



Sevenoaks

DISTRICT COUNCIL

Despatched: 05.03.12

PERFORMANCE AND GOVERNANCE COMMITTEE

13 March 2012 at 7.00 pm

Conference Room - Council Office

AGENDA

Membership:

Chairman: Fittock Vice-Chairman: Walshe

Cllrs. Mrs. Bayley, Clark, Mrs. Cook, Davison, Dickins, Firth, Gaywood, Grint, Hogarth,
London, McGarvey and Piper

	<u>Pages</u>	<u>Contact</u>
Apologies for Absence.		
1. Minutes	(Pages 1 - 6)	Vanessa Etheridge
Minutes of the Meeting of the Performance and Governance Committee held on 10 January 2012.		
2. Declarations of interest.		
3. Formal Response or Consultation Requests from the Cabinet and/or Select Committees following matters referred by the Committee:	(Pages 7 - 8)	
(a) Treasury Management (Cabinet – 9 February 2012)		
4. Actions from the last meeting of the Committee.	(Pages 9 - 10)	
5. To receive the minutes of the Finance Advisory Group for information.	(Pages 11 - 16)	David Lagzdins
Minutes of the meeting held on 25 January 2012.		
6. Future Business, the Work Plan 2011/12 and the Forward Plan.	(Pages 17 - 18)	
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.		

7.	Audit Commission - Audit Plan and Update.	(Pages 19 - 64)	Adrian Rowbotham
8.	Argyle Road Offices, Sevenoaks - Occupancy Report.	(Pages 65 - 68)	Jim Latheron
9.	Update of the Council's Anti-Fraud and Corruption Strategy to reflect the requirements of the Bribery Act 2010	(Pages 69 - 82)	Bami Cole
10.	Annual Internal Audit Plan 2012/13	(Pages 83 - 102)	Bami Cole
11.	Internal Audit Progress Report - Quarter 3	(Pages 103 - 114)	Bami Cole
12.	Performance Monitoring	(Pages 115 - 128)	Lee Banks
13.	Budget Monitoring -January 2012 Figures	(Pages 129 - 134)	Adrian Rowbotham

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:

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
10 January 2012 commencing at 7 pm**

Present: Cllr. Fittock (Chairman)

Cllr. Walshe (Vice-Chairman)

Cllrs. Mrs. Bayley, Clark, Mrs. Cook, Davison, Dickins, Mrs. Firth,
and London.

Apologies for absence were received from Cllrs. Gaywood, Hogarth,
McGarvey and Piper.

Cllrs. Mrs. Davison and Ramsay were also present.

41. **WELCOME AND FAREWELL**

The Committee welcomed Philippa Stone the new Democratic Services Manager to the meeting and the District Auditor, Andy Mack and Audit Manager, Richard Smith.

The Chairman, on behalf of the Committee, congratulated Tricia Marshall, the Head of Finance and Human Resources, on her recent promotion to Director of Resources at Canterbury City Council. The Committee wished her every success in her new position.

42. **MINUTES OF PREVIOUS MEETING**

Members were advised of two errors in the printed minutes which had been corrected before publication on the committee management information system (CMIS). It was noted that Cllr. Walshe's attendance had been repeated, and that the date of the signed minutes had been listed as 15 November 2011 instead of 27 September 2011 (Minute 31). An amended page was tabled for information.

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

43. **DECLARATIONS OF INTEREST**

No declarations of interest were made.

44. **2010/11 ANNUAL AUDIT LETTER (Report No. 9)**

The Chairman, with the agreement of the Committee, brought consideration of this item forward on the agenda.

The District Auditor advised that the Annual Audit Letter was the public report which reflected all that he had been saying to the Committee over the past year. There were two main areas: Accounts and Value for Money. It had been a good year and he had issued unqualified opinions for both areas. The financial statements were good, complied with the new requirements under the International Financial

Agenda Item 1

Performance and Governance Committee – 10 January 2012

Reporting Standards (IFRS) and there were no issues to raise. With regards to Value for Money the Council was performing strongly, delivering within budget and had a strong medium term financial strategy in place for the next ten to fifteen years. He acknowledged that there would continue to be challenges which he knew that the Council would continue to tackle proactively.

The Cabinet Member for Planning and Improvement, commended the excellent working relationship between Officers and the District Auditors Office which had built up over the last few years.

In response to questions, the District Auditor reported that he would hopefully have further information on the progress made on the abolition of the Audit Commission at the next meeting. Stage 1 of the process, the outsourcing, was currently underway and thirteen firms had been shortlisted. The TUPE transfer would take place in March 2012, with staff transferring to the firms awarded the contracts in October 2012. The Audit Commission would remain in place to oversee the contracts and other statutory functions but would be significantly smaller following the outsourcing. Stage 2, the opening of a more competitive audit market, would be in two to three years time as it required a change to legislation. It was anticipated that the procurement would bring about a 10% reduction in fees for 2012/13.

Resolved: That:

- (a) all staff involved be congratulated and thanked for their hard work;
- (b) the findings of the Annual Audit Letter be commended to Cabinet.

45. FORMAL RESPONSE OR CONSULTATION REQUESTS FROM THE CABINET FOLLOWING MATTERS REFERRED BY THE COMMITTEE (Item No. 3)

- (a) Financial Prospects and Budget Strategy 2012/13 and Beyond - referred on 15.11.11 (Cabinet 08.12.11)
- (b) Performance Monitoring – referred on 15.11.11 (Cabinet 08.12.11)
- (c) Investment Strategy Update – referred on 15.11.11 (Cabinet 08.12.11)

The responses were noted.

46. ACTIONS FROM THE LAST MEETING OF THE COMMITTEE (Report No. 5)

The completed actions were noted.

47. FUTURE BUSINESS, THE WORK PLAN 2011/12 AND THE FORWARD PLAN (Report No. 6)

Members noted that the following reports would go to the next meeting of the Committee on 13 March 2012:

- Update of the Council's Anti-Fraud and Corruption Strategy to reflect the requirements of the Bribery Act 2010 (commencement Order 2010); and

- Self Assessment of the effectiveness of the Committee.

It was also agreed that the Outcome of the External Audit be reported in September 2012, and the minutes of the Finance Advisory Group would be added to the Work Plan.

48. INTERNAL AUDIT QUARTER 2 - PROGRESS REPORT (Report No. 7)

The report summarised the audits issued during the year to date and the progress of the team in delivering the Annual Internal Audit Plan 2011/12. In response to questions the Audit, Risk and Anti-fraud Manager advised that jury service and long term sickness had made a significant impact on productivity as his team consisted of only 4.6 full-time Auditors and 0.5 Administrative staff. He also advised that the risk management aspect of the shared services agreement would be reported to the next meeting.

The Audit, Risk and Anti-fraud Manager reported that the reasons behind the discrepancies between the 'audit tickets' and amounts banked by Contract Security, had still to be identified. Members expressed great concern at the reported discrepancies and agreed that this needed to be more fully investigated by the relevant Select Committee, with a much more detailed report. The Audit, Risk and Anti-fraud Manager clarified that it is standard practice to follow up on implementation of recommendations 3-6 months after the final report was issued, and one was therefore imminent. With regards to a question raised by a Member on the findings of the 'Review of Register of Interests & Hospitality Arrangements, he explained that the bullet point summary on the first part of the report highlighted potential inherent risks rather than actual weaknesses found. The Chief Executive stated that he did not believe there was a risk as it was a an important subject that managers were fully aware of and responsible for.

Resolved: That

- (a) the 'Review of Car Parking Income' be referred to the Environment Select Committee; and
- (b) the contents of the report and the progress made by the audit team in delivering the 2011/12 Annual Internal Audit Plan be noted.

49. RISK MANAGEMENT UPDATE (Report No. 8)

The report provided the Committee with a summary of the Councils risk management processes and plans for improvements to the Risk Management Framework. It also updated Members on the current strategic risks facing the Council. The Audit, Risk and Anti-fraud Manager advised that the Council's insurance provider, Zurich Municipal, was able to offer training on strategic risk assessment for Members to improve understanding of the approach taken to risk management and the scoring system used.

ACTION 1: The Audit, Risk and Anti-fraud Manager to liaise with Zurich Municipal to confirm the arrangements for a training session to be held on Friday, 17 February 2012, for all Members of the Performance and Governance Committee and Chairs, or Vice-Chairs of the Select Committees.

A Member pointed out that the Strategy Risk Register only referred to reporting to Financial Advisory Group and Cabinet, and omitted reporting arrangements to this Committee.

ACTION 2: Performance and Governance Committee to be added to the Internal Controls, where appropriate, on the Strategy Risk Register.

Resolved: That the contents of the report be noted.

50. TREASURY MANAGEMENT STRATEGY 2012/13 (Report No. 10)

The report advised Members that The Local Government Act 2003 required the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by investment guidance issued subsequent to the Act). The Chartered Institute of Public Finance and Accountancy (CIPFA) revised the Prudential Code, Treasury Management Code and Guidance Notes in November 2011 and recommended formal adoption of the amended clauses and a restatement of the Treasury Management Policy Statement.

The Head of Finance and Human Resources explained that this review would normally be considered by the Finance Advisory Group first, but in this instance the timetable had not allowed for this and it would be considered by the Board on 25 January 2012. At the last meeting Members considered an Investment Strategy update which highlighted issues concerning credit ratings. Since the last meeting, only one bank met the current criteria. The report proposed reducing the current criteria of AA- to A-, or using a prescriptive list. Members were in general agreement that a prescriptive list would be too limited. It was acknowledged that there needed to be a balance between minimising the risk as much as possible whilst having the flexibility to be able to achieve a more favourable rate of return. Some Members felt that this could still be achieved by only lowering the current criteria to an A rating.

A Member queried what would happen to the investments that expired before the new strategy was approved by Council on 21 February 2012. The Director of Corporate Resources confirmed that he did have the authority, in exceptional circumstances, to reinvest the money, but that for the time being it would be placed in the Debt Management Office's (DMO) Account Deposit Facility.

Resolved: That the Finance and Advisory Group note the comments made when considering the report on 25 January 2012, before asking Cabinet to recommend that Council approve the Treasury Management Strategy Statement set out in this report

51. BUDGET MONITORING – NOVEMBER 2011 FIGURES (Report No. 11)

Members considered the Budget Monitoring Report for the month ended November 2011, and the forecast year-end position.

A Member suggested that a potential source of further income would be achieved by further charging for pre-application planning advice. Members were in agreement that this was worth further investigation.

Resolved: That:

- (a) Environment Select Committee be asked to investigate charging for pre application development control advice; and
- (b) the report be noted.

THE MEETING WAS CONCLUDED AT 8.15 P.M.

Chairman

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FORMAL RESPONSE OR CONSULTATION REQUESTS FROM THE CABINET AND/OR SELECT COMMITTEES FOLLOWING MATTERS REFERRED BY THE COMMITTEE

(a) Treasury Management Strategy (Response from Cabinet – 9 February 2012)

The Portfolio Holder for Finance and Value for Money introduced the Treasury Management Strategy 2012/13 setting out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The Portfolio Holder reported that at its latest meeting the Finance Advisory Group had discussed the issue of credit ratings and they considered that, given the limited number of institutions to which the Council could lend, the minimum long term credit rating should be reduced to A instead of A-, which is included in the report. Cabinet supported this amendment to the Treasury Management Strategy Statement.

The Chairman of the Performance and Governance Committee reported the Committee had considered the Treasury Management Strategy at its last meeting. Members had expressed concern regarding the risk associated with reducing the Council's credit rating requirement. The Chairman of the Performance and Governance Committee reported that his personal view was that there was a greater risk in not having greater diversity in terms of investments.

The Head of Finance and Human Resources reported that Officers were cautiously investigating a number of options but that it was becoming increasingly difficult to find places to invest. Members noted that the Council continued to only invest in UK-based banks.

Cabinet recommended Council to approve the Treasury Management Strategy Statement, which was done at the meeting of Full Council on 21 February 2012, with the exception that the minimum long term credit rating in the 2012/13 creditworthiness policy be reduced to A.

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ACTION SHEET - Actions from the previous meeting

ACTIONS FROM			
Action	Description	Status and last updated	Contact Officer
ACTION 1	The Audit, Risk and Anti-fraud Manager to liaise with Zurich Municipal to confirm the arrangements for a training session to be held on Friday, 17 February 2012, for all Members of the Performance and Governance Committee and Chairs, or Vice-Chairs of the Select Committees.	Training confirmed and arranged for 7.00 p.m. Friday 17 February 2012. Members are also invited to the training at Dartford Borough Council on 22 March at 7.00 p.m. (as at 10/02/12).	Bami Cole
ACTION 2	Performance and Governance Committee to be added to the Internal Controls, where appropriate, on the Strategy Risk Register.	The Strategic Risk Register has been updated to ensure that the role of Members and that of the Performance & Governance Committee is accurately reflected in the Internal Controls (as at 21.02.12).	Lee Banks

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FINANCE ADVISORY GROUP

Minutes of a meeting of the Finance Advisory Group held on
25 January 2012 commencing at 9.30 a.m.

Present: Cllr. Ramsay (Chairman)

Cllrs. Firth, Fittock, Grint and McGarvey.

34. APOLOGIES FOR ABSENCE

Apologies were received from Cllr. Scholey.

35. NOTES OF PREVIOUS MEETING

The notes of the meeting of 2 November 2011 were agreed as a correct record.

36. DECLARATIONS OF INTEREST

There were no declarations of interest.

37. MATTERS ARISING INCLUDING ACTIONS FROM LAST MEETING (Report No. 4)

A Member enquired whether any news had been received from Kent Police regarding a contribution of 16 man-hours per week for the Council's CCTV room. Officers confirmed the item had been further considered at the Cabinet meeting on 8 December 2011. The Chairman believed that further consideration would fall under the remit of the Social Affairs Select Committee.

The response to the action was noted.

38. KENT COUNTY COUNCIL SUPERANNUATION FUND - INVESTMENTS
(Report No. 5)

The report had been presented to the Group following a request for more information at the previous meeting.

In response to a question the Chairman informed the Group that, although Kent District Councils had representation on the Kent County Council Superannuation Fund Committee, the Members of that Committee seldom provided feedback to the District Councils. The Chairman was concerned that he had received little response in the past to the representations he had made to the Chairman of the Committee.

A Member commented that it was unusual for advisors to be mentioned in a strategy as Hyman Robertson had been. Yet Hyman Robertson had not been mentioned under the list of Investment Manager Mandates. The Chairman advised that a letter could be sent to the Committee on these matters.

The Finance Manager confirmed he had received an email from a Member of the Group, not present at the meeting, which had also been circulated to the other Members of the Group. The Member had raised a number of issues in the email including how Members were appointed to the Committee how often the Strategy was reviewed and the lack of a policy on director remuneration. The Environmental,

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Finance Advisory Group – 25 January 2012

Social and Governance Investment Policy Statement also appeared to contradict itself between the Introduction and Fiduciary Responsibility sections.

The Chairman agreed to write to the Kent County Council Head of Financial Services with the questions as set out in the Member's email.

Action: The Chairman to write to the Kent County Council Head of Financial Services with the questions set out in the email dated 17 January 2012.

Resolved: That the report be noted.

39. TREASURY MANAGEMENT STRATEGY 2012/13 (Report No. 6)

The Principal Accountant circulated updated lists of investments to the Group.

The Chairman noted Landsbanki Islands hf was still on the list of investments. The Principal Accountant confirmed no interest would be received on the money from the point the bank went into administration. Full payment of what was owed by the bank to Sevenoaks District Council was expected by 2018. It was likely the payment would be made at least partially in US Dollars and Euros. The meeting agreed it was important that any foreign currency received was converted to Pound Sterling as soon as possible.

The Principal Accountant was asked whether there was an update about possible investment in money market funds, index-linked gilts or treasury bills. He had started the research and the Council's advisors, Sector, had introduced him to 5 representatives of money market funds that matched the Council's expectations. He had already met with 4 of the representatives. Among the 5 funds, a 30 day performance comparison to the end of September gave rates of return ranging from 0.6 to 0.81%. All were AAA credit rated and had stable net asset values. The size of the funds ranged from £2 billion to £22 billion and he suggested that the larger institutions may be more attractive. Nationally, approximately 10% of Local Authority investments were in money market funds. They had the advantage of being liquid and therefore readily accessible. Black Rock was a popular institution and could facilitate transfers from Barclays accounts without incurring charges.

Having spoken to traders of treasury bills, a rate of return was likely to be between 0.3 and 0.4% net of fees. If the Council were to deal with the treasury bills directly they would require a custodian account for the certificates which would cost between £30,000 and £40,000. The options for purchasing index-linked gilts were more complex and necessitated dealing either directly with the Government's Debt Management Office or as traded securities via the stockmarket. Another option was a gilt fund run by a specialist manager.

A more full explanation would be provided to the next meeting of the Group. Members thanked the Principal Accountant for his work on the matter.

Action: The Principal Accountant to bring a report to the next meeting of the Finance Advisory Group.

A Member enquired whether the Council needed to reduce the minimum long term credit rating in the 2012/13 creditworthiness policy to A-, or whether A would suffice.

The report had not mentioned that there were many institutions at A- and therefore it was felt putting it at A would not harm the diversity of the Council's portfolio. The Group agreed to this amendment.

Officers were asked that the credit rating of an institution be added as a column to the next list of investments.

Action: The Principal Accountant to add the credit rating of an institution to the next list of investments.

Resolved: That it be recommended to Cabinet that the Council approve the Treasury Management Strategy Statement, as amended.

40. COSTS AND SAVINGS IN PARTNERSHIP WORKING (Report No. 7)

It was noted the shared working arrangements were providing annual savings of £668,000 and covered a wide array of services.

The Chairman was pleased that the Revenues and Benefits Team had recently been visited by Lord Freud, the Minister for Welfare reform. The Revenues Manager and the Benefits Manager had the opportunity to explain how the reforms to Housing Benefit and Council Tax Benefit had made it difficult for the Council to recruit and retain staff.

Members were informed by Officers that, where joint working took place, Officers were usually employed by the authority they had worked for prior to the commencement of any shared working arrangements. Occasionally this led to a disparity in terms and conditions. No restructuring had taken place because reviews were expected 2 years after the forming of the partnerships to review their arrangements. Members felt that it would help if Dartford Borough Council could move to National Joint Council terms.

