

# Public Document Pack



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23 September 2020

Dear Councillor

NOTICE IS HEREBY GIVEN THAT a meeting of the **GOVERNANCE COMMITTEE** will be held as a Remote Meeting - Teams Live Event on Thursday 1 October 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 read "Nicky", written over a white background.

Chief Executive

Governance Committee Membership:

D Hannent (Chairman)  
S S Chandler (Vice-Chairman)  
S H Beer  
S J Jones  
P D Jull  
J Rose  
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 3)

To receive any declarations of interest from Members in respect of business to be transacted on the agenda.

4 **MINUTES** (Pages 4 - 6)

To confirm the attached Minutes of the meeting of the Committee held on 30 July 2020.

5 **AUDIT PROGRESS REPORT AND SECTOR UPDATE** (Pages 7 - 25)

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

6 **QUARTERLY INTERNAL AUDIT UPDATE REPORT** (Pages 26 - 45)

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

7 **2019/20 ANNUAL GOVERNANCE ASSURANCE STATEMENT** (Pages 46 - 66)

To consider the attached report of the Head of Governance.

**Access to Meetings and Information**

- The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 have changed the basis of the public's legal right to attend meetings. This means the public now has the right to hear Councillors attending the remote committee meeting that would normally be open to the public to attend in person. It is the intention of Dover District Council to also offer the opportunity for members of the public to view, as well as hear, remote meetings where possible. You may remain present throughout them except during the consideration of exempt or confidential information.
- 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.
- If you require any further information about the contents of this agenda or your right to gain access to information held by the Council please contact Jemma Duffield, Democratic Services Officer, telephone: (01304) 872305 or email: [democraticservices@dover.gov.uk](mailto:democraticservices@dover.gov.uk) for details.

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

Declarations of Interest

Disclosable Pecuniary Interest (DPI)

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

Other Significant Interest (OSI)

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

Voluntary Announcement of Other Interests (VAOI)

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

Note to the Code:

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

Minutes of the meeting of the **GOVERNANCE COMMITTEE** held as a Teams Live Events remote meeting on Thursday, 30 July 2020 at 6.00 pm

Present:

Chairman: Councillor D Hannent

Councillors: S H Beer  
S S Chandler  
S J Jones  
P D Jull  
P Walker

Officers: Head of Finance and Investment  
Audit Manager - Grant Thornton (external auditors)  
Democratic Services Manager  
Democratic Services Officer

1 APOLOGIES

An apology for absence was received from Councillor J Rose.

2 APPOINTMENT OF SUBSTITUTE MEMBERS

There were no substitute members appointed.

3 DECLARATIONS OF INTEREST

There were no declarations of interest made by Members.

4 MINUTES

The minutes of the meeting held on 25 June 2020 were approved as a correct record and signed by the Chairman.

5 EXTERNAL AUDIT PLAN YEAR ENDING 31 MARCH 2020

The Audit Manager (Grant Thornton) presented the External Audit Plan Year Ending 31 March 2020 (Minute No. 5), External Audit Plan Update (Minute No. 6) and Audit Progress Report and Sector Update (Minute No. 7) to the committee. These reports were due to be considered at meetings earlier in the year that had been cancelled due to the Covid-19 pandemic. The Chairman proposed, and it was agreed by the members of the committee, that these three reports would be taken en bloc.

Members considered the reports and discussed issues arising from them. Although reported to be implemented on 1 April 2020, Members were advised that IFRS 16 was no longer going to be adopted and having reviewed the council's assets the Head of Finance and Housing reported that there were very few leases.

An explanation was given on how the materiality and triviality figures for the authority were reached. It was queried whether a lower triviality figure should be set to ensure misstatements were identified. Members were assured that thorough sample testing was carried out. The Council had a good relationship with the external auditors, Grant Thornton, and would work together to make any minor amendments required.

It was hoped that the audit opinion would be issued in November.

## 6 EXTERNAL AUDIT PLAN UPDATE

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## 7 AUDIT PROGRESS REPORT AND SECTOR UPDATE

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It was hoped that the audit opinion would be issued in November.

**RESOLVED:** That the External Audit Plan Year Ending 31 March 2020, the External Audit Plan Update and the Audit Progress Report and Sector Update be received.

## 8 TREASURY MANAGEMENT QUARTER THREE REPORT 2019/20

The Head of Finance and Housing presented the Treasury Management Quarter Three 2019/20 report to the committee. The report provided details for the quarter ended 31 December 2019 and had been due to be considered at the meeting of the committee in March 2020 and was cancelled due to the Covid-19 pandemic.

At the time of the report the Council's investment return for the period was outperforming although a shortfall was predicted. The Council had remained within its Treasury Management guidelines and had complied with the Prudential Code guidelines during the period.

Members noted this was a historic report and with an amendment to the text in paragraph 1.1 of the report it was

RESOLVED: That the report be received and the text at paragraph 1.1 of the report be amended to read 'This reduction is due to deciding not to invest anything further in pooled investment funds.'

## 9 TREASURY MANAGEMENT YEAR END REPORT 2019/20

The Head of Finance and Housing presented the Treasury Management Year End 2019/20 report to the committee. The report provided details for the quarter ended 31 March 2020 and an update of activity to date.

A summary of the report provided Members with details of the Council's investment return, which for the period to March was 2.97%. The total interest and dividends income received for the year was £1,710k and £114k less than the original budget estimate. It was reported that the Council had remained within the majority of its Treasury Management guidelines and complied with the Prudential Code guidelines with an exception being the limit of short-term borrowing being exceeded to ensure cashflow funds during the Coronavirus lockdown.

In response to questions Members were advised that whilst the investment in Payden and Rygel had a very low yield, it was a fund that was liquid and easy to access in the short-term. In the current climate there was a better return and more security with Payden and Rygel.

RESOLVED: That the report be received.

## 10 REVIEW OF MEMBER CODE OF CONDUCT ARRANGEMENTS

The Democratic Services Manager presented the report to the committee. It was necessary to update the Arrangements that accompanied the Code of Conduct to reflect the merge of the functions of the Standards Committee into the Governance Committee. This update would remove any reference to the Standards Committee and would be replaced with the Governance Committee.

RESOLVED: That the revised arrangements set out in Appendix 1 be approved.

The meeting ended at 6.50 pm.

# Audit Progress Report and Sector Update

Dover District Council  
Year ending 31 March 2020

September 2020



Agenda Item No 5

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# Introduction

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

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a Council.

Members of the Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications [www.grantthornton.co.uk](http://www.grantthornton.co.uk).

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress at September 2020

## Financial Statements Audit

We undertook our initial planning for the 2019/20 audit in December 2019, and interim audit in January to March 2020. In March we issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2019/20 financial statements.

The impact of the pandemic has meant we started the audit later than planned. We are still planning on to complete our audit before the extended reporting audit deadline 30 November 2020.

### Covid-19: Impact on working arrangements

The pandemic has had an impact on the working arrangements for our audit. Both the audit team and the Council's finance team are currently working from home.

Although there are some audit tasks which are best undertaken in person, we anticipate that we will be able to complete our audit work remotely. However, there may be individual tasks where if physical access is not possible we will need to liaise with management to agree on an alternative approach.

A remote working environment is likely to mean that the audit process takes longer, particularly with regard to obtaining sufficient, appropriate audit evidence. We will continue to work closely with your finance team to make the current working arrangements as efficient as possible.

Our Audit Findings Report will be presented to the November Audit Committee

## Value for Money

The scope of our value for money work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The NAO guidance for 2019/20 confirms that the overall criterion remains that: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub-criteria which auditors consider in arriving at an overall conclusion are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We will report our value for money work in the Audit Findings Report and issue our Value for Money Conclusion at the same time as the audit opinion. We will review the Council's response to the financial implications of Covid 19 as part of our work.

### NAO – Code of Audit Practice

The NAO consultation on a new Code of Audit Practice (the "Code") has finished and the new Code has completed its approval process in Parliament. The new Code is applicable for the 2020/21 and following audit years. It supersedes the Code of Audit Practice 2015, which was published by the National Audit Office (NAO) in April 2015.

The most significant change under the new Code is the introduction of an Auditor's Annual Report containing a commentary on arrangements to secure value for money and any associated recommendations. Further detail on the changes is included at page 8 of this progress report.

# Progress at September 2020 (Cont.)

## Redmond review

The Redmond review on local authority audit was published on 8 September 2020. The report's recommendations include;

- a new regulator - the Office of Local Audit and Regulation will be created to manage, oversee and regulate local audit, replacing the roles of the FRC and PSAA
- the deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year
- revisions to the current fee structure for local audit to ensure that adequate resources are deployed to meet the full extent of local audit requirements.
- accounts simplification - CIPFA/LASAAC be required to review the statutory accounts to determine whether there is scope to simplify the presentation of local authority accounts
- recognition of the role of authorities in improving governance and reporting and
- development of audited and reconciled accounts summaries.

An article by Jon Roberts, head of public policy audit at Grant Thornton, on the outcomes from the review can be found via the link below.

[https://twitter.com/public\\_finance\\_/status/1304412166016163844?s=12](https://twitter.com/public_finance_/status/1304412166016163844?s=12)

Further detail on the changes is included at page 9 of this progress report.

## Sector Update

### Covid-19

An update on the impact of the current pandemic on local authorities is included at page 9.

### Publications

Details of publications that may be of interest to the Council are included from page 15.

# Audit Deliverables

| 2019/20 Deliverables   | Planned Date  | Status      |
|--|---------------|-------------|
| <p><b>Fee Letter</b></p> <p>Our fee letter confirms the audit fee for 2019/20.</p>   | July 2019     | Complete    |
| <p><b>Accounts Audit Plan</b></p> <p>We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements.</p>                 | March 2020    | Complete    |
| <p><b>Audit Plan - Addendum</b></p> <p>An addendum to our audit plan has been issued which considers the impact of the Covid 19 pandemic on our audit.</p>   | April 2020    | Complete    |
| <p><b>Audit Findings Report</b></p> <p>The Audit Findings Report summarises the outcomes from our work on the financial statements and to support our value for money conclusion. Our work will now be reported to the November Audit Committee.</p> | November 2020 | Not yet due |
| <p><b>Auditors Report</b></p> <p>This is the opinion on your financial statements, annual governance statement and value for money conclusion.</p>   | November 2020 | Not yet due |
| <p><b>Annual Audit Letter</b></p> <p>The annual audit letter communicates the key issues arising from our 2019/20 work.</p>  | December 2020 | Not yet due |

# Sector Update

Councils continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local  
government

# Code of Audit Practice and revised approach to Value for Money audit work - National Audit Office

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The most significant change in the Code is the introduction of a new 'Auditor's Annual Report', which brings together the results of all the auditor's work across the year. The Code also introduced a revised approach to the audit of Value for Money.

## Value for Money - Key changes

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering governance, financial sustainability and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VfM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

## The new approach to VfM re-focuses the work of local auditors to:

- Promote more timely reporting of significant issues to local bodies
- Provide more meaningful and more accessible annual reporting on VfM arrangements issues in key areas
- Provide a sharper focus on reporting in the key areas of financial sustainability, governance, and improving economy, efficiency and effectiveness
- Provide clearer recommendations to help local bodies improve their arrangements.

## Implications of the changes

Grant Thornton very much welcomes the changes, which will support auditors in undertaking and reporting on work which is more meaningful, and makes impact with audited bodies and the public. We agree with the move away from a binary conclusion, and with the replacement of the Annual Audit Letter with the new Annual Auditor's Report. The changes will help pave the way for a new relationship between auditors and audited bodies which is based around constructive challenge and a drive for improvement.

The following are the main implications in terms of audit delivery:

- The Auditor's Annual Report will need to be published at the same time as the Auditor's Report on the Financial Statements.
- Where auditors identify weaknesses in Value for Money arrangements, there will be increased reporting requirements on the audit team. We envisage that across the country, auditors will be identifying more significant weaknesses and consequently making an increased number of recommendations (in place of what was a qualified Value for Money conclusion). We will be working closely with the NAO and the other audit firms to ensure consistency of application of the new guidance.
- The new approach will also potentially be more challenging, as well as rewarding, for audited bodies involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years.

The Code can be accessed here:

[https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code\\_of\\_audit\\_practice\\_2020.pdf](https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf)

# The Redmond Review

## The Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting – “The Redmond Review” was published on 8 September.

The review has examined the effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public. It also considered whether the current means of reporting the Authority’s annual accounts enables the public to understand this financial information and receive the appropriate assurance that the finances of the authority are sound.

