



PERFORMANCE AND GOVERNANCE

28 June 2011 at 7.00 pm

AGENDA

Membership:

Chairman: Cllr. M Fittock

Vice-Chairman Cllr. R Walshe

Cllr. K S Bayley, Cllr. C Clark, Cllr Mrs A Cook, Cllr. R J Davison, Cllr. M Dickins,
Cllr. Mrs A Firth, Cllr J Gaywood, Cllr. J Grint, Cllr. R Hogarth, Cllr. J London,
Cllr. P McGarvey and Cllr. R Piper

1. **Minutes of the meeting of the Committee held on 19 April 2011 (attached)** (Pages 1 - 4)
2. **Declarations of interest.**
3. **Committee Terms of Reference** (Pages 5 - 10)
4. **Formal Response or Consultation Requests from the Cabinet following matters referred by the Committee:**

None
5. **Formal Response or Consultation Requests from Select Committees**

None
6. **Actions from the last meeting of the Committee (attached)** (Pages 11 - 12)
7. **Future Business, the Work Plan 2011/12 (attached) and the Forward Plan.** (Pages 13 - 14)

Members will develop a schedule of work over the year to reflect the terms of reference of the Committee focussing on the Council's priorities for policy development. This includes opportunities to invite other organisations who provide services in the District to provide information to the Committee and discuss issues of importance to the Community.

- | | |
|---|--|
| 8. Performance Management - 2010/11 Quarter 4 | (Pages 15 - 26)
<i>Lee Banks</i> |
| 9. Provisional Outturn 2010/11 | (Pages 27 - 32)
<i>Tricia Marshall</i> |
| 10. Annual Review of Effectiveness of Internal Audit | (Pages 33 - 46)
<i>Bami Cole</i> |
| 11. Internal Audit Annual Report 2010/11 | (Pages 47 - 66)
<i>Bami Cole</i> |
| 12. Annual Governance Statement 2010/11 | (Pages 67 - 76)
<i>Bami Cole</i> |
| 13. Benefits Fraud Report 2010/11 | (Pages 77 - 84)
<i>Bami Cole</i> |
| 14. Property Review - Disposal of Public Toilets (Ide Hill, Kemsing, Leigh, Swanley) | (Pages 85 - 90)
<i>Jim Latheron</i> |

CONSIDERATION OF EXEMPT INFORMATION

Recommendation: That, under section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the ground that likely disclosure of exempt information is involved as defined by the relevant paragraph as respectively identified of Schedule 12(A) to the Local Government Act 1972:

- | | |
|--|------------------------|
| 15. Argyle Road Offices - Accommodation for Moat Housing (Exempt) | (Pages 91 - 94) |
|--|------------------------|

To assist in the speedy and efficient despatch of business, Members wishing to obtain factual information on items included on the Agenda are asked to enquire of the appropriate Director or Contact Officer named on a report prior to the day of the meeting.

Should you require a copy of this agenda or any of the reports listed on it in another format please do not hesitate to contact the Democratic Services Team as set out below.

For any other queries concerning this agenda or the meeting please contact:

The Democratic Services Team (01732 227241)

PERFORMANCE AND GOVERNANCE COMMITTEE

Minutes of a meeting of the Performance and Governance Committee held on
19 April 2011 commencing at 7 pm

Present: Cllr. Bruce (Chairman)
Cllr. McGarvey (Vice-Chairman)
Cllrs. Arnold, Mrs Cook, Davison, Gaywood, Harrod, London and Piper.
Apologies for absence were received from Cllrs. Fodor and Mrs Lowe.
Cllrs. Mrs Davison and Ramsay were also present.

59. MINUTES OF PREVIOUS MEETING

Resolved: That the minutes of the meeting of the Performance and Governance Committee held on 15 February 2011 be approved and signed by the Chairman as a correct record.

60. DECLARATIONS OF INTEREST

There were no declarations of interest.

61. ACTIONS FROM THE LAST MEETING OF THE COMMITTEE (Report No. 3)

To ensure that actions requiring attention in the future were not missed, the Chairman requested that they remain on the actions list until they were completed.

The Policy and Performance Officer explained that Officers were still working with Sencio to provide the data in Action 1.

62. FUTURE BUSINESS, THE WORK PLAN 2011/12 AND THE FORWARD PLAN (Report No. 4)

The Chairman noted that the Monitoring Officers Report was due to come to the Committee in March 2012. However, he suggested that it be reported to the January 2012 meeting if possible.

The Chairman felt that the Performance Management Quarter 3 Report should be reported to Committee as soon as the figures were ready and he encouraged Members to review the figures through the Council's performance monitoring software.

Resolved: That the Performance and Governance Committee's Work Plan for 2011/12 be noted.

63. ANNUAL REVIEW OF TERMS OF REFERENCE (Report No. 5)

The Democratic Services Manager advised that the report had been produced in accordance with the Committee's Work Plan for the year and reminded Members that a review of the Terms of Reference had been undertaken in April 2010 and subsequently agreed by the Modern Local Government Group and the Council. There had been no further changes to the Terms of reference since that time

Agenda Item 1

Performance and Governance Committee – 19 April 2011

although they might be subject to a further review arising from the review of the democratic decision making processes to be undertaken in the next Municipal Year.

A Member expressed the importance of scrutiny and was concerned that scrutiny might potentially be limited through a review of the democratic process. She suggested that Members receive training to undertake scrutiny more effectively. The Chairman concurred.

Resolved: That the report be noted.

64. REVIEW OF PERFORMANCE INDICATOR BASKET (Report No. 6)

The Policy and Performance Officer explained that the basket of indicators presented in the report were those proposed by Officers to be monitored during 2011/12. The single data list had recently been published by Government and was expected to be reported to Committee in June 2011.

In response to some concern, it was noted that when the Performance and Governance Committee was created it was given authority to review all Performance Indicators either through the basket of indicators or through exception reporting of indicators not meeting their target. Should the Committee be concerned about any indicator they then had the ability to refer it to the relevant Committee and/or Cabinet for more in-depth consideration.

Action: That Select Committee Chairmen be encouraged to review relevant indicators using performance monitoring software.

Members discussed the basket of indicators in detail and suggested that, following the elections, the Committee consider whether:

- xNI 156 in respect of Social Housing be included in the basket of indicators in order to monitor the number of households living in temporary accommodation;
- LPI HR 001 be included in the basket of indicators as a Member felt it was important to Member understanding of the day to day operation of the Council;
- an additional indicator or commentary be included to monitor the Benefits caseload; or
- whether the Committee cease to monitor a basket of indicators and receive only exception reports when an indicator was not meeting its' target by 10%.

Action: That the basket be annotated to indicate those items that were considered by the Finance Advisory Group.

The Chairman noted that the definitions of LPIs CS 003, 009 and 010 had been clarified and that a new indicator had been added to Direct Services in order to ensure rural cleaning schedules were adhered to.

Action: The Vice-Chairman suggested that LPI Clean 002 be re-worded to clarify that the incidents of fly tipping referred to were those that the District Council was responsible for clearing.

Resolved: That a) the Committee accept the basket of performance indicators to be monitored during 2011/12; and

b) it be recommended that during the next municipal year, the new Committee consider whether to monitor performance indicators only on an exception reporting basis or to continue to maintain its own basket.

65. ANNUAL INTERNAL AUDIT PLAN 2011/12 (Report No. 7)

The Audit Risk and Anti Fraud Manager explained that the report incorporated the Annual Internal Audit programme for 2011/12. He noted that despite the disruption of an office move, the Team had delivered the Annual Plans for 2010/11 and benefited from the shared experience of working for two authorities.

In order for the Committee to have a clear understanding of who was consulted during the audit process the Audit Manager was asked to implement the following;

Action: the Audit Risk and Anti Fraud Manager undertook to note in the Plan the involvement of the relevant Portfolio Holder in the audit process.

In response to a query, the Chief Executive noted that each partnership arrangement undertaken by the Council was subject to review should circumstances at either authority change.

Resolved: That the draft Internal Audit Plan for 2011/12 be approved.

66. BUDGET MONITORING – FEBRUARY 2011 (Report No. 8)

The Head of Finance and Human Resources advised that the report outlined the budget monitoring results to the end of February 2011. Officers were currently collating the end of year results and a small under-spend was forecast.

In response to a query, the Chief Executive noted that the pay negotiations for 2010 had not been formally accepted by Unison. However, they had also not been challenged.

Resolved: That the report be noted.

67. ANNUAL SELF ASSESSMENT REVIEW OF THE PERFORMANCE AND GOVERNANCE COMMITTEE 2010/11 (Report No. 9)

The Chairman explained that current governance arrangements for local councils issued by CIPFA required the performance of the committee assuming responsibility for audit and internal control matters to be assessed annually in order to determine its effectiveness and identify areas for further development.

A Member was concerned regarding Member training and suggested Issue 4.4 in the Appendix of the report be strengthened. The Chairman felt that there was a danger

Agenda Item 1

Performance and Governance Committee – 19 April 2011

in trying to make councillors too “professional” and that the Council benefited from the varied experiences and opinions of Members not professionally trained.

Resolved: That the Annual Self Assessment Review of the Effectiveness of the Performance and Governance Committee 2010/11 be approved.

68. OTHER BUSINESS

The Chairman thanked Officers and Members for their hard work and support on the Committee over the past four years.

Members thanked the Chairman for all his work on the Committee.

THE MEETING WAS CONCLUDED AT 8:02 P.M.

Chairman

PART 6 – PERFORMANCE AND GOVERNANCE COMMITTEE

1. Introduction

- 1.1 The Council will appoint the Performance and Governance Committee to discharge the functions conferred by the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment)(England) Regulations 2006 in relation to the matters set out below and specifically to consider the Council's Performance and Governance arrangements, including a review of the system of internal control and the effectiveness of internal audit, in compliance with Regulations 4 and 6 of the Accounts and Audit Regulations 2003, Amendments 2006 and any subsequent legislation.
- 1.2 The number of meetings and Terms of Reference of the Performance and Governance Committee may be reviewed from time to time by the Modern Local Government Group which may report to the Council.

2. Membership of the Committee

- 2.1 All Members of the Council, except members of the Cabinet and the Chairman of the Council, may be members of the Performance and Governance Committee. However, no Member may be involved in reviewing a decision in which he/she has been directly involved.
- 2.2 The Committee will be made up of 14 elected Members that follow the political proportionality of the Council. The membership of the Committee can be found at Appendix H - Membership of Cabinet, Committees etc.
- 2.3 The Performance and Governance Committee shall be entitled to recommend to Council the appointment of up to two additional co-opted non-voting members.

3. Terms of Reference of the Performance and Governance Committee

Performance

- (a) To consider Financial and Performance Management Reports and, in particular, to receive regular reports from the Finance Advisory Group (FAG).
- (b) To monitor the Cabinet's performance in the strategic management of the Council and to make recommendations for improvements.
- (c) To consider the development of the budget strategy. No decision to approve the Budget Strategy will be taken until the matter has been considered by the Committee first.
- (d) To review the Council's resources and the Council's management of property, assets acquisition and disposal, including strategies for proper

Agenda Item 3

Performance and Governance Committee – 28 June 2011

management of assets already obtained. Unless there are special circumstances which justify an urgent decision, no decision will be taken to dispose of land until the proposal has been considered by the Performance and Governance Committee.

(e) To consider the development of the Council's Procurement Strategy and forward procurement plan.

(f) To consider the arrangements in place for the management and monitoring of the Council significant partnerships.

Regulatory Framework

(g) To monitor the effective development and operation of corporate governance and risk management in the Council.

(h) To monitor Council policies on 'Raising Concerns at Work' and the anti-fraud and anti-corruption strategy and the Council's complaints process.

(i) To oversee the production of the Council's Statement on Internal Control and to recommend its adoption.

(j) To consider the Council's compliance with its own and other published standards and controls.

Audit Activity

(k) To consider the development of the Council's Internal Audit Strategy, Charter or terms of reference.

(l) To consider the annual internal audit plan and a summary of internal audit activity regarding the level of assurance that it can give over the Council's internal control and corporate governance and risk management arrangements

(m) To consider the Audit and Efficiency Manager's annual report and assurance opinion.

(n) To consider progress reports from the Audit and Efficiency Manager regarding the progress of the Annual Internal Plan.

(o) To consider a report on the progress of all recommendations made by internal audit and other external regulatory or review agencies.

(p) To receive and consider the annual report on the review of the effectiveness of internal audit

(q) To consider reports on investigations carried out by Internal Audit of suspected fraud or corruption within the Council or its partners.

(r) To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

Performance and Governance Committee – 28 June 2011

- (s) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- (t) To consider any external audit report resulting from the Statement of Accounts and any recommendations and comments received from the District Auditor.

Accounts

- (u) To review the annual Statement of Accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- (v) To approve the Statutory Statement of Accounts when the deadline for approval does not allow approval by full Council.
- (w) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts, and comments received from the District Auditor.

Miscellaneous

- (x) to undertake a monitoring role in relation to the development of the budget strategy as and when appropriate.
- (y) to undertake a monitoring role in relation to reviews of the Council's resources and the Council's management of property, asset acquisition and disposal strategies for the proper management of assets as already obtained as and when appropriate.

4. Performance and Governance Committee Procedure Rules

The Committee will conduct their proceedings in accordance with the Procedure Rules set out below.

Appointment of Sub-Committees/Working Groups

- 4.1 The Committee may appoint Sub-Committees or working groups. These may be appointed for a fixed period or until the next Annual Council meeting.

Procedure at Meetings of the Performance and Governance Committee

- 4.2 The Performance and Governance Committee shall consider the following business:
 - (a) minutes of the last meeting;
 - (b) declarations of interest;
 - (c) responses of the Council, Cabinet or Council Committees to the

Agenda Item 3

Performance and Governance Committee – 28 June 2011

Committee's reports or recommendations; and

- (d) the business otherwise set out on the agenda for the meeting.

Meetings of the Performance and Governance Committee

- 4.3 There shall be at least five ordinary meetings of the Committee in each year. In addition, other meetings may be called from time to time as and when appropriate. A meeting of the Committee may be called by the Chairman of the Committee, by a quarter of the members of the Committee or by the Chief Executive (in consultation with the Chairman or Vice-Chairman, if available) if he considers it necessary or appropriate.

Quorum

- 4.4 The quorum for the Performance and Governance Committee shall be as set out for Committees in the Council Procedure Rules in Part 2 of this Constitution.

Work Plan

- 4.5 The Performance and Governance Committee will be responsible for setting its own Work Plan and in doing so shall take into account the wishes of all members on the Committee.

Agenda Items

- 4.6 Any member of the Performance and Governance Committee shall be entitled to give notice to the Chief Executive that he/she wishes an item relevant to the functions of the Committee to be included on the agenda for the next available meeting of the Committee. On receipt of such a request the Chief Executive will ensure that it is included on the next available agenda and the Chairman will be informed.
- 4.7 Any five Members who are not members of the Committee may give written notice to the Chief Executive that they wish an item relevant to the functions of the Committee to be included on the agenda of the Performance and Governance Committee. If the Chief Executive receives such a notification, then he/she will include the item on the first available agenda of the Committee for consideration by the Committee and the Chairman will be informed.
- 4.8 The Performance and Governance Committee shall also respond, as soon as work plans permit, to requests from the Council and if it considers it appropriate, the Cabinet or other Committees, to review particular areas of Council activity relevant to the functions of the Committee.

Reports and Recommendations from the Performance and Governance Committee

- 4.9 Once it has formed recommendations, the Performance and Governance Committee will submit these in writing to the Chief Executive for consideration by the Cabinet, Council or the relevant Committee.

Performance and Governance Committee – 28 June 2011

- 4.10 The Council, Cabinet or Committee shall whenever possible consider and respond to the report and/or recommendations of the Committee within two months of it being submitted to the Chief Executive.