There were concerns how political differences could affect the partnership working. The Council would be expected to deliver savings of 10% when the localised Council Tax Support scheme was introduced. It was thought likely the Councils would disagree on who would be protected. It was felt more details were necessary before any decisions could be made about how to manage the savings.

In response to a question, the Finance Manager explained that the partnership agreements usually contained arrangements in the event the partnership was to end.

Action: Officers to provide totals for annual savings for shared working arrangements the next time report is presented.

Action: Officers to present an item on Partnership Working – Costs and Savings annually.

Resolved: That the report be noted.

41. RISKS AND ASSUMPTIONS FOR BUDGET 2012/13 (Report No. 8)

Members agreed that the further forward the budget plans looked then the greater

uncertainty there was. The Chairman explained that was the reason for the Budget Stabilisation Fund, however it was also more likely that Council Tax would rise in future years.

It was asked whether the rise in non-pay costs of 2.5% was too optimistic. The Finance Manager responded that should inflation in one area rise above 2.5% then the relevant Service would need to find compensatory savings elsewhere.

Resolved: That Members' comments be noted.

42. FINANCIAL RESULTS 2011/12 – TO THE END OF DECEMBER 2011
(Report No. 9)

The Finance Manager advised the Group that figures for income from car parks had improved significantly in December. This was despite 2 Saturdays of free parking being offered in Sevenoaks prior to Christmas.

In Housing there was a forecast annual variance of £70,000 to cover the cost of homeless people in Bed and Breakfast accommodation. This sum related to fewer than 20 families who had been provided this accommodation as a last resort. Housing had found compensatory savings elsewhere.

A Member noted that there was apparently a variance to date for the Horton Kirby Village Hall even though the Council had received the Section 106 monies. Officers explained that, because the monies had been received, no annual variance was forecast and that this was only shown because financing of capital expenditure was not allocated until the end of the year. A number of the items had variances to date because the money came from external funding, but the money had been received so there was no forecast annual variance.

Direct Services was adjusting their budget for next year in light of the current overspend. Members acknowledged it was difficult to budget for rises in diesel costs but enquired whether joint procurement with other authorities would assist in reducing costs.

Action: The Head of Environmental and Operational Services to be asked to address diesel procurement when invited to give a presentation on Direct Services at the next meeting.

43. FINANCIAL PERFORMANCE INDICATORS 2011/12 – TO THE END OF DECEMBER 2011 (Report No. 10)

The Finance Manager updated the meeting that the figure for sundry debts over 61 days had fallen to £25,000 with only 3 major debtors. He felt it unlikely these debts would be recovered soon given the economic circumstances.

44. FORWARD PROGRAMME (Report No. 11)

Members were asked to email the Head of Environmental and Operational Services with any questions they had in advance of the meeting so that answers could be prepared.

It was clarified that the Revenues and Benefits Partnership Working item on 28 March 2012 was to consist of a presentation and then questions.

A Member enquired whether sometimes sending post and agendas to Members by courier was cost effective, especially when a Member may attend for a meeting soon after. The Chairman considered that the matter had been investigated and was cost effective.

No further amendments were made.

45. ANY OTHER BUSINESS (Item No. 12)

No other business was discussed.

THE MEETING WAS CONCLUDED AT 11:34 A.M.

CHAIRMAN

Performance and Governance Committee 2011/12 – Work Plan

Topic	13 March 2012	June 2012	September 2012	November 2012	January 2013
Governance	<p><i>Annual review of Terms of Reference</i></p> <p>Update of the Council's Anti-Fraud and Corruption Strategy to reflect the requirements of the Bribery Act 2010 (commencement Order 2011).</p>				
Internal Audit (Irregularities to be reported confidentially as & when necessary)	<p>Internal Audit Plan</p> <p>Q3 Progress Report</p>	<p>Review of effectiveness of Internal Audit</p> <p>Annual Governance Statement</p> <p>Internal Audit Annual Report</p>			Q2 Report
Risk Management		Risk Management Plan			Update
Accounts and External Audit	Annual Audit Plan		<p>Draft Statement of Accounts</p> <p>Outcome of the External Audit</p>		District Auditor's Annual Audit Letter

Topic	13 March 2012	June 2012	September 2012	November 2012	January 2013
Treasury Management & Investment Strategy				Treasury Management Update	Treasury Management Strategy 2012/13
Strategic Business & Finance Planning (Budget Strategy)				Budget Strategy	
Budget Monitoring	January Figures	Outturn Figures	July Figures	September figures	November Figures
Property			Asset Management Property Review Update		
Performance Management	Performance Report	End of Year Results	Performance Report	Performance Report	
Other	Finance Advisory Board Minutes(if met)	Finance Advisory Board Minutes(if met)	Finance Advisory Board Minutes(if met)	Annual Complaints Monitoring Report Finance Advisory Board Minutes(if met)	Finance Advisory Board Minutes(if met)

* The Professional Services Manager to produce a report on occupancy of the Argyle Road council building once MOAT has moved in.

PERFORMANCE AND GOVERNANCE COMMITTEE – 13 MARCH 2012

AUDIT COMMISSION – AUDIT PLAN AND UPDATE

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

Status: For Information

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

Portfolio Holder Cllr. Ramsay

Head of Service Group Manager Financial Services – Adrian Rowbotham

Recommendation: That the report be noted.

Introduction

- 1 The District Auditor, Andy Mack, would like the opportunity to present to Members the Audit Commission Audit Plan (Appendix A) and an Update Report (Appendix B).

Summary

- 2 The Audit Plan sets out the work for the 2011/12 audit. It includes the areas to be audited and the methods that are to be used.
- 3 It is pleasing to report that the proposed fee for 2011/12 is less than the previous year.
- 4 The purpose of the Update Report is to provide Members with details of progress in delivering the Audit Commission's responsibilities as the District Council's external auditors. It also provides an update on the externalisation of the Audit Practice.
- 5 The report also seeks to highlight key emerging issues and developments that may be of interest to Members. The report concludes by asking a number of questions in order to assess whether this committee has received sufficient assurance on emerging issues. The Chairman of this committee will compile the responses to these questions with assistance from officers.

Key Implications

Financial

- 6 There are no financial implications.

Community Impact and Outcomes

- 7 No issues have been identified.

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Legal, Human Rights etc.

8 There are no legal or human rights implications.

Risk Assessment Statement

9 As the District Council's external auditors, the Audit Commission comply with the ethical standards issued by the Auditing Practices Board and with the additional requirements for independence and objectivity.

Contact Officer(s): Adrian Rowbotham ex 7153

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

Audit plan

Sevenoaks District Council

Audit 2011/12



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Introduction

This plan sets out the work for the 2011/12 audit. The plan is based on the Audit Commission's risk-based approach to audit planning.

Responsibilities

The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to you.

The Statement summarises where the different responsibilities of auditors and of the audited body begin and end and I undertake my audit work to meet these responsibilities.

I comply with the statutory requirements governing my audit work, in particular:

- the Audit Commission Act 1998; and
- the Code of Audit Practice for local government bodies.

My audit does not relieve management or the Performance and Governance Committee, as those charged with governance, of their responsibilities.

Accounting statements and Whole of Government Accounts

I will carry out the audit of the accounting statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB). I am required to issue an audit report giving my opinion on whether the accounts give a true and fair view.

Page 24 **Materiality**

I will apply the concept of materiality in planning and performing my audit, in evaluating the effect of any identified misstatements, and in forming my opinion.

Identifying audit risks

I need to understand the Authority to identify any risk of material misstatement (whether due to fraud or error) in the accounting statements. I do this by:

- identifying the business risks facing the Authority, including assessing your own risk management arrangements;
- considering the financial performance of the Authority;
- assessing internal control, including reviewing the control environment, the IT control environment and internal audit; and
- assessing the risk of material misstatement arising from the activities and controls within the Authority's information systems.

Identification of significant risks

I have considered the additional risks that are relevant to the audit of the accounting statements and have set these out below.

Table 1: Significant risks

Risk	Audit response
<p>Valuation of property, plant and equipment (PPE)</p> <p>The Authority is required to value most types of PPE at fair value (except for infrastructure, community assets and assets under construction which are valued at historic cost). Accounting for PPE crosses over many areas within the financial statements and the values at Sevenoaks are significant, (£19 million valuation at 31 March 2011). Because the accounting is complex and includes material estimations, there is potential for material error.</p>	<p>I will:</p> <ul style="list-style-type: none"> ■ review of controls over establishing estimates, including arrangements for instructing your valuer and controls over information provided to the valuer; ■ carry out procedures to rely on the work of the valuer, including assessing the reasonableness of valuations against the Audit Commission’s appointed valuer; and ■ undertake tests of detail including on the classification of PPE assets, valuations and associated depreciation calculations.

Testing strategy

My audit involves:

- review and re-performance of work of your internal auditors;
- testing of the operation of controls;
- reliance on the work of other auditors;
- reliance on the work of experts; and
- substantive tests of detail of transactions and amounts.

I will continue to be alert to changes in your arrangements which may impact on my audit this will involve:

- maintaining a watching brief over the Council’s plans for further collaboration and joint working.

I have sought to:

- maximise reliance, subject to review and re-performance, on the work of your internal auditors; and
- maximise the work that can be undertaken before you prepare your accounting statements.

The nature and timing of my proposed work is as follows overleaf.

Table 2: Proposed work

My audit work includes the following key elements.

	Review of internal audit	Controls testing	Reliance on the work of other auditors	Reliance on work of experts	Substantive testing
Interim visit	Review of completed internal audit reports of financial systems	Walkthrough of all financial systems and update understanding of systems and identification. Controls testing of: <ul style="list-style-type: none"> ■ General Ledger controls; ■ other financial systems where there has been a change in the operation of controls that would prevent us from rolling forwards assurance gained in 2010/11; and ■ Controls over estimates and valuations of PPE and material provisions. 	Liaison with the auditor of Kent County Council Pension fund in respect of IAS 19 pension valuations and disclosures.	Audit procedures to be able to place reliance on management's use of experts in connection with PPE and IAS 19 estimates and valuations. Management's experts: <ul style="list-style-type: none"> ■ Wilkes Head & Eve – PPE ■ Hymans Robertson – IAS 19 	Investments and other non-current assets – ownership.
Final visit	Evaluation of disclosures in the Annual Governance Statement.	Evaluation of the results of other auditors' work.	Evaluation of management's experts and evidence provided by auditor's experts. Audit Commission experts: <ul style="list-style-type: none"> ■ Gerard Eve – PPE ■ PWC consulting actuary – IAS 19. 	Tests of detail on all material accounts balances, disclosures and amounts. Year-end feeder system reconciliations. Cut-off testing.	

I will agree with you a schedule of working papers required to support the entries in the accounting statements.

Whole of Government Accounts

Alongside my work on the accounting statements, I will also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of my review and the nature of my report are specified by the National Audit Office.

Value for money

I am required to reach a conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness.

My conclusion on the Authority's arrangements is based on two criteria, specified by the Commission. These relate to the Authority's arrangements for:

- securing financial resilience – focusing on whether the Authority is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how the Council secures economy, efficiency and effectiveness – focusing on whether the Authority is prioritising its resources within tighter budgets and improving productivity and efficiency.

Page 20 Identification of significant risks

I have considered the risks that are relevant to my value for money conclusion. I have identified the following significant risks that I will address through my work.

Table 3: Significant risk

Risk	Audit response
The external financial environment continues to be a very challenging one for all local authorities. The need to maximise the efficient use of resources cuts across all of the Council's operations and is reflected in the Council's risk register along with associated actions and controls to mitigate the risks.	We will assess the Council's progress in delivering its medium term financial strategy and in managing specific risks including around budget setting and financial planning.

Key milestones and deadlines

The Authority is required to prepare the accounting statements by 30 June 2012. I aim to complete my work and issue my opinion and value for money conclusion by 30 September 2012.

Table 4: Proposed timetable and planned outputs

Activity	Date	Output
Opinion: controls and early substantive testing	February	Update report
Opinion: receipt of accounts and supporting working papers	by 30 June	
Opinion: substantive testing	August	Annual Governance Report
Value for money: Update arrangements	June	VFM conclusion
Present Annual Governance Report at the Audit Committee	September 2012	Annual Governance Report
Issue opinion and value for money conclusion	By 30 September 2012	Auditor's report
Summarise overall messages from the audit	October 2012	Annual Audit Letter

The audit team

The key members of the audit team for the 2011/12 audit are as follows.

Table 5: **Audit team**

Name	Contact details	Responsibilities
Andy Mack District Auditor	a-mack@audit-commission.gov.uk 0844 798 2864	Responsible for the overall delivery of the audit including quality of reports, signing the auditor's report and liaison with the Chief Executive.
Richard Smith Audit Manager	r-smith@audit-commission.gov.uk 0844 798 6134	Manages and coordinates the different elements of the audit work. Key point of contact for the Corporate Resources Director and Deputy Chief Executive.

Independence and quality

Independence

I comply with the ethical standards issued by the APB and with the Commission's additional requirements for independence and objectivity as summarised in appendix 1.

I am not aware of any relationships that may affect the independence and objectivity of the Audit Commission, the audit team or me, that I am required by auditing and ethical standards to report to you.

Quality of service

I aim to provide you with a fully satisfactory audit service. If, however, you are unable to deal with any difficulty through me and my team please contact Chris Westwood, Director – Standards & Technical, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk) who will look into any complaint promptly and to do what he can to resolve the position.

If you are still not satisfied you may of course take up the matter with the Audit Commission's Complaints Investigation Officer (The Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol BS34 8SR).

Fees

The fee for the audit is £94,402 as set out in my letter of 13 April 2011.

The audit fee

The Audit Commission has set a scale audit fee of £94,402 which represents a 10 per cent reduction on the audit fee for 2010/11 of £104,600.

The scale fee covers:

- my audit of your accounting statements and reporting on the Whole of Government Accounts return; and
- my work on reviewing your arrangements for securing economy, efficiency and effectiveness in your use of resources.

The scale fee reflects:

- the Audit Commission’s decision not to increase fees in line with inflation;
- a reduction resulting from the new approach to local VFM audit work; and
- a reduction following the one-off work associated with the first-time adoption of International Financing Reporting Standards (IFRS).

Variations from the scale fee only occur where my assessments of audit risk and complexity are significantly different from those reflected in the 2010/11 fee. I have not identified significant differences and have therefore set the fee equal to the scale fee.

Assumptions

In setting the fee, I have made the assumptions set out in appendix 2. Where these assumptions are not met, I may be required to undertake more work and therefore increase the audit fee. Where this is the case, I will discuss this first with the Corporate Resources Director and Deputy Chief Executive and I will issue a supplement to the plan to record any revisions to the risk and the impact on the fee.

Specific actions you could take to reduce your audit fee

The Audit Commission requires me to inform you of specific actions you could take to reduce your audit fee. If I identify any such actions during the course of my audit I will bring them to the attention of the Corporate Resources Director and Deputy Chief Executive.

Total fees payable

In addition to the fee for the audit, the Audit Commission will charge fees for:

- certification of claims and returns; and
- any agreed provision of non-audit services under the Audit Commission’s advice and assistance powers.

Based on current plans the fees payable are as follows.

Table 6: Fees

	2011/12 proposed	2010/11 actual	Variance
Audit	94,402	104,600	(10,198)
Certification of claims and returns	24,000	24,914	(914)
Non-audit work	no work proposed	0	
Total	118,402	129,514	(11,112)

In addition, during 2010/11 the Audit Commission issued the Council with a rebate of £6,630 in respect of first year IFRS costs and £1,645 in respect of other efficiency savings. We will advise year during the year of any respects planned for 2011/12 as they are announced.

Appendix 1 – Independence and objectivity

Auditors appointed by the Audit Commission must comply with the Commission’s Code of Audit Practice and Standing Guidance for Auditors. When auditing the accounting statements, auditors must also comply with professional standards issued by the Auditing Practices Board (APB). These impose stringent rules to ensure the independence and objectivity of auditors. The Audit Practice puts in place robust arrangements to ensure compliance with these requirements, overseen by the Audit Practice’s Director – Standards and Technical, who serves as the Audit Practice’s Ethics Partner.

Table 7: Independence and objectivity

Area	Requirement	How we comply
Business, employment and personal relationships	Appointed auditors and their staff should avoid any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.	All audit staff are required to declare all potential threats to independence. Details of declarations are made available to appointed auditors. Where appropriate, staff are excluded from engagements or safeguards put in place to reduce the threat to independence to an acceptably low level.
	The appointed auditor and senior members of the audit team must not take part in political activity for a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.	

Area	Requirement	How we comply
Long association with audit clients	The appointed auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every seven years, with additional consideration of threats to independence after five years.	The Audit Practice maintains and monitors a central database of assignment of auditors and senior audit staff to ensure this requirement is met.
Gifts and hospitality	The appointed auditor and members of the audit team must abide by the Commission’s policy on gifts, hospitality and entertainment.	All audit staff are required to declare any gifts or hospitality irrespective of whether or not they are accepted. Gifts and Hospitality may only be accepted with line manager approval.
Non-audit work	<p>Appointed auditors should not perform additional work for an audited body (that is work above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might result in a reasonable perception that their independence could be compromised.</p> <p>Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.</p> <p>Work over a specified value must only be undertaken with the prior approval of the Audit Commission’s Director of Audit Policy and Regulation.</p>	All proposed additional work is subject to review and approval by the appointed auditor and the Director – Standards and Technical, to ensure that independence is not compromised.
<i>Code of Audit Practice, Audit Commission Standing Guidance and APB Ethical Standards</i>		

Appendix 2 – Basis for fee

In setting the fee, I have assumed the following.

- The risk in relation to the audit of the accounting statements is not significantly different to that identified for 2010/11, except where identified. Please note that the Audit Commission rebated the cost of IFRS implementation in 2010/11 and has set the scale fee for 2011/12 in light of Communities and Local Government's decision to abolish the Audit Commission and transfer audit practice staff into the private sector.
- The risk in relation to my value for money responsibilities is not significantly different to that identified for 2010/11.
- Internal Audit meets professional standards.
- Internal Audit undertakes sufficient appropriate work on all systems that provide material figures in the accounting on which I can rely.
- The Authority provides:
 - good quality working papers and records to support the accounting statements and the text of the other information to be published with the statements by 20 July 2012;
 - other information requested within agreed timescales;
 - prompt responses to draft reports; and
- there are no questions asked or objections made by local government electors.

