards

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

3.7 Financial Performance

Expenditure and recharges for year the 2014-15 are all in line with the Internal Audit cost centre hosted by Dover District Council. Financial management has delivered 8.4% saving against budget.

The EKAP has been able to exceed its targets for financial performance for 2014-15 by generating income through 'selling days' for checking grant claims. This daily rate excludes any internal recharges that are added to the service by the Council. This equates to a total financial saving to Dover District Council of £7,076 for 2014-15

which it has been agreed will be used to fund additional audit days to undertake reviews of areas currently falling outside of the agreed three-year audit plan cycle.

Year	Cost / Audit Day
2006-07	£288
2007-08	£277
2008-09	£262 (Reserve Refunded to Partners)
2009-10	£281
2010-11	£268
2011-12	£257
2012.13	£279
2013-14	£290
2014-15	£287

The EKAP was formed to provide a resilient, professional service and therefore achieving financial savings was not the main driver, despite this considerable efficiencies have been gained through forming the partnership. Additionally, external fee earning work that has been carried out, this year some £22,477 was procured from EKAP for Interreg Grant reviews which reduces the costs to the partners. The net result is a reduced EKAP cost per audit day below the original budget estimate. In the current climate this is excellent performance and the partner authorities have all enjoyed the overall savings of £34,593 generated by the EKAP.

4. Overview of Work Done

The original audit plan for 2014-15 included a total of 23 projects. We have communicated closely with the s.151 Officer, CMT and this Committee to ensure the projects actually undertaken continue to represent the best use of resources. As a result of this liaison some changes to the plan were agreed during the year. A few projects (8) have therefore been pushed back in the overall strategic plan, to permit some higher risk projects to come forward in the plan (1). The total number of projects undertaken in 2013-14 was 16, with 6 being WIP at the year end to be finalised in April.

Review of the Internal Control Environment

4.1 Risks

During 2014-15, 68 recommendations were made in the agreed final audit reports to Dover District Council. These are analysed as being High, Medium or Low risk in the following table:

Risk Criticality	No. of Recommendations	Percentage
High	22	32%
Medium	32	47%
Low	14	21%
TOTAL	68	100%

Naturally, more emphasis is placed on recommendations for improvement regarding high risks. Any high priority recommendations where management has not made progress in implementing the agreed system improvement are brought to management and members' attention through Internal Audit's quarterly update reports. During 2014-15 the EKAP has raised and reported to the quarterly Governance Committee meetings 68 recommendations, and whilst 79% were in the

High or Medium Risk categories, none are so significant that they need to be escalated at this time.

4.2 Assurances

Internal Audit applies one of four 'assurance opinions' to each review, please see Appendix 1 for the definitions. This provides a level of reliance that management can place on the system of internal control to deliver the goals and objectives covered in that particular review. The conclusions drawn are described as being "a snapshot in time" and the purpose of allocating an assurance level is so that risk is managed effectively and control improvements can be planned. Consequently, where the assurance level is either 'no' or 'limited', or where high priority recommendations have been identified, a follow up progress review is undertaken and, where appropriate, the assurance level is revised.

The summary of Assurance Levels issued on the 16 pieces of work commissioned for Dover District Council over the course of the year is as follows:

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

Assurance	No.	Percentage of Completed Reviews
Substantial	3	38%
Reasonable	4	50%
Limited	1	12%
No	0	0%
Work in Progress at Year-End	6	-
Not Applicable	2	-

* See list in the table below

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

Taken together 88% of the reviews account for substantial or reasonable assurance, whilst 12% of reviews placed a limited assurance to management on the system of internal control in operation at the time of the review. There were no reviews assessed as having no assurance.

There were three reviews completed on behalf of East Kent Housing Ltd. and the assurances for these audits were - Reasonable, Limited and one piece of work which had a split assurance ranging from Substantial to No Assurance. Information is provided in Appendix 3.

There were 15 reviews completed on behalf of EK Services and the assurances for these audits were - 7 Substantial, 3 Reasonable, 1 Limited, 2 Not Applicable and 2 Work in progress. Information is provided in Appendix 4.

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

any follow up reviews yet to be undertaken will therefore be reported to the quarterly committee at the appropriate time.

4.3 Progress Reports

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

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

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

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

The results for the follow up activity for 2014-15 are set out below. The shift to the right in the third column in the table from the original opinion to the revised opinion also measures the positive impact that the EKAP has made on the system of internal control in operation throughout 2014-15.

Total Follow Ups undertaken 12	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Original Opinion	0	1	4	7
Revised Opinion	0	0	5	7

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

Area Under Review	Original Assurance	Follow Up Result
Cemeteries	Reasonable/ Limited	Reasonable

Consequently, there are no fundamental issues of note arising from the audits and follow up undertaken in 2014-15. There are no reviews showing a limited assurance after follow up.

East Kent Housing received one follow up review for which the assurance remained Reasonable.

EK Services received five follow ups; the revised assurances were Substantial for 3 reviews, Reasonable for 1 review and one remained Limited after follow up, this being Software Licensing as reported to the committee in September 2014.

4.4 Special Investigations and Fraud Related Work

The prevention and detection of fraud and corruption is ultimately the responsibility of management however, the EKAP is aware of its own responsibility in this area and is alert to the risk of fraud and corruption. Consequently the EKAP structures its work in such a way as to maximise the probability of detecting any instances of fraud. The

EKAP will immediately report to the relevant officer any detected fraud or corruption identified during the course of its work; or any areas where such risks exist.

The EKAP is, from time to time, required to carry out special investigations, including suspected fraud and irregularity investigations and other special projects. Whilst some reactive work was carried out during the year at the request of management, there were no fraud investigations conducted by the EKAP on behalf of Dover District Council.

4.5 Completion of Strategic Audit Plan

Appendix 2 shows the planned time for reviews undertaken, against actual time taken, follow up reviews and unplanned reviews resulting from any special investigations or management requests. 259.64 audit days were completed for Dover District Council during 2014-2015 which represents 99.49% plan completion. The 1.32 days behind at the year end, will be carried over to 2015-16. The EKAP was formed in October 2007; it completes a rolling programme of work to cover a defined number of days each year. As at the 31st March each year there is undoubtedly some "work in progress" at each of the partner sites; some naturally being slightly ahead and some being slightly behind in any given year. However, the progress in ensuring adequate coverage against the agreed audit plan of work since 2007-08 concludes that EKAP is 1.3 days behind schedule as we commence 2015-16, as shown in the table below.

Year	Plan Days	Plus B/Fwd	Adjusted Requirement from EKAP	Days Delivered	Percentage Completed	Days Carried Forward (Days Required – Days Delivered)
2008-09	450	0	450.00	459.33	102.07%	+9.33
2009-10	450	-9.33	440.67	431.22	97.80%	-18.78
2010-11	420	+9.45	429.45	445.21	103.60%	+25.21
2011-12	312	-15.76	296.24	291.25	98.32%	-20.75
2012-13	300	+4.99	304.99	313.85	102.91%	+13.85
2013-14	270	-8.86	261.14	270.18	103.46%	+0.18
2014-15	270	-9.04	260.96	259.66	99.49%	-10.34
Total	2,472			2,470.7		-1.3

Appendix 3 shows the planned time for reviews undertaken, against actual time taken, follow up reviews and unplanned reviews resulting from any special investigations for East Kent Housing Ltd. Dover District Council contributed 25 days from its original plan in 2011-12 and 20 days in subsequent years as its share in this four way arrangement. The EKH Annual Report in its full format will be presented to the EKH - Finance and Audit Sub Committee on 6th July 2015

Appendix 4 shows the planned time for reviews undertaken, against actual time taken, follow up reviews and unplanned reviews resulting from any special investigations for East Kent Services. Dover District Council contributed 60 days from its original plan as its share in this three-way arrangement. As EKS is hosted by TDC, the EKS Annual Report in its full format, will be presented to the TDC- Governance & Audit Committee on 24th June 2015.

5. Overall assessment of the System of Internal Controls 2014-15

Based on the work of the EKAP on behalf of Dover District Council during 2014-15, the overall opinion is:

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

There was one area where only a partial limited assurance level was given which reflected a lack of confidence in arrangements, and this was brought to officers' attention. This review is shown in the table in paragraph 4.3 and has since been revised to provide Reasonable Assurance. The table in Paragraph 6 highlights details of the planned follow up activity for other areas awaiting a progress report.

6. Significant issues arising in 2014-15

From the work undertaken during 2014-15, there were no instances of unsatisfactory responses to key control issues raised in internal audit reports by the end of the year. There are occasions when audit recommendations are not accepted for operational reasons such as a manager's opinion that costs outweigh the risk, but none of these are significant and require reporting or escalation at this time. It is particularly noteworthy to report that after follow up there were no high-risk recommendations outstanding at the year-end.

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

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

Area Under Review	Original Assurance (Date to G. Cttee)	Progress Report
Safeguarding Children and Vulnerable Groups	Limited Dec. 2014	Quarter 2 of 2015-16

7. Overall Conclusion

The Internal Audit function provided by the EKAP has performed well against its targets for the year. Clearly there have been some adjustments to the original audit plan for the year 2014-15, however, this is as expected and there are no matters of concern to be raised at this time.

It is a requirement of s.151 of the Local Government Act 1974 for the Council to maintain an 'effective' internal audit function, when forming my opinion on the Council's overall system of control, I need to have regard to the amount of work which we have undertaken upon which I am basing my opinion.

From the work undertaken the EKAP assesses the overall system of internal control in operation throughout 2014-15 as providing reasonable assurance. No system of control can provide absolute assurance, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance that there is an ongoing process for identifying, evaluating and managing the key risks.

AUDIT ASSURANCE

Definition of Audit Assurance Statements

Substantial Assurance

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

Reasonable Assurance

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

Limited Assurance

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

No Assurance

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

Performance Against the Agreed 201-15 Audit Plan

Dover District Council

Review	Original Planned Days	Revised Planned Days	Actual days to 31-03-2015	Status and Assurance Level
FINANCIAL SYSTEMS:				
Car Parking & PCNs	10	10	10.21	Finalised - Reasonable
Creditors and CIS	10	10	7.43	Work-in-Progress
Income	10	10	8.47	Work-in-Progress
RESIDUAL HOUSING SYSTEMS:				
HRA Business Plan	10	0	0	Postponed
GOVERNANCE RELATED:				
Asset Management	10	0	0	Postponed
Anti-Money Laundering	5	5	4.84	Finalised - Substantial
Fraud Resilience Arrangements	10	0	0	Postponed
Complaints Monitoring	10	10	10.24	Finalised - Reasonable
Partnerships and Shared Service Monitoring	10	0	0.17	Postponed
Corporate Advice/CMT	2	2	6.15	Finalised for 2014-15
s.151 Meetings and support	9	9	10.53	Finalised for 2014-15
Governance Committee Meetings and Reports	12	12	12.92	Finalised for 2014-15
2015-16 Audit Plan Preparation and Meetings	9	9	12.53	Finalised for 2014-15
CONTRACT RELATED:				
CSO Compliance	10	31	31	Finalised - Reasonable
Receipt and Opening of Tenders	6	0	0.17	Postponed
SERVICE LEVEL:				
Safeguarding Children & Vulnerable Groups	10	15	14.28	Finalised - Limited
Community Safety	10	0	0	Postponed
Pest Control	10	10	3.69	Finalised - Reasonable
Towards a Digital Future	18	18	18.31	Finalised
HMO Licensing	10	10	7.3	Finalised - Reasonable
Land Charges	10	0	0	Postponed
Building Control	10	0	0	Postponed

Review	Original Planned Days	Revised Planned Days	Actual days to 31-03-2015	Status and Assurance Level
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	0.59	Finalised for 2014-15
Follow-up Work	17	17	14.78	Finalised for 2014-15
UNPLANNED WORK				
DES Review – Property Services	0	10	10.75	Finalised
FINALISATION OF 2012-13 AUDITS				
Planning	5	40.96	11.54	Finalised – Substantial/Limited
Tackling Tenancy Fraud			7.72	Finalised
Payroll			4.72	Finalised - Reasonable
Main Accounting System			0.47	Finalised - Substantial
Homelessness			11.51	Finalised – Substantial/Limited
Employee BIKs			1.23	Work-in-Progress
Car Parking Income			6.94	Finalised
EK HUMAN RESOURCES				
Absence Management	5	5	8.16	Work-in-Progress
Payroll	5	0	0	See above
Employee Allowances & Expenses	5	5	0	Work-in-Progress
Days Over Delivered in 2013-14	-	-9.04	-	Allocated
TOTAL -	270	260.96	259.64	99.49%