Members and Officers Attending Committee

- 4.11 In discharging its terms of reference, the Performance and Governance Committee may require any member of the Cabinet, the Chairman of a Committee, the Chief Executive, any Director and/or any Head of Service to attend before it to answer questions in relation to matters within their remit. For the avoidance of doubt, such a person may be required to answer questions on the Council's relationships with partner organisations, contractors and/or other public bodies, providing that person is responsible for managing that relationship as part of their duties. It is the duty of those persons to attend if so required.
- 4.12 Where any Member or Officer is required to attend the Performance and Governance Committee under this provision, the Chairman of the Committee will inform the Chief Executive. The Chief Executive shall inform the Member or Officer in writing giving at least five clear working days notice of the meeting at which he/she is required to attend. The notice will state the nature of the item on which he/she is required to attend and whether any papers are required to be produced for the Committee. Where the Committee will require the production of a report, then the Member or Officer concerned will be given sufficient notice to allow for preparation of that documentation.
- 4.13 Where the Member or Officer is unable to attend on the required date, then the Committee shall in consultation with the Member or Officer arrange an alternative date for attendance to take place usually within 21 days from the date of the original request.

Attendance by Others

- 4.14 In discharging its terms of reference, the Performance and Governance Committee may review the performance/governance of partner organisations, contractors and/or other public bodies. It may also invite people other than those people referred to in paragraph 5.11 to provide it with a report, address it and/or answer questions.

Agenda Item 3

Performance and Governance Committee – 28 June 2011

RECORD OF ACTION POINTS:

Performance and Governance Committee

Date: 19 April 2011

<u>Action</u>	<u>Description of Action</u>	<u>Response from Responsible officer</u>
ACTION 1	That Select Committee Chairmen be encouraged to review relevant indicators using performance monitoring software.	Covalent is now available to all Members through the new Members Portal and is currently being redesigned to improve access to performance information. Training on Covalent will be made available to all Members in due course.
ACTION 2	That the Performance Indicator Basket be annotated to indicate those items that were considered by the Finance Advisory Group.	If Members chose to select a basket of performance indicators in future years full reference will be made to any Committee also monitoring any data.
ACTION 3	That LPI Clean 002 be re-worded to clarify that the incidents of fly tipping referred to were those that the District Council was responsible for clearing.	Action complete. LPI Clean 002 now has the description 'Average number of days taken to remove fly tips which the District Council has responsibility to clear'
ACTION 4	the Audit Risk and Anti Fraud Manager undertook to note in the Plan the involvement of the relevant Portfolio Holder in the audit process.	This action will be completed in time for the next Annual Internal Audit Plan.

Performance and Governance Committee 2011/12 – Work Plan

Topic	28 June 2011	27 September 2011	15 November 2011	10 January 2012	13 March 2012
Governance					Annual review of Terms of Reference
Internal Audit (Irregularities to be reported confidentially as & when necessary)	Review of effectiveness of Internal Audit Annual Governance Statement Internal Audit Annual Report	Q1 Progress Report	Q2 Report		Self-assessment of the effectiveness of the Committee Internal Audit Plan Q3 Progress Report
Risk Management	Risk Management Plan			Update	
Accounts and External Audit	Draft Statement of Accounts	Audit Report on 10/11 Accounts; approval of statement			Annual Audit Plan
Treasury Management & Investment Strategy		Annual Treasury Management Report	Treasury Management Update	Treasury Management Strategy 2012/13	

Topic	28 June 2011	27 September 2011	15 November 2011	10 January 2012	13 March 2012
Strategic Business & Finance Planning (Budget Strategy)		Budget Strategy	Medium Term Financial Strategy		
Budget Monitoring	Outturn Figures	July 2011 figures	September figures	November Figures	January Figures
Property		Annual Asset Management Property Review			Asset Management Property Review Half-Yearly Update
Performance Management	End of Year Results	Performance Report	Performance Report		Performance Report
Other			Annual Complaints Monitoring Report		

PERFORMANCE AND GOVERNANCE COMMITTEE – 28 JUNE 2011

PERFORMANCE MONITORING – 2010/11 QUARTER 4 REPORT

Report of the: Deputy Chief Executive and Director of Corporate Resources

Status: For Consideration

Executive Summary: This report provides Performance and Governance Committee with a summary of Council performance and details of all 'Red' performance indicators at the end of quarter 4 2010/11.

This report supports the Key Aim of Corporate Performance Plan "Effective Management of Council Resources"

Portfolio Holders Cllr. Mrs. Davison and Cllr. Fleming

Recommendation: It be RESOLVED that Members:

- (a) Agree the proposal for performance monitoring reports to be by exception as set out in paragraphs 3 and 4 of this report; and
 - (b) where appropriate, refer areas of underperformance to the appropriate Select Committee for further action.
-

Background

- 1 The Council's performance management arrangements are supported by a software system which allows performance to be monitored using a simple traffic light system i.e. Green for good, Amber if caution is required and Red if the indicator requires attention. This allows the Council to both celebrate good practice and take early steps to rectify actual and potential problem areas. The system allows for the review of historical performance as well as tracking progress against performance targets.
- 2 The Council's performance management system, Covalent, is available to all Members via the Members Portal. All of the current performance indicators agreed by Members are available on the system and Members are encouraged to use this to access performance information across all service areas.

Performance Reporting

- 3 With the agreement of Members it is recommended that the performance reports presented to this Committee support the Performance and Governance Committee's aim of identifying under performance from across the Council's services and asking for actions to be put in place to rectify it.

Agenda Item 8

Performance and Governance Committee – 28 June 2011

- 4 To this end the performance report has been redesigned for Members consideration. Taking on board the recommendation of the Committee at its meeting of 19 April 2011 the report, as provided as an Appendix, is exceptions based. The layout of the report is designed to assist Members in referring matters of concern to the appropriate Select Committee for action. All future Agendas of the Performance & Governance Committee will allow for formal feedback from the Select Committees on any performance matters referred to them.
- 5 An initial introduction to Covalent was provided to Members at the IT Briefing held on 14 June 2011. It is proposed that further training will be provided to Members in September this year which will support Members in using and understanding the Covalent system. A number of improvements are currently being implemented to the system and should will be completed in the coming months. These improvements will further improve access to information and ease of use for Members.

Performance Overview – End of Quarter 4 2010/11

- 6 The following table summarises the performance levels for the end of 2010/11.

Red	Amber	Green
<i>10% or more below target</i>	<i>Less than 10% below target</i>	<i>At or above target</i>
14	12	54
17.5%	15.0%	67.5%

- 7 Set out in the Appendix are details of each of the 14 'Red' performance indicators categorised by the Select Committee which holds responsibility for scrutinising that service's performance. Alongside the performance data is a commentary provided by the managers of the service explaining the reason behind the performance and any actions that are planned or are currently being taken to improve performance.
- 8 In any instance where the Performance and Governance Committee is dissatisfied with the performance level and the plans for improvement it is recommended that they refer the issue to the relevant Select Committee for scrutiny. Where performance concerns are referred to Select Committees the appropriate Head of Service or Service Manager would attend the Select Committee to provide further information and analysis and where relevant an improvement plan. Any recommendations made by the Select Committee would also be referred to Cabinet.

Key Implications

Financial

- 9 Effective performance management monitoring arrangements will assist the Council in diverting resources to areas or services where it is considered to be a greater priority.

Community Impact and Outcomes

- 10 Robust performance management arrangements ensure services continue to be measured against targets for improvement. Striving to meet these targets and developing action plans where performance needs to be improved helps to ensure the delivery of high quality services to the community.

Legal, Human Rights etc.

- 11 None

Resource (non-financial)

- 12 None

Value For Money

- 13 A strong performance culture and effective performance management monitoring arrangements contribute to improved services and ultimately more cost effective Value for Money services.

Risk Assessment Statement

Risk	Impact	Control	Residual Risk
1. Inaccurate data could be used in the assessment of performance	High	Robust data collection arrangements in place. Annual data quality audit by both Internal and External Audit	Low. Risk Adequately Controlled
2. Poor performance might not be identified	High	Suite of performance indicators reviewed annually to ensure all key areas of service delivery are appropriately monitored. Members focus on exceptions in their performance reporting.	Low. Risk Adequately Controlled
3. Poor performance might not be addressed	High	Performance management is embedded in the organisation with robust performance review and monitoring arrangements in place. Covalent updated monthly with data and made available to officers and	Low. Risk Adequately Controlled

Agenda Item 8

Performance and Governance Committee – 28 June 2011

		Members to review. Formal quarterly reports to Management Team, Performance and Governance Committee and Cabinet. Service Review processes in place.	
--	--	--	--

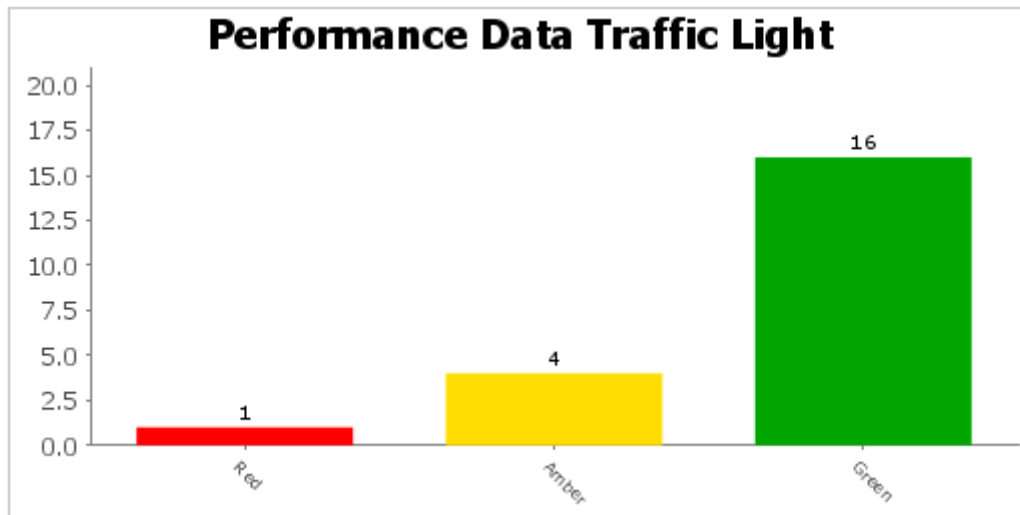
Sources of Information: Covalent, Performance Management Software

Contact Officer(s): Lee Banks, Policy and Performance Manager.
Ext 7161

Dr. Pav Ramewal
Deputy Chief Executive and Director of Corporate Resources

Environment Select Committee PI's

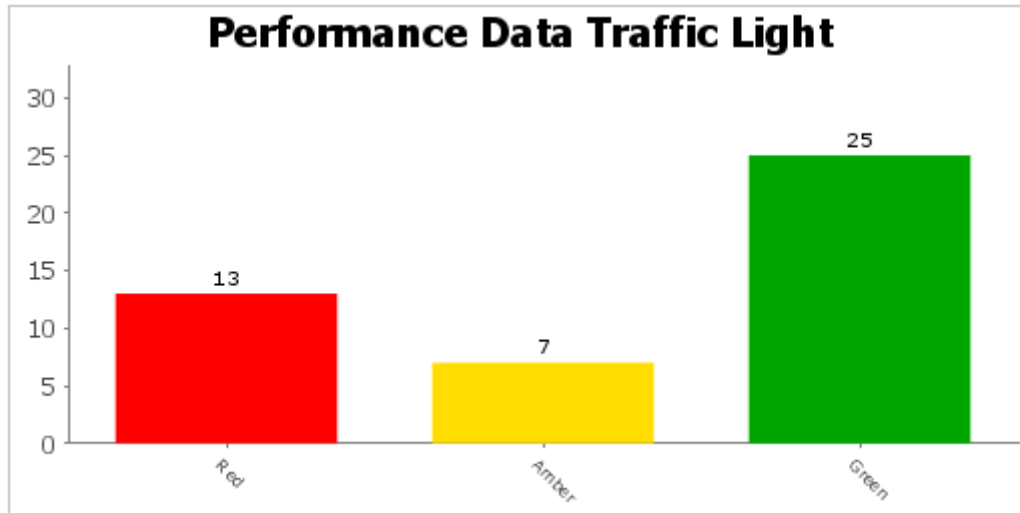
Performance & Governance Committee Exceptions Report





Code	Description	Current Value	Current Target	Status	Latest Note
LPI DC 001	Percentage of applications assessed for validation in 5 days	73.81%	85%	●	In the first six months of the year, April to September 2010, validation performance was below target. This was due to holding two vacant posts in the team in support of the budget savings process. This also resulted in a backlog of applications that needed to be cleared. The vacant posts were filled in July and once the backlog had been cleared performance improved. From November 2010 to March 2011 performance did not fall below 96%. As a result no further actions for improvement are proposed at this time.



Services Select Committee PI's

Performance & Governance Committee Exceptions Report



Code	Description	Current Value	Current Target	Status	Latest Note
LPI CS 001	Percentage of phone calls answered within 20 seconds by the Contact Centre	64.98%	80.00%		<p>The Contact Centre has been holding vacant posts within its team throughout 2010/11 in support of the budget saving process. In April 2011 a vacancy was successfully filled by redeploying a member of staff who may otherwise have been made redundant. In addition the Contact Centre experienced a 27% increase in call volumes during quarter 4 which when combined with the staff vacancies made the performance target difficult to meet.</p> <p>With more services being offered through the Contact Centre and further staff reductions required in 2012/13 as part of the Councils savings plan Officers will be reviewing the Customer Services service standards to reflect the changing business position. Any proposed amendments to targets will be presented to Members for decision.</p>




Code	Description	Current Value	Current Target	Status	Latest Note
LPI CS 002	Percentage of phone calls to the Contact Centre abandoned by the caller	6.65%	5%		<p>As outlined at LPI CS 001 (above) staff vacancies and increased call volumes have impacted the results for this indicator. With the redeployed member of staff now fully operational, performance data is already showing an improvement and is expected to be within target for the next quarter.</p> <p>However, with more services being offered through the Contact Centre and further staff reductions required in 2012/13 as part of the Councils savings plan Officers will be reviewing the Customer Services service standards to reflect the changing business position. Any proposed amendments to targets will be presented to Members for decision.</p>
LPI HB 001	Average number of days to process new benefits claims	27.17	23.08		<p>The impact of the economic climate continues to take its toll on the service with a significant increase in the number of enquiries and benefit claimants. In quarter 4 alone the service has seen a 15% in its workload compared to quarter 4 last year. The increased demand for the service came at a difficult time for the service. Quarter 4 was a critically important period for the delivery of the successful shared benefits service and also the services busiest time of year due to annual up-rating of benefit payments which was successfully completed on-time by the joint team. When coupled with the increased workload this has made meeting this performance target very difficult.</p> <p>Despite the challenging year faced by the joint Benefits team the overall outturn is not significantly over target. However, the service recognises that work needs to be done to improve turn around times and the Benefits management team have put together an action plan to clear the outstanding work and to enhance training for the less experience members of the team. It is expected that these measures, together with the continuation of alignment of joint processes will improve performance in the coming months.</p>




Code	Description	Current Value	Current Target	Status	Latest Note
LPI HR 001	The average number of working days lost to sickness absence per FTE	10.50	8.50		<p>Overall sickness absence in 2010/11 has been adversely impacted by periods of long term sickness related to serious illness and time off work for operations and related recovery periods. Sickness has fallen by 0.87 days per FTE compared to last year due to initiatives such as:</p> <ul style="list-style-type: none"> • Improved training on managing absence and the introduction of a new Managing Attendance Policy; • Team briefings on the costs and impact of absence, the use of triggers, and the support mechanisms in place; • Increased monitoring and sharing of information, and advice provided on individual absences with managers • Improved provision of detailed information on patterns/causes of absence to HoS and MT. <p>However it is recognised that more needs to be done to reduce sickness absence further. A full action plan is in place for 2011/12 and key to this is continuing the support provided to managers in enacting the Managing Attendance Policy in a consistent manner. HR Advisors will also continue to meet regularly with relevant Heads of Service and Directors to discuss particular areas of concern, and attend Management Team on a quarterly basis.</p>
LPI HR 002	Number of working days lost through short term sickness absence per FTE (< 20 cumulative days)	4.30	3.40		<p>Short-term absence has remained above target due to colds/flu, stomach bugs and respiratory issues which have accounted for a large number of absences lasting between 1-4 days. Although above target short term absence has reduced by 1.57 days since last year. As explained at LPI HR 001 (above) actions have been implemented in 2010/11 to reduce sickness levels and a further action plan is in place for 2011/12. Key to reducing short term sickness the HR Team will work with managers to ensure return to work meetings have taken place where appropriate and action taken where necessary, such as arranging referrals to occupational health.</p>