Where these assumptions are not met, I will have to undertake more work which is likely to result in an increased audit fee.

Appendix 3 – Glossary

Accounting statements

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Annual Audit Letter

Report issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the accounting statements presented to those charged with governance before the auditor issues their opinion [and conclusion].

Annual Governance Statement

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Group accounts

Consolidated accounting statements of an Authority and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter in the context of the accounting statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor’s report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the accounting statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

The term ‘materiality’ applies only to the accounting statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the accounting statements, which do not necessarily affect their opinion on the accounting statements.

Significance

The concept of ‘significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the accounting statements. Significance has both qualitative and quantitative aspects.

Those charged with governance

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its accounting statements.

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0844 798 7070

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The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.



Performance **and** **Governance** **Committee** **update**

Sevenoaks District Council

Audit 2011/12

The Audit Commission is a public corporation set up in 1983 to protect the public purse.

The Commission appoints auditors to councils, NHS bodies (excluding NHS Foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.

We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

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Introduction

- 1** The purpose of this paper is to provide the Performance and Governance Committee with a report on progress in delivering our responsibilities as your external auditors. It includes an update on the externalisation of the Audit Practice.
- 2** This paper also seeks to highlight key emerging national issues and developments which may be of interest to members of the Performance and Governance Committee. The paper concludes by asking a number of questions which the Committee may wish to consider in order to assess whether it has received sufficient assurance on emerging issues.
- 3** If you require any additional information regarding the issues included within this briefing, please feel free to contact me or your Audit Manager using the contact details at the end of this update.

Executive summary

- 4** We continue to meet with finance staff to discuss progress and our visit to complete our audit over the coming months. There are no significant matters arising from our audit which we need to bring to your attention at the current time.
- 5** Appendix 1 of this report sets out matters we are required to discuss with those charged with governance, we would appreciate a formal response either by letter or email by 30 April 2012.

Andy Mack

District Auditor

9 February 2012

Progress report

Financial statements

- 1 We are required to audit the financial statements and to give our opinion on:
 - whether they give a true and fair view of the financial position of the Council and of its income and expenditure for the year in question; and
 - whether they are prepared properly in accordance with relevant legislation and applicable accounting standards.
- 2 We are also required to:
 - review whether the Annual Governance Statement is presented in accordance with relevant requirements; and
 - Audit the whole of government accounts consolidation pack based on the information provided in the financial statements.
- 3 Appendix 2 sets out the progress made in completing our work.
- 4 We continue to hold regular meetings with the Finance team to discuss issues arising in relation to the 2011/12 financial statements audit. We have also held discussions with Internal Audit to discuss the progress of their internal audit plans and any emerging issues highlighted from their reviews.

VFM conclusion

- 5 Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness is based on two criteria, specified by the Commission, related to your arrangements for:
 - securing financial resilience – focusing on whether the Council is managing its financial risks to secure a stable financial position for the foreseeable future; and
 - challenging how the Council secures economy, efficiency and effectiveness – focusing on whether the Council is prioritising its resources within tighter budgets and improving productivity and efficiency.
- 6 Following completion of our risk assessment the work will focus on:
 - The progress made in updating the medium term financial strategy and business planning; and
 - We will assess the overall financial standing and progress in delivering its medium term financial strategy.
- 7 We will minimise the burden for you from this work, by making use as far as possible of existing Council information. We will aim to provide helpful and constructive feedback during and at the end of the audit.

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Certification of claims and returns

8 In 2011/12 we anticipate being required to certify the following grant claims and returns:

- Housing and Council Tax Benefits Subsidy Claim;
- National Non-Domestic Rates Return; and
- Disabled Facilities Grant Return (dependent on value of the return).

9 Each return has a separate deadline for certification and we will liaise with staff to ensure work is completed to meet the specified deadline.

Government response to consultation on the future of local public audit

10 In August 2010, the government announced its intention to bring forward legislation to abolish the Audit Commission and put in place a new framework for local public audit. In March 2011, the government published a consultation paper and, in January 2012, announced its response to the consultation to which it received 453 responses, the majority from audited bodies.

11 The Audit Commission is currently in the process of the award of contracts for the work currently undertaken by the Audit Practice for the period 2012/13 to either 2014/15 or 2016/17 (see 'update on the externalisation of the Audit Practice' below). The government envisages the retention of the Audit Commission as a small residuary body until the end of those contracts, to oversee them and to make any necessary changes to individual audit appointments.

12 Thereafter, the government proposes that a new local public audit regime will apply. The key features of that regime are as follows.

- The National Audit Office will be responsible for developing and maintaining audit codes of practice and providing support to auditors.
- Mirroring the Companies Act provisions, auditors will be subject to the overall regulation of the Financial Reporting Council (the FRC). The FRC will authorise one or more Recognised Supervisory Bodies (in practice, the professional institutes) to register and supervise audit firms and engagement leads.
- Directly-elected local government bodies will appoint their own auditor on the advice of an independent audit appointment panel with a majority of independent members. Such panels may be shared between audited bodies.
- Audited bodies must run a procurement exercise for their external audit appointment at least every five years, although there would be no bar on the reappointment of the incumbent audit firm (for a maximum of one further five-year term);
- Audited bodies will be able to remove their auditor, but only after due process, involving the independent audit appointment panel and culminating in a public statement of the reasons for the decision.
- The audit will continue to cover arrangements for securing economy, efficiency and effectiveness, but without imposing further burdens on audited bodies. There will be further consultation on the approach to value for money.
- The power to issue a public interest report will be retained.

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- Audit firms will be able to provide non-audit services to audited bodies, subject to complying with ethical standards and gaining approval from the independent auditor appointment panel.
- The right to object would be retained, but the auditor will be given the power to reject vexatious, repeated or frivolous objections.
- Grant certification will be subject to separate arrangements between grant paying bodies, audited bodies and reporting accountants (who could be the external auditors).
- The National Fraud Initiative will continue. Discussions on how this will be achieved are ongoing.

13 The government is holding further discussions with audited bodies and audit firms to develop its proposals. The Regional Improvement and Efficiency Partnerships are organising events in January and February 2012 to which audited bodies have been invited. The government intends to publish draft legislation for pre-legislative scrutiny in Spring 2012.

Update on the externalisation of the Audit Practice

14 The Audit Commission's Chief Executive, Eugene Sullivan, wrote to clients on 21 September 2011 summarising the Department for Communities and Local Government's plans for externalising the Audit Commission's work that is currently undertaken by the Audit Practice. An update on progress was provided in Eugene's subsequent letter of 10 November 2011.

15 The key points are as follows.

- Contracts will be let from 2012/13 on a three- or five-year basis. The earliest you might be able to appoint your own auditors is therefore for the 2015/16 audit.
- The work is split into four regions, comprising ten 'lots'. Each lot will be awarded separately, but any individual bidder can only win a maximum of one lot in each region (ie four lots in total).
- The Commission is managing a fair and equitable procurement process to allow suitable private sector providers the opportunity to compete for the contracts.
- Thirteen potential providers were invited to tender following the initial pre-qualification stage. The deadline for return of the tenders was 16 December 2011. Tenders received are currently being evaluated. The Commission plans to announce the successful tenderers in March 2012.
- The Commission is planning to set out, early in 2012, the consultation process to be followed for individual audit appointments. For bodies currently audited by the Audit Practice, there will be an opportunity to attend an introductory event in each contract area with the Commission and the firm awarded the contract. The events will take place in May 2012.
- Appointments will start on 1 September 2012. As such, the Commission is extending the current audit appointment to allow any audit issues arising between 1 April 2012 and 31 August 2012 to be dealt with. The Commission's Director of Audit Policy and Regulation wrote to clients on 19 December 2011 setting out more details on this 'interim' appointment.
- Audit Practice staff in each lot area will in the main transfer to the successful bidders on 31 October 2012.

16 Further details are available on the Commission's website. We will continue to keep you updated on developments and will provide a verbal update at the Performance and Governance Committee meeting.

17 Against this background, the Audit Practice's focus remains.

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- Fulfilling our remaining responsibilities –delivering your 2011/12 audit - to the high standards you expect and deserve.
- Managing a smooth transition from the Audit Practice to your new audit provider.

Other matters of interest

2010/11 Accounts

18 In December 2011 the Audit Commission published a report - Auditing the Accounts 2010/11 - which summarises its findings of the accounts audits in 2010/11.

19 The report covers the quality and timeliness of financial reporting by councils, police authorities, fire and rescue authorities and other local public bodies. In addition to auditors' work on the 2010/11 financial statements, the report also covers:

- the results of the first year of International Financial Reporting Standards (IFRS) implementation;
- auditors' work on the Whole of Government Accounts returns;
- auditors' local value for money work;
- public interest reports and statutory recommendations issued by auditors since December 2010; and
- the key challenges facing bodies for 2011/12.

20 Auditors were able to give opinions on the accounts by the target date of 30 September 2011 at most organisations and this performance compares well with the previous year.

21 However, the challenges presented by the transition to IFRS are demonstrated by an increase in the number of bodies, from seven last year to eighteen this year, where the auditor's opinion was still outstanding after 31 October. There was also a significant increase in the number of bodies needing to make material adjustments to their accounts following the audit.

22 On 18 January 2012, the Audit Commission published 'Let's be clear: Making local authority IFRS accounts more accessible and understandable'.

23 This briefing supplements the report on the 2010/11 accounts referred to above and focuses on a long-running debate of how to make local government accounts easier to understand.

24 While the statutory accounts give comprehensive information on each local authority's financial position and performance, reflecting the range of activities which they cover, they are a poor way of communicating the key information to lay readers.

25 The briefing notes that:

- elected members and local people would benefit from having access to well-presented extracts from the accounts, which would provide the key information on each authority's financial position and performance;

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- the accounting profession and the Audit Commission could do more to encourage auditors and preparers of accounts to reduce clutter in statutory accounts; and
- each authority could do more to ensure their accounts are shorter and more accessible. Those preparing accounts need to look critically at the previous year's accounts. They should identify how these accounts could be sharper and more focused before starting work on the next set.

26 The briefing concludes by identifying possible steps to make local authority accounts more accessible and easier to understand, and the implications of doing so.

27 The Audit Commission is seeking views on the issues raised within the briefing and has invited comments by 16 March 2012 - further information on this is available on the Audit Commission's website.

Managing Workforce Costs

28 The Audit Commission and Local Government Association have jointly launched 'Work in progress: Meeting local needs with lower workforce costs'.

29 The joint report - which can be found on the Audit Commission's website - is aimed at councils as employers and shows how local authorities across England are reducing their workforce costs, with some finding creative solutions.

30 As government funding for councils shrinks by over a quarter between 2011/12 and 2014/15, councils need to reduce their workforce costs substantially while still providing much needed services. Not all councils face the same financial challenges, but the message is that all must reassess what they do, how they do it, and what their priorities are. Those opting for major restructuring will take more time to realise savings.

31 Councils are finding ways to cut their pay bills without losing jobs, but the report says that redundancies are inevitable. Local government was already reducing posts before the cuts in government funding. In the past year an estimated 145,000 jobs have gone and this figure will increase in the future. So far many redundancies have been voluntary, but the report warns that compulsory ones are set to rise.

32 The report is supported by a number of resources including:

- an agency workers expenditure tool which shows councils how much they spend on agency workers, compared with groups of similar councils;
- a workforce expenditure tool which shows councils how much they spend on staff as a proportion of their net current expenditure, and how this has changed over time;
- five case studies which provide examples of the different approaches councils are taking to reduce the costs of employing people while protecting valuable services. The case studies show what the councils did and why - and the benefits achieved; and

- a practical guide on how to undertake effective pay benchmarking, providing a series of steps to follow when starting a pay benchmarking process and highlighting the main issues that should be considered.
- 33** The report is supplemented with a briefing for elected members that includes a number of questions designed to help members assess how well their council decides the size, shape and cost of its workforce and how these decisions will affect services and communities.
- 34** The questions are in two parts:
- the information that should be available to members about the workforce; and
 - the savings strategies councils could follow in the light of that information.

CIPFA's Prudential Code for Capital Finance

- 35** CIPFA has recently updated its Prudential Code for Capital Finance in Local Authorities. This new version reflects the introduction of IFRS which required:
- PFI schemes to be included on organisations' balance sheets; and
 - The accounting treatment of leases to be reviewed – with many more likely to be considered as finance leases and thus also included on the relevant balance sheets.
- 36** The code also includes guidance on the treasury management implications of the housing self-financing reforms.
- 37** Although local authorities determine their own capital programmes, they are required to have regard to CIPFA's Prudential Code (the Code) in order to ensure that these capital investment plans are affordable, prudent and sustainable.
- 38** To demonstrate that these objectives have been met, the Code sets out the indicators that must be used and the factors that must be taken into account.
- 39** The Code does not include suggested indicative limits or ratios and these are for the local authority to set itself, subject to some overriding controls.
- 40** The prudential indicators required by the Code should be considered alongside its Treasury Management performance indicators. These indicators are both designed to support and record local decision making and are not designed to be comparative performance indicators.

2011/12 Accounts: CIPFA Guidance Notes for Practitioners

41 CIPFA has recently published a set of guidance notes to provide support in preparing the 2011/12 year-end accounts. These offer constructive advice on all aspects of the requirements for 2011/12 and provide detailed guidance on the key changes, including accounting for:

- heritage assets;
- business rate supplements;
- community infrastructure levies;
- related party disclosures;
- exit packages;
- trust funds;
- financial instruments; and
- interests in joint ventures.

42 The key changes to your financial statements in 2011/12 will also be covered by our final accounts workshops.

For information: Board Governance Essentials

43 The Public Chairs' Forum and CIPFA have recently published a joint 'how to' guide for Chairs and Boards of public bodies.

44 'Board Governance Essentials: A Guide for Chairs and Boards of Public Bodies' offers advice across four key areas.

- Good corporate governance.
- Roles, responsibilities and relationships.
- Standards of behaviour in public life.
- Effective financial management and transparency.

45 This guide may provide interesting reading for all members.

Local Government Finance Bill

46 In December 2011 the government introduced proposals to devolve greater financial powers and freedoms to councils. The Local Government Finance Bill sets out the legislative foundations to implement the changes from April 2013. The most significant proposals relate to non-domestic rates, which are currently pooled and redistributed nationally.

47 The Bill provides for councils to:

- retain a portion of their business rate growth;
- borrow against future income from business rates to pay for roads and transport projects alongside other local priorities;
- ensure a stable starting point for all authorities. No authority will be worse off as a result of their business rates base at the start of the scheme;
- establish a national baseline alongside a system of top ups and tariffs. Councils with business rates in excess of a set baseline would pay a tariff to government whilst those below would get an individually assessed top up from government; and
- create a levy to take back a share of growth from those councils that gain disproportionately from the changes. This money would be used to fund a safety net providing financial help to those authorities which experience significant drops in business rates, for example caused by the closure or relocation of a major business.

48 The Bill provides for much of the detail of the arrangements, including the sharing of business rate growth between billing and precepting authorities, to be left to secondary legislation.

Guide to HRA Self Financing

49 The introduction of self-financing to the housing revenue account (HRA) in April 2012 will fundamentally change the way that local authority housing is funded.

50 CIPFA has therefore recently produced a publication which brings together the latest guidance to assist those working in the sector to understand the changes and help with their implementation.

Key considerations

51 The Performance and Governance Committee may wish to consider the following questions in respect of the issues highlighted in this briefing paper.

- Has the Council reviewed the Audit Commission's report on the 2010/11 accounts and, in particular, considered the key challenges facing bodies for 2011/12?
- Has the Council reviewed its 2010/11 accounts and identified ways in which these could be streamlined or clarified?
- Has the Council reviewed the Audit Commission / Local Government Association joint report on managing workforce costs and is the Performance and Governance Committee satisfied that appropriate use has been made of the supporting materials?
- Has the Council circulated the briefing for elected members on the Audit Commission's workforce report to Members? Is the Performance and Governance Committee satisfied that the questions within the briefing have been properly considered by the Council*?
- Has the Council reviewed its prudential indicators in the light of CIPFA's revised prudential code?
- Has the Council reviewed CIPFA's guidance notes for the 2011/12 financial statements and made satisfactory arrangements for their implementation?
- Has the Council reviewed CIPFA's guidance on HRA self-financing and made satisfactory progress for its implementation?

Appendix 1 – Assurances for 2011/12 audit opinion work

Understanding how the Performance and Governance Committee gains assurance from management

I have a good understanding of how the Performance and Governance Committee as those charged with governance gains assurance over management processes and arrangements. This enables me to deliver an efficient audit, reducing the time your staff spend responding to auditor queries.

However, auditing standards require me to formally update my understanding annually. Therefore, I am writing to ask that you please provide a response to the following questions. Where your response to questions 2 to 5 is 'yes', please provide details.

1) How do you exercise oversight of management's processes in relation to:

- undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);
- identifying and responding to risks of fraud in the Authority, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
- communicating to employees its view on business practice and ethical behavior (for example by updating, communicating and monitoring against the Authority code of conduct); and
- communicating to you the processes for identifying and responding to fraud or error.

2) How do you oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control? Are you aware of any breaches of internal control during 2011-12?

3) How do you gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2011-12?

4) Are you aware of any actual or potential litigation or claims that would affect the financial statements?

5) Have you carried out a preliminary assessment of the going concern assumption and if so have you identified any events which may cast significant doubt on the Authority's ability to continue as a going concern?

In addition to the above questions about how you gain assurance from management, I have included at Appendix 1, 8 questions about your views on fraud. Your responses will inform my assessment of the risk of fraud and

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error within the financial statements, which in turn determines the extent of audit work I undertake.

Please provide a response by 30 April 2012 and please contact me if you wish to discuss anything in relation to this request.