**Performance against the Agreed 2014-15
East Kent Housing Audit Plan**

Review	Original Planned Days	Revised Planned Days	Actual days to 31-03- 2015	Status and Assurance Level
Planned Work:				
Audit Ctte/EA Liaison/Follow-up	8	8.5	10.02	Finalised for 2014-15
Finance & ICT Systems	10	0	0	Postpone until 2015-16
Tenant Health & Safety	17	30	27.93	Finalised - Limited
Void Property Management.	15	18	0	Postpone until 2015-16
Sheltered Housing	30	0	0.2	Postpone until 2015-16
Finalisation of 2013-14 Audits:				
Leasehold Services	0	21	23.73	Finalised - Limited
Rent Collection and Debt Management	0	2.5	2.36	Finalised - Reasonable
Days under delivered in 2013-14	0	0.32	-	Allocated
Unplanned Work:				
CSO Compliance	0	0	16.42	Work-in-progress
Total	80	80.32	80.66	100.42%

**Performance against the Agreed 2014-15
East Kent Services Audit Plan**

Review	Original Planned Days	Revised Planned Days	Actual days to 31-03 - 2015	Status and Assurance Level
Planned Work:				
Housing Benefits Admin & Assessment	15	15	14.80	Completed - Substantial
Housing Benefits Payments	15	16	16.14	Completed - Substantial
Council Tax	30	16	16.72	Completed - Substantial
Customer Services	15	15	15.51	Completed - Substantial
ICT File Controls / Data Protection / Back ups	12	12	18.11	Completed - Reasonable
ICT Internet & Email	12	18	17.64	Completed - Reasonable
ICT Physical & Environment	12	17	20.23	Completed - Reasonable
Corporate/Committee/follow-up	9	10	15.37	Finalised for 2014-15
DDC / TDC HB reviews	40	40	34.51	Finalised for 2014-15
ICT SAM Procurement	0	11	11.60	Completed -Reasonable
Finalisation of 2013-14 audits:				
Housing Benefit Verification	0	5	4.59	Completed
Reviews Carried Over from 2013-14	0	16	15.74	Completed
Days under delivered in 2013-14	31.15	0	0	Allocated
Total	191.15	191.15	200.94	105.12%



AUDIT PARTNERSHIP

Balanced Scorecard

<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 4		Reported Annually		
Chargeable as % of available days	87%	80%	• Cost per Audit Day	£286.65	£312.86
Chargeable days as % of planned days			• Direct Costs (Under EKAP management)	£366,677	£392,980
CCC		100%	• Indirect Costs (Recharges from Host)	£11,700	£19,990
DDC	91%	100%	• 'Unplanned Income'	£22,477	Zero
SDC	99%	100%	• Total EKAP cost	£378,377	£412,970
TDC	100%	100%			
EKS	99%	100%			
EKH	105%	100%			
Overall	100%	100%			
Follow up/ Progress Reviews;	99%				
• Issued		-			
• Not yet due	59	-			
• Now due for Follow Up	24	-			
	38				
Compliance with the Public Sector Internal Audit Standards (PSIAS)	Partial	Full			

<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 4			Quarter 4	
Number of Satisfaction Questionnaires Issued;	87		Percentage of staff qualified to relevant technician level	88%	75%
Number of completed questionnaires received back;	30		Percentage of staff holding a relevant higher level qualification	43%	32%
	= 34 %		Percentage of staff studying for a relevant professional qualification	25%	13%
Percentage of Customers who felt that;			Number of days technical training per FTE	4.75	3.5
• Interviews were conducted in a professional manner	100%	100%	Percentage of staff meeting formal CPD requirements	43%	32%
• The audit report was 'Good' or better	100%	100%			
• That the audit was worthwhile.	100%	100%			

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

PSIAS	PSIAS Name	Action Required	Update at June 2015
1110	Organisational Independence	<ul style="list-style-type: none"> Update the Audit Charter to reflect that the Head of Audit has direct access to the Chair of the Audit Committee should this be ever required. Confirm annually that EKAP is organisationally independent. Remind IA Staff of their ethical responsibilities. Ensure the HoA's performance appraisal is reviewed and signed off by Chief Executive and feedback sought from the Chair of the Audit Committee. 	<ul style="list-style-type: none"> Completed Included in Annual Report Team Meetings Considered by the EKAP Client Officer Group May 15
1111	Interaction with the 'Board'	<ul style="list-style-type: none"> Consider the need to meet in private at least annually with the Chair of the Audit Committee. 	<ul style="list-style-type: none"> Proposed for December Meeting annually.
1311	Internal Assessments	<ul style="list-style-type: none"> Improve the internal quality assessment in accordance with the new requirements; specifically to capture more evidence of the assessments done and include budget information in the annual report. 	<ul style="list-style-type: none"> Ongoing
1312	External Assessments	<ul style="list-style-type: none"> Ensure an external assessment is carried out in the next four years. Look into a joint procurement exercise with Kent Audit Group. Establish a champion/sponsor to oversee the process. Agree the approach, scope and budget for the External Assessment with the Audit Committee. 	<ul style="list-style-type: none"> Diarized, discussed at KAG and with Client Officer Group to see how the market develops.
2000	Managing the IA Activity	<ul style="list-style-type: none"> General tidy up on files including ensuring compliance with the Document Retention Scheme and disposal of old files. Investigate how our software APACE can do more for us, including updating the Audit Universe and Risk scores held. Better evidence reasons for over and underspends on time budgets against individual reviews as recorded on APACE. Combine the former Audit Charter and the Strategy, and update the Charter 	<ul style="list-style-type: none"> Raised at Team Meetings New Charter Approved March 2015

Subject:	ANNUAL FRAUD REPORT 2014-15
Meeting and Date:	Governance Committee – 18th June 2015
Report of:	Christine Parker – Head of Audit Partnership
Decision Type:	Non-key
Classification:	Unrestricted
Purpose of the report:	This report provides a summary of the anti-fraud work completed for the year ending 31 st March 2014.
Recommendation:	That Members note the report.

Annual Fraud Report 2014-15.

SUMMARY

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

1.0 INTRODUCTION

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

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

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

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

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

1.5 This report is intended to provide details of the Council's activity in preventing, detecting and investigating fraud and corruption during the 2014-15 financial year.

The report includes action taken in respect of both corporate fraud (acts of fraud within and against the Council) and benefit related fraud.

2.0 Prevention and Detection of Fraud and Corruption

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

2.1 Counter Fraud & Corruption Strategy

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

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

These are public documents which set out the Council's stance on fraud and corruption and providing and outline of its arrangements to prevent, detect and investigate instances. There were no referrals made using the Whistleblowing Policy during 2014/15.

The documents were revised in 2012 and adopted by Council on 25th July 2012 and they are kept under review for relevance. Net Consent and briefing sessions have been used to ensure that all are aware of the policies and strategies and they are available on the Council's internet and intranet web sites. Posters telling staff what to do if they suspect fraud or irregularity are on main noticeboards about the building.

2.2 Housing & Council Tax Benefit Anti-Fraud Policy

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

2.3 Internal Control Arrangements

2.3.1 Induction

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

2.3.2 Training

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

2.3.3 Website

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

2.3.4 Publicity of Successful Prosecutions

The Council is committed to publicising where it has been able to successfully pursue proven cases of fraud. During the 2014-15 year two press releases relating to the Council's detection of fraudulent activity was issued. The publicity provides assurance that the Council does and will deal with such cases effectively, acting both

as a deterrent to those contemplating fraudulent activity, and encouraging those with information to come forward and report this to the Council.

2.3.5 National Fraud Initiative

The Council takes part in the bi-annual National Fraud Initiative (NFI) data matching exercise, comparing computer records held by the Council against other data bases held by other bodies. This results in matches being found requiring further investigation to determine whether it is an error or a potential fraud. In October 2014 the Council submitted data for the 2014-15 NFI exercise, and the matches from the exercise were received in January 2015. A total of 1496 matches were received across 54 reports considering housing benefit, payroll, creditors, housing (including right-to buy), insurance claim and taxi licensing information held by the Council. Of the 1,496 matches, 992 have been closed with no fraud or errors found. There are currently 66 matches being processed with the remainder yet to be investigated. In addition, the Council is participating in the Flexible Matching Service to identify possible single person discount fraud. There were 1,987 matches for investigation and of those 926 have been processed with 293 errors identified. This has resulted in recovery action in the sum of £71,696.22.

2.3.6 Housing Tenancy Fraud

The changes in legislation and new powers are now available to local authorities to both recover housing stock from fraudulent tenants and any rent gained from any sub-letting of a genuine tenancy. The Council will continue to build on working with East Kent Housing to prevent and detect potential housing fraud.

2.3.7 Data Protection

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

3.0 Investigating Fraud

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

3.1 Corporate Fraud & Irregularity Referrals

To ensure the effective use of the skills and resources available to it the Council intends to utilise officers from HR and Internal Audit, and senior managers based on the nature of the allegation and the investigatory skills required. During 2014-15 no referrals were made to the Council.

3.2 Benefit Fraud Referrals

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

The investigation team is reliant on a number of sources for referrals of potential benefit fraud cases. During 2014-15 575 referrals were made to the team, as set out in the table below.

Referral type	No. of Referrals received	No. of referrals Accepted for Formal Investigation
Housing Benefit Matching Service	49	24
Fraud Hotline	143	18
Benefits Staff	272	118
Council staff	26	1
DWP	33	33
Other	32	32
Investigation Team	20	20
575	358	

During 2014-15 358 formal investigations were carried out, a total of 46 sanctions were achieved as follows

Sanction Achieved	Number
Formal Caution	33
Administrative Penalty	5
Successful Prosecution	8
46	

Additionally, through this work, overpayments of £143,631 in Housing Benefit and £12,563 in Council Tax Support were identified during the year.

3.3 Other Investigation Activity

During the year, Internal Audit has not carried out any special investigations for the Council.

4.0 Future Developments in the Fraud Arrangements of the Council

4.1 Fighting Fraud Locally

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

4.2 Assessing Fraud Risk

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

Internal Audit will continue to assess fraud risk to which the Council may be exposed annually as part of the development of the annual internal audit plan.

5.0 Summary

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

Background Papers

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

Resource Implications

There are no financial implications arising directly from this report.

Consultation Statement

Not Applicable.

Impact on Corporate Objectives and Corporate Risks

This report summarises the counter fraud work for the year 2014-15 and sets out the forward look for assessing ongoing fraud risk.

Attachments

None

CHRISTINE PARKER
Head of Audit Partnership

Subject:	ANNUAL GOVERNANCE ASSURANCE STATEMENT 2014/15
Meeting and Date:	Cabinet – 15 June 2015 Governance Committee – 18 June 2015
Report of:	David Randall, Director of Governance
Portfolio Holder:	Councillor Michael Conolly, Portfolio Holder for Corporate Resources and Performance
Decision Type:	Non-Key
Classification:	Unrestricted

Purpose of the report:	To agree the Annual Governance Assurance Statement 2014/15
Recommendation:	To agree the report

1. Summary

- 1.1 Cabinet are asked to accept the Annual Governance Assurance Statement, as recommended by the Corporate Management Team, and authorise the Leader to sign this statement.
- 1.2 Governance Committee is asked to accept the Annual Governance Assurance Statement alongside the 2014/15 Accounts.

2. Introduction and Background

- 2.1 The Accounts and Audit Regulations (England) 2003, as amended by the Accounts and Audit (Amendment England) Regulations 2006, require that the Council conducts at least annually, a review of the effectiveness of its System of Internal Control, and then publishes a statement on internal control within the Annual Governance Assurance Statement.
- 2.2 The statement is to be signed by the Leader and the Chief Executive, having paid due regard to any matters raised by the Section 151 Officer and the Monitoring Officer.
- 2.3 The proposed 2014/15 Statement is attached. Corporate Management Team agreed to its acceptance in May 2015. The statement has been prepared taking into account the following information:
 - The service review work performed by Internal Audit during the year.
 - Internal Audit's review of Corporate Governance arrangements.
 - Assurance Statements produced by individual Directors of Service.
 - The information gathered as a result of risk assessment and management.
- 2.4 The Action plan will be monitored during the year and progress reported to Governance Committee.

3. Identification of Options

3.1 Agree the Annual Governance Assurance Statement including the key actions identified for signature by the Leader and then inclusion in the 2014/15 Accounts.

3.2 Do not agree the Annual Governance Assurance Statement as provided and require further analysis and clarification.

4. Evaluation of Options

4.1 Option 1 is the preferred option.

5. Resource Implications

None.

6. Corporate Implications

6.1 Comment from the Section 151 Officer: Finance have been consulted and have nothing further to add (VB).

6.2 Comment from the Solicitor to the Council: The Solicitor to the Council has been consulted in the preparation of this report and has no further comments to make

6.3 Comment from the Equalities Officer: This report does not specifically highlight any equalities implications however, in discharging their responsibilities members are required to comply with the public sector equality duty as set out in section 149 of the Equality Act 2010 <http://www.legislation.gov.uk/ukpga/2010/15>

7. Appendices

Appendix 1 – Governance Assurance Statement

Appendix 2 – Action Plan – Backward Looking

Appendix 3 – Action Plan – Forward Looking

8. Background Papers

Accounts and Audit Regulations 2003

CIPFA Guidance on Corporate Governance

Contact Officer: David Randall, Director of Governance

Dover District Council

Annual Governance Assurance Statement

1 APRIL 2014 TO 31 MARCH 2015

WHAT WE ARE RESPONSIBLE FOR

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

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

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

THE AIM OF THE GOVERNANCE FRAMEWORK

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

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

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

The governance framework describes what has been in place at Dover District Council for the year ended 31 March 2015 and up to the date of approval of the Council's accounts.