Agenda Item 8




Performance and Governance Committee – 28 June 2011

Item No. 8 - Appendix

Code	Description	Current Value	Current Target	Status	Latest Note
LPI HR 003	Number of working days lost through long term sickness absence per FTE (> 20 cumulative days)	6.20	5.10		<p>Long-term absence has remained above target due to an increase in absences caused by operations and recovery and instances of staff diagnosed with and being treated for serious illness such as cancer. These reasons alone account for over a third of days lost to long term absence and almost a quarter of absences overall.</p> <p>As explained at LPI HR 001 (above) actions have been implemented in 2010/11 to reduce sickness levels and a further action plan is in place for 2011/12. Key to reducing long term absence the HR team will continue to work more closely with medical experts and managers towards successfully returning staff back to work as soon as they are able. This includes phased returns where appropriate, or looking at alternative solutions if people are unable to return to their role. If a return to work solution is not possible ending employment on the grounds of ill-health will be considered.</p>
LPI HR 004	Vacancy Rate	9.31%	6%		<p>The vacancy rate is expectedly above target due to the holding vacant posts across the Council to support the budget setting process. Holding vacant posts has allowed for redeployment of officers who may otherwise have been made redundant. A number of successful redeployments have now been confirmed and as such the vacancy rate is reducing in line with the target figure. As no further exceptional business circumstances are expected in the coming year no further actions are proposed to manage the vacancy rate.</p>
LPI LIC 005	The number of taxi enforcement checks completed (one per taxi vehicle)	64	120		<p>Resources only allowed for taxi enforcement checks to be carried out in 6 months of the year and only a total of 64 checks were undertaken. The target was set to undertake one check per licenced taxi. The target has been amended for 2011/12 to reflect the resources that will be available for taxi enforcement visits.</p>

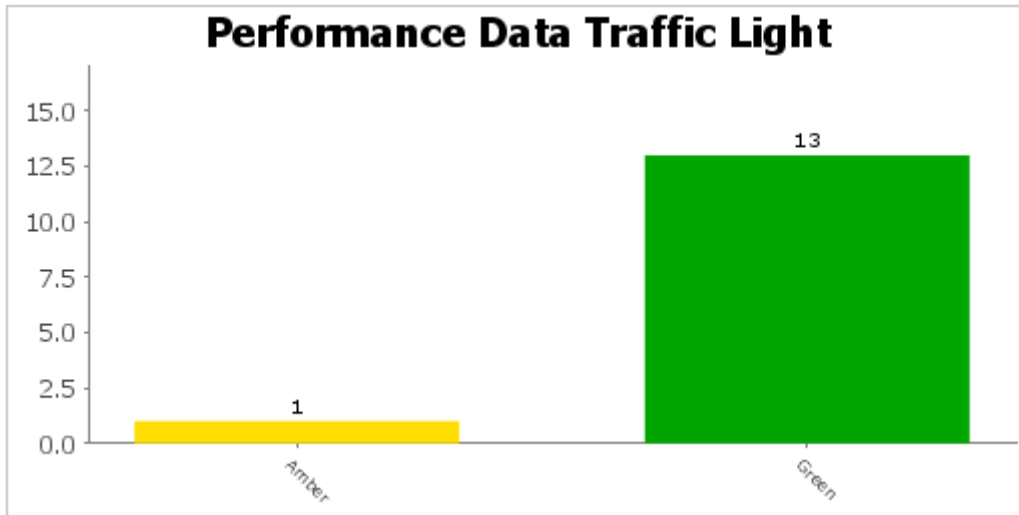
Code	Description	Current Value	Current Target	Status	Latest Note
NI 192	Percentage of household waste sent for reuse, recycling and composting	30.92%	35.00%		As explained at LPI Waste 001 (below) the Council, in line with the rest of Kent, has seen a reduction in its level of recycling, whereas composting levels have remained static at around 8%. The Council's overall performance on recycling/composting will remain at this level unless there is increased collection of organic waste [food and garden waste] for composting. Services Select Committee will revisit this issue this year. The Kent Waste Partnership is developing a preferred collection method for Kent which will be presented to Services Select Committee for consideration.
LPI Waste 001	Percentage of household waste which has been sent for recycling	22.62%	26.00%		Current performance reflects the downward trend across Kent and the fact that there is a move towards reducing the overall weight of packaging. The Council is still losing approx 25% of waste sent for dry recycling due to poor performance of Allington Materials Recycling Facility. This is an issue currently being addressed by the Kent Waste Partnership. To significantly increase the Council's overall recycling/composting rate there will be a need to focus on collecting organic waste [food and garden waste] for composting. As set out at NI 192 (above) Services Select Committee are programmed to further review the issue of waste and recycling in 2011/12.
LPI Waste 003	Number of missed collections per 100,000	12.37	10		In 2010/11 the Council reviewed its waste collection rounds to improve efficiency and reduce costs. As a result one full round was lost and the subsequent revision of all the rounds led to an increase in the number of reported missed collections whilst the new rounds settled in. Severe winter weather in December and January also severely disrupted collections during this period.

Continued on next page

Code	Description	Current Value	Current Target	Status	Latest Note
LPI Waste 003	Number of missed collections per 100,000	12.37	10		<i>Continued from previous page</i> The new rounds have now settled in and the level of missed collections are now within target. To put the performance into perspective, there were 318 missed collections in the year from a total of 2.5 million collections. Comparative information would suggest that the performance target set for missed waste collections would align the Council with the best performing refuse services in the Country.
LPI Waste 005	Number of missed green waste collection complaints	191	100		81 of the missed collections were bin permit holders with the remainder being sack customers. The performance of this crew has for some time been a cause for concern. Following dismissals, resignations and redeployments the crew has now been significantly changed. Action has been taken to restructure the crew and improvement has been improved with a Supervisor/Driver post. The crew is targeted to make significant improvements in performance in 2011/12.
NI 155	Number of affordable homes delivered (gross)	51	67		The impact of the economic environment continues to have a downward effect on the level of house building in the District. This has significantly impacted on the Councils ability to influence the delivery of affordable homes. Despite this 51 affordable homes have been delivered against the South East Plan target of 67, which is a reasonable achievement in the current market conditions. The Council will continue to work with partners and implement its planning policies to enable the delivery of the maximum number of affordable homes to the District each year.

Social Affairs Select Committee PI's

Performance & Governance Committee Exceptions Report



No red performance indicators to report for the end of quarter 4 2010/11.

PERFORMANCE & GOVERNANCE COMMITTEE – 28 JUNE 2011

PROVISIONAL OUTTURN 2010/11

Report of the: Deputy Chief Executive and Director of Corporate Resources

Also considered by: Cabinet – 23 June 2011

Status: For Information

Executive Summary: This report sets out the provisional outturn for 2010/11.

Since the February forecast, the Council has successfully obtained a VAT refund of £364,000 which has significantly improved the position for the year.

Compared to the revised budget (i.e. including supplementary estimates), the overall result was a favourable variance of £527,000 after allowing for carry-forward requests.

This report supports the Key Aim of effective management of Council resources.

Portfolio Holder Cllr. Ramsay

Head of Service Head of Finance and Human Resources – Mrs. Tricia Marshall

Recommendation: It be RESOLVED that the Provisional Outturn 2010/11 be noted.

Introduction

- 1 Provisional Financial Outturn figures for 2010/11 are attached at Appendix A. These results will be scrutinised by the Finance Advisory Group at its meeting on 15th June.

Overall Financial Position

- 2 2010/11 was the third year of the Council's four-year savings plan, which set out to achieve savings of £2 million over that period. It is pleasing to report to Members that a provisional favourable variance of £745,000 has been achieved. Revenue carry forwards of £218,000 have been requested; if these are approved the favourable variance will reduce to £527,000.
- 3 At the end of February the forecast outturn (which took account of likely carry forward requests) was a favourable variance of £81,000. Since then a VAT refund of £364,000 has been received making an amended February forecast favourable variance of £445,000. Therefore the provisional outturn position is £82,000 better than the February forecast.

- 4 The figures above all take into account the supplementary budget of £13,000 approved during the year for Christmas car parking.
- 5 It was approved by Cabinet on 13th December 2010 that any favourable variance achieved on the 2010/11 budget be put to the Budget Stabilisation Reserve.

High Level Analysis of Results

- 6 **VAT refund** (£364,000 income): This relates to sports tuition and sports courses. Following on from the successful primary claim of £1.8m for over paid VAT which was repaid in 2009/10, HMRC have now agreed to the second part of the claim for £364,000. The primary claim for 1990 - 1994 was for admissions and courses. The second claim for the period 1978 - 1989 (and part of 1994) was purely for courses and the incorrect treatment of courses VAT during the period.
- 7 **Pay costs** (£275,000 underspent): Some vacant posts were held open as they were deleted on 1 April or because staff displaced through the budget process are being redeployed into them.
- 8 **Income** (£1,003,000 favourable): This relates to the VAT refund explained above, Development Control income, external funding which is offset by expenditure in 'Other Costs' and partnership income.
- 9 **Direct Service Trading Accounts** show a surplus of £17,000 at the year end, which is £47,000 lower than the budgeted surplus due to increased fuel costs.
- 10 **Interest and Investment Income** was £122,000 better than budget (excluding interest relating to the VAT refund). This was due to the Council holding higher balances than budgeted, which has increased investment income.
- 11 The latest information from CIPFA regarding the £1m Landsbanki investment is that authorities should account for a 95% return although this will continue to be reviewed.

Key Implications

Financial

- 12 All financial implications are covered elsewhere in the report.

Community Impact and Outcomes

- 13 None

Legal, Human Rights etc.

- 14 None

Value For Money and Asset Management

15 None

Conclusions

- 16 Both Members and Officers were fully aware that 2010/11 would be an extremely challenging year. However, in light of the financial pressures arising during the year it is pleasing to report to Members a positive year end position.
- 17 The outturn position could not have been achieved without the commitment and hard work of both Members and Officers, in particular the Heads of service and the Finance Advisory Group, who have played an essential challenge, advisory and scrutiny role reviewing not only the budget but also the corrective action planning.
- 18 The 2011/12 budget includes savings totalling £2.5m. Achieving this ambitious level of savings whilst managing the financial risks will require continued close and proactive financial management during 2011/12.

Risk Assessment Statement

- 19 These results are provisional and may change due to issues arising from the closure of the Council's accounts, which will be completed by 30 June.

Sources of Information: Provisional Outturn results 31st March 2011

Contact Officer(s): Tricia Marshall Ext. 7205

Adrian Rowbotham Ext. 7153

Dr. Pav Ramewal
Deputy Chief Executive and Director of Corporate Resources

2. Overall Summary

MARCH 2011 - Outturn as at 03/06/11

	Period				Y-T-D				February Monitoring Forecast		
	Budget	Actual	Variance	Variance	Budget	Actual	Variance	Variance	Annual Budget	Annual Forecast (including Accruals)	Annual Variance
	£'000	£'000	£'000	%	£'000	£'000	£'000	%	£'000	£'000	£'000
Income	- 959	- 1,596	638	66.5	- 7,193	- 8,197	1,003	13.9	- 7,193	- 7,382	189
Pay	956	1,026	- 70	- 7.3	11,488	11,213	275	2.4	11,488	11,241	247
Pay - Vacant Post Provision	- 1	-	- 1	- 100.0	15	-	15	100.0	15	15	-
Other costs	1,271	1,586	- 315	- 24.8	13,400	13,527	- 127	- 0.9	13,400	13,558	- 158
Benefits Grants in and out (net)	- 101	88	- 189	- 187.6	- 659	- 477	- 182	- 27.6	- 659	- 659	-
NET EXPENDITURE (1)	1,167	1,104	63	5.4	17,051	16,066	985	5.8	17,051	16,773	278
<u>Adjustments to reconcile to Amount to be met from Reserves</u>											
Removal of Asset Maintenance Variance	-	- 29	29	-	-	71	- 71	-	-	12	- 12
Direct Services Trading Accounts	11	14	- 3	- 27.3	- 64	- 17	- 47	- 73.4	- 64	- 10	- 54
Capital charges outside General Fund	- 4	- 4	0	0.0	- 47	- 47	0	0.0	- 47	- 47	-
Support Services outside General Fund	- 18	- 18	- 0	- 0.0	- 216	- 216	0	0.0	- 216	- 216	-
Redundancy Costs - all	-	113	- 113	-	-	244	- 244	-	-	209	- 209
Collection Fund - Adjustment	-	-	-	-	-	-	-	-	-	-	-
NET EXPENDITURE (2)	1,138	1,162	- 24	- 2.1	16,724	16,101	623	3.7	16,724	16,721	4
Government Grant	- 529	- 529	-	0.0	- 6,348	- 6,348	-	-	- 6,348	- 6,348	-
Council Tax Requirement - SDC	- 764	- 764	-	0.0	- 9,172	- 9,172	-	-	- 9,172	- 9,172	-
NET EXPENDITURE (3)	- 156	- 132	- 24	15.4	1,204	581	623	51.7	1,204	1,201	4
<u>Summary including investment income</u>											
Net Expenditure	- 156	- 132	- 24	15	1,204	581	623	51.7	1,204	1,201	4
Investment Impairment	-	-	-	-	-	-	-	-	-	-	-
Interest and Investment Income	- 16	- 21	5	- 33.3	- 225	- 347	122	54.2	- 192	- 269	77
Overall total	- 171	- 152	- 19	- 18	979	234	745	106	1,012	931	81
Planned appropriation from Reserves									- 999	- 999	-
Supplementary appropriation from Reserves									- 13	- 13	-
Surplus									- 0	- 81	81

3. Overall Summary by Head of Service

MARCH 2011 - Outturn as at 03/06/11	Period	Period	Period	Period	Y-T-D	Y-T-D	Y-T-D	Y-T-D	February Monitoring Forecast		
	Budget	Actual	Variance	%	Budget	Actual	Variance	%	Annual Budget	Annual Forecast (including Accruals)	Annual Variance
	£'000	£'000	£'000	%	£'000	£'000	£'000	%	£'000	£'000	£'000
Community and Planning											
Community Development	139	- 183	322	231.7	1,254	847	407	32.4	1,254	1,254	-
Development Services	225	343	- 118	-52.4	1,747	1,675	71	4.1	1,747	1,636	111
Environmental and Operations	228	255	- 27	-11.9	4,026	3,846	180	4.5	4,026	3,923	103
Housing and Communications	115	123	- 8	-7.0	1,015	1,004	10	1.0	1,015	1,015	- 0
Total Community and Planning	707	538	169	23.9	8,041	7,372	668	8.3	8,041	7,827	214
Corporate Resources											
Finance and Human Resources	126	208	- 82	-64.9	5,600	5,474	126	2.3	5,600	5,599	1
IT and Facilities Management	162	179	- 17	-10.2	1,728	1,656	72	4.2	1,728	1,739	- 11
Legal and Democratic Services	171	179	- 8	-4.4	1,682	1,564	118	7.0	1,682	1,607	75
Total Corporate Resources	460	566	- 106	-23.1	9,010	8,694	316	3.5	9,010	8,946	65
TOTAL Revenue, Support and Asset Maint.	1,167	1,104	63	5.4	17,051	16,066	985	5.8	17,051	16,773	278

PERFORMANCE AND GOVERNANCE COMMITTEE – 28 JUNE 2011

**ANNUAL SELF ASSESSMENT REVIEW OF THE EFFECTIVENESS OF
INTERNAL AUDIT SERVICE 2010/11**

Report of the: Director of Corporate Resources

Status: For Consideration

This report supports the Key Aim of Effective Management of Council Resources

Portfolio Holder Cllr. Ramsay

Head of Service Head of Finance and Human Resources – Mrs. Tricia Marshall

Recommendation: It be RESOLVED that the Annual Self Assessment Review of the Effectiveness of Internal Audit Service 2010/11 be approved.