Yours sincerely

Andy Mack
District Auditor

Appendix 1

No.	Questions for those charged with governance.	Those charged with governance response
1	Are you aware of any instances of actual, suspected or alleged fraud during the period 1 April 2011 – 31 March 2012?	
2	<p>Do you suspect fraud may be occurring within the Authority?</p> <ul style="list-style-type: none"> ➤ Have you identified any specific fraud risks within the Authority? ➤ Do you have any concerns that there are areas within your Authority that are at risk of fraud? ➤ Are there particular locations within the Authority where fraud is more likely to occur? 	
3	<p>Are you satisfied that internal controls, including segregation of duties, exist and work effectively?</p> <ul style="list-style-type: none"> ➤ If not where are the risk areas? ➤ What other controls are in place to help prevent, deter or detect fraud? 	
4	<p>How do you encourage staff to report their concerns about fraud?</p> <ul style="list-style-type: none"> ➤ What concerns about fraud are staff expected to report? 	
5	<p>From a fraud and corruption perspective, what are considered to be high risk posts within your Authority?</p> <ul style="list-style-type: none"> ➤ How are the risks relating to these posts identified, assessed and managed? 	
6	<p>Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <ul style="list-style-type: none"> ➤ How do you mitigate the risks associated with fraud related to related party relationships and transactions? 	
7	<p>Are you aware of any entries made in the accounting records of the Authority that you believe or suspect are false or intentionally misleading?</p> <ul style="list-style-type: none"> ➤ Are there particular balances where fraud is more likely to occur? ➤ Are you aware of any assets, liabilities or transactions that you believe were improperly included or omitted from the accounts of the Authority? ➤ Could a false accounting entry escape detection? If so, how? ➤ Are there any external fraud risk factors, such as benefits payments or collection of tax revenues which are high risk of fraud? 	

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8	<p>Are you aware of any organisational, or management pressure to meet financial or operating targets?</p> <ul style="list-style-type: none">➤ Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets?	
---	--	--

Appendix 2 – Audit progress as at February 2012

Area of work	Timetable	Progress to date	Final report due/issued	Summary of findings/other comments
Audit fee	to April 2011	Original fee letter April 2011.	Reported in Audit Plan 13 March 2012	Work plan agreed, as summarised below.
Financial Statements		Details reported in Audit Plan elsewhere on this agenda.		
Whole of Government Accounts		Details reported in Audit Plan elsewhere on this agenda.		
VFM conclusion		Details reported in Audit Plan elsewhere on this agenda.		
Certification of grant claims and returns		Details reported in Audit Plan elsewhere on this agenda.		

Appendix 3 - Contact details

52 If you would like further information on any items in this briefing, please feel free to contact either myself or Richard Smith, Audit Manager.

53 Alternatively, all Audit Commission reports - and a wealth of other material - can be found on our website: www.audit-commission.gov.uk.

Andy Mack

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- any third party.



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February 2012

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PERFORMANCE AND GOVERNANCE COMMITTEE - 13 MARCH 2012

ARGYLE ROAD OFFICES, SEVENOAKS – OCCUPANCY REPORT

Report of the: Corporate Resources Director

Status: For Information)

Key Decision: No – information report

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 the contents of this report be noted

Introduction

1. The offices at Argyle Road, Sevenoaks comprise 4665m² of office, public and ancillary accommodation together with 150 surface car spaces and 38 underground car spaces (there is also a free visitors car park to the front of the building).
2. The annual operating costs of the premise including maintenance, service contracts, energy, water and rates is some £411,000 of which rates accounts for over 50% of this total.
3. The Council periodically reviews the costs and benefits of retaining this building compared with the costs and benefits of alternative accommodation. At the latest review in October 2009 it was concluded that the most cost effective option for the Council was to remain in the Argyle Road offices but to increase occupancy rates where possible to make best use of the asset.
4. Based on changes in working practices, more efficient office design and reduced staffing levels the use of the Argyle Road office accommodation has been reviewed and details of the current position regarding the occupation of the offices by external partners are shown below.

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SCHEDULE OF SHARED ACCOMMODATION – ARGYLE ROAD, SEVENOAKS			
Date	Brief Description	Capital Cost	Income
June 2009	Redesign of Contact Centre and Community Development first floor to accommodate Police CSU and Licensing including relocating Democratic Services to the second floor with associated changes to accommodation occupied by Legal. The Police accommodation comprises 6 desks. Area occupied 26m ²	The Police met the full cost of providing the CSU accommodation in the sum of £40,000	£3,360p.a.
August 2010	The Police public office and lost property office was relocated from Epicurus House to Argyle Road reception. Area occupied 21m ²	The Police met the full cost of relocating their operation to Argyle Road in the sum of £30,000	£1,120p.a.
November 2011	Redesign of Elections, Land Charges and Property to provide accommodation for 12 desks for Moat Housing. Area occupied 36m ²	Capital cost of £29,800 borne by SDC	Rental £8,500p.a Contribution to running costs estimated at £15,500 p.a.

Partnership Working

- 5 The District Council provides the following services in conjunction with other local authorities with staff based at Argyle Road (this excludes where a single officer may be providing a service to another authority)
 - Council Tax and Benefits (with Dartford Borough Council)
 - Licensing (with Maidstone and Tunbridge Wells Borough Councils).

- 6 The costs of the accommodation occupied is met by the partnerships.

Future Proposals

- 7 A number of developments are due to take place shortly or are being considered that would make further improvements in the use of the building
- (a) Expansion of the existing Police CSU within the Community Development Section on the first floor to permit the use of the existing 2 hot desks and one existing office for confidential interviews. No District Council infrastructure funding is required and an additional contribution to the running costs of the building will be charged as part of the rent to be reviewed as part of (d) below.
- (b) Relocation of the Communications Team to the second floor following an internal re-organisation.
- (c) A review of the accommodation to be vacated by Environmental Health following their relocation to Dartford in March 2012 to provide satellite work stations for Environmental Health Officers plus addition hot desks for general use by all departments.
- (d) The provision of a Police Office at Argyle Road -at its meeting held on the 8th December 2011 the Cabinet of the Council agreed the following proposal.

An area of the undercroft car park within the Gordon Road car park is enclosed to provide 97m² of office space. This will involve the loss of 10 car parking spaces. (It should be noted that less staff cars will be using the car park following Environmental Health's relocation to Dartford in March 2012). Additional car parking spaces will have to be taken out of use during the construction phase of the project and officers will work with staff to try and mitigate the effect on staff parking.

The current Police reception and interview room is relocated into the newly built office whilst remaining accessible for the public from the main reception. This will not only create more space in reception but will enable enlargement of the Council's reception desk and create a viewing area for the public. The number of meeting rooms available for use by the public remains as existing.

The Police will require 4 dedicated patrol car spaces and 1 inspectors car space which will be located adjacent to the proposed Police Office. The total loss of current staff car parking spaces will therefore be some 15 spaces although more will be out of use during the construction phase should this project proceed. The proposed Police Office will have access at all times to the main reception area (which will only be accessible to the public during normal Council office hours) to enable Police staff to access the toilets.

Other than a water supply to one sink in the proposed Police office it is anticipated that the accommodation will be self sufficient in that it will have the benefit of its own dedicated power supply and heating.

It is proposed that the cost of building the Police Office will be met from Council reserves with the Police being charged a rent for the premises to provide a suitable return on the investment plus an additional rent in respect of the reserved car spaces and a contribution to the general running costs of the Argyle Road offices to allow for the Police additional use of the toilets and power use in

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the Council's reception area. As part of these negotiations the current Police occupation terms (CSU, Lost Property and Police Reception) will be reviewed.

Planning Permission was granted in February 2012 and the contract to construct the office will be tendered with a view to the Police moving from their current town centre location in August.

Key Implications

Financial

The occupation of parts of the existing offices by third parties generates both revenue income by way of rent and contributes to reducing the operating costs of the building to the District Council.

Community Impact and Outcomes

The use of the main offices to provide a number of services to the community provides an efficient use of the accommodation and provides a single point of visit in respect of three differing public services.

Legal, Human Rights etc.

No legal nor human rights issues have been identified

Value For Money and Asset Management

The occupation of parts of the existing offices by third parties generates both revenue income by way of rent and contributes to reducing the operating costs of the building to the District Council, leads to more efficient and creative use of the existing accommodation and the opportunity for joint working with another council or agency.

Background Papers: Argyle Road, Office Moves (Current) Property File
Argyle Road Police Office (Phase 2) Property File

Contact Officer(s): Jim Latheron Extn 7209

Dr. Pav Ramewal
Corporate Resources Director

PERFORMANCE AND GOVERNANCE COMMITTEE – 13 MARCH 2012

UPDATE ON THE COUNCIL'S ANTI-FRAUD AND CORRUPTION STRATEGY TO REFLECT THE REQUIREMENTS OF THE BRIBERY ACT 2010

Report of the: Director of Corporate Resources

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 - Adrian Rowbotham

Recommendations:

That this Committee review and approve the proposed amendments to the Council's Anti-Fraud and Corruption Strategy

Introduction

1 The Bribery Act came into force in July 2011. The Act introduces new requirements which UK organisations (both commercial and public bodies) must comply with. This Council has taken a number of steps to respond to the requirements of the Act. Part of the council's response is to update its Anti-Fraud and Corruption Strategy, in order to reflect the requirements of the Act.

Details of the Bribery Act:

2 The Act introduces the following new offences:

- Offering, promising or giving a bribe
- Requesting, agreeing to receive or accepting a bribe
- Bribing a foreign official to obtain or retain business
- Failure by an organisation to prevent bribery by those acting on its behalf

3. According to the Act, a bribe does not have to be paid; mere promise will suffice, and does not need to be deliberate, but may be accepted unwittingly.

4. These offences arise whether or not they take place within the UK or involve private or public sector organisations.

5. The Act is not intended to be over prescriptive and it does take account of normal business practices to engage in reasonable hospitality to meet, network and improve relationships with customers and partners. Thus its key focus is on acts which are designed to bring about the improper performance of a relevant function or activity.

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Key Implications for Employers

6. A significant change for employers is that they will no longer be able to rely on ignorance of their employees' actions as a defence to bribery allegations, but will be corporately liable, unless they can demonstrate they had "adequate procedures" in place to minimise the risk of bribery.

Action Required by the Council

7. The Council already has appropriate arrangements in place for dealing with Fraud and Corruption prior to the Bribery Act. Some of these arrangements are sufficient to meet the new requirements. However, Management Team has agreed a process which would facilitate an initial risk assessment and a review of all relevant Council policies and procedures, in order to ensure compliance with the Act. Part of that process is to up date the Council's Anti-Fraud and Corruption Strategy to incorporate the requirements of the Act.

Amendments to Anti-Fraud and Corruption Policy

8. The Council's Anti-Fraud and Corruption Policy was approved by this Committee in January 2011. Since then this is the first review and amendment to the policy. The changes proposed to incorporate the requirements of the Bribery Act are set out on pages four and five of the Strategy, attached as an appendix to this report and highlighted in blue.

Key Implications

Financial

- 9 This report has no additional financial implications.

Community Impact and Outcomes

- 10 Not applicable.

Legal, Human Rights etc.

- 11 This report has no additional legal implications save those relating to the Bribery Act.

Resource (non-financial)

- 12 There are no additional resource requirements impacting on this report.

Equality

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

Sustainability Checklist

- 14 Not applicable

Value for Money

- 15 There is no value for money implication.

Conclusions

16 The Committee is requested to adopt the recommendation set out above.

Risk Assessment Statement

17 The Council faces financial and reputational risks, if it does not have appropriate measures in place to respond to the requirements of the Bribery Act. The amendments to the Anti-Fraud and Corruption Strategy in conjunction with other measures taken or proposed will address these risks.

Sources of Information: The Bribery Act (Guidance) – Ministry of Justice – March 2011

Contact Officer(s): Bami Cole Ext. 3023

Dr. Pav Ramewal
Corporate Resources Director

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Appendix

Audit, Risk & Anti-Fraud Team

ANTI-FRAUD AND CORRUPTION STRATEGY

DARTFORD
BOROUGH COUNCIL


Sevenoaks
DISTRICT COUNCIL

CONTENTS	Page No.
Anti-Fraud and Corruption Strategy	
Introduction	3
Scope	3
Expectation and Responsibilities	4
Culture	6
Prevention	7
Detection and Investigation	8
Training	10
Strategy Review	10

INTRODUCTION

This Anti-Fraud and Corruption Strategy has been adopted by both Dartford Borough Council and Sevenoaks District Council. For the purposes of this strategy, 'Council' and 'Councils' will be construed accordingly.

The purpose of this Anti-Fraud and Corruption Strategy is to set out the Councils' commitment towards the prevention of fraud and corruption (including bribery) from both internal and external sources, and is primarily designed to:

- encourage prevention,
- promote detection; and
- identify a clear pathway for investigation.

The Councils' Anti-Fraud and Corruption Strategy is based on a series of comprehensive and inter-related procedures designed to prevent any attempted fraudulent or corrupt act. These cover:

- Culture (Section 1)
- Prevention (Section 2)
- Detection and Investigation (Section 3)
- Training (Section 4)

This document has been made publicly available via the Councils' websites and intranet and all staff have been informed of its existence and revision.

SCOPE

Under the Fraud Act 2006 a person is guilty of fraud by:

- False representation
- Failing to disclose information, or
- Abuse of position.

In each case the person is in breach of the act if, by their actions or lack of action, they intend to make a gain for themselves, or cause a loss to another or expose another to a risk of loss.

Obviously fraud can be perpetrated by persons outside as well as inside an organisation. The criminal act is the attempt to deceive and attempted fraud is therefore treated as seriously as accomplished fraud.

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The Bribery Act came into force on 1st July 2011. The act creates the following offences:

- Offering, promising or giving a bribe.
- Requesting, agreeing to receive or accepting a bribe
- Bribing a foreign official to obtain or retain business
- Failure by an organisation to prevent bribery by those acting on its behalf

The Bribery Act has implications for all council staff and their members and all staff and Members are required to comply with the requirements of the Act.

Computer fraud is where information technology equipment has been used to manipulate programs or data dishonestly (for example, by altering, substituting or destroying records, or creating spurious records), or where the use of IT was a material factor in the perpetration of fraud. This definition includes the fraudulent use of computer time and resources.

Whilst the ethos and required outcome of this Strategy is expected to remain constant, the procedures and processes by which this is undertaken may alter over time due to the changing nature of fraud, improvements in investigation techniques, and alterations to legislation. This Strategy will therefore be reviewed regularly.

EXPECTATIONS AND RESPONSIBILITIES

Both Councils expect and require all their officers, members, contractors and all who associate with the Councils to act with propriety and accountability, including adherence to the following

- Directors and their managers are responsible for preventing and detecting fraud and corruption including [bribery](#).
- All individuals and organisations associated in whatever way with the Councils will act with integrity and conduct their business in a forthright and honest manner. [In particular, they must pay regard to the requirements of the Bribery Act 2010 when acting on behalf of the Council or doing business with the Council.](#)
- Council Members and employees will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.
- Individuals are expected to declare all potential conflicts of interest that may affect their independence within their role as Members or officers.

- The Managing Director of Dartford Borough Council and the Director of Corporate Resources at Sevenoaks District Council have a statutory responsibility under Section 151 of the Local Government Act 1972, to ensure the proper arrangements of the Councils' financial affairs. Both Councils have a Financial Guidance Manual, and other accounting instructions which underpin Financial Regulations and outline the systems, procedures and responsibilities of employees in relation to the Councils' financial activities.
- Directors and Senior Officers have a duty for reporting any allegations or suspicions of fraud, [bribery](#) or corruption, to the appropriate section 151 officer, the Monitoring Officer and the Money Laundering Reporting Officer (MLRO). All Officers have a responsibility to report suspicious activities to Senior Management and are required to familiarise themselves with the Councils' Joint Whistleblowing Policy.
- The Head of Finance and Resources is the Money Laundering Reporting Officer (MLRO) for Dartford Borough Council and the Principal Accountant at Sevenoaks District Council is the MLRO. Both MLROs have a responsibility to disclose all known or suspected money laundering offences to the Serious Organised Crime Agency.
- All staff at both organisations have a responsibility to report any knowledge or suspicion of money laundering to the relevant MLRO and Section 151 officer.
- All staff are responsible for raising suspicions with the Fraud Team about an individual's circumstances regarding their benefit claim, in line with the Joint "Housing Benefit and Council Tax Benefit Anti-Fraud Policy" and the Joint "Whistleblowing Policy".
- The Managing Director at Dartford Borough Council and the Director of Corporate Resources at Sevenoaks District Council will ensure that allegations of fraud and corruption are investigated and where appropriate, reported to the Audit Board or Performance and Governance Committee, respectively.
- As part of their statutory duties the External Auditor is required to ensure that the Councils have in place adequate arrangements for the prevention and detection of fraud and corruption.

These requirements are covered in further detail in the sections that follow.

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1. CULTURE

- 1.1 Both Councils are determined that the culture and ethos of both organisations are one of honesty, integrity and opposition to fraud and corruption, including bribery.
- 1.2 To promote this culture all managers, supported by relevant Council policies, should promote an environment in which employees believe that dishonest acts will be detected and investigated.
- 1.3 Both Councils have developed and are committed to employing systems and procedures, which incorporate efficient and effective internal controls; this includes adequate separation of duties to ensure that error or impropriety are prevented or detected. Under Financial Regulations and Contract Procedure Rules, Directors and Senior Officers ensure that such controls, including those in a computerised environment, are properly documented, maintained and effective.
- 1.4 The overall framework of internal controls within both Councils are reviewed and reported upon annually. An independent review of the existence, appropriateness and compliance with particular internal controls are carried out across the Council, by the Internal Audit Section, on a risk assessed basis.
- 1.5 Employees of both Councils are encouraged and expected to raise any concerns that they may have on potential fraud, corruption or bribery in relation to Council affairs in compliance with the Joint Whistleblowing Policy.
- 1.6 To aid this the Councils have proper arrangements within the Joint Whistleblowing Policy which sets out communication channels and information regarding how to make a complaint, including arrangements for raising complaints or allegations in confidence, and safeguarding of anonymity of complainants.
- 1.7 The normal route for raising concerns is via the employee's line manager, however, other routes have been provided for circumstances where this may not be appropriate. Example of such routes include:
 - Chief Executive or Managing Director
 - Relevant section 151 officer
 - Directors
 - Relevant Head of Service
 - Internal Audit Manager
 - Internal Audit Section
 - Benefit Fraud Team

- Whistleblowing Procedure

- 1.8 If employees feel unable to raise their concerns through any of the above internal routes then they may wish to raise them through Public Concern at Work (<http://www.pcaw.co.uk/>), a registered charity whose services are free and strictly confidential.
- 1.9 Members of the public are also encouraged to report concerns through the above routes or, if appropriate, through the Councils' Corporate Complaints Procedures.
- 1.10 Both Councils will further demonstrate their commitment to the culture of integrity through prompt and thorough investigation of any matter brought to their attention.