The Review received 156 responses to the Calls for Views and carried out more than 100 interviews. The Review notes “A regular occurrence in the responses to the calls for views suggests that the current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way. To address this concern an increase in fees must be a consideration. With 40% of audits failing to meet the required deadline for report in 2018/19, this signals a serious weakness in the ability of auditors to comply with their contractual obligations. The current deadline should be reviewed. A revised date of 30 September gathered considerable support amongst respondents who expressed concern about this current problem. This only in part addresses the quality problem. The underlying feature of the existing framework is the absence of a body to coordinate all stages of the audit process.”

### Key recommendations in the report include:

- A new regulator - the Office of Local Audit and Regulation (OLAR) to replace the Financial Reporting Council’s (FRC) role and that of Public Sector Auditor Appointments (PSAA)
- Scope to revise fees - the current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements
- Move back to a September deadline for Local Authorities - the deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year
- Accounts simplification - CIPFA/LASAAC be required to review the statutory accounts to determine whether there is scope to simplify the presentation of local authority accounts.

### The OLAR would manage, oversee and regulate local audit with the following key responsibilities:

- procurement of local audit contracts;
- producing annual reports summarising the state of local audit;
- management of local audit contracts;
- monitoring and review of local audit performance;
- determining the code of local audit practice; and
- regulating the local audit sector.

The current roles and responsibilities relating to local audit discharged by the Public Sector Audit Appointments (PSAA); Institute of Chartered Accountants in England and Wales (ICAEW); FRC; and The Comptroller and Auditor General (C&AG) to be transferred to the OLAR.

### How you can respond to the Review

One of the recommendations was for local authorities to implement:

The governance arrangements within local authorities be reviewed by local councils with the purpose of:

- an annual report being submitted to Full Council by the external auditor;
- consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
- formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.

Whilst Redmond requires legislation, in practice the second and third bullets are things which authorities could start doing now.

The full report can be obtained from the gov.uk website:

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>

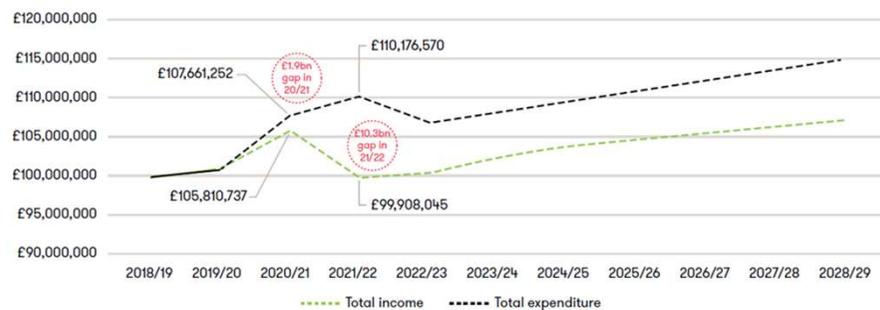
# Covid-19 update

## Where are we now?

Over five months into lockdown and councils have moved from the initial emergency response phase to focus on recovery planning which is running in parallel with on-going responses to the pandemic, such as supporting vulnerable people, and managing the capacity challenges of delivering business as usual alongside covid-19 response.

The Government has confirmed three tranches of funding to support the impact of increase spend and reduced income directly attributed to Covid-19, and are in the process of confirming further support via the income compensation scheme.

Local Authority Income and Expenditure (England) 2018/19 to 2028/29



Source: Grant Thornton/CIPFA Financial Foresight

Financial Foresight forecast indicates that English local authorities have a funding gap of £1.9bn this financial year, rising to over £10bn in 2021/22. There is significant uncertainty as to whether the Government will provide further Covid-19 related funding, and what the medium-term funding for the sector will be following the Autumn's Comprehensive Spending Review. Our modelling currently assumes that government funding will remain broadly unchanged, with income being affected by ongoing reduction to Council Tax and Business Rates, both in terms of a reduction to these tax bases, alongside reduced payments as a consequence of the recession brought about by the pandemic.

and support the vulnerable, whatever scenarios play out in the medium term.

The uncertainty also impacts on future spending pressures and sales fees and charges income. For example, leisure centres and swimming pools can now be opened, but must follow Government guidelines on issues such as social distancing. Not all leisure services have been able to reopen, and those that have are not able to generate levels of income originally forecast pre-covid. Social care faces uncertainty in relation to future demand, for example most councils responsible for children's services are forecasting an increase in case load when children return to schools in September. For adults, where in some cases demand has fallen during the pandemic, there is uncertainty over future levels of demand. There is also concern over provider failure in relation to social care and other services such as leisure and transport, with many councils providing financial support and loans to some providers, which will not be sustainable in the medium term.

As place leaders, councils are managing the conflict between revitalizing footfall in high streets and keeping people safe, with some leading by example and encouraging council officers to spend some of the week in council offices. Use of public transport as a key mode of travel to get to work remains a particular challenge.

## Lessons learned

All organisations, including councils, have been reflecting on the lessons learned from the pandemic, and are seeking to maintain the positive experiences as well as learn from the challenges, as part of recovery planning. There is a recognition that technology has enabled many people to successfully work remotely, and that this will have a fundamental impact on working patterns well after Covid-19 has passed. Councils are reviewing their property portfolios to understand the changes required in terms of future usage patterns, including how councils interact with their communities, whether parts of the municipal estate should be disposed, and whether alternate use of space can support income generation.

There will be demographic variations between places, meaning there is no "one size fits all" to economic recovery. For example, home to work geographies will vary, with some people who previously commuted into a council area for their work may now be considering office space closer to home, leading to a rise in demand for shared office space in some areas, that will in part counteract the fall in demand elsewhere.

# Covid-19 update (cont'd)

## Lessons Learned (Cont'd)

Many councils have recognized the improvement in community engagement and partnership working with the voluntary sector and other public sector organisations during the pandemic and are seeking to build on this, with a recognition that sharing responsibility for place-based recovery plans can help sustain the improvements gained. Although a shared view of place-based recovery takes an investment of time and resource that not all partner organisations are able to provide.

Wider learning relates to central vs local response to issues such as provision of PPE, housing the homeless and rough sleepers, and provision of food and equipment to the vulnerable. This is currently playing out on test and trace and how local lockdowns should be managed, with ongoing tension between national and local government.

Many councils understand the importance of data in supporting recovery planning decision making, to effectively understand where to prioritise resources and activity in the right way and at the right time to achieve the right outcomes.

The future?

Covid-19 has only increased volatility and uncertainty for local government, and when working with councils delivering Financial Foresight we have prioritized scenario planning to support strategic financial planning. Understanding best, worst and optimum case scenarios from the impact of the pandemic are critical in strategic discussion when setting next year's budget and updating the Medium-Term Financial Plan – impacts on the place and communities, as well as on the council services and the council as an organization. Some councils are more confident than others in being able to manage their financial position during 2020/21 but all are concerned about 2021/22 and beyond. And it is not just Covid-19 scenarios that need to be understood, but other global, national and local issues that will impact over the medium term, including the impact of a no deal Brexit trade deal, and new government policies such as those expected on devolution and health and social care integration.

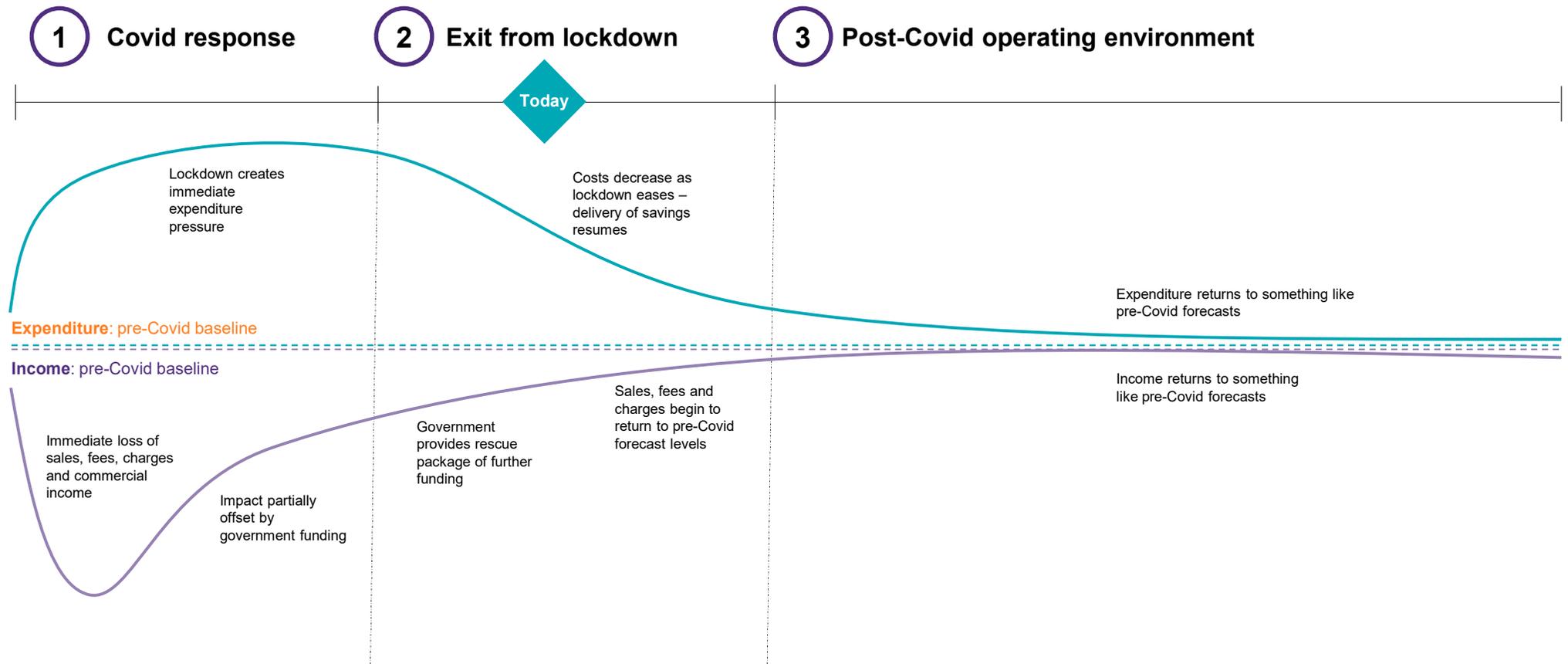
As already noted, places will vary depending on their socio-economic and demographic characteristics, but all councils are working through demand impacts arising from the ongoing pandemic and the associated recession, and ensuring their workforce continue to be supported to ensure they remain personally resilient.

Until a vaccine has been successfully produced and rolled out, the public health threat remains, and there are likely to be further local lockdowns, such as we have seen in Leicester and towns in the north west of England. There could be difficult trade offs for national and local politicians to consider to avert further waves of restrictions. For example to keep schools open after they return in September, will there be a need to increase restrictions elsewhere to ensure the cases of Covid-19 remain at a management level?

