

Public Document Pack



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23 November 2022

Dear Councillor

NOTICE IS HEREBY GIVEN THAT a meeting of the **GOVERNANCE COMMITTEE** will be held in the Council Chamber at these Offices on Thursday 1 December 2022 at 6.00 pm when the following business will be transacted.

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

Yours sincerely

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

Chief Executive

Governance Committee Membership:

D Hannent (Chairman)
S S Chandler (Vice-Chairman)
S H Beer
D A Hawkes
S J Jones
P D Jull
P Walker

AGENDA

1 **APOLOGIES**

To receive any apologies for absence.

2 **APPOINTMENT OF SUBSTITUTE MEMBERS**

To note appointments of Substitute Members.

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

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

4 **MINUTES** (Pages 5 - 9)

To confirm the attached Minutes of the meeting of the Committee held on 29 September 2022.

5 **REVISION TO CONTRACT STANDING ORDERS** (Pages 10 - 25)

To consider the attached report of the Head of Finance & Investment and Monitoring Officer.

6 **QUARTERLY INTERNAL AUDIT UPDATE REPORT** (Pages 26 - 47)

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

7 **TREASURY MANAGEMENT QUARTER TWO REPORT 2022/23** (Pages 48 - 64)

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

8 **GRANT THORNTON 2019//20 AUDIT FINDINGS REPORT** (Pages 65 - 96)

To consider the attached report of the Key Audit Partner (Grant Thornton - External Auditors).

9 **STATEMENT OF ACCOUNTS 2019/20** (Pages 97 - 208)

To consider the attached report of the Strategic Director (Finance and Housing).

10 **GRANT THORNTON 2020/21 VALUE FOR MONEY REPORT** (Pages 209 - 238)

To consider the attached report of the Key Audit Partner (Grant Thornton – External Auditors).

11 **CORPORATE RISK REGISTER** (Pages 239 - 257)

To consider the attached report of the Democratic and Corporate Services Manager.

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- Members of the public are welcome to attend meetings of the Council, its Committees and Sub-Committees. You may remain present throughout them except during the consideration of exempt or confidential information.
- All meetings are held at the Council Offices, Whitfield unless otherwise indicated on the front page of the agenda. There is step free access via the Council Chamber entrance and an accessible toilet is available in the foyer. In addition, there is a PA system and hearing loop within the Council Chamber.
- In order to facilitate the broadcast of meetings there have been cameras set up in the

Council Chamber that communicate with Microsoft Teams Live. This enables meetings held in the Council Chamber to be broadcast for public viewing through the Council's website.

The meetings in which these cameras will be used include meetings of: (a) Council; (b) Cabinet; (c) Dover Joint Transportation Advisory Board; (d) General Purposes Committee; (e) Electoral Matters Committee; (f) Governance Committee; (g) Planning Committee; (h) General Purposes Committee and (i) Overview and Scrutiny Committee. Only agenda items open to the press and public to view will be broadcast.

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Declarations of Interest

Disclosable Pecuniary Interest (DPI)

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

Other Significant Interest (OSI)

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

Voluntary Announcement of Other Interests (VAOI)

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

Note to the Code:

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

Minutes of the meeting of the **GOVERNANCE COMMITTEE** held at the Council Offices, Whitfield on Thursday, 29 September 2022 at 5.30 pm.

Present:

Chairman: Councillor D Hannent

Councillors: S S Chandler
S J Jones
P D Jull

Officers: Chief Executive
Strategic Director (Place and Environment)
Strategic Director (Corporate and Regulatory)
Head of Audit Partnership (East Kent Audit Partnership)
Head of Finance and Investment
Head of Planning and Development
Planning and Development Manager
Planning Solicitor
Democratic Services Officer

11 APOLOGIES

Apologies for absence were received from Councillors S H Beer, D A Hawkes and P Walker.

12 APPOINTMENT OF SUBSTITUTE MEMBERS

There were no substitute members appointed.

13 DECLARATIONS OF INTEREST

There were no declarations of interest made by Members.

14 MINUTES

The Minutes of the meeting held on 7 July 2022 were approved as a correct record for signing by the Chairman.

15 QUARTERLY INTERNAL AUDIT UPDATE REPORT

The Head of Audit Partnership presented the Quarterly Internal Audit Update report to the Committee which provided a summary of the work completed by the East Kent Audit Partnership (EKAP) and details of the performance of the EKAP to 30 June 2022.

There were five areas reviewed during the period of which three were given substantial assurance (Sheltered Housing, Complaints Monitoring and EKS – Performance Indicators), one reasonable assurance (Budgetary Control) and an assurance level that was not applicable for EKS – Housing Benefit Quarterly Testing 2021/22 Quarters 3 and 4.

It was reported to the Committee that, to date, 41% of the agreed 2022-23 Audit Plan was complete against the target of 42%.

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

16 TREASURY MANAGEMENT YEAR END REPORT 2021/22

The Head of Finance and Investment presented the Treasury Management Year End 2021/22 report to the Committee which provided details of the Council's treasury management for the year ended 31 March 2022. The Council had achieved a return of 3.04%, which was slightly less than the original budget estimate due to the effect Covid had on the economic environment. The Council had remained within its Treasury Management guidelines and complied with the Prudential Code guidelines.

Regarding the Payden and Rygel investment, Councillor P D Jull commented that this was particularly low yielding and had not performed well. He was concerned that leaving such an amount of money in an account yielding that level, at that rate of interest, was losing the Council in purchasing power. The Head of Finance and Investment advised that where there were capital losses it was not considered a good time to cash them in. Short term borrowing was only undertaken as and when needed and generally only happened around year end. Within a response provided by Arlingclose prior to the meeting it was recommended to keep the investment with Payden and Rygel as it was the most readily accessible.

RESOLVED: That the Treasury Management Year End Report 2021/22 be noted.

17 TREASURY MANAGEMENT QUARTER ONE REPORT 2022/23

The Head of Finance and Investment introduced the Treasury Management Quarter One 2022/23 report to the Committee.

Members' attention was drawn to an error in the summary of the report and the omission of 'annualised' following £1,709k.

The annualised forecast for the period to 30 June 2022 was £1,709k annualised, giving a forecast return of 2.89%. The Council had remained with its Treasury Management guidelines, had complied with the Prudential Code guidelines and would continue to work with their advisors.

RESOLVED: That the Treasury Management Quarter One Report 2022/23 be noted.

18 2021/22 ANNUAL GOVERNANCE ASSURANCE STATEMENT

The Head of Governance presented the 2021/22 Annual Governance Assurance Statement (AGAS) to the Committee. The Council was required to review the effectiveness of its systems of internal control and to report on the extent it complied with its Local Code of Corporate Governance. Members' attention was drawn to the

summary of significant governance issues during the year; this included the Council's approval of a trial period for the broadcast of its remotely held meetings following new legislation brought in in response to the Covid 19 pandemic and allowed members of the public to observe Executive, Council and Committee meetings.

In response to a query regarding complaints and the timeliness of their consideration, Members were advised that all complaints were considered in a timely manner and that timing issues had arisen when complaints were escalated to investigation and where other parties were involved.

RESOLVED: That the Governance Committee accept the Annual Governance Assurance Statement alongside the 2021/22 Statement of Accounts.

19 REVIEW OF DELEGATED POWERS GIVEN TO THE HEAD OF PLANNING AND DEVELOPMENT FOR DETERMINING PLANNING APPLICATIONS

The Head of Planning and Development presented the Review of Delegated Powers Given to the Head of Planning and Development for Determining Planning Applications report to the Committee and sought the Committee's approval for the proposed amendments to the Scheme of Officer Delegations prior to its going to full Council for adoption.

Members were provided with a summary of the work carried out by officers whereby they had examined the existing scheme of delegation for planning applications and the opportunities within the scheme to make changes to improve its effectiveness. It was the view of officers that the current scheme led to too many small-scale planning applications being referred to committee, drawing attention away from applications of legitimate wider public interest and added an additional burden on officer resources reporting smaller cases to Committee.