2. PREVENTION

- 2.1 Effective communication of our respective cultures regarding sound ethics and integrity will contribute towards having at least, a deterrent effect to potential fraud, corruption or bribery.
- 2.2 At Dartford Borough Council, one of the methods used to both detect and deter fraudulent payments made through the Council's systems is the quarterly random invoice checks ("Cardiff Checks") that are undertaken by Internal Audit on behalf of Members.
- 2.3 The Councils recognise that a key preventative measure in the fight against fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential employees, in terms of their propriety and integrity. In this regard temporary and contract employees should be treated in the same manner as permanent employees.
- 2.4 Employee recruitment must comply with the relevant HR Policy of each Council. In particular references will be obtained regarding the honesty and integrity of all prospective employees prior to commencing employment with either Council. Also where appropriate, a Criminal Records Bureau (CRB) check will be undertaken before commencement of employment for certain roles.
- 2.5 The Councils have a series of policies and codes which are communicated to all employees and Councillors to ensure they are aware of activities that are permitted and prohibited, including relevant actions that will be taken if requirements are breached.
 - 2.5.1 Employees:

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- The Employee's Code of Conduct;
- Disciplinary Procedure;
- Standing Orders, which remind employees that they must operate within Section 117 of the Local Government Act 1972, regarding the disclosure of pecuniary interests in contracts relating to the Council or the non-acceptance of any fees or rewards whatsoever other than their proper remuneration;
- Financial Regulations;
- Contract Standing Orders;
- Housing Benefit and Council Tax Benefit Anti-Fraud Guidelines.
- Whistleblowing Policy.

2.5.2 Councillors:

- The Constitution
- Member Code of Conduct;
- Standing Orders on Declarations of Interest;
- Financial Regulations.
- Contract Procedure Rules.

2.6 In view of the rapid increase in fraud perpetrated against local authorities and benefits agencies, including fraudsters having multiple identities and addresses, there is a need to liaise and share information with other agencies and regulators in the fight against fraud and corruption.

2.7 Arrangements are in place to develop and encourage the exchange of information between the Councils and other external agencies on national and local fraud and corruption activity, to help both prevent and detect these activities.

3 DETECTION AND INVESTIGATION

3.1 The array of preventative measures, including internal control systems within both Councils, has been designed to deter fraud. Monitoring controls, if properly applied, should facilitate the identification of any unusual activity.

3.2 Managers should be alert to the possibility that unusual events or transactions could be symptoms of fraud or attempted fraud. Fraud may also be highlighted as a result of specific management checks or be brought to management's attention by a third party.

- 3.3 On discovery of any impropriety, fraud or breach of procedure, employees are required by Financial Regulations and Code of Conduct, to report to their Director or Head of Service, who should then immediately take appropriate action in line with Financial Regulations, the Employees Code of Conduct or the Council's Whistleblowing Policy as appropriate. It is essential that the correct procedure is complied with, in order to ensure:
- consistent treatment of information regarding fraud and corruption;
 - proper investigation by an independent and experienced audit team;
 - the optimum protection of the Councils' interests.
- 3.4 Investigations will be carried out in line with the procedures in the Disciplinary Policy, and may include:
- An Investigating Officer
 - Audit, Risk and Anti- Fraud Team
 - Serious Organised Crime Agency (SOCA)
 - National Anti-Fraud Initiative (NFI)
 - Police
 - Relevant Standards Committee
- 3.5 The External Auditor also has powers to independently investigate fraud and corruption where they believe it exists, and the Councils can use their services for this purpose.
- 3.6 Where a fraud has occurred management must subsequently make any necessary changes to systems and procedures to minimise the risk of similar frauds recurring. The investigation may have identified where there has been a failure of supervision, breakdown or an absence of control. The Internal Audit Section is available to offer advice and assistance on matters relating to internal control.

4. TRAINING

- 4.1 The Councils recognise that the continuing success of its Anti-Fraud and Corruption strategy and its general credibility will depend largely on the effectiveness of programmed training and responsiveness of employees throughout the organisations.
- 4.2 To facilitate this, the Councils will incorporate relevant fraud awareness briefings within its induction programme for newly appointed staff and newly elected Councillors.
- 4.3 Specific training will be provided for specialist staff as required.

5. STRATEGIC REVIEW

This strategy will be reviewed annually. The review will take account of any suggestions made by officers, members and changes in professional or regulatory requirements. However, a review may not necessarily result in changes to the strategy if it is not considered that a change will result in practical benefit. All changes will be subjected to approval by each Councils' management team and endorsed by the relevant committee.

PERFORMANCE AND GOVERNANCE COMMITTEE – 13 MARCH 2012

ANNUAL INTERNAL AUDIT PLAN 2012/13

Report of the: Director of Corporate Resources

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– Adrian Rowbotham

Recommendation: It be RESOLVED that the Committee approve the draft Internal Audit Plan for 2012/13.

Introduction

- 1 This report incorporates the Annual Internal Audit programme for 2012/13 for approval by this Committee. The objective of the plan is to ensure that the Audit, Risk and Anti-fraud Team delivers reasonable assurance to the Council regarding the effectiveness of internal controls, governance and risk management processes in fulfilment of the Council's statutory responsibilities.
- 2 The planning process is informed by relevant professional guidance, as incorporated within the CIPFA Code of Practice for Internal Audit in Local Government (2006); the CIPFA Guidance on the Role of the Head of Internal Audit and the requirements of the Accounts and Audit Regulations 2011.
- 3 **Key Issues in the Audit Plan**
- 4 The plan sets out 25 main reviews (three of which were brought forward from 2011/12) planned to be delivered in 310 audit days. See pages 6-12 of the Appendix, for details of the proposed areas to be reviewed, in order to assess the Council's ability to manage identified risks and the robustness of internal control arrangements. In addition, 20 days are planned towards reviewing the arrangements for the prevention of fraud and irregularities (see page 12 of the Appendix). The plan also incorporates planned time for advice and information to management, 20 days; and a further 30 days for contingencies.
- 5 The total number of staffing resources available for the year for direct work is 430 FTE days and 25 days for undertaking planning and monitoring. This reconciles with the assurance requirements for 2012/13.
- 6 In planning the work, account is taken of available resources, risk, materiality, and the key priorities identified by senior management. The work planned will enable the team to provide satisfactory assurance at the end of the period 2012/13 and

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would facilitate the Council's obligations under the Accounts and Audit Regulations 2011.

- 7 This is the second audit plan to be presented to this committee since the shared services arrangement with Dartford Borough Council, which commenced in April 2011. However, the attached plan relates only to Sevenoaks District Council. A separate annual audit plan would be presented to the Dartford Audit Board on 28 March 2012. Both Councils receive an equal share of the resources available to the team.

Revisions of the Audit Plan

- 8 The Internal Audit Team will work closely with management to respond to the changing priorities of the Council and any consequential changes in the assurance requirements during 2012/13. To this effect, there may be a need to review the plan during the year, in view of financial, economic and regulatory uncertainties. In the event, any required revisions to the plan will be agreed with management team in the first instance, prior to being taken to the Performance and Governance Committee for approval.

Conclusion

- 9 The attached plan incorporates the assurance requirements for 2012/13, and is in accordance with relevant professional and regulatory requirements. The Committee is therefore requested to approve the plan.

Key Implications

Financial

- 10 This report has no financial implications.

Legal, Human Rights etc.

- 11 This report has no additional legal implications save those relating to the Data Protection and Freedom of Information Acts.

Resource (non-financial)

- 12 There are no additional resource requirements impacting on this report.

Equality

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

Sustainability Check List

- 14 Not applicable

Value for Money

- 15 There is no value for money implication.

Risk Assessment Statement

- 16 The audit programme for 2012/13 takes account of the key strategic and operational risks currently identified within the Council, as well as other relevant factors. Consequently satisfactory delivery of the internal audit plan would contribute towards the requirements of effective internal controls, as well as the implementation of the Council's risk management strategy. The key risk regarding the delivery of the plan however is whether or not sufficient work would be completed at the required quality, in order to enable satisfactory assurance to be obtained at year end. Management believes that appropriate steps have been taken to address the risk and remained confident that all identified risks are being managed effectively.

Contact Officer(s):

Bami Cole Ext. No. 3023

Pav Ramewal
Corporate Resources Director

Internal Audit Plan

2012/13

D R A F T



Background

1. The Accounts and Audit Regulations 2011 requires the Council to have an effective internal audit which would provide an opinion on the adequacy and effectiveness of financial control, as well as to provide reasonable assurance on the Council's overall governance and internal control processes. This includes the arrangements for the Annual Governance Statement, the review of the effectiveness of internal audit and the management of business risks.
2. To deliver the above, the Council requires an annual internal audit plan which:
 - Draws on effective co-operation with External Auditors and other external review agencies, from which the public may gain assurance regarding the effectiveness of the Council's system of internal control.
 - Provides Councillors, the Chief Executive, the Corporate Resources Director, and other senior managers with an overall opinion on the status of the Council's governance arrangements, including internal control and risk management.
 - Supports the Corporate Resources Director in fulfilling his obligations under Section 151 of the 1972 Local Government Act and the Accounts and Audit Regulations 2011, to ensure the Council operates safe and efficient financial and management information systems.
 - Enables the Council to place assurance on the work of Internal Audit in fulfilling its obligations under the Accounts and Audit Regulations 2011, Regulation 4, to establish proper practices for the publication of an Annual Governance Statement; and Regulation 6 to review the effectiveness of the internal audit function.
 - Conducts audit reviews of the Council's risk management, internal control, and governance arrangements in a way that takes full account of the Council's objectives and risks.
 - Aims to improve the Council's risk management, internal control, and governance arrangements by providing line management with practical recommendations arising from audit work; including consultancy and advice and information as necessary or on request.
 - Delivers an audit service that meets standards of performance and quality as laid down in the CIPFA Code of Practice for Internal Audit in Local Government and CIPFA Guidance on the Role of the Head of Internal Audit.

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Internal Audit's objectives

3. The internal audit function is provided through a shared services arrangement with Dartford Council which came into force in April 2011. Consequently the objective of the team is to provide relevant services for both Councils. However, this plan deals with the team's work for Sevenoaks District Council only, regarding the provision of Internal Audit Services, in fulfilment of the Council's section 151 responsibilities and its obligations under the Accounts and Audit Regulations 2011. To this effect, the objective of the team's work in this area is to give an assurance to the Council on the effectiveness of the overall governance, risk management and internal control processes of the Council.
4. In recognition of the statutory requirement, it is the responsibility of Internal Audit to review, appraise and report upon:
 - The soundness, adequacy, and application of financial and other management controls.
 - The extent of compliance with, relevant and financial effect of, established policies, plans and procedures.
 - The extent to which the organisation's assets and interests are accounted for and safeguarded from losses of all kinds arising from:
 - Fraud, bribery, corruption and other offences
 - waste, extravagance, and inefficient administration, poor value for money and other causes.
 - The suitability and reliability of financial and other management data developed within the organisation.
 - The effectiveness of the Council's risk management framework

Proposed Audit Techniques

5. To fulfil our responsibility we propose to adopt the following techniques, the relevant technique adopted will depend on the nature and scope of each audit review:

Risk-based audit

Risk-based auditing takes account of the Council's strategic and operational objectives, and evaluates through audit testing the management of risks to achievement of these objectives, thereby providing an opinion on the quality of internal control within a system. Recommendations for improvements in control are made proportionate to the impact and likelihood of existing risks.

Systems-based audit

Where appropriate, Audit may undertake wider documentation, evaluation and testing of financial operational and management information systems; providing an opinion regarding the adequacy of control and offering suggestions and advice to enable the strengthening of internal control weaknesses.

Systems based auditing provides high quality assurance on management controls for those systems evaluated.

Our systems-based audit work is based on the CIPFA System Control Matrices. The matrices draw on the approach, standards, and guidance of a variety of audit and regulatory bodies, including the Audit Commission.

Financial/Probity Reviews

Examination of financial records for compliance with agreed policy, regulations, and procedures.

Investigation of Irregularities

We will undertake enquiries into cases of discovered or reported irregularity including, where required, liaison with other investigatory bodies, such as the National Fraud Initiative (NFI). These usually lead to the enhancement of risk management activities within the Council, and strengthening of internal controls.

Advice and Information

We offer advice, information and assistance to all levels of management on internal control, governance and risk management.

IT audit

IT audit is a specialist area and in previous years the work has been undertaken by external consultants working under local management. In 2011/12 we carried out work in this area using internal resources. We hope to continue to do so in 2012/13.

VFM audit

Value for money considerations will be factored into our approach where relevant and appropriate. This would enable us to determine whether managers are making use of the opportunities available to them for obtaining good value for money.

Audit Approach

6. In order to make best use of staff resources and to maximise the team's effectiveness, the consideration of the need for audit reviews in individual areas, is based on a risk assessments, which evaluates:

- materiality

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- the inherent risk associated with the activity (high risk activities are those which involve access to cash or complex activities where errors, loss or fraud could arise)
 - the controls in place to prevent and detect losses and errors
 - knowledge from previous audit reviews (including external audit)
 - Legal or regulatory compliance
7. This risk assessment is then translated into an annual operational plan, which sets out the areas to be covered in the current year, taking into account resource constraints. This approach is consistent with the nature of the dynamic environment local government currently operates within.
8. In compiling the Plan for 2012/13 we have taken into account:
- The internal audit strategy
 - the financial risk assessment of the Council's activities
 - strategic and operational risks assessments
 - shared services and partnership arrangements
 - discussions with senior officers
 - brought forward work from 2011/12
 - the incidence of irregularities over the past year
 - resources available
 - significant changes arising from external and internal pressures
 - organisational changes within the last 12 months
 - the results of external audit work, or external regulatory assessments from other review agencies
 - professional guidance were applicable

9. **The Plan for 2012/13**

The table below lists the audits we would undertake during 2012/13 and a summary of the scope of each review. As part of the process we carry out an annual review of key financial systems. These are usually systems with high inherent risks, usually areas of major income and expenditure where a failure to manage risks effectively might result in material financial loss, or significant damage to the Council's

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reputation. The reviews are intended to ascertain the arrangements management have in place to manage operational or business risks and to give an assurance regarding their effectiveness. Where the audit opinion has remained “Good” over the last two years, it is proposed to carry out a scaled down review, which would incorporate only key controls; aspects not covered in previous reviews, or areas which may have given rise to concerns since the previous audit review. This approach is consistent with the risk based audit approach inherent in the Council’s internal audit strategy.

Details of Areas to be Reviewed and Summary of Review Objectives 2012/13

<i>Audit area</i>	<i>Review objectives</i>
1. Main accounting system <ul style="list-style-type: none"> • Agresso based system • TASK based system 	To give assurance on: <ul style="list-style-type: none"> • the controls over entries to the main accounting system; and that data is processed completely; accurately and authenticated. This would also cover the effectiveness of any streaming to integrate both systems
2. Budget Preparation & Control	To give assurance on: <ul style="list-style-type: none"> • the robustness of the budget preparation process, including profiles • budgetary control process and monitoring arrangements, including action to identify and prevent significant variances
3. Cash and Bank Reconciliations <ul style="list-style-type: none"> • Main SDC account • Tax and Benefit account 	To give assurance on: <ul style="list-style-type: none"> • the reconciliations process, including timelines and the promptness of action taken to address unexplained variances,
4. Treasury Management	To give assurance on: <ul style="list-style-type: none"> • the effectiveness of the treasury management system in meeting its service objectives. This would be a light touch review covering areas of key controls and compliance arrangements.
5. Payroll	<ul style="list-style-type: none"> • to give an assurance regarding the accuracy, completeness and authenticity of payroll transactions, including overtime
6. Purchasing and creditors <ul style="list-style-type: none"> • Agresso based system 	To give assurance on: <ul style="list-style-type: none"> • the ordering and receipt of goods and services and that payments are in accordance with Financial

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<ul style="list-style-type: none"> TASK based system 	<p>Regulations.</p>
Audit area	Review objectives
<p>7. Debtors</p> <ul style="list-style-type: none"> Agresso based system TASK based system 	<p>To give assurance on:</p> <ul style="list-style-type: none"> the promptness with which debtors accounts are identified and accurately processed for payment, including where appropriate the taking of recovery action
<p>8. Council Tax /NNDR</p>	<p>To give assurance on:</p> <ul style="list-style-type: none"> the effectiveness of the service in delivering its service objectives and the implementation shared services arrangements. Key areas to be examined would include any areas of concerns raised in previous internal and external audit reports; in addition to the system for recording liability and collecting income, including recovery arrangements, single person discounts and accuracy of data transfer onto the accounting system.
<p>9. Council Tax and Housing Benefits</p>	<p>To give assurance on:</p> <ul style="list-style-type: none"> the effectiveness of the service in delivering service objectives and the shared services arrangements. Including any areas of previous internal or external audit concerns; in addition to the following key aspects, authorisation, verification, accuracy and accounting for Benefits Claims.
<p>10. Review of Housing</p>	<ul style="list-style-type: none"> this review would focus the Council's response to implement recent or proposed changes within housing, in order to give an assurance regarding compliance with relevant statutory or regulatory requirements. In view of the scale of proposed regulatory changes, the precise scope of this review would be discussed and agreed with management prior to commencing the work.
<p>11. Car Parking Income</p>	<p>To give assurance on:</p> <ul style="list-style-type: none"> the effectiveness of the service regarding the security and prompt banking of income collected and the recovery process.

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<i>Audit area</i>	<i>Review objectives</i>
12. Contract Management Arrangements	<p>To give assurance on:</p> <ul style="list-style-type: none"> • the review will focus on a selection of contacts entered into over the last 12 to 18 months; or proposed; to give an assurance regarding compliance with Council policies and procedures, including statutory requirements. Also that there are robust arrangements in place to manage performance and delivery.
13. Review of Environmental Services	<p>To give assurance regarding:</p> <ul style="list-style-type: none"> • the new shared services arrangements with Dartford. Key aspects would be the effectiveness of the service in delivering its objectives; performance; including savings forecast. The precise scope would be agreed with senior management prior to commencing the review.
14. Review of Savings Forecast	<p>To give assurance regarding:</p> <ul style="list-style-type: none"> • the reliability of the Council's existing savings forecast in delivering required savings over the next few years (period and scope to be agreed in discussion with management). Some of the assumption on which savings estimate are based are subjected to change, hence the review would seek to give an assurance regarding the reliability of existing forecast, as the ability of the Council to deliver its objectives are closely linked to the outcome of its savings forecasts.
15. Review of Paralympics	<p>To give assurance regarding:</p> <ul style="list-style-type: none"> • the effectiveness of the arrangements to deliver the Council's responsibilities in regard to the Paralympics. The review will focus on the steps taken by the Council to identify its responsibilities; its key objectives; the identification of risks and relevant actions and timescales identified to mitigate identified risks. The precise scope of the review would be discussed and agreed with senior management prior to commencing the review.