Local government has always demonstrated a remarkable resilience in managing significant challenges, including ten years of austerity, and being at the forefront of the pandemic response. And whilst much uncertainty remains, we are confident that councils will continue to demonstrate the capacity to lead places, deliver services

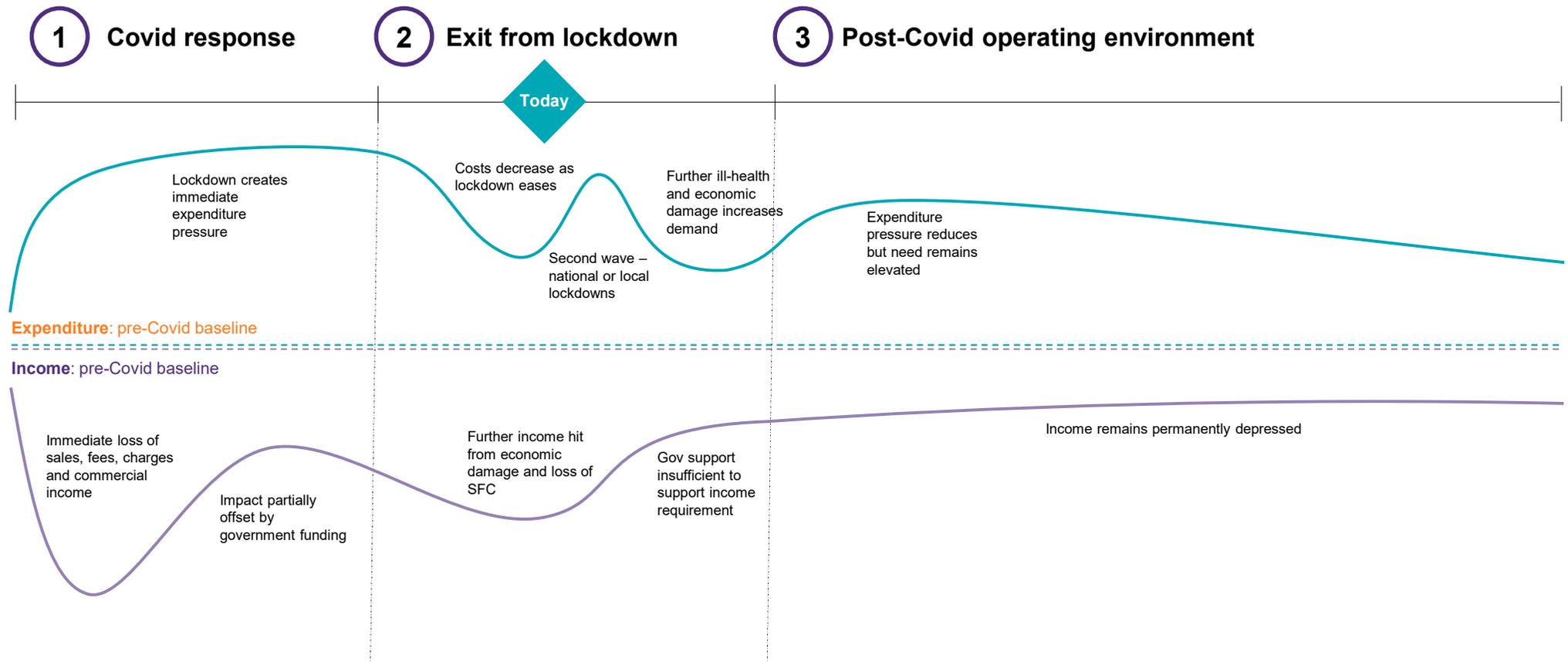
# Example scenarios

## Scenario 1 – swift return to normality



# Example scenarios (Cont'd)

## Scenario 2 – second wave and ongoing disruption



# Scenarios and hypotheses

## Local authority areas in 12-24 months?

| Theme                             | Reasonable worst case  | Reasonable best case  |
|-----------------------------------|--|---|
| <b>People &amp; community</b>     |  <ul style="list-style-type: none"> <li>• Multiple lockdowns and ongoing disruption</li> <li>• Community dependency and expectation of sustained response</li> <li>• Turbulence and activism within the VCS</li> <li>• Socio-economic inequality is compounded</li> <li>• Failure of leisure and cultural services</li> </ul>   | <ul style="list-style-type: none"> <li>• Smooth exit from lockdown to a “new normal”</li> <li>• Community mobilisation is channelled into ongoing resilience</li> <li>• Strengthened VCS relationships and focus</li> <li>• Systemic response to inequality is accelerated</li> <li>• Leisure and cultural services adapted to social distancing</li> </ul>                                       |
| <b>Business &amp; economy</b>     |  <ul style="list-style-type: none"> <li>• 16% reduction in GVA for 2020 based on OBR reference scenario</li> <li>• Slow / uneven economic recovery and “long tail” on unemployment</li> <li>• Central gov / BEIS focus investment on areas furthest behind</li> <li>• Loss of tourist &amp; student spend causes unmitigated damage</li> <li>• 'V' shaped recovery results in 2-3 year recovery period</li> </ul> | <ul style="list-style-type: none"> <li>• 5-10% reduction in GVA</li> <li>• Rapid economic recovery with employment levels close behind</li> <li>• Central government “back winners” with investment</li> <li>• Adaptation allows resumption of tourist and student economy</li> <li>• Business base is weighted towards growth sectors</li> </ul>   |
| <b>Health &amp; wellbeing</b>     |  <ul style="list-style-type: none"> <li>• Increased demand and escalating need due to fallout from lockdown</li> <li>• Newly-vulnerable cohorts place strain on the system</li> <li>• Unit costs increase further as markets deteriorate and providers fail</li> <li>• SEND transport unable to adapt to social distancing</li> <li>• Imposed disruption of care system</li> </ul>                                | <ul style="list-style-type: none"> <li>• Positive lifestyle changes and attitudes to care reduce demand</li> <li>• Needs of newly vulnerable cohorts met through new service models</li> <li>• New investment in prevention and market-shaping manage costs</li> <li>• New ways of working leading to stronger staff retention</li> <li>• Locally-led reform of health and care system</li> </ul> |
| <b>Political &amp; regulatory</b> |  <ul style="list-style-type: none"> <li>• Local government side-lined by a centralised national recovery effort</li> <li>• Unfunded burdens (e.g. enforcement and contact-tracing)</li> <li>• Councils in the firing line for mismanaging recovery</li> </ul>  | <ul style="list-style-type: none"> <li>• Local government empowered as leaders of place-based recovery</li> <li>• Devolution and empowerment of localities</li> <li>• Councils at the forefront of civic and democratic renewal</li> </ul>  |
| <b>Environment</b>                |  <ul style="list-style-type: none"> <li>• Opportunity missed to capture and sustain environmental benefits</li> <li>• The end of the high street / town centres</li> <li>• Emissions and air quality worsened by avoidance of public transport</li> <li>• Capital programmes stuck</li> </ul>   | <ul style="list-style-type: none"> <li>• Ability to invest in transport modal shift and green infrastructure</li> <li>• Changed working patterns rejuvenate town centres</li> <li>• Sustained impact on emissions due to new behaviours</li> <li>• New, shovel-ready infrastructure programmes</li> </ul>   |
| <b>Organisational</b>             |  <ul style="list-style-type: none"> <li>• Inadequate funding forces fiscal constraint</li> <li>• Working practices return to status quo – increased operating costs</li> <li>• Imposed structural change within the place</li> <li>• Austerity 2</li> <li>• Commercial portfolio becomes a liability</li> </ul>   | <ul style="list-style-type: none"> <li>• Adequate funding enables a programme of targeted investment</li> <li>• Learning and adaptation to new operating environment</li> <li>• Energised system-wide collaboration and reform</li> <li>• Fiscal reform and civic renewal</li> <li>• Commercial portfolio reshaped for economic and social gain</li> </ul>  |

# What strategy is needed in response?

## *From response to recovery*

### **Learn, adapt and prioritise**

- Develop and test hypotheses around impact on place, services, operations, finances
- Design rapid interventions - implement, test and evaluate
- Learning from the response to lock in the good stuff – reflection on operations, services and the system
- Set priorities and principles – what is the Council's purpose in an uncertain context and where will it focus?

## *Mitigating the worst case*

### **Consolidate and build resilience**

- Ensure that emergency management and response structures are resilient for the long haul
- What is the minimum operating model to deliver this?
- Predict and model demand for social care and assess care market vulnerability
- Contingency plans for structural disruption
- Re-evaluate infrastructure pipeline

## *Steering towards the best case*

### **Invest in renewal**

- Programme of priority-based investment framed by recovery and renewal
- Focus on inequality, community resilience, targeted economic stimulus, skills and employment support and adapting public spaces
- Continued system leadership, pushing for positive reform and resilience

# In-depth insight into the impact of Covid-19 on financial reporting in the local government sector – Grant Thornton

In June Grant Thornton published a report to help officers and elected members identify points they should consider when assessing and reporting the impact of Covid-19 on their authority. Each authority will be impacted in different ways and will need to make their own assessment of the impact on their financial statements. However, the report identified some of the key challenges for the sector, along with the potential financial reporting and regulatory impact, to support preparers of local authority accounts navigate through some of these key issues. The report also included a number of useful links to other resources.

The extraordinary events we are living through follow a decade of austerity, triggered by the financial crisis of 2008/09, which had already placed considerable strain on local authorities' finances. Increased demand for many local public services, directly related to the outbreak of the virus, has placed immediate pressure on authorities' cash flows and expenditure budgets. The longer-term consequences of recession and unemployment on demand for services have yet to be experienced.

At the same time, several important sources of local authority income including Council Tax, Non-domestic (business) rates, fees and charges, rents and investment returns have, to a greater or lesser extent, been subject to reduction or suspension. This perfect storm of conditions presents a real threat to the financial sustainability of the sector. Now, more than ever, strong political and executive leadership is needed to re-establish priorities, review strategies and medium-term financial plans and ensure that public funds are being used as efficiently and effectively as possible. A balance has to be struck between responding to the needs of residents and businesses in a timely manner, protecting the most vulnerable and ensuring appropriate measures and controls around financial management are in place to mitigate against future 'financial shock'. In doing so, iterative scenario planning will help officers and elected members to take informed decisions at key stages, revisiting and

revising plans along the way.

The report considered:

- Operational challenges and the related financial reporting/regulatory impact
- Government support schemes – considering the accounting implications
- Significant financial reporting issues to consider
- Other sector issues and practicalities to consider
- Impact on audit work/external scrutiny process
- Engagement with experts

In terms of key financial reporting considerations for 2019/20, consideration should be given to:

## Information published with accounts

- Does the Narrative Report reflect the urgency of the situation, the changes to Council services as a result of lockdown, the partnership arrangements in place, the impact of the pandemic on income and expenditure and possible future scenarios, the impact on savings programmes, the capital programme, treasury management, medium term financial plans and the Council's communications strategy (noting this is not an exhaustive list)?
- Does the Annual Governance Statement reflect significant developments between 31 March 2020 and the finalisation of the accounts? Does the AGS describe emergency governance arrangements for decision making, the postponement of elections, the transition to virtual meetings and plans for the return to normal democratic processes?

## Non-current asset valuations

- There has been a significant increase in volatility and uncertainty in markets following the outbreak of Covid-19. RICS has issued a Valuation Practice Alert following the pandemic, and we are aware a significant number of valuers are including 'material valuation uncertainty' disclosures within their reports. Has the Council assessed the impact of such comments, reflected 'material valuation uncertainty' disclosures within the financial statements and taken account of the requirement of Code paragraph 3.4.2.90 to provide appropriate disclosure in their financial statements in relation to major sources of estimation uncertainty?

### Non-current asset valuations

- The Council is required to make an assessment at the end of each reporting period as to whether there is any indication that assets may be impaired. There are several types of event or change in circumstance that could indicate an impairment may have occurred, including evidence of obsolescence or physical damage or a commitment to undertake a significant reorganisation. Has the Council assessed whether the impact of the pandemic may have triggered impairments?
- Has the Council considered these matters in relation to Investment Property held? Potentially more so for 2020/21, there may be significant declines in asset carrying values, especially for investments in retail or office premises.

### Impairment of receivables

- IFRS 9 *Financial Instruments* introduced an expected credit loss model for financial assets which drives earlier recognition of impairments. Has the Council assessed the impact of the pandemic on its expectation of credit losses?
- Impairment of statutory Council Tax and Non-domestic rate debtor balances is also possible. Has the Council observed a measurable decrease in estimated future cashflow, for example an increase in the number of delayed payments? Has the Council considered whether recent historical loss experience across aged debt may also need revision where current information indicates the historical experience doesn't reflect current conditions? Experience following the 2008/09 financial crisis may prove to be a useful reference point, given the ensuing recession conditions.

### Events after the reporting period

- By 31 March 2020 enough was known about the pandemic for accounts preparers and market participants to reflect and, if necessary, adjust assumptions and assessments. By the end of March 2020, it would be extremely difficult to say that the pandemic was not an event that existed and therefore any accounting impact that occurred after this date is not an adjusting event.
- Has the Council distinguished between subsequent events that are adjusting (i.e. those that provide further evidence of conditions that existed at the reporting date) and non-adjusting (i.e. those that are indicative of conditions that arose after the reporting date)? Has the Council got arrangements in place to assess events up to the date the final accounts are authorised for issue?

### Sources of estimation uncertainty

Has the Council identified the assumptions required about the future and estimates at the end of the current reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year? Have these been appropriately disclosed in accordance with the requirements of IAS 1 paras 125-133?

2019/20 financial statements are being prepared in an environment of heightened uncertainty as a result of the pandemic and the situation is evolving and fast moving. We have drawn out some of the key considerations for local authority financial reporting here, but further details can be found in our full report available on the Grant Thornton website:

<https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2020/impact-of-covid-19-on-financial-reporting-local-government-sector.pdf>



# Local government reorganisation in two-tier shire counties – District Councils’ Network

The District Councils’ Network (DCN) report ahead of the publication of the government’s ‘devolution and local recovery’ white paper.

