

# Public Document Pack



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11 March 2020

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 19 March 2020 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 [democraticservices@dover.gov.uk](mailto:democraticservices@dover.gov.uk).

Yours sincerely

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

Chief Executive

Governance Committee Membership:

S S Chandler  
D Hannent (Chairman)  
J P Haste  
S J Jones  
J Rose  
C A Vinson (Vice-Chairman)  
P Walker

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 - 6)

To confirm the attached Minutes of the meeting of the Committee held on 21 January 2020.

5 **TREASURY MANAGEMENT QUARTER THREE REPORT 2019/20** (Pages 7 - 21)

To consider the attached report of the Head of Finance and Housing.

6 **QUARTERLY INTERNAL AUDIT UPDATE REPORT** (Pages 22 - 54)

To consider the attached report of the Head of Audit Partnership (East Kent Audit Partnership).

7 **INTERNAL AUDIT CHARTER AND DRAFT INTERNAL AUDIT PLAN 2020-21**  
(Pages 55 - 79)

To consider the attached report of the Head of Audit Partnership (East Kent Audit Partnership).

8 **INTERNAL AUDIT STANDARDS SELF-ASSESSMENT** (Pages 80 - 84)

To consider the report of the Head of Audit Partnership (East Kent Audit Partnership).

9 **EXTERNAL AUDIT PLAN** (Pages 85 - 100)

To consider the attached report of external audit, Grant Thornton.

10 **REVIEW OF MEMBER CODE OF CONDUCT ARRANGEMENTS** (Pages 101 - 123)

To consider the attached report of the Monitoring Officer.

11 **ANNUAL GOVERNANCE ASSURANCE STATEMENT ACTION PLAN UPDATE**  
(Pages 124 - 127)

To consider the attached report of the Head of Governance.

**Access to Meetings and Information**

- Members of the public are welcome to attend meetings of the Council, its Committees and Sub-Committees. You may remain present throughout them except during the consideration of exempt or confidential information.
- All meetings are held at the Council Offices, Whitfield unless otherwise indicated on the front page of the agenda. There is disabled access via the Council Chamber entrance and a disabled toilet is available in the foyer. In addition, there is a PA

system and hearing loop within the Council Chamber.

- Agenda papers are published five clear working days before the meeting. Alternatively, a limited supply of agendas will be available at the meeting, free of charge, and all agendas, reports and minutes can be viewed and downloaded from our website [www.dover.gov.uk](http://www.dover.gov.uk). Minutes will be published on our website as soon as practicably possible after each meeting. All agenda papers and minutes are available for public inspection for a period of six years from the date of the meeting.
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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 Tuesday, 21 January 2020 at 6.01 pm.

Present:

Chairman: Councillor D Hannent

Councillors: J P Haste  
S J Jones  
C A Vinson  
P Walker

Officers: Strategic Director (Corporate Resources)  
Head of Finance and Housing  
Head of Governance  
Head of Audit Partnership (East Kent Audit Partnership)  
Deputy Head of Audit Partnership (East Kent Audit Partnership)  
Democratic Services Officer

21 APOLOGIES

An apology for absence was received from Councillor J Rose.

22 APPOINTMENT OF SUBSTITUTE MEMBERS

There were no substitute Members appointed.

23 DECLARATIONS OF INTEREST

There were no declarations of interest made by Members.

24 MINUTES

The Minutes of the meeting of the Committee held on 26 September 2019 were approved as a correct record and signed by the Chairman.

25 QUARTERLY INTERNAL AUDIT UPDATE REPORT

The Deputy Head of Audit Partnership (East Kent Audit Partnership) (EKAP) introduced the Quarterly Internal Audit Update report to the committee which provided a summary of the work completed by the EKAP since the last meeting of the committee.

There had been 6 internal audit assignments completed; two achieved substantial assurance, two concluded a split reasonable/limited assurance, and one reasonable assurance. EKS/Civica Housing Benefits Quarterly Testing for quarters 1 and 2 2019/20 were also completed and an assurance level was not applicable. Members' attention was drawn to the audit conclusion at paragraph 2.6.3 and advised that the two periods referenced were quarters 1 and 2 respectively.

In addition, four follow up reviews had been completed during the period. Both East Kent Housing – Tenant Health and Safety (Gas Safety) and East Kent Housing – Tenant Health and Safety (Legionella) had received an improved revised assurance level after follow up. Following its original reasonable/limited assurance, Waste Management and Street Cleansing gave rise to reasonable assurance after follow-

up. EKAP were confident the reporting system had been put right and the contractors were no longer advised of when spot checks would take place. More vigorous and effective inspection regimes were in place Members were encouraged by the improved assurance. It was essential to have robust management of the contractor and to monitor the service's performance data in the forthcoming months.

RESOLVED: That the report be noted.

## 26 TREASURY MANAGEMENT QUARTER TWO REPORT 2019/20

The Head of Finance and Housing introduced the Treasury Management Quarter Two 2019/20 report to the Committee. It was reported that the Council's investment return for the period to September 2019 was above the benchmark by 2.42%. Due to the decision to withhold investing in further pooled funds due to the uncertainty around Brexit and the political and global economic climate, the forecast interest and dividends income for the year was slightly below the original budget. Members discussed the current low interest rate and the budget estimate for the forthcoming year, which was comparable to 2019/20.

The Council had remained within its Treasury Management guidelines and complied with the Prudential Code guidelines during the period.

RESOLVED: That the report be noted.

## 27 ANNUAL COMPLAINTS REPORT

The Head of Governance presented the Annual Complaints report which provided Members with the number of complaints received through the corporate complaints process for each service provided by the Council for the financial years 2018/19 and 2019/20.

Members' attention was drawn to appendix 1 of the report and were advised that the complaints received for Governance and Housing Options services had decreased and should have read -4 and -6 respectively. Whilst thirty-four complaints were received for Council Tax and NNDR for the period 1 April to 31 December 2019, (and which appeared high in comparison to other services) for the number of service users this was proportionally low.

The Head of Governance verbally updated Members on the outcomes of the six complaints that had escalated to the Local Government Ombudsmen and would provide this within future reports as well as further detail and context of the complaints.

RESOLVED: That the report be noted.

The meeting ended at 6.57 pm.

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<b>Subject:</b>	<b>TREASURY MANAGEMENT QUARTER THREE REPORT 2019/20</b>
<b>Meeting and Date:</b>	<b>Governance Committee – 19 March 2020</b>
<b>Report of:</b>	<b>Helen Lamb – Head of Finance and Housing</b>
<b>Portfolio Holder:</b>	<b>Councillor Stephen Manion – Portfolio Holder for Finance and Governance</b>
<b>Decision Type:</b>	<b>Non-Key Decision</b>
<b>Classification:</b>	<b>Unrestricted</b>

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**Purpose of the report:** To provide details of the Council's treasury management for the quarter ended 31 December 2020 (Q3) and an update of activity to date.

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**Recommendation:** That the report is received.

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## 1. Summary

- 1.1 The Council's investment return for the period to December was 3.03% (annualised), which outperformed the benchmark<sup>1</sup> by 2.37%. The total forecast interest and dividends income for the year £1,678k, which is £146k less than the original budget estimate of £1,824k. This reduction is due to deciding not investing anything further in pooled investment funds.
- 1.2 The Council has remained within its Treasury Management guidelines and has complied with the Prudential Code guidelines during the period.

## 2. Introduction and Background

- 2.1 CIPFA (the Chartered Institute of Public Finance and Accountancy) issued the revised Code of Practice for Treasury Management in November 2011; it recommends that members should be updated on treasury management activities at least twice a year, but preferably quarterly. This report therefore ensures this council is implementing best practice in accordance with the Code.
- 2.2 Council adopted the 2019/20 Treasury Management Strategy (TMS) on 6th March 2019 as part of the 2019/20 Budget and Medium-Term Financial Plan.
- 2.3 In order to comply with the CIPFA code referred to above, a brief summary is provided below, and Appendix 1 contains a full report from the Council's Treasury Management Advisors, Arlingclose.
- 2.4 Members are asked to note that in order to minimise the resource requirements in producing this report, Arlingclose's report has been taken verbatim. Treasury advisors generally use a more journalistic style than is used by our officers, but in order to avoid changing the meaning or sense of Arlingclose's work, this has not been edited out.

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1 The "benchmark" is the interest rate against which performance is assessed. DDC use the 3 month London Inter-Bank Bid Rate or LIBID, as its benchmark, which was 0.67 at the end of the quarter.

### 3. Economic Background

- 3.1 The report attached (Appendix 1) contains information up to the end of December 2019; since then we have received the following update from Arlingclose (in italics). Please note that any of their references to quarters are based on *calendar* years:

*“Main points since December:*

- I. The global economic outlook has rapidly deteriorated with the escalation and spread of coronavirus (COVID-19) to all regions and concerns over its scale and longevity. The economic shock is affecting both supply and demand sides of economies through disruption to trade; containment efforts by governments, corporates and individuals and the damage to sentiment could halve global growth from 2.9% to 1.5% in 2020 (OECD), with a worst-case scenario of a sharper contraction and global recession.*
- II. Central banks have already responded in the US, Canada and Australia with interest rate cuts. Outgoing Bank of England Governor has commented the Bank’s response will be “powerful and timely” and we expect the MPC to deliver two 0.25% reductions in quick succession, the first imminently at an emergency meeting this month.*
- III. The government will outline its public spending intentions in the March Budget and undertake substantial fiscal loosening in 2020/21. The Chancellor is now also expected to announce a package of measures to ease COVID-19’s pressure on the health service, consumers and businesses. Nevertheless, activity will also hinge on COVID-19’s global economic damage and outcome.*
- IV. Chinese activity remains impaired despite a slowdown in cases. As one of the main drivers of global economic growth and its integral position in many global supply chains, a persistent downturn in its economy is having a global spill-over and wide-ranging ramifications.*
- V. The UK economy is likely to face issues with supply, due to the global impact on supply chains, and demand, as individuals travel less frequently for both work and leisure. Economic growth will therefore be weak for H1 2020.*
- VI. Prior to the virus, the more stable political environment had prompted a partial return in business and household confidence, and a bounce in economic activity and inflation. Whether this can be maintained or at least returned to during this year depends on the extent and duration of the virus impact.*
- VII. Coronavirus has rapidly become the major source of economic uncertainty arising from disrupted global supply, falling demand and the effects of containment measures by governments and households.*
- VIII. Arlingclose expects the MPC to deliver two 0.25% cuts in Bank Rate in quick succession, the first at an emergency meeting this month. The downside risk is for Bank Rate to fall to zero.*
- IX. The Chancellor is expected to likely announce additional fiscal measures in the March Budget to directly address COVID-19’s impact on the health service, individuals and companies. Other governments will do likewise.*

- X. *Gilt yields could fall further, perhaps into negative territory, and remain low in the near term due to the pessimistic UK and global economic outlooks and damage to sentiment from coronavirus.*

#### 4. **Annual Investment Strategy**

4.1 The investment portfolio, as at the end of December 2019, is attached at Appendix 2. Total balances held for investment and cash-flow purposes were £55.4m, decreasing to £51m at the end of February (see Appendix 4). The increase reflects normal cash-flow fluctuations arising from the timing of 'major preceptor' payments, which are made over twelve months, while the Council Tax receipts that fund them typically come in over the ten months to January and then decline.

4.2 As at 31 December 2019, the Council's investment portfolio totalled £50m an increase of £2m (see Appendix 2). Cashflow funds were higher than anticipated (£5.4m at 31 December 2019). A further £2m has been investing in the KAMES Capital pooled investment fund in the quarter.

4.3 Cashflow funds have since decreased (to £1m at 29 February 2020) due to normal cashflow fluctuations. Short term borrowing will be used to cover fluctuations in the cash flow requirements as needed, instead of holding excess funds in call accounts.

#### 5. **New Borrowing**

5.1 The Council's borrowing portfolio is attached at Appendix 3. At the end of December 2019, the Council had £12 million in short term loans with other Local Authorities as part of the Council's strategic cash management objectives.

#### 6. **Debt Rescheduling**

6.1 At this time, it is not considered of benefit to the Council to undertake any further rescheduling of its long-term debt.

#### 7. **Compliance with Treasury and Prudential Limits**

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

#### 8. **Appendices**

Appendix 1 – Arlingclose Treasury Management Report for Quarter Three 2019/20

Appendix 2 – Investment portfolio as at 30 December 2019

Appendix 3 – Borrowing portfolio as at 30 December 2019

Appendix 4 – Investment portfolio as at 29 February 2020

#### 9. **Background Papers**

Medium Term Financial Plan 2019/20 – 2022/23

Contact Officer: Dani Loxton, extension 42285

## Treasury Management Report Q3 2019/20

### Introduction

In March 2012 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Authority to approve treasury management semi-annual and annual reports. This quarterly report provides an additional update.

The Authority's treasury management strategy for 2019/20 was approved at a meeting on 6<sup>th</sup> March 2019. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.

The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Authority's Capital Strategy, complying with CIPFA's requirement, was approved by full Council on 6<sup>th</sup> March 2019.

### External Context

**Economic background:** The headline rate of UK Consumer Price Inflation remained unchanged in November 2019 at 1.5% year-on-year, the same as October 2019, as accommodation services and transport continued to pull the level of inflation below the Bank of England target of 2%. Labour market data remained positive. The ILO unemployment rate continued to hold at historic lows at 3.8%, its lowest level since 1975. The 3-month average annual growth rate for pay excluding bonuses rose to 3.5% in November 2019 providing some evidence that a shortage of labour is supporting wages. However, adjusting for inflation this means real wages were only up by 0.9%.

The Quarterly National Accounts for Q3 GDP showed the UK economy expanded by 0.4% following the 0.2% contraction in Q1. Construction rebounded by 1.2%, reversing the fall of the same magnitude in the previous quarter, while growth in the services sector was up 0.5%, beating the 0.1% gain in Q2. Production increased by a more modest 0.1% and agriculture fell 0.1%. On an annual basis, GDP growth continued to fall further below its trend rate, slipping to 1.1% from 1.2%.

Politics continued to play a major role in financial markets over the period as the UK's progress negotiating its exit from the European Union together with its future trading arrangements has driven volatility, particularly in foreign exchange markets. Following the General Election in December, the new government will now progress with achieving Brexit on 31st January 2020, but the subsequent limited Brexit transitional period, which the government is seeking to enforce, will result in continuing economic uncertainty.

The Bank of England maintained Bank Rate to 0.75% in December following a 7-2 vote by the Monetary Policy Committee. Despite keeping rates on hold, MPC members did confirm that if Brexit uncertainty drags on or global growth fails to recover, they are prepared to cut interest rates as required. Moreover, the downward revisions to some of the growth projections in the Monetary Policy Report (formerly the Quarterly Inflation Report) suggest the Committee may now be less convinced of the need to increase rates even if there is a Brexit deal.

The fallout from the US-China trade war continued and is likely to drag on global growth in 2020, however it has been reported that Phase I of the deal will be signed at the White House on 15<sup>th</sup> January. The US economy continued to perform relatively well compared to other developed

nations; however, the Federal Reserve started to unwind its monetary tightening through 2019. The Fed has cut rates three times to 1.5% - 1.75%, to stimulate growth as GDP continued to slow.

Slow economic growth in Europe continued and Christine Lagarde took control as the head of the European Central Bank. In her first announcement as ECB chief, Ms Lagarde confirmed that the bank would continue to provide the monetary support needed to bring euro area inflation back towards target.

**Financial markets:** Financial markets adopted a more risk-on approach over the quarter as equities rallied in expectation of ongoing monetary stimulus from central banks. The Dow Jones ended the 2019 calendar year up 22%, while the FTSE 100 and FTSE 250 jumped on the UK general election result with the former gaining 12% during 2019 and the latter around 25%.

Gilt yields remained volatile over the period. From 0.28% at the end of September, the 5-year benchmark gilt rose to 0.60% by the end of December. There were rises in the 10-year and 20-year gilts over the same period, with the former climbing from 0.48% to 0.82% and the latter from 0.88% to 1.24%. 1-month, 3-month and 12-month SONIA (Sterling Overnight Index Average) bid rates averaged 0.63%, 0.76% and 0.93% respectively over the period.

The US yield curve returned to 'normal' over the period with 2-year ending 2019 at 1.56% and the 10-year at 1.91%. German bunds continued to remain firmly negative with the 10-year ending 2019 at -0.19% with 2 and 5-year securities ending at -0.61% and -0.46% respectively.

**Credit background:** Credit Default Swap (CDS) spreads fell over the quarter. Non-ringfenced bank NatWest Markets plc CDS fell to 50 basis points at the end of December from over 80bp in September, while for the ringfenced entity, National Westminster Bank plc, the spread fell to around 30bp. The other main UK banks, as yet not separated into ringfenced and non-ringfenced from a CDS perspective, traded between 29 and 50bp at the end of the quarter.

Fitch affirmed the UK's AA sovereign rating, removed it from Rating Watch Negative (RWN) and assigned a negative outlook. Fitch then affirmed UK banks' long-term ratings, removed the RWN and assigned a stable outlook. Standard & Poor's also affirmed the UK sovereign AA rating and revised the outlook to stable from negative.

Moody's revised HSBC Bank's outlook to negative from stable as it expects restructuring costs to negatively impact net income over the next year or two.

The Bank of England announced its latest stress tests results for the main seven UK banking groups. All seven passed on both a common equity Tier 1 (CET1) ratio and a leverage ratio basis. Under the test scenario the banks' aggregate level of CET1 capital would remain twice their level before the 2008 financial crisis.

### **Local Context**

On 31<sup>st</sup> March 2019, the Authority had net borrowing of £52m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.19 Actual £000
General Fund CFR	57,865
HRA CFR	71,912
<b>Total CFR</b>	<b>129,777</b>
Less: Usable reserves	(69,514)
Less: Working capital	(7,951)
<b>Net borrowing</b>	<b>52,312</b>

The Authority pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

The treasury management position at 31<sup>st</sup> December 2019 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.19 Balance £000	Movement £000	31.12.19 Balance £000	31.12.19 Rate %
Long-term borrowing	77,999		77,999	
Short-term borrowing	25,794	(10,638)	15,156	
<b>Total borrowing</b>	<b>103,793</b>		<b>91,155</b>	<b>3.36%</b>
Long-term investments	47,496	2,504	50,000	
Short-term investments	4	1	5	
Cash and cash equivalents	3,981	1,379	5,360	
<b>Total investments</b>	<b>51,481</b>	<b>3,884</b>	<b>55,365</b>	<b>3.03%</b>
<b>Net borrowing</b>	<b>(52,312)</b>		<b>(35,790)</b>	

£11.5m of short term borrowing repaid since 31.3.19 and £1.1m repayment made to the HRA self-financing loan in September. The long term investments are valued at their fair value at 31.3.19 for accounting purposes; the adjustment of £504k is added back to the investments for 30.3.19; an additional £2m was invested in pooled investment funds on the 16.12.19. The increase in cash and cash equivalents is due to normal cash flow fluctuations.

#### **Borrowing Strategy during the period**

On 9<sup>th</sup> October 2019 the PWLB raised the cost of certainty rate borrowing by 1% to 1.8% above UK gilt yields as HM Treasury was concerned about the overall level of local authority debt. PWLB borrowing remains available but the margin of 180bp above gilt yields appears relatively very expensive. Market alternatives are currently available and new products will be developed; however, the financial strength of individual authorities will be scrutinised by investors and commercial lenders.

Short-term “local to local” funding is available at around Bank Rate of 0.75% and 1-year money around 1.1%.

At 31<sup>st</sup> December 2019 the Authority held £91.5m of loans, a decrease of £10.6m 31<sup>st</sup> March 2019, as part of its strategy for funding previous years’ capital programmes. Outstanding loans on 31<sup>st</sup> December 2019 are summarised in Table 3 below.

**Table 3: Borrowing Position**

	<b>31.3.19 Balance £000</b>	<b>Net Movement £000</b>	<b>31.12.19 Balance £000</b>	<b>31.12.19 Weighted Average Rate %</b>
Public Works Loan Board	80,293	(1,138)	79,155	3.36%
Local authorities (short-term)	23,500	(11,500)	12,000	0.84%
<b>Total borrowing</b>	<b>103,793</b>		<b>91,155</b>	

The Authority’s chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority’s long-term plans change being a secondary objective.

In keeping with these objectives, no new borrowing was undertaken in the quarter. This strategy enabled the Authority to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

With short-term interest rates remaining much lower than long-term rates, the Authority considered it to be more cost effective in the near term to use internal resources or borrowed rolling temporary / short-term loans instead.

The Authority has an increasing CFR due to the capital programme and an estimated borrowing requirement as determined by the Liability Benchmark which also takes into account usable reserves and working capital.

### **Treasury Investment Activity**

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority’s investment balances ranged between £48.1 and £56.2 million due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.19 Balance £000	Net Movement £000	31.12.19 Balance £000	31.12.19 Income Return %
Banks & building societies (unsecured)	347	3,209	3,556	0.18%
Money Market Funds	3,638	(1,829)	1,809	0.71%
Other Pooled Funds:				
- Short-dated bond funds	7,981	19	8,000	0.99%
- Strategic bond funds	7,908	92	8,000	2.48%
- Property funds	5,834	166	6,000	4.19%
- Multi asset income funds	25,773	2,227	28,000	4%
Other Pooled Funds Sub-Total	47,496	2,504	50,000	
<b>Total investments</b>	<b>51,481</b>	<b>3,884</b>	<b>55,365</b>	

Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Given the increasing risk and low returns from short-term unsecured bank investments, the Authority has diversified into more secure and/or higher yielding asset classes as shown in table 4 above. £50m that is available for longer-term investment was moved from bank and building society deposits in pooled investment funds rather than bank or building society deposits. As a result, investment risk was diversified.

The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking - Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2019	4.86	AA-	100%	1	3.19
31.12.2019	4.98	A+	100%	1	3.16
<b>Similar LAs</b>	4.11	AA-	63%	62	1.75
<b>All LAs</b>	4.11	AA-	60%	28	1.43

£50m of the Authority's investments are held in externally managed strategic pooled funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds generated an average total return of 6.69%, comprising a 3.46% income return which is used to support services in year, and 3.23% of capital growth.

Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment

objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns will exceed cash interest rates. In light of their performance and the Authority's latest cash flow forecasts, investment in these funds has been increased by £2m.

Readiness for Brexit: Following the vote in parliament in favour of Prime Minister Boris Johnson's Brexit Withdrawal Agreement Bill, the UK is fully expected to leave the EU on the scheduled leave date of 31<sup>st</sup> January 2020 and enter into a post-Brexit transition period. The bill would also ban an extension to this transition period which means if a trade deal cannot be reached by 31<sup>st</sup> December 2020 the UK would then be forced to trade with the EU under a no-deal scenario. As this new leave date approaches, the Authority will ensure there are enough accounts open with UK-domiciled banks and Money Market Funds to hold sufficient liquidity and that its Debt Management Account Deposit Facility (DMADF) remains available for use in an emergency.

In November 2019 the Welsh Government published new Statutory Guidance on Local Government Investments to be effective from the 2020/21 financial year. This involves a complete re-write along the lines of the guidance issued last year by the Ministry of Housing, Communities and Local Government (MHCLG) for local authorities in England.

The definition of investments is widened to include "all of the financial and non-financial assets a local authority has invested money into primarily or partially for the purpose of generating a surplus including investment property" providing it has been made using the power to invest contained in the Local Government Act 2003. In addition, loans to wholly-owned companies or associates, to a joint venture, or to a third party count as investments, irrespective of the purpose or legal power used.

### Non-Treasury Investments

The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. This is replicated in the Investment Guidance issued by Ministry of Housing, Communities and Local Government's (MHCLG) and Welsh Government, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

Following the approval of the Property Investment Strategy in November 2016, work continues to identify and progress suitable investments to deliver economic regeneration and to generate additional income streams for the future. Additionally, the Property Investment team continues to work on a number of residential developments both utilising DDC owned properties and land, as well as with external developers.

In 2018/19 total income (rent and service charges) of £1.97m was received from the investments made to date, including B&Q, Whitfield Court, Castle Street, garages and shops. Costs including management costs, minimum revenue provision and short term borrowing of £880k were incurred resulting in retained income for the General Fund of £1.1m. These costs were £360k lower than the 2018/19 budget as no long term borrowing has yet been undertaken to fund the investments with the costs being covered by cash flow and short term borrowing as required. This saving was transferred to earmarked reserves in 2018/19 to allow for possible future void periods and support further investment opportunities.

The 2019/20 budget includes a forecast of total income (rent and service charges) of £1.97m. Costs including management costs, minimum revenue provision and term borrowing of £1.37m are forecast resulting in retained income for the General Fund of £600k.

### Treasury Performance

The Authority measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 6 below.

Table 6: Performance

	Actual £000	Budget £000	Over/ under	Actual %	Benchmark %	Over/ under
Interest Received	1,678	1,824	146	3.03	0.66	2.37
Interest Payable	2,762	2,762	0	3.36	3.36	0

### Compliance

The Chief Finance Officer reports that all treasury management activities undertaken during the quarter complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 7 below.

Table 7: Debt Limits

	31.12.19 Actual £m	2019/20 Operational Boundary £m	2019/20 Authorised Limit £m	Complied?
Borrowing	91.1	333	338.5	✓

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Table 8: Investment Limits

	31.12.19 Actual	2019/20 Limit	Complied?
Any single organisation, except the UK Government	<£1m	£8m per bank	✓
Any group of organisations under the same ownership	0	£16m per group	✓
Negotiable instruments held in a broker's nominee account	0	£15m	✓
UK Government	0	Unlimited	✓
Unsecured investments with building societies	0	£8m	✓
Pooled Investment Funds	£50m	£10m per fund	✓

Operational bank	£3.5m	£20m	✓
Money Market Funds	£1.8m	£10m per fund	✓

### Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

**Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	31.12.19 Actual	2019/20 Target	Complied?
Portfolio average credit rating	4.98	6	✓

**Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

	31.12.19 Actual	2019/20 Target	Complied?
Total cash available within 3 months	£5.4m	£8m	✓

**Interest Rate Exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interests was:

Interest rate risk indicator	31.12.19 Actual £000	2019/20 Limit £000	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	554	600	✓
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	554	600	✓

The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates.

**Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	31.12.19 Actual £m	Upper Limit	Lower Limit	Complied?
Under 12 months	13.2	25%	0%	✓
12 months and within 24 months	3.5	50%	0%	✓

24 months and within 5 years	7.7	50%	0%	✓
5 years and within 10 years	15.5	100%	0%	✓
10 years and above	51.2	100%	0%	✓

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

**Principal Sums Invested for Periods Longer than a year:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2019/20	2020/21	2021/22
Actual principal invested beyond year end	0	0	0
Limit on principal invested beyond year end	£30m	£30m	£30m
Complied?	✓	✓	✓

### Outlook for the remainder of 2019/20

The global economy continues to slow on the back of ongoing geopolitical issues, primarily the trade policy stance of the US and its spat with China. However, it has been reported that Phase I of a trade deal between the two countries will be signed on 15<sup>th</sup> January 2020.

The UK economy continues to slow due to both post-Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations have eased. Central bank actions and geopolitical risks will continue to produce significant volatility in financial markets over the period, including bond markets.

Parliament passed Prime Minister Boris Johnson's Withdrawal Agreement Bill and the UK will now exit the EU on 31st January 2020. The bill also rules out an extension to the transition period for agreeing a trade deal which means a no-deal Brexit cannot be entirely ruled out for 2020.

Our treasury advisor Arlingclose expects Bank Rate to remain at 0.75% for the foreseeable future but there remain substantial risks to this forecast, dependant on Brexit/trade deal outcomes as well as the evolution of the global economy. Arlingclose also expects gilt yields to remain at low levels for the foreseeable future and judges the risks to be weighted to the downside.

	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75

**In-house as at 31/12/19****APPENDIX 2**

Organisation	Issue Date	Book cost	Market yield %	Government Sovereign Debt rating	Options available
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**In-house investments - Long Term**

CCLA Property investment Fund	30/06/17	3,000,000	4.36%	UK - Gov 'AA'	5 Years +
CCLA Property investment Fund	31/07/17	3,000,000	4.37%	UK - Gov 'AA'	5 Years +
Investec Diversified Income Fund	15/12/17	6,000,000	4.57%	UK - Gov 'AA'	5 Years +
Columbia Threadneedle Strategic Bond Fund	15/12/17	6,000,000	4.42%	UK - Gov 'AA'	5 Years +
Payden and Rygel	28/02/18	8,000,000	0.85%	UK - Gov 'AA'	2 Years +
Investec Diversified Income Fund	01/08/18	2,000,000	4.57%	UK - Gov 'AA'	5 Years +
Investec Diversified Income Fund	03/09/18	2,000,000	4.57%	UK - Gov 'AA'	5 Years +
CCLA Diversified Income Fund	20/09/18	8,000,000	3.06%	UK - Gov 'AA'	5 Years +
Columbia Threadneedle Strategic Bond Fund	13/12/18	2,000,000	3.23%	UK - Gov 'AA'	5 Years +
Kames Diversified Monthly Income Fund	28/02/19	8,000,000	5.00%	UK - Gov 'AA'	5 Years +
Kames Diversified Monthly Income Fund	16/12/19	2,000,000	5.00%	UK - Gov 'AA'	5 Years +

**50,000,000****50,000,000 Total Portfolio****Cashflow:****Rate****Call Accounts/MMF (as at 31/12/19)**

Global Treasury Fund (Goldman Sachs Money Market Fund)	516,106	0.67%
Standard Life Investments (Money Market Fund)	1,293,000	0.74%
Natwest SIBA	3,516,130	0.20%
Santander	503	0.05%
Bank of Scotland	5,026	0.65%
HSBC Business Acc	0	0.00%
Barclays	34,314	0.00%

**Total Cash flow 5,365,078****Total Portfolio at 55,365,078**

**Dover District Council Borrowing - 2019/20**

**APPENDIX 3**

Interest Type	Date Loan Taken Out	Date Loan Matures	Repayment Dates	Loan Number	Principal Balance 01-Apr-19	Interest Rate %	Principal To Be Repaid 2019/20	Principal Balance 31-Mar-20	Interest Payable 2019/20	Lender	Type of loan
<b>Long Term Borrowing</b>											
Fixed	02/10/97	02/10/57	APR-OCT	479961	1,000,000	6.75		1,000,000	67,500	PWLB	Principal due on Maturity
Fixed	28/05/97	28/05/57	MAY-NOV	479542	2,000,000	7.38		2,000,000	147,500	PWLB	Principal due on Maturity
Fixed	23/08/46	23/06/26	JUNE-DEC	131582	290	2.50	45	245	7	PWLB	Equal Instalment of Principal (EIP)
Fixed	27/09/46	27/06/26	JUNE-DEC	131583	54	2.50	8	45	1	PWLB	Equal Instalment of Principal (EIP)
Fixed	16/11/01	30/09/26	SEPT-MAR	486237	1,000,000	4.75		1,000,000	47,500	PWLB	Principal due on Maturity
Fixed	26/03/12	26/03/42	SEPT-MAR	499853	76,291,758	3.18	2,293,822	73,997,937	2,407,986	PWLB	Annuity (HRA Financing)
					<b>80,292,102</b>		<b>2,293,875</b>	<b>77,998,227</b>	<b>2,670,494</b>		
<b>Short Term Borrowing</b>											
Fixed	03/09/19	01/11/19	On Maturity		0	0.85	7,000,000	0	8,034	Middlesbrough Council	Short term loan for Strategic cash flow purposes
Fixed	03/09/19	01/11/19	On Maturity		0	0.82	5,000,000	0	5,738	Middlesbrough Council	Short term loan for Strategic cash flow purposes
Fixed	24/02/20	31/03/20	On Maturity		0	0.82	2,000,000	0	1,677	Essex County Council	Short term loan for Strategic cash flow purposes
					<b>0</b>		<b>14,000,000</b>	<b>0</b>	<b>15,449</b>	<i>Sub-total</i>	
Fixed	01/05/12	01/11/27	MAY-NOV		69,676	0.00	8,710	60,966	0	Lawn Tennis Association	Interest free
					<b>80,361,778</b>		<b>2,302,584</b>	<b>78,059,194</b>	<b>2,685,943</b>		

**In-house as at 29/02/20****APPENDIX 4**

<b>Organisation</b>	<b>Issue Date</b>	<b>Book cost</b>	<b>Market yield</b>	<b>Government</b>	<b>Options available</b>
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**In-house investments - Long Term**

CCLA Property investment Fund	30/06/17	3,000,000	4.36%	UK - Gov 'AA'	5 Years +
CCLA Property investment Fund	31/07/17	3,000,000	4.37%	UK - Gov 'AA'	5 Years +
Investec Diversified Income Fund	15/12/17	6,000,000	5.09%	UK - Gov 'AA'	5 Years +
Columbia Threadneedle Strategic Bond Fund	15/12/17	6,000,000	4.74%	UK - Gov 'AA'	5 Years +
Payden and Rygel	28/02/18	8,000,000	0.97%	UK - Gov 'AA'	2 Years +
Investec Diversified Income Fund	01/08/18	2,000,000	5.09%	UK - Gov 'AA'	5 Years +
Investec Diversified Income Fund	03/09/18	2,000,000	5.09%	UK - Gov 'AA'	5 Years +
CCLA Diversified Income Fund	20/09/18	8,000,000	3.85%	UK - Gov 'AA'	5 Years +
Columbia Threadneedle Strategic Bond Fund	13/12/18	2,000,000	4.74%	UK - Gov 'AA'	5 Years +
Kames Diversified Monthly Income Fund	28/02/19	8,000,000	5.00%	UK - Gov 'AA'	5 Years +
Kames Diversified Monthly Income Fund	16/12/19	2,000,000	5.00%	UK - Gov 'AA'	5 Years +

**50,000,000****50,000,000 Total Portfolio****Cashflow:****Call Accounts/MMF (as at 29/02/20)****Rate**

Global Treasury Fund (Goldman Sachs Money Market Fund)	113,106	0.67%
Standard Life Investments (Money Market Fund)	93,000	0.74%
Natwest SIBA	749,796	0.20%
Santander	503	0.05%
Bank of Scotland (BOS)	5,026	0.65%
HSBC Business Acc	0	0.00%
Barclays	34,374	0.00%

**Total Cash flow****995,803**

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**Subject:** QUARTERLY INTERNAL AUDIT UPDATE REPORT

**Meeting and Date:** Governance Committee – 19<sup>th</sup> March 2020

**Report of:** Christine Parker – Head of Audit Partnership

**Decision Type:** Non-key

**Classification:** Unrestricted

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**Purpose of the report:** This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 31<sup>st</sup> December 2019

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

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**1. Summary**

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

**2. Introduction and Background**

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

## SUMMARY OF WORK

- 2.7 There have been six internal audit assignments completed during the period, which are summarised in the table in section 2 of the report.
- 2.8 In addition five follow-up reviews have been completed during the period, which is detailed in section 3 of the quarterly update report.
- 2.9 For the nine-month period to 31<sup>st</sup> December 2019, 152.06 chargeable days were delivered against the revised target of 250.41, which equates to 60.72% plan completion.

### **3 Resource Implications**

- 3.1 There are no additional financial implications arising directly from this report. The costs of the audit work will be met from the Financial Services 2019-20 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 2019-20 - Previously presented to and approved at the 14<sup>th</sup> March 2019 Governance Committee meeting.
- Internal Audit working papers - Held by the East Kent Audit Partnership.

Contact Officer: Christine Parker, Head of Audit Partnership



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

**1. INTRODUCTION AND BACKGROUND**

1.1 This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 31<sup>st</sup> December 2019.

**2. SUMMARY OF REPORTS:**

Service / Topic		Assurance level	No. of Recs.	
2.1	East Kent Housing – Welfare Reform	Substantial	C H M L	0 0 0 3
2.2	EK Services – Business Rates Credits & Reliefs	Substantial	C H M L	0 0 3 2
2.3	Members' Code of Conduct & Standards Arrangements	Substantial	C H M L	0 1 2 3
2.4	Let Commercial Properties and Concessions	Reasonable	C H M L	0 1 1 3
2.5	Dover Museum & VIC	Reasonable	C H M L	0 2 3 3
2.6	East Kent Housing – Compliance Indicators Data Quality	Reasonable	C H M L	1 1 0 0

**2.1 East Kent Housing; Welfare Reform – Substantial Assurance**

2.1.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to guard against the potential risks arising from the introduction of Welfare Reform Act in terms of increased caseload, rent arrears and higher debt levels.

### 2.1.2 Summary of Findings

The Welfare Reform Act 2012 is an Act of Parliament in the United Kingdom which makes changes to the rules concerning a number of benefits offered within the British social security system. It was enacted by the Parliament of the United Kingdom on 8 March 2012.

The Department of Work and Pensions started work on Universal Credit (UC) in 2010 with an original completion date of October 2017. However, the government reset the programme in 2013 after a series of problems with managing the programme and developing the necessary technology. There have been many revised completion dates and in June 2018 it announced a further delay to the completion of the programme to March 2023.

East Kent Housing manages the housing portfolio for Canterbury, Dover, Folkestone & Hythe, and Thanet Councils. This means that they have to manage the expectations of the tenants and as such are one of the main points of contact for tenants who may be affected by changes in the welfare system. As part of the reforms one of the main changes has been the introduction of UC, as part of the new system tenants are now expected to manage their benefits payments and pay their rent direct. In addition to which there is an expectation that the first payments under the new regime will be delayed having a knock-on effect on the tenants' capability to meet normal household costs, pay their essential bills and their rent. This will all have to be sensitively managed.

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

- There is an up to date Risk Strategy Process in place;
- Up to date Action Plans are in place to detail how the roll out of Universal Credit and its impact is to be managed and reported on;
- Information, advice and assistance relating to the Welfare Changes have been made available to tenants and the general public via the website and staff have been kept up to date via the intranet and staff meetings; and
- Benefit & Money advisors have been put in place to assist tenants during the changeover process.

Scope for improvement was however identified in the following areas:

- Staff procedures relating to the Welfare Reform need to be made more accessible to staff, perhaps via a link on the intranet pages; and
- Training needs of staff involved with the new scheme need to be more comprehensive and customer focused.

## **2.2 EK Services; Business Rates Credits & Reliefs – Substantial Assurance**

### 2.2.1 Audit Scope

To ensure that the processes established by EK Services/CIVICA, on behalf of the partner councils, are sufficient to adequately manage the monitoring of Business Rates accounts where these are in credit and that these procedures comply with legislation. Also to ensure the accurate documentation, proper approval and allocation of relevant reliefs from liability in compliance with government legislation.

### 2.2.2 Summary of Findings

The Local Government Finance Act 1988 and subsequent legislation requires each Council to grant discretionary relief for premises occupied by Charities and similar organisations that own or occupy them wholly or mainly for charitable purposes. Likewise, certain premises situated within a rural settlement area will be eligible for relief. Powers have also been granted under the Localism Act 2011, which allow for the granting of discretionary rate relief to any premises where a Council feels the granting of such relief would be of benefit to the local community.

In addition to the above, Central Government is keen that in certain cases, assistance should be provided to businesses that have had increases in their rate liability due to the revaluation of premises in April 2017. In these cases, and where a Council meets Central Government guidelines, grants are available under section 31 of the Local Government Act 2003. Whilst all Councils are obliged to grant relief to premises, which fall within the mandatory category, the Partnership Councils also have powers to grant discretionary relief and reductions to ratepayers, subject to certain criteria being met.

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

- Established working practices have been in place for a considerable period of time even prior to the transfer to an outside contractor for the service provision.
- Supporting policies are in place that inform the public of both the mandatory and discretionary business rate reliefs that are available. However the policies when updated could show the version of the document, and the date of issue. They should also be easily accessible on each authority's website however currently they are not easily found on the Canterbury City Council website.

Scope for improvement was however identified in the following areas:

- Historic credits going back a number of years are being investigated on an ad-hoc basis by CIVICA therefore a timetable for this work being carried out should be considered and agreed; this could be reflected within the SLA / Contract that is in place.
- The Business Rates Officers need to ensure that copies of any bespoke letters sent from outside of the main systems are recorded so that a full audit trail is in place for each business rate account..

<b>2.3 Members' Code of Conduct &amp; Standards Arrangements – Substantial Assurance</b>
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### 2.3.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the highest standards of Member conduct and probity are maintained.

### 2.3.2 Summary of Findings

In accordance with the Localism Act 2011 the authority must promote and maintain high standards of conduct by Members and co-opted Members of the authority. In discharging this duty, the authority must adopt a code dealing with the conduct that is expected of Members and co-opted Members of the authority when they are acting in that capacity. Dover District Council has adopted the Kent model Code of Conducts (district and parish) which were last updated in June 2015 and can be viewed and downloaded from the Council's website.

As a councillor there is a requirement to adhere to the Council's agreed code of conduct for elected members. A failure to comply with the Council's code can be dealt with via the arrangements in place for investigating allegations. These can be found on the Council's webpages.

Following the abolition of Standards for England on 31 March 2012, the Council assumed responsibility for dealing with and investigating all complaints relating to breaches of the Code, including those made against Parish Councillors within the district. Specific responsibility for assessing alleged breaches of the Code rests with the Monitoring Officer, in consultation with the Independent Person, who is appointed by Council. If the Monitoring Officer, in consultation with the Independent Person, considers that the complaint merits investigation, he will appoint an investigation officer to undertake the investigation. Once the investigation has concluded, the Monitoring Officer may consider that informal resolution is appropriate. Alternatively, he may convene a meeting of the Hearing Panel.

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

- There is a Code of Conduct in place which is accessible to view via the Council's webpages;
- There is a documented process in place for the investigation into allegations of non-compliance with the code, which again can be viewed and downloaded from the Council's webpages;
- Declarations of interests are being adequately recorded, although some files reviewed were lacking signatures;
- Complaints are being considered and dealt with in accordance with the Act.

Scope for improvement was however identified in the following areas:

- General housekeeping functions need to be strengthened to ensure up to date information is available and to evidence a full audit trail for both the declaration and complaint processes;
- Notes on the meetings held/discussions/investigation process of the monitoring officer and independent persons i.e. the complaint assessment checklist, needs to be retained on file until such a time they can be destroyed under the retention policy; and

- The investigator should be made aware that recommendations are not required as part of the report and therefore not required as part of the executive summary.

## **2.4 Let Commercial Properties and Concessions – Reasonable Assurance:**

### 2.4.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council derives the maximum value from its let properties and concessions and that where applicable these lettings further support the Council's regeneration aims and aspirations.

### 2.4.2 Summary of Findings

The Council has a corporate property portfolio with a net book value of £125,376 million (excluding housing and garages) as at March 2019. These assets include investment properties and operational properties.

*Asset management should seek to align the asset portfolio with the needs of the organisation. Corporate objectives express the needs and wishes of the organisation at high level; the asset requirements to deliver these objectives should be expressed in a medium/long term plan (five to ten years), variously known in different organisations as an asset strategy, an asset management strategy or a corporate property strategy. The conversion of these corporate aims and visions into asset reality is the business of the asset management plan'; CiPFA.*

Management can place Reasonable Assurance on the system of internal controls in operation to manage commercial leases and income. However, whilst assets are largely being managed in line with corporate priorities and to maximise income, it must be recognised that Property Services are adhering to a draft Asset Management Plan dated 2016 that is yet to be completed and formally approved.

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

- A detailed corporate property portfolio is maintained on a single system.
- Record of ownership can be found within the Council's systems.
- Valuations and Rebuild calculations for insurance purposes are up to date although a significant proportion of these are desk based.
- Debtor accounts are monitored, and any arrears are pursued.

Scope for improvement was however identified in the following areas:

- The Asset Management Plan and its associated policies has remained in draft since 2016 and is yet to be completed, approved and published.
- Regular performance monitoring of property yields should be reported to management demonstrating income achieved from assets, balanced against community needs and to highlight areas for improvement.

## **2.5 Dover Museum & VIC – Reasonable Assurance:**

### 2.5.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council's Museum is operated in an efficient and effective manner which safeguards Council assets (exhibits, income, stock, reputation etc.) and minimises risk.