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Audit area	Review objectives
16. Annual Governance Statement	To give assurance regarding: The process in place for delivering the Annual Governance Statement and to co-ordinate the production of the statement, ensuring compliance with Statutory requirements and professional guidance.
17. Review of sale of Assets	This review will examine the arrangements affecting the sale of Council assets. The precise scope of the review would be discussed and agreed with the Director of Corporate Resources and the Finance Group Manager prior to commencing the review.
18. Impact of Budgetary Constraints	This review will examine the pace of change within support services in order to give an assurance regarding the effectiveness of service delivery following changes to implement the Council's savings requirements. The scope of the review would cover; capacity and resilience issues, as well as quality of service provided.(services to be cover would include, Legal, Finance, Admin and IT).
19. Dunbrik Depot	This review will seek to give an assurance regarding the effectiveness of systems within the Dunbrik Depot in meeting relevant service objectives and compliance with Council procedures and policies; including Health and Safety Arrangements. The exact allocation of this time and systems chosen would be informed by the outcome of the updated operational risk registers. However, it is likely that the time would be spent looking at two or three key areas of depot activities which have not been reviewed by internal audit over the last few years. Exact scope would be agreed in consultation with senior management
20. Project Delivery Arrangements	This review would seek to give an assurance regarding the Council's Grant Allocation Process to external bodies with whom it works in partnership to deliver some services to the local community. In particular, it is propose to examine the effectiveness of the process leading to grant allocation and decision making, including Member involvement. The exact scope of the review would be discussed and agreed with management prior to commencement of the work.
21. Data Quality/Accuracy	To review the arrangements in place for the setting and monitoring of Performance Data in order to give an assurance regarding effectiveness and fitness for purpose. The scope would include, relevance, timeliness and accuracy of data.

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<i>Audit area</i>	<i>Review objectives</i>
22. Information Management Arrangements	To review the Council's arrangements for managing information; including document retention policies and procedures, in order to provide assurance regarding fitness for purpose in relation to regulatory compliance and good practice. The review would also assess available options and associated costs relating to staff time and other resources in maintain the system
23. Review of Risk Management	To review the Council's risk management framework, in order to give an assurance regarding its effectiveness and fitness for purpose. The scope of the review would cover the arrangements for both strategic and operational risks. It would also examine the effectiveness of joint working arrangements on risk management with Dartford.
24. Review of IT Implementation and Network	To give an assurance regarding the effectiveness of the arrangements to ensure the security of data, disaster recovery business continuity arrangements relevant to the needs of the Council.
25. Review of Procurement	To review the Council's procurement policies and procedures in order to give an assurance regarding fitness for purpose and effectiveness, including compliance with EU and UK regulations.

Arrangements to prevent fraud and corruption

<i>audit area</i>	<i>review objectives</i>
Contracts	To check that contract payments are only made in accordance with contract terms and when properly authorised.
Cashing up	To check that officers are able to account for all income received by them on the day of the cashing up.
Housing Benefits	To check the robustness of the process to prevent and detect fraud in accordance with National Fraud Initiative requirements.
Special investigations	To carry out investigations into suspected frauds, losses etc in accordance with the Fraud Response Plan.

Follow up of recommendations made in previous audit reports

Audit reports	To follow up recommendations made in previous reports, to confirm that agreed action has been implemented effectively within the agreed time scales.
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10. Audit Programme and Resource Plan for 2012/13

Areas to be audited	Planned days 12/13	Actual days 11/12
1. Main Accounting System	10	5
2. Budgetary Control	5	5
3. Cash and Bank Reconciliations	5	5
4. Treasury Management	5	5
5. Payroll	5	5
6. Purchasing and Creditors	15	10
7. Debtors	5	5
8. Council Tax/NNDR	15	25
9. Council tax Housing Benefits	15	20
10. Review of Housing	15	0
11. Car Parking Income	10	10
12. Contract Management Arrangements	15	15
13. Environmental Services	15	0
14. Review of Savings Forecast	15	0
15. Review of Paralympics	15	0
16. Annual Governance Statement	10	15
17. Review of Sale of Assets	15	0
18. Impact of Budgetary Constraints	15	15
19. Dunbrik	20	20
20. Project Delivery Arrangements	15	20
21. Data Quality/Accuracy	10	10
22. Information Management	15	0
Sub-Total	265	190

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Areas to be audited	Planned days 12/13	Actual days 11/12
Brought forward total	265	190
Arrangements to prevent and detect fraud and corruption	Planned days 12/13	Actual days 11/12
Contracts – payments	10	10
Housing Benefits/ Participation in the National Fraud Initiative (NFI)	10	10
Total	20	20
Other Activities for 2012/13	Planned days 12/13	Actual days 11/12
Follow up of actions agreed in previous reports	25	15
Advice, information and guidance	20	20
Contingencies	30	30
Total	75	65
Brought Forward work from 2011/12 programme	Planned days 12/13	Actual days 11/12
1. Review of Risk Management	15	10
2. Review of IT Implementation and Network	15	20
3. Review of Procurement	15	15
Total	45	45
Total direct audit days	405	320
Audit Planning and Monitoring etc.	25	30
Grand Total Resources Required	430	350

Note: Six reviews are planned for 2012/13 which were not carried out in 2011/12. These amounted to a total of 90 days and are shown as zero, under 2011/12. Hence the total days available for both years are not directly comparable.

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Available Resources

11. Total staffing resources available for direct work are estimated at 405 days, plus 25 days for planning and monitoring. This is equivalent to 50% of total resource available for internal audit within the joint shared services team.

Internal Audit Performance and Quality

12. During 2012/13, the team will continue to work in compliance with the CIPFA Code of Practice for Internal Audit in Local Government, and will give regard to the CIPFA Guidance on The Role of The Head of Internal Audit. Performance is proposed to be measured against the performance indicators detailed below.
13. The following seven performance indicators relating to the delivery of the audit plan are proposed and are consistent with current professional benchmarks:

	Measure	Target 2011/12
1	<i>Percentage of internal audit time spent on direct activity</i>	<i>80% of available time.</i>
2	<i>Percentage of Final Reports issued within 15 working days of completing field work</i>	<i>95 % following feedback meeting</i>
3	<i>Percentage of audits completed within allocated time.</i>	<i>90% of audits achieved within allocated time.</i>
4	<i>Percentage of audit briefs issued within 10 days of audit start date.</i>	<i>90% of audits</i>
5	<i>Client satisfaction with audits carried out</i>	<i>90% client satisfaction as indicated by the responses to the post audit questionnaires.</i>
6	<i>Value to the Council – Percentage of audit recommendations agreed and implemented by management</i>	<i>95% of audit recommendations accepted and completed within the agreed timescale.</i>
7	<i>Ability to delivery effective assurance</i>	<i>95% of planned work to be completed by 31 March 2012</i>

Reporting Protocol

14. Internal audit work undertaken is reported to clients (service managers, heads of services and directors), the culmination of the year's work being an annual report to the Performance and Governance Committee. Individual audit reports provide an opinion regarding the adequacy of the control environment within the area examined. The annual audit report will contain an overall opinion on the adequacy of internal control, governance and risk management within the Council.

Audit Opinion

15. The audit opinion is formed following discussions with offices/management, observation of working practices, and the testing of systems. This is to ascertain whether key controls are in place and whether they are being complied with, or whether there are compensating controls, which provide the same level of overall control and protection against identified risks. Definitions of the five levels of opinions, as previously agreed by members are:

Good	<i>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.</i>
Satisfactory	<i>Controls exist to enable the achievement of service objectives, obtain good corporate governance, and Protect the Council against significant foreseeable risks. However, occasional instances of failure to comply with the control process were identified and opportunities still exist to protect the service against potential risks.</i>
Adequate	<i>Controls are in place and to varying degrees are complied with but there are gaps in the process, which leave the Council exposed to some minor risks. There is, therefore, a need to introduce additional controls and improve compliance with existing ones, to reduce the risk to the Council.</i>
Unsatisfactory	<i>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.</i>
Unacceptable	<i>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.</i>

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16. We aim to involve auditees at key stages of the audit process and to ensure their agreement to audit findings and recommendations. The table below sets out how auditees will be involved in the audit process this year. There are no changes to the process from last year.

Audit stage	Involvement
Agreement of brief at the start of the audit	Head of Service
Feedback and discussion of main findings arising from an audit	Service Manager/Head of Service
Agreed report	Chief Executive Chief Financial Officer Director as appropriate Head of Service Service Manager
Audit satisfaction questionnaire completion	Head of Service/Service Manager as appropriate
Half yearly progress reports	Management Team and Performance & Governance Committee
Annual Report Annual Plan	Management Team and Performance & Governance Committee Committee

Audit Recommendations

17. We will continue to report recommendations by highlighting the significance of each item in relation to risk and materiality. Thus recommendations will be graded as follows:

High – Fundamental weaknesses in the system or process under review

Medium – System weaknesses which leave the system open to minor risks

Low – Desirable but non-threatening improvements

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PERFORMANCE AND GOVERNANCE COMMITTEE – 13 MARCH 2012

INTERNAL AUDIT PROGRESS REPORT – QUARTER 3

Report of the: Director of Corporate Resources

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 - Adrian Rowbotham

Recommendations:

That this Committee note the contents of the report and the progress made by the audit team in delivering the 2011/12 Annual Internal Audit Plan.

Introduction

- 1 This report summarises the progress of the team in delivering the Annual Internal Audit Plan 2011/12 and the outcome of audit reviews completed since the last meeting of this committee.

Summary of Issues Within the Report:

- 2 A summary of progress made towards achieving the assurance requirement is attached as Appendix A to this report. Appendix B provides a brief summary of each final audit reports issued since the last meeting of this committee. Appendix C sets out the descriptions of the audit opinion for audit reviews.
- 3 The details on Appendix A set out progress to date against each audit in the Annual Internal Audit Plan for 2011/12, approved by the Performance and Governance Committee on 19 April 2011. Members may note that 21 reviews have commenced since the start of the year, with 10 reviews having been finalised. Three of the remaining 11 reviews are due to be finalised shortly. Thus 84% of reviews within the original plan have either been completed, or in various stages of completion. This is equivalent to 95% of the revised plan presented to this committee in September 2011.
- 4 The team has continued to make substantial progress in clawing back time lost through long term sickness and through Jury service. Hence we remain hopeful to be able to deliver satisfactory assurance for year end.

Staffing

- 5 Staffing compliment remained steady during the year, although some productive time was lost as indicated in paragraph 4 above. However, the team has continued to work effectively to deliver the assurance requirements without resorting to using agency staff, thus continuing to provide providing a cost effective service for the Council.

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Partnership Arrangements

- 6 The partnership agreement with Dartford Council for the provision of Internal Audit and Anti-Fraud services continues to operate effectively, providing an efficient service for both Councils. The new framework for risk management is planned to be rolled out in April 2012.

Key Implications

Financial

- 7 This report has no additional financial implications.

Community Impact and Outcomes

- 8 Not applicable.

Legal, Human Rights etc.

- 9 This report has no additional legal implications save those relating to the Data Protection and Freedom of Information Acts.

Resource (non-financial)

- 10 There are no additional resource requirements impacting on this report.

Equality

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

Sustainability Checklist

- 12 Not applicable

Value for Money

- 13 There is no value for money implication.

Conclusions

- 14 The Committee is requested to adopt the recommendation set out above.

Risk Assessment Statement

- 15 There is a risk that due to lost staff time, resources may not be adequate to complete the audit plan this year. However this risk is being effectively managed and we remain positive regarding delivering satisfactory assurance for the Council for 2011/12.

Sources of Information: Internal Audit Annual Plan for 2011/12

Contact Officer(s): Bami Cole Ext. 3023

Dr. Pav Ramewal
Corporate Resources Director

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Agenda Item 11

Appendix A

PROGRESS AGAINST 2011/12 INTERNAL AUDIT PLAN					Status at 29/2/12		
		Final report issued	Draft report issued	Feedback process in progress	Fieldwork in progress	Brief issued	Possibly defer or cancel
1	Main Accounting System				✓		
2	Budgetary Control	✓					
3	Cash & Bank Reconciliations	✓					
4	Treasury Management	✓					
5	Payroll	✓					
6	Purchasing & Creditors				✓		
7	Debtors				✓		
8	Council Tax/NNDR				✓		
9	Council Tax/Housing Benefits			✓			
10	Risk Management						✓
11	Car Parking Income	✓					
12	Contract Management Arrangements	✓					
13	Cash Collection – Council Offices	✓					
14	Licensing	✓					
15	Emergency Planning/BCP				✓		
16	Annual Governance Statement						
17	Procurement						✓
18	Impact of Budget Constraints on Services			✓			
19	Dunbrik				✓		
20	Information Governance/Document Control, Fol, DPA			✓			
21	Project Delivery Arrangements					✓	
22	Data Quality/Accuracy	✓					
23	Register of Interest & Hospitality	✓					
24	IT Implementation & Network Security						✓
25	Value for Money Arrangements				✓		
	Total	10	0	3	7	1	3

Note: Items without ticks are yet to commence.

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Review of Budgetary Preparation & Control Arrangements 2011/12

Issued: 21 December 2011

Opinion: *Good*

The purpose of this review was to provide assurance regarding the effectiveness of the arrangements in place for budget preparation and control; including compliance with Council policies.

To this effect, the following potential risks and relevant controls were examined:

1. The Council may not comply with relevant legislation, organisational policy and good practice.
2. The budget setting and profiling process may not be effective or timely.
3. There are ineffective arrangements for monitoring and reporting budgetary activity.
4. Corrective and timely action to identify and manage variances may not be taken.
5. Fraud and corruption could go undetected.
6. Opportunities to demonstrate efficiency or VFM may not be maximised.
7. Risk assessments may not be adequately undertaken and risks not adequately managed.

Audit testing results indicated that the controls were fully met in six of the seven risks examined, while item five was partially met.

The audit opinion given was “Good”, indicating that controls are in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against foreseeable risks. Compliance with the risk management process is considered to be good and no significant or material errors or omissions were found.

The following recommendation was agreed with management to address the one area where control was partially met. Although this did not pose any imminent risk to the Council, we believe control could be further strengthened in order ensure best practice.

- The list of officers with write access permissions, to the finance system, needs to be periodically reviewed, to ensure that existing permissions are still required or necessary. Furthermore, the awarding of write permissions should be supported with documented authorisation confirmation on file.

We will advise members of the Performance & Governance Committee of progress regarding the above recommendation in due course.

Review of Contract Licensing 2011/12

Issued: 13 January 2012

Opinion: *Satisfactory*

The purpose of this review was to provide assurance regarding the effectiveness of the licensing shared service arrangements in delivering service objectives. This is the first audit review undertaken by Sevenoaks, following the implementation of the partnership arrangement and it has therefore sought to provide assurance to management regarding the effectiveness of the arrangements in meeting service objectives.

To this effect, the following potential risks and relevant controls were examined:

1. The Council may not comply with relevant legislation, policies or good practice
2. Service objectives may not be fully managed or met
3. Licences may not be issued and enforced in line with procedures
4. Partnership governance arrangements are not in place
5. The full potential of the partnership may not be realised
6. Fraud or corruption may go undetected
7. Opportunities to demonstrate efficiency or value for money may not be maximised
8. Risk assessments may not be adequately undertaken and risks not adequately managed

Audit testing indicated that, controls were fully met for items 1, 6 and 7 controls were partially met for risks 2, 3, 4, 5 and 8. The overall audit opinion was “satisfactory”, indicating that good controls were in place to ensure the achievement of organisational objectives, though the review identified occasional instances of non-compliance and suggested some minor improvements to existing controls, to further improve governance and risk mitigation.

The following recommendations were agreed with management to address the issues identified:

- Procedures should be in place to ensure that the current Service Plan is available to all relevant officers where required, including Policy and Performance and that the relevant officers are aware of their responsibilities
- Work flow monitoring needs to be reviewed to ensure that resources are adequately allocated to achieve objectives, maintain performance and provide resilience during planned and unplanned absences
- Following agreement by all parties, the amended Licensing Partnership Agreement should be signed as soon as possible
- An operational risk register for the service should be produced and a copy given to the Policy and Performance team

Members would be advised of the progress in implementing these recommendations in due course.

Review of Treasury Management 2011/12

Issued: 14 February 2012

Opinion: Satisfactory

This objective of this review was to provide an assurance regarding the effectiveness of the system set up to manage the Council's investments and its compliance with existing Council policies and procedures.

To this effect, the following potential risks and relevant controls were examined:

1. The Council may not comply with relevant legislation, policies, or good practice
2. There may be insufficient documentary evidence to support transactions
3. The Council's financial and cash flow position may not be assessed or monitored
4. The Council may make investments above its risk appetite
5. Surplus funds may not be invested promptly
6. Investment transactions may not be appropriate, legitimate or correctly authorised
7. Fraud or corruption may go undetected
8. Opportunities to demonstrate efficiency or value for money may not be maximised
9. Risk assessments may not be adequately undertaken and risks not adequately managed

Audit testing indicated that, controls were fully met for seven of the nine risks examined. Controls were partially met for items 1 and 4. This was mainly due to a one off error, which had no systemic implications. The overall audit opinion was "satisfactory", indicating that good controls were in place to ensure the achievement of organisational objectives, though the review identified occasional instances of non-compliance with established procedures, and suggested some minor improvements to existing controls to further improve governance and risk mitigation.

The following recommendations were agreed with relevant management to address the issues identified:

- That investments made into the Council's call accounts should be subject to a secondary check to ensure that the terms of Treasury Management policies are adhered to (this is already the case for fixed deposit investments).

Members would be advised of the progress in implementing these recommendations in due course.

Review of SDC Cash & Bank Reconciliations 2011-12 Issued: 29-2-12

Opinion: Satisfactory

The purpose of this review was to provide assurance regarding the effectiveness of the arrangements in place to conduct cash and bank reconciliations, including compliance with Council policies.