The report comments “Devolution should back the success of districts in delivery. It should not distract from the local recovery effort or reduce delivery capacity through forcing reorganisation into a less local, less agile, less responsive local government pushed by interests wanting county unitary councils everywhere. Local governance is a local matter, places must be free to decide how to organise services and to progress any kind of reform only where there is significant local agreement.”

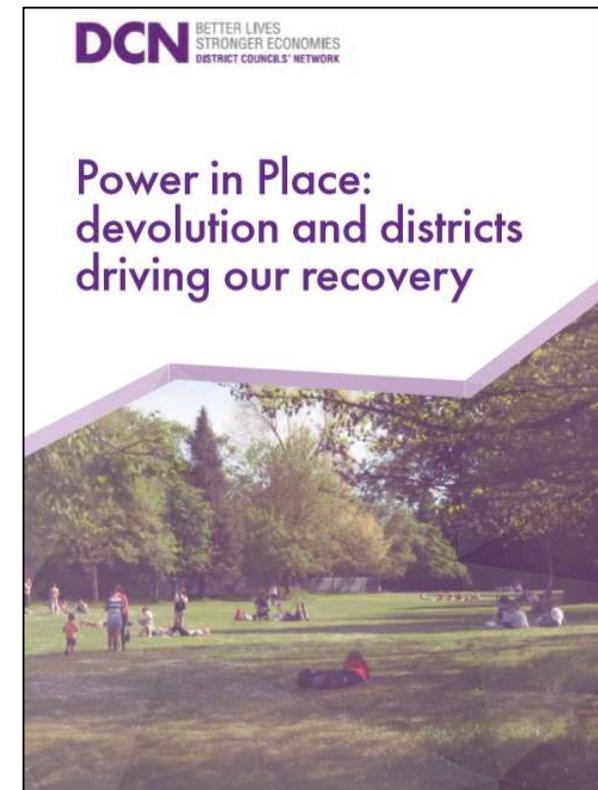
The report calls for the Devolution and Local Recovery White Paper to:

- 1) Deliver genuine devolution that moves quickly to drive local growth
- 2) Retain and build on the local capacity to deliver
- 3) Empower real-world economies
- 4) Continue to anchor local government in local communities
- 5) Reject false arguments that bigger local government is better or cheaper local government
- 6) Support strategic leadership across wider functional economic areas
- 7) Introduce an upper limit for the size of new unitary councils, in line with the principle of electoral equality

The report includes a number of case studies in each of these areas.

The full report can be obtained from the District Councils’ Network website:

<https://districtcouncils.info/wp-content/uploads/2020/08/DCN-Report-Sept-1.pdf>





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**Subject:** QUARTERLY INTERNAL AUDIT UPDATE REPORT

**Meeting and Date:** Governance Committee – 1<sup>st</sup> October 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 30<sup>th</sup> June 2020

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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 three internal audit assignments completed during the period, which are summarised in the table in section 2 of the report.
- 2.8 In addition two follow-up reviews have been completed during the period, which is detailed in section 3 of the quarterly update report.
- 2.9 For the three-month period to 30<sup>th</sup> June 2020, 51.82 chargeable days were delivered against the revised target of 281.76, which equates to 18.39% plan completion.
- 2.10 Due to the Covid19 virus the EKAP team were redirected to community work on behalf of the partner councils early in the 2020/21 year. This has impacted upon the amount of internal audit work that can be completed within the year resulting in a revision to the audit plan in appendix 3. At the same time East Kent Housing Limited is due to be taken back in house by the partner councils from 1st October 2020, therefore the plan is further adjusted to bring back in 30 days for 2020/21 in respect of housing reviews.

## 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 2020-21 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 2020-21 - Previously presented to and approved at the 25<sup>th</sup> June 2020 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 30<sup>th</sup> June 2020.

**2. SUMMARY OF REPORTS:**

| Service / Topic |   | Assurance level      | No. of Recs.     |                  |
|-----------------|---|----------------------|------------------|------------------|
| 2.1             | Members' Allowances and Expenses            | Substantial          | C<br>H<br>M<br>L | 0<br>0<br>1<br>2 |
| 2.2             | Statutory & Discretionary Disability Grants | Substantial          | C<br>H<br>M<br>L | 0<br>0<br>0<br>4 |
| 2.3             | Dog Control Services                        | Substantial          | C<br>H<br>M<br>L | 0<br>0<br>0<br>2 |
| 2.4             | EKHR - Payroll                              | Reasonable           | C<br>H<br>M<br>L | 0<br>0<br>0<br>3 |
| 2.5             | EKHR – Benefits in Kind                     | Reasonable / Limited | C<br>H<br>M<br>L | 0<br>4<br>0<br>0 |

**2.1 Members' Allowances and Expenses – Substantial Assurance**

2.1.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that that Members' allowances and expenses are calculated and paid in accordance with the prevailing rules.

2.1.2 Summary of Findings

The Local Authorities (Members Allowances) (England) Regulations 2003 requires local authorities to prepare schemes for the payment of allowances to their elected members.

During the financial year 2019/20 a total of £214,910 was paid to elected members and a further £13,124 was paid to independents and other legitimate roles from within the Members Allowances and Expenses budget. The following table provides a breakdown and summary of the payments made: -

|                        | <b>Basic Allowances</b> | <b>Special Responsibility Allowances</b> | <b>Travel &amp; Subsistence</b> | <b>Total</b> |
|------------------------|-------------------------|--|---------------------------------|--------------|
| <b>Elected Members</b> | £123,611                | £85,993                                  | £5,306                          | £214,910     |
| <b>Other Roles</b>     | £9,757                  | £2,921                                   | £446                            | £13,124      |

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

- The Members' Allowance Scheme in place meets all legislative requirements except for one very minor requirement;
- No errors were detected from the sample testing carried out from November 2019 where there were many changes to administer relating to the change of leader and cabinet positions;
- The audit trail is sufficient for assurance and oversight purposes; and
- Calculation and payment controls in place are operating effectively.

Scope for improvement was however identified in the following areas:

- There is a requirement to amend the format of the transparency data published each year in order to full comply with the Local Authorities (Members Allowance) (England) Regulations 2003; and
- The Constitution and procedure notes (in respect of these allowances) need to be reviewed.

## **2.2 Statutory & Discretionary Disability Grants – Substantial Assurance**

### **2.2.1 Audit Scope**

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that both statutory and discretionary disability grants are efficiently and effectively administered to maximise the funds available to make the most difference to those in need of the schemes.

### **2.2.2 Summary of Findings**

The delivery of the disabled facilities grants programme is mandatory and a statutory function of the Local Housing Authority. It is governed by the Housing Grants, Construction and Regeneration Act 1996. There has been no change to either the legislation that governs this function or Council personnel that look after the grant processes since the last review was undertaken in 2017.

There are various statutory and discretionary grants that residents can apply for, details of these and how to apply have been adequately documented via the Council's webpages. These grants are as follows:

| Type                                  | Details  | Maximum |
|---------------------------------------|--|---------|
| <b>Disabled Facilities Grant</b>      | This is a statutory grant and the conditions of the grant are contained in the Housing Grants, Construction and Regeneration Act 1996.   | £30,000 |
| <b>Disabled Home Assistance Grant</b> | Given in order to carry out essential works  | £7,000  |
| <b>Disabled Adaptation Loan</b>       | Made available to fund the cost of eligible works that exceeds the DFG maximum   | £15,000 |
| <b>Disabled Adaptation Grant</b>      | Made available where the applicant has a financial contribution towards a DFG following the statutory means test or:<br>where an applicant does not qualify for a DFG following the statutory means test | £20,000 |
| <b>Stairlift Grant</b>                | Where there is an urgent need for a stairlift in a disabled persons home   | £4,000  |
| <b>Disabled Relocation Grant</b>      | where a property is unsuitable for adaptation with a Disabled Facilities Grant and it represents better value for money, a Disabled Relocation Loan will be offered                                      | £20,000 |

The budget is set via central government through the Better Care Fund; funds are given to local authorities via a Section 31 grant paid via KCC. For 2019/20 and 2020/21 the funds provided were £1,298,504 and £1,298,504 respectively. If this budget has not been committed or spent during the year, there are no conditions attached to this grant to state that this needs to be re-paid and therefore rolls over to the following financial year.

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

- There are policies and procedures in place to ensure grants are being administered in accordance with legislation;
- The system in place for managing the applications is robust with all documentation being evidenced within the computerised system therefore providing a full audit trail;
- All applications are submitted on a pro-forma application form, signed by the applicant and supported by documentation required within the policy i.e. quotes and Occupational Therapist report;
- Means testing is being carried out in accordance with policy via a dedicated software system, all decisions are being documented and evidence;
- The risk of collusion between the applicant and the winning contractor is being managed at application stage;
- Grants are only being paid out once work has been successfully completed and signed off by both the applicant and Council; and

- The Grant funding is being effectively managed and monitored to ensure monies are being allocated within the agreed limits set for each grant type and the overall budget for the year.

Scope for improvement was however identified in the following areas:

- Policies and procedures require a more robust review and revise regime to ensure that any updated Council policies/strategies/surveys/changes in legislation and changes in working practices can be relayed to staff.

## 2.3 Dog Control Services – Substantial Assurance

### 2.3.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council has an effective dog control service encompassing both the recovery and kennelling of stray dogs and also enforcement action of dog fouling.

### 2.3.2 Summary of Findings

The main legislation in place which provides the direction for the dog control functions are:

- Environment Protection Act 1990 (Section 149 Seizure of Stray Dogs);
- Environmental Protection Stray Dogs Regulations 1992;
- The Clean Neighbourhoods & Environment Act 2005 Part 6 Stray Dogs;
- The Dog Control Order (Prescribed Offences & Penalties) Regulations 2006 (SI.206./1059);
- Anti-Social Crime and Behaviour Policing Act 2014 – Chapter 2 Public Spaces Protection Orders;
- Anti-Social Crime and Behaviour Policing Act 2014 – Chapter 12 Dangerous Dogs; and
- The Microchipping of Dogs (England) Regulations 2015.

The Council employs two full time Environmental Enforcement Officers (EEOs) to provide the stray dog service during office hours, this is in addition to their other enviro crime enforcement duties; with the Environmental Duty Officers providing out of hours cover. These officers also issue dog offence fixed penalty notices and are supported with this by further EEOs contracted from an external company.

| Year  | Kennelling expenditure (exc. VAT) E2100 45038 | Kennelling fees recovered E2100 94030 | Statutory fine recovered E2100 9468 | Total fees recovered | Expenditure exceeding income | No. of stray dogs found | No. of stray dog returned to their owner |
|-------|---|---------------------------------------|-------------------------------------|----------------------|------------------------------|-------------------------|--|
| 17/18 | 4,960.00                                      | 1,275.00                              | 775.00                              | 2,050.00             | 2,910.00                     | 63                      | 33                                       |
| 18/19 | 7,378.00                                      | 2,600.00                              | 1,160.00                            | 3,760.00             | 3,618.00                     | 76                      | 44                                       |
| 19/20 | 4,600.87*                                     | 1,877.50*                             | 800.00*                             | 2,677.50*            | 1,922.67*                    | 51                      | 35                                       |

\*These figures may be subject to minor changes as end of year procedures are completed.

| Quarter      | No. of Dog Fouling FPNs issued (ENH015) |          |
|--------------|---|----------|
|              | 2018/19                                 | 2019/20  |
| Quarter 1    | 5                                       | 1        |
| Quarter 2    | 1                                       | 0        |
| Quarter 3    | 0                                       | 4        |
| Quarter 4    | 0                                       | 3        |
| <b>Total</b> | <b>6</b>                                | <b>8</b> |

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

- Documented procedures are in place and kept up to date.
- How to report lost and stray dogs has been clearly communicated to the public.
- Fees and charges are approved annually.
- Stray dogs are only returned to their owner once all fees owing have been paid.
- Kennel invoices are reconciled to stray dog records before payment to ensure only accurate charges are paid.
- The Kennel contract was let in line with Contract Standing Orders.
- Appropriate personal protective equipment and training has been provided to staff.
- Regular performance reporting is in place.

Scope for improvement was however identified in the following areas:

- A GDPR contract variation clause should be issued and agreed with the stray dog kennel providers ensuring that they are aware of and comply with their duties under GDPR legislation in respect of personal data held i.e. the personal details of those they rehome animals with.
- Kennel invoice details could be added to the Register of Stray Dogs as an easily identifiable way to cross reference specific kennel invoices against attributable individual stray dogs.