### 2.5.2 Summary of Findings

The Dover Museum and Bronze Age Boat Gallery is located in Market Square, Dover. Admission is now free to members of the public so income is generated through various means the majority of which in 2018/19 included: the sale of souvenirs (£28.5k), admission fees from Schools (£20.1k), service charges (£16k), town council contribution (£10k), donations (£7,7k), the sale of various documents, stamps / books etc. (£6.6k), and income generated from sales commission (£2.1k).

For 2019/20 the Council has valued the artefacts and exhibits under its control at £7m for insurance purposes. £3m of the museum collections are located at the Dover Museum and the remaining £4m are located at Dover Town Hall, Deal Town Hall, Western Road, Whitfield Offices and various sculptures located across the district.

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

- There are adequate fire prevention and environmental controls in place to protect the museum collections from fire, flooding and theft, although these need to be assessed at the other locations (i.e. Dover Town Hall, Western Road etc.)
- The insurance arrangements in place for all museum and other collections is adequate and includes arrangements for the movement of collections;
- The financial controls in place are generally operating well;
- Educational operations are operating extremely well and help to drive shop sales;
- The shop management controls are operating effectively; and
- Visitor information arrangements are well managed.

Scope for improvement was however identified in the following areas:

- The audit trail of museum collections could be improved to help track, value, record and locate each collection and any stories attached to each artefact;
- Not all museum staff (and volunteers) have received safeguarding and other training in accordance with the requirements set by Dover District Council and there may be a case to introduce DBS checks on staff and volunteers;
- The daily museum shop cashing up / reconciliation record could be improved slightly and consistently applied; and
- The museum shop annual stock take is labour intensive and could be improved with technology.

## **2.6 East Kent Housing; Compliance Indicators Data Quality – Reasonable Assurance.**

### 2.6.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established by East Kent Housing to ensure the safety of all residents in all properties for which they are responsible for is not compromised.

## 2.6.2 Summary of Findings

Following concerns being raised around the integrity of Health & Safety compliance data streams being reported to each of the East Kent Councils, this audit has been undertaken to review systems and processes in place in East Kent Housing (EKH) to produce compliance reports to establish the level of reliance which can be placed on the reports by each Council.

Having reviewed and assessed the methodology, accuracy of collection and measurement of performance indicators relating to tenant health & safety, there is emerging evidence that management can have reasonable assurance in the information being reported to them each week.

It is the following findings which result in a conclusion of Reasonable Assurance.

- EKH is making considerable improvement in the monitoring and reporting of compliance for properties which it is responsible for.
- EKH recognised that it still has some work to do to ensure that the new compliance monitoring and reporting processes become embedded across the organisation.

Audit testing identified the following weaknesses resulting in a marginal level of risk to the achievement of the system objectives.

- Cloned data from a partial stock condition survey means that EKH cannot place full reliance on the data it has and properties it is responsible for compliance on. Until a 100% survey has been undertaken on all properties, this will remain the case.
- Partner Councils have not given EKH any guidance on the format and content of compliance reports, other than to accept the reports EKH are presenting them with. This could mean that there are other areas where weak compliance is not being reported.
- Current reporting arrangements are placing a significant burden on EKH which is not only unsustainable, but also, detracting resources away from making improvements in overall compliance performance.
- Some compliance reports contain minor differences in the property populations being reported across different compliance streams from week to week.

A number of errors were identified in compliance figures being reported when comparing the Word-based compliance report to the Scorecard report for the corresponding week. Whilst the differences in the compliance percentage may have changed, none of the differences were to such an extent that the story being told was any different. In some cases tested the difference between the two reports was less than 1%. In most areas of compliance being reported, levels of compliance are so far away from 100% that a 1% or even 5% difference in the two reports means very little.

For example, in one reporting period on Domestic EICR's. The MS Word report reported 65.38% whilst the Scorecard reported compliance at 65.31%. For the purposes of audit testing this was noted as an error. However, both reports give the council the same important information that compliance on Domestic EICR's is a long way for where it needs to be.

A large reason for the changes being made to property population numbers and errors in repots is down to EKH not knowing exactly what they have in each and every property, and that is as a result of a partial stock condition survey, and the differences/ gaps being made up by cloned data.

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

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

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs Outstanding	
a)	East Kent Housing – Tenant Health & Safety (Electrical Safety)	No	Limited	C	1*	C	0
				H	1*	H	0
				M	0	M	0
				L	0	L	0
b)	Building Control	Reasonable /No	Reasonable	C	0	C	0
				H	2	H	0
				M	2	M	0
				L	2	L	0
c)	EK Services / ICT Procurement & Disposals	Reasonable	Reasonable	C	0	C	0
				H	0	H	0
				M	7	M	1
				L	0	L	0
d)	GDPR Compliance	Limited	Limited	C	6	C	3
				H	10	H	5
				M	6	M	2
				L	4	L	0
e)	Procurement	Reasonable /Limited	Reasonable /Limited	C	0	C	0
				H	3*	H	0
				M	2	M	0
				L	1	L	0

\*Partially implemented at the time of follow-up

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

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

- 3.3 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) East Kent Housing – Tenant Health & Safety (Electrical Safety):

There were two main issues identified in the original audit which needed to be addressed. The first being around undertaking action to immediately review and rectify the C1 category faults identified on EICR certificates in Communal blocks and then C2 faults. Discussions with EKH have established that immediate action has been taken to address C1 faults on EICR's held by EKH. Then EKH would be able to work to address C2 faults on EICR's. This work is still ongoing, and therefore the first recommendation is considered to be partially implemented with a positive direction of travel towards full implementation. It is acknowledged however by EKH that due to the number of potential C2 faults, this work is likely to be ongoing until at least March 2020.

The second recommendation that was originally agreed was around moving to a 5 yearly EICR process. All four Councils have agreed and moved to a 5 yearly process, but in doing so, overall levels of compliant EICR's are lower than desired. Compliance reports in early November reported EICR compliance in domestic properties varying between 66% (Dover) and 27% (Folkestone and Hythe). This means that there is still a significant amount of work required to ensure that EICR compliance reaches an acceptable level. For this reason, the second recommendation is also considered to be only partially implemented with a positive direction of travel. See below for levels of EICR compliance as at early November.

#### Communal Blocks

	CCC	DDC	F&H	TDC
Compliant	302	132	143	204
Non Compliant	178	242	3	0
Total props	480	374	146	204
Compliant %	63%	35%	98%	100%

#### Domestic properties

	CCC	DDC	F&H	TDC
Compliant	2495	2852	930	892
Non Compliant	2611	1465	2466	2119
Total props	5106	4317	3396	3011
Compliant %	48%	66%	27%	30%

EKH recognised the need for better compliance reporting around EICR's and have purchased software to aid with EICR compliance reporting. Compliance staff have undertaken a significant amount of work to implement the software, but that work is still ongoing, and not likely to be completed until around March 2020. Whilst the software will not improve levels of EICR compliance as that can only be achieved by undertaking work on properties. It will however ensure that EICR compliance is

accurately reported more easily and that outstanding remedial work and EICR renewals is better and more efficiently planned.

The controls around the addressing of faults initially raised on EICR certificates have improved significantly, particularly around C1 faults. Analysis undertaken by staff has identified large numbers of non-existent EICR's in both Communal blocks and Domestic properties. While a significant amount of work has already been complete, there remains a significant amount of work still outstanding.

EKH expect that by March 2020, the Corgi software will be fully operational and reporting on EICR compliance, which should have also significantly improved by that point in time.

d) GDPR Compliance:

At the point of the initial audit in May 2019 the Council was working through the new data protection responsibilities introduced as part of the GDPR which came into effect in May 2018. The audit was focused on compliance with the new regulations and practices which would help ensure the Council is doing everything it reasonably can to protect personal and sensitive data. Many authorities are still working towards full compliance with the new regulations and since the initial audit in May 2019 Dover District Council has taken many positive steps to address many of the outstanding issues raised in the initial audit report.

The Council has made a lot of progress since the initial audit report however the Council is still not able to adequately demonstrate compliance with Article 6, Article 9, Article 12, Article 13, Article 30, Article 39 (1b) and Article 28-3a but also some of the Articles listed 24 to 43 in Chapter 4 of the GDPR.

Management response - The workload of implementing of GDPR has far exceeded that first envisaged by management back in 2018. GDPR has brought increased protection for the public but at the same time, significantly increased obligations for all organisations. Many private organisations are still struggling with the full impact of GDPR even though they have a far more limited range of business activities than a local authority. GDPR compliance is particularly challenging for local authorities as the amount of personal data being processed on a day to day basis is significant and that data is being processed for a multiplicity of business purposes. This is particularly true in the case of district councils which have a very wide variety of small-scale information streams making compliance disproportionately burdensome. For Dover, compliance is led by one officer, the Data Protection Officer who fulfils other significant but largely unrelated roles. The authority is therefore reliant on Heads of Service and Service Managers to adopt appropriate practices in their areas of work, alongside maintaining the continuity of their services.

Management are grateful for the detailed work done in relation to this audit and pleased to see that the considerable work undertaken to improve the situation since the original audit has been recognised, that is 15 of the 26 recommendations made by the audit team have been fully implemented and one now identified as no longer relevant. It is of note, however, that this audit relates to the authority as a whole and several of the remaining recommendations are reliant on work being done by across the entire organisation, particularly by Heads of Service and Service Managers. This need is recognised by Management and it will be given the necessary priority over the coming months.

e) Procurement:

The main issues that needed to be addressed were the number of staff that been allocated access to the e-procurement process and provided with procurement cards and also the lack of correct receipts being provided by officers so that the Council could reclaim VAT expenditure when they make purchases with their procurement cards. Following additional testing this remains an issue and further action is required to maximise VAT recovery.

Management Response - The Senior Procurement Officer will again remind all Card Holders of their responsibility to provide VAT receipts, and that the use of personal club cards (against Council purchases) is not permitted. In addition to the above, the Senior Procurement Officer will perform regular dip checks and remove cards for repeat offenders reporting to the Head of Service (and Head of Finance) accordingly.

**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: Members' Code of Conduct & Standards Arrangements, Public Health Burials, Environmental Health & Safety at Work, Environmental Health, Housing Repairs & Maintenance, , and Dog Warden & Street Scene Enforcement.

**5.0 CHANGES TO THE AGREED AUDIT PLAN:**

5.1 The 2019-20 Audit plan was agreed by Members at the meeting of this Committee on 14<sup>th</sup> March 2019.

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

**6.0 FRAUD AND CORRUPTION:**

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

**7.0 INTERNAL AUDIT PERFORMANCE**

7.1 For the nine-month period to 31<sup>st</sup> December 2019, 152.06 chargeable days were delivered against the revised target of 250.41, which equates to 60.72% plan completion.

7.2 The financial performance of the EKAP is currently on target at the present time.

7.3 As part of its commitment to continuous improvement and following discussions with the s.151 Officer Client Group, the EKAP has improved on the range of performance indicators it records and measures.

- 7.4 The EKAP introduced an electronic client satisfaction questionnaire, which is used across the partnership. The satisfaction questionnaires are sent out at the conclusion of each audit to receive feedback on the quality of the service. Current feedback arising from the customer satisfaction surveys is featured in the Balanced Scorecard attached as Annex 4.

**Attachments**

- Annex 1 Summary of High priority recommendations outstanding after follow-up.  
Annex 2 Summary of services with Limited / No Assurances.  
Annex 3 Progress to 31<sup>st</sup> December 2019 against the agreed 2019/20 Audit Plan.  
Annex 4 Balanced Scorecard of performance indicators to 31<sup>st</sup> December 2019.  
Annex 5 Assurance statements

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

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
<i>GDPR Compliance – January 2020</i>		
<p>Critical - The DPO should arrange for an email to be distributed requesting all staff complete the five e-learning modules on GDPR. As at 20/02/2019 49.9% of staff had completed all five e-learning modules.</p>	<p>The Council has secured from the LGA one-year funding for Dojo Cyber Security modules. These are currently being reviewed by each Council's SIRO and DP Officer and the initial view is that these modules are much more accessible, are tailored to local government, whilst having good content. It was agreed at the CIGG on 13 March 2019 that this will be delivered to all staff at each authority using theatre style training sessions.</p> <p><b>Proposed Completion Date &amp; Responsibility</b></p> <p>SIRO and DPO - Ongoing to be completed for all staff by 31 December 2019</p>	<p><u>Management Comment</u>                      DDC has rolled out the new DOJO Cyber Security &amp; Data Protection Training to all staff. In total eight theatre style training sessions have been given to all staff provided by the Data Protection Officer, Governance Officer, Senior Information Security Officer and Senior Information Risk Owner. In total 304/326 (92.9%) of Dover employees have been trained in terms of Cyber Security &amp; Data protection. The remaining staff have been asked to complete the training online and sign a declaration form which requires their managers signature. In order to demonstrate we have given this training and have evidence of who has attended, we hold two records; the attendance sheet of each session as well as an all staff list of who has and hasn't attended one of the training sessions demonstrating compliance with the GDPR accountability principle.</p> <p><u>Auditor Comment</u>                      The Cyber Security &amp; Data Protection Training is an excellent way of delivering training. The Auditor attended the course and the face to face nature and interactive</p>

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

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager’s Comment on Progress Towards Implementation.
		<p>nature of the training compared with that of e-learning was insightful, engaging and well delivered. To date 92.9% of staff have received training which is very good, however there are 22 members of staff that have not received the training and these officers will pose a risk to Dover District Council particularly if a data breach is caused by their lack of knowledge. The list of staff includes officers from Museums &amp; Tourism, Asset Management, Building Control, Community Safety, Property Services, Financial Services, Strategic Housing, Corporate Support; Leadership Support, Legal, Highways and Parking &amp; Community Services.</p> <p><b>Recommendation Outstanding – Revised Implementation Date May 2020</b></p> <p><u>Risk Outstanding</u> The Council may not be able to successfully demonstrate compliance with Article 39 (1b) of GDPR.</p>
<p>High - Once the Information Asset Register has been reformatted formatted (recommendation 5) the Data Protection Office (HR) should ensure the Information Asset Register is full completed by all Heads of</p>	<p>Agreed. Once the Information Asset Register has been reviewed, it will be presented to CMT and the Heads of Service Group to gain buy in, prior to requiring each HOS to provide an updated IAR to the DPO.</p> <p><b>Proposed Completion Date &amp; Responsibility</b></p>	<p><u>Management Comment</u> Since updating the format of the register, the SIRO then updated the Heads of Service group on the proposal that the information asset register will be sent around for each department and service</p>

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

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager’s Comment on Progress Towards Implementation.
<p>Service to capture more detail about the personal information being processed and stored by the Council.</p>	<p>Heads of Service, supported by the DPO and Governance Officer - 31 October 2019</p>	<p>manager to complete. A total of ten completed registers have be received numerous are still outstanding even after numerous emails.</p> <p><u>Auditor Comment</u>                      The Governance team has worked hard to ensure the information asset registers are completed on the new register template by Heads of Service and management and returned to the Governance Officer however there are four Privacy Notices outstanding: -</p> <ol style="list-style-type: none"> <li>1) Asset Management (medium risk);</li> <li>2) Community Services (high risk);</li> <li>3) Parks and Open Spaces (low risk);</li> <li>4) Property &amp; Valuations (medium risk).</li> </ol> <p>This does not necessarily mean that the Council is non-compliant, but it weakens the evidence behind the Privacy Notices detailing how personal information is collated, used, managed, stored and deleted. This will become a problem for the Council if the ICO ever asks to review this information following a data protection breach.</p> <p><b>Recommendation Outstanding – Revised Implementation Date May 2020</b></p>

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

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
		<p><u>Risk Outstanding</u> The Council may not be able to successfully demonstrate compliance with Article 9 of GDPR.</p>
<p>Once the Information Asset Register has been completed (recommendation 6) each Head of Service and the Data Protection Officer (HR) should assess the risk to 'special categories' of personal data being collated and stored within systems of hard copy files, the results of which should be recorded within the Information Asset Register in order to evidence to the ICO (if ever requested) that this has been done in accordance with the Council's own Data Protection Policy.</p>	<p>Agreed. On receipt of all IARs the DPO and HoS will review and ensure that special category data and the associated risks are fully recorded in the IAR.</p> <p><b>Proposed Completion Date &amp; Responsibility</b></p> <p>Heads of Service, DPO and Governance Officer - 31 December 2019</p>	<p><u>Management Comment</u> Still waiting for the outstanding information asset registers. Additionally, we have also created an appropriate policy document for when processing special category or criminal offence data under GDPR article 9 &amp; 10. This requires us to hold a document which sets out how we are processing this type of data in line with the data protection principles and the conditions relied on to processing such data listed in the DPA18 schedule 1; this is attached to the amended Data Protection Policy.</p> <p><u>Auditor Comment</u> The new Data Protection Policy was examined and now contains an 'Appropriate Policy Document' in accordance with the requirements of GDPR however there are still ten outstanding incomplete Information Asset Registers which are there to demonstrate to the ICO that Heads of Service have identified and assessed special category</p>

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

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
		<p>data etc. and form part of the Record of Processing Activities.</p> <p><b>Recommendation Outstanding – Revised Implementation Date May 2020</b></p> <p><u>Risk Outstanding</u> The Council may not be able to successfully demonstrate compliance with Article 9 of GDPR.</p>

<p>Critical - The Council should draft, approve and publish the following Privacy Notices for the following services: -</p> <ul style="list-style-type: none"> <li>• Asset Management;</li> <li>• Parks and Open Spaces;</li> <li>• Legal;</li> <li>• Community Services;</li> <li>• Financial Services; and</li> <li>• Media and Communications.</li> </ul>	<p>Agreed. The DPO will work with the relevant Heads of Service to ensure that a draft Privacy Notice is provided for the services identified to the Governance Officer for review and sign off.</p> <p><b>Proposed Completion Date &amp; Responsibility</b></p> <p>Relevant Heads of Service, supported by the DPO and Governance Officer - 30 June 2019</p>	<p><b>Management Comment</b> Privacy notices can be accessed here at <a href="http://www.dover.gov.uk/privacy">www.dover.gov.uk/privacy</a></p> <p>Since the initial audit the following privacy eleven departmental notices have been added.</p> <p>Numerous others are drafted which need reviewing by the relevant officers, even though a few are still outstanding the corporate notice is there to provide the necessary information where a service specific notice hasn't been provided.</p> <p><b>Auditor Comment</b> The following Privacy Notices are still outstanding.</p> <ol style="list-style-type: none"> <li>1) Asset Management (medium risk);</li> <li>2) Community Services (high risk);</li> <li>3) Parks and Open Spaces (low risk);</li> <li>4) Property &amp; Valuations (medium risk).</li> </ol> <p>These should be published as soon as possible. If there was a data breach within one of these service areas the ICO would ask to see the Information Asset Register and the Departmental Privacy Notice to check how management have structured and organised the information governance mechanisms.</p> <p><b>Recommendation Outstanding – Revised Implementation Date May 2020</b></p>
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**SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING OR IN PROGRESS AFTER FOLLOW-UP – ANNEX 1**

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
		<p><u>Risk Outstanding</u> The Council may not be able to successfully demonstrate compliance with Articles 12 and 13 of GDPR.</p>
<p>High - A separate document should be created which sets out all Data processing Activities in accordance with 'Article 30 of the GDPR - Records of processing activities' in preparation for any future request by the Information Commissioner.</p>	<p>Agreed. On completion of the PNs and Retention Schedules and the review of the Information Asset Register, this document will be created.</p> <p><b>Proposed Completion Date &amp; Responsibility</b></p> <p>DPO and Governance Officer - 31 December 2019</p>	<p><u>Management Comment</u> Management have chosen to satisfy ROPA requirements across Privacy Notices, Retention Schedules &amp; Information Asset Register, in accordance with GDPR Article 30.</p> <p>This will work out better as not all the documents above are required to be made public. Most of the requirements of the ROPA (Article 30) will be met by the completion of information asset registers and the rest will be in privacy notices and retention schedules. Management have already got numerous privacy notices and retention schedules in place so would be the most effective and efficient way forward.</p> <p><u>Auditor Comment</u> Management have decided to provide the information across Privacy Notices, Retention Schedules &amp; Information Asset Register, as shown in our GDPR Audit Action Plan under Article 30.</p>

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

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
		<p>However, ten incomplete Departmental Information Asset registers, and four Privacy Notices are still outstanding and therefore the record of processing activities will be incomplete until recommendations 6, 7, 9 &amp; 10 are implemented and therefore the Council will be unable to satisfy the requirements of GDPR Article 30.</p> <p><b>Recommendation Outstanding – Revised Implementation Date May 2020</b></p> <p><u>Risk Outstanding</u> The Council may not be able to successfully demonstrate compliance with Article 30 of GDPR.</p>
<p>The Benefits Privacy Notice and the Homelessness Privacy Notice should be reviewed to ensure it contains sufficient detail about how children's data is held, secured and processed. The Benefits Privacy Notice should also contain information making clear that the Council collects 'ethnic origin' sensitive personal data.</p>	<p>Agreed. The DPO and Governance Officer will work with the relevant Head of Service to ensure that the Homelessness Privacy Notices contain the required information relating to children's data.</p> <p>The Council will ensure the Benefits Privacy Notice is reviewed following the outcome of recommendation 20 (legal advice on shared services arrangements).</p> <p><b>Proposed Completion Date &amp; Responsibility</b></p>	<p><u>Management Comment</u> Both Privacy Notices can be located here – <a href="http://www.dover.gov.uk/privacy">www.dover.gov.uk/privacy</a></p> <p>Management have decided to draft a specific privacy notice which details where and how children's personal data is processed. This will cover all departments processing. Secondly a child friendly privacy notice so it is easier to read and understand. The ICO has stated that going into the second year of GDPR their focus</p>