To this effect, the following potential risks and relevant controls were examined:

1. The Council may not comply with relevant legislation, organisational policy and good practice;
2. Appropriate records may not be kept to support the reconciliation process;
3. Reconciliations between the Council's bank and financial systems may not be accurate, complete, up to date or reviewed by a senior officer;
4. Long standing items may not be followed up on a timely basis;
5. The Council may not have an accurate view of its cash flow or financial position;
6. Fraud and/or corruption may occur.
7. Opportunities to demonstrate efficiency or VFM may not be maximised.
8. Annual risk assessments may not undertaken.

Audit testing results indicated that the controls were fully met on items 4 to 8 of the risks examined. The first three controls were partially met.

The audit opinion given was "Satisfactory", indicating that controls are in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against foreseeable risks. Compliance with the risk management process is considered to be good and no significant or material errors or omissions were found.

The following recommendations were agreed with management to address the three areas where control was partially met.

- A timeframe for completion of bank reconciliations at month end closedown should be included in the team's work instructions for both Agresso and Task. When timescales cannot be met the reasons should be documented.
- The existing procedures for Agresso bank reconciliations should be periodically reviewed to ensure fitness for purpose..
- The bank reconciliation summary sheet should include the job titles of the officers preparing and reviewing the bank reconciliations.
- The references to closed obsolete accounts detailed on the Agresso bank reconciliation summary sheet should be removed.

We will advise members of the Performance & Governance Committee of progress regarding the above recommendations in due course.

AUDIT OPINIONS - Definitions

Good	<i>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.</i>
Satisfactory	<i>Controls exist to enable the achievement of service objectives, obtain good corporate governance, and reduce significant foreseeable risks. However, occasional instances of failure to comply with the control process were identified and opportunities still exist to reduce potential risks.</i>
Adequate	<i>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.</i>
Unsatisfactory	<i>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.</i>
Unacceptable	<i>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.</i>

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PERFORMANCE AND GOVERNANCE COMMITTEE – 13 MARCH 2012

PERFORMANCE MONITORING

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

Status: For Consideration

Executive Summary: This report provides the Committee with a summary of Council performance and through the exceptions report details of all ‘Red’ performance indicators for the period to the end of January 2012.

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

Portfolio Holder Cllr. Mrs. Davison

Recommendation: It be RESOLVED that Members:

- (a) Note the contents of this report, and
 - (b) Where appropriate, refer areas of concern to the Finance Advisory Group or 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 The Committee has agreed that the performance monitoring report will show only the ‘Red’ indicators, separated in to the responsibilities of each Select Committee, allowing for a strong focus on areas of underperformance.
- 4 Performance reports will always provide Members with the most up to date information accompanied by management commentaries on the reasons for underperformance and the actions being taken to improve the service.

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Performance Overview – April to January 2011/12

- 5 The following table summarises the performance levels to the end of January 2011/12.

Red	Amber	Green
<i>10% or more below target</i>	<i>Less than 10% below target</i>	<i>At or above target</i>
11	14	57
13%	17%	70%

- 6 The last report received by the Committee provided an update on performance to the end of September 2011 and included information on 10 'Red' indicators. The following points provide Members with a short update on progress in those areas in the period to the end of January 2012:

- LPI DS 002 – The total trading account position remains 'Red'. Finance Advisory Group will be reviewing the position against this budget at its meeting on 28th March;
- LPI FS 003 – Debts outstanding more than 61 days remains 'Red' but the amount outstanding had been reduced to £23k by mid-February;
- Benefits performance is showing an improvement but remains 'Red'. Performance was reported to Services Select Committee in November 2011 at the request of this Committee, but a continuing increase in workload, combined with difficulties in recruitment continue to limit the extent of the performance improvement;
- LPI Waste 003 – Performance has improved with now only 9 missed waste collections per 100,000 against a target of 10. This indicator is now 'Green';
- LPI Waste 005 – The number of missed green waste collection remains 'Red'. Performance improved markedly to the end of December. However there was a higher than normal level of missed collections in January related to the staffing of the rounds that has meant performance has remained 'Red'; and
- LPI EH 004 – Performance has improved with 93% of high risk food inspections completed against a target of 98%. Performance is now 'Amber' and continuing to show improvement;

- 7 Set out at Appendix 1 are details of each of the 11 'Red' performance indicators categorised by the Select Committee which holds responsibility for scrutinising that service's performance. Alongside the performance data is a trend chart, showing all performance for the year and a commentary provided by the manager of the service. Commentaries include additional context data where it is available and explain 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 Finance Advisory Group or the relevant Select Committee for scrutiny. Where performance concerns are referred for scrutiny 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

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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 Members to review. Formal performance reports to Management Team, Performance and Governance Committee and Cabinet. Service Review processes in place.	Low. Risk Adequately Controlled

Sources of Information:

Covalent Performance Management Software

Contact Officer(s):

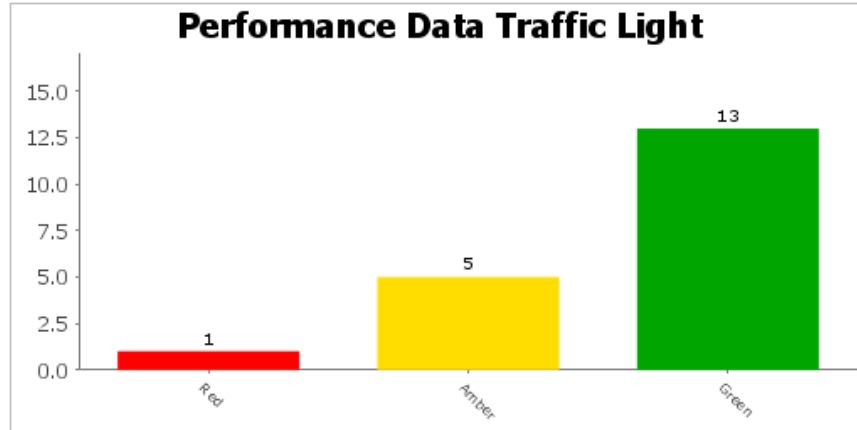
Lee Banks, Policy and Performance Manager.
Ext 7161

Dr. Pav Ramewal

Deputy Chief Executive and Director of Corporate Resources




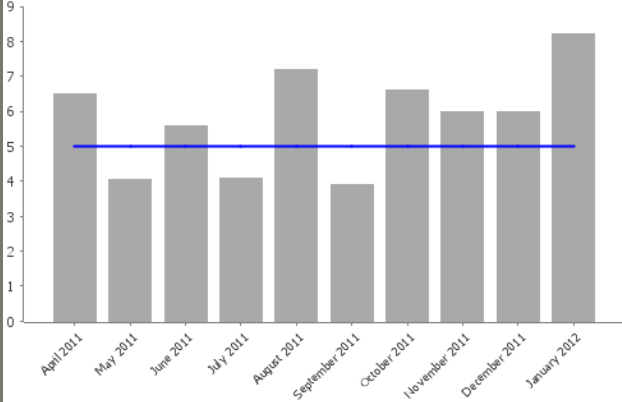
Environment Select Committee PI's



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Code	Description	Year to Date Value	Year to Date Target	Status	Trend Chart	Latest Note
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Code	Description	Year to Date Value	Year to Date Target	Status	Trend Chart	Latest Note
LPI Clean 002	Average number of days taken to remove fly tips which the District Council has responsibility to clear	5.82	5			<p>259 fly tipping incidents have been removed up to end of January 2012. However, 520 incidents have been reported in the same period, all of which must be investigated to determine responsibility for removal which takes time and diverts resources from the removal operation. Many of the incidents reported are on private land or the responsibility of Kent Highway Services to remove.</p> <p><i>Continued on next page</i></p> <p>Where the responsibility for removal rests with the Council many incidents are moved on a next working day basis, but some, larger scale fly tips require a grab lorry and can take longer to organise and remove. Other fly tips need to be investigated first and removal delayed pending any enforcement action where evidence is available. The crew have been reminded of the need to meet this target and this will continue to be monitored on a monthly basis.</p>

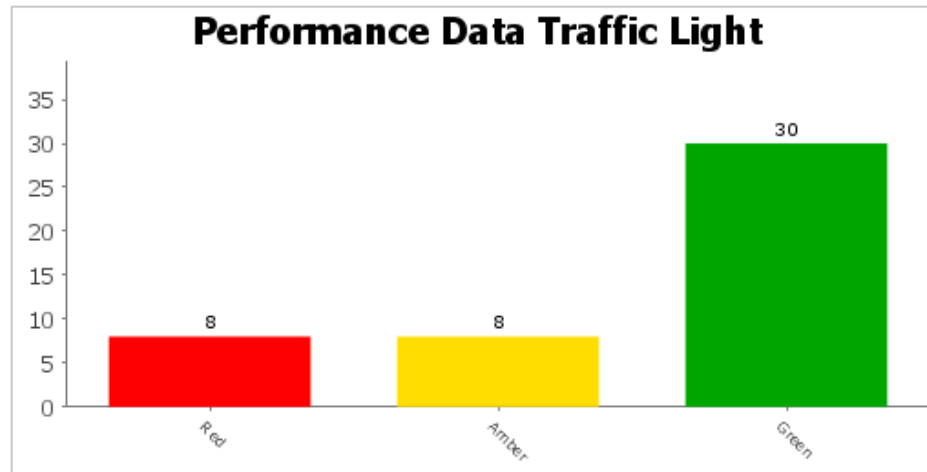
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Services Select Committee PI's


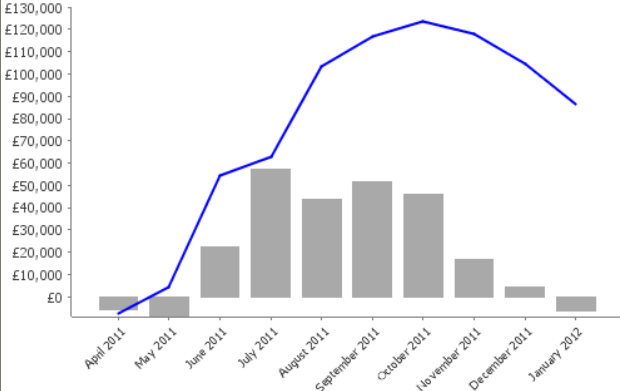

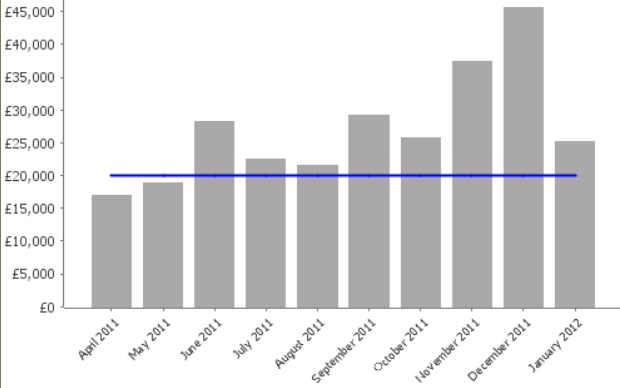


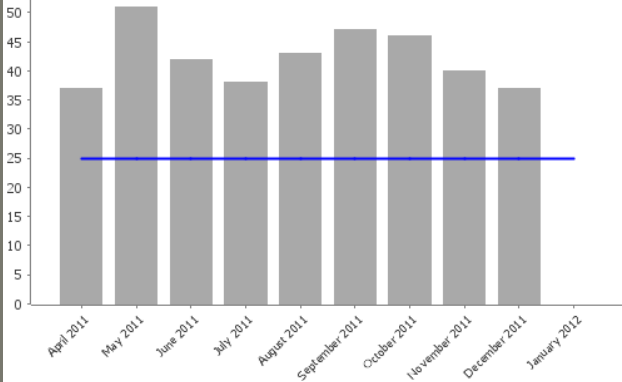
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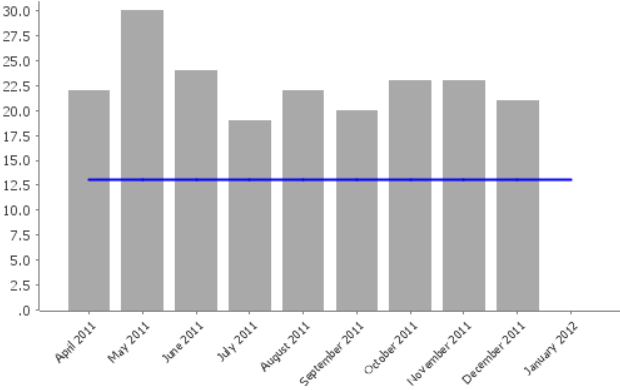

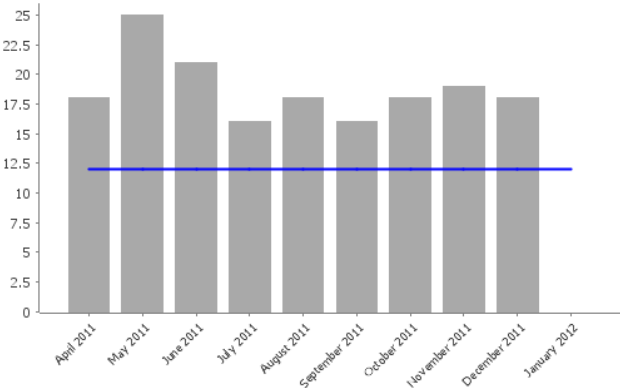



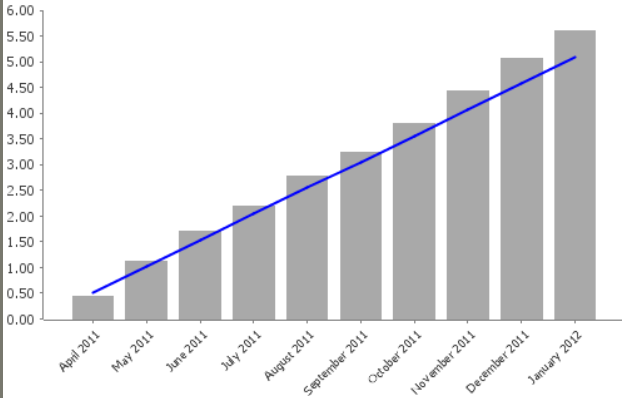
Code	Description	Year to Date Value	Year to Date Target	Status	Trend Chart	Latest Note


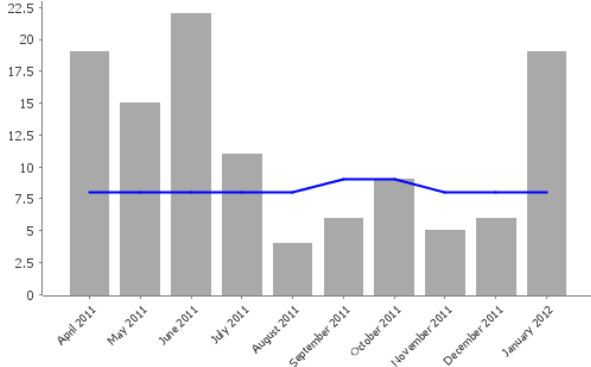
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Code	Description	Year to Date Value	Year to Date Target	Status	Trend Chart	Latest Note
LPI DS 002	Total Trading Account Position (Year to date)	-£6,534	£86,555			The trading account is due to be considered by the Finance Advisory Group at their March meeting. Trading accounts showing an overall deficit of £6,534 against a profiled surplus of £86,555. Diesel costs are £36k above budget and currently at 115 pence/litre. Expenditure on disposal costs [trade waste and cesspools] £30,700 over budget. Total income £210,000 down on budget. Total expenditure £117,022 down on budget. Forecast year end outturn, £22,000 deficit.
LPI FS 003	Debts outstanding more than 61 days	£25,217	£20,000			Debts outstanding continue to be actively pursued and as at 22 February the balance outstanding more than 61 days had reduced to £22,927. The larger outstanding debts are currently with the Debt Collection Agency and proceeding through Legal Recovery. The others are in the process of the final reminder letters. If that is unsuccessful then they will be forwarded to the Debt Collection Agency.

Code	Description	Year to Date Value	Year to Date Target	Status	Trend Chart	Latest Note
LPI HB 001	Average number of days to process new benefits claims	42.33	25			The economic situation continues to result in increased demand for Benefit Services. An update on the current demands on the benefit service and the plans in place for improvement was reviewed by Services Select Committee in November 2011 , following a referral from P&G Committee. The actions put in place have resulted in performance improving in both November and December. However, the recruitment of experienced assessors is still proving difficult, with 2 vacancies continuing on the Team. Performance is unlikely to improve further in the short term as the Team works to complete the additional work required to update benefits payable from 1 April.
LPI HB 002	Percentage of new benefit claims processed within 14 days of full information being received	64.44%	90%			Please see commentary for LPI HB 001

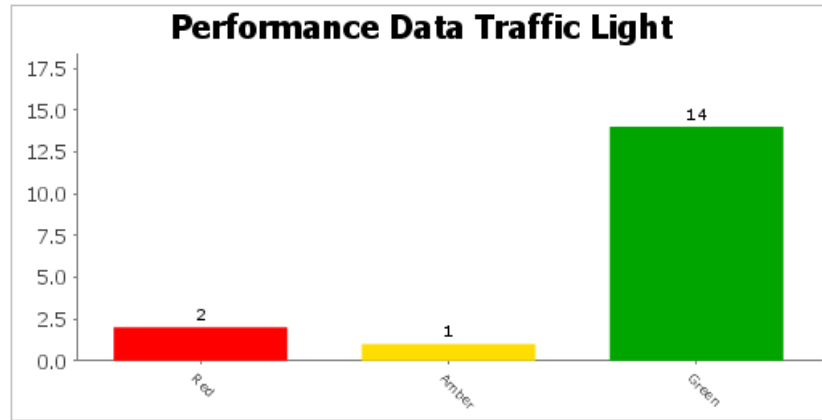
Code	Description	Year to Date Value	Year to Date Target	Status	Trend Chart	Latest Note
LPI HB 005	Time taken to process Housing Benefit/Council Tax Benefit new claims and change events	22.7	13.0			Please see commentary for LPI HB 001
LPI HB 006	Average days to process change of events	18.78	12			Please see commentary for LPI HB 001.