## **2.4 EKHR Payroll – Reasonable Assurance**

### **2.4.1 Audit Scope**

To ensure that the payroll service administered by EKHR on behalf of Canterbury, Dover and Thanet Councils, including EK Services is adequately controlled to ensure that the right people are getting paid the right amounts at the right time. Also that all deductions are adequately controlled.

### **2.4.2 Summary of Findings**

Payroll is administered by East Kent Human Resources on behalf of Thanet, Canterbury & Dover Councils in addition to EK Services, the Marlowe Theatre and East Kent Housing. In a typical month the Payroll processes the following payments for each Council: -

Dover District Council - 408 individual net payments totalling £698k;

Canterbury City Council - 481 individual net payments totalling £748k;

Thanet District Council & EK Services - 545 individual net payments totalling £846k.

Before the actual pay date itself there are key dates and tasks to complete to ensure staff and councillors are paid the right amount at the right time. The payroll function is also responsible for calculating and accounting for other payments to third parties for tax, national insurance, trade union membership, pension and private health care etc.

Management can place Reasonable Assurance on the system of internal controls in operation. Some of the audit testing could not be fully completed due to the disruption caused by Covid-19, which is the reason why a substantial assurance could not be given at this time.

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

- Payroll routines and processes are mature and are operating effectively to reduce the risk of fraud, error and failure to pay on time;
- Roles and responsibilities and operational payroll controls are well designed and communicated;
- The interfacing between the Payroll System & Finance System is working effectively with a good audit trail to support transactions;
- No issues were detected with the processes in place to submit payments to statutory and non-statutory third parties; and
- Payroll system reports are being produced and kept on file to help support payroll processes.

The following potential weaknesses were identified during the audit process:

- Purely as a precaution there are four employees or former employees whose net pay appears to be high or higher than expected and needs to be double checked;
- The calculation of income tax being deducted from five employees needs to be checked; and
- Payroll resilience could be improved through the introduction of procedure notes.

## **2.5 EKHR – Benefits in Kind – Reasonable / Limited Assurance**

### 2.5.1 Audit Scope

To ensure that the payroll service administered by EKHR on behalf of Canterbury, Dover and Thanet Councils, including EK Services is adequately controlled to ensure that the correct regulatory requirements are being adhered to in relation to the benefits in kind that are being provided to the officers and members of the three partner councils.

### 2.5.2 Summary of Findings

In 2016 HMRC replaced payroll dispensations with a new exemption process and to date only Canterbury City Council have ensured that their records are up to date and the new exemption process is being complied with. Previous Benefit In Kind audit reports have highlighted that there have been and continue to be issues at Dover and Thanet District Councils in ensuring that the new exemption process has been carried out and that relevant payroll exemptions are now in place. It should be noted that these issues were also a concern prior to 2016 under the old payroll dispensation process.

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

- The annual submission of documentation for P11D`s and Class 1A National Insurance has been submitted to HMRC by EKHR.
- At Dover District Council there should be a nominated officer responsible for monitoring the payroll exemptions and reviewing them on an annual basis or discussions should be held for this role to be included as part of the full payroll service that is stated in the EKHR Service Level Agreement.
- An exercise needs to be carried out to ensure that all the correct payroll exemptions are put in place.
- Following the Payroll Team Leader`s retirement at the end of April 2019 there was a weakness in the current staffs` knowledge in respect of P11D`s and calculating Class 1A National Insurance. However, this has now been addressed and EKHR payroll officers have received appropriate training.
- EKHR may wish to seek annually from each authority confirmation that they have completed the submission of any P11D`s and any subsequent Class 1A National Insurance payments and that there are no new adjustments needed to be processed through the payroll or that existing ones should continue or cease. (i.e. Taxable benefits taxed at source through the payroll).

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

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

| Service/ Topic |  | Original Assurance level | Revised Assurance level | Original Number of Recs |   | No of Recs Outstanding |   |
|----------------|--|--------------------------|-------------------------|-------------------------|---|------------------------|---|
| a)             | EKS – PSN Compliance                     | N/A                      | N/A                     | C                       | 0 | C                      | 0 |
|                |  |                          |                         | H                       | 4 | H                      | 0 |
|                |  |                          |                         | M                       | 1 | M                      | 0 |
|                |  |                          |                         | L                       | 0 | L                      | 0 |
| b)             | East Kent Housing – Tenants` H&S - Lifts | No                       | Reasonable              | C                       | 3 | C                      | 0 |
|                |  |                          |                         | H                       | 1 | H                      | 0 |
|                |  |                          |                         | M                       | 0 | M                      | 0 |
|                |  |                          |                         | L                       | 0 | L                      | 0 |

- 3.2 Details of each of any 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 – None this quarter.

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 Members are advised as follows:

- a) Since the appointment in November 2019 of a dedicated Compliance Manager with responsibility for lifts, significant improvements in procedures around the actioning of faults identified on lift examination reports have become evident. While a number of faults remain outstanding on some lifts tested, this is mainly due to such a large number of faults outstanding on lifts in late 2019, a number of lifts requiring refurbishment and also lift contractors having reduced manning to address faults due to Covid 19.

New procedures have been introduced and have been evidenced during the audit so that where category 'A' faults are identified as part of a lift examination, if the lift maintenance contractor is unable to undertake and complete the repair to the lift on the day, the lift is taken out of service until the fault has been rectified.

#### **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, Disabled Facilities Grants, Cemeteries and Dog Warden.

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

- 5.1 The 2020-21 Audit plan was agreed by Members at the meeting of this Committee on 25<sup>th</sup> June 2020.
- 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 are made to the plan during the course of the year as some high-profile projects or high-risk areas may be 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.
- 5.3 There has of course been an impact on the work of the internal audit team as a result of the C19 Crisis the team was re-deployed to assist with C19 response work in the community. As a consequence, no new internal audit work was commissioned or undertaken throughout April to June, leading to a total of 145 audit days being lost (over the partnership). The plan that was approved at the June meeting is set out in the table in Appendix 3, with few days allocated up to the end of June. It has therefore been necessary to work with the s.151 Officer to agree a revised plan based on 9 month's work not 12, the reviews that are deferred within the overall five-year strategic audit plan are also shown. Additionally, the revised plan also accommodates the new Housing audits which will commence after 1<sup>st</sup> October once the former EKH Ltd responsibilities have transferred back to the four councils. Except for follow up, no new EKH Ltd audits will commence before the end of September, and therefore the revised EKH Plan is also shown in Appendix 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 three-month period to 30<sup>th</sup> June 2020, 51.82 chargeable days were delivered against the revised target of 281.76, which equates to 18.39% 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 yet to be followed up.  
Annex 3 Progress to 30<sup>th</sup> June 2020 against the agreed 2020/21 Audit Plan.  
Annex 4 Balanced Scorecard of performance indicators to 30<sup>th</sup> June 2020.  
Annex 5 Assurance statements

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

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

| <b>SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED</b> |                              |                           |  |
|--|------------------------------|---------------------------|--|
| <b>Service</b>   | <b>Reported to Committee</b> | <b>Level of Assurance</b> | <b>Follow-up Action Due</b>  |
| Tenancy & Right to Buy Fraud   | March 2019                   | Limited                   | A pilot Counter Fraud scheme is being undertaken in conjunction with Ashford Borough Council |
| East Kent Housing – Tenant Health & Safety<br>Fire Safety                | September 2019               | Limited/No                | Work-in-Progress – Part complete   |

## PROGRESS AGAINST THE AGREED 2020-21 AUDIT PLAN.

## DOVER DISTRICT COUNCIL:

| Review                                      | Original Planned Days | Revised Planned Days | Actual days to 30-06-2020 | Status and Assurance Level          |
|---|-----------------------|----------------------|---------------------------|-------------------------------------|
| <b>FINANCIAL SYSTEMS:</b>                   |                       |                      |                           |                                     |
| Treasury Management                         | 10                    | 10                   | 0.22                      | Brief Prepared                      |
| Insurance & Inventories of Portable Assets  | 10                    | 10                   | 0.18                      | Brief Prepared                      |
| <b>HOUSING SYSTEMS:</b>                     |                       |                      |                           |                                     |
| Housing Allocations                         | 10                    | 10                   | 0                         | -                                   |
| Tenant Health & Safety Compliance           | -                     | 10                   | 0                         | Quarter 4                           |
| Data Quality                                | -                     | 10                   | 0                         | Quarter 4                           |
| Leasehold Services                          | -                     | 10                   | 0                         | Quarter 4                           |
| <b>GOVERNANCE RELATED:</b>                  |                       |                      |                           |                                     |
| GDPR, FOI & Information Management          | 10                    | 10                   | 0.18                      | Brief issued                        |
| Performance Management                      | 10                    | 10                   | 0.24                      | Brief Prepared                      |
| Corporate Advice/CMT                        | 2                     | 2                    | 0                         | Work-in-Progress throughout 2020-21 |
| s.151 Meetings and support                  | 9                     | 9                    | 6.37                      | Work-in-Progress throughout 2020-21 |
| Governance Committee Meetings and Reports   | 12                    | 12                   | 5.89                      | Work-in-Progress throughout 2020-21 |
| 2021-22 Audit Plan Preparation and Meetings | 9                     | 9                    | 0.78                      | Quarter 4                           |
| <b>POST IMPLEMENTATION REVIEWS:</b>         |                       |                      |                           |                                     |
| Kearnsy Abbey                               | 10                    | 0                    | 0                         | Deferred                            |
| <b>CONTRACT AUDITS:</b>                     |                       |                      |                           |                                     |
| Receipt & Opening of Tenders                | 10                    | 10                   | 0.21                      | Brief Prepared                      |
| <b>SERVICE LEVEL:</b>                       |                       |                      |                           |                                     |
| Employee Health & Safety                    | 10                    | 10                   | 0.18                      | Brief Prepared                      |
| Cemeteries                                  | 10                    | 10                   | 0.18                      | Work-in-Progress                    |
| Safeguarding Children & Vulnerable Groups   | 10                    | 10                   | 0.2                       | Brief Prepared                      |
| Planning Enforcement                        | 10                    | 0                    | 0                         | Deferred                            |
| Business Continuity & Emergency Planning    | 12                    | 0                    | 0.18                      | Deferred                            |
| Playgrounds                                 | 10                    | 0                    | 0.22                      | Deferred                            |

| Review  | Original Planned Days | Revised Planned Days | Actual days to 30-06-2020 | Status and Assurance Level                    |
|---|-----------------------|----------------------|---------------------------|---|
| Disabled Facilities Grants                      | 10                    | 10                   | 1.82                      | Finalised - Substantial                       |
| Land Charges                                    | 10                    | 10                   | 0.21                      | Brief Prepared                                |
| Members' Allowances & Expenses                  | 10                    | 10                   | 3.82                      | Finalised - Substantial                       |
| Planning Applications, Income & s106 Agreements | 15                    | 0                    | 0                         | Deferred                                      |
| Green Waste & Recycling Income                  | 10                    | 10                   | 0                         | -   |
| <b>OTHER</b>                                    |                       |                      |                           |   |
| Liaison with External Auditors                  | 1                     | 1                    | 0                         | Work-in-Progress throughout 2020-21           |
| Follow-up Work                                  | 15                    | 15                   | 3.27                      | Work-in-Progress throughout 2020-21           |
| <b>FINALISATION OF 2019-20- AUDITS</b>          |                       |                      |                           |   |
| Environmental Health Protection Requests        | 20                    | 20                   | 2.38                      | Work-in-Progress                              |
| Car Parking & Enforcement                       |                       |                      | 1.88                      | Finalised - Substantial                       |
| Election Management & Electoral Registration    |                       |                      | .45                       | Finalised - Substantial                       |
| Dog Warden                                      |                       |                      | 1.7                       | Work-in-Progress                              |
| Dover Leisure Centre PIR                        |                       |                      | 0.08                      | Work-in-Progress                              |
| Days under delivered in 2019-20                 | 0                     | 26.76                | -                         |   |
| <b>Responsive Work:</b>                         |                       |                      |                           |   |
| Duplicate Creditor Payment Testing              | 0                     | 5                    | 1.08                      | Work-in-Progress                              |
| Discretionary Grants – Counter Fraud            | 0                     | 22                   | 20.1                      | Work-in-Progress                              |
| C-19 Redeployments                              | 0                     | 0                    | 33.40                     | Finalised                                     |
| <b>TOTAL</b>                                    | <b>255</b>            | <b>*311.76</b>       | <b>85.22</b>              | <b>32.08% as at 30<sup>th</sup> June 2020</b> |

- 30 days added to the revised planned days from the former East Kent Housing audit plan from 1<sup>st</sup> October 2020.