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

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
	DPO and Governance Officer Homelessness - 30 June 2019 & Benefits Privacy Notice – 31 December 2019	<p>has moved more to the accountability side ensuring controllers are demonstrating that they are compliant.</p> <p><u>Auditor Comment</u> The decision to put in place a specific privacy notice for Children's data processing is a good idea in principle. When this is completed the Council should ensure that the Homelessness Privacy Notice and Benefits Privacy Notice clearly cross references any new privacy notice dealing with children's data held.</p> <p><b>Recommendation Outstanding – Revised Implementation Date May 2020</b></p> <p><u>Risk Outstanding</u> The Council may not be able to successfully demonstrate compliance with Article 6 of GDPR.</p>
Critical - Management should produce a reliable list of existing / legacy contracts in place with third parties in order to start to plan for contract variations that is required to ensure that responsibility for protecting personal data shared and held by the contractor is securely dealt with in	Agreed in part. Using a robust and documented risk assessment process, contracts that contain high levels of personal data, including special category data will be addressed in priority and attempts made to secure any contractual variations. However, low risk contracts, with low level of personal data and no special category data, where a variation may prove to be costly to the Council, may only be regularised at contract extension or renewal stage.	<p><u>Management Comment</u> Legal and Procurement have produced a list of contracts which require data protection amendments.</p> <p><u>Auditor Comment</u> Recommendation 17 and Recommendation 18 are two stages of a process aimed at resolving contractor risk.</p>

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

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
<p>accordance with GDPR / Council Policy and Council Privacy Notices.</p>	<p><b>Proposed Completion Date &amp; Responsibility</b></p> <p>Procurement Manager and Legal Executive (Litigation and Procurement) - 31 December 2019</p>	<p>Procurement have produced a list of legacy contracts (as at November 2019) in accordance with the recommendation. The list contains 41 contracts in place. Internal Audit estimates that approximately 13 of the contractual arrangements involve the handling of personal or sensitive data.</p> <p><b>Fully Implemented</b></p>
<p>Critical - Dover District Council should seek legal clarification on the legal relationship (for data protection purposes) between Dover District Council and East Kent Housing / EKHR &amp; Civica in order to map out and define roles and responsibilities for data protection, data sharing and Privacy Notices. This will provide the legal assurance required to start assessing whether any data protection processes or data sharing protocols require review.</p>	<p>Ongoing. A meeting was arranged for 25 March 2019 to consider the legal opinion. Following receipt of the opinion resultant changes, if required will be built into the GDPR action plan.</p> <p>Any necessary changes will be made to contractual governance arrangements.</p> <p><b>Proposed Completion Date &amp; Responsibility</b></p> <p>DPO - 31<sup>st</sup> December 2019 Subsequent action linked to Recommendation 4</p>	<p><u>Management Comment</u></p> <p>The Council is to adopt addendum agreement by WSLaw in the case of EKS. End date to be moved back 6 months to wait the outcome of the consultation regarding EKH.</p> <p><u>Auditor Comment</u></p> <p>East Kent Housing was the main focus of this recommendation and the data protection risk will remain outstanding until the new Board (which is made up of the Chief Executives from all four Councils) decides if East Kent Housing is a Data Controller or a Data Processor. It is the view of Internal Audit that East Kent Housing is more likely to be a Data Controller however the four Councils are yet to agree on this from a legal standpoint. The risk will remain high until such time</p>

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

Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
		<p>that this legal issue is resolved and responsibilities for data protection are clarified.</p> <p><b>Recommendation Outstanding – Revised Implementation Date May 2020</b></p> <p><u>Risk Outstanding</u> The Council may not be able to successfully demonstrate compliance with Article 28-3a and also some of the Articles listed 24 to 43 in Chapter 4 of GDPR.</p>

<b>SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED</b>			
<b>Service</b>	<b>Reported to Committee</b>	<b>Level of Assurance</b>	<b>Follow-up Action Due</b>
Tenancy & Right to Buy Fraud	March 2019	Limited	Winter 2019
East Kent Housing – Tenant Health & Safety	September 2019	Limited/No	Work-in-Progress – Part complete
EK Services – PCI-DSS	December 2019	Reasonable / Limited	Spring 2020

**PROGRESS AGAINST THE AGREED 2019-20 AUDIT PLAN.**

**DOVER DISTRICT COUNCIL:**

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-2019	Status and Assurance Level
<b>FINANCIAL SYSTEMS:</b>				
Car Parking & Enforcement	10	10	0.35	Work-in-Progress
Budgetary Control	10	10	0.18	Postponed till future year
Insurance & Insurance of Portable Assets	10	10	0.24	Postponed till 2020-21 due to retendering of insurance in 2019-20
<b>RESIDUAL HOUSING SYSTEMS:</b>				
HRA Business Plan	10	10	0.18	Postponed till future year
<b>GOVERNANCE RELATED:</b>				
Members' Code of Conduct & Standards Arrangements	10	10	4.53	Finalised - Substantial
Anti-Fraud & Corruption	2	2	1.79	Finalised
Shared Service Monitoring	10	10	0	Postponed till future year
Corporate Advice/CMT	2	2	9.02	Work-in-progress throughout 2018-19
s.151 Meetings and support	9	9	9.83	Work-in-progress throughout 2018-19
Governance Committee Meetings and Reports	12	12	10.03	Work-in-progress throughout 2018-19
2019-20 Audit Plan Preparation and Meetings	9	9	4.81	Work-in-Progress
<b>SERVICE LEVEL:</b>				
Procurement	10	10	10.2	Finalised – Reasonable/Limited
Community Safety	10	10	13.26	Finalised - Substantial
Dog Warden, Street Scene and Litter Enforcement	10	10	0	Work-in-Progress

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-2019	Status and Assurance Level
Electoral Registration & Election Management	13	13	2.86	Work-in-Progress
Environmental Health – Public Health Burials	10	10	0	Work-in-Progress
Environmental Health – Health & Safety at Work	10	10	0.23	Work-in-Progress
Environmental Protection Service Requests	10	10	0.18	Work-in-progress
Equality & Diversity	10	10	0.18	Work-in-progress
Museum & VIC	12	12	13.53	Work-in-Progress
Commercial Properties & Concessions	12	12	13.21	Work-in-progress
Petty Cash & Travel Arrangements	8	8	0	Postponed to future year
Printing, Photocopying & Postage	10	10	9.86	Finalised - Reasonable
Sports & Leisure	15	15	0	Work-in-Progress
<b>OTHER</b>				
Liaison with External Auditors	1	1	0	Work-in-progress throughout 2019-20
Follow-up Work	15	15	12.49	Work-in-progress throughout 2019-20
<b>FINALISATION OF 2018-19- AUDITS</b>				
Food Safety	5		4.39	Finalised
Data Protection			0.31	Finalised
Building Control			3.33	Finalised
Waste Management & Street Cleansing			17.16	Finalised
Risk Management			9.64	Finalised
Days over delivered in 2018-19	0	-4.59	0	Completed
<b>Responsive Work:</b>				
Homelessness – 2018-19	0	0	0.27	Finalised
<b>TOTAL</b>	<b>255</b>	<b>250.41</b>	<b>152.06</b>	<b>60.72% as at 31<sup>st</sup> December 2019</b>

**EAST KENT HOUSING LIMITED:**

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-2019	Status and Assurance Level
<b>Planned Work:</b>				
CMT/Audit Sub Ctte/EA Liaison	4	4	11.11	Work-in-progress throughout 2019-20
Follow-up Reviews	4	4	10.24	Work-in-progress throughout 2019-20
Rent Accounting, Collection & Debt Mngmt.	40	40	32.44	Work-in-progress
Rechargeable Works	10	10	0	Postponed till future year
Tenants' Health & Safety	15	15	21.89	Finalised – Limited/No
Customer Contact	12	12	0	Postponed till future year
East Kent Housing Improvement Plan	10	10	0	Postponed till future year
Estate Management Inspection	15	15	0	Postponed till future year
Anti-Social Behaviour	15	15	0	Postponed till future year
Employee Health, Safety & Welfare	15	15	5.02	Work-in-progress
<b>Finalisation of 2018-19 Work-in-Progress:</b>				
Days under delivered in 2018-19	0	19.50	0	Allocated
Staff Performance Management	0	0	9.12	Work-in-Progress
Welfare Reform	0	0	8.23	Finalised
Repairs & Maintenance	0	0	37.33	Work-in-Progress
Service Level Agreements	0	0	0.97	Finalised
<b>Responsive Work:</b>				
Data Integrity	0	0	4.46	Finalised - Reasonable
<b>Total</b>	<b>140</b>	<b>159.50</b>	<b>140.81</b>	<b>88.28% as at 31-12-2019</b>

**EKS, EKHR & CIVICA:**

Review	Original Planned Days	Revised Planned Days	Actual days to 31-12-2019	Status and Assurance Level
<b>EKS, EKHR &amp; Civica Reviews:</b>				
Business Rates – Reliefs and Credits	15	15	16.76	Finalised - Substantial
Council Tax	20	20	0	Quarter 4
Housing Benefit Appeals	15	15	13.54	Finalised - Substantial
KPIs	5	5	5.44	Work-in-Progress
ICT Disaster Recovery	15	15	0	Quarter 4
ICT Physical & Environment	15	15	13.81	Finalised - Substantial
Housing Benefit Testing	15	15	13.15	Finalised – N/A
<b>EKHR Reviews:</b>				
Employee Benefits-in-Kind	15	15	8.99	Work-in-Progress
Payroll	15	15	0.25	Work-in-Progress
Recruitment	15	15	0.17	Quarter 4
<b>Other:</b>				
Corporate/Committee	8	8	6.46	Work-in-progress throughout 2019-20
Follow up	7	7	5.74	Work-in-progress throughout 2019-20
Days under delivered in 2018-19	0	27.26	-	Allocated as below
<b>Finalisation of 2018/19 Audits:</b>				
Days under delivered in 2018-19	0	27.26	-	Allocated below
Housing Benefit Testing 18-19	0		8.70	Finalised
Payroll			2.22	Finalised - Reasonable
ICT PCI-DSS Compliance			10.64	Finalised – Reasonable/Limited
<b>Total</b>	<b>160</b>	<b>187.26</b>	<b>105.87</b>	<b>57% at 31-12-2019</b>

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2019-20</u> <u>Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2019-20</u> <u>Actual</u>	<u>Original</u> <u>Budget</u>
	Quarter 3		Reported Annually		
Chargeable as % of available days	85%	80%	<ul style="list-style-type: none"> <li>• Cost per Audit Day</li> </ul>	£	£332.50
Chargeable days as % of planned days			<ul style="list-style-type: none"> <li>• Direct Costs</li> </ul>	£	£428,375
CCC	62.82%	75%	<ul style="list-style-type: none"> <li>• + Indirect Costs (Recharges from Host)</li> </ul>	£	£10,530
DDC	60.72%	75%	<ul style="list-style-type: none"> <li>• - 'Unplanned Income'</li> </ul>	£	Zero
F&HDC	56.71%	75%			
TDC	79.75%	75%			
EKS	56.52%	75%			
EKH	88.28%	75%			
Overall	64.55%	75%	<ul style="list-style-type: none"> <li>• = Net EKAP cost (all Partners)</li> </ul>		£438,905
Follow up/ Progress Reviews;					
<ul style="list-style-type: none"> <li>• Issued</li> <li>• Not yet due</li> <li>• Now due for Follow Up</li> </ul>	29 12 28	- - -			
Compliance with the Public Sector Internal Audit Standards (PSIAS) (see Annual Report for more details)	Partial	Full			

<u>CUSTOMER PERSPECTIVE:</u>	<u>2019-20 Actual</u>	<u>Target</u>	<u>INNOVATION &amp; LEARNING PERSPECTIVE:</u>	<u>2019-20 Actual</u>	<u>Target</u>
	Quarter 3				
Number of Satisfaction Questionnaires Issued;	46		Percentage of staff qualified to relevant technician level	74%	75%
Number of completed questionnaires received back;	14		Percentage of staff holding a relevant higher level qualification	38%	36%
	= 30%		Percentage of staff studying for a relevant professional qualification	15%	N/A
Percentage of Customers who felt that;			Number of days technical training per FTE	4.1	3.5
<ul style="list-style-type: none"> <li>• Interviews were conducted in a professional manner</li> <li>• The audit report was 'Good' or better</li> <li>• That the audit was worthwhile.</li> </ul>	100%	100%	Percentage of staff meeting formal CPD requirements (post qualification)	36%	36%
	100%	90%			
	100%	100%			

## Definition of Audit Assurance Statements & Recommendation Priorities

### 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.

### Priority of Recommendations Definitions:

**Critical** – A finding which significantly impacts upon a corporate risk or seriously impairs the organisation's ability to achieve a corporate priority. Critical recommendations also relate to non-compliance with significant pieces of legislation which the organisation is required to adhere to and which could result in a financial penalty or prosecution. Such recommendations are likely to require immediate remedial action and are actions the Council must take without delay.

**High** – A finding which significantly impacts upon the operational service objective of the area under review. This would also normally be the priority assigned to recommendations relating to the (actual or potential) breach of a less prominent legal responsibility or significant internal policies; unless the consequences of non-compliance are severe. High priority recommendations are likely to require remedial action at the next available opportunity or as soon as is practical and are recommendations that the Council must take.

**Medium** – A finding where the Council is in (actual or potential) breach of - or where there is a weakness within - its own policies, procedures or internal control measures, but which does not directly impact upon a strategic risk, key priority, or the operational service objective of the area under review. Medium priority recommendations are likely to require remedial action within three to six months and are actions which the Council should take.

**Low** – A finding where there is little if any risk to the Council or the recommendation is of a business efficiency nature and is therefore advisory in nature. Low priority recommendations are suggested for implementation within six to nine months and generally describe actions the Council could take.

<b>Subject:</b>	<b>INTERNAL AUDIT CHARTER AND DRAFT INTERNAL AUDIT PLAN 2020-21</b>
<b>Meeting and Date:</b>	<b>Governance Committee – 19<sup>th</sup> March 2020</b>
<b>Report of:</b>	<b>Christine Parker – Head of Audit Partnership</b>
<b>Decision Type:</b>	<b>Non-key</b>
<b>Classification:</b>	<b>Unrestricted</b>
<b>Purpose of the report:</b>	This report presents the Audit Charter for approval and sets out the proposed Internal Audit Plan for 2020/21 detailing a breakdown of audits and an analysis of available days.
<b>Recommendations:</b>	That Members approve to adopt the Internal Audit Charter for delivery of the internal audit service for the next three years.  That Members approve the Council's Internal Audit Plan for 2020/21

**Summary.**

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

**1. Introduction and Background.**

- 1.1 The purpose of the Council's Governance Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent review of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.
- 1.2 In accordance with current best practice, the Governance Committee should "review and assess the annual internal audit work plan". The purpose of this report is help the Committee assess whether the East Kent Audit Partnership has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with the professional standards for Internal Auditors.

**2.0 Audit Mission & Charter.**

- 2.1 The Audit Mission is a simple high-level statement setting out the objectives for the service, please see attached as Annex A.
- 2.2 The Audit Charter is an important document setting out the expectations of how the Internal Audit function will be delivered. Not only does having a Charter and keeping it up to date assist the Council in complying with best practice, but by considering the Audit Charter, the Governance Committee is also demonstrating its effectiveness by ensuring that these mechanisms are in place and are working effectively.
- 2.3 The Audit Charter establishes the purpose, authority, objectives and responsibility of the East Kent Audit Partnership, it goes on to set out the Terms of Reference, Organisational Relationships and Independence, Competence and Standards of

Auditors, the Audit Process and in providing an Internal Audit function to the partner councils; as well as the resources required across the four partnership sites and details how the resource requirements will be met.

2.4 The Audit Charter is attached as Annex B to this report. It is essentially the 'Why' and 'How' the East Kent Audit Partnership will provide the Internal Audit Service. It is a document that does not materially change from year to year and consequently it was suggested last year that this be approved for the next three years (to 31<sup>st</sup> March 2023) with the caveat that should any significant changes be required a revised Charter will be presented for consideration. Having undertaken a detailed self-assessment against the revised Public Sector Internal Audit Standards (PSIAS) minor aspects of the Charter were refreshed, consequently the attached version contains the tracked changes as showing, so that the areas updated can be easily identified. It is proposed again, that subject to there being any future changes to the standard having a knock on effect to the Charter, this document will next be brought back to this Committee in March 2023.

### 3.0 **2020/21 Risk Based Internal Audit Plan.**

3.1 The Audit Plan for the year 2020 to 2021 is attached as Annex C and has the main components to support the Audit Charter. The plan is produced in accordance with professional guidance, including the Public Sector Internal Audit Standards (PISAS). A draft risk based plan is produced from an audit software database (APACE) maintained by the EKAP which records our risk assessments on each service area based upon previous audit experience, criticality, financial risk, risk of fraud and corruption etc. Then amendments have been made following discussions with senior management, taking account of any changes within the Council over the last 12 months, and foreseen changes over the next.

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

3.3 Furthermore, wider risks are considered, by keeping abreast of national issues and advice from the auditing profession / firms. Over the last year, incidents of money laundering, sexual misconduct at the workplace, fraud, cyberattacks, and data privacy scandals grabbed news headlines, and provided a reminder of why effective governance, risk management, and compliance are so important. For this year we have considered the inclusion of the top ten Institute of Internal Audit identified risks;

- 1 **Data Management & Privacy Risk** – the data protection regulations that come in to being in May 2018 affect information governance, and audits have been built into the plan to provide assurance on these risks.
- 2 **Cyber Risk** – As new cyber-attacks develop, so too do cyber resilience efforts need to be stepped up. We have some ICT reviews built into the EKS audit plan to support the network and digital environment.
- 3 **Brexit** – with more negotiations to come post 31<sup>st</sup> January 2020 regarding the trade relationship between the UK and Europe; we have considered this risk and determined that it is too early for us to include anything specific relating to Brexit in the 20-21 audit plan, also taking into account all the collective work the Council has been undertaking with its partners to date.
- 4 **Third Party Risk** – the non-performance of contractors and suppliers is always a risk to the Council, just about everything we do today has some level of third-party

involvement, whether we are aware of it or not. Not only risks of third parties gaining access to sensitive data, we are consequently proposing reviews of Contract Management in the 21-22 plan (last audited in 17-18).

- 5 **Conduct & Culture Risks** – this risk is an emerging area for assurance, only 30% of bodies have audited this despite honesty and personal conduct being behind several big national (sector wide) headlines. Reviews that we have typically carried out in this area include Gifts and Hospitality, Anti-fraud & corruption, whistleblowing, Ethics and compliance with Codes of Conduct. We will keep a watching brief on developments for future consideration, noting that all of our work contributes to the assurances given in the Annual Governance Statement.
  - 6 **Climate Change Risk**- organisations are facing a broad range of risks, based in a rapidly changing and evolving area; new rules and legislation are to be anticipated, weaving climate change elements into relevant key risk areas is being considered for the 20/21 plan.
  - 7 **Digital Transformation Risk** – the Council is undertaking various development and digital projects, we have specifically considered this risk, it has been agreed that provision for EKAP to become involved at key stages of projects will be agreed on a case by case basis. Key areas to keep abreast of are 'big data', data mining and cloud computing.
  - 8 **Workforce Risk** – Hiring and retaining the talent needed has been considered and a review is not proposed for 20/21.
  - 9 **Regulatory Risk**– this is a constant risk as the external environment throws new laws at a council and it has to respond. New legislation is something we consider for each area within the audit plan, and thus a separate 'cross cutting' review has not been proposed for 20/21.
  - 10 **Fraud** – is an ongoing risk assessed in every area of activity that the Council undertakes. We have given due consideration in assessing the Counter Fraud Framework within which the Council operates.
- 3.4 There are insufficient audit resources to review all areas of activity each year. Consequently, the plan is based upon a formal risk assessment that seeks to ensure that all areas of the Council's operations are reviewed within a strategic cycle of audits. In order to provide Members with assurance that internal audit resources are sufficient to give effective coverage across all areas of the Authority's operations, a strategic plan has been included.
- 3.5 To comply with the best practice, the agreed audit plan should cover a fixed period of no more than 1 year. Members are therefore being asked to approve the 2020/21 plan at the present time, and the future years are shown as indicative plans only, to provide Members with assurance that internal audit resources are sufficient to provide effective coverage across all areas of the Authority's operations within a rolling cycle.
- 3.6 The plan has been prepared in consultation with the Directors and the Council's statutory s.151 Officer. The plan is also designed to meet the requirements expected by the External Auditors for ensuring key controls are in place for its fundamental systems. This Committee is also part of the consultation process, and its views on the plan of work for 2020/21 are sought to ensure that the Council has an effective internal audit of its activities and Members receive the level of assurance they require to be able to place assurance on the annual governance statement.
- 3.7 The risk assessment and consultation to date has resulted in;
- |     |  |
|-----|--|
| 78% | Core Assurance Projects- the main Audit Programme                                      |
| 0%  | Fraud Work – fraud awareness, reactive work and investigating potential irregularities |

- 0% Corporate Risk – testing the robustness of corporate risk mitigating action
  - 22% Other Productive Work – Corporate meetings, follow up, general advice, liaison
- Total number of audits 22.

For 2020/21 the days available for carrying out audit is 255 days. When compared to the resources available and working on the basis that the highest risk areas should be reviewed as a priority, the EKAP has sufficient resources to review all of the high risk areas and all of the medium risk areas this equates to 22 audits.

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

- 4.1 Members should have regard to how audit resources within the Council compare to other similar organisations when considering the adequacy and effectiveness of the internal audit plan. The results of benchmarking show that the average number of internal audit days provided by district councils within Kent is circa 400 days annum. The audit plan of Dover District Council of 255 days plus their share of the EKS and East Kent Housing audit plans totals 350. The Dover plan is therefore 12.5% less well-resourced than the Kent average.

#### **5.0 Head of Internal Audit Opinion of the 2020/21 Internal Audit Plan.**

- 5.1 This report is presented to Members by the Council's Strategic Director (Corporate Resources) whose s.151 responsibility it is to maintain an effective internal audit plan. In the interests of openness and transparency and in order to enable Members to make an informed decision on the internal audit plan presented for their approval consideration should also be given to the opinion of the Head of Internal Audit on the effectiveness of the plan.
- 5.2 It is the professional opinion of the Head of the East Kent Audit Partnership that the draft 2020/21 internal plan presented for Members consideration is less well-resourced than the Kent average and accordingly our overall audit opinion at the end of the year will be limited to commenting on the systems of internal control that have been examined. The current resources of the EKAP will allow for an opinion to be given on the Council's key risk areas and systems. This should be sufficient coverage to inform the Annual Governance Statement.
- 5.3 The Head of the East Kent Audit Partnership highlights that Members either approve the 2020/21 internal audit plan as drafted or they may recommend to Cabinet that additional resources should be allocated to bring the plan up to the Kent average. This would require an additional 50 days per annum, which at an estimated cost per audit day of £300 would cost £15,000 per annum.