OUR GOVERNANCE FRAMEWORK

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

Our Corporate Plan – This is our main strategic document providing a framework for the delivery of our services and providing context for all the other strategies and plans that we have. The Corporate Plan for 2012-2016 is published and is available on the Council's website. Following the 2015 District Council elections an updated Corporate Plan which continues with the same overall direction of travel is being developed for the period 2015 to 2019.

The following strategic priorities have been identified in the 2012-2016 Corporate Plan:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial procedures and Contract Standing Orders – We have to ensure that we act in accordance with the law as well as various other regulations. We have developed policies and procedures for our officers to ensure that, as far as are possible, they understand their responsibilities both to the Council and to the public. Two key documents are the Financial Procedure Rules and the Contract Standing Orders, which are available to all officers via the Council's Intranet, as well as available to the public as part of the Constitution. The Contract Standing Orders are currently being reviewed and changes will be considered by the Governance Committee during 2015.

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

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

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

In particular, the process includes:

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

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

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

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

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

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

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

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

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

Service Reviews – Delivering Effective Services (DES). The DES group consists of a small number of senior managers, supported by the Corporate Services Team who carry out the following tasks:

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

Digital Service Reviews – CMT agreed in December 2014 a change from the existing format of service reviews to a procedures and systems focus in order to maximise the use of digital technology, to include:

- A redesign the review process to be focused on digital opportunities for services for the medium term and to assess the resources needed to deliver those opportunities;
- Adoption of a digital project approval process.
- Involvement of a business analyst function during the review processes.
- A proactive role in developing the ICT corporate investment requirements for the future which should include both hardware and software developments
- Providing a centralised corporate focus for digital innovation and encourage the use of technology for all services.

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

Land Allocations Local Plan – The Inspector, appointed by the Secretary of State to undertake the Examination of the Land Allocations Local Plan completed his examination and concluded that the submitted Land Allocations Local Plan could be made sound subject to a schedule of Main Modifications and Minor Modifications. The Council accepted the Inspector's recommendations and formally adopted the Local Plan in January 2015.

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

Communication and Consultation – Strategies are in place. We have active Twitter and Facebook pages on our website, enabling the Council to communicate effectively with our communities and also enabling members of the public to communicate their views on a wide range of matters.

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

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

Employment Management – The Employment Management Group considers all requests to fill staff vacancies. The group is chaired by the Director of Governance and supported by the Head of Financial Services, Head of Communications and Community and an EK Human Resources Advisor. Their recommendations are considered by the Head of Paid Service who provides the final decision as to which posts can be filled.

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

REVIEW OF EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

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

The Director of Governance has responsibility for:

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

Cabinet has responsibility for:

- All Executive Decisions in respect of functions delegated to it by the Leader of the Council
- Setting robust and challenging targets and
- Monitoring the achievement of key priorities

Scrutiny (Policy and Performance) Committee has responsibility for:

- Scrutiny of budgets and major policies
- Monitoring the achievement of key priorities
- Scrutiny co-ordination

The Governance Committee has a responsibility for:

- Ensuring effective internal audit and internal control arrangements
- Receiving the annual Internal Audit Programme of work
- Receiving quarterly updates from the Head of the Audit Partnership on the assurance which can be placed against various systems and processes during the year
- Reviewing the annual assessment at the year end.
- Receiving the annual review of internal control
- Receiving the annual constitutional review

- Reviewing risk management arrangements
- Receiving Quarterly Treasury Management Reports
- Receiving the Annual Statement of Accounts

Internal Audit:

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

This year's review has involved

Council

The Corporate plan for 2012-2016 was published in 2012. It is currently being updated following the 2015 elections.

Article 15 of the Council's Constitution makes provision for the regular review of the Constitution by the Monitoring Officer. The 2014 review incorporated a number of changes reflecting legislative and organisational change, as well as some format changes intended to make the document more accessible. The key focus of the 2014 review was:

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

Cabinet

Key Executive decisions were considered by the Cabinet, in particular relating to the budget and medium term financial plan, and the delivery of key regeneration priorities.

The Council's Quarterly Performance Report was reviewed quarterly. This examines our performance against agreed performance targets and our key priorities.

Scrutiny

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

The Annual Report of the work of the Scrutiny Committees for 2014/15 was presented to the Annual Council Meeting on 20 May, 2015. This identified sound governance arrangements, including an effective scrutiny process, which underpins the achievement of all the Council's corporate objectives.

Governance Committee

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

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

The Director of Governance and Solicitor to the Council are responsible for ensuring that the Constitution is subject to annual review. This year's review was agreed by the Governance Committee on 2 October 2014 and adopted by Council on 26 November 2014. Several amendments to the Constitution were also agreed by the Governance Committee during the year and these are all documented on our website.

The Annual Report of the work of the Governance Committee for 2014/15 was presented to the Annual Council Meeting on 20 May, 2015. This gave a positive opinion on the system of internal control. The Governance Committee continued to be assured of the integrity and reliability of data held in financial statements. The work undertaken by Internal and External Audit provided detailed assurance on those areas of the Council's work which were the subject of reports.

The assurances from the Director of Finance, Housing and Community, Director of Governance and Director of Environment and Corporate Assets and the work of Internal and External Audit together supported the Committee in forming their opinion of the financial statements, enabling them to agree to sign them off in accordance with the regulations.

The submission of this Annual Report continues to enhance the effective communication

Standards Committee

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

There were no findings against Dover District Council from the Local Government Ombudsman in 2014/15.

Changes adopted by Council in January 2014, included a provision which allows Members to declare non-financial interests. The Model Code of Conduct continues to be regularly reviewed in order to ensure that it remains fit for purpose. The ability to declare a non-financial interest has been welcomed by Members and has been utilised on several occasions to ensure transparency in decision-making.

No Code of Conduct training sessions were held during 2014/15. However, training on the Code of Conduct has been provided in May/June 2015 for new Members following the local elections on 7 May 2015.

During the municipal year 2014/15 there were 44 requests for dispensation relating to the setting of Council Tax and the approval of the Council Budget and Members' Allowances which applied until May 2015.

During 2014/15 the Monitoring Officer received 5 complaints, four cases related to Parish Councillors and one related to a District Councillor. Two cases were subject to further investigation and the Standards Committee Hearing Panel met once in public during 2014/15 to conduct a hearing into a complaint that had been the subject of an investigation.

Review of Internal Audit.

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

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

The Work of Internal Audit.

Based on their work undertaken during the year, the Head of the Audit Partnership considers that there are no major areas of concern, which would give rise to a qualified audit statement regarding the systems of internal control.

The report also considers that the Council can have very good level of assurance in respect of all of its main financial systems and a good level of assurance in respect of the majority of its Governance arrangements.

Many of the main financial systems, which feed into the production of the Council's Financial Statements, have achieved a Substantial assurance level following audit reviews. The report goes on to state that the Council can be very assured in these areas and that this position is the result of improvements to the systems and procedures over recent years and the willingness of management to address areas of concern that have been raised.

There was one audit review where only a limited assurance level was given; 88% of the reviews account for substantial or reasonable assurance on the system of internal control in operation at the time of the review. There were no reviews assessed as having no assurance. During 2014-15 Internal Audit raised and reported to the quarterly Governance Committee meetings 68 recommendations, and whilst 83% were in the High or Medium Risk categories, none were so significant that they needed to be escalated at the time. After follow up there are no high-risk recommendations outstanding at the year-end.

There were no fraud investigations carried out during 2014/15. One other investigation is currently ongoing, on behalf of the Council.

External Reviews

There were no external reviews held this year.

Service Reviews during the Year

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

- Property Services
- Parking Administration
- Housing Options and Private Sector Housing
- Strategic Procurement

Training

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

Members Code of Conduct

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

SIGNIFICANT GOVERNANCE ISSUES DURING THE YEAR

- Local Government Ombudsman. There was one findings of maladministration in the 2014/15 year, relating to noise nuisance emanating from a factory near to the complainants house. The planning condition to prevent noise nuisance for the new development was ineffective.
- Safeguarding Children has been identified as a key issue for the Council. Suitable training is currently being provided for all staff.
- DBS checks required for certain posts to meet our 2015 PSN obligations and the 2016 PSN requirements.
- Transition to Individual Electoral Registration – the Electoral Registration Officer sent out Household Notification Letter (HNL) to targeted households in the District. The HNL included details of all of the registered electors in the household and advised residents how to make changes including the availability of online registration. Also included was the individual electors IER status which identifies those that have registered under the new system. This enabled people to ensure their right to vote for the Parliamentary, District and Parish Council elections.
- This Council is a defendant, (as are virtually all District and Unitary Councils), in proceedings brought by a group of Property Search Companies for fees paid to the Council to access land charges data. The first claim has now been settled, a second claim is currently being finalised.

IMPROVEMENTS DURING THE YEAR

- The Council obtained Public Sector Network (PSN) Compliance for 2015. This included IT Equipment, systems and software upgrades to ensure PSN compliance. Staff and members can work safely and securely from any location.
- An East Kent Corporate Information Governance Group has been created to review and improve the information governance arrangements across East Kent
- Health and Safety training has been provided to all Directors and Heads of Service. New Health and Safety Risk Assessments have been produced for all teams across the Council. Each highlights the risk and the mitigated actions being taken to minimise the identified risks.
- Managers have received further training on Data Protection and all staff are required to complete on-line data protection training.
- Members and senior staff have been issued with Ipads, which means that minutes and agendas no longer need to be printed. The payback time is less than 2.5 years.
- A major Constitutional Review of the Scheme of Delegations was concluded in 2014/15. The review proved to be very beneficial to all departments as each director

was directly involved allowing the scheme to be adjusted to meet their needs and understanding.

- Following re-tendering, better insurance cover for the Council at less cost.
- Parliament now sits for a fixed term of five years. The General Election held on 7 May 2015 coincided with the District Council and Parish elections. This was the most complex set of elections held for many years, with a high turnout that impacted on the polling stations and election counts. To successfully deliver these elections efficiently and effectively required the involvement of most Council staff on the day, whilst a significant number of key staff were seconded to election duties, before the date.
- Development of a comprehensive Member induction and training programme to meet the requirements of the Members job description as detailed in the Council's Constitution.

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

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

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

Signature:: _____ Date: 15 June 2015
Councillor Paul Watkins
Leader of the Council

Signature:: _____ Date: 2 June 2015
Nadeem Aziz
Chief Executive

Governance Assurance Statement Action Plan – Backward Looking

Action Description	Evidenced by	Due
The corporate plan to be been kept up to date and any necessary update is published	Corporate plan is up to date and published on the website	31/03/15
The Constitution and Code of Conduct are subject to an annual review and updated where applicable	The constitution has been reviewed and amendments agreed by Council	04/03/15
Service Plans prepared and published for each division	Service plans for the forthcoming year completed and returned to Corporate Services.	31/03/15
Quarterly performance reports all reviewed by Cabinet and Scrutiny.	Performance reports published on the website.	31/03/15
	Performance reports reviewed by Cabinet and Scrutiny as per minutes published on the Website.	31/03/15
Audit reports reviewed quarterly by Governance Committee and follow up reviews undertaken where the audit review show the expected levels of assurance had not been achieved.	Actions in Audit reports followed up	31/03/15
	Quarterly audit reports all reviewed by Governance Committee	31/03/15
Standards Committee have received quarterly reports on the progress of formal service complaints against the Council and lessons learned from those complaints.	Standards committee review progress on all formal complaints quarterly. Reports published on website.	31/03/15
Alleged breaches of the Members' Code of Conduct by District, Town and Parish Councillors are considered by the Monitoring Officer in a timely manner	Breaches of the Member Code of Conduct have been considered by the Monitoring Officer throughout the year.	31/03/15
Audit undertake their annual review of the effectiveness of systems of internal control.	Audit have done their annual review of the system of internal control and the results are built in to their annual report	31/03/15
All service reviews that are planned are undertaken	Service reviews were held during the year as planned and changes implemented.	31/03/15
The actions brought by property search companies are carefully managed and addressed	Land charges actions carefully managed and addressed.	31/03/15
Governance Framework reviewed and any amendments approved.	All amendments approved	31/03/15
The provision for clawback of MMI insurance claims is reviewed and is adequate	MMI provision is as per the MMI annual statement	31/03/15
Employee Code of Conduct Developed	Employee code of conduct is being developed as part of revised Conditions	Ongoing

Action Description	Evidenced by	Due
	of Service and Statement of Particulars for consideration by the General Purposes in 2015/16	
Media Policy completed	A Social Media Policy adopted for Members	28/01/15
Officer Training Plan Developed	Corporate Training Needs agreed and in use	31/03/15