Background

- 1 Regulation 6.3 of the Accounts and Audit Regulations 2003 (Amendment) 2006 requires the Council to carry out an annual review of the effectiveness of its Internal Audit function. The regulation does not stipulate a prescriptive process by which the review may be undertaken, except that the review should be carried out in accordance with “Proper Practices” as defined by relevant professional bodies. The Chartered Institute of Public Finance and Accountancy (CIPFA) issued good practice guidance in 2006 to assist Councils in carrying out the required review. The process involves the use of a self-assessment toolkit to carry out the review. This review was therefore conducted using the CIPFA guidance. The Performance and Governance Committee as part of its terms of reference is required to consider and approve the outcome of the review. The outcome of the review will also feed into the Annual Governance Statement process which will also be reported at the June meeting of this Committee.
- 2 This is the first review to be undertaken following the shared services agreement between Sevenoaks District Council and Dartford Borough Council for the provision of an Internal Audit Service.

Introduction

- 3 This report deals with the outcome of the annual self-assessment of the Council’s internal audit function.

Results of the self assessment of internal audit

- 4 The result of the self assessment and any areas identified for further development is attached as an Appendix to this report. The process involved the completion of the CIPFA self assessment toolkit by the Internal Audit Manager which addresses the arrangements, practices and achievements of the Internal Audit function during the year. Subsequently the process and outcomes were independently reviewed by a committee of the Officers' Risk Management Group on 14 June 2011 lead by the Professional Service Manager. The outcome of this review was subsequently considered by Management Team on Wednesday 15 June 2011. The result of the review process indicates that the Council's Internal Audit arrangements substantially meet the CIPFA Code requirements. Thus indicating that no significant failings or omissions were identified within the scope of the review.
- 5 The Audit Manager's opinion therefore is that the Council's arrangements in place for Internal Audit in 2010/11 were **effective**. However some aspects of the service were identified which would benefit from further development. These are separately identified under the column headed "Areas for Further Development". Progress on these aspects would be reported to this committee in due course.

Conclusions

The outcome of the review indicates that there are no significant concerns regarding the effectiveness of the service.

Key Implications

Financial

- 6 This report has no financial implications.

Community Impact and outcomes

- 7 Not applicable

Legal, Human Rights etc.

- 8 This report has no additional legal implications.

Resource (non-financial)

- 9 Not applicable

Value for Money and Asset Management

- 10 A robust internal audit function enables the Council's external auditors to place reliance on the work of internal audit, thus limiting the amount of external audit days that will be charged to the Council.

Equality

11 There are no additional equality implications for this report.

Sustainability Checklist

12 Not applicable.

Risk Assessment Statement

13 The review of the effectiveness of the internal audit function is a regulatory requirement designed to ensure that the service is effective in carrying out its statutory duties aimed at strengthening internal control, risk management and governance processes within the Council. Consequently a weak internal audit service may signal weaknesses in other key areas of the Council's internal control, risk management and governance processes. The outcome of the review indicates that the arrangements are effective in meeting good practice requirements and therefore comply with regulatory requirements, thus providing assurance that relevant risks are effectively being managed.

Sources of Information:

Accounts and Audit Regulations 2003
(Amendment) 2006

CIPFA Code of Practice for Internal
Audit in Local Government (2006)

Contact Officer(s):

Bami Cole Ext. 7039

Pav Ramewal
Corporate Resources Director

AUDIT, RISK AND ANTI-FRAUD TEAM – SEVENOAKS DISTRICT COUNCIL**CIPFA Code of Practice – Standards****Self Assessment Review of the Internal Audit Service 2010/11 [May 2011]**

2006 Code Standard	Evidence of Achievement	Areas for further development
1. Scope of internal audit <ul style="list-style-type: none"> • Terms of reference • Scope • Responsibilities in respect of other organisations • Fraud and corruption 	<p>New joint Audit Strategy and Charter reflecting the CIPFA Code of Practice requirements were approved by the P&G Committee in Nov 2010.</p> <p>Scope of audit work takes into account risk management processes and wider internal control. Audit Plan and Resource levels were reviewed and commented on in report to the Performance & Governance Committee on 19 April 2011.</p> <p>There is a shared service arrangement with Dartford Borough Council for the management of the internal audit function. This was agreed by the P&G committee in June 2010. The team therefore provides a full internal audit service for both Councils. However, the team's contribution towards Strategic Procurement for SDC will now be taken up by other arrangements, thus making more time available for the team to focus on core activities.</p> <p>The new joint team is called Audit, Risk and Anti-fraud and incorporates Internal audit, risk management and the Anti-fraud Services of Councils. The joint internal audit team serving both Councils have 7 staff members equivalent to 5.8 FTE.</p>	<p>Need to ensure all staff are aware of the Audit Charter and Audit Strategy.</p> <p>There is a need to ensure that the transition process for procurement is effectively managed.</p>
2. Independence <ul style="list-style-type: none"> • Organisational independence 	<p>The Audit Manager has direct access to those that are charged with governance through the Performance & Governance Committee – (see Constitution and P&GC ToR</p>	

2006 Code Standard	Evidence of Achievement	Areas for further development
<ul style="list-style-type: none"> • Status of head of internal audit • Independence of individual internal audit • Independence of internal audit contractors • Declaration of interest 	<p>extract E002). Reports are made in own name to management and to Performance & Governance Committee. No conflict of interest between operational responsibilities and audit has been found. Rotation of audit work within the team is the norm. Contractor IT firm does not have any other role within the authority. Auditors are required to declare interests and have been vetted.</p>	
<p>3. Ethics:</p> <ul style="list-style-type: none"> • Integrity • Objectivity • Competence • Confidentiality 	<p>Staff appraisal system considers these issues. No significant points have been identified. Staff have aware of ethics requirements. Guidance has been circulated. (This is part of the ToR – E001). Also qualified staff are subjected to professional ethics of the relevant professional body (CIPFA, Institute of Internal Auditors -IIA and Association of Accounting Technicians -AAT). All staff have their developmental needs assessed during yearly appraisal and relevant individual training needs identified and delivered during the year.</p>	<p>Individual training needs will be discussed in an appraisal or 1:1 process during the year.</p>
<p>4. Performance & Governance Committee (P&GC)</p> <ul style="list-style-type: none"> • Purpose of the Performance & Governance Committee • Internal Audit’s relationship with the Performance & Governance Committee 	<p>The P&G Committee has now been active for 4 years. The Committee completed the standard CIPFA self-assessment checklist to assess its achievements and reported to upon in April 2011. The committee’s Terms of Reference may require updating in view of the joint working arrangements with DBC and also to reflect the investigations team, which now sits within the audit team.</p> <p>The audit manager attends meetings of the P&G Committee; and has direct access to the Chairman and Vice-Chairman of the Committee.</p> <p>(see Constitution and P&GC ToR extract E002).</p>	<p>The outcome of the self-assessment checklist of the P&GC will inform any further areas for development</p> <p>The Audit Manager will need to meet with the new Chairman of the P&G Committee to agree working together audit protocol. There will be an audit presentation at the first committee meeting to brief members of the</p>

2006 Code Standard	Evidence of Achievement	Areas for further development
		requirements.
<p>5. Relationships</p> <ul style="list-style-type: none"> • With management • With other internal auditors • With external auditors • With other regulators and inspectors • With elected Members 	<p>Managers are consulted on the audit plan and on the scope of each audit by way of an audit brief. The audit plan takes account of the key risks which have been identified by management. Customer satisfaction surveys are sent to managers after every audit review, for their views and comments. (See sample customer satisfaction survey E005). The Audit Manager attends weekly finance managers team meetings and contributes towards the overall management of the department.</p> <p>Responsibilities of managers and internal audit are defined in relation to internal control, risk management and fraud and corruption matters. (See IA ToR E100, and SIC guidelines E005b)</p> <p>The audit team is part of the Kent Audit Group Network, and shares a common website where common practices and ideas are shared. Also the Audit Manager is a member of the Chartered Institute of Internal Auditors (IIA), Heads of Internal Audit Forum, and also subscribes to CIPFA “audit viewpoint” and CIPFA benchmarking Club for Internal Audit.</p> <p>Good working relations have been established with external audit, including consultation on planning and sharing of review outcomes. This will be continued under new Auditor arrangements with the Audit Commission.</p> <p>Sharing of information is undertaken with other internal review agencies. There is liaison with external regulators and inspectors.</p> <p>The relationship with Members is that of a “critical friend” with robust challenge mechanisms in place as evidenced in the</p>	<p>The outcome of the self-assessment checklist for the P&GC will inform any areas for further development.</p>

2006 Code Standard	Evidence of Achievement	Areas for further development
	minutes of the meetings.	
6. Staffing, training and development	<p>The skills and competencies required of each post have been determined. (Identified in Job descriptions). The team is now at full strength to deliver the assurance requirements of the Council. Additional resources equivalent to 0.3 FTE is obtained from the Policy and Performance Section which enables us to progress non-planned audit work, thus allowing the team to spend a greater proportion of dedicated time on planned audit activities.</p> <p>Actual skills and competencies were last assessed during the objective setting process in early March 2011. This enabled bespoke training requirements to be agreed with each audit staff member to be delivered during the year. (See training plan E006).</p> <p>Professional staff are required to complete Continuing Professional Development. Training plan is linked to Appraisal process.</p>	<p>Competency assessments and training needs will be further reviewed in the light of the current Joint Working Proposals in order to identify and address any areas for further development.</p> <p>In addition to the above some specific training needs have been identified and this will be addressed in the coming year.</p>
7. Audit Strategy and Planning	<p>The Audit Strategy was approved by the P&GC in November 2010. (Audit Strategy E007)</p> <p>The risk-based Audit Plan was prepared in accordance with existing strategy, and approved by the Performance and Governance Committee Services 19th April 2011 (See committee minutes E007, and Audit Plan E700b).</p> <p>Available resources were reconciled with the resource needed, and appropriate steps taken to address any identified shortfall as necessary.</p>	
8. Undertaking Audit Work	An audit brief is prepared identifying the objectives, scope and approach of each audit review, for agreement with	

2006 Code Standard	Evidence of Achievement	Areas for further development
<ul style="list-style-type: none"> • Planning • Approach • Recording and Assignments 	<p>management prior to commencing each review. (See sample audit brief E008).</p> <p>A risk-based approach is used and an audit opinion is given. (See sample audit report E008b).</p> <p>Issues are discussed with management as they arise, and formal feedback is given at the end of the visit, prior to completing the report.</p> <p>Standards of working papers are specified and checked by the Audit and Efficiency Manager as part of the file review process. (See file review forms on audit files).</p> <p>Adequate working papers supporting conclusions drawn and recommendations made are maintained and retained in accordance with defined policy.</p> <p>Reports are issued to appropriate managers in accordance with defined policy. A follow up of recommendations are carried out to check implementation of recommendations (See audit progress logs 2010/11, TOR and Audit Strategy).</p> <p>The joint Audit team is ISO 9000 accredited and was last reviewed and assessed in April 2011. There were no non-conformances.</p>	
<p>9. Due professional care</p> <ul style="list-style-type: none"> • Responsibilities of the individual auditor • Responsibilities of the Head of Internal Audit 	<p>All internal auditors are aware of their individual responsibilities for due professional care. Where appropriate additional training is identified and offered.</p> <p>Arrangements are in place to monitor this:</p> <ul style="list-style-type: none"> • Audit Manager reviews all audit files and reports. • Annual Appraisal and training needs are identified and 	

2006 Code Standard	Evidence of Achievement	Areas for further development
	<p>delivered.</p> <p>Work is assigned so as to avoid potential conflicts of interest. The Audit Manager produces an annual report with an overall opinion on the system of internal control within the Council. The report is considered by the P&G Committee which performs the role of an Audit Committee.</p>	<p>Review the implementation of the new CIPFA guidance on the role of Head of Internal Audit to ensure full compliance</p>
<p>10. Reporting</p> <ul style="list-style-type: none"> • Reporting on audit work • Annual reporting 	<p>Audit reports give an opinion on risks and controls, using approved methodology.</p> <p>Scope of audit is set out in report.</p> <p>Recommendations are prioritised according to risk. Field-work outcomes are discussed with management and action plans agreed in response to recommendations made.</p> <p>Reports are issued to appropriate managers.</p> <p>Where necessary, issues are referred to the risk manager.</p> <p>Assurances are sought from managers on delivery of agreed actions, and appropriate follow-up actions carried out to assess the effectiveness of recommendations.</p> <p>An escalation procedure has been defined which may go as far as the P&G Committee and is used as appropriate (see ToR of Performance & Governance Committee)</p> <p>Where necessary, the opinion is revised in the light of the delivery of agreed actions.</p> <p>The IA annual report to support the Annual Governance Statement for 2009/10 will be presented to the Performance & Governance Committee on 29th June 2011.</p> <p>The report will include the overall opinion on the control environment and any qualifications to that opinion. The work</p>	<p>An area for further development identified is to use a traffic light system to grade recommendations on audit reviews, to enable service managers to easily identify the associated level of risk with the relevant recommendations. This will aid the prioritisation process.</p>

2006 Code Standard	Evidence of Achievement	Areas for further development
	<p>on which the opinion is based will be set out in the report, including details of all internal audit reviews and the individual opinions, including achievements of PIs and relevant targets.</p> <p>The report will highlight significant issues if appropriate.</p> <p>Interim reports are submitted to the Performance & Governance Committee every quarter advising of how the opinion is developing (see P&GC ToR extract E002).</p>	
<p>11. Performance, quality and effectiveness</p> <ul style="list-style-type: none"> • Principles of performance, quality and effectiveness • Quality assurance of audit work • Performance and effectiveness of the internal audit service 	<p>Policies and procedures are defined in the Audit Strategy and Charter (See Audit manual E011) Audits are assigned according to the skills mix required and so that there is adequate supervision. Performance measures are defined and Internal quality reviews are undertaken by the Manager for all audit work. (See file review forms).</p> <p>Client satisfaction surveys are issued with each final report and are summarised in the IA annual report.</p> <p>An annual assessment of the work of internal audit is undertaken by the external auditor. (See management letter E011b).</p>	<p>The shared services arrangement with Dartford offers an opportunity to align good practice from both Councils and to develop a common integrated approach which would be beneficial to both Councils and staff.</p> <p>NOTE: Some skills gap exists within the team, given the skills necessary to meet the requirements of service transformation. Thus to some extent this may have some impact on overall performance and effectiveness. But this is recognised and being addressed. Staff development and skills gap is being addressed through the appraisal process and regular 1:1 meetings</p>

CIPFA Code of Practice – Characteristics of Effectiveness

Characteristic of ‘effectiveness’	Evidence of achievement	Areas for further development
<p>Understand its position in respect to the organisation’s other sources of assurance and plan its work accordingly</p>	<p>The Audit Team, identifies other sources of assurance (for e.g. external audit and regulator’s reports; Directors Assurance Statement; the AGS and risk management processes, and takes these into account when preparing the internal audit plan or preparing the work plan for audit reviews). [No adverse comments reported on IA arrangements by external audit]</p>	
<p>Understand the whole organisation, its needs and objectives.</p>	<p>The audit plan demonstrates how audit work will provide assurance in relation to the authority’s objectives and is based on an in-depth knowledge of the organisations key priorities.</p> <p>Individual audit assignments identify risks to the achievement of those objectives.</p>	<p>The shared working agreement provides an opportunity to develop the skills and competencies of the available pool of auditors, thus providing greater resilience and synergy which would contribute to more effective performance towards overall organisational objectives.</p>
<p>Be seen as a catalyst for change at the heart of the organisation.</p>	<p>The Audit Manager was part of the project team set up to manager Revenues and Benefits shared services project which resulted in the new joint Audit, Risk and Anti-Fraud Team. The Audit Manager also actively participates in Business Process Reengineering process; oversees the AGS process and attends finance managers meetings. Supportive role of the audit team is also demonstrated through corporate developments such as corporate governance review, risk management and ethics.</p> <p>The team has played a key role in service transformation through the shared services arrangements.</p>	