Officers had reviewed other Kent authorities' schemes of delegations in respect of planning and proposed new criteria that would trigger an application being referred to the Planning Committee. These changes included:

- Major planning applications to be reported to committee where a significant number (21 or more) of contrary representations to the officer's recommendation had been received.
- Member call-in route for applications to be amended to ensure call-ins occurred where there were robust and legitimate planning grounds, with the Member calling-in the application attending the committee meeting to address the Committee and the issues raised.

Councillor P D Jull raised concerns with the proposed scheme and was of the opinion that it undermined the democratic process. Having applied the proposed triggers to applications that had been referred to the planning committee within the last year, he/ had established that only three applications would have been referred to the committee if this scheme was in place.

Furthermore, he was concerned that Members' ability to add conditions or amendments to the officer's recommendation would be removed if applications did not go before the Committee. The Planning and Development Manager advised that

applications did not need to go to committee to achieve this and that under the current scheme all Members had the opportunity to discuss conditions and amendments with officers.

There was a consensus of opinion that the threshold of 21 or more contrary representations was too high. Members cited rural areas and some town areas as examples whereby major applications would struggle to attract this threshold if the applications affected only a few.

Members discussed the proposed Member call-in route. The scheme allowed for members of the public to approach Members to call-in an application that had not satisfied the criteria/threshold to go before the Committee. It was the view of Members that this would place an onerous burden on them.

In light of concerns from the Committee the Planning and Development Manager clarified that it was their intention that any Member could call-in an application, not just the ward member.

Accepting there would be criteria to follow that would ensure the call-in route supported applications that warranted consideration by the planning committee, Members queried the reporting route of those applications screened by the Head of Service and Chairman of the Planning Committee and that were not brought before the Committee for consideration.

It was raised by Councillor S S Chandler that the report did not show the consideration given to town and parish councils' involvement in the proposed scheme. The Planning and Development Manager advised that consideration had been given as to whether towns and parish councils should be included in the screening process.

As an alternative to the proposals, it was suggested by Councillor P D Jull that applications could be circulated to Members with the officer's recommendation and conditions and if 5 or more Members requested it, the application be brought to committee for consideration. This would, in his view, avoid the burden of committee report writing for officers and speed up the application process.

Whilst the Committee supported officers' intent, they were of the opinion that officers needed to review the proposals in respect of the proposed scheme and to re-look at the number of contrary representations required and other suggestions made by members, ensuring in particular, that officers consult with members of the Planning Committee before an amended scheme comes back to the Governance Committee.

- RESOLVED:
- (a) That the Review of Delegated Powers Given to the Head of Planning and Development for Determining Planning Applications report be noted.
 - (b) That officers consult with members of the Planning Committee and consider those comments of the Governance Committee and revise the proposed scheme.

20 CHANGES TO THE CHIEF OFFICER STRUCTURE

The Head of Paid Service presented the Changes to the Chief Officer Structure and requested that the Committee endorse the changes to the functions and

responsibilities of the Council's Chief Officers. This was subject to the appointment of the third Strategic Director and the Governance Committee was asked to recommend to Council these proposed changes and to incorporate them into the Council's Constitution, specifically Article 12 and the Scheme of Officer Delegations.

For clarity, Members were advised that the enforcement functions were changing. Planning enforcement was returning to the Planning team under the Strategic Director (Place and Environment) and the regulatory enforcement functions would be under the Strategic Director (Corporate and Regulatory).

RESOLVED: That the Governance Committee recommends to Council that the proposed changes to Article 12 and the Scheme of Officer Delegations be approved and incorporated into the Council's Constitution version 24A (and subject to Council's agreement to the approval of the re-distribution of functions between the Chief Officers who form the Council's Corporate Management Team).

The meeting ended at 6.29 pm.

Subject:	REVISION TO CONTRACT STANDING ORDERS
Meeting and Date:	Governance Committee – 1 December 2022 Council – 25 January 2023
Report of:	Head of Finance & Investment and Monitoring Officer
Decision Type:	Non- Executive
Classification:	Unrestricted

Purpose of the report: The purpose of this report is to propose revisions to Contract Standing Orders to the Council for adoption.

Recommendation: Governance Committee: -

That the Governance Committee recommends to Council that the revised Contract Standing Orders appended to this report are adopted.

Council: -

That the Council, acting on the recommendation of the Governance Committee and the Monitoring Officer, adopts the revised Contract Standing Orders appended to this report.

1. Summary

1.1 A requirement of the existing Contract Standing Orders (CSO's) is that they are reviewed and updated on a regular basis with any such recommendations made by the Monitoring Officer being agreed and adopted by the Council (after consideration by the Governance Committee).

2. Introduction and Background

2.1 Whilst following the UK's exit from the European Union the Council is no longer bound by the EU Directives on public procurement, the Public Contract Regulations 2015 have continued mostly unchanged.

2.2 The Public Procurement (Amendment etc.) (EU Exit) Regulations 2020 made the minimum changes necessary to maintain the Public Contracts Regulations 2015 in force, substituting references to EU institutions and procurement documents to their (sometimes new) UK equivalents.

2.3 This report sets out the amendments proposed to the Council's Contract Standing Orders (attached at Appendix A), to reflect the changes in legislation and current working practice. These amendments are summarised below.

2.4 **Advertising Tender Opportunities** - the Official Journal of the European Union (OJEU) Notices have been replaced by the Governments Find a Tender (FaTS) Notices. In late 2019, the Government set up the "UK wide procurement e-notification service" as the "no-deal Brexit" replacement for OJEU. This has been revived under

its original name "Find a Tender Service". The Council's current procurement portal has been amended and integrates with this new notification service and is fully compliant with the Regulations for producing notices (as required for above threshold procurement).

- 2.5 **Financial Thresholds** - The Public Procurement (Agreement on Government Procurement) (Thresholds) (Amendment) Regulations 2021 (the Regulations) updated the financial thresholds applicable to public procurements under the Public Contracts Regulations 2015.
- 2.6 These thresholds have been applied from the 1st January 2022 and whilst they now include VAT (due to the UK's obligations under the World Trade Organisation), the thresholds proposed to be shown in CSO's are excluding VAT for ease and alignment with the Councils sub thresholds.
- 2.7 Such thresholds will still be reviewed and amended as necessary and the requirement to advertise/complete notices inc. VAT will be adjusted accordingly by the Procurement Manager at the time of publication to ensure compliance with the Regulations.
- 2.8 In addition to the threshold amendments proposed through the legislative changes set out above, it is also proposed to amend the threshold for obtaining three written quotes (through the formal Invitation to Quote (ITQ) process set out at 7.4.2 of CSO's) from £10K to £15K.
- 2.9 The current threshold (£10K) was originally introduced in 2008 (and last reviewed in 2015). Based on the Consumer Price Index (CPI) Inflation data from the Office for National Statistics, the equivalent of goods and services costing £10K in 2008 would now be £14.6K (as of September 2022).
- 2.10 This would have a minimal impact on the number of procurements mandated to be undertaken through the formal competitive quotation process (average reduction of 2 per annum) but would align our current sub threshold in line with inflation. Note - there is no proposed amendment to the current Invitation to Tender (ITT) threshold of £100K.
- 2.11 Appropriate communication, training and support will be provided in respect of the new thresholds (and ongoing requirements of CSO's) as appropriate.
- 2.12 **Waivers & Contract Extensions/Variations** – The current version of CSO's requires approvals by the Monitoring Officer or Section 151 Officer in respect of Waivers (13.3) and Contract Extensions/Variations (14.2). It is proposed that this is amended to allow for the nominees of such Officers to be included and express permission provided for them to approve on behalf of the Monitoring Officer/Section 151 Officer.
- 2.13 **Future Amendments** - the Procurement Bill 2022 introduced in the House of Lords on the 22nd May is the next step in the Government's plan to reform procurement policy in the UK following Brexit (as set out in its December 2020 green paper "Transforming Public Procurement").
- 2.14 The requirements of the Bill are expected to come into force in 2023 following further consultation with stakeholders as the Government develops secondary legislation and guidance to provide the additional detail on how the new regime will operate.