Governance Assurance Statement Action Plan – Forward Looking

Action Description	Evidenced by	Due
The corporate plan to be been kept up to date and any necessary update is published	Corporate plan is up to date and published on the website	31/03/16
The Constitution and Code of Conduct are subject to an annual review and updated where applicable	The constitution has been reviewed and amendments agreed by Council	04/03/16
Business Plans prepared and published for each division	Business plans for the forthcoming year completed and returned to Corporate Services.	31/03/16
Quarterly performance reports all reviewed by Cabinet and Scrutiny.	Performance reports published on the website.	31/03/16
	Performance reports reviewed by Cabinet and Scrutiny as per minutes published on the Website.	31/03/16
Audit reports reviewed quarterly by Governance Committee and follow up reviews undertaken where the audit review show the expected levels of assurance had not been achieved.	Actions in Audit reports followed up	31/03/16
	Quarterly audit reports all reviewed by Governance Committee	31/03/16
Standards Committee have received quarterly reports on the progress of formal service complaints against the Council and lessons learned from those complaints.	Standards committee review progress on all formal complaints quarterly. Reports published on website.	31/03/16
Alleged breaches of the Members' Code of Conduct by District, Town and Parish Councillors are considered by the Monitoring Officer in a timely manner	Breaches of the Member Code of Conduct have been considered by the Monitoring Officer throughout the year.	31/03/16
Audit undertake their annual review of the effectiveness of systems of internal control.	Audit have done their annual review of the system of internal control and the results are built in to their annual report	31/03/16
All digital service reviews that are planned are undertaken	Digital service reviews were held during the year as planned and changes implemented.	31/03/16
The actions brought by property search companies are carefully managed and addressed	Land charges actions carefully managed and addressed.	31/03/16
Governance Framework reviewed and any amendments approved.	All amendments approved	31/03/16
The provision for clawback of MMI insurance claims is reviewed and is adequate	MMI provision is as per the MMI annual statement	31/03/16
Employee Code of Conduct Developed	Employee code of conduct is being developed as part of revised Conditions	31/03/16

Action Description	Evidenced by	Due
	of Service and Statement of Particulars for consideration by the General Purposes in 2015/16	
Officer Training Plan Developed	Corporate Training Needs agreed and in use	31/03/16
Safeguarding Children	Training to be provided for all staff.	25/09/15
Corporate Information Governance	Development of corporate information and security governance policies for East Kent	31/03/16
Audit Panel	Establishment of an Audit Plan in accordance with the regulations	31/12/15



Nadeem Aziz
Chief Executive
Dover District Council
Civic Centre
White Cliffs Business Park
Dover
CT16 3PJ

Grant Thornton UK LLP
Grant Thornton House
Melton Street
London NW1 2EP
T +44 (0)20 7383 5100
www.grant-thornton.co.uk

8 April 2015

Dear Nadeem

Planned audit fee for 2015/16

Before it closed on 31 March 2015, the Audit Commission was asked to set the scale fees for audits for 2015/16. The Commission published its work programme and scales of fees for 2015/16 at the end of March 2015. In this letter we set out details of the audit fee for Dover District Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

The Council's scale fee for 2015/16 has been set by the Audit Commission at £53,685, which compares to the audit fee of £71,580 for 2014/15. The reduction in fees has been enabled by the procurement exercises run by the Commission across both the Local Government and Health sectors.

After the Commission's closure, the 2015/16 work programme and fees will be accessible from the archived Audit Commission website from the National Archives http://webarchive.nationalarchives.gov.uk/*/http://www.audit-commission.gov.uk/ and on the Public Sector Audit Appointments PSAA website psaa.co.uk

The audit planning process for 2015/16, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Chartered Accountants

Member firm within Grant Thornton International Ltd
Grant Thornton UK LLP is a limited liability partnership registered in England and Wales No. 06490307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP
A list of members is available from our registered office.

Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

Scope of the audit fee

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

Value for Money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

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

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and provide feedback in our Audit Findings Report.

Certification of grant claims and returns

The Council's indicative grant certification fee has been set by the Audit Commission at £12,341.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2015	13,421.25
December 2015	13,421.25
March 2016	13,421.25
June 2016	13,421.25
Grant Certification	
December 2016	12,341.00
Total	66,026.00

Outline audit timetable

We will undertake our audit planning and interim audit procedures in November 2015 to February 2016. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit, work on the VfM conclusion and work on the whole of government accounts return will be completed in September 2016.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November 2015- February 2016	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June to Sept 2016	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	Jan to Sept 2016	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	September 2016	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2016	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2016	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2015/16 are:

	Name	Phone Number	E-mail
Engagement Lead	Emily Hill	(0)20 7728 3259	Emily.hill@uk.gt.com
Engagement Manager	Lisa Robertson	020 7728 3341	lisa.e.robertson@uk.gt.com
In Charge Auditor	Neil Robertson	020 7383 5100	neil.a.robertson@uk.gt.com

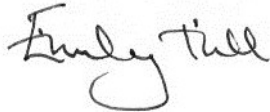
Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Paul Dossett, our Public Sector Assurance regional lead partner Paul.Dossett@uk.gt.com.

Yours sincerely

A handwritten signature in black ink that reads "Emily Hill". The signature is written in a cursive style with a large, looped 'E' and 'H'.

Emily Hill
Engagement Lead

For Grant Thornton UK LLP



The Audit Plan for Dover District Council

Year ended 31 March 2015

April 2015

Emily Hill

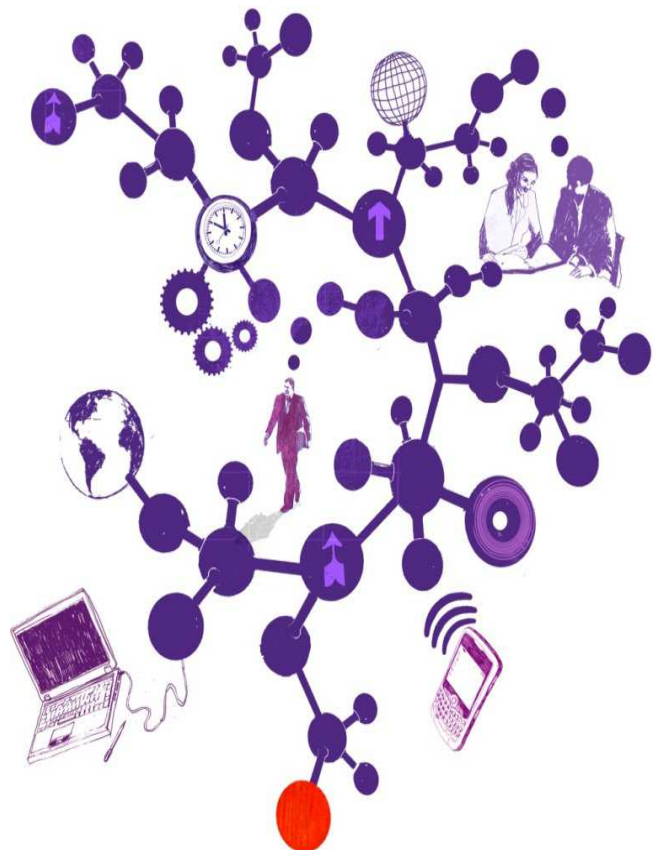
Engagement Lead
T 020 7728 3259
E emily.hill@uk.gt.com

Lisa Robertson

Engagement Manager
T 020 7729 3341
E lisa.e.robertson@uk.gt.com

Neil Robertson

In-Charge Auditor
T 020 7383 5100
E neil.a.robertson@uk.gt.com



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

Contents

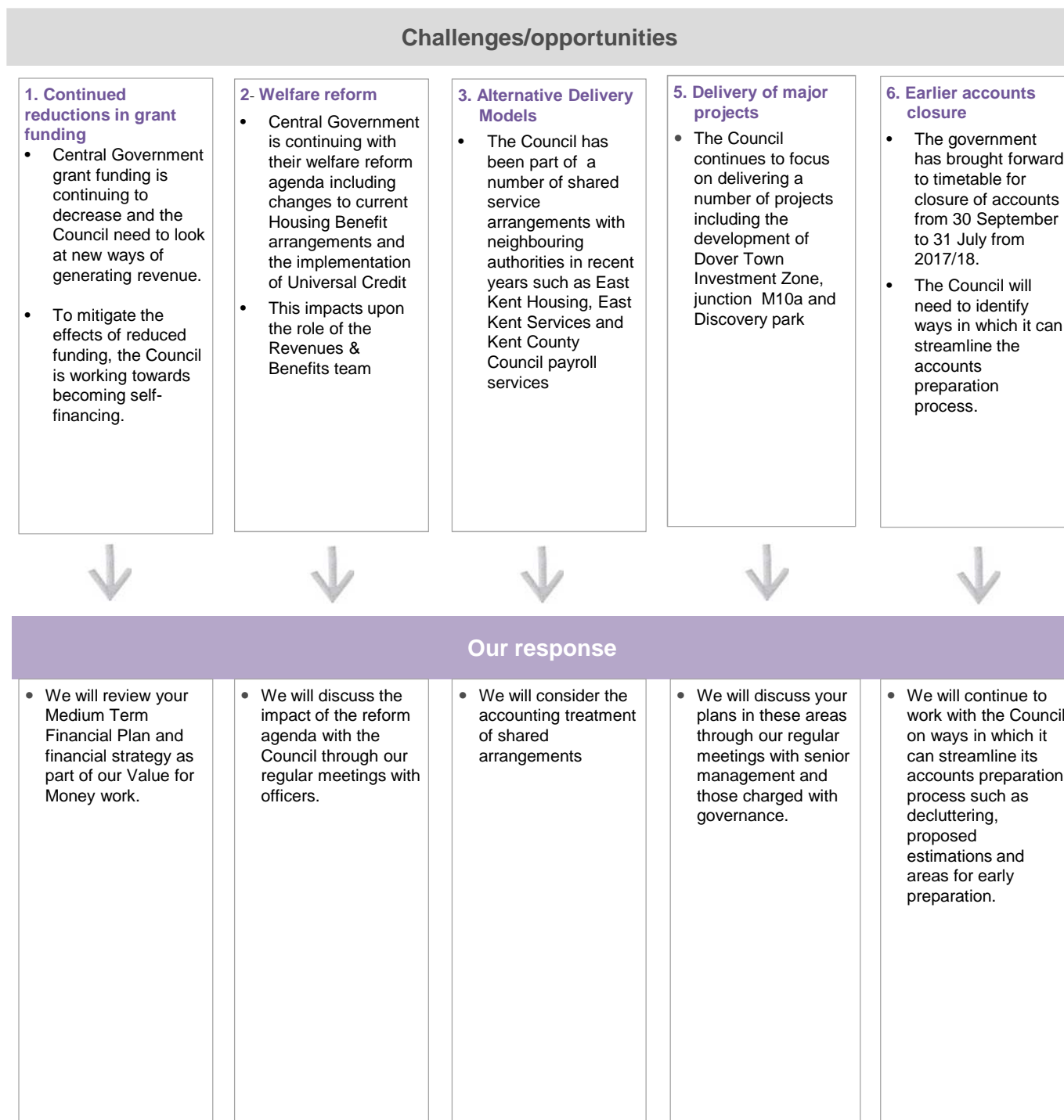
Section

1. Understanding your business
2. Developments relevant to your business and the audit
3. Our audit approach
4. An audit focused on risks
5. Significant risks identified
6. Other risks

7. Value for Money
8. Results of interim work
9. Key dates
10. Fees and independence
11. Communication of audit matters with those charged with governance
12. Appendices

Understanding your business

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



Developments relevant to your business and the audit

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

Developments and other requirements

1. Financial reporting

- Changes to the CIPFA Code of Practice
- Adoption of new group accounting standards (IFRS 10,11 and 12)

2. Legislation

- The Queen's Speech set out the new governments plans for legislation, many of which will effect local authorities
- Local Government Finance settlement

3. Corporate governance

- Annual Governance Statement (AGS)
- Explanatory foreword

5. Financial Pressures

- Managing service provision with less resource
- Progress against savings plans

6. Other requirements

- The Council is required to submit a Whole of Government accounts pack
- The Council completes grant claims and returns on which audit certification is required

Our response

We will ensure that

- the Council complies with the requirements of the CIPFA Code of Practice through discussions with management and our substantive testing
- the group boundary is recognised in accordance with the Code and arrangements are accounted for correctly