**EAST KENT HOUSING LIMITED:**

| <b>Review</b>                                    | <b>Original Planned Days</b> | <b>Revised Planned Days</b> | <b>Actual To 30/06/2020</b> | <b>Status and Assurance Level</b>   |
|--|------------------------------|-----------------------------|-----------------------------|-------------------------------------|
| <b>Planned Work:</b>                             |                              |                             |                             |                                     |
| CMT/Audit Sub Ctte/EA Liaison                    | 4                            | 4                           | 2.09                        | Work-in-progress throughout 2020-21 |
| Follow-up Reviews                                | 15                           | 0                           | 0                           | Work-in-progress throughout 2020-21 |
| Tenants Health & Safety                          | 0                            | 7                           | 0.74                        | Work in progress                    |
| <b>Finalisation of 2019/20 Work-in-Progress:</b> |                              |                             |                             |                                     |
| Days over delivered in 2019/20                   |                              | -7.37                       | 0                           | Allocated                           |
| Welfare Reform                                   | 0                            | 1                           | 0.41                        | Finalised - Substantial             |
| Employee Health & Safety                         | 1                            | 0.63                        | 0.50                        | Finalised - Limited                 |
| <b>Total</b>                                     | <b>20</b>                    | <b>12.63</b>                | <b>3.73</b>                 | <b>24% as at 30/06/2020</b>         |

**EKS, EKHR & CIVICA:**

| Review                                 | Original Planned Days | Revised Planned Days | Actual days to 30/06/2020 | Status and Assurance Level   |
|--|-----------------------|----------------------|---------------------------|------------------------------|
| <b>EKS Reviews;</b>                    |                       |                      |                           |                              |
| Housing Benefits Overpayments          | 10                    | 10                   | 0.24                      | Quarter 4                    |
| Housing Benefit Testing                | 30                    | 15                   | 0                         | Quarter 2 & 4                |
| Housing Benefit Subsidy                | 10                    | 10                   | 0                         | Quarter 3                    |
| Customer Services Gateway              | 10                    | 0                    | 0                         | Deferred                     |
| ICT – Disaster Recovery                | 15                    | 0                    | 0                         | Deferred                     |
| ICT – Software Licensing               | 15                    | 15                   | 0                         | Quarter 2                    |
| KPIs                                   | 5                     | 5                    | 0                         | Quarter 3                    |
| <b>EKHR Reviews;</b>                   |                       |                      |                           |                              |
| Payroll                                | 15                    | 0                    | 0                         | Deferred                     |
| EKHR DBS Checks                        | 15                    | 15                   | 10.36                     | Work in progress             |
| EK People review                       | 15                    | 15                   | 0                         | Quarter 3                    |
| <b>Other;</b>                          |                       |                      |                           |                              |
| Corporate/Committee                    | 5                     | 5                    | 3.03                      | Ongoing                      |
| Follow up                              | 5                     | 3                    | 1.06                      | Ongoing                      |
| <b>Finalisation of 2019/20 Audits:</b> |                       |                      |                           |                              |
| Days under delivered in 2019-20        | 0                     | 30.69                | -                         | Allocated Below              |
| EKHR Employee Benefits in Kind         |                       | 2                    | 1.19                      | Finalised – Substantial / No |
| Housing Benefit Testing 2019/20        |                       | 10                   | 10.82                     | Finalised - N/A              |
| EKHR Payroll                           |                       | 10                   | 10.07                     | Finalised - Reasonable       |
| <b>Total</b>                           | <b>160</b>            | <b>190.69</b>        | <b>36.75</b>              | <b>19.27%</b>                |

**EKAP Balanced Score Card 2020-21**

**Quarter 1**

| <b><u>INTERNAL PROCESSES PERSPECTIVE:</u></b>  | <b><u>2020-21<br/>Actual</u></b> | <b><u>Target</u></b> | <b><u>FINANCIAL PERSPECTIVE:</u></b>  | <b><u>2020-21<br/>Actual</u></b> | <b><u>Original<br/>Budget</u></b> |
|--|----------------------------------|----------------------|---|----------------------------------|-----------------------------------|
|  | <b>Quarter 1</b>                 |                      | <b>Reported Annually</b>  |                                  |                                   |
| <b>Chargeable as % of available days</b>   | <b>90%</b>                       | <b>80%</b>           | <ul style="list-style-type: none"> <li>• <b>Cost per Audit Day</b></li> </ul>                     | £                                | <b>£339.14</b>                    |
| <b>Chargeable days as % of planned days</b>  |                                  |                      | <ul style="list-style-type: none"> <li>• <b>Direct Costs</b></li> </ul>                           | £                                | <b>£437,130</b>                   |
| <b>CCC</b>   | <b>15.29%</b>                    | <b>25%</b>           | <ul style="list-style-type: none"> <li>• <b>+ Indirect Costs (Recharges from Host)</b></li> </ul> | £                                | <b>£10,530</b>                    |
| <b>DDC</b>   | <b>18.23%</b>                    | <b>25%</b>           | <ul style="list-style-type: none"> <li>• <b>- 'Unplanned Income'</b></li> </ul>                   | £                                | <b>Zero</b>                       |
| <b>F&amp;HDC</b>   | <b>10.38%</b>                    | <b>25%</b>           |   |                                  |                                   |
| <b>TDC</b>   | <b>11.17%</b>                    | <b>25%</b>           |   |                                  |                                   |
| <b>EKS</b>   | <b>19.27%</b>                    | <b>25%</b>           |   |                                  |                                   |
| <b>EKH</b>   | <b>3.30%</b>                     | <b>25%</b>           |   |                                  |                                   |
| <b>Plus, C19 Redeployment Days 133.62</b>  |                                  |                      | <ul style="list-style-type: none"> <li>• <b>= Net EKAP cost (all Partners)</b></li> </ul>         |                                  | <b>£447,660</b>                   |
| <b>Overall</b>   | <b>24.08%</b>                    | <b>25%</b>           |   |                                  |                                   |
| <b>Follow up/ Progress Reviews;</b>  |                                  |                      |   |                                  |                                   |
| <ul style="list-style-type: none"> <li>• <b>Issued</b></li> </ul>  | <b>6</b>                         | <b>-</b>             |   |                                  |                                   |
| <ul style="list-style-type: none"> <li>• <b>Not yet due</b></li> </ul>   | <b>24</b>                        | <b>-</b>             |   |                                  |                                   |
| <ul style="list-style-type: none"> <li>• <b>Now due for Follow Up</b></li> </ul>                                       | <b>32</b>                        | <b>-</b>             |   |                                  |                                   |
| <b>Compliance with the Public Sector<br/>Internal Audit Standards (PSIAS)<br/>(see Annual Report for more details)</b> | <b>Partial</b>                   | <b>Full</b>          |   |                                  |                                   |

| <b><u>CUSTOMER PERSPECTIVE:</u></b>   | <b><u>2020-21<br/>Actual</u></b> | <b><u>Target</u></b> | <b><u>INNOVATION &amp; LEARNING<br/>PERSPECTIVE:</u></b>                        | <b><u>2020-21<br/>Actual</u></b> | <b><u>Target</u></b> |
|---|----------------------------------|----------------------|---|----------------------------------|----------------------|
|   | <b>Quarter 1</b>                 |                      | <b>Quarter</b>  |                                  |                      |
| <b>Number of Satisfaction Questionnaires Issued;</b>  | <b>12</b>                        |                      | <b>Percentage of staff qualified to relevant technician level</b>               | <b>74%</b>                       | <b>75%</b>           |
| <b>Number of completed questionnaires received back;</b>  | <b>6</b>                         |                      | <b>Percentage of staff holding a relevant higher level qualification</b>        | <b>38%</b>                       | <b>36%</b>           |
|   | <b>= 50%</b>                     |                      | <b>Percentage of staff studying for a relevant professional qualification</b>   | <b>15%</b>                       | <b>N/A</b>           |
| <b>Percentage of Customers who felt that;</b>   |                                  |                      | <b>Number of days technical training per FTE</b>                                | <b>0.4</b>                       | <b>3.5</b>           |
| <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> | <b>100%</b>                      | <b>100%</b>          | <b>Percentage of staff meeting formal CPD requirements (post qualification)</b> | <b>38%</b>                       | <b>36%</b>           |
|   | <b>100%</b>                      | <b>90%</b>           |   |                                  |                      |
|   | <b>100%</b>                      | <b>100%</b>          |   |                                  |                      |

## Definition of Audit Assurance Statements & Recommendation Priorities

### Cipfa Recommended Assurance Statement Definitions:

**Substantial assurance** - A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

**Reasonable assurance** - There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

**Limited assurance** - Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

**No assurance** - Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

### EKAP 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.

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|                          |  |
|--------------------------|--|
| <b>Subject:</b>          | <b>2019/20 ANNUAL GOVERNANCE ASSURANCE STATEMENT</b>                                 |
| <b>Meeting and Date:</b> | <b>Cabinet – 7 September 2020</b><br><b>Governance Committee – 1 October 2020</b>    |
| <b>Report of:</b>        | <b>Louise May, Head of Governance</b>  |
| <b>Portfolio Holder:</b> | <b>Councillor Chris Vinson, Portfolio Holder for Finance, Governance and Digital</b> |
| <b>Decision Type:</b>    | <b>Non-Key</b>   |
| <b>Classification:</b>   | <b>Unrestricted</b>  |

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|                               |  |
|-------------------------------|--|
| <b>Purpose of the report:</b> | To approve the Annual Governance Assurance Statement 2019/20 |
|-------------------------------|--|

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|                        |  |
|------------------------|--|
| <b>Recommendation:</b> | (1) Cabinet approve the Annual Governance Assurance Statement and request that the Leader and the Head of Paid Service sign this statement on behalf of the Council. |
|                        | (2) Governance Committee are asked to accept the Annual Governance Assurance Statement alongside the 2019/20 Statement of Accounts.                                  |

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## 1. Summary

- 1.1 Annually, the Council is required to conduct a review of the effectiveness of our system of internal control and also report on the extent to which we comply with our own Local Code of Corporate Governance. This must be conducted in accordance with the Delivering Good Governance in Local Government Framework 2016 Edition and is reported as the Annual Governance Assurance Statement. Cabinet are asked to accept the Annual Governance Assurance Statement for 2019/20, as recommended by the Corporate Management Team and request that the Leader and the Head of Paid Service sign this statement on behalf of the Council.
- 1.2 The Governance Committee is asked to accept the Annual Governance Assurance Statement alongside the 2019/20 Accounts.
- 1.3 Usually, the statement of accounts are required to be approved 31 July each year. However, due to the Covid-19 pandemic, the Regulations have been amended and the statement of accounts is now required to be approved by 30 November 2020, hence the delay in presenting the AGAS this year.

## 2. Introduction and Background

- 2.1 The Accounts and Audit Regulations 2015, require that the Council conducts at least annually, a review of the effectiveness of its system of internal control and also report on the extent to which we comply with our own Local Code of Corporate Governance. The Council's Annual Governance Assurance Statement is prepared to meet these requirements and will be provided alongside the published Statement of Accounts in accordance with the Accounts and Audit Regulations 2015.

- 2.2 The statement is to be signed by the Leader of the Council and the Chief Executive, having paid due regard to any matters raised by the Head of Governance and the Monitoring Officer. In particular, they should have particular regard to the opinion of the Head of Governance and Monitoring Officer on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 2.3 The Annual Governance Assurance Statement for 2019/20 is attached and has been agreed by the Corporate Management Team in August 2020. The statement has been prepared taking into account the following information:
- A detailed review of the Council's performance measured against the Core and Sub Principles as detailed in the Delivering Good Governance in Local Government Framework 2016 Edition.
  - The service review work performed by Internal Audit during the year.
  - Internal Audit's review of Corporate Governance arrangements.
  - Assurance Statements produced by individual Directors of Service.
  - The information gathered as a result of risk assessment and management.
  - The annual reports of the Scrutiny and Governance Committees.
- 2.4 The Action plan will be monitored during the year and progress reported to Governance Committee.

### 3. Identification of Options

- 3.1 Option 1: Agree the Annual Governance Assurance Statement including the key actions identified, for signature by the Leader and the Head of Paid Service and then for inclusion in the 2019/20 Accounts
- 3.2 Option 2: Do not agree the Annual Governance Assurance Statement and require further analysis and clarification.

