

**APPENDIX 1 Management Enquiry**

**SUBJECT**

**RESPONSE**

**Fraud**

What is your assessment of how the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments?	The Council feel that the risk of material misstatement in the financial statements due to fraud is minimal. There have been no known incidents during the financial year where material financial fraud is known to have occurred. Additionally the Council has a robust system of internal controls in place that are regularly independently reviewed by the East Kent Audit Partnership (EKAP). The audit plan is drafted with relevant risks in mind. These reviews are reported to the Audit & Governance Committee on a quarterly basis providing assurance.
What is the process for identifying and responding to the risks of fraud in the entity, including any identified specific risks of fraud and risks of fraud likely to exist?	As stated above, the results of the ongoing Internal Control Audits by EKAP are reported quarterly to the Audit & Governance Committee (A&G). EKAP will also undertake follow up audits and report the findings to A&G, bringing members attention to any high risk actions which have not been completed. Additionally the Head of EKAP will bring an annual summary to the July A&G meeting which will outline the level of assurance that can be taken in respect of all the main financial systems, and confirm any instances of fraud. The Council has a dedicated qualified Fraud investigation resource which is primarily utilised for Housing Benefit & Council Tax Reduction fraud but can also be deployed to investigate other suspected instances of fraud where required. This resource has identified fraud within this area and investigations have occurred and action taken. More broadly, the Council also has policies in place for Anti-Corruption, Code of Conduct and Whistle Blowing in place, these documents are available on the website, and mandatory training is undertaken by all staff. The Councils Fraud response plan specifically outlines how Members, staff and members of the public can raise concerns regarding fraud or corruption should they need to and provides a framework for the resulting investigation where required.
What communication, if any, do you have with those charged with governance regarding processes for identifying and responding to the risks of fraud in the entity?	In addition to the process of fraud reporting through EKAP, the S151 Officer & Monitoring Officer would alert the Chair of the Audit & Governance Committee as well as the relevant Cabinet Portfolio Holder, of any significant fraud at the earliest opportunity. The Head of EKAP also has the ability through the Chairman, to report suspicions of fraud to the A&G committee if required.
What communication, if any, is there to employees regarding their views on business practices and ethical behaviour?	The Council has policies in place for Anti-Corruption, Fraud Response Plan, Code of Conduct and Whistle Blowing in place, these documents are available on the website, and mandatory training is undertaken by all staff. Additionally there is a behaviours and competency framework which staff are expected to adhere to.
Do you have any knowledge of any actual, suspected or alleged fraud affecting the entity?	No material financial fraud is known to have occurred during 2019/20 financial year.

**Related Parties**

Can you name the related parties, including changes from the prior period?	East Kent Housing Ltd, Oportunitas, Folkestone Parks & Pleasure Ground, no changes from the prior period. (In addition to Central & Local Government)
What is the nature of the relationships between the entity and these related parties?	EKH is an ALMO shared service operating across the four East Kent Councils including FHDC managing the HRA Housing stock (FHDC owns 25% of EKH Ltd). All four owner Councils have taken the decision in February 2020 to return their housing services and ultimately cease EKH over the coming year. This will affect the going concern status of EKH's own financial statements due to the term it is anticipated to trade over. It is anticipated that EKH will remain a related party of the Council during 2020/21. Oportunitas is the Councils wholly owned housing development company. FHDC is the corporate trustee for FPPG, it is responsible for the majority of its funding which it collects via a special expense levied on part of the district of FHDC.
Has the entity entered into any transactions with these related parties during the period and, if so, what are the type and purpose of the transactions?	Yes its has entered into transactions with all the above parties during the period. In respect of EKH Ltd, the payment of a management fee to operate the service (manage the housing stock). In respect of Oportunitas and FPPG, Council Officers support and undertake duties on behalf of these bodies so their time is recharged to them. For FPPG the Council also levies and collects the special expense via Council Tax from Folkestone & Sandgate residents on behalf of the charity.

**Going Concern**

Is the going concern basis of accounting a fundamental principle in the preparation of the financial statements?	Yes
Has a preliminary assessment of the entity's ability to continue as a going concern been performed?	Yes
What is your basis for the intended use of the going concern assumption. Do events or conditions exist that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern?	The Council has set a balanced budget for 2020/21. Furthermore, it anticipates to hold around £7m in General Reserves and £19m in earmarked reserves at the end of the financial year. Additionally there is a recently updated MTFs in place that whilst identifies a funding gap in the medium term, there are plans in place to address the gap and the gap for the coming financial year (2020/21) has already been closed. The Council has a number of strategic investments which are progressing alongside a transformation programme, which are collectively expected to close the medium term gap. There are no current events or conditions which cast doubt on the Councils Going Concern status. The CLT will consider a specific paper on the Councils Going Concern status in the coming weeks but it is not anticipated that this will differ from this preliminary assessment.

**Litigation and Claims**

Have you identified possible litigation and claims which may give rise to a risk of material misstatement?	One instance of litigation is currently being explored in respect of a previous contractor. However this litigation is not anticipated to give rise to a risk of material misstatement in the financial statements for 2019/20.
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**Accounting Estimates**

How you identified transactions, events, and conditions that may give rise to the need for accounting estimates to be recognized or disclosed in the financial statements?	No
Are there changes in circumstances that may give rise to new, or the need to revise existing, accounting estimates?	No

**Laws and Regulations**

Are you aware of any non-compliance with any laws and regulations?	The Council was non compliant with regards to its LGSR landlord duties for its housing stock, managed by EKH during 2019/20. A Section 5 report was issued by the Monitoring Officer to all Councillors on 12 July 2019 and reported to Cabinet through paper C/19/15. Close liaison with the regulator has been undertaken and a voluntary undertaking is anticipated to be in place by March. The Council has put in place a number of actions and is currently compliant with the LGSR regulations.
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