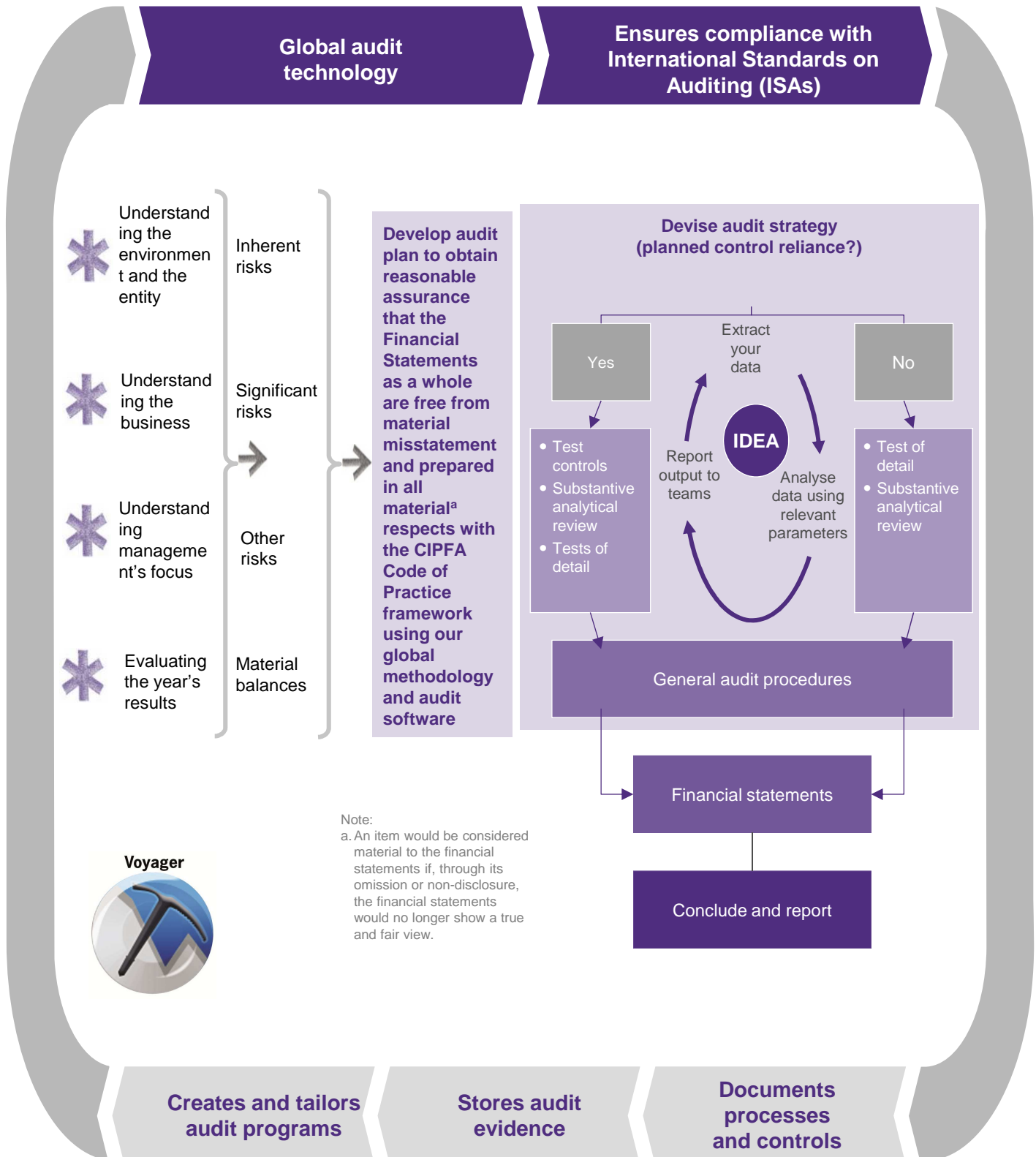
- We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate

- We will review the arrangements the Council has in place for the production of the AGS
- We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge

- We will review the Council's performance against the 2014/15 budget, including consideration of performance against the savings plan
- We will undertake a review of Financial Resilience as part of our VfM conclusion

- We will carry out work on the WGA pack in accordance with requirements
- We will certify the housing benefit subsidy claim in accordance with the requirements specified by Public Sector Audit Appointments Ltd. This company has taken over the Audit Commission's responsibilities for housing benefit grant certification from 1 April 2015.

Our audit approach



Significant risks identified

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

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA(UK&I)240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA(UK&I)240 and the nature of the revenue streams at Dover District Council , we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Dover District Council, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	<p>Under ISA(UK&I)240 the presumption that the risk of management over-ride of controls is present in all entities.</p>	<p>Work completed at interim:</p> <ul style="list-style-type: none"> • Assessment of internal controls in place relating to the posting of journal entries <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions

Other risks identified

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

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

Other risks	Description	Audit Approach
<p>Operating expenses</p>	<p>Creditors understated or not recorded in the correct period</p> <p>(Operating expenses understated)</p>	<p>Work already performed :</p> <ul style="list-style-type: none"> • We have Identified the system controls and walked through the operating expense system. • We have begun early substantive testing on a sample of operating expenses from months 1 – 9 <p>Work planned:</p> <ul style="list-style-type: none"> • Testing the reconciliation of operating expenditure recorded in the general ledger to the subsidiary systems and interfaces. • Cut off testing to assess whether transactions are recorded in the correct period • Complete substantive testing on a sample of operating expenses for months 10-12 • Substantive testing of year end payable balances • Procedures to gain assurance that material goods and services received prior to the year are correctly accrued for
<p>Employee remuneration</p>	<p>Employee remuneration accruals and expenses are understated</p> <p>(Remuneration expenses not correct)</p>	<p>Work already performed :</p> <ul style="list-style-type: none"> • We have Identified the system controls and walked through the payroll system. • We have begun the substantive testing of payroll payments for months 1 – 10 <p>Work planned:</p> <ul style="list-style-type: none"> • Testing the reconciliation of payroll expenditure recorded in the general ledger to the subsidiary systems and interfaces • Trend analysis and risk identification for monthly payroll costs • Finish the substantive testing of payroll payments for months 11-12, assessing whether payments are made in accordance with the individual's contract of employment and deductions are correctly calculated • Testing to confirm the completeness of payroll transactions and appropriate cut-off

Other risks identified (Cont.)

Other risks	Description	Audit Approach
Welfare Expenditure	Welfare benefit expenditure improperly computed	<p>Work already performed :</p> <ul style="list-style-type: none"> • We have met with the Revenues and Benefits operations manager to set up the arrangements for the performance of welfare benefits testing. • We have identified the system controls and walked through the housing rents system • We have performed the testing of the Housing Benefit system parameters. <p>Work planned:</p> <ul style="list-style-type: none"> • We will complete the remaining testing required by the DWP which include performance of an analytical review and BEN01 certification. This will involve the selection of samples of welfare benefit expenses from across the year, for which the benefit payable will be recalculated to determine whether the amount paid was in accordance with DWP guidelines and welfare legislation. • Testing the reconciliation of the Housing Benefit system to the general ledger
Housing Rent Revenue Account	Revenue transactions not recorded	<p>Work already performed :</p> <ul style="list-style-type: none"> • We have Identified the system controls and walked through the housing rents system. <p>Work planned:</p> <ul style="list-style-type: none"> • Agreement of housing rents system to the general ledger • Agree general ledger to subsidiary rents ledger (if appropriate) • Rental income cut-off tests • Detailed analytical review and proof in total.

Value for money

Value for money

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

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

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

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

- review the Council's arrangements for securing financial resilience for 2014/15 and for future periods, through review of the medium term financial plan including the assumptions made; and
- review the 2014/15 financial performance.

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

Results of interim audit work

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

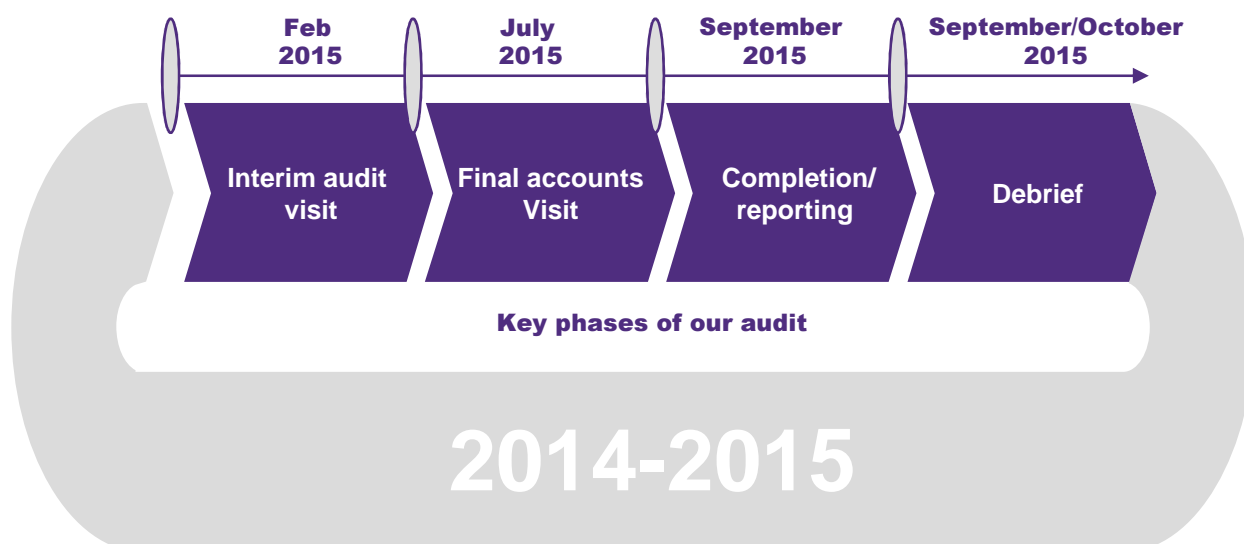
	Work performed and findings	Conclusion
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Walkthrough testing	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any significant issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p> <p>However, a number of minor issues have been identified as raised within the action plan at Appendix 1 to this report.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>

Results of interim audit work cont'd

	Work performed	Conclusion
Review of information technology controls	Our information systems specialist performed a high level review of the general IT control environment in 2013/14 with no issues arising. We have updated our understanding of the IT control environment, as part of the overall review of the internal controls system.	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>However it was noted that there was a deficiency in the authorisation of journals, due to changes in the approach this year. This risk has been minimised by quarterly review of actuals vs budget and by the segregation of duties controls in place.</p> <p>We will be undertaking detailed testing on journal transactions recorded within the financial year, by extracting 'unusual' and large entries for further review.</p>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p> <p>See Appendix A for recommendation on journal processes.</p>
Early substantive testing	We have begun early substantive testing of operating expenses for months 1 – 9 and payroll expenditure for months 1-10.	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.
Follow up of 2013/14 account recommendations	<p>We have discussed progress against the recommendations made in our 2013/14 audit findings report.</p> <ul style="list-style-type: none"> - Ensure bank reconciliation up to date - Detailed working papers from valuer to confirm not materially different from fair value for assets not revalued - Review and clear LOBO account variance 	<p>Our work identified that all areas are in progress by the Council. Staff pressures have particularly impacted on the bank reconciliation with the latest reconciliation completed at June 2015 being March 2015.</p> <p>See Appendix A for recommendation on bank reconciliation timing.</p>
Value for money	We have completed the initial risk assessment to inform our Value for Money conclusion.	We will report any significant findings arising from this work to the Audit and Governance Committee in our Audit Findings Report.

Key dates

The audit cycle



Date	Activity
16 February 2015 – 27 February 2015	Planning site visit
07 April 2015 – 17 April 2015	Interim site visit plus early testing
18 June 2015	Presentation of audit plan to the Governance Committee
20 July 2015 – 07 Aug 2015	Year end fieldwork
28 August 2015	Audit findings clearance meeting with Director of Finance
24 September 2015	Report audit findings to those charged with governance
30 September 2015	Sign financial statements opinion

Fees and independence

Audit Fees

	Fees £
Council audit	£71,580
Grant certification	£22,040
Total fees (excluding VAT)	£93,620

Our fee assumptions include:

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

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited, as the successor to the Audit Commission in this area.
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services.'