#### **6.0 Background Papers.**

- Internal Audit Annual Plan 2019/20 - Previously presented to and approved at the April 2019 Governance Committee meeting.
- Internal Audit working papers - Held by the East Kent Audit Partnership.
- Former Audit Charter and Strategies - Previously presented to and approved at Governance and Audit Committee meetings.

## **Attachments**

- Annex A     Audit Mission
- Annex B     EKAP Internal Audit Charter
- Annex C     Dover District Council draft 2020/21 Internal Audit Plan

**CHRISTINE PARKER**  
Head of Audit Partnership

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

## **East Kent Audit Partnership Mission**

The four East Kent authorities Canterbury City Council (CCC), Dover District Council (DDC), Folkestone & Hythe District Council (F&HDC), and Thanet District Council (TDC) formed the East Kent Audit Partnership (EKAP) in order to deliver a professional, cost effective, efficient, internal audit function. A key aim for the EKAP, supported by an agreed Audit Charter, is to build a resilient service that provides opportunities to port best practice between the four councils, East Kent Services and East Kent Housing Ltd. acting as a catalyst for change and improvement to service delivery as well as providing assurance on the governance arrangements in place.

EKAP provides an independent, objective assurance and consulting activity designed to add value and improve the councils' operations. It helps the partners accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The mission for internal auditing (linked to the definition above) is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight reflecting each Councils' Corporate Objectives.



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

1. Introduction & Vision
2. Terms of Reference
  - 2.1 Strategy & Purpose
  - 2.2 Responsibility & Scope
  - 2.3 Authority
  - 2.4 Avoiding Conflicts of Interest
3. Organisational Relationships and Independence
  - 3.1 Audit Partnership Management and Staffing
  - 3.2 Relationship with Service Managers
  - 3.3 Relationship with Line Management and Statutory Officers
  - 3.4 Relationship with the Partners
  - 3.5 Relationship with Audit Committees
  - 3.6 Relationship with External Audit
  - 3.7 Relationship with Other Regulators, Inspectors and Audit Bodies
  - 3.8 Relationship with the Public
4. Competence and Standards of Auditors
  - 4.1 Competence
  - 4.2 Standards
5. Audit Process
  - 5.1 Approach
  - 5.2 Planning
  - 5.3 Documentation
  - 5.4 Consultation
  - 5.5 Reporting
  - 5.6 Follow-up
6. Resources
  - 6.1 Staff Resources
  - 6.2 Budget
7. Quality Assurance
8. Additional Services

- 8.1 Special Investigations and Fraud Related Work
- 8.2 Ad Hoc / Consultancy Work / External Bodies
- 8.3 Value for Money Reviews

9. Amendment to Charter

## **1 Introduction**

- 1.1 This Charter establishes the purpose, authority, objectives and responsibility of the Audit Partnership, in providing an Internal Audit function within the Partner Councils.
- 1.2 The EKAP is committed to the highest standards and prides itself on complying with the definition of Internal Auditing the ethical codes that the profession requires and adopting the International standards.
- 1.3 The Audit Partnership is hosted by Dover District Council. The four East Kent authorities Canterbury City Council (CCC), Dover District Council (DDC), Folkestone & Hythe District Council (F&HDC), and Thanet District Council (TDC) formed the East Kent Audit Partnership (EKAP) in order to deliver a professional, cost effective, efficient, internal audit function. A key aim for the EKAP is to build a resilient service that provides opportunities to port best practice between the four sites, acting as a catalyst for change and improvement to service delivery as well as providing assurance on the governance arrangements in place.
- 1.4 The Audit Partnership is sufficiently independent of the activities that it audits, and this enables the auditors to perform their duties in a manner, which facilitates impartial and effective professional judgements and recommendations.
- 1.5 The organisational status of the Audit Partnership is such that it is able to function effectively. The Head of Audit Partnership must be able to maintain their independence and report to members. The Head of Audit Partnership has sufficient status to facilitate the effective discussion of audit strategies, plans, results and improvement plans with the senior management and audit committees of the individual partners.
- 1.6 Accountability for the response to the advice and recommendations of the Audit Partnership lies with each partner's own management.
- 1.7 The Audit Partnership reports to those committees charged with governance. The main objective is to independently contribute to the councils' overall process for ensuring that an effective internal control environment is maintained. The work of the Audit Partnership for each of the partner authorities is summarised into an individual annual report, which assists in meeting the requirements to make annual published statements on the internal control systems in operation as required by Section 6 of the Accounts and Audit Regulations 2015.

## **2 Terms of Reference**

### **2.1 Strategy & Purpose**

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

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

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

## 2.2 Responsibility & Scope

### 2.2.1 Internal Audit is responsible for appraising and reviewing:

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

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

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

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

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

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

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

## 2.3 Authority

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

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

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

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

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

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

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

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

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

## **2.4 Avoiding Conflicts of Interest**

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

## **3 Organisational Relationships and Independence**

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

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

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

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

### **3.3 Reporting Relationship with Line Management and Statutory Officers**

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

- To determine some other action to treat the risk.

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

3.3.3 The Head of Audit Partnership has unrestricted access to the s.151 Officer, the Monitoring Officer and the Head of Paid Service as appropriate. Engagement with the statutory officers is not prescribed, however regular attendance at CMT with IA updates is desirable.

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

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

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

- Provide an individual summary of the work completed for each Partner,
- Compare actual audit activity with that planned,
- Provide an opinion on the adequacy and effectiveness of the councils framework of governance, risk management and control,
- Summarise the performance of the East Kent Audit Partnership against its performance criteria, and provide a statement of conformance with professional standards, with details of the quality assurance and improvement programme,
- Include the cost of the service for the partner.

The Accounts and Audit Regulations section 5 requires that a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. The Charter sets out how the EKAP will meet this requirement.

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

Please note the PSIAS refer to the 'board', and it is expected that the audit committee will fulfil the role of the board in the majority of instances.

The East Kent Audit Partnership has a direct relationship with those charged with the responsibility for governance. Consequently, the Head of Audit Partnership issues a report summarising the results of its reviews to each meeting. The Annual Report is the foundation for the opinion given through the Governance Assurance Statement, which is published annually The Accounts and Audit Regulations section 3 requires that a relevant authority has a sound system of internal control which

3.5.1 facilitates the effective exercise of its functions and the achievement of its aims and objectives,

3.5.2 ensures that the financial and operational management of the authority is effective, and

### 3.5.3 includes effective arrangements for the management of risk.

This Charter establishes how the EKAP contributes to complying with the regulations and creates the link to the Annual Governance Statement. The Committee will also approve the annual work plan for their Council.

The Head of Audit Partnership will escalate any critical or high-risk matters of concern that have not been adequately actioned by management at the progress report stage to the committee via the quarterly update report, drawing attention to significant matters in the annual report. The Head of Audit Partnership may meet privately with the chair of the audit committee and has direct access to the committee should this be required.

The Audit Committee will note decisions relating to the appointment and removal of the Head of Audit Partnership.

## 3.6 Relationship with External Audit

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

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

### 3.6.2 In particular the Head of Audit Partnership will:

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

## 3.7 Other Regulators, Inspectors and Audit Bodies

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

## 3.8 Relationship with the Public

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

## 4 Competence and Standards of Auditors

### 4.1 Competence

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

## 4.2 Standards

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

## 5 Audit Process

5.1 The EKAP seeks to deliver effective outcomes by;

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

## 5.2 Planning

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

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

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

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

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

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

### 5.3 Documentation

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

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

### 5.4 Consultation

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

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

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

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

- ensure that information gathered is accurate and properly interpreted,

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

## 5.5 Reporting

- 5.5.1 A written discussion document (draft report) is prepared and issued by the responsible Auditor at the conclusion of each audit. Prior to its issue, the appropriate Deputy Head of Audit reviews the draft together with the supporting working papers. The purpose of this document is to allow the service manager the opportunity to confirm factual accuracy and challenge any of the findings of the review.
- 5.5.2 The draft document will contain an outline action plan listing proposed individual recommendations for internal control improvement. These recommendations are categorised to indicate whether there is a high, medium or low risk of the control objectives failing. It is at this stage that the Service Manager accepts or negotiates that the risks are in fact present, that they accept responsibility for the risks and discuss how they proposed to mitigate or control them.
- 5.5.3 The document is then updated, and if changes are required following the discussion, is presented to the Service Manager as a Draft Report. On completion of the Action Plan, a final version of the report containing “Agreed Actions” is issued to the Service Manager with a copy to the relevant Director. Additional copies are circulated as agreed with each Partner Authority.
- 5.5.4 The agreed actions will be followed up, and high priority recommendations will be tested to ensure they have been effective after their due date has passed.
- 5.5.5 Audit reports are to be clear, objective, balanced and timely. They are to be constructed in a standardised format which will include:
- The objectives of the audit,
  - The scope of the audit, and where appropriate anything omitted from the review,
  - An overall conclusion and opinion on the subject area,
  - Proposed actions for improvement,
  - Service Manager’s comments (where appropriate), and
  - A table summarising all the Proposed/Agreed Actions, risk category, a due date and any management responses.
- 5.5.6 Each Final Report carries one of four possible levels of Assurance. This is assessed as a snapshot in time, the purpose of which is for all stakeholders to be able to place reliance on that system of internal controls to operate as intended; completely, consistently, efficiently and effectively. Assurance given by Internal Audit at the year end is based on an overall assessment of the assurance opinions it has given during that year, and can only apply to the areas tested. There are insufficient resources to audit every aspect of every area every year.
- 5.5.7 In addition to individual audit reports for each topic, the performance of the East Kent Audit Partnership is analysed and reviewed as described in section 3.4 of this Charter.

## 5.6 Follow Up

- 5.6.1 The Audit Partnership will follow up on management action arising from its assignments. Each individual recommendation is recorded on the specialist auditing software used.

Each recommendation is classified as to whether it is high, medium or low risk. The due date for implementation and the responsible person are also recorded.

- 5.6.2 Following the last due date within the Action Plan, the auditors follow up whether or not action has been taken to reduce the identified risk. They ask the responsible officer for each individual recommendation whether:
- a. The control improvement has successfully been implemented
  - b. Progress is being made towards implementing the control improvement
  - c. No action has yet occurred due to insufficient time or resources
  - d. That after agreeing the action, the risk is now being tolerated
  - e. That the control improvement is no longer relevant due to a system change
  - f. Other reason (please specify).
- 5.6.3 Further testing will be carried out where necessary (e.g. critical and high risk recommendations) to independently confirm that effective action has in fact taken place.
- 5.6.4 A written summary of the results of the follow up action is issued to the relevant Service Manager and Director, and where appropriate a revised assurance level is issued. The results of follow-up reviews and the revised assurance opinions issued are also reported to the audit committee.
- 5.6.5 Any areas of concern after follow up, where it is thought that management has not taken appropriate action, will be escalated to senior management and ultimately the Audit Committee as described in paragraph 3.3.2 of this Charter.

## **6 Resources**

### **6.1 Staff Resources**

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

## 6.2 **Budget**

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

## 7. **Quality assurance**

The quality assurance arrangements for the EKAP include all files being subject to review by either the Deputy Head of Audit for the site and/or by the Head of Audit Partnership (particularly if the review has 'no' or 'limited' assurance). The review process is ongoing and includes adequate supervision of the audit staff and of the audit work performed. This review ensures that the work undertaken complies with the standards defined in the Public Sector Internal Audit Standards and with the requirements of this Charter. In addition to the ongoing review of the quality of individual working papers and reports and performance against the balanced scorecard of performance indicators; an annual assessment of the effectiveness of Internal Audit is undertaken separately by each of the partner authorities. To comply fully with the PSIAS the EKAP has presented the options for an external quality assessment to be undertaken before October 2017. However, the s.151 Client Officer Group at its meeting held 16.11.16 has decided to not spend resources on an External Quality Assessment. This decision was confirmed again at the annual meeting on 05.12.19.

## 8. **Additional Services**

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

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

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

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

The s.151 Officer will keep the Head of Audit Partnership apprised via the regular meetings of any disciplinary action taken by the council that may be relevant to internal audit planning and risk assessments, if staff have been found to act deceitfully or circumvent controls etc.

### 8.2 **Ad Hoc / Consultancy Work/ External Bodies**

A contingency has not been included in any of the partners' plans. Therefore if work has not been included in the plan from the outset, a variation will need to be agreed for any subsequently requested work, to re-allocate time within the relevant partner's own plan, or through buying in additional resource, to back-fill whilst partnership staff carry out the

assignment. The decision will be made in conjunction with the relevant partner's s.151 Officer and other management as necessary. Conflicts of interest may be avoided if carrying out consultancy work due to the flexibility of the arrangements within the EKAP, as we are able to rotate auditors accordingly. Approval of requests from Management for additional projects are subject to certain criteria, to include whether the EKAP has the relevant skills and capacity to undertake the assignment.

Requests for assurance work from external bodies are not anticipated, nor does the EKAP have capacity or spare resource to deliver such requests. However, in the event that a request is received, the s.151 Client Officer Group would consider and authorise such an undertaking and a separate legal agreement confirming the engagement would be drawn up with DDC as the host authority (EKAP not being a separate legal entity). The Head of Audit Partnership would give the same consideration to conflicts of interest, capacity, skills and competency when assessing the scope of the work, as it if were an internal assignment, before agreeing to undertake the engagement

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

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

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

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

February 2020

### **References:**

Former Audit Strategy

Audit Manual

Public Sector Internal Audit Standards (PSIAS)

CIPFA Local Government Application Note to PSIAS



Plan Area	Corporate Plan and/or Corporate Risk Ref:	Year last audited	Previous Assurance level	2020-21 Planned Days	Quarter Prioritised for 2020-21	2021-22 Planned Days	2022-23 planned days	2023-24 Planned Days
<b>Financial Systems:</b>								
Capital	CR1	2018-19	Substantial				10	
Treasury Management	CR9	2016-17	Substantial	10	3			
Car Parking & Enforcement	CP1	2019-20	2019-20 WIP			10		13
Bank Reconciliation		2018-19	Reasonable				10	
Creditors and CIS		2017-18	Substantial			10		
External Funding Protocol	CP1, CP4 & CR 1	2017-18	Reasonable			10		
Main Accounting System	CP4 & CR1	2016-17	Substantial					
Income	CP4	2017-18	Substantial/Reasonable			10		
Budgetary Control	CP4, CR1 & CR2	2016-17	Substantial			10		
VAT		2018-19	Substantial				10	
Insurance and Inventories of Portable Assets		2016-17	Substantial	10	3			
<b>Residual Housing Systems:</b>								
Homelessness	CR4	2018-19	Substantial/Limited				10	
Housing Allocations	CP3 & CR4	2015-16	Substantial	10	4		10	
Right to Buy		2016-17	Reasonable				10	
HRA Business Plan	CP3	2010-11	Limited				10	
<b>Governance Systems:</b>								
Data Protection, FOI and Information Management	CP4 & CR10	2018-19	Limited	10	4		15	
Members' Code of Conduct, Register of Interests, Gifts and Hospitality, and Standards Arrangement	CP4 & CR18	2019-20	Substantial					10
Officers' Code of Conduct and Gifts and Hospitality	CP4 & CR18	2017-18	Substantial			10		
Local Code of Corporate Governance	CP4	2017-18	Reasonable			10		
Anti-Fraud & Corruption Assurance mapping		2019-20	N/A				10	
Performance Management	CP4 & CR17	2016-17	Reasonable/Limited	10	3			
Complaints Monitoring	CP4	2014-15	Reasonable				10	
Shared Services Monitoring	CP4, & CR9	2015-16	Reasonable					10
Scheme of Officer Delegations	CP4	2017-18	Substantial			10		
Corporate/Governance and Audit Committee		Annually	N/A	32	1 to 4	32	32	32
Project Management	CP4	2017-18	Reasonable			10		
Risk Management	Informs all Corporate Risks	2018-19	Reasonable			10	10	
<b>Other:</b>								
Liaison with the External Auditors	N/A	Annually	N/A	1	1 to 4	1	1	1
Previous Year Work in Progress b/fwd	N/A	Annually	N/A	20	1	5	5	5
Follow-up	N/A	Annually	N/A	15	1 to 4	15	15	15
<b>Capital/Project Post Implementation Reviews:</b>								
Kearsney Abbey		N/A	N/A	10	2			
Main Accounting System		N/A	N/A			10		
<b>Contract Audits:</b>								
CSO Compliance	CP4	2017-18	Reasonable			10		
Service Contract Monitoring	CP4, CR27 & CR31	2017-18	Reasonable			10		
Receipt and Opening of Tenders	CP4	2016-17	Substantial	10	4			
Procurement	CP4	2019-20	Reasonable/Limited					12
<b>Service Level Audits:</b>								

Employee Health & Safety	CR20	Previously EKS - Reasonable		10	1			
Cemeteries		2016-17	Reasonable	10	2			
Safeguarding Children and Vulnerable Groups/DBS Checks	CP3 & CR28	2014-15	Reasonable	10	2			
Private Sector Housing – HMO Licensing	CP3	2018-19	Limited				10	
Community Safety	CP2	2019-20	Reasonable					10
Coastal Management		2013-14	Substantial			10		
Climate Change		New Area	To be Assessed					12
CCTV	CP2	2017-18	Substantial			10		
Dog Warden Service, Street Scene and Litter Enforcement (incl. graffiti and flytipping)	CP2	2019-20	2019-20 WIP					10
Electoral Registration & Election Management	CP3 & CR14	2019-20	2019-20 WIP					13
Environmental Health – Food Safety	CP2 & CP3	2018-19	Substantial				10	
Environmental Health – Public Health Burials	CP3	2019-20	2019-20 WIP					10
Environmental Health - Port Health	CP3 & CR5/6	2017-18	Substantial			10		
Planning Enforcement	CR12	New Area	To be Assessed	10	3			
Environmental Health – Health and Safety at Work	CR8	2019-20	2019-20 WIP					10
Environmental Health - Environmental Protection Service Requests	CP3	2019-20	2019-20 WIP					10
Environmental Health - Contaminated Land, Air and Water Quality	CP3	2017-18	Reasonable			10		
Business Continuity and Emergency Planning	CR7, CR19 & CR25	2016-17	Reasonable	12	1			
Playgrounds	CP3	2016-17	Reasonable	10	2			
Legal Services		Not audited by EKAP, assurance is instead provided by LEXCEL accreditation						
Equality and Diversity	CP3 & CR13	2019-20	2019-20 WIP					12
Events Management		Pre 2004-05	To be Assessed				10	
Grounds Maintenance	CP2 & CP4	2017-18	Reasonable			10		
Disabled Facilities Grants	CP3	2016-17	Substantial	10	1			
Land Charges		2016-17	Reasonable/ Limited	10	4			
Licensing	CP3	2017-18	Reasonable			12		
Commercial Properties - Compliance	CR14 & CR30	New Area	To be Assessed				10	
Museum and VIC	CP1	2019-20	Reasonable					15
Commercial Let Properties and Concessions (incl allotments, Industrial estates, Media Centre, Innovation centre etc)	CP4	2019-20	Reasonable					15
Members' Allowances and Expenses		2016-17	Substantial	10	2			
Planning Applications, Income and s106 Agreements	CR12	2016-17	Limited/ Substantial	15	4			15
Local Plan, Corporate Plan and MTFP	CR12	New Area	To be Assessed				10	
Building Control		2018-19	Reasonable				12	
Phones, Mobiles and Utilities - Expenditure and Controls		2017-18	Substantial/ Reasonable			10		
Printing, photocopying and postage		2019-20	Substantial					10
Your Leisure - Sports and Leisure	CP1 & CP3	2019-20	19-20 WIP					15
Whitecliffs Countryside Partnership	CP2	2018-19	Reasonable				10	
Waste Management and Street Cleansing	CP2 & CR13	2018-19	Reasonable/ Limited				15	
Garden Waste and Recycling Income	CP2	2016-17	Reasonable	10	3			
<b>Total Planned Days:</b>				<b>255</b>		<b>255</b>	<b>255</b>	<b>255</b>

**EAST KENT HOUSING: To be reviewed after 4 months**

Plan Area	Corporate Risk Reference	Year last audited	Previous Assurance level	2020-21 planned days	2021-22 Planned Days	2022-23 Planned Days
Rent Accounting, Collection and Debt Management	S10	2019-20	Substantial			40
Rechargeable Works	S1	New Area	To be Assessed	35		
Repairs, Maintenance including contract variations		2018-19	Various		40	
Void Property Management		2018-19	Various		20	
Leasehold Services		2017-18	Reasonable	40		
Tenants' Health and Safety (Gas, Fire, Lifts, Legionella and Asbestos)	S13	2019-20	Sustantial/ Reasonable/ Limited/No	15	20	16
Sheltered and Supported Housing (including Supporting People)		2015-16	Reasonable	36		
Estate Management Inspections		2019-20	2019-20 WIP			40
Anti-Social Behaviour		2019-20	2019-20 WIP			40
Tenancy Fraud		2017-18	Limited	10		
Contract Letting - CSO Compliance	S11	2015-16	Reasonable			
Contract Monitoring	S14	2018-19	Limited		36	
Resident Involvement	S9	2018-19	2018-19 WIP		20	
Follow Up / Progress reviews	ALL RISKS	2019-20	Ongoing	4	4	4
<b>Total Planned Days:</b>				<b>140</b>	<b>140</b>	<b>140</b>

**EKS/EKHR & CIVICA:**

Plan Area	Year lasted audited	Previous assurance level	2020-21 Planned Days	2021-22 Planned Days	2022-23 Planned Days	2023-24 Planned Days
<b>EK Services - Revenues &amp; Benefits (CIVICA)</b>						
Housing Benefits – Payment	2017/18	Substantial			15	
Housing Benefits – Overpayments	2016/17	Substantial	15			
Housing Benefits – Admin & Assessment	2018/19	Substantial		15		
Housing Benefit - Appeals	2019/20	Substantial				15
Housing Benefit - DHP	2018/19	Reasonable			15	
Housing Benefit - Subsidy	2016/17	Substantial	15			
Housing Benefit Testing	2019/20	N/A	15	15	15	15
Council Tax	2014/15 (19)	Substantial				15
Council Tax Reduction Scheme	2017/18	Substantial		15		
Customer Services/Gateway	2016/17	Substantial	15			
Business Rates	2017/18	Substantial		15		
Business Rates reliefs / credits	2019/20	Substantial				15
Debtors and rechargeable Works	2018/19	Substantial			15	
Key Performance Indicators	2019/20	New	5	5	5	5
<b>Sub-Total EK Services Planned Days</b>			<b>65</b>	<b>65</b>	<b>65</b>	<b>65</b>
<b>EK Services Corporate</b>						
Meetings/ Agree Audit Plan			5	5	5	5
Carried forward / follow up			15	15	15	15
<b>Total EK Services Corporate</b>			<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>EK Services - ICT</b>						
ICT – Change Controls	2016/17	Substantial	15			
ICT - Data Management	2017/18	Substantial		15		
ICT – Network Security	2018/19	Substantial			15	
ICT – Procurement and Disposal	2017/18	Reasonable		15		
ICT – Physical and Environment	2019/20	Substantial				15
ICT - Software Licensing	2016/17	Reasonable	15			
ICT - PCI-DSS	2018/19	Reasonable / Limited			15	
ICT - Disaster Recovery	2015/16 (19)	Sub / Reasonable				15
<b>EKS ICT Total</b>			<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>
<b>EK Services - EKHR</b>						

Recruitment	2016/17 (19)	Substantial			15	
Absence Management/Annual Leave and Flexi Leave	2018/19	Reasonable		15		
Payroll, SMP and SSP	2018/19	Reasonable	15	15	15	15
Employee Allowances and Expenses	2017/18	Sub / Reasonable	15			15
Employee Benefits-in-kind	2019/20	Substantial / Limited			15	
Leavers	2016/17	Substantial	15			15
Apprenticeships	2018/19	Sub / Reasonable		15		
<b>Total EK Services HR</b>			<b>45</b>	<b>45</b>	<b>45</b>	<b>45</b>
<b><u>Overall total</u></b>			<b>160</b>	<b>160</b>	<b>160</b>	<b>160</b>

**Subject:** INTERNAL AUDIT STANDARDS SELF-ASSESSMENT

**Meeting and Date:** Governance Committee – 19<sup>th</sup> March 2020

**Report of:** Christine Parker – Head of Audit Partnership

**Decision Type:** Non-key

**Classification:** Unrestricted

**Purpose of the report:** This report summarises the results of the EKAP self-assessment against the Public Sector Internal Audit Standards (PSIAS).