### 4. Evaluation of Options

- 4.1 Option 1 is the preferred option, as in preparing the Annual Governance Assurance Statement this fully meets the requirements of the Accounts and Audit Regulations 2015. Delivering Good Governance in Local Government Framework (2016 Edition) states:

*"The preparation and publication of an Annual Governance Statement in accordance with Delivering Good Governance in Local Government: Framework (2016) would fulfil the statutory requirements across the United Kingdom for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts. In England the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be "prepared in accordance with proper practices in relation to accounts". Therefore a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government: Framework (2016)".*

5. **Resource Implications**

None.

6. **Corporate Implications**

- 6.1 Comment from the Section 151 Officer: Accountancy has been consulted and has no further comment. (JS)
- 6.2 Comment from the Solicitor to the Council: The Solicitor to the Council has been consulted in the preparation of this report and has no further comments to make
- 6.3 Comment from the Equalities Officer: This report does not specifically highlight any equality implications, however in discharging their duties members are required to comply with the public sector equality duty as set out in Section 149 of the Equality Act 2010 <http://www.legislation.gov.uk/ukpga/2010/15/section/149>

7. **Appendices**

Appendix 1 – Annual Governance Assurance Statement

Appendix 2 – Action Plan – Backward Looking

Appendix 3 – Action Plan – Forward Looking

8. **Background Papers**

Accounts and Audit Regulations 2015

CIPFA Delivering Good Governance in Local Government Framework 2016 Edition

Contact Officer: Louise May, Head of Governance

# Dover District Council Annual Governance Assurance Statement

1 APRIL 2019 TO 31 MARCH 2020

## 1. WHAT WE ARE RESPONSIBLE FOR

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

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

We have approved and adopted a Local Code of Corporate Governance and a copy of this is available on our website at <http://www.dover.gov.uk/Corporate-Information/CorporateGovernance.aspx>.

## 2. THE AIM OF THE GOVERNANCE FRAMEWORK

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

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

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

The Governance Framework describes what has been in place at Dover District Council for the year ended 31 March 2020 and up to the date of approval of the Council's accounts.

## 3. OUR GOVERNANCE FRAMEWORK

Our Governance Framework is underpinned by seven core principles and supported by our Corporate Plan as well as many systems, policies, procedures and operations, which together ensure that the intended outcomes for our community and stakeholders are defined and

achieved. Good governance is dynamic, and Dover District Council is committed to improving governance on a continuing basis through a process of evaluation and review.

The key features are:

(a) **Our Core and Supporting Principles**

The seven core principles are taken from the International Framework: *Good Governance in the Public Sector* and help this Council demonstrate good governance. Each of these principles translates into a range of specific requirements and they are also reflected in this Corporate Governance Local Code:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes.
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- F. Managing risks and performance through robust internal control and strong public financial management.
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

(b) **Our Corporate Plan**

This is our main strategic document providing a framework for the delivery of our services and providing context for all the other strategies and plans that we have. The Corporate Plan for 2020-2024 is published and is available on the Council's website. The Council approved a new Corporate Plan in February 2020 which continues with the overall direction of travel as the previous version.

The following strategic priorities have been identified in the 2020-2024 Corporate Plan:

- Regeneration - Tourism & Inward Investment
- Housing & Community
- Climate Change, Environment & Assets – a cleaner sustainable environment
- Working Smartly & Delivering Services

(c) **Business Plans**

The Business Plan is one of the central mechanisms for each Head of Service managing their own area of activity and therefore sits at the centre of the Corporate Governance process. The business plans support the aims of the Corporate Plan which include performance indicators that are used to measure our achievements.

(d) **Our Constitution**

Our Constitution details how we operate, how decisions are made and the procedures, which are to be followed. It also ensures that we work in an efficient and transparent way and that we are accountable to local people. The Monitoring Officer is responsible for keeping the Constitution under review.

(e) **The Executive**

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

(f) **Corporate Management Team**

The Corporate Management Team comprises the Chief Executive (and Head of Paid Service); Strategic Director (Corporate Resources) (and Section 151 Officer) and Strategic Director (Operations and Commercial).

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

(g) **Governance Committee**

The seven appointed members of the Council provide independent assurance of the adequacy of the risk management framework and the associated control environment together with independent review of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment. The Committee oversees the financial reporting process by considering the final Statement of Accounts. The Committee promotes high standards of conduct amongst the 32 members of Dover District Council and (up to) 317 members of Town and Parish Councils in the District. Complaints of service maladministration are investigated and reported to the Committee. Lessons learned from these complaints are reviewed and acted on.

The Chairman provides an Annual Report of the Governance Committee to the Annual Council Meeting

(h) **Overview and Scrutiny**

In July 2019, and as a result of the reduction in elected members, the Council voted to reduce to one overview and scrutiny committee who support and monitor the work of the Executive. A "call-in" procedure or addition to the work programme allows scrutiny to review Executive decisions before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered. The Monitoring Officer provides an Annual Report of the Scrutiny Committees to the Annual Council Meeting.

(i) **Monitoring Officer**

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

(j) **Our Solicitor**

The Solicitor to the Council provides his opinion on our compliance with our legal obligations. As from 1 January 2019 the same officer fulfils the role of Monitoring officer and Solicitor to the Council.

(k) **Data Protection Officer**

We have appointed a Data Protection Officer in accordance with Article 37 of the General Data Protection Regulation 2016. We support the Data Protection Officer by providing resources to undertake tasks and access to personal data and process and operations and to maintain expert knowledge. The Data Protection Officer his duties in an independent manner and the we may not give the Data Protection Officer instruction on exercising his role. The Data Protection Officer is currently the Solicitor to the Council.

(l) **Financial procedures and Contract Standing Orders**

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

(m) **Financial Management**

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

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

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

In particular, the process includes:

- The setting of annual budgets;
- Producing the Medium Term Financial Plan

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

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

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

(n) **Policies**

Corporate policies on a range of topics such as Equality, Information Governance and Data Protection are all subject to internal review. We keep all staff aware of changes in policy, or documentation through internal communications. The corporate training needs are identified each year and appropriate training for all or key members of staff is provided.

(o) **Risk**

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

(p) **Service Assurance**

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

(q) **Performance Management Framework**

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

(r) **Internal Audit**

The East Kent Audit Partnership Internal Audit Team reports to the Strategic Director (Corporate Resources). They operate under a Charter, which defines their relationship with our officers, and the Governance Committee. Their main responsibility is to provide assurance and advice on our internal control systems to the Corporate Management Team and Members. Internal Audit reviews the adequacy, reliability and effectiveness of internal control and recommends improvements where appropriate. It also supports the development of systems, providing advice on risk and control. Effective internal controls are an important part of the Corporate Governance process. Through their audit assurance work, internal audit provide an opinion on the effectiveness of the systems of internal control.

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

(s) **External Audit**

The work is currently undertaken by Grant Thornton, who are required to deliver their audit work in line with Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015.

(t) **Core Strategy and Local Plan**

The Core Strategy is the overarching statutory planning document for the District and was adopted by the Council in February 2010. The Core Strategy identifies the overall economic, social and environmental objectives for the District and the amount, type and broad location of development that is needed to fulfil those objectives. The Land Allocations Local Plan, which was adopted in 2015, identifies and allocates specific sites that are suitable for development in order to meet the Core Strategy's requirements.

Work is well underway in the development of a new District Local Plan which will replace the policies and proposals in the Council's Adopted Core Strategy, Land Allocations Local Plan and 'saved' policies from the 2002 Local Plan. The timetable for the preparation of the Local Plan is included in the Council's Local Development Scheme which is available on the Council's website.

(u) **State of the District Report**

This report is a backward look at the state of the district, highlighting key information under the headings of: District Overview, Population Profile; Housing; Economy, Business and Employment; Finance; Education and Skills; Regeneration Delivery; Health and Wellbeing; Deprivation and Poverty; Community Safety and Quality of Life.

Not all information is collected and reported annually, as it is collated from a wide range of sources that is sporadically updated. In addition, periodically the process of capturing information is changed, this in turn makes year-on-year comparisons and trends difficult to assess. The report is published on our website and there will be regular updates as new data is published, with members informed in a timely manner of any significant changes.

(v) **Communication and Consultation**

Strategies are in place. We have active Twitter and Facebook accounts, enabling the Council to communicate effectively with our communities and also enabling members of the public to communicate their views on a wide range of matters. In 2015 the Council launched its 'Keep Me Posted' email alert service which enables members of the public to subscribe to email messages from the Council on a wide range of topics.

(w) **Equality**

As part of our equalities responsibilities, we publish our equality objectives and progress against the targets to ensure that all groups in our community have a voice, can be heard and know how we make our decisions. A revised equality policy was adopted by Cabinet in March 2016.

(x) **Whistleblowing**

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

(y) **Employment Management**

The Employment Management Group considers all requests to fill staff vacancies. The group is chaired by the Head of Finance and Housing and supported by the Head of Community and Digital Services, the Head of Governance, the Head of Regulatory Services and the EK Human Resources Business Partner. Their recommendations are considered by the Head of Paid Service who provides the final decision as to which posts can be filled.

(z) **Partnerships**

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

**4. REVIEW OF EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK**

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

(a) **The Monitoring Officer has responsibility for:**

- Monitoring the Constitution and keeping it up to date
- Ensuring ethical standards and conduct are met

(b) **The Strategic Director (Corporate Resources) has responsibility for:**

- Publishing financial information and statements accurately and reliably.
- Confirmation that resources are managed efficiently and effectively.
- Overseeing and monitoring the Corporate Governance Local Code
- Maintaining and updating the code if required by best practice
- Reporting annually to members on performance and compliance with the code
- The overall review of the internal control opinion and framework evidence, including service assurance statements, the audit review of Corporate Governance, Performance reporting, Risk management arrangements and the individual audit and risk management assessments.
- Review of the Effectiveness of Internal Audit.
- The External Auditor's Annual Audit and Inspection Letter, service assessments and other associated reviews and ensuring that they are acted upon.

(c) **All Directors have responsibility via a Service Assurance Statement to ensure that:**

- Risks have been identified. They are recorded and monitored in accordance with the Council's Risk Management Strategy.
- Staff are fully aware of the requirements of their job, and have access to the appropriate Council rules and policies to assist them.
- Internal and External Audit reports and recommendations have been acted on.
- Reports from other review agencies have been acted on.
- Business arrangements are conducted in accordance with the law and proper standards.
- Public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- The service has in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to Corporate Governance is both adequate and effective.
- A statement of assurance that improvement plans exist to rectify any acknowledged deficiency.

(d) **Solicitor to the Council has responsibility:**

- Via his annual statement to give his opinion on the Council's compliance with relevant laws and regulations, and its legal obligations and requirements

(e) **Cabinet has responsibility for:**

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

(f) **Council has responsibility for:**

- Agreeing or amending the Policy Framework
- Agreeing or amending the budget, including the borrowing or capital expenditure strategy and setting the Council Tax

(g) **Overview & Scrutiny Committee has responsibility for:**

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

(h) **The Governance Committee has a responsibility for:**

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

(i) **Internal Audit has responsibility to:**

- Provide an independent annual statement on the systems of internal control, highlighting areas of concern
- Report on the level of assurance in respect of the Council's internal control systems
- Provide an overall Assurance Statement from the Head of the Audit Partnership. This is compiled from the Internal Audit work programme and a review of this Council's Corporate Governance arrangements.

5. **THIS YEAR'S REVIEW**

(a) **Council**

Article 15 of the Council's Constitution makes provision for the regular review of the Constitution by the Monitoring Officer. The key focus of the review in 2019/20 was reviewing the scheme of delegations, improving transparency and accessibility reflecting changes to the Council's organisational structure and the collation of changes made by decision making bodies such as Cabinet or Council during the course of the previous year. Due to the Coronavirus pandemic, the report which was due to be considered by Governance Committee in March 2020 was considered by the Governance Committee in June 2020 who then recommended the changes for approval by full Council, which they did in July 2020.

(b) **Cabinet**

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

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

(c) **Scrutiny**

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

The Annual Report of the work of the Scrutiny Committees for 2019/20 was presented to the Annual Council Meeting on 22 July 2020. This was delayed due to the Coronavirus pandemic but to identified sound governance arrangements, including an effective scrutiny process, which underpins the achievement of the Council's corporate objectives.

(d) **Governance Committee**

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

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

The Strategic Director (Corporate Resources) and the Monitoring Officer are responsible for ensuring that the Constitution is reviewed regularly. It is not practical to undertake a full yearly review, so specific areas are selected each year. During 2019/20, the key focus of the review in 2019/20 was reviewing the scheme of delegations, improving transparency and accessibility reflecting changes to the Council's organisational structure and the collation of changes made by decision making bodies such as Cabinet or Council during the course of the previous year. The Governance Committee recommended the changes for approval by the Council. All are documented on our website.