- 2.15 The Government has confirmed that there will be a period of at least six months following the Bill becoming law and the new regime coming into force. This will ultimately require a full review and amendment of Contract Standing Orders once the details are known.

3 Identification of Options

- 3.1 Option 1: To note the report and recommend to Council that the revised Contract Standing Orders appended to this report are adopted.
- 3.2 Option 2: To not note the report nor recommend to Council that the revised Contract Standing Orders appended to this report are adopted.

4. Evaluation of Options

- 4.1 Option 1 is the recommended option to ensure Contract Standing Orders are reflective of current legislation and working practices.
- 4.2 Option 2 is not the recommended option as it will mean Contract Standing Orders are not reflective of current legislation and working practises.

5. Resource Implications

- 5.1 There are no resource implications arising from this report.

6. Appendices

Appendix 1 – Revised Contract Standing Orders

7. Background Papers

Cabinet Office Procurement Policy Note (PPN) 08/20

The Public Procurement (Amendment etc.) (EU Exit) Regulations 2020

Contact Officer:

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CONTRACT STANDING ORDERS

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Contract Standing Orders

1. Introduction – Purpose of the Contract Standing Orders

1.1 Purchasing decisions and processes are important because the money involved is public money. The purpose of these Contract Standing Orders is to provide a structure within which procurement decisions are made and implemented (including the grant of service concessions) and which ensure that the Council:

1.1.1 Furthers its corporate objectives

1.1.2 Uses its resources efficiently

1.1.3 Purchases quality goods, services and works

1.1.4 Safeguards its reputation from any implication of dishonesty or corruption.

1.1.5 Improves the economic, social and environmental well being of the district

1.2 Procurement by the Council, from planning to delivery, shall incorporate (where appropriate) principles of sustainability, efficiency, whole life costings and cost savings.

1.3 These Contract Standing Orders are made in accordance with the requirements of Section 135 of the Local Government Act 1972.

1.4 These Contract Standing Orders do not provide guidelines on what is the best way to purchase works, supplies (goods) and services and grant service concessions. They set out minimum requirements to be followed. Further information and guidelines are set out in the Council's Procurement Guide and the guidance documents available on the Intranet.

2. General Principles – Application and Compliance with Contract Standing Orders

2.1 These Contract Standing Orders apply to the purchase by or on behalf of the Council of works, supplies (goods) and services and the granting of service concessions.

2.2 These Contract Standing Orders apply to all contracts including all purchase orders, service concessions and contractual arrangements entered into by or on behalf of the Council, except for the specific types of contracts and purchasing methods which are listed in 2.3.

2.3 These Contract Standing Orders do not apply to:

2.3.1 Employment contracts

2.3.2 Contracts relating solely to the purchase or sale of interests in land

- 2.3.3 Contracts for retention of legal counsel and the appointment of expert witnesses in legal proceedings
- 2.3.4. Service level agreements setting out the conditions which the Council applies to its funding of particular voluntary sector bodies.

3. **General Principles Applying to All Contracts**

- 3.1 All purchases however small shall be in writing.
- 3.2 All contracts of a value of £15,000 or more shall be made using either:
 - 3.2.1 the Councils *Standard Terms & Conditions of Contract* or
 - 3.2.2 a standard form of contract (e.g. NEC, JCT, etc) or
 - 3.2.3 the Suppliers Terms & Conditions

Advice and agreement must be sought from Legal Services prior to award.

- 3.3 As a minimum, all contracts of a value of £15,000 or more shall include clauses which set out:
 - 3.3.1 The works, supplies (goods), services, service concessions, material, matters or things to be carried out or supplied
 - 3.3.2 Specify the price to be paid, the estimated price or the basis on which the price is to be calculated
 - 3.3.3 The time within which the contract is to be performed
 - 3.3.4 Quality requirements and/or standards which must be met
 - 3.3.5 Requirements on the contractor to hold and maintain appropriate insurance
 - 3.3.6 What happens in the event that the contractor fails to comply with its contractual obligations (in whole or in part)
 - 3.3.7 Requirements on the contractor to comply with all relevant equalities and health and safety legislation
 - 3.3.8 That the Council shall be entitled to cancel the contract and recover losses in the event that the contractor does anything improper to influence the Council to give the contractor any contract or commits an offence under the Bribery Act 2010 or s117(2) Local Government Act 1972.
- 3.4 Written contracts shall not include non-commercial terms unless these are necessary to achieve best value for the Council and necessary to enable or facilitate the Council's compliance with the public sector equality duty¹ imposed on it by the Equality Act 2010. In this context, "non commercial" means requirements unrelated to the actual performance of the contract.

¹ Section 149 Equality Act 2010

- 3.5 All contracts shall include relevant specifications and/or briefs/technical requirements which are prepared taking into account the need for effectiveness of delivery, quality, sustainability and efficiency (as appropriate) and the information set out in the Council's Procurement Guide.

4. Regulatory Context

- 4.1 All purchasing shall be conducted in accordance with Regulatory Provisions which are:
- 4.1.1 All relevant statutory provisions
 - 4.1.2 The Public Contract Regulations 2015 (PCR2015)
 - 4.1.3 The Council's Constitution including these Contract Standing Orders, the Council's Financial Procedure Rules and Scheme of Delegation
 - 4.1.4 The Council's Procurement Guide and other policies and procedures of the Council as appropriate.
- 4.2 In the event of conflict between the above, the Public Contract Regulations 2015 will take precedence, followed by the Council's Constitution, then the Council's Procurement Guide and guidelines, policies and procedures.

5. Responsibilities of Directors, Heads of Service and Responsible Officers

- 5.1 Each Director shall have overall responsibility for the purchasing undertaken by his/her Directorate.
- 5.2 Each Head of Service shall be responsible for the purchasing undertaken by his or her service and shall
- 5.2.1 be accountable to the Executive for the performance of his/her duties in relation to purchasing
 - 5.2.2 comply with the Council's decision making processes including, where appropriate, implementing and operating a Scheme of Delegation
 - 5.2.3 appoint a Responsible Officer in writing who shall be an authorised signatory
 - 5.2.4 take immediate action in the event of breach of these Contract Standing Orders which will include as a minimum promptly informing the Council's Monitoring Officer of such breach.
- 5.2.5 consider any procurement risk(s) as part of any overall risk assessment
- 5.3 A Responsible Officer is an officer with responsibility for conducting purchasing processes for the purchase of works, supplies (goods) or services on behalf of the Council.
- 5.4 A Responsible Officer's duties in respect of purchasing are to ensure:

- 5.4.1 compliance with all Regulatory Provisions (see 4.1) and integrity of the tender process
 - 5.4.2 that all relevant officers are reminded of the statutory provisions and the Council's requirements relating to declarations of interest affecting any purchasing process in order for them to comply with these requirements
 - 5.4.3 that there is an appropriate analysis of the requirement, timescales, procedure and documentation to be used
 - 5.4.4 the purchasing process, from planning to delivery incorporates (where appropriate) principles of sustainability, efficiency, whole life costings and cost savings
 - 5.4.5 compliance with the Council's decision making processes, in particular in relation to Key Decisions
 - 5.4.6 that all quotations or tenders sought of a value of £15,000 or more are undertaken in partnership with the Procurement Manager to ensure a corporate approach and delivery of the works, supplies (goods) or services
 - 5.4.7 that all contracts of a value of £15,000 or more are included on the Council's Contract Register
 - 5.4.8 that proper records of all contract award procedures, waivers, exemptions and extensions are maintained, with separate files for each purchase of a value of £15,000 or more
 - 5.4.9 that value for money is achieved
 - 5.4.10 that adequate and appropriate security (such as a bond or guarantee) is taken to protect the Council in the event of non-performance.
- 5.5 In considering how best to procure works, supplies and services, Directors, Heads of Service and/or Responsible Officers (as appropriate in the context), shall consult with the Procurement Manager to take into account wider contractual delivery opportunities and purchasing methods including the use of Purchasing Schemes and e-procurement/purchasing methods, and the availability of local authority charging and trading powers under the Local Government Act 2003.
- 5.6 It is a disciplinary offence to fail to comply with these Contract Standing Orders and the Council's Procurement Guide. All employees have a duty to report breaches of Contract Standing Orders to the Monitoring Officer.
- 5.7 Any officer or Member who suspects any misconduct or corruption in relation to the purchase by or on behalf of the Council of works, supplies (goods) and services must immediately report that suspicion to the Council's Monitoring Officer.