**Recommendations:** Members note the content of the report and the actions required to work towards full compliance with the PSIAS

**Summary.**

This report sets out the PSIAS governing the East Kent Audit Partnership and the actions required to move towards full compliance.

**1. Introduction and Background.**

1.1 From 1<sup>st</sup> April 2013 the EKAP has been working to the Public Sector Internal Audit Standards (PSIAS), defined as the proper practice for Internal audit in the UK Public Sector. A mandatory local government sector-specific application note issued by the Chartered Institute of Public Finance & Accountancy (CIPFA) supplements the Standards.

1.2 The previous self-assessment against the PSIAS was undertaken in 2016 by the Head of the Audit Partnership and was reviewed by the two Deputy Heads of Audit, this review concluded that EKAP partially complied and resulted in an action plan for improvements working towards full compliance.

1.3 A self-assessment to demonstrate the extent to which the service complies with the PSIAS and to identify any areas where further work is required was undertaken in December 2019, to enhance independence a different EKAP Auditor undertook the self-assessment, which has been reviewed by the Head of Audit. The assessment comprises 193 questions against which evidence to support 'Fully Complies, Partially Complies, Does Not Comply or Not Applicable' has been assessed and has concluded the following:

	YES	PARTIAL	NO	NOT APPLICABLE
PERCENTAGE	87%	6%	1%	6%
TOTALS	167	12	2	12

The table demonstrates that EKAP continues to be predominately compliant with the PSIAS, and some improvements have been identified i.e. regarding housekeeping, document control and retention, future proofing and keeping EKAP procedures updated. The recommended actions to ensure full compliance in all areas can be met and improved is attached at Annex 1.

1.4 It should be noted that Internal Audit's level of compliance with professional standards is continually being monitored and reported on the Balance Scorecard of Performance Indicators to members on a quarterly basis.

1.5 Two key documents that the self-assessment has relied upon, are updated annually and have not significantly changed since the last self-assessment. The Audit Mission and Charter are attached within these committee papers alongside the Audit Plan report as part of the agenda. Any further updates or amendments to these key documents will be brought before the committee for approval in three years, or sooner if required.

## 2. **The Self-Assessment Against the Public Sector Internal Audit Standards (PSIAS)**

2.1 The Head of the Audit Partnership has undertaken a self-assessment to demonstrate the extent to which the service complies with the PSIAS (and supplementary application note) and to identify any areas where further work was required to demonstrate compliance.

2.2 This review therefore, notes the changes to the new 2017 updated standard and the resultant action plan addresses the areas that are required before the EKAP can accurately use the phrase “conforms with the International Standard for the Professional Practice of Internal Auditing”.

2.3 The PSIAS are broken down into two main areas

- **Attribute Standards** address the characteristics of organisations performing the Internal Audit activities.

**Standard 1000 – Purpose, Authority and Responsibility**

**Standard 1100 – Independence and Objectivity**

**Standard 1200 – Proficiency and Due Professional Care**

**Standard 1300 – Quality Assurance and Improvement Programme**

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

**Standard 2000 – Managing the Audit Activity**

**Standard 2100 – Nature of Work**

**Standard 2200 – Engagement Planning**

**Standard 2300 – Performing the Engagement**

**Standard 2400 – Communicating Results**

**Standard 2500 – Monitoring Progress**

**Standard 2600 – Communicating the Acceptance of Risks.**

2.4 The Self-Assessment process also reviewed the following key documents:

- Mission of Internal Audit,
- Core Principles for the professional practice of internal auditing, and
- Code of Ethics

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

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

### **3. Next Steps**

- 3.1 The progress towards achieving the actions contained in the Action Plan shown as Annex 1 will be reported in the annual report brought to the Committee in July.

### **4.0 Background Papers**

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

### **Attachments**

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

**CHRISTINE PARKER**  
Head of Audit Partnership

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

## Improvement Actions Required for EKAP to conform with the Public Sector Internal Audit Standard

PSIAS Reference	PSIAS Name	Action Required
1000	Purpose, Authority and Responsibility	<ul style="list-style-type: none"> <li>• Update the Audit Mission statement to recognise each partners' Corporate Objectives and to cross reference the key EKAP documents that support the statement. (Done).</li> <li>• Update each Council's web pages to consistently show the EKAP presence (requests have been sent).</li> <li>• Update the GDPR Document retention schedule to reflect latest Information Asset Register requirements. (Done – to be raised at next team meeting also).</li> <li>• Add a glossary of Terms to the Audit Charter to define the terms 'Board' and 'senior management team'.</li> </ul>
1110	Organisational Independence	<ul style="list-style-type: none"> <li>• Remind IA Staff of their ethical responsibilities. December Team Meeting annually to discuss the seven principles of public life etc.</li> <li>• Further expand the role of EKAP in fraud investigations (within the Audit Charter) with regards to the methodology and reporting lines.</li> </ul>
1310	Quality Assurance and Improvement Programme (QAIP)	<ul style="list-style-type: none"> <li>• Does the QAIP include both internal and external assessments? Internal self-assessment (Done) No external assessment planned or budgeted for (EKAP Client Officer group decision).</li> </ul>
1311	Internal Assessments	<ul style="list-style-type: none"> <li>• Improve the internal quality assessment in accordance with the new requirements; specifically to capture more evidence of the assessments done.</li> </ul>
1312	External Assessments	<ul style="list-style-type: none"> <li>• No external assessment planned or budgeted for (EKAP Client Officer Group decision).</li> </ul>

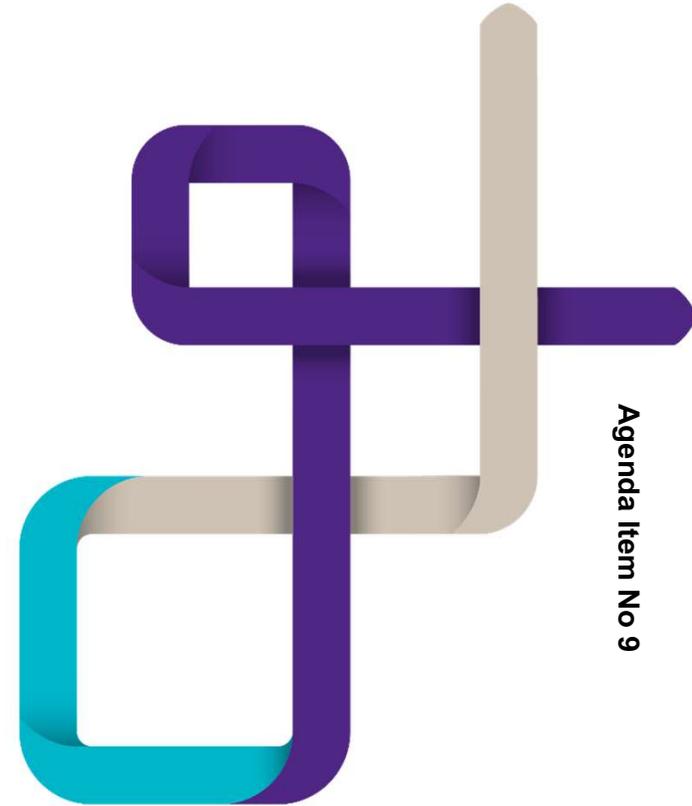
1322	Disclosure of non conformance	<ul style="list-style-type: none"> <li>• The lack of an External Assessment should be included as a deviation from the PSIAS in the annual governance statement (Done).</li> </ul>
2010	Planning	<ul style="list-style-type: none"> <li>• LGAN- Is the risk-based plan sufficiently flexible to reflect the changing risks and priorities of the organisation by allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary? No Contingency provision is held in audit plans; urgent work is at the cost of planned work in agreement with the s.151.</li> <li>• Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance? Only to Food Standards and H&amp;S. Working with KAG- develop a map of assurance providers.</li> </ul>
2000	Managing the IA Activity	<ul style="list-style-type: none"> <li>• General tidy up on files including ensuring compliance with the Document Retention Scheme and disposal of old files, version control on key documents (added to the next Team Meeting Agenda).</li> <li>• Include on the Audit Brief any systems and resources to be reviewed, including those that are under the control of third parties.</li> <li>• Refresh the Audit Manual, add a Work Instruction for Allocating Work.</li> <li>• Even better evidence reasons for job progress comments, including over and underspends on time budgets against individual reviews as recorded on APACE.</li> <li>• The implementation of these corrective actions resulting from the self-assessment should be reported to the board. (Progress to be included in the Annual Report).</li> </ul>



# External Audit Plan

*Year ending 31 March 2020*

Dover District Council  
March 2020



Agenda Item No 9

# Contents



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## Appendix

### A. Audit quality – national context

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 planning 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 Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# 1. Introduction & headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Dover District Council ('the Authority') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Dover District Council. We draw your attention to both of these documents on the [PSAA website](#).

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Governance committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Governance Committee of your responsibilities. It is the responsibility of the Authority 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 Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls;
- Valuation of land and buildings;
- Valuation of net pension fund liability.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £1.64m (PY £1.58m) for the Authority, which equates to 1.99% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £82k (PY £79k).

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Medium Term Financial Resilience

## Audit logistics

Our interim visit will take place in March/April 2020 and our final visit will take place in July 2020. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £45,587 (PY: £41,337) for the Authority, subject to the Authority meeting our requirements set out on page 8.

## Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

## 2. Key matters impacting our audit

### Factors

#### The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. Over the last decade you have experienced significant and sustained cuts to your funding whilst demand on services has risen.

You have met the financial challenges with robust arrangements and sound financial control. You ended 2018/19 in a favourable position with a surplus of £12k. At the end of Quarter 3 in the current year, the General Fund's projected outturn was a surplus of £109k. The HRA 2019/20 budget forecast a deficit of £5k with an HRA balance of £1,007K, which remains stable.

At a national level, the government continues its negotiation with the EU over Brexit, and future arrangements remain clouded in uncertainty. The Authority will need to continue to update its preparations as an outcome becomes clearer, including in terms of any impact on contracts, service delivery and its support for local people and businesses.

#### Financial reporting and audit – raising the bar

The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing as detailed in Appendix 1.

Our work in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved, with a corresponding increase in audit procedures. We have also identified an increase in the complexity of local government financial transactions which require greater audit scrutiny.

#### Implementation of IFRS 16 – Leases

The implementation of IFRS 16 is delayed in the public sector until 1 April 2020. There will therefore be disclosure requirements that apply in 2019/20 for standards issued but not yet adopted.

The current distinction between operating and finance leases is removed for lessees and all leases will be recognised on the balance sheet of lessees as a right of use asset and a liability to make the lease payments, subject to the adaptations for short term leases and exceptions for leases of low value assets.

#### The Future of East Kent Housing (EKH)

East Kent Housing is the arms' length organisation which provides housing management services to four Kent authorities including Dover District Council. Following a period of serious performance and health and safety compliance failings by EKH the delivery options for the four authorities' housing management services was reassessed. Following consultation with members, the four authorities and tenants, it was resolved that the preferred option, for landlord services in Dover, was to be delivered directly by the Council. This will take effect in the 2020/21 financial year following a transition period.

### Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements.
- We will maintain a watching brief over your consideration of whether the impact of Brexit has a bearing on your arrangements for managing your financial resources.
- As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee, as set further in our Audit Plan, and is subject to PSAA agreement.
- We will assess the adequacy of your disclosure about the financial impact of implementing IFRS 16 – Leases from 1 April 2020 and test a sample of lease obligations to determine whether they have been accounted for appropriately under the new requirements.
- We will maintain an understanding of your developing plans to effect the transfer of this service in house.
- We will assess the appropriateness of the treatment of this event in the 2019/20 accounts and the adequacy of the related disclosures.

### 3. Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p><b>The revenue cycle includes fraudulent transactions</b></p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. 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 ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Dover District Council mean that all forms of fraud are seen as unacceptable</li> </ul>	<p>Therefore we do not consider this to be a significant risk for the Council.</p>
<p><b>Management over-ride of controls</b></p>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

### 3. Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Valuation of land and buildings</b>	<p>The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£299m in 2018/19) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for investment properties) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert;</li> <li>• write to the valuer to confirm the basis on which the valuation was carried out;</li> <li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Authority's valuer's report and the assumptions that underpin the valuation;</li> <li>• test revaluations made during the year to see if they had been input correctly into the Authority's asset register;</li> <li>• evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul>
<b>Valuation of the pension fund net liability</b>	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£76.2million in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;</li> <li>• assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li> <li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>• obtain assurances from the auditor of Kent County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul>

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2020.

## 4. Other matters

### Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions
- We consider our other duties under the Local Audit and Accountability Act 2014 (the Act) and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2019/20 financial statements, consider and decide upon any objections received in relation to the 2019/20 financial statements
  - Issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act or
  - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

### Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

### Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Authority's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and material uncertainties, and evaluate the disclosures in the financial statements.

# 5. Materiality

## The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

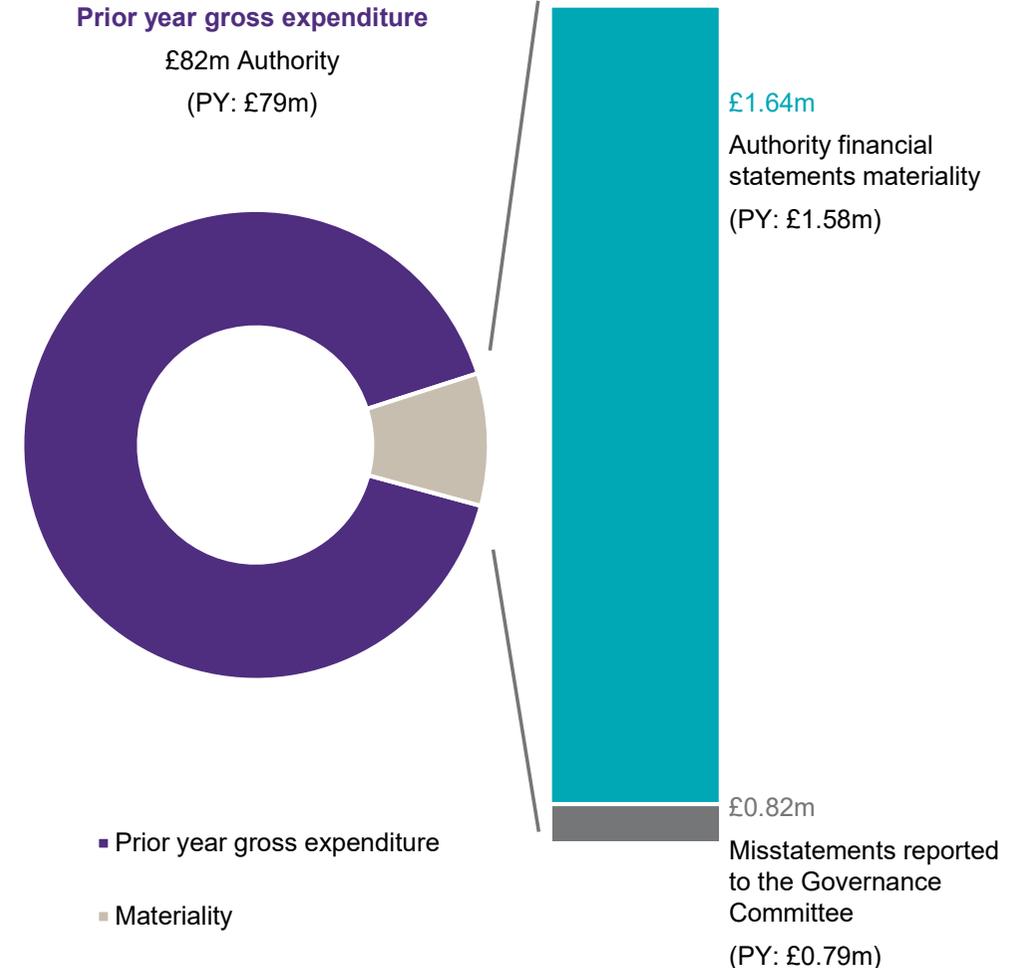
We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.64m (PY £1.58m), which equates to 1.99% of your prior year gross expenditure for the year.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

## Matters we will report to the Governance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.82m (PY £0.79m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Governance Committee to assist it in fulfilling its governance responsibilities.



## 6. Value for Money arrangements

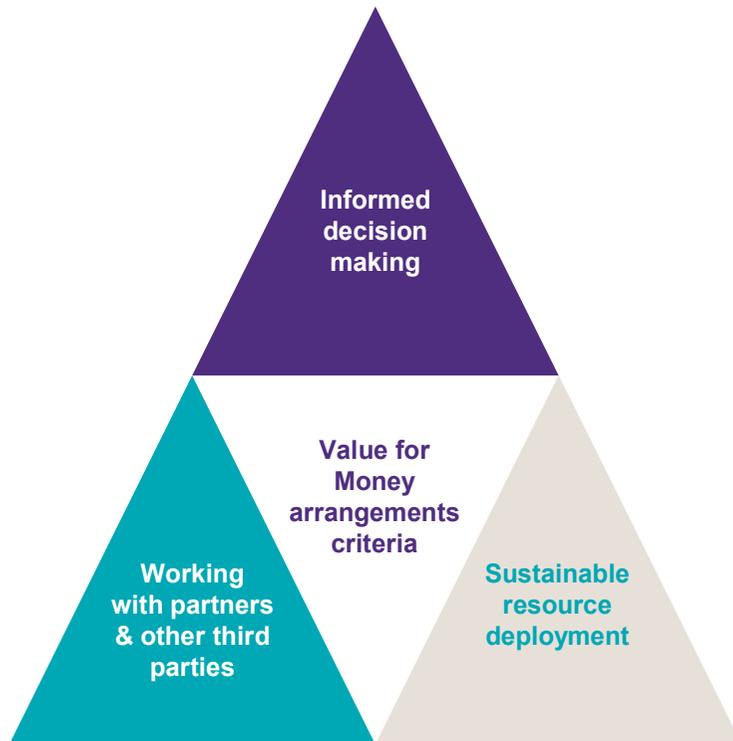
### Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

*“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”*

This is supported by three sub-criteria, as set out below:



### Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.



#### Medium Term Financial Resilience

The overall Local Government sector has been facing a challenging financial outlook in recent years, which is to continue into 2019/20 and for the medium term. Further pressure is expected across the sector as a result of continued increasing demand for services and falling central government funding, factors which are also affecting Dover District Council.

#### Planned Response

We will update our understanding of your financial arrangements including evaluating the robustness of your medium term financial plan and budgeting to ensure that resources are deployed to achieve planned and sustainable outcomes for local tax payers.

## 7. Audit logistics & team



### Darren Wells, Key Audit Partner

Darren is responsible for the overall delivery of the Audit Plan, covering the totality of our work across the opinion and VFM audits. This includes liaison with senior officers and audit committee. Darren will ensure that our audit is tailored specifically to you and is delivered efficiently.



### Liulu Chen, Audit Manager

Liulu is responsible for overall audit management, quality assurance of audit work and providing feedback to you throughout the audit process. Liulu will liaise with your finance team and ensure the Audit Plan is applied throughout the course of audit testing.



### Lisa Lee, Audit Incharge

Lisa is responsible for the delivery of the audit, acting as first point of contact for the finance team. Lisa will monitor deliverables, highlight any significant issues and lead the on-site team to carry out the applicable audit tests.

### Client responsibilities

Where clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits may incur additional audit fees.

### Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

## 8. Audit fees

### Planned audit fees 2019/20

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the second year of that contract. The scale fee set by PSAA at the beginning of the contract was £41,337. Since that time, there have been a number of developments within the accounting profession.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. Within the public sector, where the FRC has recently assumed responsibility for the inspection of local government audit, the regulator requires that all audits achieve a 2A (few improvements needed) rating.

Our work across the sector in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved. We have also identified an increase in the complexity of local government financial transactions. Combined with the FRC requirement that 100% of audits achieve a 2A rating this means that additional audit work is required. We have set out below the expected impact on our audit fee. The table overleaf provides more details about the areas where we will be undertaking further testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee at the planning stage, as set out below and with further analysis overleaf, and is subject to PSAA agreement.

	Actual Fee 2017/18	Actual Fee 2018/19	Proposed fee 2019/20
<b>Council Audit</b>	£53,685	£41,337	£48,837
<b>Total audit fees (excluding VAT)</b>	<b>£53,685</b>	<b>£41,337</b>	<b>£48,837</b>

### Assumptions:

In setting the above fees, we have assumed that the Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

### Relevant professional standards:

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with staff of appropriate skills, time and abilities to deliver an audit to the required professional standard.

# Audit fee variations – Further analysis

## Planned audit fees

The table below shows the planned variations to the original scale fee for 2019/20 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees.

Audit area	£	Rationale for fee variation
<b>Scale fee</b>	41,337	This is this is the PSAA scale fee and is unchanged from 2018/19.
<b>Raising the bar</b>	2,500	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.
<b>Pensions – valuation of net pension liabilities under International Auditing Standard (IAS) 19</b>	1,750	The Financial Reporting Council (FRC) has specifically highlighted that the quality and extent of work around IAS 19 valuations has to increase across local audit. We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.
<b>PPE Valuation – work of experts</b>	1,750	The Financial Reporting Council (FRC) has specifically highlighted that the quality and extent of work around PPE and Investment Property valuations has to increase across local audit. We have responded by increasing the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations.
<b>New standards / developments</b>	1,500	The Council will be required to disclose in its 2019/20 financial statements the expected initial impact of the implementation of IFRS 16 on its net asset position and reserves as at 1 April 2020, to meet the requirements of IAS 8. This will require additional audit procedures.
<b>Revised scale fee (to be approved by PSAA)</b>	<b>48,837</b>	

## 9. Independence & non-audit services

### Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

### Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified.

Service	£	Threats	Safeguards
<b>Audit related:</b>			
Certification of Housing Benefits claim	10,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the agreed fee for this work in 2018/19 was £10,500 in comparison to the total fee for the audit of £45,587 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing capital receipts grant	5,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £45,587 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority's policy on the allotment of non-audit work to your auditors. All services have been approved by the Governance Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

The firm is committed to improving our audit quality – please see our transparency report - <https://www.grantthornton.ie/about/transparency-report/>

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# Appendices

**A. Audit Quality – national context**

# Appendix A: Audit Quality – national context

## What has the FRC said about Audit Quality?

The Financial Reporting Council (FRC) publishes an annual Quality Inspection of our firm, alongside our competitors. The Annual Quality Review (AQR) monitors the quality of UK Public Interest Entity audits to promote continuous improvement in audit quality.

All of the major audit firms are subject to an annual review process in which the FRC inspects a small sample of audits performed from each of the firms to see if they fully conform to required standards.

The most recent report, published in July 2019, shows that the results of commercial audits taken across all the firms have worsened this year. Specifically for Grant Thornton the FRC identified the need for us to:

- improve the extent and rigour of challenge of management in areas of judgement
- improve the consistency of audit teams' application of professional scepticism
- strengthen the effectiveness of the audit of revenue
- improve the audit of going concern
- improve the audit of the completeness and evaluation of prior year adjustments.

The FRC has also set all firms the target of achieving a grading of '2a' (minor improvements required) or better on all large commercial audits. We have set ourselves the same target for public sector audits from 2019/20.

## Other sector wide reviews

Alongside the FRC, other key stakeholders including the Department for Business, energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. A number of key reviews into the profession have been undertaken or are in progress. These include the review by Sir John Kingman of the Financial Reporting Council (Dec 2018), the review by the Competition and Markets authority of competition within the audit market, the ongoing review by Sir Donald Brydon of external audit, and specifically for public services, the Review by Sir Tony Redmond of local authority financial reporting and external audit. As a firm, we are contributing to all these reviews and keen to be at the forefront of developments and improvements in public audit.



## What are we doing to address FRC findings?

In response to the FRC's findings, the firm is responding vigorously and with purpose. As part of our Audit Investment Programme (AIP), we are establishing a new Quality Board, commissioning an independent review of our audit function, and strengthening our senior leadership at the highest levels of the firm, for example through the appointment of Fiona Baldwin as Head of Audit. Whilst we recognise we have work to do, we are confident these investments will make a real difference.

We have also undertaken a root cause analysis and put in place processes to address the issues raised by the FRC. We have already implemented new training material that will reinforce the need for our engagement teams to challenge management and demonstrate how they have applied professional scepticism as part of the audit. Further guidance on auditing areas such as revenue has also been disseminated to all audit teams and we will continue to evolve our training and review processes on an ongoing basis.

## What will be different in this audit?

We will continue working collaboratively with you to deliver the audit to the agreed timetable whilst ensuring the issues identified by the FRC are addressed and improving our audit quality. In achieving this you may see, for example, an increased expectation for management to develop properly articulated papers for any new accounting standard, or unusual or complex transactions. In addition, you should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. As a result you may find the audit process more challenging than previous audits. These changes will give the audit committee and the board greater confidence that we have delivered a high quality audit and that the financial statements are not materially misstated. Challenging management will also enable us to provide greater insights into the quality of your finance function and internal control environment and provide those charged with governance confidence that a material misstatement due to fraud will have been detected.

We will still plan for a smooth audit and ensure this is completed to the timetable agreed. However, there may be instances where we may require additional time for both the audit work to be completed to the highest quality and to ensure management have appropriate time to consider any matters raised. This may require us to agree with you a delay in signing the announcement and financial statements. To minimise this risk, we will keep you informed of progress and risks to the timetable as the audit progresses.

We are absolutely committed to delivering audit of the highest quality and we should be happy to provide further detail about our improvement plans should you require it.



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<b>Subject:</b>	<b>REVIEW OF MEMBER CODE OF CONDUCT ARRANGEMENTS</b>
<b>Meeting and Date:</b>	<b>GOVERNANCE COMMITTEE – 19 MARCH 2020</b>
<b>Report of:</b>	<b>MONITORING OFFICER</b>
<b>Classification:</b>	<b>UNRESTRICTED</b>
<b>Purpose of the report:</b>	To update the Arrangements accompanying the Code of Conduct to reflect the decision to merge the functions of the Standards Committee into the functions of the Governance Committee
<b>Recommendation:</b>	That the revised arrangements set out in Appendix 1 be approved.

**1. Summary**

1.1 This report identifies the required changes that need to be made to the Arrangements accompanying the Code of Conduct.

**2. Introduction and Background**

2.1 Following an audit of the Members Code of Conduct and Standards arrangements several references to the former Standards Committee were identified in the Arrangements. These should instead refer to the Governance Committee following the decision of the full Council in May 2017 to transfer the functions of the Standards Committee to the Governance Committee.

2.2 However, while the former Director of Governance was granted delegated authority by the full Council to make the textual changes in the Constitution, the arrangements that accompany the Code of Conduct do not form part of the Constitution and therefore are not covered by that delegation.

**3. Identification of Options**

3.1 Option 1: To approve the textual changes to the Annexes 1 and 3 of the Arrangements.

3.2 Option 2: To not approve the textual changes to Annexes 1 and 3 of the Arrangements.

**4. Evaluation of Options**

4.1 Option 1 is the preferred option as it enables the efficient operation of the authority to continue in line with the changes made by the full Council to the governance structure.

4.2 Option 2 is not the recommended option as it leaves the Arrangements at odds with the governance framework agreed by the full Council.

**5. Resource Implications**

5.1 There are no resource implications arising from this report other than a small number of printed copies of the documents made available to the public on request.

**6. Climate Change and Environmental Implications**

6.1 There are no climate change and environmental implications arising from the report. The documents are made primarily available electronically via the Council's website with a small number of printed copies made available to the public on request.

7. **Corporate Implications**

7.1 There are no corporate implications.

8. **Appendices**

Appendix 1 – Revised Annex 1 (Procedure on Receipt of a Complaint) and Annex 3 (Hearing Panel Procedure)

9. **Background Papers**

Code of Conduct for Members

The Standards Committee Report – Council (17 May 2017)

Contact Officer: Rebecca Brough, Democratic Services Manager, 01304 872304

## PROCEDURE ON RECEIPT OF A COMPLAINT

### 1. Preliminary tests

1.1 The complaint will be assessed by the Monitoring Officer in consultation with the Independent Person against the legal jurisdiction test in paragraph 1.2 and, if applicable, the local assessment criteria test in paragraph 1.4 below.

### 1.2 Legal jurisdiction criteria test:

- (a) Did the alleged conduct occur before the adoption of the Code of Conduct?
- (b) Was the person complained of a member of the District or Parish Council at the time of the alleged conduct?
- (c) Was the person complained of acting in an official capacity at the time of the alleged conduct?
- (d) Did the alleged conduct occur when the person complained of was acting as a member of another authority?
- (e) If the facts could be established as a matter of evidence, could the alleged conduct be capable of a breach of the Code of Conduct?
- (f) The complaint is about dissatisfaction with the District or Parish Council's decisions, policies and priorities, etc.

1.3 If the complaint fails one or more of the jurisdiction tests, no further action will be taken by the Monitoring Officer and the complaint will be rejected. The Complainant will be notified accordingly with reasons, normally within 30 working days {substitute preferred number of days} of receipt of the complaint by the Monitoring Officer. There is no right of appeal against the Monitoring Officer's decision.

### 1.4 Local assessment criteria test:

If the complaint satisfies the jurisdiction test, the Monitoring Officer will then apply the following local assessment criteria test:

- (a) The complaint is a 'repeat complaint', unless supported by new or further evidence substantiating or indicating that the complaint is exceptionally serious or significant;
- (b) The complaint is anonymous, unless supported by independent documentary evidence substantiating or indicating that the complaint is exceptionally serious or significant;
- (c) No or insufficient information/evidence to substantiate the complaint has been submitted by the Complainant;
- (d) The complaint is malicious, trivial, politically motivated or 'tit-for-tat';
- (e) The Complainant is unreasonably persistent, malicious and/or vexatious;
- (f) The alleged misconduct happened more than 3 months ago;
- (g) The complaint is relatively minor and/or dealing with the complaint would have a disproportionate effect on both public money and officers' and Members' time;
- (h) The circumstances have changed so much that there would be little benefit arising from an investigation or other action;

- (i) The complaint has been the subject of an investigation or other action and there is nothing more to be gained by further action being taken;
- (j) The complaint is such that it is unlikely that an investigation will be able to come to a firm conclusion on the matter, e.g. where there is no firm evidence on the matter;
- (k) The complaint is about a deceased person;
- (l) The complaint is about a person who is no longer a District or Parish Councillor or Co-opted Member.

1.5 If one or more of the local assessment criteria applies to the complaint, no further action will be taken by the Monitoring Officer and the complaint will be rejected. The Complainant will be notified accordingly with reasons, normally within 30 working days of receipt of the complaint by the Monitoring Officer. There is no right of appeal against the Monitoring Officer's decision.

## **2. Notification of complaint to Subject Member**

2.1 Subject to any representations from the Complainant on confidentiality (see paragraph 5 below), the Monitoring Officer will notify the Subject Member [and, if applicable, the Parish Clerk] of the complaint.

2.2 The Monitoring Officer may invite the Subject Member [and, if applicable, the Parish Clerk] to submit initial views on the complaint, which will be taken into account by the Monitoring Officer when they decide how to deal with the complaint (see paragraph 4 below).

## **3. Asking for additional information**

3.1 The Monitoring Officer may ask the Complainant and the Subject Member [and, if applicable, the Parish Clerk] for additional information before deciding how to deal with the complaint.

## **4. What process to apply - informal resolution or investigation and/or no action?**

4.1 The Monitoring Officer may at any stage seek to resolve the complaint informally in accordance with paragraph 6 below. Where the Subject Member or the Monitoring Officer or the District or Parish Council make a reasonable offer of informal resolution, but the Complainant is not willing to accept this offer, the Monitoring Officer will take account of this in deciding whether the complaint merits formal investigation.

4.2 The Monitoring Officer in consultation with the Independent Person may refer the complaint for investigation when:

- (a) it is serious enough, if proven, to justify the range of sanctions available to the Governance Committee (see paragraph 5 of Annex 3 to these Arrangements);
- (b) the Subject Member's behaviour is part of a continuing pattern of less serious misconduct that is unreasonably disrupting the business of the District or Parish Council and there is no other avenue left to deal with it short of investigation. In considering this, the Monitoring Officer may take into account the time that has passed since the alleged conduct occurred.

- 4.3 Where the complaint is referred for investigation, the Monitoring Officer will appoint an Investigating Officer who will conduct the investigation in accordance with the procedure at Annex 2 to these Arrangements.
- 4.4 If the complaint identifies potential criminal conduct or potential breach of other regulations by the Subject Member or any other person, the Complainant may be advised by the Monitoring Officer to report the complaint to the police or other prosecuting or regulatory authority. Alternatively the Monitoring Officer will consider the complaint against the legal jurisdiction criteria test and if the complaint passes that test he may pass the complaint to the police. Where a complainant has been advised to refer a matter to the police or the Monitoring Officer has referred the matter to the police the complaints process under these Arrangements will be suspended, pending a decision/action by the police or other prosecuting or regulatory authority. Where the police or other prosecuting or regulatory authority decide to take no action on the complaint, the Monitoring Officer will lift the suspension and, in consultation with the Independent Person, will apply the local assessment criteria test in paragraph 1.4 above.
- 4.5 The Monitoring Officer in consultation with the Independent Person, will take no action on the complaint when one or more of the following apply:
- (a) on-going criminal proceedings or a police investigation into the Subject Member's conduct;
  - (b) investigation cannot be proceeded with, without investigating similar alleged conduct or needing to come to conclusions of fact about events which are also the subject of some other investigation or court proceedings;
  - (c) the investigation might prejudice another investigation or court proceedings;
  - (d) genuine long term (3 months or more) unavailability of a key party;
  - (e) serious illness of a key party.
- 4.6 Normally within 60 working days of receipt of the complaint, the Monitoring Officer will notify the Complainant, Subject Member [and, if applicable, the Parish Clerk] of their decision and reasons for applying one of the following processes in the format of the Decision Notice template (appended to this Annex 2):
- (a) not to refer the complaint for investigation; or
  - (b) to refer the complaint for investigation; or
  - (c) to apply the informal resolution process either before or after an investigation; or
  - (d) to refer the complaint to the relevant political group leader for action.
- 4.7 There is no right of appeal against the Monitoring Officer's decision. However, in the event that the Complainant submits additional relevant information, the Monitoring Officer will consider and decide if the matter warrants further consideration under these Arrangements, in which case it shall be treated as a fresh complaint.

## **5. Confidentiality**

5.1 If the Complainant has asked for their identity to be withheld, this request will be considered by the Monitoring Officer in consultation with the Independent Person when they initially assess the complaint (see paragraph 1 above).

5.2 As a matter of fairness and natural justice, the Subject Member will usually be told who the Complainant is and will also receive details of the complaint. However, in exceptional circumstances, it may be appropriate to keep the Complainant's identity confidential or not disclose details of the complaint to the Subject Member during the early stages of an investigation. The Monitoring Officer may withhold the Complainant's identity and/or details of the complaint if they are satisfied that there are reasonable grounds for believing that the Complainant or any other person (e.g. a witness):

- (a) is either vulnerable or at risk of threat, harm or reprisal;
- (b) may suffer intimidation or be victimised or harassed;
- (c) works closely with the Subject Member and are afraid of the consequences, e.g. fear of losing their job;
- (d) suffers from a serious health condition and there are medical risks associated with their identity being disclosed (medical evidence will need to be provided to substantiate this);
- (e) may receive less favourable treatment because of the seniority of the person they are complaining about in terms of any existing District or Parish Council service provision or any tender/contract they may have with or are about to submit to the District or Parish Council.

OR where early disclosure of the complaint:

- (a) may lead to evidence being compromised or destroyed; or
- (b) may impede or prejudice the investigation; or
- (c) would not be in the public interest.

5.3 Relevant public interest factors favouring disclosure (not an exhaustive list) include:

- (a) to facilitate transparency and ethical governance accountability: recognising that decision-making may be improved by constructive contributions from others;
- (b) to raise public awareness: disclosing the complaint or part of it may inform the community about matters of general concern;
- (c) justice to an individual: the balance of the public interest may favour disclosure of the complaint to the Subject Member when it may not be in the public interest to disclose it to the world at large;

- (d) bringing out in the open serious concerns about the behaviour/conduct of an individual.

5.4 The Monitoring Officer, in consultation with the Independent Person, will balance whether the public interest in accepting the complaint outweighs the Complainant's wish to have their identity (or that of another person) withheld from the Subject Member. If the Monitoring Officer decides to refuse the Complainant's request for confidentiality, they will offer the Complainant the option to withdraw their complaint. The Complainant will be notified of the Monitoring Officer's decision, with reasons by the Monitoring Officer. There is no right of appeal against the Monitoring Officer's decision to refuse the Complainant's request for confidentiality.

## **6. Informal resolution**

6.1 The Monitoring Officer may, after consultation with the Independent Person, seek to resolve a complaint informally at any stage in the process, whether without the need for an investigation or before or after an investigation has been commenced or concluded. In so doing, the Monitoring Officer will consult with the Complainant and the Subject Member to seek to agree what they consider to be a fair resolution, which will help to ensure higher standards of conduct for the future.

6.2 Informal resolution may be the simplest and most cost effective way of resolving the complaint and may be appropriate where:

- (a) The Subject Member appears to have a poor understanding of the Code of Conduct and/or related District or Parish Council procedures; or
- (b) There appears to be a breakdown in the relationship between the Complainant and the Subject Member; or
- (c) The conduct complained of appears to be a symptom of wider underlying conflicts which, if unresolved, are likely to lead to further misconduct or allegations of misconduct; or
- (d) The conduct complained of appears common to a number of members of the District or Parish Council, demonstrating a lack of awareness, experience or recognition of the particular provisions of the Code of Conduct and/or other District or Parish Council procedures, etc; or
- (e) The conduct complained of appears to the Monitoring Officer not to require a formal sanction; or
- (f) The complaint appears to reveal a lack of guidance, protocols and procedures within the District or Parish Council; or
- (g) The Complainant and the Subject Member are amenable to engaging in an informal resolution; or
- (h) The complaint consists of allegations and retaliatory allegations between councillors; or
- (i) The complaint consists of allegations about how formal meetings are conducted; or
- (j) The conduct complained of may be due to misleading, unclear or misunderstood advice from officers.

6.3 Informal resolution may consist of one or more of the following actions, which do not have to be limited to the Subject Member, but may extend to other councillors including the whole District or Parish Council where it may be useful to address systemic behaviour:

- (a) training;

- (b) conciliation/mediation;
- (c) mentoring;
- (d) apology;
- (e) instituting changes to the District or Parish Council's procedures;
- (f) conflict management;
- (g) development of the District or Parish Council's protocols;
- (h) other remedial action by the District or Parish Council;
- (i) other steps (other than investigation) if it appears appropriate to the Monitoring Officer in consultation with the Independent Person.

6.4 If the Subject Member is agreeable to and complies with the informal resolution process, the Monitoring Officer will report the matter to the Governance Committee [and, if applicable, the Parish Council] for information, but will take no further action against the Subject Member.

6.5 Where the Subject Member will not participate in the informal resolution process or if, having agreed to one or more actions under the informal resolution process, the Subject Member refuses or fails to carry out any agreed action, the Monitoring Officer will report the matter to the Governance Committee.

**EXAMPLE TEMPLATE – COMPLAINT FORM**



# Complaint Form

**Your Details**

1. Please provide us with your name and contact details.

<b>Title:</b>	
<b>First name:</b>	
<b>Last name:</b>	
<b>Address:</b>	
<b>Daytime telephone:</b>	
<b>Evening telephone:</b>	
<b>Mobile telephone:</b>	
<b>Email address:</b>	

2. Please tell us which complainant type best describes you:

- Member of the public
- An elected or co-opted member of an authority
- An appointed Independent Person for the purposes of the Localism Act 2011
- Member of Parliament
- Local authority Monitoring Officer
- Other council officer or authority employee
- Other (please give details) \_\_\_\_\_

3. Please provide us with the name of the councillor(s) you believe has breached the Code of Conduct and the name of their authority:

Title	First name	Last name	Council or authority name


4. **Please explain in this section what the councillor has done that you believe breaches the Code of Conduct.** If you are complaining about more than one councillor you should clearly explain what each individual person has done that you believe breaches the Code of Conduct.

It is important that you provide all the information you wish to have taken into account by the Monitoring Officer when he (acting in consultation with the Independent Person) decides whether to take any action on your complaint. For example:

- You should be specific, wherever possible, about exactly what you are alleging the councillor said or did. For instance, instead of writing that the councillor has conducted himself in a manner which could reasonably be regarded as bringing his office or the Authority into disrepute you, you should state what it was they said or did.
- You should provide the dates of the alleged incidents wherever possible. If you cannot provide exact dates it is important to give a general timeframe.
- You should confirm whether there are any witnesses to the alleged conduct and provide their names and contact details if possible.
- You should provide any relevant background information.

Please provide us with the details of your complaint. Continue on a separate sheet if there is not enough space on this form.

5. **Only complete this next section if you are requesting that your identity is kept confidential. Please see the notes in the accompanying leaflet "How to make a complaint".**

There is a presumption that a copy of this form will be provided to the subject member of your complaint. If you wish to request that information relating to your identity is kept confidential and withheld from the subject please complete the box below.