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

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

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

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

Communication of audit matters with those charged with governance

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

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

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

Respective responsibilities

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

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

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

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

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

Appendices

Appendix A - Matters noted at interim

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

#	Matters	Priority	Management response	Implementation date & responsibility
1	The Council should ensure the bank reconciliation is kept up to date on a monthly basis and any on-going variances are cleared.	Medium	Due to staffing pressures, there has been a delay in progress to bring the bank reconciliation up-to-date. Work is on-going to achieve this and will be resolved by final accounts time.	Finance July 2015
2	The Council should consider how they assure themselves over journals, with the removal of the requirement to authorise all journals in 2014/15. This includes monthly or quarterly reviews considering exception reporting parameters i.e. large items, those processed by inexperienced or unusual staff members, those processed outside usual hours etc	Medium	The authorisation of all journals was seen as impractical and not working as an effective control.	Finance July 2015



© 2015 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

grant-thornton.co.uk



Dover District Council Governance Committee Update

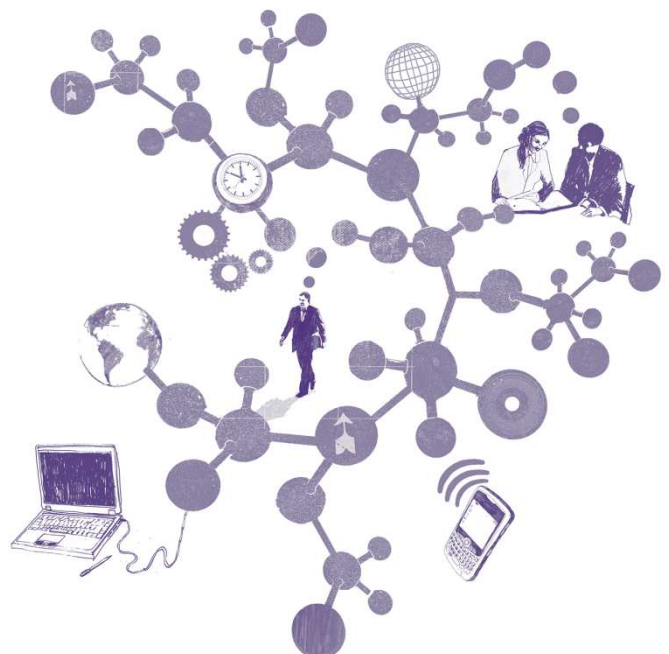
Year ended 31 March 2015

June 2015

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

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

Neil Robertson
In-charge Auditor
T 020 7383 5100
E neil.a.robertson@uk.gt.com



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

Contents

Section	Page
Introduction	4
Progress at March 2015	5
Emerging issues and developments	
Grant Thornton	7
Accounting and audit issues	9

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:

- Welfare Reform – Easing the Burden
- All aboard? our local government governance review 2015
- Stronger futures: development of the local government pension scheme
- 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	June 2015	The Audit Plan will be presented to the Governance Committee alongside this update paper.
<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	June 2015	The findings from our interim visit are included in the audit plan which will be presented to the Governance Committee alongside this update paper.
<p>2014-15 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2014-15 financial statements • proposed opinion on the Council's accounts. 	July 2015 - August 2015	Not yet due	The findings will be provided in our Audit Findings Report, to be presented to the September Governance Committee.

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>The audit plan, presented to the Governance Committee alongside this update paper, includes details of our planned audit work on the vfm conclusion.</p> <p>The findings will be reported in our Audit Findings Report, to be presented to the Governance 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 Audit Plan was presented to the Governance Committee in March 2015.</p> <p>Initial testing will be completed to support the work on the financial statements by end September 2015. Additional testing arising from the results of the initial testing will be agreed with officers to ensure that this can be completed before 30 November 2015 submission deadline.</p>
<p>Other activity undertaken</p> <p>Since our last committee: Since the last Governance Committee:</p> <ul style="list-style-type: none"> • We have invited officers to our tax seminar • We have circulated our recent thought leadership documents on Welfare Reform and LA trading companies 	-	-	<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.

Welfare Reform – Easing the Burden May 2015

Grant Thornton

Our second annual review of local government governance is available at <http://www.grant-thornton.co.uk/Global/Easing-the-burden-welfare-reform-report.pdf>

It follows on from last years report, 'Reaping the benefits', and looks at:

- the impact of reform on the strategy and finances of local authorities and their partners
- the extent to which the impact of the reforms on welfare recipients has had direct consequences for local authorities and housing associations
- examples of best practice
- high level recommendations for local authorities and housing associations.

For the local authorities and housing associations surveyed the key impact of welfare reform to date includes:

The cumulative effect of various welfare reforms is putting a significant financial strain on those needing support - the majority of local authorities and housing associations in the survey had seen a rise in average council tax and rent arrears since 2012/13, which they attributed at least partly to welfare reform.

Bedroom tax and benefit cap reforms have not been as effective as planned - Reforms to housing benefit have led to increased movement to smaller properties, but generally less than 10% of those affected have moved. A shortage of smaller properties for people to move to plays a key role in this.

Local authorities are relying on DHP to plug the gap for those unable to pay - Ninety-five per cent of local authorities think that recipients of DHP allocations are either wholly or partly dependent on DHP to avoid homelessness in the longer term. Any proposed reduction in DHP funding from central government is therefore likely to result in further increases to rent arrears and homelessness in the next two years, unless mitigated by other means.

The cost of administering housing benefit has risen as a result of welfare reform - Following reform, 47% of local authorities and 51% of housing associations surveyed said housing benefit is significantly more costly to administer, partly due to the increased complexity of cases

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

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.



© 2015 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

grant-thornton.co.uk

Subject: **APPOINTMENT OF EXTERNAL AUDITORS AND AN AUDITOR PANEL – LOCAL AUDIT AND ACCOUNTABILITY ACT 2014**

Meeting and Date: **Governance Committee – 18 June 2015**

Report of: **David Randall, Director of Governance**

Classification: **Unrestricted**

Purpose of the report: To advise members on the new arrangements for the appointment of External Auditors and the need for the creation of an Auditor Panel, which must have a majority of independent members.

Recommendation:

1. That the Committee notes the issues arising for this Council from the provisions of the Local Audit and Accountability Act 2014.
2. That the Committee accepts that a joint arrangement for the formation of an auditor panel and for the subsequent procurement of external audit services as described in Option 1 is further pursued by this Council
3. That the Director of Finance, Housing and Community and the Director of Governance are authorised to pursue negotiations with Kent authorities and to report their findings to the next meeting of the Committee.

1. Summary

1.1 The Local Audit and Accountability Act 2014 received Royal Assent last year and has been brought into force on various dates since. It brings about changes to the external audit regime for local authorities. This paper sets out the issues arising for Members' consideration, in particular relating to the future appointment of External Auditors and the need to form an Auditor Panel.

2. Background

Local Audit and Accountability Act 2014

2.1 The Local Audit and Accountability Act 2014 abolishes the Audit Commission and (subject to transitional provisions) repeals the Audit Commission Act 1998. Its aim, as stated in DCLG guidance, is to give local bodies the freedom to appoint their own auditors from an open and competitive market and to manage their own audit arrangements, with appropriate safeguards to ensure independence.

2.2 The new local arrangements for the appointment of auditors are expected to start after the Commission's current contracts with audit suppliers end in 2016-17, although this could be later if the contracts are extended to 2019-20. At the moment we are awaiting confirmation that the extension will be granted. We therefore need to be prepared for a procurement process in late 2015 and early 2016.

2.3 This Council is a “relevant authority” within the scope of the Act, being listed in Schedule 2.

2.4 The key accounting and audit obligations will be to:

- Keep adequate accounting records and an annual statement of accounts for years ending 31 March; and
- Have accounts audited in accordance with the Act by a local auditor appointed under the Act.

Local Auditors

2.5 Part 3 of the Act (and Schedule 3) deal with the appointment of local auditors. The key points of interest are:

- Appointments may last for more than one year but a new appointment must be made at least once every five years – this does not prevent the re-appointment of an auditor. An authority may appoint two or more local auditors at once, either acting jointly or separately.
- The auditor(s) must be eligible (under Part 4 and Schedule 5 of the Act) and independent of the body being audited.
- Schedule 3 paragraph 1(3) provides that the auditor(s) must be appointed by the Council.
- Auditors must be appointed by the end of 31st December in the financial year before the financial year which will be covered by the accounts to be audited.
- Section 8 of the Act sets out the procedure for appointing auditors and imposes an obligation to consult and take into account the advice of the auditor panel on the selection and appointment of a local auditor. There is also a requirement to publicise the appointment.

Role of auditor panels

2.6 Section 9 of the Act requires the Council to have an auditor panel whose role is to advise the Authority on:

- The maintenance of an independent relationship with the appointed local auditor(s);
- The selection and appointment of a local auditor;
- Any proposal to enter into an agreement limiting the liability of its auditor(s), if the Council wanted to enter into such an agreement it would be a matter for the full Council.

2.7 The panel’s advice to the Authority must be published.

2.8 Schedule 4 makes more detailed provision about auditor panels. Paragraph 1 provides that the panel must be one of the following:

- An auditor panel specifically appointed as such by the Authority; or

- An auditor panel jointly appointed as such with one or more other authorities; or
- A committee (or sub-committee) of the Authority which meets the specified requirements for auditor panels (see below) and which has agreed to be the Authority's auditor panel. (For this Council, this would mean the Governance Committee. If this Council chose this approach, the constitution of the Governance Committee would need to change to an independent chairman and a majority of independent members.)

2.9 For this Council, the appointment of the auditor panel is a matter for the full Council.

Constitution of auditor panels

2.10 Paragraph 2 of Schedule 4 of the Act deals with the constitution of auditor panels. It has been amended by the Local Audit (Auditor Panel Independence) Regulations 2014 which inserted a revised definition of "independence".

2.11 An auditor panel must consist of a majority of (or wholly of) independent members, and must be chaired by an independent member.

2.12 The amendments to Paragraph 2 of Schedule 4 of the Act make specific provision relating to the Council. Paragraph 2 (6B) of Schedule 4 of the Act now provides that a member of its auditor panel cannot be "independent" as required if (s)he has been a:

- Member or officer of the Council within the previous five years; or
- Member or officer of another relevant authority, or an officer or employee of another entity, where the other relevant authority or entity is "connected with" the Council.

2.13 Other categories of person who are excluded from being independent members are those "connected with" current/prospective auditors; relatives or close friends of members/officers of relevant authorities and connected authorities and entities; and persons who have entered into contracts with the authority.

2.14 The definition of "connected entities" is set out at paragraph 8 of Schedule 4. It provides that an entity is connected with a relevant authority at any time if the Authority considers that, in accordance with proper practices in force at that time, the:

- Financial transactions, reserves, assets and liabilities of the entity are to be consolidated into the Authority's statement of accounts for the financial year in which that time falls;
- Authority's share of the entity's financial transactions, reserves, assets and liabilities is to be consolidated into the Authority's statement of accounts for that financial year; or
- Authority's share of the net assets or liabilities of the entity, and the profit or loss of the entity, are to be brought into the Authority's statement of accounts for that financial year.

Best value inspections

2.15 Schedule 10 of the Act deals with "best value inspections" and transfers the power (previously held by the Audit Commission) to order an inspection to the Secretary of

State for Communities and Local Government. In practice this is likely to mean that the auditors will no longer be required to give an opinion on the “best value” arrangements of a council, as they do annually at present.

- 2.16 It is not clear to what extent the Secretary of State is likely to order such inspections, or who would be asked to undertake them. However, it is reasonable to assume that they are likely to be the exception rather than the norm.

Abolition of the Audit Commission

- 2.17 As noted above, the Audit Commission ceased to function on 31 March 2015. The table below summarises the arrangements which will be in place from 1 April 2015 for Audit Commission functions.

Audit Commission function	Destination
Audit contracts	Transitional body (see below)
Certification work (Housing Benefit only)	Transitional body
VFM profiles tool	Transitional body
Code of Audit Practice and technical guidance	National Audit Office
VFM studies	National Audit Office
National Fraud Initiative	Cabinet Office
Counter-fraud	CIPFA
Corporate governance inspections	Secretary of State for Communities and Local Government

- 2.18 A transitional body has been established by the Local Government Association (LGA) as a private company. This company is called Public Sector Audit Appointments (PSAA) PSAA will operate between 2015 and 2017 (or to 2020 if any of the current contracts are extended by DCLG) and will:

- Appoint auditors from 1 April 2015;
- Set fees from 2016-17; and
- Monitor compliance and quality issues.

Note: Article 6(2) of the Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015 allows during the transitional period that section 7 of the Audit Commission Act 1988 (which deals with the setting of fees) is kept ‘alive’ but the functions under it are delegated by the Minister to PSAA

- 2.19 It is expected that local authorities will either join a collective procurement vehicle or establish their own auditor panels with a view to commencing procurement in late 2015 ready for appointment by December 2016 and operation from the 2017-18 financial year.