Characteristic of 'effectiveness'	Evidence of achievement	Areas for further development
Add value and assist the organisation in achieving its objectives.	Demonstrated through individual audit assignments and also corporate work such as risk management, the AGS process, CPA/UoR (prior to disbandment), sustainable procurement etc. Contributed towards the success of the organisation in obtaining IIP Gold Standard award for the Council.	
Be involved in service improvements and projects as they develop, working across internal and external boundaries to understand shared goals and individual obligations.	<p>Internal audit provides help and advice on request and supports specific projects identified in the plan and on an <i>ad hoc</i> basis.</p> <p>Also supported management in developing shared services and Partnership working across Councils and initiatives for improvements in business processes (see above).</p> <p>Member of Kent Audit Group and Kent Risk Management Group, Kent Buying Consortium, London Contracts Audit Group, ALARM and the SE Institute of Internal Auditors Forum.</p>	
Be innovative and challenging - shaping the values and standards of the organisation; providing internal inspection and validation and encouraging service managers to take ownership of processes, systems and policy.	Internal audit has taken an innovative approach to its reporting arrangements by focusing on risks and encouraging managers, through departmental management team meetings (DMTs) to develop their own responses and to identify, rather than merely waiting for audit recommendations to effect improvements. The aim of this is to encourage greater ownership of the control environment amongst managers. Internal audit will also look to review the process for internal service assessments, and make appropriate recommendations for improvements.	
Ensure the right resources are available – the skills mix, capacity,	In view of the shared services arrangements, there is now increased resilience; therefore we are now looking at	See comments on 11 above

Characteristic of ‘effectiveness’	Evidence of achievement	Areas for further development
specialism and qualifications/experience requirements all change constantly.	<p>developing in-house specialists and expertise for specialist work such as IT audits etc. There is already a good skills mix with members of the joint team coming from both Councils with different skills and experiences. This is further enhanced by allowing staff to experience working at both Councils.</p> <p>The trainee internal auditor appointed in 2009 has now successfully completed his IIA examinations; following support from the Council. Thus contributing to the professionalism of the team</p>	

Completed by the Audit and Efficiency Manager on: May 2011

OPINION:

Following the above review of the effectiveness of the Audit and Efficiency Team, it is my opinion that the system of Internal Audit within Sevenoaks District Council is Effective (It substantially complies with the CIPFA Code requirements).

Signed..... (Audit, Risk and Ant-fraud Manager)

13th May 2010

Reviewed by the Officers Risk Management Group on: 3rd June 2011

Signed..... (Professional Services Manager)

Reviewed by the Performance and Governance Committee on: 28th June 2011

Signed..... (Chair of the P&GC).

PERFORMANCE AND GOVERNANCE COMMITTEE – 28 JUNE 2010

INTERNAL AUDIT ANNUAL REPORT 2010/11

Report of the: Director Of Corporate Resources

Status: For Consideration

This report supports the Key Aim of Effective Management of Council Resources

Portfolio Holder Cllr. Ramsay

Head of Service Head of Finance and Human Resources – Tricia Marshall

Recommendation: It be RESOLVED that Members;

- a) approve the work of the Internal Audit Team for 2010/11; and
 - b) support the Audit Manager's annual assurance opinion that the Council had effective internal control and governance arrangements in place for delivering its objectives and the management of its business risks.
-

Background

- 1 Members may be aware that Internal Audit reports annually to the Performance and Governance Committee regarding the work completed during the year in delivering the assurance requirements of the Council. This report details the achievements of the team during the period April 2010 to March 2011. The Performance and Governance Committee is required to review and support the work of Internal Audit as part of its terms of reference. This is the first Annual Report following the shared services agreement with Dartford Borough Council in 2010.
- 2 The report is prepared in compliance with the Accounts and Audit Regulations 2003 (Amendment) 2006, and professional guidance issued by CIPFA. The report also took account of the outcome of the review of the effectiveness of the internal audit function which is attached as a separate agenda item. Members may note that this report also supports the Council's Annual Governance Statement (AGS) which is also attached as a separate item to the agenda for this meeting.

Summary of Issues Raised Within the Report

- 3 Details of the activities of the team during the year 2010/11 are attached as an Appendix to this report. Annex 1 to the Appendix informs Members of the audit work completed on behalf of Sevenoaks District in completing the Annual Audit Plan for 2010/11.

Agenda Item 11

Performance and Governance Committee – 28 June 2011

- 4 In 2010/11 the team completed 22 out of 23 reviews within the Annual Audit Plan, an achievement of 96% of the assurance programme. Paragraph 37 of the Appendix sets out the summary of performance indicators for 2010/11. Members may note that professional guidance requires a minimum of 90% of planned reviews to be completed in order to inform the overall assurance opinion for the year.
- 5 Based on the work completed in 2010/11 the Audit Manager's overall annual assurance opinion is that the Council's arrangements for internal controls, governance, anti-fraud and risk management during the period were "**effective**", (see paragraph 4.1 in the Appendix). This opinion was taken into consideration during preparation of the Annual Governance Statement which is dealt with under a separate item in the agenda.
- 6 A summary of the achievements of the team during the year are included in paragraphs 5 to 17 of the Appendix. Performance data outturn figures are set out on paragraphs 27 – 29 and, 36 -37 of the Appendix.
- 7 In summary the overall impact of the report is that the team has performed well within its available resources and has met the objective of providing an adequate and effective internal control framework for the Council during the year.

Audit Partnership with Dartford Borough Council

- 8 This is the first annual report following the shared services arrangement with Dartford Borough Council for the provision of a joint internal audit service. The audit service is based at Dartford Council and has operated well during the year. A joint Audit Charter and Audit Strategy were approved by the Performance and Governance Committee in November 2011. During the year, all auditors from both councils were given the opportunity to experience working at both Councils and have contributed to developing best practices from this experience, thus contributing towards a more effective assurance process. As part of the arrangement the team now also have lead role for risk management within Dartford Borough Council. A review of requirement is currently being undertaken, in order to facilitate proposals to management which would be presented to the Performance and Governance Committee for consideration at the next meeting.

Key Implications

Financial

- 8 This report has no financial implications.

Community Impact and outcomes

- 9 An effective internal audit function provides assurance that the Council has an adequate control environment in place, which is essential for the delivery of services.

Legal, Human Rights etc.

10 This report has no additional legal implications

Resource (non-financial)

11 Not applicable.

Value for Money and Asset Management

12 A robust internal audit function enables the Council's external auditors to place reliance on the work of internal audit, thus limiting the amount of external audit days that will be charged to the Council.

Equality

13 There are no additional equality implications for this report.

Sustainability Checklist

14 Not applicable.

Conclusions

15 The report highlights the achievements of the Internal Audit Team for the period 2010/011, and includes a satisfactory annual assurance opinion on the Council's internal control, governance and risk management framework based on the work completed by Internal Audit during the year. This Committee is requested to approve the achievements of the Audit and Efficiency Team and support the satisfactory assurance opinion for the year.

Risk Assessment Statement

16 The Council is required to comply with the requirements of the Accounts and Audit Regulations 2003 (Amendment) 2006, regarding its arrangements to ensure it has sound systems of internal control, governance and risk management processes in place. This report indicates that the Council has adequate and effective arrangements in place which meet relevant statutory and regulatory requirements.

Sources of Information: Accounts and Audit Regulations 2003 (Amendment) 2006
CIPFA Code of Practice for Internal Audit in Local Government (2006)
Annual Internal audit Plan 2010/11

Contact Officer(s): Bami Cole Ext. No. 7039

Dr. Pav Ramewal
Corporate Resources Director

Internal Audit Annual Report

2010/11

DRAFT



Contents

Section	Page Number
Background	3
Introduction	3
Internal Audit Assurance Opinion	3
Audit and Efficiency Team Achievements	4-7
Internal Audit Approach	7-8
Internal Audit Section Performance	8-12
Planned Reviews - Summary of Findings – Annex 2	13
Definition of Audit Opinions – Annex 3	14
Unplanned Reviews - Summary of Findings – Annex 4	15

**SEVENOAKS DISTRICT COUNCIL
INTERNAL AUDIT REPORT 2010/11**

Background

1. This report covers the outcome of the work undertaken by the Audit and Risk and Ant-Fraud Team for the period 2010/11. The report also contains the overall Assurance Opinion of the Audit Manager regarding the effectiveness of the systems of internal controls within the Council for the period 2009/10; and a summary of the reviews carried out, including outturn performance indicators for the period.

Members may note that this is the first annual report following the shared services agreement with Dartford Borough Council.

2. The Accounts and Audit Regulations (Amendment) 2006, require local Councils to comply with proper practices regarding their arrangements for internal audit and internal control. The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (2006) details guidance regarding proper practice in relation to internal audit. This report is therefore prepared in compliance with the CIPFA Code of Practice (CoP).

Introduction

- 3 This report highlights the following details relating to the team's service plan objectives for 2010/11:
 - Provides an overall assurance opinion on the adequacy and effectiveness of the organisations control environment for 2010/11
 - Summarises the outcome of the team's work during 2010/11 with respect to:
 - The annual audit plan for 2010/11
 - Risk Management
 - Annual Governance Statement
 - Progress on Procurement
 - Assesses Internal Audit performance against a range of performance measures
 - Summarises the result of 2010/11 audit reviews. (Annexe 1)

4. Basis of the opinion on the Council's Internal Control Environment

The Internal Audit Manager's opinion on the Council's system of internal control environment is based on the work of the Audit and Efficiency team during 2010/11, details of which can be found in Annex A of this report.

4.1. Overall Assurance Opinion

In my opinion as Internal Audit Manager, Sevenoaks District Council's system of internal control contributes satisfactorily to the proper, economic, efficient and effective use of resources in achieving the Council's objectives. This opinion is based on the work of the Internal Audit Service during 2010-11 and giving regard to the work of the External Auditors.

Whilst it was identified that management had, in the main, established effective internal controls within the areas reviewed by internal audit during 2010-11, there were areas which presented opportunities for further improvements in internal control or where compliance with existing controls could be enhanced, to reduce the financial or reputational risk to the Council. Where such findings were identified, recommendations were agreed with management to further strengthen the controls within the systems/processes they affect.

The system of internal control is designed to manage risks to a reasonable level rather than to eliminate all risks of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

- 4.2. The assurance is based on the premise that the system of internal control is designed to manage risk to a reasonable level rather than eliminate risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance regarding the effectiveness of such controls.

Internal Audit

5. The key responsibility of the team is to provide an in-house internal audit service on behalf of the Council.
6. Internal Audit is defined by the CIPFA CoP as; “an assurance function that provides an independent and objective opinion to the organisation on the control environment (risk management, internal control and governance) by evaluating its effectiveness in achieving the organisation’s objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources”.
7. The audit plan for 2010/11 contained 23 reviews for 2010/11. All of which have been completed, with the exception of one, the review of risk management, which was been taken forward for operational reasons and is currently in progress.
8. The key aspects of our internal control responsibilities are aimed at achieving the following:
- to ensure adherence to management policies and directives in order to achieve the organisation’s objectives
 - to safeguard assets
 - to secure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records and
 - to ensure compliance with statutory requirements.
9. An additional responsibility is that the Council’s external auditors place reliance on our audit reviews in order to minimise the work they undertake

**SEVENOAKS DISTRICT COUNCIL
INTERNAL AUDIT REPORT 2010/11**

regarding systems testing. This reduces the Council's total audit costs and keeps duplication between external and internal audit work to a minimum. In order to meet the external auditor's requirements, we aim to test the key controls operating in all major financial system each year

10. Annex 2 shows a summary of opinions on individual reviews conducted during the year. Given that some of the audit work was carried out over a year ago, where appropriate an updated opinion is given to reflect changes over the period and the position as at 31 May 2011.
11. There were no significant issues arising from the work done with regard to the audit plan. We received a good response to our recommendations to improve control across the organisation. Departments implemented 12 (31%) (30/40. % in 2009/10) of our recommendations immediately following the audit, with action in progress or planned to implement the remainder within a reasonable timescale.

Prepare the Internal Audit Plan for 2011/12

12. The draft audit plan for 2011/12 was completed in March 2011 and agreed by Performance & Governance Committee on 19 April 2011. The plan is risk based, and reflects the Council's risk profile. At the time risk registers were being prepared. Thus the plan would be revised as necessary to reflect changes in the operational risk profiles of the Council. Any revisions will be taken to the next Performance and Governance Committee for approval.

Risk Management

13. The team currently co-ordinates the Council's strategic risk register, and updated it during the year to reflect changes and improvements in its presentation. The risk management framework is however under review; in the light of the shared partnership with Dartford Borough Council. To this effect we intend to refresh and update the approach in order to incorporate current developments in risk management.

Annual Governance Statement (AGS)

14. Regulation 4 of the Accounts and Audit Regulations (Amendment 2006) requires the Council to carry out an annual review of its governance arrangements. The team co-ordinated the information gathering process which fed into the production of the AGS and offered advice and information to Management in order to facilitate the effective completion of the process. A report on the Annual Governance Statement is included as agenda item for this meeting.

Summary of Activities/Progress on Procurement

15. The team provided corporate guidance on strategic procurement. During the year. The key activities undertaken during the year are set out in bullet points below. However, in view of the shared services arrangements between

Sevenoaks and Dartford Councils, we are currently exploring closer working with Dartford Council on procurement, were this would improve quality and value for money.

- Updated the procurement toolkit to include the new EU thresholds
- Developed a comprehensive contract register incorporating the Council's contracts
- Incorporated the Council's contracts into the South East Centre of Excellence (SECE) business portal to enable a more effective management of the contracting process.
- Co-ordinated and supported the work of the Council's Strategic Procurement Group
- Offered advice and information on Procurement, Contracting and Tendering to management and staff as necessary, both to ensure compliance and to maximise value for money
- Network and collaborated with other Kent Councils on Procurement initiatives through the West Kent Partnership

Other Activities

16. The team was part of the Revenues and Benefits shared services arrangement between Sevenoaks and Dartford Councils. As part of the implementation programme, a new joint Audit, Risk and Anti-Fraud Team was formed, incorporating the Benefits Fraud Investigations Team from both Councils.
17. A summary of the non-core activities undertaken by the team is as follows:
 - Liaise with the Council's external auditors and inspectors regarding matters pertaining to internal audit, risk management and procurement
 - KAG – participated in the Kent Audit Group (for heads of internal audit), conference and the Audit Manger acted as chairman for the group in 2010/11.
 - WKC – participated in the West Kent Consortium partnership in exploring areas for procurement efficiencies and closer working
 - Working with three other North West Kent Councils to collaborate and develop procurement initiatives in order to obtain greater efficiencies and a more effective procurement process.

Audit Approach

18. The following highlights our approach in carrying out our audit responsibilities during 2010/11:

Systems Based Reviews

19. When carrying out an audit review, we identify the financial and operational controls in place within the system to manage potential risks, and then

**SEVENOAKS DISTRICT COUNCIL
INTERNAL AUDIT REPORT 2010/11**

evaluate and test the controls to ensure that they are operating as planned. This allows us to test only a sample of transactions and still draw conclusions about how well procedures are working in the Council. The types of controls we expect to be in place are:

- up-to-date procedure notes, so that staff are aware of the procedures they should be following
- separation of duties, so that staff act as checks on each other's actions
- reconciliations between financial records and other records held, to confirm the accuracy of the financial records
- access to records is limited to those who require it
- effective review of exception reports and other management information
- effective supervision, so that any problems are promptly identified and addressed.