6. **Scheme of Delegation**

- 6.1 Council procurement may only be undertaken by officers with the appropriate delegated authority to carry out such tasks as set out in the Council's Scheme of Delegation. Officers with delegated authority may only delegate to other officers who have the appropriate skills and knowledge for the task and such delegation shall be recorded in writing by the officer delegating the task and notified to the relevant Director/Head of Service.
- 6.2 Officers shall, where appropriate, be informed by their Director/Head of Service of the extent of any delegated authority and applicable financial thresholds.

7. Financial Thresholds and Procedures

- 7.1 The table below sets out the general rules applying to the choice of purchasing procedure for contracts at the stated threshold values.
- 7.2 There is a general presumption in favour of competition. Wherever possible contract opportunities should be advertised by way of a public notice. The Council should consider the potential effect of a contract on interstate trade (at a European level). If a contract may be of interest to contractors from EU member states then this may result in a need to advertise in a manner which ensures that potential contractors from EU member states are aware of the opportunity, even for small value contracts or contracts under the PCR2015 Threshold levels outlined below.
- 7.3 The public notice referred to at 7.2 may take the form of a notice or advertisement in an electronic or paper format, on an easily accessible website or other electronic media and/or in the press, trade journals, Contracts Finder or Find a Tender Service ("FTS") (as appropriate). The Responsible Officer may choose to place one or more public notices in different media.
- 7.4 In accordance with Part 4 of the Public Contracts Regulations 2015 and guidance issued by the Cabinet Office:
- 7.4.1 All contract opportunities with a value of £25,000 and above must be published on 'Contracts Finder' where the Council has advertised such opportunity in the form of a notice or advertisement as set out in 7.3 above.
- 7.4.2 All contract opportunities for which a Contract Notice was sent to FTS for publication must also be published on 'Contracts Finder'.

Table setting out financial thresholds and procedures

Total Value £	Type of contract	Procedure to be used
0 to £15,000	Works, Supplies and Services	At least one written quote in advance
£15,000 to £100,000	Works, Supplies and Services	At least three written quotes obtained by Procurement in advance using the Councils <i>Invitation to Quote</i> document
£100,000 to £177,898* **	Supplies and Services	At least three written tenders obtained by Procurement in advance, using the Councils <i>Invitation to Tender</i> document
£177,898* ** plus	Supplies and Services	PCR2015 Rules apply – full

** *PCR2015 Threshold for supplies and services ex VAT Note: £552,950 threshold applies for social and some specific services listed within the Public Contracts Regulations 2015		competitive process following advertisement in the FTS for supplies and some services. For social and some specific services reduced requirements apply under the PCR2015 Rules but there is a presumption in favour of advertising and a competitive process*
£100,000 to £4,447,448**	Works	At least three written tenders obtained by Procurement in advance, using the Councils <i>Invitation to Tender</i> document
£4,447,448** plus **PCR2015 Threshold for works ex VAT	Works	PCR2015 Rules apply – full competitive process with tenders following FTS advertisement

* The PCR2015 Rules apply to service contracts to differing degrees depending on the service. Responsible Officers should act cautiously and seek advice when considering the procedure to be used and application of the PCR2015 Rules to services contracts

** or relevant threshold in force at the time under the PCR2015 Rules

Note: Whilst the new PCR2015 thresholds now include VAT (due to the UK's obligations under the WTO), thresholds above are shown excluding VAT for ease and alignment with the Councils sub thresholds

7.5 Where contracts are of a type and value which means that they are subject to the PCR2015 Rules then there are five main types of PCR2015 procedures available. These are the open, restricted, competitive dialogue, competitive procedure with negotiation and innovation partnership procedures. Care must be taken to ensure that the correct and most appropriate procedure is used and assistance on the choice and use of PCR2015 procedure should be sought from the Procurement Manager and Legal Services.

8. Financial Thresholds and Processes Applying to Approval and Execution of Contracts

8.1 For contracts over the relevant PCR2015 threshold (in force at the time), the choice of purchasing procedure to be used and the decision to proceed to advertisement must be authorised in writing by the relevant Director/Head of Service in advance acting in consultation with the Procurement Manager and/or Solicitor to the Council where appropriate.

8.2 When a decision is made to award a contract then the Responsible Officer must, in addition to complying with his/her general obligations under these Contract Standing Orders ensure, in particular, that:

8.2.1 the appropriate approvals have been obtained to authorise that decision; and

8.2.2 where appropriate, a standstill period complying with the PCR2015 Rules is incorporated into the final award process.

8.3 Any contracts valued at £100,000 or above shall be executed as a deed or be signed by at least two officers of the council with appropriate delegated authority or made under seal of the Council and attested by at least one officer. All other contracts may be signed by officers with appropriate delegated authority. £100,000 shall be the threshold for the purposes of Regulation 8 of the Local Authority (Executive Arrangements) (Modification of Enactments and Further Provisions) (England) Order 2001.

8.4 Electronic signatures may be used in accordance with the Electronic Signature Regulations 2002 provided the sufficiency of security arrangements has been approved by the Senior ICT Manager.

9. **Calculating the Contract Value**

9.1 The starting point for calculating the contract value for the purposes of these Contract Standing Orders is that the contract value shall be the genuine pre-estimate of the value of the entire contract excluding Value Added Tax. This includes all payments to be made, or potentially to be made, under the entirety of the contract and for the whole of the predicted contract period (including proposed extensions and options).

9.2 There shall be no artificial splitting of a contract to avoid the application of the provisions of the PCR2015 Rules and/or these Contract Standing Orders.

9.3 The PCR2015 Rules can cover contracts, which are below the stated PCR2015 threshold, where they constitute repeat purchases and/or purchases of a similar type in a specified period. Responsible Officers should therefore seek advice from the Procurement Manager on the application of the PCR2015 Rules where they envisage that they may require repeat purchases and/or purchases of a similar type.

10. **Principles Underlying Tendering Processes and Tender Evaluation**

10.1 All tendering procedures (including obtaining quotes), from planning to contract award and signature, shall be undertaken in a manner so as to ensure:

10.1.1 Sufficient time is given to plan and run the process

10.1.2 Equal opportunity and equal treatment

10.1.3 Openness and transparency

10.1.4 Probity

10.1.5 Outcomes which deliver sustainability, efficiency and cost savings (where appropriate).

11. **Submission and Opening of Tenders**

- 11.1 An Invitation to Tender shall be issued by the Council for all contracts over £100,000 via the Councils e-tendering system and tenders shall be submitted in accordance with the requirements of the Invitation to Tender Document.
- 11.2 Any tenders received shall be kept secure electronically and unopened until the time and date specified for the opening
- 11.3 No tender received after the time and date specified for its opening shall be accepted or considered by the Council unless agreed by the Monitoring Officer in exceptional circumstances.
- 11.4 Tenders shall be opened, certified and recorded electronically by an Officer appointed by the Monitoring Officer via the Councils e-tendering system.

12. **Evaluation of Quotes and Tenders**

- 12.1 All quotes and tenders shall be evaluated in accordance with evaluation criteria notified in advance to those submitting quotes/tenderers.
- 12.2 Tenders subject to the PCR2015 Rules shall be evaluated in accordance with the PCR2015 Rules.
- 12.3 Save in exceptional circumstances approved in advance by the Monitoring Officer all contracts shall be awarded on the basis of the quote or tender which represents best value for money to the Council and not on the basis of lowest price.