3. Options for Consideration

- 3.1 In line with the arrangements in place at other local authorities, the Council's current external audit contract (with Grant Thornton) runs to 2016-17 with the possibility of extension to 2019-20. However, it is appropriate that this Council begins to address the issues arising from the new external audit regime. The specific issues for consideration are the structure and appointment of the Auditor Panel and the procurement of the service:
- 3.2 Option 1. The Council could seek to form a joint auditor panel and a joint procurement arrangement with neighbouring authorities (this could be with East Kent Authorities or could be wider to cover the whole of Kent) so that there is a single auditor panel and single external audit contract for the entire area (however defined). This would aim to take advantage of better purchasing power and provide a more attractive offer for the external auditor bidders. This is particularly important as local authority audit is a specialised activity. The market for this service may develop, but we should not assume it will, and at present, only the larger accounting firms have the experience and specialist staff to undertake the work. These firms would be unlikely to seek work for one or two isolated districts, and then procurement could be problematic. In contrast a contract for Kent or the south east (as at present) would be more attractive and would potentially maintain economies of scale.
- 3.3 At the present time, our external auditors, Grant Thornton provide the service across all of Kent. There may be some additional bureaucracy associated with creation and management of a joint auditor panel, although it would avoid the need for each body to source its own independent members. In reality the panel is unlikely to meet very often and the governance arrangements once established should be relatively easy to manage. This approach would require delegations from (or feasibly to) this Council from other Councils to form a lead authority for the appointment of the panel and for future governance and procurement purposes. There would also need to be joint arrangements in place to introduce and manage an allowance scheme for the panel.
- 3.4 Option 2. Alternatively, the Council could form its own auditor panel and undertake its own procurement arrangements. This approach if replicated elsewhere, could lead to the panels in each authority in Kent, with associated administration and governance to create and maintain each panel. Procurement would then be undertaken for this Council, the small size of the audit contract may not be attractive to the bidders, who in reality are likely to be from the bigger accounting firms. This approach raises the question as to whether there is an available and willing source of independent members across Kent to appoint to numerous auditor panels, recognising that there will need to be a majority of independent members, including the chair on the panel and the panel will have limited responsibilities and in reality will meet infrequently, and will be dealing with an area that is to some degree specific to local authorities. If the Council was to choose this approach, it is suggested that the auditor panel should be formed of three independent members and two district councillors. Three or more district councillors would mean that the panel would be treated as a committee of the Council and impact on the political balance rules. It is also suggested that the auditor panel doesn't become a committee or sub-committee of the Council (i.e. becoming the Governance Committee).
- 3.5 Option 3. The Council could have a hybrid of options 1 and 2. It could form its own auditor panel, but seek to procure jointly with neighbours, either within East Kent or with the wider Kent authorities. This would allow the Council's own auditor panel to advise this Council, whilst benefiting from joint procurement as described above. This raises the same question of available and willing independent members as described

above. It also raises the issue of the composition of the panel, it would again be suggested that a 3:2 split is the most suitable arrangement.

4. Preferred Option

4.1 On balance, it would seem sensible to pursue Option 1, initially with our East Kent neighbours. DDC officers have started very early dialogue, but have received no feedback at the time of preparing this report. However, with Member direction and support this can be taken further.

4.2 Whichever option is approved, the full Council will initially need to delegate the interview process to either a committee of Council or a specially formed sub-committee or to officers of the Council or to another Council (if a joint approach is approved). Ultimately Council will be required to approve the auditor panel appointments.

5. Resource Implications

5.1 There will be officer time required to introduce these arrangements. There will be costs associated with advertising and then interviewing for the independent members. Subsequently there will be the cost of an allowance scheme.

6. Corporate Implications

6.1 Comment from the Section 151 Officer: The Director of Finance, Housing and Community has been consulted in the preparation of this report and has no further comments to make (MD).

6.2 Comment from the Solicitor to the Council: The Solicitor to the Council has been consulted in the preparation of this report and has no further comments to make.

6.3 Comment from the Equalities Officer: This report does not specifically highlight any equalities implications however, in discharging their responsibilities members are required to comply with the public sector equality duty as set out in section 149 of the Equality Act 2010 <http://www.legislation.gov.uk/ukpga/2010/15>

6.4 Other Officers (as appropriate):

7. Appendices

None

8. Background Papers

Local Audit and Accountability Act 2014

Contact Officer: David Randall, Director of Governance

Subject: **MODIFICATION OF PRESCRIBED STANDING ORDERS RELATING TO THE DISMISSAL OF STATUTORY OFFICERS**

Meeting and Date: **Governance: 18 June 2015**

Council: 22 July 2015

Report of: **David Randall – Director of Governance and Monitoring Officer**

Decision Type: **Non-Executive**

Classification: **Unrestricted**

Purpose of the report: To modify standing orders relating to the dismissal of statutory officers as required by the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 and to incorporate them within the Council's Constitution.

Recommendation: That the modifications to the Part 1 of the Councils Prescribed Standing Orders, Standing Orders Relating to Staff, be modified as set out in Appendix 2 to this report and be incorporated into the Councils Constitution.

1. Summary

1.1 The government has made legislative changes which require the Council to amend its standing orders insofar as they relate to disciplinary action against and the dismissal of the Council's head of paid service, monitoring officer and chief finance officer. The report identifies the necessary changes and recommends that the Council makes them.

2. Introduction and Background

2.1 Since the Council commenced operating executive arrangements it has been a requirement of the Local Authorities (Standing Orders) (England) Regulations 2001 ('the 2001 Regulations') that the Council makes or modifies standing orders so that they include certain provisions relating to staff and other matters. The Council's Constitution currently incorporates standing orders which comply with the requirements of the regulations.

2.2 The provisions required to be in the standing orders in relation to staff operated so as to require the council to appoint a "designated independent person" before it could discipline or dismiss its head of paid service, monitoring officer or chief finance officer.

2.3 On 25 March, in furtherance of a long standing commitment to do so, the Secretary of State for Communities and Local Government made the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 which will come into force on 11th May 2015 ('the 2015 Regulations'). The 2015 Regulations repeal the provisions of the 2001 regulations insofar as they relate to the appointment of the "designated independent person" and make new provision about the procedure to be followed to dismiss a head of paid service, a monitoring officer or, a chief finance officer. These provisions must be incorporated into the Council's standing orders "no later than the first ordinary meeting of the authority falling after 11th May 2015"

- 2.4 The 2015 Regulations require that before dismissing one of the officers identified above, the Council must appoint a “panel” for the purpose of advising on matters relating to the dismissal of the relevant officer. The Council must invite independent persons who have been appointed under section 28(7) of the Localism Act 2011 to be considered for appointment to the panel, with a view to appointing at least two such persons to the panel. These independent persons are those appointed by the Council in connection with the procedures for dealing with alleged breaches of the Code of Conduct for members.
- 2.5 The Department for Communities and Local Government have issued an explanatory memorandum to the 2015 Regulations which can be viewed at http://www.legislation.gov.uk/uksi/2015/881/pdfs/uksiem_20150881_en.pdf. The section of the document headed “policy Background” cites issues of complexity and expense as the reasons for the legislative changes although it is fair to say that many commentators do not accept this nor, that the new procedures actually address the perceived problems.
- 2.6 The governance consultancy firm Hoey Ainscough Associates Limited working with Wilkin Chapman Goolden solicitors have also produced a useful briefing note which expands on some of the implications of the 2015 regulations. A copy of this is attached as Appendix 1

2. Identification of Options

- 2.1 The requirements of the 2015 Regulations are mandatory insofar as they related to the adoption of the prescribed standing orders and therefore it is not possible to put options before the Council for consideration in this connection.
- 2.2 As will be noted from paragraph 28 of the attached briefing note the Council does have a choice as to whether it appoints a standing panel in pursuance of the standing orders or, whether it only appoints one if and when the need arises.

3. Evaluation of Options

- 3.1 The circumstances giving rise to the need to appoint the panel are likely to occur very infrequently, if at all. It is therefore not proposed that the Council should appoint a standing panel. In the event that one were to be needed, this would be the subject of a report to Council at the time.
- 3.2 There is also a fundamental legal difficulty in attempting to appoint a standing panel and this lies in the need to ensure that the panel is comprised of members who are impartial. The nature of the positions to which the 2015 applies is such that there is a high probability that one or more members will themselves be involved in any disciplinary action whether as instigators of it or, as witnesses. Clearly, any member involved in this capacity could not sit on the panel. Therefore, until a particular issue arises and the circumstances are known, it would not be possible to identify which members could and (more importantly) could not, sit on the panel.

4 Financial impacts for the Council

- 4.1 There are no financial implications

4. Resource Implications

- 4.1. There are no further resource implications

6. Corporate Implications

- 6.1 Comment from the Director of Finance
- 6.2 Comment from Equalities Officer
- 6.3 Comment from the Solicitor to the Council: The Solicitor to the Council has prepared this report and his comments are already incorporated within it

7. Appendices

- Appendix 1 - Briefing note Hoey Ainscough Associates Limited/Wilkin Chapman Goolden solicitors
- Appendix 2 - Modification of Prescribed Standing Orders Relating to Stagg

8. Background Papers

The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015

Contact Officer: Harvey Rudd, Solicitor to the Council (01304) 872321

NOTE ON THE NEW REGULATIONS RELATING TO DISMISSAL OF SENIOR OFFICERS

Background

1. The Government issued new regulations on 25 March 2015 to come into force on 11 May. The Regulations introduce new arrangements for dealing with disciplinary cases involving a council's three statutory officers – the Head of Paid Service, Monitoring Officer and Chief Finance Officer. The new Regulations contain requirements for councils to amend their Standing Orders.
2. Because these three roles are statutory positions with specific roles and personal responsibility to ensure a council acts lawfully and has effective governance in place, they have had specific protection from dismissal under legislation in order to avoid them being scapegoated or victimised by local politicians were they to blow the whistle on impropriety within the authority. This is because the proper discharge of these personal responsibilities can bring the statutory officer into conflict with members of their authority, as their report may conflict with the political objectives of the authority, or indicate misconduct by a particular member.
3. Traditionally, before one of these officers could be dismissed, the council had to appoint a designated independent person (DIP) to carry out an investigation into the circumstances. The DIP was appointed on agreement between the council and the officer concerned, although if no agreement could be reached on the individual the Secretary of State had reserve powers to impose a DIP. The council could then only take disciplinary action in accordance with the DIP's report and recommendation.
4. The Secretary of State regarded this as a cumbersome and expensive process and wished to make it easier and cheaper for such officers to be dismissed where the council believed there had been significant misconduct or poor performance. He had therefore been consulting on draft regulations to streamline the arrangements and in particular remove the need for the DIP.
5. Concerns had been expressed by local government, however, that it was important to continue to provide some form of protection so that chief officers could not be dismissed purely because of political differences or for speaking uncomfortable truth unto power.
6. The new Regulations therefore seek to introduce a new streamlined procedure while attempting to retain some sort of independent check within the system. This is broadly done by giving the 'independent person' (IP) appointed to support the members' conduct framework a role in the disciplinary process for chief officers.
7. However, the regulations do raise a number of issues, both about the role of the IP and the way the process would work more generally, which remain to be clarified. This paper therefore summarises our initial understanding of the new process and some of the issues councils will need to consider. These Regulations do not stand alone but need to be considered in conjunction with wider provisions relating to local authority governance and any local process will have to have regard to general principles of employment law as well as any contractual employment agreements, so we should stress that these views below are only preliminary views and may be amended after further analysis.

The new process – in brief

8. The Regulations introduce new mandatory standing orders which all councils will have to put into their constitution to replace arrangements relating to the previous framework.

9. In brief, from now on, only the full council can dismiss one of the three statutory officers. Previously the decision could have been delegated to a committee or to the Head of Paid Service.
10. Before considering such action, the council must set up a panel whose role will be to give views, advise and make recommendations to the full council. The council must invite independent persons to sit on this panel. The panel must be appointed at least 20 working days before the relevant meeting of full council.

Issues – the independent person on the panel

11. There is no statutory minimum or maximum number of IPs that the council must appoint with regard to member misconduct issues. Some councils only have one, others have more than one.
12. Under the officer disciplinary process, the panel must invite at least two IPs to be on the panel, but can invite more. It is worth noting that the Regulations say the IP must be invited, but there is no obligation on any IP to take up the invitation, nor is there anything which would prevent the panel sitting if the IPs did not attend.
13. IPs are to be invited in a particular order. First priority is to be given to an IP appointed by the council who is also an elector in that council's area. If that proves insufficient numbers or the invite is refused, the council should invite any other IP it has appointed. And finally, it can then approach IPs from other authorities.

Issues – composition of the panel

14. The covering letter from DCLG accompanying the Regulations describes the panel as an 'independent panel'. In fact the Regulations state that it is to be a panel drawn from the council in accordance with the Local Government Act 1972 which means that it has to comply with certain legal requirements.
15. As by law it is an advisory panel under s102(4) of that Act, this can indeed be a panel consisting solely of independent (non-elected) members appointed for that purpose, which would meet the Government's stated aim of an 'independent panel'. However, there is nothing to say this has to be the case. It could also include elected members – and indeed if no IP takes up the invitation it would have to be made up of elected members.
16. If the Panel includes elected members then the political proportionality rules will apply to any elected members on the Panel, unless the Council votes to waive the proportionality requirements. In considering the composition of any Panel the principles of natural justice and employment law considerations would need to be borne in mind.
17. By virtue of s13 (3) and (4) of the Local Government and Housing Act 1989 IPs who are appointed to an advisory panel have the right, alongside any elected members to vote on matters at that panel. This differs from the IP's role in relation to member conduct issues, where they are there simply to give views rather than to make decisions and have no voting rights.
18. Incidentally, that would mean that any IP appointed to such an advisory panel would be considered a co-opted member with voting rights, and hence would become subject to the code of conduct under the Localism Act, including the requirements to register and declare DPs.
19. There is no upper limit placed on the membership of the panel, although by convention a panel should always consist of a minimum of three members. Although there is no obligation to invite more than two IPs, if the panel consists of wholly independent appointees, three IPs would have to attend. Otherwise, there must be at least one elected member alongside two IPs.

Issues – how would the panel carry out its considerations?