Code	Description	Year to Date Value	Year to Date Target	Status	Trend Chart	Latest Note
PI HR 003	Number of working days lost through long term sickness absence per FTE (> 20 cumulative days)	5.61	5.08			<p>During the year 38 employees (10%) have been affected by illness that has required them to take extended periods of absence from work. Currently 7 officers remain absent from work with long term sickness. Long term absence accounts for 66% of all sickness and has exceeded the target level due to an increase in absences caused by operations and recovery and instances of staff diagnosed and treated for serious illness such as cancer. In recent months the Council has also seen an increase in absence as a result of non-work related stress/anxiety/depression, with some cases being very complex and linked to bereavement and significant and distressing life changing situations.</p> <p><i>Continued on next page</i></p> <p>The Council continues to be proactive in its approach to supporting staff with long term illness and encouraging their return to work or where a return to work solution is not possible ending employment as soon as is reasonably practicable. The HR team works closely with managers, Occupational Health Specialists and the Employee Assistance Programme to deal with issues as promptly as possible. This is sometimes hampered by issues with the provision of definitive medical advice regarding an individuals</p>


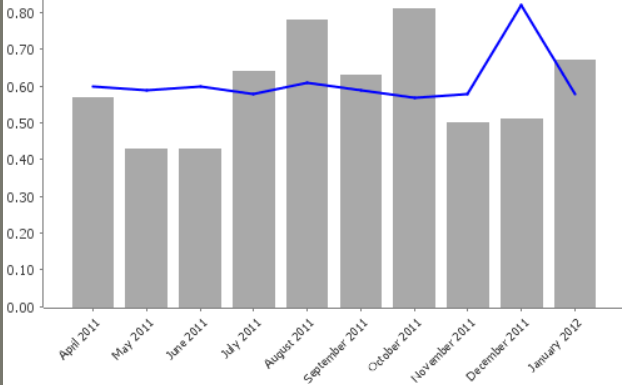
Code	Description	Year to Date Value	Year to Date Target	Status	Trend Chart	Latest Note																						
						likely return date or capability to fulfill their role when they do return. Information about sickness absence continues to be closely monitored and additional training is arranged for managers including identifying and managing stress in the workplace. The Managing Attendance Policy is also being updated in relation to long-term absence.																						
LPI Waste 005	Number of missed green waste collection complaints	116	82		 <table border="1"> <caption>Monthly Missed Green Waste Collection Complaints</caption> <thead> <tr> <th>Month</th> <th>Value</th> </tr> </thead> <tbody> <tr><td>April 2011</td><td>19</td></tr> <tr><td>May 2011</td><td>15</td></tr> <tr><td>June 2011</td><td>22</td></tr> <tr><td>July 2011</td><td>11</td></tr> <tr><td>August 2011</td><td>4</td></tr> <tr><td>September 2011</td><td>6</td></tr> <tr><td>October 2011</td><td>9</td></tr> <tr><td>November 2011</td><td>5</td></tr> <tr><td>December 2011</td><td>6</td></tr> <tr><td>January 2012</td><td>19</td></tr> </tbody> </table>	Month	Value	April 2011	19	May 2011	15	June 2011	22	July 2011	11	August 2011	4	September 2011	6	October 2011	9	November 2011	5	December 2011	6	January 2012	19	Missed collections remain higher than target, but a significant improvement on the same period last year [116 missed collections compared with 177]. 95% of all missed collections are collected the next working day. This crew has had a large turnover in staff recently and with vacancies the use of agency drivers and loaders has been necessary, therefore detailed knowledge of the rounds is lost. Recruitment of new staff is underway.
Month	Value																											
April 2011	19																											
May 2011	15																											
June 2011	22																											
July 2011	11																											
August 2011	4																											
September 2011	6																											
October 2011	9																											
November 2011	5																											
December 2011	6																											
January 2012	19																											

Social Affairs Select Committee PI's





Code	Description	Year to Date Value	Year to Date Target	Status	Trend Chart	Latest Note								
LPI EQ 003	Percentage of impact assessments due that have been completed	78%	90%		<table border="1"> <thead> <tr> <th>Quarter</th> <th>Completion Percentage</th> </tr> </thead> <tbody> <tr> <td>Q1 2011/12</td> <td>~85%</td> </tr> <tr> <td>Q2 2011/12</td> <td>~85%</td> </tr> <tr> <td>Q3 2011/12</td> <td>78%</td> </tr> </tbody> </table>	Quarter	Completion Percentage	Q1 2011/12	~85%	Q2 2011/12	~85%	Q3 2011/12	78%	At the end of December 4 assessments were overdue, with 14 assessments either on target or completed. In order to meet its requirements under the Equality Duty it is important that all impact assessments are completed as programmed. As a result overdue work has been escalated to senior management and plans are in place for all required impact assessments to be completed by the required deadline.
Quarter	Completion Percentage													
Q1 2011/12	~85%													
Q2 2011/12	~85%													
Q3 2011/12	78%													

Code	Description	Year to Date Value	Year to Date Target	Status	Trend Chart	Latest Note																						
LPI SL 003	Customer accident rate per 1,000 users	0.67	0.58		 <table border="1"> <caption>Monthly Accident Rate Data (Estimated from Chart)</caption> <thead> <tr> <th>Month</th> <th>Accident Rate</th> </tr> </thead> <tbody> <tr><td>April 2011</td><td>0.58</td></tr> <tr><td>May 2011</td><td>0.43</td></tr> <tr><td>June 2011</td><td>0.43</td></tr> <tr><td>July 2011</td><td>0.65</td></tr> <tr><td>August 2011</td><td>0.78</td></tr> <tr><td>September 2011</td><td>0.64</td></tr> <tr><td>October 2011</td><td>0.81</td></tr> <tr><td>November 2011</td><td>0.50</td></tr> <tr><td>December 2011</td><td>0.51</td></tr> <tr><td>January 2012</td><td>0.67</td></tr> </tbody> </table>	Month	Accident Rate	April 2011	0.58	May 2011	0.43	June 2011	0.43	July 2011	0.65	August 2011	0.78	September 2011	0.64	October 2011	0.81	November 2011	0.50	December 2011	0.51	January 2012	0.67	<p>Sencio adopt a comprehensive approach to monitoring accidents and record all incidents, regardless of severity. Although there was an increase in the accident rate in January there were no significant, reportable accidents only minor falls and scrapes. Performance will continue to be monitored closely to ensure the average accident rate is no worse than the target level.</p>
Month	Accident Rate																											
April 2011	0.58																											
May 2011	0.43																											
June 2011	0.43																											
July 2011	0.65																											
August 2011	0.78																											
September 2011	0.64																											
October 2011	0.81																											
November 2011	0.50																											
December 2011	0.51																											
January 2012	0.67																											

Agenda Item 12

PERFORMANCE AND GOVERNANCE COMMITTEE – 13 MARCH 2012

BUDGET MONITORING – JANUARY 2012

Report of the: Deputy Chief Executive and Corporate Resources Director

Status: For Information

This report supports all the Council's key themes and objectives

Portfolio Holder Cllr Ramsay

Head of Service Head of Finance – Adrian Rowbotham

Recommendation: That the report be noted.

Overall Financial Position

- 1 Ten months into the year the results to date show an overall favourable variance of £343,000, a similar position to the previous month.
- 2 The year-end position is forecast to be £83,000 better than budget; an improvement on the previous month.

Key Issues for the year to date

- 3 **Income** – investment income is performing above target and is forecast to be better than budgeted at the year-end. This is due to higher than estimated balances and slightly higher rates being achieved during the year so far, and a favourable forecast is shown to reflect this improved position. However, looking forward the current rates being achieved are lower, with a consequent impact on returns.
- 4 Looking at the other main income sources, the position remains difficult. On-Street Parking, Building Control, Land Charges and Development Control income all continue to show adverse variances for the year to date.
- 5 Community Development external funding is ahead of profile, contributing to the favourable variance at present, but this will not have any impact on the year-end results.
- 6 **Pay costs** – the favourable trend has continued and the underspend for the year to date is now £309,000. Almost all services are showing a small underspend; in some cases these are offset by agency staff costs (particularly Direct Services), but there are a number of favourable variances forecast for year-end.
- 7 **Other** – Direct Services' results show an adverse variance of £96,000 compared to budget, due to increased fuel and waste disposal costs as well as a shortfall in income.

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Year End Forecast

- 8 The year-end position is forecast to be £83,000 better than budget, this is better than the previous month. Adverse variances have been forecast to reflect the adverse position for Direct Services to date, and the fact that some savings from partnership working will be achieved later than originally planned. Adverse forecasts are also shown for variable income sources such as Building Control and On-street parking. Favourable variances have been forecast for investment income and against some salary budgets.
- 9 There has been an increase in the higher number of homeless people in bed and breakfast but other savings are being made in Housing to largely offset this overspend.

Risk areas

- 10 The current economic situation continues to have a real and potential impact on the Council's finances:
 - Council has recently agreed to reduce the minimum long term credit rating from AA- to A which will increase the number of institutions where funds can be placed;
 - property related income such as Development Control, Building Control, Land Charges and Capital Receipts remain vulnerable and parking income is also struggling;
 - the Benefits workload is continuing at a higher level than before the recession, which is having an impact on processing times (though an action plan is in place to improve performance);
 - Council Tax collection rates, though currently in line with the previous year, could be affected by increased unemployment and squeezed household incomes; and
 - diesel prices continue at a high level and the financial impact seen in the last financial year is continuing.
- 11 Staff turnover remains relatively low. This has a positive impact on service delivery but puts at risk the achievement of the vacant post saving in future years. Conversely, in some specialist areas, experienced staff are proving difficult to recruit and so temporary staff are being used to cover vacancies. Where appropriate, apprenticeships are being considered to increase the pool of trained staff.
- 12 Planned savings through the generation of income, particularly from new partnership working, remain risk areas for the current and for future years. However, on a positive note, the Building Control Manager partnership with Tonbridge and Malling Borough Council is now in place and the Environmental Health partnership with Dartford Borough Council is now progressing to implementation.

Contact Officer(s): Head of Finance - Adrian Rowbotham Ext 7153
Finance Manager – Helen Martin Ext 7483

DR. PAV RAMEWAL DEPUTY CHIEF EXECUTIVE AND CORPORATE
RESOURCES DIRECTOR

2. Overall Summary

JANUARY 12 - Final

	Period	Period	Period	Period	Y-T-D	Y-T-D	Y-T-D	Y-T-D	Annual	Annual	Annual	2010/11
	Budget	Actual	Variance	Variance	Budget	Actual	Variance	Variance	Budget	Forecast (including Accruals)	Variance	Actual
	£'000	£'000	£'000	%	£'000	£'000	£'000	%	£'000	£'000	£'000	£'000
Community and Planning												
Community Development	141	127	14	10.1	939	793	146	15.6	1,151	1,133	18	887
Development Services	98	144	-46	-46.7	1,115	1,126	-11	-1.0	1,376	1,376	-	1,672
Environmental and Operations	270	284	-14	-5.1	2,522	2,540	-18	-0.7	2,879	2,991	-111	3,979
Housing and Communications	64	93	-28	-44.1	736	768	-31	-4.2	923	929	-6	1,014
Total Community and Planning	574	648	-74	-12.9	5,312	5,227	86	1.6	6,329	6,429	-99	7,552
Corporate Resources												
Finance and Human Resources	366	335	31	8.5	3,880	3,911	-31	-0.8	4,777	4,646	132	5,589
IT and Facilities Management	151	152	-0	-0.3	1,369	1,232	137	10.0	1,654	1,654	-	1,704
Legal and Democratic Services	118	128	-9	-8.0	1,130	1,100	30	2.6	1,366	1,353	12	1,564
Total Corporate Resources	635	614	21	3.3	6,379	6,243	136	2.1	7,797	7,653	144	8,857
NET EXPENDITURE (1)	1,210	1,263	-53	-4.4	11,691	11,470	221	1.9	14,126	14,082	45	16,409
<u>Adjustments to reconcile to Amount to be met from Reserves</u>												
Removal of Asset Maintenance Variance	-	-37	37	-	-	-148	148	-	-	-14	14	72
Direct Services Trading Accounts	18	17	1	5.6	-87	7	-94	-108.0	-74	23	-96	-17
Capital charges outside General Fund	-4	-4	-0	-0.0	-39	-39	-0	-0.0	-47	-47	-	-47
Support Services outside General Fund	-16	-16	-0	-0.1	-164	-164	0	0.0	-220	-220	-	-216
Redundancy Costs - all	-	21	-21	-	-	36	-36	-	-	-	-	244
NET EXPENDITURE (2)	1,208	1,244	-36	-3.0	11,401	11,161	240	2.1	13,785	13,823	-38	16,445
Government Grant	-428	-428	-	0.0	-4,284	-4,284	-	-	-5,141	-5,141	-	-6,348
Council Tax Requirement - SDC	-767	-767	-	0.0	-7,666	-7,666	-	-	-9,199	-9,199	-	-9,172
NET EXPENDITURE (3)	13	49	-36	-290.8	-549	-789	240	43.6	-555	-517	-38	925
<u>Summary including investment income</u>												
Net Expenditure	13	49	-36	-291	-549	-789	240	43.6	-555	-517	-38	925
Investment Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Investment Income	-18	-27	8	-44.9	-157	-260	103	65.8	-153	-274	121	-335
Overall total	-6	22	-28	-336	-706	-1,048	343	109	-708	-790	83	590
Planned appropriation (from)/to Reserves									722	722	-	-
Supplementary appropriation from Reserves									-14	-14	-	-
Surplus									-	-82	83	419

Reserves

	31/3/11	Movement in month	Cumulative to date	Balance as at 31/1/12	31/3/12 budget	31/3/12 forecast
	£000	£000	£000	£000	£000	£000
<u>Provisions</u>						
First Time Sewerage	915	0	0	915	0	915
Edenbridge Relief Road Compensation (1)	1,566	0	-27	1,539	0	1,539
Accumulated Absences	152	0	0	152	152	152
Others	85	0	-33	52	0	0
	2,718	0	-60	2,658	152	2,606
<u>Capital Receipts(Gross)</u>	763	0	63	826	1,369	1,369
Note: this balance will reduce at year end as the receipts are used to finance capital expenditure						
<u>Earmarked Reserves</u>						
Asset Maintenance (2)	4,315	0	-3,315	1,000	1,000	1,000
Employer's Superannuation (2)	2,569	0	-2,569	0	0	0
Financial Plan (2)	0	0	5,824	5,824	5,812	5,824
Budget Stabilisation	2,436	0	-35	2,401	341	2,401
Housing Benefit subsidy	1,192	0	0	1,192	701	1,117
LDF	574	0	-22	552	267	552
Vehicle Renewal	564	0	28	592	608	608
Community Development	418	0	35	453	0	0
Reorganisation (previously Termination)	358	0	-21	337	75	300
Carry Forward Items	341	0	-25	316	0	0
Action and Development	314	0	-4	310	300	300
Vehicle Insurance	264	0	0	264	246	246
Others	824	-15	-61	763	322	322
	14,169	-15	-165	14,004	9,672	12,670
<u>General Fund</u>						
Required Minimum	1,500				1,500	1,500
Available Balance	2,213				2,213	2,213
	3,713				3,713	3,713
TOTAL	21,363				14,906	20,358

Notes

- Changes in the Edenbridge Relief Road Compensation provision is very difficult to predict as it is dependant on the timing of agreeing compensation sums.
- Cabinet (13/12/10) approved that allowing for an emergency Asset Maintenance reserve of £1m, the remaining balances from the Asset Maintenance and Employer's Superannuation Reserves be moved to a new Financial Plan Reserve which will be used over the ten-year period equally to smooth the rundown of these reserves.

9. Capital

JANUARY 12 - Final

	Period	Period	Period	Period	Y-T-D	Y-T-D	Y-T-D	Y-T-D	Annual	Annual	Annual	
	Budget	Actual	Variance	Variance	Budget	Actual	Variance	Variance	Budget	Forecast	Variance	
	£'000	£'000	£'000	%	£'000	£'000	£'000	%	£'000	(including Accruals) £'000	£'000	
COMMDEV	Big Community Fund - Capital	-	-	-	-	8	-8	-	-	-	-	
COMMDEV	Local Strategic Partnership - Capital Delivery	-	-	-	-	12	-12	-	-	-	-	
COMMDEV	Parish Projects	7	-	7	100.0	57	57	100.0	71	20	51	
ENVOPS	Playground Improvements	6	-	6	100.0	47	83	-36	59	44	15	
ENVOPS	Vehicle Purchases	127	318	-192	-151.3	1,013	691	322	1,266	1,266	-	
FINSERV	Sevenoaks Town Centre (Capital) (LKF)	18	-	18	100.0	140	7	134	175	15	160	
FINSERV	Horton Kirby Village Hall	-	48	-48	-	-	129	-129	-	-	-	
FINSERV	Argyle Rd Moat Office Accommodation	-	0	-0	-	-	32	-32	-	-	-	
HOUSING	Improvement Grants	69	25	44	63.6	561	218	343	699	699	-	
HOUSING	Wkha Adaps For Disab Financing Costs Advances-Hs	-	42	-42	-	-	145	-145	-	-	-	
HOUSING	SDC - HMO Grants	-	-	-	-	-	8	-8	-	-	-	
HOUSING	RHPCG 10-11 SDC	-	-	-	-	-	30	-30	-	-	-	
HOUSING	RHPCG - Discretionary Grants	-	-	-	-	-	7	-7	-	-	-	
HOUSING	RHPCG - Empty Homes	-	-	-	-	-	2	-2	-	-	-	
HOUSING	RHPCG - HMO Grants	-	-	-	-	-	7	-7	-	-	-	
HOUSING	Hever Road Gypsy Site - Consultants	-	-	-	-	-	11	-11	-	-	-	
HOUSING	Hever Road Gypsy Site - Amenity Blocks	34	-	34	100.0	274	24	250	343	343	-	
HOUSING	Hever Road Gypsy Site - Ground Works	-	-	-	-	-	372	-372	-	-	-	
HOUSING	Hever Road Gypsy Site - Preliminary Work	-	0	-0	-	-	1	-1	-	-	-	
HOUSING	Hever Road Gypsy Site - Bomb Disposal	-	-	-	-	-	19	-19	-	-	-	
LEGAL	Modern Govt Document Management System	2	-	2	100.0	13	-	13	16	16	-	
		262	433	-171	-65.3	2,104	1,805	299	14.2	2,628	2,402	226

Improvement Grants budget shown net of Government grant.

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