The Annual Report of the work of the Governance Committee for 2019/20 was presented to the Annual Council Meeting on 22 July 2020. This report was also delayed due to the Covid-19 pandemic. This gave a positive opinion on the system of internal control. The Governance Committee continued to be assured of the integrity and reliability of data held in financial statements. The work undertaken by Internal and External Audit provided detailed assurance on those areas of the Council's work which were the subject of reports.

The assurances from the Strategic Director (Corporate Resources) and the Strategic Director (Operations and Commercial) and the work of Internal and External Audit together supported the Committee in forming their opinion of the financial statements, enabling them to agree to sign the 2018/19 accounts in accordance with the regulations. For this year, the process will be delayed slightly but the committee will be provided with the necessary assurances to approve the 2019/20 accounts at its meeting on 12 November 2020. The deadline for the final accounts to be approved has been changed by legislation for 2020 owing to the Covid-19 pandemic.

The submission of this Annual Report continues to enhance the effective communication of our governance processes.

The Governance Committee received bi-annual reports on the progress of formal service complaints against the Council and lessons learned from those complaints.

The Local Government Ombudsman received 9 complaints and enquiries against the Council during the 2018/19 municipal year. One complaint was upheld by the Ombudsman in 2018/19. Data relating to the municipal year 2019/20 will be available from the Local Government Ombudsman in due course and will be reported to the Governance Committee.

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

(f) **Review of Internal Audit**

The effectiveness of internal audit is monitored by the Section 151 Officer through:

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

(g) **The Work of Internal Audit**

The overall opinion of the System of Internal Controls in operation throughout 2019/20 based on the work of the East Kent Audit Partnership during 2019/20 was presented in their annual report to the Governance Committee in June.

- The internal auditors are independent to the management of the Council and have direct access to the Chair of the Governance Committee if required. They provide a regular update to the Committee at each of the quarterly meetings, and attend any special meetings that may be convened during the year.
- As at 31 March 2020 the Internal Auditors completed 228.24 days of review equating to 91.15% of planned completion. The East Kent Audit Partnership (EKAP) undertake a regular schedule of follow up audits to ensure that management have implemented the action plans arising from each audit. Members can see full details within the Internal Audit Annual Report that was presented to the Governance Committee in June 2020.
- The EKAP have met as a team and considered the Public Sector Internal Audit Standards Checklist for compliance. The results of this self-assessment showed that internal audit is currently working towards full compliance and has agreed an action plan to achieve this.
- As part of EKAP's quality monitoring arrangements Members should be aware that following the completion of each audit, a satisfaction questionnaire is completed by the managers of the service that has been audited enabling the officers involved to comment on the conduct and outcome of the audit. This information is used, in part, to inform the self-assessment.

(h) **External Reviews**

There were no external reviews held this year.

(i) **Training**

Comprehensive Training is provided at the outset for the new Council and this is refreshed during the four year term, to ensure that the councillors have the skills and expertise to make sound and effective decisions.

The officer performance appraisal includes a personal Improvement plan, where training and development needs are discussed and agreed. These are provided annually to the Head of Governance to help inform the training needs of the organisation, some of which will be delivered corporately via the Corporate Training Plan. In 2019/20 a number of Managers and Team Leaders gained an Institute of Learning and Management qualification (level 3 or level 5), which helps enhance their skills and knowledge as leaders in the organisation.

(j) **Members Code of Conduct**

During 2019/20 the Monitoring Officer received fifteen complaints relating to members at eight authorities. The Governance Committee Hearing Panel did not meet during 2019/20.

During the municipal year 2019/20 there were no requests for dispensation.

6. **SIGNIFICANT GOVERNANCE ISSUES DURING THE YEAR**

- (a) The Annual Reports of the Scrutiny and Governance Committees provide a positive statement and opinion regarding the governance arrangements and the effectiveness of the internal control environment operating across this Council.
- (b) There were 9 cases reviewed by the Local Government Ombudsman during 2018/19, one case of maladministration was found.
- (c) The Notice of Forthcoming Key Decisions continues to publish key decisions to be taken by the Cabinet. Cabinet Reports are considered by Finance, Legal and Equalities Officers and then by CMT to ensure that outcomes are consistent with the Council's corporate direction.
- (d) A suite of performance indicator targets were approved by Cabinet at the start of the 2019/20 financial year and were then measured via the quarterly performance reports.
- (e) The General Data Protection Regulations (GDPR) came into force in May 2018 and an internal GDPR Project Team was established to support the review of retention schedules, the identification of information asset owners and the development of privacy notices for services across the Council. All members of staff undertook online GDPR training and briefings sessions have been provided for all Members to attend. Further Information Governance training was delivered to all staff in 2019/20.
- (f) In October 2019, the then Leader of the Council resigned as an elected Member. In accordance with the approved procedures, the Deputy Leader of the Council assumed the responsibilities of the Leader, until the Council elected a new Leader on 30 October 2019. The new Leader assumed his responsibilities as the Leader immediately.

- (g) During 2019, significant concerns arose over the performance of East Kent Housing (EKH), mainly in relation to compliance, procurement, contract management and delivery of the capital programme. On 1 July 2019 the Monitoring Officer submitted a report to the Council's Cabinet in the discharge of his duty under section 5A(6)(a) of the Local Government and Housing Act 1989. The report concerned the Council's failure to have in place valid gas safety records in respect of council dwellings as required by regulation 36 of the gas safety (installation and use) regulations 1998.

An options appraisal was completed in October 2019, reviewing the delivery of housing management services provided by EKH on behalf of Canterbury City Council, Dover District Council, Folkestone and Hythe District Council and Thanet District Council. The four councils agreed that tenants should be consulted on whether housing management should become an in-house service. Following the outcome of that consultation, it was agreed on 20 February 2020 to bring the management of the Council's housing stock back in house. Work continues on this, with a proposed transfer date of 1 October 2020.

- (h) In March 2020, the Covid-19 global pandemic started to escalate and the UK government imposed a nationwide lockdown meaning the majority of the Council's workforce was required to work from home. On 26 March 2020, special arrangements were made by the Leader of the Council in that the Chief Executive and each of the Directors were authorised to exercise any function which by virtue of the Local Government 2000 and regulations made under it is a function of the executive. This was a temporary measure to ensure executive decisions could be made promptly in a dynamic situation. These arrangements were formally revoked on 5 June 2020.

## **7. IMPROVEMENTS DURING THE YEAR**

- (a) The Council continues to work with the Cabinet Office to obtain continued Public Sector Network (PSN) Compliance. This included IT Equipment, systems and software upgrades to ensure PSN compliance and to ensure that staff and members can work safely and securely from any location.
- (b) The East Kent Corporate Information Governance Group continues to meet on a regular basis with the suite of Information Governance Policies (16 in total) being kept under regular review by the group. A full review of the policies was undertaken during 2019. The Head of Governance remains appointed as the Council's Senior Information Risk Officer (SIRO) with the Digital Services Manager as the Deputy SIRO.
- (b) The officer Conditions of Service Working Group continues to oversee the employee terms and conditions and ensures that they remain up to date and relevant.
- (c) The 2020/21 Pay Policy and Gender Pay Gap Statements were delivered and adopted at the Council and Cabinet Meetings in February 2020.
- (e) A forward looking action plan has been prepared for 2020/21 and this will be kept under regular review by the Head of Governance and reviewed by the Governance Committee at its January 2021 meeting.

8. **OPINION OF THE HEAD OF GOVERNANCE**

I can confirm that the governance arrangements provide and continue to be regarded as fit for purpose in accordance with the governance framework and will ensure that that the implementation is monitored as part of the next annual review.

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

**Louise May**  
Head of Governance

9. **STATEMENT OF THE LEADER OF THE COUNCIL AND THE CHIEF EXECUTIVE**

We have reviewed the effectiveness of the Council's governance framework and noted the opinion and commitment of the Head of Governance. We sign this Annual Governance Assurance Statement on behalf of the Council.

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

**Councillor Trevor Bartlett**  
Leader of the Council

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

**Nadeem Aziz**  
Chief Executive

### Governance Assurance Statement Action Plan – Backward Looking

| Action Description  | Evidenced by   | Completed |
|---|--|-----------|
| The Corporate Plan to be reviewed following the District Council Elections in May 2019.   | New Corporate Plan prepared and published on the website   | 31/03/20  |
| 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 agreed by the Governance Committee and Council                   | 31/03/20  |
| Business Plans prepared and published for each division   | Business plans for the forthcoming year completed and returned to Corporate Services.  | 31/03/20  |
| Quarterly performance reports all reviewed by Cabinet and Scrutiny.   | Performance reports published on the website.  | 31/03/20  |
|   | Performance reports reviewed by Cabinet and Scrutiny as per minutes published on the Website.                                  | 31/03/20  |
| 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                      | 31/03/20  |
|   | Quarterly audit reports covering audit reviews and follow up reviews have been received by Governance Committee                | 31/03/20  |
| 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.      | 31/03/20  |
| Alleged breaches of the Members' Code of Conduct by District, Town and Parish Councillors are considered by the Monitoring Officer in a timely manner.                        | Breaches of the Member Code of Conduct have been considered by the Monitoring Officer throughout the year.                     | 31/03/20  |
| 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 | 31/03/20  |
| Governance Framework reviewed and any amendments approved.  | No changes during 19/20. All further amendments will be approved by the Governance Committee and Council.                      | 31/03/20  |
| The provision for clawback of MMI insurance claims is reviewed and is adequate.   | MMI provision is as per the MMI annual statement   | 31/03/20  |

| Action Description               | Evidenced by  | Completed |
|----------------------------------|---|-----------|
| Officer Training Plan Developed  | <p>Corporate Training Needs agreed and training plan delivered, in particular cyber and information security training rolled out to all staff during 19/20.</p> <p>A new Learning &amp; Development Framework has been offered through EKHR. 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>Induction Training continues for new starters.</p> | 31/03/20  |
| Corporate Information Governance | Periodic review of the corporate information and security governance framework and policies for East Kent undertaken.   | 31/03/20  |
| Apprenticeship Levy              | Compliance with the Government requirements, including procurement of appropriate training for new apprentices.   | 31/03/20  |

### Governance Assurance Statement Action Plan – Forward Looking

| Action Description  | Evidenced by   | Due      |
|---|--|----------|
| The corporate plan to be been kept up to date and any necessary update is published   | Corporate plan is up to date and published on the website  | 31/03/21 |
| 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 are agreed by the Governance Committee and Council               | 31/03/21 |
| Business Plans prepared and published for each division   | Business plans for the forthcoming year completed and returned to Corporate Services.  | 31/03/21 |
| Quarterly performance reports all reviewed by Cabinet and Scrutiny.   | Performance reports published on the website.  | 31/03/21 |
|   | Performance reports reviewed by Cabinet and Scrutiny as per minutes published on the Website.                                  | 31/03/21 |
| 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                      | 31/03/19 |
|   | Quarterly audit reports covering audit reviews and follow up reviews are received by Governance Committee                      | 31/03/21 |
| 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 annually. Reports published on website.         | 31/03/21 |
| Alleged breaches of the Members' Code of Conduct by District, Town and Parish Councillors are considered by the Monitoring Officer in a timely manner.                        | Breaches of the Member Code of Conduct have been considered by the Monitoring Officer throughout the year.                     | 31/03/21 |
| 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 | 31/03/21 |
| Governance Framework reviewed and any amendments approved.  | All amendments approved by the Governance Committee and Council.   | 31/03/21 |
| The provision for clawback of MMI insurance claims is reviewed and is adequate.   | MMI provision is as per the MMI annual statement   | 31/03/21 |
| Officer Training Plan Developed   | Corporate Training Needs agreed and training plan delivered.   | 31/03/21 |
|   | Induction Training for new starters reviewed.  |          |
| Corporate Information Governance  | Periodic review of the corporate information and security governance framework and policies for East Kent.                     | 31/03/21 |

| <b>Action Description</b>   | <b>Evidenced by</b>   | <b>Due</b> |
|---|---|------------|
| Apprenticeship Levy   | Compliance with the Government requirements, including procurement of appropriate training for new apprentices. | 31/03/21   |
| Complete the transfer of the management of the Council's Housing stock back in house and secure regulatory compliance | Quarterly audit reports received by the Governance Committee.   | 31/03/21   |
| Stabilisation of the Council's finances following the Covid-19 pandemic   | The presentation of a balanced budget to Council for approval   | 31/03/21   |