20. Inevitably the business of the panel relates to employment law and contractual matters. So, while there is no requirement for HR expertise on the panel, they would clearly need to have access to proper legal and HR advice to help their deliberations.
21. There is also no requirement specified as to what they are to consider. However, it is likely if they are to consider whether a dismissal can be justified, they would have to consider the outcome of an investigation or at the very least hold a hearing on the matter in hand. This is not least because employment law and existing contractual terms and conditions would still apply to the operation of the panel.
22. Regardless of the contractual provisions for a DIP in the JNC Chief Officer conditions of service, employment lawyers will be very familiar with the tests of employer reasonableness set out in sections 98(4) of the Employment Rights Act 1996. Whether the council's dismissal of a statutory officer will be regarded as fair or unfair by the Employment Tribunal will be determined by the circumstances (including the size and administrative resources of the council) and whether it acted reasonably. *Iceland Frozen Foods v Jones* [1982] IRLR 439 remains the leading case on the test to be applied. It is likely to be unfair to dismiss unless a reasonable and sufficient investigation into the alleged misconduct has been carried out, including the provision of an opportunity to explain.
23. Previously, the investigation was done by the DIP. The Government implies the guarantee of independence provided by the DIP has been replaced by the independence of the IP. Yet it seems unlikely that the expectation is that the IP would carry out any investigation, as that is not their role, so there will still need to be some sort of investigator appointed to provide evidence for the panel to consider.
24. It must be remembered that the panel is not the ultimate decision-making body – it is merely there in turn to advise the full council – so its procedures will need to reflect this.
25. That said, unless and until JNC terms and conditions are amended any procedure would need to comply with these contractual obligations. In particular, the JNC terms refer to the need for there to be an investigation committee to consider the findings of an independent investigation, and for there also to be an appeals committee. We would consider the advisory panel to meet the requirements for an investigating committee even though it is merely making recommendations rather than a final decision, but councils will need to consider how the need for any appeals committee would be met.
26. When the matter is referred to full council, it must have regard to any views, advice or recommendations made by the panel as well as the findings of any investigation and any representations made by the officer concerned.

What the council needs to do

27. These changes to standing orders come into force on 11 May. Councils must therefore adopt these changes at their first ordinary council meeting after that date. At the risk of sounding trite an ordinary meeting would be any meeting which is not 'extraordinary' under schedule 12 para 3 of the 1972 Act. Hence the annual meeting would be classed as an ordinary meeting.
28. Councils will need to decide whether they wish to create a standing panel or not. In any case, they should agree what the composition of any panel they might need to set up in future should be and agree procedural rules for the panel in case it needed to be convened in the future, to avoid future arguments about arrangements at a time when sensitivities would be likely to be high.
29. The Regulations also allow an allowance to be paid to any IPs appointed to the panel. Councils should consider now what those allowances might be and how they are incorporated into any existing

allowances IPs might currently be getting. The Regulations say this allowance cannot be more than the

allowance paid to the IP for their 'member conduct' role. While this is not entirely clear, the implication does seem to be they can receive two separate allowances – one for this role and one for the member conduct role, provided the allowance for this role does not exceed that paid for the member conduct role.

Implications and considerations for IPs

30. IPs will need to be aware of the implications of these Regulations for their role. Chief officer dismissals can arise in a number of circumstances – where serious misconduct has been found, where there has been serious performance issues or occasionally where there has been a breakdown in relations between the officer and politicians. This last scenario will always prove the most contentious as officers can only be dismissed where there are clear grounds to do so under employment law.
31. In particular therefore IPs will need to think how they would carry out their role where the issue arises from a breakdown in relationships. They will need clear guidance on relevant and irrelevant factors they will need to consider.
32. While the Regulations say that IPs have to be invited to participate, it does not appear that they have to accept the invitation. If IPs decline the invitation, it seems clear that the council will have discharged its duty by inviting them so can proceed in their absence. IPs will therefore need to consider the grounds on which they would/would not accept the invitation.
33. As with their role in dealing with member conduct issues, the IP role here appears to be above all that of a guarantor of independence and due process. Even though they are part of the panel, unlike with member conduct issues where they merely give views to the relevant panel, it is not the panel which is the final decision-making body. IPs will therefore need to consider how they would fulfil their role on the panel and, in particular, how they would make representations if they disagree with conclusions reached by the councillors on the panel, particularly where they think the conclusions have been influenced by political rather than employment considerations, or if they do not believe that full council has properly taken the panel's views into consideration.
34. As their role is similar to their role in terms of member conduct, albeit they would have voting rights, we see no need to consider recruiting IPs with different mindsets or skillsets. They will not need to be employment law experts but merely able to reach an independent view based on evidence presented.
35. An IP would become bound by the code of conduct and related statutory obligations were they to become members of the panel and will therefore need to be reminded of their obligations when they do so.

A final reminder

35. Such cases are of course, thankfully, very rare. The most important role for an IP will remain in relation to member misconduct and that should be the main emphasis when recruiting and training IPs. This will simply be an additional duty which they will need to be aware of, but may never be called upon to exercise.

Note prepared by

PAUL HOEY AND NATALIE AINSCOUGH, HOEY AINSCOUGH ASSOCIATES LTD and JONATHAN GOOLDEN, WILKIN CHAPMAN LLP

2 APRIL 2015

Prescribed Standing Orders

The following Standing Orders shall be known as 'Prescribed Standing Orders' and shall form part of the Council's Standing Orders.

Part I

Standing Orders relating to Staff

1. Appointment of Chief Officers

Where the Council proposes to appoint a Chief Officer, and it is not proposed that the appointment be made exclusively from among its existing officers, it shall:

- (1) draw up a statement specifying:
 - (a) the duties of the Officer concerned, and
 - (b) any qualifications or qualities to be sought in the person to be appointed;
- (2) make arrangements for the post to be advertised in such a way as is likely to bring it to the attention of persons who are qualified to apply for it; and
- (3) make arrangements for a copy of the statement mentioned in paragraph (1) to be sent to any person on request.
- (4) Where a post has been advertised as provided in paragraph (2) the Council shall:
 - (a) interview all qualified applicants for the post, or
 - (b) select a short list of such qualified applicants and interview those included on the short list.
- (5) Where no qualified person has applied, the Council shall make further arrangements for advertisement in accordance with paragraph (2).
- (6) The steps under paragraphs (1) to (5) above may be taken by a Committee, Sub-Committee or Chief Officer of the Council if duly authorised in that behalf.
- (7) Every appointment of a Chief Officer shall be made by the Council, unless made by any duly authorised Committee or Sub-Committee of the Council, or a relevant joint Committee.
- (8) Where the duties of a Chief Officer include the discharge of functions of two or more local authorities in pursuance of Section 101(5) of the Local Government Act 1972:
 - (a) the steps under paragraphs (1) to (5) above may be taken by any duly authorised joint committee of those authorities, a sub-committee of

Amended April 2015

that committee or a chief officer of any of the authorities concerned,
and

- (b) any chief officer may be appointed by such a duly authorised joint committee, a sub-committee of that committee or a committee or sub-committee of any of those authorities
- (9) Excluded from the application of paragraphs (1) to (5) shall be any appointment in pursuance of Section 9 (assistants for political groups) of the Act.

(Note: Any word or phrase contained within this standing order shall, if such word or phrase is given a meaning by the Local Authorities (Standing Orders) Regulations 1993, have that same meaning for the purposes of this standing order.)

2. **Disciplinary Action**

(1)

- (1) A relevant officer may not be dismissed by the Council unless the procedure set out in Schedule 3 to the Local Authorities (Standing Orders) (England) Regulations 2001 is complied with.

(Note: In this standing order "relevant officer" means the chief finance officer, head of the Council's paid service or monitoring officer as the case may be.

3. **Executive Arrangements**

(1) In this Standing Order:

"the 1989 Act" means the Local Government and Housing Act 1989;

"the 2000 Act" means the Local Government Act 2000;

"disciplinary action" has the same meaning as in the Local Authorities (Standing Orders) (England) Regulations 2001;

"executive" and "executive leader" have the same meaning as in Part 1A of the 2000 Act;

"member of staff" means a person appointed to or holding a paid office or employment under the authority; and

"proper officer" means the Head of East Kent Human Resources Partnership or his or her nominee.

- (2) Subject to paragraphs (3) and (7), the function of appointment and dismissal of, and taking disciplinary action against, a member of staff of the authority

Amended April 2015

must be discharged, on behalf of the authority, by the officer designated under section 4(1) of the 1989 Act (designation and reports of head of paid service) as the head of the authority's paid service or by an officer nominated by him or her.

- (3) Paragraph (2) shall not apply to the appointment or dismissal of, or disciplinary action against:
- (a) the officer designated as the head of the authority's paid service;
 - (b) a statutory chief officer within the meaning of section 2(6) of the 1989 Act (politically restricted posts);
 - (c) a non-statutory chief officer within the meaning of section 2(7) of the 1989 Act;
 - (d) a deputy chief officer within the meaning of section 2(8) of the 1989 Act, or
 - (e) a person appointed in pursuance of section 9 of the 1989 Act (assistants for political groups).
- (4) (1) Where a committee, sub-committee or officer is discharging, on behalf of the authority, the function of the appointment of an officer designated as the head of the authority's paid service, the authority must approve that appointment before an offer of appointment is made to that person
- (2) Where a committee, sub-committee or officer is discharging, on behalf of the authority, the function of the dismissal of an officer designated as the head of the authority's paid service, as the authority's chief finance officer, or as the authority's monitoring officer, the authority must approve that dismissal before notice is given to that person
- (3) Where a committee or a sub-committee of the authority is discharging, on behalf of the authority, the function of the appointment or dismissal of any officer referred to in sub-paragraph (a), (b), (c) or (d) of paragraph (3), at least one member of the executive must be a member of that committee or sub-committee.
- (5) (1) In this paragraph, "appointor" means, in relation to the appointment of a person as an officer of the authority, the authority or, where a committee, sub-committee or officer is discharging the function of appointment on behalf of the authority, that committee, sub-committee or officer, as the case may be.
- (2) An offer of an appointment as an officer referred to in sub-paragraph (a), (b), (c) or (d) of paragraph (3) must not be made by the appointor until:
- (a) the appointor has notified the proper officer of the name of the person to whom the appointor wishes to make the offer and

Amended April 2015

- any other particulars which the appointor considers are relevant to the appointment;
- (b) the proper officer has notified every member of the executive of the authority of:
- (i) the name of the person to whom the appointor wishes to make the offer;
 - (ii) any other particulars relevant to the appointment which the appointor has notified to the proper officer; and
 - (iii) the period within which any objection to the making of the offer is to be made by the executive leader on behalf of the executive to the proper officer; and
- (c) either:
- (i) the executive leader has, within the period specified in the notice under sub-paragraph (b)(iii), notified the appointor that neither he or she nor any other member of the executive has any objection to the making of the offer;
 - (ii) the proper officer has notified the appointor that no objection was received by him or her within that period from the executive leader; or
 - (iii) the appointor is satisfied that any objection received from the executive leader within that period is not material or is not well founded.
- (6) (1) in this paragraph, "dismissor" means, in relation to the dismissal of an officer of the authority, the authority or, where a committee, sub-committee or another officer is discharging the function of dismissal on behalf of the authority, that committee, sub-committee or other officer, as the case may be.
- (2) Notice of the dismissal of an officer referred to in sub-paragraph (a), (b), (c) or (d) of paragraph (3) must not be given by the dismissor until:
- (a) the dismissor has notified the proper officer of the name of the person who the dismissor wishes to dismiss and any other particulars which the dismissor considers are relevant to the dismissal;
 - (b) the proper officer has notified every member of the executive of the authority of –
 - (i) the name of the person who the dismissor wishes to dismiss;

Amended April 2015

- (ii) any other particulars relevant to the dismissal which the dismissor has notified to the proper officer; and
 - (iii) the period within which any objection to the dismissal is to be made by the executive leader on behalf of the executive to the proper officer; and
 - (c) either:
 - (i) the executive leader has, within the period specified in the notice under sub-paragraph (b)(iii), notified the dismissor that neither he or she nor any other member of the executive has any objection to the dismissal;
 - (ii) the proper officer has notified the dismissor that no objection was received by him or her within that period from the executive leader; or
 - (iii) the dismissor is satisfied that any objection received from the executive leader within that period is not material or is not well founded.
- (7) Nothing in paragraph (2) shall prevent a person from serving as a member of any committee or sub-committee established by the authority to consider an appeal by:
 - (a) another person against any decision relating to the appointment of that other person as a member of staff of the authority; or
 - (b) a member of staff of the authority against any decision relating to the dismissal of, or taking disciplinary action against, that member of staff.

DOVER DISTRICT COUNCIL

GOVERNANCE COMMITTEE – 18 JUNE 2015

EXCLUSION OF THE PRESS AND PUBLIC

Recommendation

That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the remainder of the meeting for the remainder of the business on the grounds that the item(s) to be considered involve the likely disclosure of exempt information as defined in the paragraph of Part 1 Schedule 12A of the 1972 Act set out below:

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

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

Agenda Item No 17

Document is Restricted