Contract Audit

20. As well as maintaining the Contracts Register, we advise on tendering procedures and compliance with legislation and regulations. We follow the progress of the contract throughout its life and confirm the final accounts have been checked to ensure these are in accordance with the contract and any variation orders. In accordance with guidance from CIPFA, we do not audit final accounts, as we place reliance on the technical staff responsible for managing and monitoring the contracts.

Fraud and Corruption

21. When a loss or potential fraud is brought to our attention or discovered during an audit we undertake an investigation in order to determine whether the loss was as a result of an error or deliberate action. Where appropriate, we make recommendations to improve controls within the system affected by the loss or allegation. Our work in this area this year includes:
- Investigation of two cases of suspected irregularity and other special investigations are set out in Appendix A Annexe 4 below.
22. The Audit Commission provides us with 'fraud warnings' throughout the year. Where appropriate, we will investigate to ensure that fraud found at other organisations is not taking place at Sevenoaks District Council. We also liaise with the National Fraud Initiative (NFI) regarding exchange of information to improve fraud monitoring as part of the risk management process. During the year we participated on the biennial NFI data gathering process which commenced in August 2010 and worked closely with the NFI and other Councils in pursuing data matches. This is a major regulatory exercise which aligns with both Councils' Anti-Fraud and corruption strategy. The data collated is processed by the Audit Commission to assess unusual activities which might lead to the identification of fraud or money laundering activities.

Following up Previous Year's Audits

23. Follow-up on previous audit recommendations and agreed actions is necessary to enable internal audit to assess the effectiveness of the audit recommendations implemented by management to address identified weaknesses in internal controls. When we carry out an audit, we follow up on any previous audit recommendations as part of our review. Where areas are reviewed annually this means that recommendations are usually followed up the year after they are made. However, where the audit opinion is unsatisfactory follow-up would be carried out within 3 to 6 months of the review.

Internal Audit Section Performance

24. Internal Audit's performance over the past year is analysed over a number of factors in order to facilitate continuous monitoring of inputs, outputs and quality, and to maintain high standards. Outturn data for performance measures are highlighted below (see paragraphs 31, 33, 36, 39, 41).

Quality Measures

25. *External Audit assessment* – The Audit Commission became the new external auditors of the Council in 2010. Since then we have worked closely with the District Auditor and his staff to meet the assurance requirements. We also agreed a communications protocol with the Audit Commission which informed and facilitated co-operation and liaison between internal and external audit.
26. The reliance placed on our work by the external auditors reduces both the duplication of audit effort and the total cost to the Council of work done by the external auditors. We will continue to work with the external auditors in 2011 to ensure an integrated audit approach.
27. *Audit satisfaction questionnaires* – At the completion of each audit, all recipients of our reports are asked to comment on their satisfaction with the audit process, by way of a survey questionnaire. The survey results are summarised in the following table.

Responses to Questionnaires

Question	2010/11		2009/10	
	yes (%)	no (%)	yes (%)	no (%)
Did the audit report give a true and fair view?	100	-	100	-
Was the report constructive and realistic?	100	-	100	-
Did the audit cover the subject	100	-	100	-

**SEVENOAKS DISTRICT COUNCIL
INTERNAL AUDIT REPORT 2010/11**

fully?				
Were you satisfied with the content of the report?	100	-	91	-
Did you find the auditor approachable and sufficiently responsive to your queries and comments?	100	-	100	-
Were the recommendations discussed and explained to you or your staff during the audit or before the issue of the report?	100	-	100	-

28. The survey results are excellent and improve upon the previous year’s results. We hope to sustain this level of customer satisfaction in the current year.

Implementation of Recommendations

29. Following our audit all report recipients are asked to complete a progress sheet showing whether they agree with the recommendations made and how they plan to implement them. The results are summarised as follows:

Analysis of progress sheets

Recommendations	2010/11		2009/10	
	number	%	number	%
accepted	39	100	75	100
Rejected	0	0	0	0
recommendation implemented	12	31	30	40
implementation in progress			41	50
implementation planned	26	67	0	0
no action recorded	1	3	1	1

In total, we made 39 recommendations in 2010/11. Some reports did not receive a recommendation, were the controls were found to be strong (see Appendix A annex 1)

30. The above shows that departments are taking action on 97% of our recommendations.

Input Resources

31. **Staffing** – The team has the full complement of staff agreed in the shared services agreement between Sevenoaks and Dartford Councils.
32. **Sickness levels** – The team has maintained total sickness level of 23 days in 2010/11, averaging less than 4 days (9 days in 2009/10).

33. **Training** – Training is important to equip staff with the skills they need to provide a quality and effective services, especially in the wake of shared services partnership. Over the past year, team members participated in the training covering the following areas:

- IDEA interrogation audit tool
- Use of Covalent risk management software
- Diversity Awareness
- Information systems auditing
- Time management
- New Agresso system
- Communications workshop
- Ivy soft (IN-house on-line training on a range of subjects)
- Assertiveness
- Disability Awareness
- Risk-Based Internal Auditing
- Stress Awareness
- Shared Services Architecture
- Professional briefings and workshops run by the Institute of Internal Auditors

In addition to the above, the trainee auditor successfully completed the examinations module of the Institute of Internal Auditors.

34. The section also participated in the following County Wide group meetings where best practice is discussed and disseminated:

- Kent Audit Group meetings – Heads of Audit
- West Kent Procurement partnership
- London Risk Management Group

Shared Services Agreement

35. This is the first annual report following the shared services arrangement with Dartford Borough Council for the provision of a joint internal audit service. The audit service is based at Dartford Council and has operated well during the year. A joint Audit Charter and Audit Strategy were approved by the Performance and Governance Committee in November 2011. During the year, all auditors from both councils were given the opportunity of experiencing working at both sites and have contributed to developing best practices from this experience, thus contributing towards a more effective assurance process. As part of the arrangement the team now also have lead role for risk management within Dartford Borough council. A review of requirement is currently being undertaken, in order to facilitate proposals to management which would be presented to the Performance and Governance Committee for consideration at the next meeting.

**SEVENOAKS DISTRICT COUNCIL
INTERNAL AUDIT REPORT 2010/11**

Output Measures**Completion of the audit programme:**

36. Twenty two (96%) of the 23 reviews identified within the audit programme for 2010/11 were completed. A minimum of 90% of the planned programme is required to be completed in order to obtain an adequate assurance opinion. The review not undertaken (Risk management Review) was carried forward to the 2011/12 Audit Plan and currently in progress.

Performance measures

37. In 2010/11, we were measured against the following PIs for Internal Audit based on the CIPFA guidance. The following shows our actual against our target performance for 2009/10.

	Measure	Target	Actual 2010/11	Actual 2009/10
1	<i>Percentage of internal audit time spent on direct activity</i>	<i>80% of available time.</i>	78%	80%
2	<i>Efficiency of the audit service</i>	<i>95% of draft reports issued within 15 working days of completion of the audit fieldwork.</i>	100%	92%
3	<i>Efficiency of the audit service</i>	<i>95% of audits achieved in allocated days (+10%)</i>	90%	92%
4	<i>Client satisfaction with audits carried out</i>	<i>92% client satisfaction as indicated by the responses to the post audit questionnaires.</i>	100%	99%

38. The performance figure for one above is affected by the transition phase during the shared services arrangement as there was some disruption and down time caused during initial staff consultation meetings and subsequent office moves. However overall performance did not suffer much, despite the transformational change undergone by staff within the service.

**SEVENOAKS DISTRICT COUNCIL
INTERNAL AUDIT REPORT 2010/11**

Appendix A - Annex 1

PROGRESS AGAINST SDC 2010/11 INTERNAL AUDIT PLAN							Status at 13/6/11	
	System audited	Final report issued	Draft report issued	Feedback process in progress	Fieldwork in progress	Brief issued	Possibly defer or cancel	
1	Annual Governance Statement	✓						
2	Budgetary Control	✓						
3	Cash and Bank Reconciliation	✓						
4	Community Engagement	✓						
5	Concessionary Fares	✓						
6	Corporate Property	✓						
7	Council Tax and NNDR	✓						
8	Creditors	✓						
9	Debtors	✓						
10	Housing & Council Tax Benefits	✓						
11	Impact of Budget Constraints on Services	✓						
12	IT Implementation & Security Arrangements	✓						
13	Main Accounting System (✓						
14	New Auditor Arrangements	✓						
15	Payroll	✓						
16	Performance Management	✓						
17	Planning	✓						
18	Procurement	✓						
19	Project Delivery	✓						
20	Risk Management & BCP			✓				
21	TASK Systems & Dunbrik Depot	✓						
22	Treasury Management	✓						
23	Use of Natural Resources	✓						
Total		22	0	1	0	0		

SEVENOAKS DISTRICT COUNCIL
INTERNAL AUDIT REPORT 2010/11

Agenda Item 11

Appendix A - Annex 2

Audit title	Opinion
Annual Governance Statement	N/A
Budgetary Control	Good
Cash & Bank Reconciliations	Good
Community Engagement	Good
Concessionary Fares	Good
Corporate Property Management	Satisfactory
Council Tax/NNDR	Good
Creditors	Satisfactory
Debtors	Good
Housing & Council Tax Benefits	Good
Impact of Budget Constraints on Services	Good
IT Implementation & Security Arrangements	Satisfactory
Main Accounting System	Satisfactory
New Auditor Arrangements	N/A
Payroll	Good/Satisfactory
Performance Management	Good
Planning	Satisfactory
Procurement	Satisfactory
Project Delivery Arrangements	Satisfactory
TASK Systems & Dunbrik Depot	Satisfactory
Treasury Management	Good
Use of Natural Resources	Satisfactory

**SEVENOAKS DISTRICT COUNCIL
INTERNAL AUDIT REPORT 2010/11**

Appendix A - Annex 3

AUDIT OPINIONS - Definitions

- Good** *Controls are in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against significant foreseeable risks. Compliance with the risk management process is considered to be good and no significant or material errors or omissions were found.*
- Satisfactory** *Controls exist to enable the achievement of service objectives, obtain good corporate governance, and protect against significant foreseeable risks. However, occasional instances of failure to comply with the control process were identified and opportunities still exist to mitigate further against potential risks.*
- Adequate** *Controls are in place and to varying degrees are complied with but there are gaps in the control process, which weaken the system and leave the Council exposed to some minor risks. There is therefore, a need to introduce some additional controls and improve compliance with existing controls to reduce the risk to the Council.*
- Unsatisfactory** *Controls are considered insufficient with the absence of at least one critical control mechanism. There is also a need to improve compliance with existing controls, and errors and omissions have been detected. Failure to improve controls leaves the Council exposed to significant risk, which could lead to major financial loss, embarrassment, or failure to achieve key service objectives.*
- Unacceptable** *Controls are generally weak or non-existent, leaving the system open to abuse or error. A high number of key risks remain unidentified and therefore, unmanaged.*

**SEVENOAKS DISTRICT COUNCIL
INTERNAL AUDIT REPORT 2010/11**

Appendix A - Annex 4

Summary of Special Investigations and Irregularity work for 2010/11

Description of Tasks	Work Carried out and Results
Special Investigations allegation of misuse of overtime	Internal Audit was requested by management to look into concerns regarding overtime claims following an allegation regarding over-claims. A further complaint was received by an external customer regarding over charge for services which was linked to the same team. The investigation determined that there was some substance to the allegations. The available evidence was reported to management for further action.
Review of Customer complaints investigation	<p>Internal Audit was requested to review the complaints process undertaken by the Council's complaints procedure regarding several allegations of unfair treatment in relation to Council Tax Benefits by a member of the public. The complaints had already been through the Council's complaints process and were not upheld. However, as the complainant remained unsatisfied and continued to make further allegations, management requested internal audit to have an independent look regarding how the process was conducted and also to offer an opinion regarding the substance of the complaints.</p> <p>The review concluded that the Council's complaints procedure was properly implemented by officers in the way the complainant's complaints were dealt with and that the allegations were not supported by available evidence.</p>
NFI Data Requirements	The team worked with the Audit Commission's, National Fraud Initiative to process data required to identify fraud. This exercise is carried out every 2 years and has been very successful. Reports are produced by the Audit Commission detailing data matches which are further investigated locally. The matches are produced where fraudulent activity is suspected. This could be a number of areas from ineligibility to claim benefits to duplicate payment of creditor invoices. Currently 1254 out of 1621 matches have been cleared. The remaining cases are being investigated with approx £7k currently in recovery, although this is expected to rise following further investigation results.

**SEVENOAKS DISTRICT COUNCIL
INTERNAL AUDIT REPORT 2010/11**

Statistical Returns to the DCLG	We liaise with the DCLG and respond to requests for information and statistics regarding procurement. There are no major issues to report regarding this matter.
---------------------------------	--

PERFORMANCE AND GOVERNANCE COMMITTEE – 28 JUNE 2011

ANNUAL GOVERNANCE STATEMENT 2010/11

Report of the: Chief Executive

Status: For Decision

This report supports the Key Aim of Effective Management of Council Resources

Portfolio Holder Cllr. Ramsay

Head of Service Head of Finance and Human Resources – Tricia Marshall

Recommendation: It be RESOLVED that the Annual Governance Statement for 2010/11, which supports the Council's Accounts, be agreed.

Background

- 1 Members may be aware that the Performance and Governance Committee is required to consider and approve the Annual Governance Statement (AGS) which supports the Council's Annual Accounts, as part of the Performance and Governance Committee's terms of reference.
- 2 The Annual Governance Statement explains how the Council has complied with the Local Code of Corporate Governance (which is consistent with the principles of the CIPFA Guidance, "Delivering Good Governance in Local Government"); as well as its internal control and risk management processes. It is a corporate document involving a variety of people including Officers, Members and external regulatory agencies charged with delivering or contributing towards the delivery of good governance within the Council.

Introduction

- 3 Members are requested to consider and agree the AGS, details of which are attached as an Appendix to this report. The AGS is required to be considered separately from the Accounts to ensure compliance with the requirements of the Accounts and Audit Regulations 2003 (Amendment) 2006.

Ownership of The Annual Governance Statement

- 4 The Annual Governance Statement is a corporate document which is owned by all senior Officers and Members of the Council. A shared approach was taken in compiling the AGS, as delegation to a single individual or section would lessen the statement's significance and may encourage people to distance themselves from their proper responsibilities.

Agenda Item 12

Performance and Governance Committee – 28 June 2011

- 5 The AGS, together with the system of internal control, is reviewed continually throughout the year as part of routine governance and managerial processes; prime examples being the authority's performance management and risk management frameworks.
- 6 Although corporately owned, the AGS requires individual assessments/assurance statements from Heads of Service, Directors, the Monitoring Officer and the Section 151 Officer, all of which were obtained as part of the information gathering process which informed the AGS.

Outcome of the Process

- 7 The process identify that the Council has sound systems of internal control and governance in place. The only issue of significance identified during the process is highlighted on paragraph 6 of the report.

Approval Process

- 8 The AGS was considered by the Officers Risk management Group on 14th June 2011 and by Management Team on 15th June 2011. The P&GC is therefore requested to considered and approved the AGS at this meeting.. Following approval by the P&GC, the AGS is required to be signed by the Leader and the Chief Executive prior to inclusion in the Council's financial accounts.

Key Implications

Financial

- 9 This report has no financial implications.

Community Impact and outcomes

- 8 Not applicable

Legal, Human Rights etc.

- 9 This report has no additional legal implications

Resource (non-financial)

- 10 Not applicable

Value for Money and Asset Management

- 11 Not Applicable.

Equality

- 12 There are no additional equality implications for this report

Sustainability Checklist

13 Not applicable

Conclusions

14 The Annual Governance Statement has been prepared in compliance with relevant professional guidance. It demonstrates that the Council had sound governance arrangements in place during the year and in the period leading up to the preparation of the Council's Annual Accounts. Members are therefore requested to agree the attached AGS.

Risk Assessment Statement

15 The Council is required to produce an Annual Governance Statement to demonstrate that it has sound governance arrangements in place through-out the financial year, which supports its Annual Accounts. The Annual Governance Statement accompanying this report meets that requirement and was produced in compliance with proper practices in accordance with relevant professional guidance.