13. **Waivers**

- 13.1 The requirement for the Council to conduct a competitive purchasing process for contracts in excess of £15,000 may be waived in the following circumstances.
 - 13.1.1 For contracts which are not subject to the PCR2015 Rules, the work, supply or service or grant of service concession is required as a matter of urgency and a delay would be likely to lead to financial loss, personal injury or damage to property; or
 - 13.1.2 the circumstances set out in the Public Contract Regulations 2015 Regulation 32 apply or
 - 13.1.3 if the goods or materials to be purchased are available from only one manufacturer; or
 - 13.1.4 where the supply is for parts for existing machinery, or where the terms of supply of equipment require that maintenance be undertaken by a specified provider; or
 - 13.1.5 where the Work is of a specialist nature, the skill of the contractor is of primary importance, and the supply market has been tested and found to be limited; or

- 13.1.6 where the supply is for maintenance to existing IT equipment or software, including enhancements to current software, which can only be performed by the licensed developer or owner of the system; or
- 13.1.7 at the discretion of the relevant Head of Service who may proceed in a manner most expedient to the efficient management of the service/Council with reasons recorded in writing.
- 13.2 A Responsible Officer who seeks a waiver of Contract Standing Orders, shall do so only in advance and only in exceptional circumstances. Further guidance on what may constitute exceptional circumstances permitting waiver of these Contract Standing Orders is set out in the Council's Procurement Guide.
- 13.3 All waivers from these Contract Standing Orders must be:
 - 13.3.1 Fully documented
 - 13.3.2 Subject to a written report in an approved format to be submitted in advance to the Monitoring Officer (or his nominee) or Section 151 Officer (or his nominee), which shall include reasons for the waiver which demonstrate that the waiver is genuinely required
 - 13.3.3 Subject to approval in advance by the Monitoring Officer (or his nominee) or Section 151 Officer (or his nominee) who shall record that they have considered the reasons for the waiver and that they are satisfied that the circumstances justifying the waiver are genuinely exceptional.
- 13.4 All decisions on waivers must take into account:
 - 13.4.1 Probity
 - 13.4.2 Best value/value for money principles.
- 13.5 For contracts subject to the PCR2015 Rules, any waiver from the requirement for competition must meet the conditions set out in the PCR2015 Rules in addition to the general requirements above.
- 13.6 A waiver shall not be applied for reasons of poor contract planning.

14. Extensions and Other Variations to Existing Contracts

- 14.1 Where extensions or other variations to existing contracts are made the extensions must be determined in accordance with the contract terms, for a specified period and made in accordance with the principles set out in the Council's Procurement Guide.
- 14.2 Any extension or other significant variation must be:
 - 14.2.1 Fully documented

14.2.2 Subject to a written report in an approved format to be submitted to the Monitoring Officer (or his nominee) and Solicitor to the Council (or his nominee); which shall include reasons for the extension or other variation which demonstrate that the need for the extension or other significant variation is genuinely exceptional

14.2.3 Subject to approval by the Monitoring Officer and the Solicitor to the Council, who shall record that they have considered the reasons for the extension or other significant variation and that they are satisfied that the circumstances justifying the extension are genuinely exceptional.

14.3 Any extension or other variation must take into account:

14.3.1 Probity

14.3.2 Best value/value for money principles.

14.4 For contracts subject to PCR2015 Rules, any extension must meet the conditions set out in the PCR2015 Rules in addition to the more general requirements set out above.

15. **Purchasing Schemes**

15.1 A Responsible Officer may use Purchasing Schemes subject to the following conditions and the Council's Procurement Guide.

15.2 Responsible Officers must check in advance with the Procurement Manager to ensure that

15.2.1 The Council is legally entitled to use the Purchasing Scheme

15.2.2 The purchases to be made do properly fall within the coverage of the Purchasing Scheme

15.2.3 The establishment and operation of each Purchasing Scheme is in compliance with the PCR2015 Rules (where they apply) and meets the Council's own requirements.

15.3 A "Purchasing Scheme" may include:

15.3.1 Contractor prequalification lists/select lists

15.3.2 Framework arrangements (including those set up by The Crown Commercial Service

15.3.3 Purchasing arrangements set up by central purchasing bodies and commercial organisations

15.3.4 Consortium purchasing

15.3.5 Collaborative working arrangements

15.3.6 Formal agency arrangements

15.3.7 E-procurement/purchasing schemes and methods

15.3.8 Other similar arrangements such as the Government eMarketplace

15.4 Where a Purchasing Scheme is used then there shall be a whole or partial exemption from the obligations under these Contract Standing Orders in respect of the choice and conduct of procedures to the extent permitted and indicated in the Council's Procurement Guide.

16. Review and Changes to these Contract Standing Orders

16.1 These Contract Standing Orders shall be reviewed and updated on a regular basis. Save in the case of revisions to the PCR2015 Thresholds in Contract Standing Order 7, amended Contract Standing Orders shall be recommended by the Monitoring Officer and shall be agreed and adopted by the Council after consideration by the Governance Committee. The Solicitor to the Council will make revisions to the PCR2015 Thresholds as and when they occur.

17. Suspension of these Contract Standing Orders

17.1 These Contract Standing Orders may be suspended in accordance with Article 16 of the Constitution.

Subject: QUARTERLY INTERNAL AUDIT UPDATE REPORT

Meeting and Date: Governance Committee – 1st December 2022

Report of: Christine Parker – Head of Audit Partnership

Decision Type: Non-key

Classification: Unrestricted

Purpose of the report: This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 30th September 2022.

Recommendation: That Members note the update report.

1. Summary

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

2. Introduction and Background

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

SUMMARY OF WORK

- 2.7 There have been eight internal audit assignments completed during the period, which are summarised in the table in section 2 of the report.
- 2.8 In addition three follow-up reviews have been completed during the period, which are detailed in section 3 of the quarterly update report.
- 2.9 For the six-month period to 30th September 2022, 153.08 chargeable days were delivered against the target of 300, which equates to 51.03% plan completion.

3 Resource Implications

- 3.1 There are no additional financial implications arising directly from this report. The costs of the audit work will be met from the Financial Services 2022-23 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 2022-23 - Previously presented to and approved at the 17th March 2022 Governance Committee meeting.
- Internal Audit working papers - Held by the East Kent Audit Partnership.

Contact Officer: Christine Parker, Head of Audit Partnership



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

1. INTRODUCTION AND BACKGROUND

1.1 This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 30th September 2022.

2. SUMMARY OF REPORTS:

Service / Topic		Assurance level	No. of Recs.	
2.1	HMO Licensing	Reasonable	C H M L	0 2 0 0
2.2	Food Safety	Substantial	C H M L	0 0 1 0
2.3	Payroll	Substantial	C H M L	0 0 2 0
2.4	Digital/Cloud Computing	Reasonable	C H M L	0 4 2 3
2.5	Right to Buy	Reasonable	C H M L	0 4 3 2
2.6	Phones, Mobiles and Utilities	Reasonable/Limited	C H M L	0 7 3 4
2.7	Grounds Maintenance	Limited/Reasonable	C H M L	0 6 4 4
2.8	Garden Waste & Recycling Income	Limited	C H M L	0 3 4 1

2.1 HMO Licensing – Reasonable Assurance

2.1.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council works with landlords and tenants to ensure the legal standards for housing are met.

2.1.2 Summary of Findings

Certain houses in multiple occupation are required by legislation to be licensed. These are properties that are:

as from October 2018 an HMO of any storey will require a licence; and
 have five or more people in more than one household; and
 share amenities such as bathrooms, toilets and cooking facilities, or where the accommodation is not self-contained e.g. a WC or room of the common landing.

At the time of the audit there were 61 licenced HMO's within the Dover District. This compares to 872 in Canterbury, 72 in Folkestone & Hythe and 64 in Thanet.

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

- A database of all known HMO properties is maintained within Northgate M3.
- All applications for an HMO licence are supported by a completed application form.
- The scheme is adequately promoted on the Council's website as well and through the licence renewal process.
- The Council has been contacting licence holders regarding updates on gas safety certificates on an annual basis as their current certificates expire.
- Income collection arrangements ensure that all income due to the Council arising from HMO licensing is received and accurately accounted for.
- The approved schedule of fees and charges is correctly and consistently applied.
- Licence renewals and licence variations are processed appropriately.
- The terms and conditions of the HMO Licensing scheme are adhered to by all applicants or enforced where necessary.
- Adequate arrangements for corrective enforcement action, in instances in which potential Health and Safety hazards are identified, are in place.

Scope for improvement was however identified in the following areas:

- Appropriate arrangements for the inspection of HMO's are not currently in force as the section has 2 vacant posts.
- Whilst unlicensed HMO's are identified and appropriate action taken to force registration, at present this tends to be re-active rather than pro- active, due to a lack of resources within the team.

2.2 Food Safety– Substantial Assurance

2.2.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to reduce the incidence of food poisoning and food contamination within the district through effective registration and inspection of all food businesses, investigation of food complaints, enforcement of the Food Safety and Hygiene (England) Regulations 2013 and associated legislation and offering advice and guidance.

2.2.2 Summary of Findings

As at the start of 2022, there were 1322 Food Premises registered in the district. Differing inspection frequencies for different establishments mean that around 957 planned inspections need to be completed in 2022/23 by the Public Protection Officers.

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

- Up to date policies and procedure notes are in place detailing how the Council will fulfil its statutory responsibility for food safety in the District.
- A detailed Food Service Plan and Enforcement Policy is in place which is subject to regular review detailing how the Council intends to provide an effective food safety service that meets the requirements of the Food Standards Agency (FSA) Framework Agreement.
- All officers undertaking Food Safety inspections and related enforcement action have been granted suitable delegated authority to fulfil that function.
- Records relating to Food establishments are kept updated in accordance with the requirements of the FSA and also deleted in line with the Retention Policy for the service when establishments close.
- All registered premises are inspected at the point of initial registration to establish the level of risk associated with the establishment.
- All premises are inspected in line with the inspection timescales laid down in the Food Service Plan.
- Good use is made of checklists and aides-memoire to ensure consistency for each inspection.
- Inspection routines are subject to regular peer reviews and internal reviews to ensure both accuracy and consistency of inspections.
- Complaints about food establishments are investigated on a timely basis.

Scope for improvement was however identified in the following areas:

- One the five officers working in the Public Protection service needed to complete CDP training as required by the FSA.
- Where inspection routines are subject to quality assessment reviews, the outcome of those inspections should be recorded in a register which can be easily provided if required by the FSA.

2.3 Payroll – Substantial Assurance

2.1.1 Audit Scope

To ensure that the payroll service is adequately controlled to ensure that the right people are paid the right amounts at the right time and all the relevant data held is accurate.

2.1.2 Summary of findings

The payroll function is administered by EK Services (Hosted by Dover District Council) on behalf of Thanet, Canterbury & Dover Councils in addition to EK Services, the Marlowe Theatre and Canenco.

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.

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

- Established payroll processes are in place to ensure that each payroll is completed on time based on the information that has been approved by managers of employees. (i.e., Overtime, Car mileage)

Scope for improvement was however identified in the following areas:

- When the SLA is revised in 2023 consideration should be given to putting in place performance indicators that are used to monitor the service provision by each of the clients.
- When quarterly meetings with the HR Managers at other authorities are held they should be minuted to ensure that issues and the supported actions are recorded and actioned.

2.4 Digital/Cloud Computing – Reasonable Assurance

2.4.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council is managing its risks to an acceptable level for all cloud services used to process and store data.

2.3.2 Summary of Findings

Cloud Computing is the practice of using a network of remote servers hosted on the internet to store, manage, and process data, rather than on a local server. There are 38 different IT systems used by the Council across all services and directorates to process and store data, some of which have already moved to the cloud and some of which are in the process of being moved to the cloud where it is possible to do so. The Council made a commitment to digital and cloud transformation in 2020 by approving

a budget that totalled just over 2.3m to deliver this digital transformation. As at February 2022 there is just over £1.9m in the ‘*Digital Infrastructure and Investment Projects*’ budget which is planned to be used as follows: -

2021/22	2022/23	2023/24	Future Years
£313,000	£875,000	£375,000	£375,000

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

- The Council has a fully funded and clear strategy in place for the IT systems in place which is being rolled out across the Council on a system-by-system basis;
- In March 2022 EK Services ICT risk assessed the DDC on-site server room facility the initial assessment has identified investment and improvement requirements;
- The Council is planning to implement new cloud-based and digital policies;
- Almost all contracts and agreements in place with cloud-based service providers contain adequate provisions to protect the Council from various risks; and
- Business continuity arrangements are being adequately considered during the implementation of the digital and cloud-based strategy.

Scope for improvement was however identified in the following areas:

- The agreement in place with Capita AIM should be reviewed and the Council should seek assurance from Capital AIM that various risks are being adequately mitigated;
- The Council will need to assess and strengthen its IT provision and expertise as it moves through its cloud-based strategy and transformation;
- Copies of cloud-based agreements and contracts must be passed to the Digital Team and Accountancy for management and oversight purposes;
- Payments made to Northgate should be checked by a senior member of staff to ensure they are in accordance with the 2015 agreement.

2.5 Right to Buy – Reasonable Assurance

2.5.1 Audit Scope

To examine and evaluate the whole system of controls, both financial and otherwise, established by management in order to carry on the business of the enterprise in regard to Right to Buy applications in an orderly and efficient manner, ensure adherence to management policies, safeguard the Authority’s assets and secure as far as possible the completeness and accuracy of its accounting records

2.5.1 Summary of Findings

The right to buy scheme allows most council tenants to buy their council home at a discount through an application process.

Discounts awarded are based upon a qualifying period which must be a minimum of 3 years. The discounts start at 35% for a House and 50% for a flat and then increase after 5 years by 1% (House) and 2% (flat) each qualifying year after, to a maximum

discount of either 70% or £87,200 (whichever is reached first). This maximum discount is increased each year in accordance with the CPI index.

Conditions require that applicants usually have to repay some or all the discount if they sell their home within 5 years and they might get a smaller discount if they have used Right to Buy in the past.

Nationally there is a focus on counter fraud work on social housing as it has been targeted in several ways over the years, for Right to Buy tenants are both victims of 'organised' crime and sometimes the perpetrators of a fraud. Housing tenancy fraud within social housing has been estimated to currently cost the government £900 million each year. This ultimately comes at considerable cost to the taxpayer with social housing fraud identified as the largest type of fraud loss across local government. Legislation came into effect to assist with prosecutions in this area in 2013.

The Right to Buy application data and revenue for the last three financial years is as follows:

Year	Applications received	Applications withdrawn / denied / cancelled etc.	Applications fully processed and led to a sale	Income generated from RTB sales
2019/2020	32	17	23	£2,359,437.50
2020/2021	42	12	13	£1,335,731.60
2021/2022	51	19	17	£1,662,550.00

Management can place Reasonable Assurance on the system of internal controls in operation. The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- Tenants are able to exercise their right to buy under the Housing Act with application forms and information booklets being freely available to view and download via the Council website.
- There is a documented process in place with files being saved within SharePoint Northgate. Procedural notes are retained on file to assist with this day to day process and there is additional guidance issued by the Department for Levelling up, Housing and Communities (April 2022 edition).
- There is a Masterfile being maintained of all applications being received by the Council, each application is given a unique reference number and evidence of all decisions taken; key dates; tenancy type and length; sales price; discount applied and when the file was passed to legal are contained therein.
- There is evidence on file for the tenant and property checks which are then reviewed and authorised by management prior to a RTB2 being issued to support a full audit trail.
- The purchase price and discounts allowable have been correctly calculated and administered.
- Set timeframes defined within legislation are being effectively managed to ensure they can be met.
- In order to protect the Council's on-going interest in the property a covenant or a condition of the lease is placed upon the property to ensure that if sold within 5 years a percentage of the discount is recouped and evidence of this is being retained on file.

- The Conveyancing process is working well.
- There are suitable separation of duties in operation for this process.

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

- The procedures in place need to be dated to ensure reviews, updates and changes can be managed.
- The Council's delegations for Right to Buy need to be reviewed and updated to reflect what is occurring.
- The RTB process and the storage; maintenance and use of records should be documented to ensure compliance with GDPR.
- The current engrossment fee needs to be charged as currently there is a loss per transaction.

2.6 Phones, Mobiles and Utilities– Limited Assurance

2.6.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that Council expenditure on telephones, mobiles and utilities is adequately monitored and reviewed.

2.6.2 Summary of Findings

Phonelines

The Council is in a transition period between hard-wired analogue phone lines and making internal and external calls through Microsoft 365 (Teams). In 2019 the Council entered into the agreement with Microsoft 365 which enabled the Council to take advantage of the phone feature within Microsoft Teams to make and receive calls through the internet and therefore replaces the need for traditional analogue hard-wired phonelines. This was rolled out earlier this year. The Microsoft 365 Contract costs the Council £1.33 per user per month plus £4.26 per user per year for up to 2,000 minutes each month. The cost of hard-wired phonelines however remains high considering the Council should by now have transitioned for most of its service areas. In the month of March 2022, the cost of all hard-wired analogue phone lines totalled £3,778.

Mobiles

The £150k five-year contract with O2 ended on 30th June 2022 and the Council is currently going through procurement processes to either extend or setup a new agreement for mobile phones and tablets. There are 214 mobile phones or tablets in circulation within the Council, the cost of which ranges from £6 to £329 per month dependent on the device and the tariff and whether a new handset is needed.

Utilities

In March 2022 payments for utilities came to £620.59 for gas, £7,408.95 for water and £56,898.05 for electricity. The Council has the following accounts in place and will soon be moving its water (in and out) accounts over to Laser: -

Utility	Supplier	Number of accounts
Water In (commercial)	Castle Water	35
Water In (Domestic)	Affinity	5

Water Out (commercial)	Business Stream	43
Water Out (Domestic)	Southern Water	5
Gas	Laser (KCC)	21
Gas	British Gas	1
Electricity	Laser (KCC)	223
Electricity	EDF Energy	14

Management can place Limited Assurance on the system of internal controls in operation for Analogue Phones and Utilities and Reasonable Assurance for controls over mobile phones.

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

Analogue Phones

- There are 79 analogue phone lines in place of which 81% were not used to make any calls in March 2022 and may all be surplus to requirements.
- The controls in place to manage the audit trail of analogue phonelines and payments towards analogue phonelines are poorly designed which is leading to poor value for money.
- The transition from analogue phone lines to the use of teams is not being consistently rolled out.
- There are not any reliable procedures or processes in place that set out roles and responsibilities for managing and controlling analogue phonelines in place.

Utilities

- The controls in place to detect water leaks and monitor usage need to be improved before the Council moves its water utilities to the LASER KCC contract in October 2022.
- There may be water leaks at Deal Pier, Elms Vale Recreation Ground and Granville Road Public Toilets that require the attention and investigation of management.

Mobile Phones

- 21 out of 214 DDC active mobile phones or tablets are operating on outdated operating systems such as OS12 or OS13 which presents some level of added data security risk to the Council.

Effective control was however evidenced in the following areas:

- Mobile phone usage and expenditure is adequately monitored and managed.
- Policies in place are adequate and communicated.
- The arrangement in place with LASER is well established and offers a good service to the Council for gas and electricity accounts.
- There are restrictions in place for mobile and Microsoft 365 calls to international numbers although these are not in place for analogue phone calls and there are no restrictions at all in place for premium rate numbers.

2.7 Grounds Maintenance– Limited/Reasonable Assurance

2.7.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the grounds maintenance function is being carried out efficiently and effectively within an appropriate control framework which reduces any risks to an acceptable level

2.7.2 Summary of Findings

The Council has a substantial estate of parks, open spaces and sports grounds throughout the district including, for example, Kearsney Abbey and Connaught Park in Dover and Victoria Park in Deal. The areas provide for both active and passive leisure and include facilities such as skateboard parks, multi-use games areas, play areas, sports pitches, bowling greens and tennis courts in addition to areas for walking and quiet reflection. Grounds maintenance of the sites had been contracted out for many years, but the Council decided in 2016 to insource the service and this work has been undertaken by a directly managed team from April 2017. The Council has commissioned a range of strategies this year which includes a Parks & Open Spaces Strategy, a Playing Pitch & Outdoor Sports Provision Strategy and a Play Area Strategy. This work will feed into the development of the Council's overarching Green Infrastructure Strategy and support the revision of the District Local Plan.

There are 26.01 full time equivalents within the Grounds Maintenance service, but the service is currently operating with less resource due to sickness and vacancies. The 2022/23 budget for the service is: -

£797,364	- employee costs
£203,927	- other costs
(£1,116,771)	- income

The assurance level has been split. Management can place Limited Assurance on the system of internal controls in operation in relation to the management of governance and risk and Reasonable Assurance in relation to all other operational matters.

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

- Despite Parks and Open Spaces being a priority within the Corporate Plan the service standards in place have not been formally approved by elected members and there are no performance metrics in place.
- There is no record of a Fire Risk Assessment being undertaken by the Asset Management Team for the Connaught Park Depot.
- One of the storage areas at the Connaught Park Depot in Dover is in a poor state of repair and requires attention from the Asset Management Team to prevent an accident or damage to property.
- The staff training matrix should be reviewed to ensure that staff members are being trained consistently in accordance with their role requirements.
- Risk assessment information is in a transition phase to a cloud-based system and there are controls that need to be put in place to improve this transition.

Effective control was however evidenced in the following areas:

- The parks and opens spaces in the Dover District sampled for the review look good.
- Operations and human resource are well managed and well deployed.
- There are low levels of corporate complaints relating to grounds maintenance.

- Accountancy, income generation and budget monitoring controls are working effectively.
- HAVs are being managed and monitored effectively; and
- Consumables are adequately managed and controlled.

2.8 Garden Waste & Recycling Income– Limited Assurance

2.8.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the waste recycling income, comprising green waste, food waste, paper/card, glass, tin and plastic is being correctly charged for, in accordance with Council policy / agreements and that all income is correctly received and reconciled.

2.8.2 Summary of Findings

Dover District Council (DDC) and Folkestone & Hythe District Council (FHDC) are the statutory local Waste Collection Authorities. For the service delivery they maintain a joint Waste, Recycling and Street Cleansing contract, with Veolia Environmental Services UK Ltd; with DDC acting as the lead authority. The current Contract commenced in January 2021.

The Council offers a (non-statutory) Garden Waste collection service, for an annual subscription; and statutory (non-chargeable) household waste and recycling collection service. The councils also provide a bulky waste collection service, for items that will not fit in a designated container, and all items, but especially those that the Council are unable to collect, can be taken to a Household Waste Recycling Centre (operated by Kent County Council).

The day-to-day management and monitoring of the contract is through the joint DDC/FHDC Waste Services Team (WST).

The Veolia-supplied Waste Management System, ECHO, currently records that there are 9,605 subscribers to the DDC garden waste collection service.

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

- There is no reconciliation between the actual income received as recorded on the financial management system and expected income as recorded on the Garden Waste system.
- Incorrect fees have been charged for some sack sales, the income is not always coded correctly, and VAT has not been appropriately accounted for in all cases.
- Reduced sack fees are being invoiced which have not been formally approved.
- Procedure notes do not reflect current processes and systems in use.
- In 2022 errors with card payment processing resulted in an incorrect system error message stating that a 'customers card payment has not gone through' when in fact it has. This resulted in a significant level of refunds having to be processed.
- Although the arrangements under the Inter Authority Agreement between DDC and KCC came into effect in January 2021 it remains unsigned by the Council. As a result, the recycling payments due to Council remain outstanding.

Effective control was however evidenced in the following areas:

- The Council has an approved Garden Waste charging policy for 2022-23 which is correctly advertised on the Council's Website.
- Fees are received in advance of services being provided.
- Monthly contract monitoring meetings are held with performance statistics provided by Veolia.
- Recycling and waste performance statistics are updated in line with DEFRA requirements and performance statistic are also reported quarterly to Cabinet.

3.0 FOLLOW UP OF AUDIT REPORT ACTION PLANS:

- 3.1 As part of the period's work, three 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													
			C	H	M	L	C	H	M	L								
a) Environmental Protection	Reasonable	Substantial	C	0	C	0	H	1	H	0	M	5	M	0	L	5	L	0
b) CSO Compliance	Reasonable	Reasonable	C	0	C	0	H	1	H	0	M	2	M	1	L	1	L	0
c) Civica – Housing Benefit Payments	Substantial	Substantial	C	0	C	0	H	2	H	0	M	2	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.

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: Absence Management, Tech 1 Post Implementation Review, Planning, Housing Allocations and VAT.

5.0 CHANGES TO THE AGREED AUDIT PLAN:

- 5.1 The 2022-23 Audit plan was agreed by Members at the meeting of this Committee on 17th March 2022.
- 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.

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 six-month period to 30th September 2022, 153.08 chargeable days were delivered against the target for the year of 300, which equates to 51.03% plan completion.
- 7.2 The financial performance of the EKAP is currently on target at the present time.
- 7.3 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.

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 30-09-2022 against the agreed 2022-23 Audit Plan.
Annex 4	Balance Scorecard of KPIs to 30 th September 2022
Annex 5	Assurance Statements

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

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

SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED			
Service	Reported to Committee	Level of Assurance	Follow-up Action Due
Garden Waste & Recycling Income	01-12-2022	Limited/Reasonable	Winter 2022
Grounds Maintenance	01-12-2022	Limited	Winter 2022

**PROGRESS AGAINST THE AGREED 2022-23 AUDIT PLAN
DOVER DISTRICT COUNCIL**

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-2022	Status and Assurance Level
FINANCIAL SYSTEMS:				
Income, Cash Collection & Bank Rec.	10	10	0.18	Quarter 3
VAT	10	10	0.18	Work-in-Progress
Insurance & Inventories of Portable Assets	10	10	0.18	Quarter 3
HOUSING SYSTEMS:				
Housing Allocations	10	10	0.36	Quarter 2
Private Sector Housing	10	10	7.78	Finalised - Reasonable
Right to Buy	10	10	8.33	Finalised - Reasonable
Repairs & Maintenance	10	10	0	Work-in-Progress
Leasehold Services	12	12	0	Quarter 4
Sheltered Housing	10	10	10.01	Finalised - Substantial
HR RELATED:				
Absence Management	10	10	9.62	Work-in-Progress
GOVERNANCE RELATED:				
GDPR, FOI & Information Mngmt.	12	12	0	Quarter 2
Complaints Monitoring	10	10	10.98	Finalised – Substantial
Scheme of Officer Delegations	10	10	0	Quarter 4
Corporate Advice/CMT	2	2	1.93	Ongoing
s.151 Meetings and Support	9	9	8.39	Ongoing
Governance Committee Meetings and Reports	12	12	7.56	Ongoing
2023-24 Audit Plan Preparation and Meetings	9	9	0.61	Quarter 4
COUNTER FRAUD & CORRUPTION:				
Counter Fraud and Corruption	10	10	0	Quarter 2
SERVICE LEVEL:				
Employee Health & Safety	10	10	0	Quarter 4
Safeguarding	10	10	0	Quarter 3
Port Health – Consultancy	10	10	6.04	Finalised – N/A
Port Health – Assurance	10	10	0	Quarter 4

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-2022	Status and Assurance Level
Climate Change	5	5	0	Quarter 3
Food Safety	10	10	9.67	Finalised - Substantial
Planning Applications, Income & s106	12	12	3.09	Quarter 2
Corporate Plan, Local Plan & MTFP	10	0	0	Deferred
Building Control	10	10	0	Quarter 2
Waste Management	15	15	0	Quarter 2
OTHER:				
Liaison with External Auditors	1	1	0.39	Ongoing
Follow-up Work	15	15	3.9	Ongoing
FINALISATION OF 2021-22- AUDITS:				
Digital/Cloud Computing	5	15	10.12	Finalised – Reasonable
Environmental Protection			0.77	Finalised – Reasonable
CSO Compliance			0.14	Finalised – Reasonable
Grounds Maintenance			12.2	Finalised – Limited/Reasonable
Tenancy & Estate Management			0.45	Finalised – N/A
Budgetary Control			3.14	Finalised – Reasonable
Phones, Mobiles & Utilities			13.71	Finalised – Reasonable/Limited
Recruitment			4.73	Finalised – Reasonable
Main Accounting System – Post Implementation Review			3.7	Work-in-Progress
Garden Waste & Recycling Income			14.94	Finalised - Limited
RESPONSIVE ASSURANCE:				
None this Period				
TOTAL	300	300	153.08	51.03%

**PROGRESS AGAINST THE 2022-23 AUDIT PLAN
EAST KENT SERVICES**

Review	Original Planned Days	Revised Planned Days	Actual days to 30/09/2022	Status and Assurance Level
EKS Reviews;				
Business Rates	15	15	6.67	Work in progress
Housing Benefit DHPs	15	15	0.18	Quarter 3
Housing Benefit Testing	15	15	16.51	Finalised - N/A
Debtors	15	15	0	Quarter 4
ICT – Data Management	15	15	0	Quarter 3
ICT – Network Security	15	15	0.30	Quarter 4
KPIs	5	5	7.04	Finalised - Substantial
Payroll	18	18	14.14	Draft report
Other;				
Corporate/Committee	8	8	2.72	Ongoing
Follow Up	6	6	0.43	Ongoing
Finalisation of 2021/22 Audits:				
ICT Procurement & Disposal	1	1	1.22	Finalised - Substantial
Total	128	128	49.21	38.45%

INTERNAL PROCESSES PERSPECTIVE :	2022-23 Actual	Target	FINANCIAL PERSPECTIVE:	2022-23 Actual	Original Budget
	Quarter 2		Reported Annually		
Chargeable as % of available days	88%	90%	• Cost per Audit Day	£	£
Chargeable days as % of planned days			• Direct Costs	£	£
CCC	50.89%	50%	• + Indirect Costs (Recharges from Host)	£	£
DDC	51.03%	50%	• - 'Unplanned Income'	£	Zero
TDC	41.75%	50%			
FHDC	50.62%	50%			
EKS	38.45%	50%			
Overall	47.36%	50%	• = Net EKAP cost (all Partners)		£
Follow up/ Progress Reviews;					
• Issued	25	-			
• Not yet due	15	-			
• Now due for Follow Up	29	-			
Compliance with the Public Sector Internal Audit Standards (PSIAS) (see Annual Report for more details)	Partial	Partial			

<u>CUSTOMER PERSPECTIVE:</u>	<u>2022-23 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2022-23 Actual</u>	<u>Target</u>
	Quarter 2		Quarter 2		
Number of Satisfaction Questionnaires Issued;	30		Percentage of staff qualified to relevant technician level	61%	60%
Number of completed questionnaires received back;	20		Percentage of staff holding a relevant higher-level qualification	36%	36%
	= 67 %		Percentage of staff studying for a relevant professional qualification	14%	N/A
Percentage of Customers who felt that;			Number of days technical training per FTE	2.48	3.5
• Interviews were conducted in a professional manner	100%	100%	Percentage of staff meeting formal CPD requirements (post qualification)	50%	50%
• The audit report was 'Good' or better	94%	90%			
• That the audit was worthwhile.	97%	100%			

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.