Please provide us with details of why you believe we should withhold your name and/or the details of your complaint:

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

Return Address:      The Monitoring Officer  
                                 c/o Corporate Complaints and Resilience Officer  
                                 Dover District Council  
                                 White Cliffs Business Park  
                                 Dover  
                                 Kent CT16 3PJ

### Complaints Form – Monitoring Information

In order to ensure we target our services in the most effective way for our community, we would appreciate if it you would give answers to the following questions. Please note that the information on this page **will not** be provided to the subject member of the complaint.

Q1. Ethnic Group

- White:**
- British
- Irish
- Any other white background

- Black or Black British:**
- Caribbean
- African
- Any other black background

- Asian or Asian British:**
- Indian
- Pakistani
- Bangladeshi
- Any other Asian background

Q2. Sex

- Male
- Female

Q3. Partnership Status

- Single
- Married/Civil Partner
- Separated
- Divorced
- Widow/Widower

Q4. Age Group

- Under 16
- 16-19
- 20-24

- 25-59
- 60-64
- 65 and above

Q5. Do you have a disability?

- Yes
- No

Q6. What is the nature of your disability?

- Difficulty getting around
- Mental health problems
- Learning difficulty
- Difficulty seeing
- Hearing difficulty
- Other

Q7. To help us monitor issues for different sections of our community, we would appreciate it if you would tell us which faith group, if any, you belong to. If lack of faith is an issue in itself we would also like to know.

March 2020

## **EXAMPLE TEMPLATE - DECISION NOTICE (of the Monitoring Officer): e.g. REFERRAL FOR INVESTIGATION**

*Parties should take care when passing on information that is in the notice or about the notice. For example, some details such as names and addresses may be confidential or private in nature, or may be personal information.*

### **Complaint No:**

### **Complaint**

On [insert date], the Monitoring Officer considered a complaint from [insert name of complainant] concerning the alleged conduct of [insert name of councillor], a member of [insert authority name]. A general summary of the complaint is set out below.

### **Complaint summary**

[Summarise complaint in numbered paragraphs]

### **Consultation with Independent Person**

[Summarise the Independent Person's views in numbered paragraphs]

### **Decision**

Having consulted and taken into account the views of the Independent Person, the Monitoring Officer decided to refer the complaint for investigation.

### **Potential breaches of the Code of Conduct identified**

At this stage, the Monitoring Officer is not required to decide if the Code of Conduct has been breached. They are only considering if there is enough information which shows a potential breach of the Code of Conduct that warrants referral for investigation.

The Monitoring Officer considers that the alleged conduct, if proven, may amount to a breach of the following paragraphs of the Code of Conduct. The Monitoring Officer has appointed [insert name] as the Investigating Officer.

Please note that it will be for the Investigating Officer to determine which paragraphs are relevant, during the course of the investigation.

[detail relevant Code of Conduct paragraphs]

### **Notification of decision**

This decision notice is sent to the:

- Complainant
- Member against whom the complaint was made
- [Clerk to the relevant Parish or Town Council]
- Kent County Council's Monitoring Officer (*applicable only where the Subject Member is serving at both District and County level*)

March 2020

### **What happens now**

The complaint will now be investigated under the District] Council's Arrangements for Dealing with Code of Conduct Complaints under the Localism Act 2011.

### **Appeal**

There is no right of appeal against the Monitoring Officer's decision.

### **Additional Help**

If you need additional support in relation to this decision notice or future contact with the District Council, please let us know as soon as possible. If you have difficulty reading this notice, we can make reasonable adjustments to assist you, in line with the requirements of the Equality Act 2010. We can also help if English is not your first language. Please refer to the attached Community Interpreting Service leaflet or contact our Customer Services on [insert telephone number] or email [insert email address].

**Signed:**

**Date**

**Print name:**

Monitoring Officer of Dover District Council

Address xxx

## Hearing Panel Procedure

### 1. Pre Hearing Procedure

- 1.1 In order to allow the hearing to proceed fairly and efficiently The Monitoring Officer may in appropriate cases use a pre hearing procedure to:-
- identify which facts in the investigation report are agreed and which are in dispute.
  - Whether there is fresh evidence not mentioned in the investigation report which will be put before the hearing.
  - Whether there is documentary evidence which a party intends to put before the hearing.
  - Establish whether the parties intend to attend, whether the parties intend to be represented in accordance with paragraph 2 and, if so, by whom, the number and identity of witnesses to be called.
  - Whether the subject member wants the whole or any part of the hearing to be held in private.
  - Whether the subject member wants the whole or any part of the investigation report or other relevant documents to be withheld from the public.
- 1.2 The Monitoring Officer will notify the parties of the date, time and place for the hearing.

### 2. Rules of procedure

- 2.1 The Hearing Panel consists of three voting elected Members drawn from the Governance Committee, one of whom shall be elected as Chairman
- 2.2 The quorum for a meeting of the Hearing Panel is three elected Members.
- 2.3 The Independent Person's views must be sought and taken into consideration before the Hearing Panel takes any decision on whether the Subject Member's conduct constitutes a failure to comply with the Code of Conduct and as to any sanction to be taken following a finding of failure to comply with the Code of Conduct. The Independent Person should normally be present throughout the hearing (but not during the deliberations of the Hearing Panel in private) but in the event that this is not possible, may instead submit their views on the complaint to the Hearing Panel in writing.
- 2.4 The legal requirements for publishing agendas, minutes and calling meetings, will apply to the Hearing Panel. The hearing will be held in public no earlier than 14 working days after the Monitoring Officer has copied the Investigating Officer's final report to the complainant and the Subject Member. Schedule 12A Local Government Act 1972 (as amended) will be applied to exclude the public and press from meetings of the Hearing Panel where it is likely that confidential or exempt information will be disclosed.
- 2.5 Once a hearing has started, the District Council's Rules of Substitution do not apply to the Hearing Panel's proceedings.

2.6 All matters/issues before the Hearing Panel will be decided by a simple majority of votes cast, with the Chairman having a second or casting vote.

2.7 Where the Subject Member fails to attend the Hearing Panel and where the Hearing Panel is not satisfied with their explanation for their absence from the hearing, the Hearing Panel may in the first instance, have regard to any written representations submitted by the Subject Member and may resolve to proceed with the hearing in the Subject Member's absence and make a determination or, if satisfied with the Subject Member's reasons for not attending the hearing, adjourn the hearing to another date. The Hearing Panel may resolve in exceptional circumstances, that it will proceed with the hearing on the basis that it is in the public interest to hear the allegations expeditiously.<sup>1</sup>

### **3. Right to be accompanied by a representative**

3.1 The Subject Member may choose to be accompanied and/or represented at the Hearing Panel by a fellow councillor, friend or colleague.

### **4. The conduct of the hearing**

4.1 Subject to paragraph 4.2 below, the order of business will be as follows:

- (a) elect a Chairman;
- (b) apologies for absence;
- (c) declarations of interests;
- (d) in the absence of the Subject Member, consideration as to whether to adjourn or to proceed with the hearing (refer to paragraph 1.11 above);
- (e) introduction by the Chairman, of members of the Hearing Panel, the Independent Person, Monitoring Officer, Investigating Officer, legal advisor, complainant and the Subject Member and their representative;
- (f) to receive representations from the Monitoring Officer and/or Subject Member as to whether any part of the hearing should be held in private and/or whether any documents (or parts thereof) should be withheld from the public/press;
- (g) to determine whether the public/press are to be excluded from any part of the meeting and/or whether any documents (or parts thereof) should be withheld from the public/press.

4.2 The Chairman may exercise their discretion and amend the order of business, where they consider that it is expedient to do so in order to secure the effective and fair consideration of any matter.

4.3 The Hearing Panel may adjourn the hearing at any time.

### **4.4 Presentation of the complaint**

- (a) The Monitoring Officer, legal advisor or chairman may make an introductory statement outlining the nature of the complaint and the purpose of the hearing, and the procedure to be followed.
- (b) The Investigating Officer presents their report including any documentary evidence or other material and calls their witnesses. No new points will be permitted;

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<sup>1</sup> Janik v Standards Board for England & Adjudication Panel for England (2007)

- (c) The Subject Member or their representative may question the Investigating Officer and any witnesses called by the Investigating Officer;
- (d) The Hearing Panel may question the Investigating Officer upon the content of their report and any witnesses called by the Investigating Officer.

#### **4.5 Presentation of the Subject Member's case**

- (a) The Subject Member or their representative presents their case and calls their witnesses;
- (b) The Investigating Officer may question the Subject Member and any witnesses called by the Subject Member;
- (c) The Hearing Panel may question the Subject Member and any witnesses called by the Subject Member.

#### **4.6 Summing up**

- (a) The Investigating Officer sums up the complaint;
- (b) The Subject Member or their representative sums up their case.

#### **Views/Submissions of the Independent Person**

- 4.7 The Chairman will invite the Independent Person to express their view on whether or not they consider that on the facts presented to the Hearing Panel, there has been a breach of the Code of Conduct.

#### **4.8 Deliberations of the Hearing Panel**

##### **Deliberation in private**

- (a) The Hearing Panel will adjourn the hearing and deliberate in private (assisted on matters of law by a legal advisor) to consider whether or not, on the facts found, the Subject Member has failed to comply with the Code of Conduct.
- (b) The Hearing Panel may at any time come out of private session and reconvene the hearing in public, in order to seek additional evidence from the Investigating Officer, the Subject Member or the witnesses. If further information to assist the Panel cannot be presented, then the Panel may adjourn the hearing and issue directions as to the additional evidence required and by whom.

##### **Announcing decision on facts found**

- 4.9
- (a) The Hearing Panel will reconvene the hearing in public and the Chairman will announce whether or not on the facts found, the Panel considers that there has been a breach of the Code of Conduct.
  - (b) Where the Hearing Panel considers that there has been a breach of the Code of Conduct, the Chairman will invite the Independent Person, the Subject Member and the Monitoring Officer to make their representations as to whether or not any sanctions should be applied and, if so, what form they should take.
  - (c) When deciding whether to apply one or more sanctions, the Hearing Panel will ensure that the application of any sanction is reasonable and proportionate to the Subject Member's behaviour. The Hearing Panel will consider the following questions along with any other relevant circumstances or other factors specific to the local environment:

- (i) What was the Subject Member's intention and did they know that they were failing to follow the District or Parish Council's Code of Conduct?
  - (ii) Did the Subject Member receive advice from officers before the incident and was that advice acted on in good faith?
  - (iii) Has there been a breach of trust?
  - (iv) Has there been financial impropriety, e.g. improper expense claims or procedural irregularities?
  - (v) What was the result/impact of failing to follow the District or Parish Council's Code of Conduct?
  - (vi) How serious was the incident?
  - (vii) Does the Subject Member accept that they were at fault?
  - (viii) Did the Subject Member apologise to the relevant persons?
  - (ix) Has the Subject Member previously been reprimanded or warned for similar misconduct?
  - (x) Has the Subject Member previously breached of the District or Parish Council's Code of Conduct?
  - (xi) Is there likely to be a repetition of the incident?
- (d) Having heard the representations of the Independent Person, the Subject Member and the Monitoring Officer on the application of sanctions, the Hearing Panel will adjourn and deliberate in private.
- (e) If evidence presented to the Hearing Panel highlights other potential breaches of the District or Parish Council's Code of Conduct, then the Chairman will outline the Hearing Panel's concerns and recommend that the matter be referred to the Monitoring Officer as a new complaint.

### **Final Decision**

- 4.10 (a) Where the complaint has a number of aspects, the Hearing Panel may reach a finding, apply a sanction and/or make a recommendation on each aspect separately.
- (b) The Hearing Panel will make its decision on the balance of probabilities, based on the evidence before it during the hearing.
- (c) Having taken into account the Independent Person, the Subject Member and the Monitoring Officer's representations on the application of sanctions, the Hearing Panel will reconvene the hearing in public and the Chairman will announce:
- (i) the Panel's decision as to whether or not the Subject Member has failed to comply with the Code of Conduct, and the principal reasons for the decision;
  - (ii) the sanctions (if any) to be applied;
  - (iii) the recommendations (if any) to be made to the District or Parish Council or Monitoring Officer;
  - (iv) that there is no right of appeal against the Panel's decision and/or recommendations.

## **5. Range of possible sanctions**

5.1 Where the Hearing Panel determines that the Subject Member has failed to comply with the Code of Conduct, any one or more of the following sanctions may be applied/recommended:

- (a) Recommending to the District or Parish Council that the Subject Member be issued with a formal censure (i.e. the issue of an unfavourable opinion or judgement or reprimand) by motion;
- (b) Recommending to the Subject Member's Group Leader or Parish Council, or in the case of a ungrouped Subject Member, to the District or Parish Council that they be removed from committees or sub-committees of the Council;
- (c) Recommending to the Leader of the District Council that the Subject Member be removed from the Cabinet or removed from particular Portfolio responsibilities;
- (d) Instructing the Monitoring Officer [or recommendation to the Parish Council] to arrange training for the Subject Member;
- (e) Recommending to the District or Parish Council that the Subject Member be removed from one or more outside appointments to which they have been appointed or nominated by the District or Parish Council;
- (f) Recommending to the District or Parish Council that it withdraws facilities provided to the Subject Member by the Council, such as a computer, website and/or email and internet access;
- (g) Recommending to the District or Parish Council the exclusion of the Subject Member from the District or Parish Council's offices or other premises, with the exception of meeting rooms as necessary for attending District or Parish Council committee and sub-committee meetings;
- (h) Reporting the Panel's findings to the District or Parish Council for information;
- (i) Instructing the Monitoring Officer to apply the informal resolution process;
- (j) Sending a formal letter to the Subject Member;
- (k) Recommending to the District or Parish Council to issue a press release or other form of publicity;
- (l) Publishing its findings in respect of the Subject Member's conduct in such manner as the Panel considers appropriate.

5.2 The Hearing Panel has no power to suspend or disqualify the Subject Member or to withdraw basic or special responsibility allowances.

5.3 The Hearing Panel may specify that any sanction take effect immediately or take effect at a later date and that the sanction be time limited.

## **6. Publication and notification of the Hearing Panel's decision and recommendations**

6.1 Within 20 working days {substitute preferred number of days} of the Hearing Panel's announcement of its decision and recommendations, the Monitoring Officer will publish the name of the Subject Member and a summary of the Hearing Panel's decision and recommendations and reasons for the decision and recommendations on the District Council's website.

6.2 Within 20 working days {substitute preferred number of days} of the announcement of the Hearing Panel's decision, the Monitoring Officer will provide a full written decision and the reasons for the decision, including any recommendations, in the format of the Decision Notice template below to:

- (a) the Subject Member;
- (b) the Complainant;

(c) [the Clerk to the Parish Council;]

(d) Kent County Council's Standards Committee (*applicable only where the Subject Member is serving at both District and County level*);

(e) District Council's Governance Committee (*applicable only where the Subject Member is serving at both District and County level*).

6.3 The Monitoring Officer will report the Hearing Panel's decision and recommendations to a meeting of the Governance Committee for information.

## TEMPLATE – DECISION NOTICE (of Hearing Panel)

### Complaint No: xxxx

On [insert date], the Hearing Panel of Dover District Council considered a report of an investigation into the alleged conduct of [insert name of councillor], a member of [insert authority name]. A general summary of the complaint is set out below.

### Complaint summary

[Summarise complaint in numbered paragraphs as set out in the Investigating Officer's report to the Hearing Panel]

### Consultation with Independent Person

[Summarise the Independent Person's views in numbered paragraphs]

### Findings

After considering the submissions of the parties to the hearing and the views of the Independent Person, the Hearing Panel reached the following decision(s):

[Summarise the finding of facts and the Hearing Panel's decision against each finding of fact in numbered paragraphs as set out in the Investigating Officer's report to the Hearing Panel, but substitute the Investigating Officer for the Hearing Panel. Please note that the Hearing Panel's findings may differ from that of the Investigating Officer]

The Hearing Panel also made the following recommendation(s)

[Detail recommendations]

### Sanctions applied

The breach of the [insert authority name] Code of Conduct warrants a [detail sanctions applied].

### Appeal

There is no right of appeal against the Hearing Panel's decision.

### Notification of decision

This decision notice is sent to the:

- Councillor [name of councillor]
- Complainant
- Monitoring Officer
- [Clerk to the xxxx Parish/Town Council];
- Kent County Council's Monitoring Officer *[applicable only where the Councillor is serving at both District and County level]*

**Additional help**

If you need additional support in relation to this decision notice or future contact with the District Council, please let us know as soon as possible. If you have difficulty reading this notice, we can make reasonable adjustments to assist you, in line with the requirements of the Equality Act 2010. We can also help if English is not your first language. Please refer to the attached Community Interpreting Service leaflet or contact our Customer Services on [insert telephone number] or email [insert email address].

**Signed:**

**Date**

**Print name:**

Chairman of the Hearing Panel  
Dover District Council  
White Cliffs Business Park  
Dover  
Kent  
CT16 3PJ

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**Subject:** ANNUAL GOVERNANCE ASSURANCE STATEMENT – ACTION PLAN UPDATE

**Meeting and Date:** Governance Committee – 19 March 2020

**Report of:** Louise May, Head of Governance

**Classification:** UNRESTRICTED

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**Purpose of the report:** To update the Governance Committee on progress with the Annual Governance Assurance Statement action plan.

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**Recommendation:** That the report be noted

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**1. Introduction and Background**

1.1 The Annual Governance assurance statement contains a list of actions which need to be completed during the year. This report contains a list of progress to date.

**2. Identification of Options**

2.1 Option 1 - Committee accept and note the update report.

2.2 Option 2 - The report is not accepted

**3. Evaluation of Options**

3.1 Option 1 is the preferred option as it provides an update on progress against agreed governance actions.

**4. Resource Implications**

No new resource implications.

**5. Appendix 1**

**6. Background Papers**

Annual Governance Assurance Statement 2018/19

Contact Officer: Louise May, Head of Governance, ext. 42328

### Governance Assurance Statement Action Plan – 2019/2020 Update

Action Description	Evidenced by	At 1 March 2020
The Corporate Plan to be reviewed following the District Council Elections in May 2019.	New Corporate Plan prepared and published on the website	A full review has now taken place and the Revised Corporate Plan was presented to Cabinet on 3 February and given final approval by Council on 26 February 2020
The Constitution and Code of Conduct are subject to an annual review and updated where applicable	The constitution has been reviewed and changes and amendments will be agreed by the Governance Committee and Council	Ongoing for 2019/2020  Review of Constitution 2019/20: General and Admin Amendments (Delegations) and any changes relating to restructuring: Report to Governance Committee on 19 March 2020 and Council on 22 July 2020
Business Plans prepared and published for each division	Business plans for the forthcoming year completed and returned to Corporate Services.	With the review of the Corporate Plan now complete, business plans will need to be reviewed by Heads of Services to ensure alignment with the new corporate plan.
Quarterly performance reports all reviewed by Cabinet and Scrutiny.	Performance reports published on the website.	Yes published on the DDC website – Performance Monitoring
	Performance reports reviewed by Cabinet and Scrutiny as per minutes published on the Website.	Q1, Q2 & Q3 for 2019/20 have been considered by Cabinet and Overview & Scrutiny Committee.
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.	Agreed high risk recommendations following audit reviews are followed up in a timely manner by management	Ongoing. 2 critical and 8 high risk recommendations remained after follow-up audits during Q1, Q2 and Q3 of 2019/20. Management are aware of these and a response has been provided to Governance Committee. Senior management remain comfortable with the

Action Description	Evidenced by	At 1 March 2020
		governance structures in place such as performance management reporting and risk management activities which provide additional assurances for the Council.
	Quarterly audit reports covering audit reviews and follow up reviews are received by Governance Committee	Ongoing. Received in June, September and January by the Governance Committee for 2019/20
Governance Committee have received reports on the progress of formal service complaints against the Council and lessons learned from those complaints.	Governance committee review progress on all formal service complaints at least half yearly. Reports published on website.	Ongoing. Reported to Governance Committee on 21 January 2020.
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.	Ongoing. All complaints are considered by the Monitoring Officer in a timely manner.
Audit undertake their annual review of the effectiveness of systems of internal control.	Audit have completed their annual review of the system of internal control and the results are built in to their annual report	Yes, Report included as part of the Annual Internal Audit Report to Governance Committee on 27 June 2019
Governance Framework reviewed and any amendments approved.	All amendments approved by the Governance Committee and Council.	Ongoing - No changes to the latest version of the Corporate Governance Local Code since its adoption by Governance Committee on 29 June 2017 and Council on 19 July 2017. However, some changes are needed within the code. Further report will be required to the Governance Committee and Council during 2020.
The provision for clawback of MMI insurance claims is reviewed and is adequate.	MMI provision is as per the MMI annual statement	Provision remains adequate.

<b>Action Description</b>	<b>Evidenced by</b>	<b>At 1 March 2020</b>
Officer Training Plan Developed	<p>Corporate Training Needs agreed and training plan delivered.</p> <p>A new Learning &amp; Development Programme will be offered through EKHR with ILM Training being delivered for middle management</p> <p>Induction Training for new starters.</p>	<p>Ongoing - The Head of Governance and has worked with the Council's EKHR Business Partner to finalise the development a Learning and Development Framework for the Council which has now been introduced. As part of this, the Council has entered into a partnership with Folkestone &amp; Hythe District Council for the delivery of training within the framework. This work continues.</p> <p>A new tranche of the Institute of Learning and Management level 3 (Diploma) qualification is being introduced for a number of team leaders and middle managers.</p> <p>Induction training continues to be delivered for all new starters, including a "Meet the Corporate Management Team" part.</p>
Corporate Information Governance	Periodic review of the corporate information and security governance framework and policies for East Kent.	Ongoing - The East Kent Corporate Information Governance Group has met quarterly during 2019/20. During 2019, a full review was carried out in relation to the CIGG Policies and consultation was started with the trade unions in relation to the final versions of these in March 2020, with implantation due later in 2020.
Apprenticeship Levy	Compliance with the Government requirements, including procurement of appropriate training for new apprentices.	An updated Apprenticeship Policy and Scheme was approved 2018 to meet the new Government requirements including the use of the apprenticeship levy and ensures the Council's continued commitment to an effective scheme. As at January 2020, the Council employed 17 apprentices across a range of services and has a further 5 approved placements waiting to be filled.