Sources of Information:

Accounts and Audit Regulations 2003
(Amendment) 2006

Delivering Good Governance in Local
Government. CIPFA (2007)

Annual Internal audit Plan 2009/10

Contact Officer(s):

Bami Cole Ext. No. 7236

Robin Hales
Chief Executive

ANNUAL GOVERNANCE STATEMENT 2010/11

1. Background

The Annual Governance Statement (AGS) is a corporate document involving a variety of people charged with developing and delivering good governance including:

- the most senior Officer and the most senior Member as signatories;
- directors and management assigned with the ownership of risks and the delivery of services;
- the Section 151 Officer who is responsible for the accounting control systems, records and the preparation of the statement of accounts;
- the Monitoring Officer in meeting her statutory responsibilities of ensuring the legality of Council business;
- the Council's Internal Audit Function;
- Members (for example, through the Performance and Governance Committee); and
- others responsible for providing assurance, for example Baker Tilly (as the Council's external auditors) and the Audit Commission.

Thus the AGS, as a corporate document, is owned by all senior Officers and Members of the Council. A shared approach was taken in compiling the AGS with the objective of engaging the whole authority within the process and encouraging a high quality of reflection and corporate learning. This increases the statement's significance and encourages people to objectively assess their responsibilities.

The AGS, together with the system of internal control, is reviewed continually throughout the year as part of routine governance and managerial processes; prime examples being the authority's performance management and risk management systems.

Although corporately owned, the AGS requires assessments/assurance statements from Heads of Service, Directors, the Monitoring Officer and the Section 151 Officer, all of which were obtained as part of the process.

2. Scope of Responsibility

Sevenoaks District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. Sevenoaks District Council seeks to conduct these responsibilities within the framework of achieving continuously improving, high quality service provision to enhance community wellbeing and engagement.

In discharging this overall responsibility, Sevenoaks District Council is also responsible for ensuring that there is a system of corporate governance which facilitates the effective and principled exercise of the Council's functions and which includes arrangements for the management of risk.

The roles of the Chief Executive (as Head of paid Service), the Section 151 Officer, the Monitoring Officer and the Executive Role of Members are defined within Part 13 of the Council's Constitution.

Officers and Members are expected to conduct themselves in a proper manner in accordance with the Constitution and both are expected to declare interests that may impact on the Council's decision making process. These interests are held on a register and are reviewed on a regular basis by the Monitoring Officer.

Sevenoaks District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code can be obtained from our Audit & Efficiency team or via [the Council's website](#). This statement explains how Sevenoaks District Council has implemented both the code and the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

3. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the authority informs, directs, manages and monitors its operations, and its activities through which it accounts to, engages with and empowers the community. It enables the authority to evaluate the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Sevenoaks District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Sevenoaks District Council for the year ended 31 March 2011 and up to the date of approval of the statement of accounts.

4. The Governance Framework

The following represent the key elements of the governance framework within Sevenoaks District Council:

- The Council's objectives to March 2011 were established and set out in the Sevenoaks District Sustainable Community Action Plan 2010-13 and the Corporate Performance Plan. The Sustainable Community Plan was approved and adopted in March 2010.
- Both of these plans are subject to considerable Member review and challenge by Cabinet, the appropriate Select Committee or the Performance and Governance Committee, the Finance Advisory Group and ultimately by the full Council. These plans are also cascaded to individuals within the Council through Service Plans and individual action plans through the appraisal process. Furthermore the Council has now adopted an approach whereby the appropriate Select Committee scrutinises key proposals prior to Cabinet making its decision.
- Policy and decision-making is facilitated through reports from Officers to Cabinet. Each Cabinet Member has responsibility for a specific portfolio and will take decisions on matters relevant to that portfolio. Committees have the opportunity to 'call-in' the decisions of Cabinet and recommend changes to decisions or policies.
- The Council's Constitution specifies the roles and responsibilities of Members and Officers; and the financial and procedural rules for the efficient and effective discharge of the Council's business.
- Implementation of established policies, procedures, laws and regulations and good practice is achieved through:
 - a) **Internal Audit** – The Council's internal audit team is now provided through a shared services arrangement with Dartford Borough Council in order to generate efficiencies and provide resilience. Although the partnership now includes staff from Dartford, there were no further staff changes within the team. The team continues to work to an approved annual audit plan and undertakes that work in accordance with the CIPFA Code of Practice for Internal Audit in the United Kingdom (revised 2006). Individual audit reports are produced for relevant management, with copies to the Chief Executive, Section 151 Officer and the relevant Director. Annual audit reports are made to the Performance and Governance Committee; this annual report evaluates the overall internal control environment as tested through audit work undertaken in the relevant year. The review of the effectiveness of Internal Audit was assessed in May 2011 as 'satisfactory' in meeting the requirements of an adequate and effective internal audit service.
 - b) **External Audit and Audit Commission** – External audit reports are sent to senior management and Members. Recommendations and comments are considered and discussed with timely actions taken to address agreed recommendations. The Council scored highly in all its recent audit and inspection reports.
 - c) **Financial Management** – A robust budgetary control system is in place and regular monitoring reports are produced for Heads of Services, Management Team, Cabinet, the Performance and Governance Committee and the Finance

Advisory Group. Senior accountants conduct monthly client liaison meetings with responsible budget holders.

- d) **Performance Management** – Monitoring of the achievement of the Council's objectives is undertaken through the Council's performance management system which is developed through monthly monitoring with Head of Service commentaries. Strategic information is reported to Management Team, Cabinet Members and Performance and Governance Committee.
- e) **Arrangements for Partnerships** – The Council believes that it can enhance value for money with service delivery through innovative and cost-effective partnership working. The Council engages in extensive discussion and planning to develop efficient working arrangements while protecting quality of services. The Council has developed a comprehensive partnership toolkit to ensure that partnerships incorporate the Council's culture and comprehensive approach to managing risk. Decisions to enter into partnership working are supported by business cases and cost-benefit analysis, and are subject to scrutiny and approval by Members. The Council has successfully implemented a major shared service project during 2010-11.
- f) **Risk Management** – A risk management strategy is in place and corporate strategic risks have been identified and assessed. Relevant risk owners manage these risks, as well as operational risks. An Officer Risk Management Group is also in place and operates effectively. The Council however recognised the need to take account of technical developments in all aspects of its operations. To this effect, the risk management framework is currently being reviewed with a view to incorporate technical developments and shared working with Dartford Borough Council.
- g) **Relationships and Ethics** – Good co-operative relationships exist between the Council and its external auditors and inspectors and between Officers and Members. Relationships between Officers and Members are guided by a protocol embedded in the Council's Constitution. A written communications protocol has also been established between the Leader and the Chief Executive. The Council has clear Codes of Conduct for Members and Officers within its Constitution, underpinned by a culture of integrity and ethical behaviour. Member conduct is scrutinised by the Standards Committee.
- h) **Service Delivery by Trained and Experienced People** – The Council has a robust recruitment policy and procedures in place. The Council holds Gold status in the Investors in People (IiP) New Choices scheme, conferred by an external inspection regime in November 2009. The Council is the first local authority nationally to achieve this standard. Staff appraisals take place at least annually, including an annual review of service and training planning, training evaluation and recruitment and selection procedures.
- i) **Monitoring Officer** – The Council has appointed a Monitoring Officer to oversee its compliance with laws and statutory obligations. The Monitoring Officer reports to the Council's Standards Committee. Regular meetings between the three statutory Officers (Chief Executive, Corporate Resources

Director and Head of Legal Services) form part of the Council's governance arrangements.

- j) **Anti-fraud and Corruption** – The Council has a fraud and corruption policy, including a whistle-blowing policy, published on its intranet site. Both have been reviewed and updated within the last 12 months. The Council also has a dedicated Benefits Fraud Team and a “fraud hotline”, available to both staff and members of the public, which allows individuals to report anonymously any suspected cases of fraud and corruption. The risks of fraud and corruption have been assessed within the strategic risk register and appropriate measures put in place to mitigate these risks.

5. Review of Effectiveness

- 5.1 Sevenoaks District Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review is informed by the work of the Council's internal auditors and by Heads of Service who have responsibility for the development and maintenance of the internal control environment. It also considers comments made by the external auditors and other external review agencies and inspectorates. The Council is keen to allow itself to be the subject of external scrutiny and challenge.
- 5.2 Though the Government has abolished the previous Comprehensive Area Assessment, the External Auditor was still required to reach a conclusion on value for money. The External Auditor concluded that, for 2009-10, the Council had adequate arrangements in place to ensure value for money was achieved.
- 5.3 Annual internal audit reports are presented to the Performance and Governance Committee (which fulfils the requirements of an Audit and Risk Management Committee), giving the Audit and Efficiency Manager's opinion on the overall internal control and governance environment. Any internal audit review judged “unsatisfactory” or “unacceptable” is subject to timely action plan and follow-up audit.
- 5.4 The opinion of the Audit and Efficiency Manager in the Annual Audit Report to the Performance and Governance Committee for 2010/11 is that the service was “effective”.
- 5.5 Baker Tilly, the Council's previous External Auditor, issued an unqualified opinion on the 2009/10 Accounts. The Council is not aware of any material matters arising from the most recent work undertaken by its current external auditors the Audit Commission.
- 5.6 The Responsible Financial Officer and the Monitoring Officer periodically review the Constitution, procedures for internal financial control and application of the various Codes of Conduct.
- 5.7 The Council has been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Council and a

plan to address weaknesses and ensure continuous improvement of the system is in place. Significant issues arising from this review have been highlighted in section 6 below.

5.8 The Council continues to review and improve its governance arrangements. Improvements during 2010/11 include the following:

- Review and update of the Council's Constitution;
- Review and update of the Council's Procurement Strategy;
- Successful implementation of Shared Service arrangements to generate efficiencies, improve quality and resilience;
- The development and testing of the Council's Business Continuity and Incident Management Plan; and
- Review of the work and performance of the Performance and Governance Committee and completion of a self-assessment of the Committee's performance, including an end of year report by the Chairman of the Committee.
- The Standards Committee, comprising of elected Members, independent representatives and Town and Parish Council governs the actions of the executive and ensures that Members adhere to the protocols of Conduct as set out in the Constitution.

6. Significant Governance Issues

The Authority has been served by the Health and Safety Executive with an Improvement Notice in relation to risk assessments relating to mechanical street sweeping operations. The Council is appealing the Notice and at present matters stand adjourned.

..... Date:

..... Date:

Robin Hales

Peter Fleming

Chief Executive

Council Leader

on behalf of Sevenoaks District Council

Dr. Pav Ramewal

Deputy Chief Executive and Director of Corporate Resources
June 2011

PERFORMANCE AND GOVERNANCE COMMITTEE – 28 JUNE 2011

BENEFITS FRAUD REPORT 2010/11

Report of the: Director Of Corporate Resources

Status: For Consideration

This report supports the Key Aim of Effective Management of Council Resources

Portfolio Holder Cllr. Ramsay

Head of Service Head of Finance and Human Resources – Tricia Marshall

Recommendation: It be RESOLVED that Members note the contents of the report and the work of the Benefits Fraud Investigations Team carried out in 2010/11 and the work proposed for 2011/12.

Background and Introduction

- 1 Members may be aware that the Benefits Fraud Team joined with the Internal Audit Team following the shared services agreement with Dartford Council in 2010. The new team became the Audit, Risk and Ant-Fraud team, serving both Councils. In view of the new arrangement the Performance and Governance Committee assumes responsibility for monitoring the work of the new Audit, Risk and Anti-fraud Team. The committee usually reviews the work of Internal Audit, thus report is sent to the committee in view of its new wider remit following the shared services arrangements.
- 2 The report set out details of the activities of the Benefits Fraud Team during 10/11 and the team's work plan for 11/12. The team is responsible for conducting investigations into benefit fraud and the recovery of overpayments of benefits, in addition to imposing relevant sanction or prosecution of offenders where appropriate.
- 3 In future, information on work relating to the Benefits Fraud Team will be included in the Internal Audit update reports.

Summary of Issues in the Report

- 4 Details of the activities of the team during the year 10/11 are attached as the Appendix to this report. The team's performance is set out in section three of the Appendix. Section five sets out the team's priorities for 11/12.
- 5 A key highlight during the year is the streamlining and standardising of procedures in order to maximise efficiency and improvements in service

Item No. 13

delivery of the shared benefits service. This led to improvements in performance and quality.

- 6 New joint policies were developed and agreed by the Performance and Governance Committee during 10/11, this includes; Whistle Blowing Policy, Benefits Fraud Prosecution Policy and an Anti-fraud and Corruption policy.

Partnership with Dartford Borough Council

- 7 This is the first report following the shared services arrangement with Dartford Borough Council for the provision of a joint service. The service is based at Dartford Council and has operated well during the year with improvements in service standards and performance.

Key Implications

Financial

- 8 This report has no financial implications.

Community Impact and outcomes

- 9 An effective benefits fraud service provides assurance that the Council has an adequate control environment in place, which would generate public confidence amongst the community, in addition to preventing the misuse of public funds.

Legal, Human Rights etc.

- 10 This report has no additional legal implications.

Resource (non-financial)

- 11 Not applicable.

Value for Money and Asset Management

- 12 See 9 above.

Equality

- 13 There are no additional equality implications for this report.

Sustainability Checklist

- 14 Not applicable.

Risk Assessment Statement

- 15 The Council is required to have proper arrangements in place to deal with fraud and corruption, including benefits fraud. The work of the team meets this

Item No. 13

requirement and has effectively delivered service improvements whilst generating efficiency for the Council. However continuous risk assessment is undertaken to ensure that any potential threats or opportunities posed by shared services working are properly addressed.

Sources of Information: Accounts and Audit Regulations 2003 (Amendment) 2006

CIPFA Code of Practice for Internal Audit in Local Government (2006)

Annual Internal audit Plan 2010/11

Contact Officer(s): Bami Cole and Glen Moore Ext. No. 7039

Pav Renewal

Housing Benefit Fraud

10/11 – End of Year Report

1. Introduction

This report sets out the activities of the Benefit Fraud Team for 10/11 following the shared services agreement between Sevenoaks District Council and Dartford Borough Council in September 2010 and confirms the team's priorities for 11/12.

2. Background

On 1st September 2010 the Benefit Fraud Teams from Dartford Borough Council (DBC) and Sevenoaks District Council (SDC) officially merged, operating from a main base at the Civic Centre Dartford, whilst maintaining a presence at the Revenues & Benefits offices in Argyle Road Sevenoaks, through a hot-desk arrangement.

The two fraud teams had already forged very close links, with SDC loaning DBC a benefit investigator for two days a week (with effect from April 2009) and the SDC Fraud Manager working at the Civic Centre at Dartford for two days a week from October 2009 onwards.

The benefit fraud shared services partnership arrangement was part of the wider Revenues and Benefits agreement between the two councils, which resulted in the Benefit Fraud Team becoming part of the shared Internal Audit Team; thus creating a new team called Audit, Risk and Anti-Fraud, serving both councils. The new team generated a total annual revenue saving of approx £70,000 to be shared between the councils in addition to the savings generated by the Revenues and Benefits shared services agreement.

3. Performance

Overall performance was maintained at a satisfactory level during the year of transition to the new service. Looking ahead in 11/12, as the team settles into its new working environment, we expect the benefits of a shared service to be realised through improvements in quality and output.

Local authority benefit fraud teams have one main performance indicator – sanction attainment. A benefit sanction is the 'punishment' imposed by the authority when it is proven that a claimant has committed benefit fraud.

Sanctions can be either:

A Formal Caution – Claimant admits the offence in question and signs a declaration to this effect and repays all overpaid benefit back. The offence is relatively minor.

Item No. 13 – Appendix

An Administrative Penalty – Claimant does not admit the offence in question, but agrees to repay all overpaid benefit plus a 30% penalty on top as an alternative to legal action being taken against them. The offence is relatively minor.

Prosecution – Claimant has to repay all overpaid benefit and legal action is instigated because offence is deemed too serious for an alternative sanction to be considered.

For a case to be considered for a sanction the authority must be able to prosecute the offences involved and so the investigation file must be up to prosecution standard. If a claimant is offered either a Formal Caution or Administrative Penalty, but chooses to decline this sanction then the authority has within its powers to prosecute that individual.

A secondary performance indicator is also maintained – number of completed investigations per annum. Investigators are set an annual target to ensure that their allocated caseloads are dealt with efficiently and effectively. Allowances are made when an investigator has numerous complex cases, requiring lots of manual input, causing them to fall short of defined target.

Sanctions

In 09/10, SDC's Fraud Team attained 33 successful benefit sanctions (this included 15 Formal Cautions, 6 Administrative Penalties and 12 prosecutions). The team's annual target had been set at 22.

In 10/11, a target of 24 successful sanctions was set. The team attained 24 successful sanctions (this included 12 Formal Cautions, 5 Administrative Penalties and 7 successful prosecutions).

Completed Investigations

In 09/10 SDC completed a total of 109 benefit investigations, of which 61 (56%) were fraud proven.

In 10/11 a target of 114 completed benefit investigations was set. The Fraud Team completed 105 benefit investigations, of which 45 (43%) were proven fraud.

4. Overall Effects of Shared Services

The merging of the Benefit Fraud Teams from Sevenoaks District Council and Dartford Borough Council has brought many benefits:

- Improved resilience with the new joint team better able to cover any long-term staff absences caused by sickness or other issues;
- The quality of fraud work has improved in both local authorities through sharing good practice/methods and utilising the different skill sets of the officers from the two authorities to forge better working practices;

- Sevenoaks District Council and Dartford Borough Council are natural working partners due to their geographical locations. Some new fraud has been uncovered when officers with a Sevenoaks knowledge background have reviewed Dartford cases and recognised discrepancies within the benefit claims and vice-versa.

5. Priorities for 11/12

The Fraud Team has prioritised the following areas of work for the financial year 11/12:

Benefit Fraud Investigations

- Continue to produce high quality benefit fraud investigations and take the appropriate action against any proven perpetrators, in-line with the authority's benefit fraud prosecution policy.

Allegations of Benefit Fraud

- Continue to record, assess and suggest appropriate action on all allegations of benefit fraud received from the general public or members of staff/contractors working for the council. In 10/11 SDC received 302 allegations of benefit fraud from these sources. It is estimated that the authority will see a 10% increase on the number of allegations received during 11/12.

HBMS – Data Match Scheme

- Continue to assist the Housing Benefit Team in vetting and reporting on all matches received through the Housing Benefit Matching Service (HBMS) data match scheme. HBMS is a data-match exercise run by the Department for Work & Pensions (DWP) which compares local authorities benefit data, on a monthly basis, with key databases maintained by DWP and HMRC. The aim is to highlight instances of both fraud and error with the LA's benefit caseload. In 10/11 SDC received 339 matches from this source. Again it is estimated that the authority will see a 10% increase in referrals received through this source.

National Fraud Initiative – Data Match Scheme

- Continue to review the benefit-related matches received, in February 2011, from the National Fraud Initiative (NFI) data match exercise and investigate any instances of apparent fraud. NFI is a bi-annual exercise run by the Audit Commission which compares various databases held by local authorities (for example, benefits, housing, licensing, payroll etc) with data held by all other local authorities in England & Wales and data held by key employers in the UK (for example, NHS). SDC received 836 benefit-related matches. To date, 576 have been reviewed and 6 benefit investigation files raised.

Liaison with External Fraud Agencies

Item No. 13 – Appendix

- Continue to maintain close working links with investigative colleagues from the Department for Work & Pensions, including working on joint benefit fraud investigations, involving both local authority and DWP administered benefits, and assist in the work leading towards a single fraud investigation service.

Targets for 2011/2012

<u>Item</u>	<u>Annual Target</u>
Number of successful benefit fraud sanctions expected.	25
Number of completed benefit fraud investigations expected	111

PERFORMANCE & GOVERNANCE COMMITTEE – 28 JUNE 2011

PROPERTY REVIEW – DISPOSAL OF PUBLIC TOILETS (IDE HILL, KEMSING, LEIGH, SWANLEY)

Report of the: Corporate Resources Director

Also considered by: Cabinet – 21 July 2011

Status: For Decision

Key Decision: No

This report supports the Key Aim of Effective Management of Council Resources

Portfolio Holder Cllr. Ramsay

Head of Service Head of Finance and Human Resources – Mrs. Tricia Marshall

Recommendation: That it be recommended to the Cabinet that the public toilets at Ide Hill, Kemsing, Leigh and Swanley be disposed of in accordance with the recommendations contained within the report and subject to any other conditions that the Council's legal advisors consider necessary to protect the Council's interests.

Introduction

- 1 As part of the 2011/12 budget process a number of public toilets were closed to public use and as part of the ongoing Property Review the future of these toilets has been considered.
- 2 The first consideration has been exploring the possibility of transferring the toilets to the relevant town or parish council and should that not prove possible disposal of the premises on the most economically advantageous terms has been investigated.
- 3 Ide Hill Toilets – the parish council has expressed an interest in taking a transfer of the freehold of the public toilets and adjoining lay-by and is currently operating the toilets at their own expense. It is recommended that the toilets and lay-by be transferred to the Parish Council at nil cost.
- 4 Wheatsheaf Car Park, Kemsing – these public toilets were constructed within the free public car park leased from the owners of the adjoining Wheatsheaf Public House. The lease, which expires in 2016 prevents the creation of any sub-leases although the whole lease could be assigned to a third party, the Parish Council do not want to take a lease of the car park as well as the toilets. At present the Parish are operating the toilets at their own expense and

Agenda Item 14

Performance and Governance Committee – 28 June 2011

it is recommended that the freeholders be approached to obtain permission to grant a sub-lease of the toilets to the Parish Council at nil cost.

- 5 Leigh Toilets – these toilets were constructed as part of the extension to Leigh School on District Council land and although the school has asked whether they could be transferred to it the possibility that the property may prove suitable for conversion to offices by Time to Talk has been investigated. Time to Talk is the last remaining tenant of the Cobden Road Centre which is currently 92% vacant. Relocating the tenant would enable the future of the Cobden Road Centre to be considered in full by members at a subsequent meeting an subject to the agreement of terms Time to Talk are prepared to consider purchasing Leigh Toilets and converting them at their own expense. It is recommended that officers be authorised to conclude negotiations for the purchase of Leigh Toilets by Time to Talk at a figure to be agreed with the District Valuer. If agreement cannot be reached it is recommended that the toilets be sold on the open market by auction.
- 6 Public Toilets, Station Road, Swanley – When these toilets were constructed 25% of the floor area was designed to accommodate a taxi office which is let on a 20 year internal repairing lease at £2,750p.a. The tenant has expressed an interest in acquiring the freehold of the whole property and it is recommended that officers be authorised to conclude negotiations for the purchase of Swanley Toilets by tenant at a figure to be agreed with the District Valuer. If agreement cannot be reached it is recommended that the toilets, subject to the existing tenancy, be sold on the open market by auction.

Key Implications

Financial

- 7 As there is no operational need for the toilets retaining the toilets will incur the District Council in maintenance, security and business rate liability.

Community Impact and Outcomes

- 8 The community impact of closing these toilets was considered as part of the budget savings process referred to above.

Legal, Human Rights etc.

- 9 No legal or human rights issues have been identified.

Value For Money and Asset Management

- 10 It is not considered good practice to retain vacant property which has no identified operational use

Equality Impacts

- 11 No legal or human rights issues have been identified.

Conclusions

12 The various options are contained within the body of the report

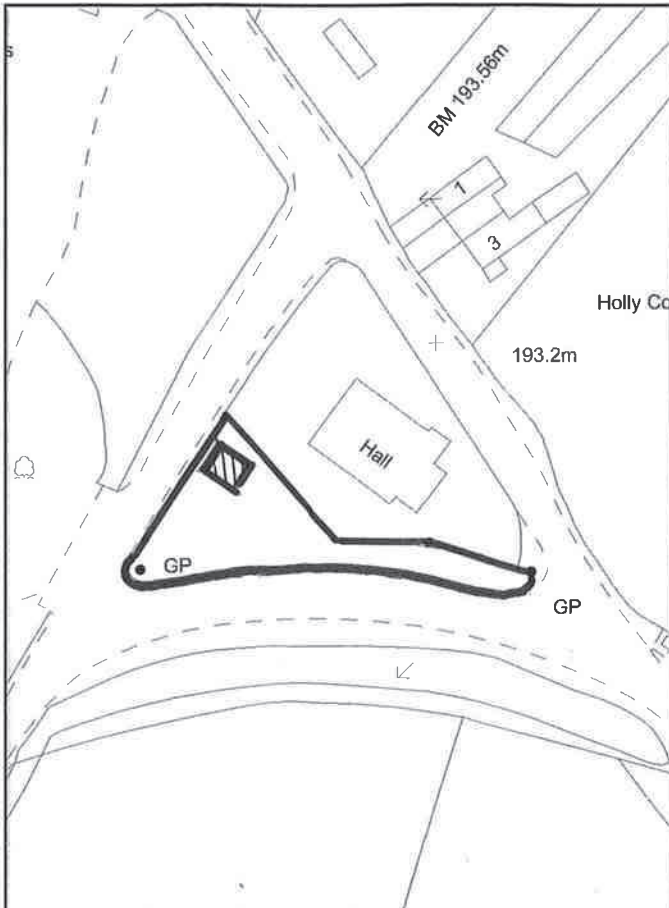
Risk Assessment Statement

13 The risk associated with this matter is that the longer the toilets, which have already been declared non-operational, remain vacant or unused the greater the risk of damage by vandalism

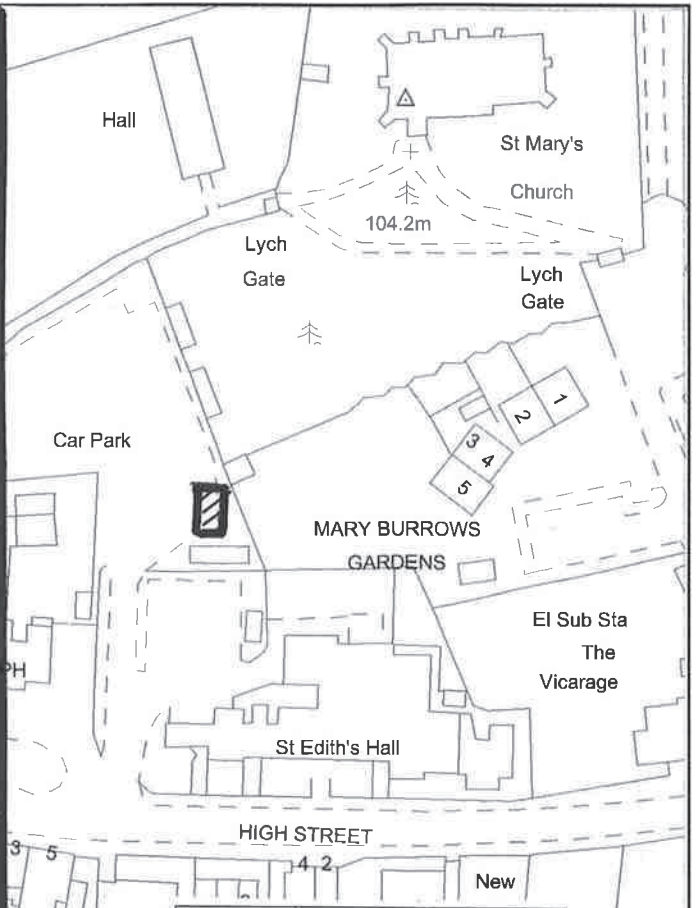
Background Papers: Property Review – Public Toilets file

Contact Officer(s): Jim Latheron – Ext. 7209

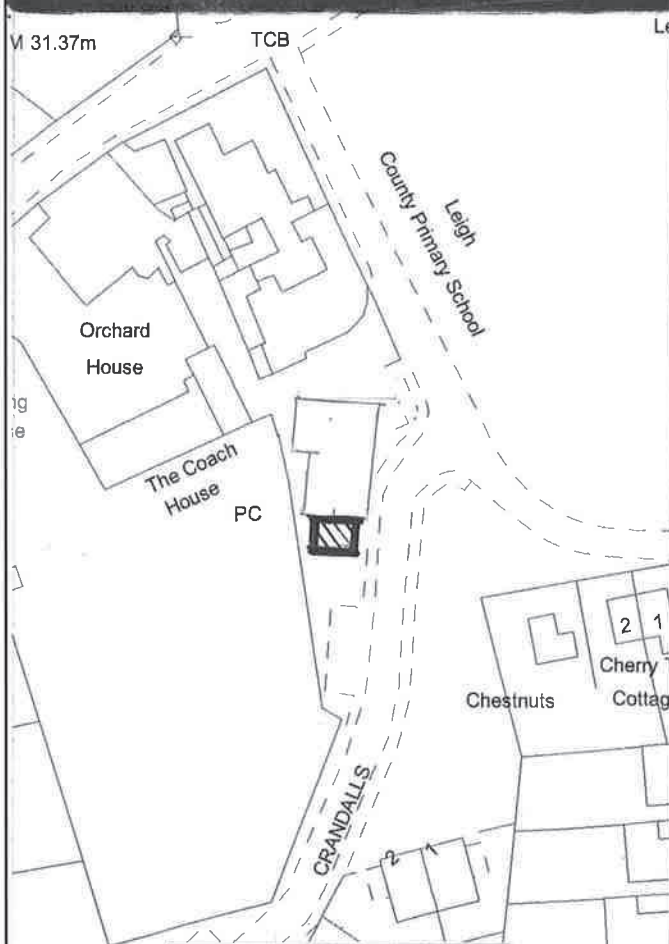
Dr. Pav Ramewal
Corporate Resources Director



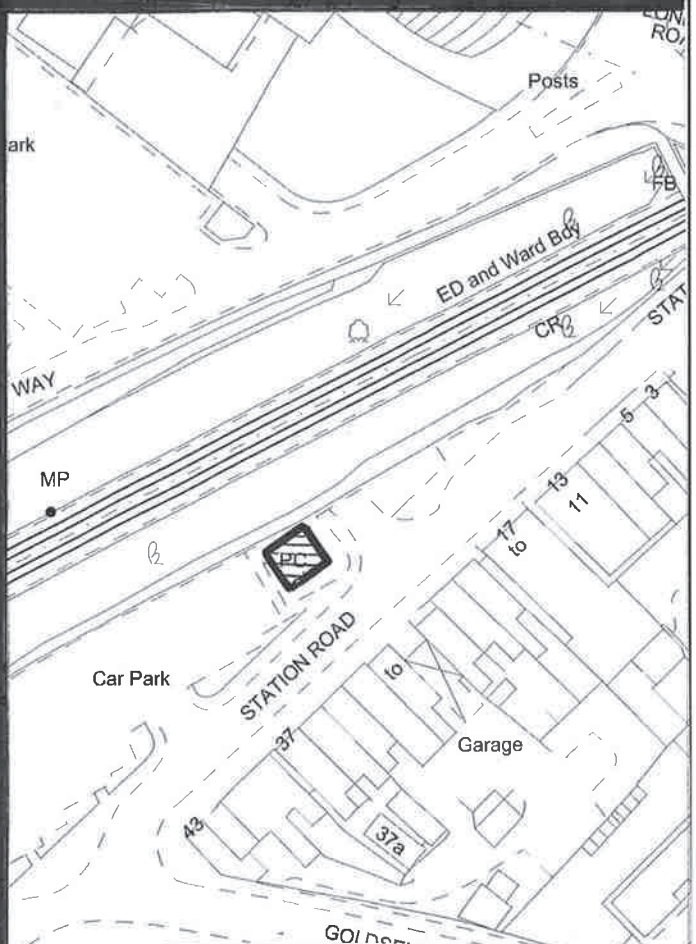
Public Toilets & Lay-by - Ide Hill



Public Toilets - Kensing



Public Toilets - Leigh



Public Toilets - Swanley

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank