



Agenda

Meeting: **Audit and Governance Committee**
Date: **4 December 2018**
Time: **7.00 pm**
Place: **Council Chamber - Civic Centre, Folkestone**

To: **All members of the Audit and Governance Committee**

The committee will consider the matters, listed below, at the date, time and place shown above. The meeting will be open to the press and public.

Members of the committee, who wish to have information on any matter arising on the agenda, which is not fully covered in these papers, are requested to give notice, prior to the meeting, to the Chairman or appropriate officer.

This meeting will be webcast live to the council's website at <https://folkestone-hythe.public-i.tv/core/portal/home>.

Although unlikely, no guarantee can be made that Members of the public in attendance will not appear in the webcast footage. It is therefore recommended that anyone with an objection to being filmed does not enter the council chamber.

1. **Apologies for Absence**
2. **Declarations of Interest**

Members of the committee should declare any interests which fall under the following categories*:

- a) disclosable pecuniary interests (DPI);
- b) other significant interests (OSI);
- c) voluntary announcements of other interests.

Queries about the agenda? Need a different format?

Contact Kate Clark Tel: 01303 853267
Email: **committee@folkestone-hythe.gov.uk** or download from our website
www.folkestone-hythe.gov.uk

3. **Minutes (Pages 5 - 8)**

To consider and approve, as a correct record, the minutes of the meeting held on 26 September 2018.

4. **Applications for dispensations under the Code of Conduct for Directors of Oportunitas (Pages 9 - 14)**

Report AuG/18/17 considers the application for a dispensation under the code of conduct for councillors to speak and vote received by a councillor who is also a director of Oportunitas. The recommendation is that the dispensation be granted.

5. **Annual Governance Statement Actions - Half Year Update on 2018/19 Actions (Pages 15 - 20)**

Report AuG/18/15 presents the current position on progress towards achieving the 2018/19 actions set out in the Annual Governance Statement.

6. **Corporate Risk Register (Pages 21 - 44)**

Report AuG/18/16 presents a refreshed Corporate Risk Register based upon the updated Risk Management Policy & Strategy which was adopted by Cabinet in July.

7. **Grant Thornton's Quarterly External Audit update (Pages 45 - 58)**

Report AuG/18/14 - Grant Thornton's report provides an update on recent audit work undertaken, progress against key deliverables and a brief technical update.

8. **East Kent Audit Partnership (EKAP) Update Report (Pages 59 - 78)**

Report AuG/18/12 includes the summary of the work of the East Kent Audit Partnership (EKAP) since the last Audit and Governance Committee meeting together with details of the performance of the EKAP to the 30 September 2018.

9. **Exclusion of the Public**

To exclude the public for the following item of business on the grounds that it is likely to disclose exempt information, as defined in paragraph 3 of Part 1, of Schedule 12A of the Local Government Act 1972:-

**Paragraph 3:
Information relating to the financial or business affairs of any particular person (including the authority holding that information) 'Financial or business affairs' includes contemplated as well as current activities.**

EXEMPT ITEM

10. Report from the Head of the East Kent Audit Partnership (Pages 79 - 82)

Report AuG/18/13 provides Members with an update of an audit completed by the East Kent Audit Partnership since the last Governance Committee meeting.

*Explanations as to different levels of interest

(a) A member with a disclosable pecuniary interest (DPI) must declare the nature as well as the existence of any such interest and the agenda item(s) to which it relates must be stated. A member who declares a DPI in relation to any item must leave the meeting for that item (unless a relevant dispensation has been granted).

(b) A member with an other significant interest (OSI) under the local code of conduct relating to items on this agenda must declare the nature as well as the existence of any such interest and the agenda item(s) to which it relates must be stated. A member who declares an OSI in relation to any item will need to remove him/herself to the public gallery before the debate and not vote on that item (unless a relevant dispensation has been granted). However, prior to leaving, the member may address the meeting in the same way that a member of the public may do so.

(c) Members may make voluntary announcements of other interests which are not required to be disclosed under (a) and (b). These are announcements made for transparency reasons alone, such as:

- membership of outside bodies that have made representations on agenda items, or
- where a member knows a person involved, but does not have a close association with that person, or
- where an item would affect the well-being of a member, relative, close associate, employer, etc. but not his/her financial position.

Voluntary announcements do not prevent the member from participating or voting on the relevant item

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Minutes

Audit and Governance Committee

Held at:	Council Chamber - Civic Centre Folkestone
Date	Wednesday, 26 September 2018
Present	Councillors Michael Lyons, David Owen (Chairman), Damon Robinson and Mrs Susan Wallace
Apologies for Absence	Councillor Paul Peacock
Officers Present:	Kate Clark (Committee Services Officer), Sue Lewis (Committee Services Officer), Tim Madden (Corporate Director - Customer, Support and Specialist Services), Mr Chris Parker (Deputy Head of Audit) and Charlotte Spendley (Head of Finance)
Others Present:	Ciaran McLaughlin, Engagement Lead, Grant Thornton

40. **Declarations of Interest**

Councillor Mrs Susan Wallace declared a voluntary announcement in that she is a member of Folkestone Town Council. She remained in the meeting during discussions and voting on all items.

41. **Minutes**

The minutes of the meeting held 30 July 2018 were submitted, approved and signed by the Chairman.

42. **East Kent Audit Partnership Update Report to 30 June 2018**

Report AuG/18/09 included the summary of the work of the East Kent Audit Partnership (EKAP) since the last Audit and Governance Committee meeting together with details of the performance of the EKAP to the 30 June 2018.

Chris Parker, Deputy Head of Audit presented the report informing members that all follow up reviews have been completed with no issues being raised. He explained that the Performance Management review will be completed once the new structure of the Council is complete. An update will be given to the Committee in due course.

It was explained that all reference to “did not obtain an assurance” in the report refers to those consultative reviews which are not treated in the same as other reviews and therefore do not require a level of assurance against them.

Proposed by Councillor Mrs Susan Wallace
Seconded by Councillor Michael Lyons and

Resolved:

- 1. To receive and note Report AuG/18/09.**
- 2. To note the results of the work carried out by the East Kent Audit Partnership.**

(Voting: For 4; Against 0; Abstentions 0)

43. Grant Thornton - External Audit Update

Report AuG/18/11 - Grant Thornton’s report provided an update on recent audit work undertaken, progress against key deliverables and a brief technical update.

Andy Conlan, Audit Manager, Grant Thornton presented the report informing that at this early stage in the annual process there is nothing further to report at this time.

Proposed by Councillor David Owen
Seconded by Councillor Michael Lyons and

Resolved:

- 1. To receive and note Report AuG/18/11.**

(Voting: For 4; Against 0; Abstentions 0)

44. External Audit (Grant Thornton) - Annual Audit Letter 2017/18

Report AuG/18/10 considered Grant Thornton’s Annual Audit Letter which summarises the findings from the 2017/18 audit.

Andy Conlan presented the Annual Audit Letter which summarises the auditors findings for the 2017/18 financial year. It was noted that the consideration of the objection to the accounts was near conclusion and it was anticipated that this would be resolved in time to be reported back to the next Audit and Governance meeting.

Proposed by Councillor David Owen
Seconded by Councillor Damon Robinson and

Resolved:

- 1. To receive and note report AuG/18/10.**

2. To receive Grant Thornton's Annual Audit Letter 2017/18.

(Voting: For 4; Against 0; Abstentions 0)

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This report will be made public on 26 November 2018.

Folkestone
& Hythe



District Council

Report Number: **AuG/18/17**

To: Audit and Governance Committee
Date: 4 December 2018
Status: Non executive
Head of service: Amandeep Khroud – Assistant Director – Governance, Law and Regulatory Services

SUBJECT: APPLICATIONS FOR DISPENSATIONS UNDER THE CODE OF CONDUCT FOR DIRECTORS OF OPORTUNITAS

SUMMARY: This report considers the application for a dispensation under the code of conduct for councillors to speak and vote received by a councillor who is also a director of Oportunitas. The recommendation is that the dispensation be granted.

REASONS FOR RECOMMENDATIONS:

The committee is asked to agree the recommendations to enable the dispensation to be granted.

RECOMMENDATIONS:

1. To receive report no AuG/18/17.
2. To grant dispensations under the code of conduct and under section 33 Localism Act 2011 to Councillor Tillson to allow him to speak and vote at meetings where company affairs are discussed;
3. That the dispensations be time limited to 2 May 2019;
4. That in the event of a change of directors the monitoring officer be authorised to consider applications for and grant dispensations to any councillor who becomes a director of Oportunitas on the same terms provided that the councillor concerned is not a member of the cabinet and the dispensation is time limited in the same way.

1. BACKGROUND

- 1.1 As councillors will be aware the council has established a housing and regeneration company – Oportunitas – which is wholly owned by the local authority.
- 1.2 The company's current board of directors is composed of four councillors – Councillors Russell Tillson, Philip Martin, Roger James Wilkins and Carol Sacre. The councillors (other than Cllr Tillson) have already been granted dispensations under the code of conduct for councillors and S33 Localism Act 2011 to enable them to speak and vote on matters relating to Oportunitas, It is now requested that Cllr Tillson be granted a similar dispensation. It should be noted that none of the councillors are members of the cabinet.

2. CODE OF CONDUCT

- 2.1 The Council's Code of Conduct is set out in part 9 of the Constitution. It refers to the two types of interests which a member might hold, namely a discloseable pecuniary interest (which derives from the Localism Act 2011) and another significant interest.
- 2.2 One of the categories of discloseable pecuniary interest is a councilor's "employment, office, trade, profession or vocation" which is defined as "Any employment, office, trade, profession or vocation carried on for profit or gain." Some directors receive an allowance for their work on the board so those that do will have a discloseable pecuniary interest.
- 2.3 In addition an Other Significant Interest could also arise in respect of directors who are also councillors. Other significant interests include the interest of an "associated person". One of the definitions of "associated person" is a company over which a member has control/management and to which the councillor has been appointed by the council. The relevant definition is:

"Any body of which you are in a position of general control or management and to which you have been appointed by the authority."
- 2.4 At a meeting where a discloseable pecuniary interest or an "Other Significant Interest" arises, a member would have to declare it. He / she would be prevented from voting on the matter. A discloseable pecuniary interest prevents a councillor from making any representation at the meeting on the matter, in the case of an other significant interest the member can only make such representations as a member of the public can make.
- 2.5 At any meeting where the business of the company is discussed and any decisions about the company are taken, under the Act and the Code of Conduct, those members who are directors and who sit on the committee, would be barred from discussing fully and/or voting on, the matters. Most

decisions about the company will be made at cabinet; therefore the conflict of interest will not arise at these meetings. However, there will be other meetings, such as Council, Overview and Scrutiny etc, where the interest may arise.

3 DISPENSATIONS

3.1 The Code of Conduct in respect of other significant interests and section 33 Localism Act 2011 in respect of discloseable pecuniary interests allows dispensations to be granted to members who have an interest to speak and/or vote at meetings at which an interest arises. These powers are delegated to this committee and in certain circumstances to the monitoring officer.

3.2 The Code sets out the circumstances which must be taken into account in considering granting a dispensation. In summary, they are:

That, without the dispensation:

- There would not be political balance in the committee
- That there would be too few members of the committee remaining to operate
- Members of the executive (Cabinet) would be preventing from participating in the business of the executive.
- The interests of people living in the district would not be served
- It is otherwise appropriate to grant the dispensation.

3.3 The committee at its meeting on 26 September 2012 considered report AuS/12/14 setting out possible criteria for deciding whether dispensations should be granted. The agreed criteria are:-

a) The nature of the member's interest and allowing them to participate would not damage public confidence in the conduct of the authority's business.

If public confidence would be damaged then such an application would be likely to be refused. It is unlikely that it would be appropriate therefore, for example, to grant a dispensation to a member who has an interest arising as a result of an effect on their personal financial position or on that of a relative.

b) The interest is common to the member and a significant proportion of the general public.

c) The participation of the member in the business that the interest relates to is justified by the member's particular role or expertise.

d) The business that the interest relates to is about a voluntary organisation or a public body which is to be considered by an overview and scrutiny committee and the member's interest is not a financial one.

3.4 The committee resolved, minute 17

“To adopt the criteria for granting dispensations set out in paragraph 3.4 of the report where the application for dispensation is made on any of the following grounds:*

- (i) Without the dispensation, the representation of different political groups on the body transacting the business would be so upset as to alter the outcome of any vote on the matter;*
- (ii) That the authority considers that the dispensation is in the interests of persons living in its area; or*
- (iii) Where the Committee considers that it is otherwise appropriate to grant a dispensation.”*

*These are the criteria shown above.

3.5 The committee is asked to consider the application. However the monitoring officer is of the opinion that the public confidence is unlikely to be damaged by the participation of the councillor / directors; the company is wholly owned by the council, apart from an allowance (if paid) the directors do not stand to gain financially) and most of the decisions on the company will be made in cabinet which the directors do not sit on. It is the recommendation therefore all of the directors are given a general dispensation under the Code of Conduct and the Act when discussing company matters at any committee of the Council. It should be noted, in passing, that it has not been necessary to grant dispensations pursuant to the resolution of 24 June 2015.

3.6 It is also recommended that the dispensations be time limited to 2 May 2019 which is, in any event the date of the next district election. In the event of a change of directors it is also recommended that the monitoring officer be authorised to consider applications for dispensations from any new director and provided that the new directors are not members of the cabinet to grant them if she sees fit. It is considered that the committee should have the opportunity to consider the position of directors who are members of the cabinet if this situation arises.

4 RISKS/CONTROLS

The risks are that those members who are appointed directors will not be able to fully participate in Council meetings at which company matters are discussed. As the directors are not on cabinet and hence will in all likelihood not be making decisions as local authority members about the company their inability to participate would not be in the best interests of both the Council and the Company. This report therefore seeks to grant a time limited blanket dispensation to those members to allow them to speak and vote at such meetings.

5 LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

5.1 Legal officer’s comments (AK)

There are no financial implications arising from this report.

5.2 **Finance officer's comments (RH)**

There are no financial implications within this report/recommendation.

5.3 **Diversities and equalities implications (AK)**

There are no specific diversity and equality implications.

6. **CONTACT OFFICERS AND BACKGROUND DOCUMENTS**

Councillors with any questions arising out of this report should contact the following officer prior to the meeting:

Amandeep Khroud – Assistant Director – Governance, Law and
Regulatory Services.

Tel: 01303 853253

Email: amandeep.khroud@folkestone-hythe.gov.uk

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This report will be made public on 26 November 2018



Report Number: **AuG/18/15**

To: Audit and Governance Committee
Date: 4th December 2018
Status: Non-Executive Function
Officer: Gavin Edwards, Policy and Improvement Officer
Director: Sarah Robson, Assistant Director of Strategy, Performance and Communications

SUBJECT: ANNUAL GOVERNANCE STATEMENT ACTIONS – HALF YEAR UPDATE ON 2018/19 ACTIONS

SUMMARY: This report presents the current position on progress towards achieving the 2018/19 actions set out in the Annual Governance Statement.

REASONS FOR RECOMMENDATIONS:

The committee is asked to agree the recommendations set out below to note the position and the progress towards achieving the actions.

RECOMMENDATIONS:

1. To receive and note report AuG/18/15.
2. To note the progress towards achieving the actions in the Annual Governance Statement (Appendix 1).

1. INTRODUCTION

- 1.1 The Annual Governance Statement for 2017/18 was considered by the committee on 30th July 2018 (report AUG/18/05).
- 1.2 The governance statement identified significant governance issues that were likely to arise during this year. This report sets out progress against those actions.

2. THE ANNUAL GOVERNANCE STATEMENT ACTIONS - UPDATE

- 2.1 The Annual Governance Statement identified actions for 2018/19 (See Appendix 1) which are necessary to improve the overall effectiveness of its governance arrangements.

3. RISK MANAGEMENT ISSUES

- 3.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Actions contained within the Annual Governance Statement, are not addressed effectively	Medium	Low	Progress to be reviewed and monitored regularly by the Monitoring Officer, Policy and Improvement Officer and the Audit & Governance Committee.

4. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

4.1 Legal Officer's Comments (AK)

There are no legal issues arising from this report.

4.2 Finance Officer's Comments (CS)

There are no financial implications arising from this report.

4.3 Diversities and Equalities Implications (GE)

No diversities and equalities implications.

5. CONTACT OFFICER AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting:

Gavin Edwards, Policy & Improvement Officer

Tel: 01303 853436

Email: gavin.edwards@folkestone-hythe.gov.uk

Sarah Robson, Assistant Director Strategy, Performance and Communications

Tel: 01303 853426

Email: sarah.robson@folkestone-hythe.gov.uk

The following background documents have been relied upon in the preparation of this report: None

Appendices:

Appendix 1: Annual Governance Statement Actions - progress

APPENDIX 1

Action plan for improvement following review of effectiveness of governance arrangements (2018/19)

		Who	Date	Progress Update
1.	<p>Annual Review of Corporate Governance</p> <p>At the end of the year, the Council will produce its statement on governance, which includes end of year assurance statements by Heads of Service and internal audit's opinion report</p>	Monitoring Officer	May 2019	Action Completed
2.	<p>Governance Arrangements</p> <p>Keep under review the Council's governance arrangements</p>	Monitoring Officer	March 2019	Review of the Council's Governance arrangements are ongoing.
3.	<p>Anti-fraud and corruption</p> <p>Monitor ongoing compulsory training of staff, and review its effectiveness in the latter part of 18/19.</p>	Head of Finance	August 2018	Review of compliance with compulsory training undertaken in November 2018, which showed 89.5% of staff have current valid training in place. Reminders have been issued to the remaining staff, and will be followed up by line managers if not compliant by 31 January 2019.
4.	<p>Transformation Project</p> <p>Identify the ownership and administration of the project's governance, providing a framework for accountability and responsibilities, ensuring that project decision making is robust, logical and that the project provides value to the organisation.</p>	Head of Transformation	Sept 2018	A report outlining a proposed corporate approach to the Transformation project's governance was presented and approved by CLT on 21 August 2018. As a result, the Transformation Executive Board has been established to oversee the stewardship of the Transformation project. The new governance provides assurance to Elected Members that processes and controls are in place to ensure the successful delivery of the Transformation project within the Council.
5.	<p>New Delivery Models/ Partnerships:</p> <p>During 2018/19 the future operating model of the Council will be further</p>	Head of Human Resources	March 2019	The Transformation project is ongoing with support from iESE. The new senior management structure has been implemented (Oct 2018) and those appointed are now

	<p>developed through implementation and mobilisation of the Council's transformation.</p> <p>In addition, new commercial opportunities will be explored following the appointment of the new Corporate Director (Commercial Services) in April 2018.</p>			<p>working on the details of what their areas will look like once new technology is implemented. A new behaviour framework has been launched (June 2018) which is being introduced to recruitment and selection activity with the intention to expand this to cover performance and career development alongside the introduction of role families in 2019.</p> <p>The Corporate Director – Place & Commercial is continuing to investigate and drive forward on commercial opportunities in conjunction with his CLT colleagues.</p>
6.	<p>Data Retention Policy and General Data Protection Regulation:</p> <p>Keep under review the Data retention policy and continue work on the implementation of the new General Data Protection Policy.</p>	Monitoring Officer	May 2019	Action completed and being kept under review.
7.	<p>Review of Corporate Risk Policy for the Council:</p> <p>The adopted policy will be refreshed during the first half of 2018/19, followed by a comprehensive review of the register to ensure it is fit for purpose and aligned to corporate priorities.</p>	Head of Finance & Leadership Support	September 2018	Cabinet considered and agreed the revised Corporate Risk Policy on 18th July 2018. The development of the Corporate Risk Register has been undertaken and will be reported to Audit & Governance at its December meeting, with regular reviews scheduled subsequently.
8.	<p>Performance Management Framework:</p> <p>Redevelopment of the Performance Management Framework.</p>	Policy & Improvement Officer	October 2018	The Performance Management Framework has been reviewed, but as a result of the Transformation project, will be subject to further review by iESE (the Council's transformation partner) to consider wider efficiency considerations. The draft updated framework is due to be presented to CLT in December/January.

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This Report will be made public on 26 November 2018



Report Number: **AuG/18/16**

To: Audit & Governance
Date: 4 December 2018
Status: Non key decision
Head of service: Charlotte Spendley, Assistant Director – Finance, Customer & Support Services
Cabinet Member: Cllr Malcom Dearden, Portfolio Holder for Finance

SUBJECT: CORPORATE RISK REGISTER

SUMMARY: This report presents a refreshed Corporate Risk Register based upon the updated Risk Management Policy & Strategy which was adopted by Cabinet in July.

REASONS FOR RECOMMENDATIONS:

The Risk Management Policy & Strategy provide a clear framework for officers and members regarding Risk Management and seeks to ensure consistency in approach across the organisation, provide clarity of roles to enable progress towards an embedded Risk Management culture within the organisation. Following its adoption officers have been developing a refreshed Corporate Risk Register which is presented to the Committee for consideration.

RECOMMENDATIONS:

1. To receive and note report AuG/18/16.

1. BACKGROUND

- 1.1 The Risk Management Policy and Strategy was refreshed to ensure it remains effective and applicable for the organisation and presented to Cabinet on 18 July for adoption.
- 1.2 Effective risk management is a key framework in the management of a complex organisation such as Folkestone & Hythe District Council. The new strategy seeks to provide Members and officers with a clear framework by which to work within, as well support the development of a risk management culture within the Council.

2. POLICY & STRATEGY FRAMEWORK

- 2.1 The objectives of the Policy were amended to reflect the desire to create a mature approach to risk management within the Council, where risk based decision making is undertaken and risk management becomes proactive and embedded in our normal management and business processes. This approach will be particularly key as the Council embarks on a more commercial agenda. The policy as newly adopted has been appended to this report in full (Appendix 1).
- 2.2 To enable this the scoring of risk was simplified and guidance included within the Strategy to provide officers with a benchmark by which to score against. Additionally greater clarification has been provided on the options for mitigation to assist officers in determining appropriate actions to control the identified risks.
- 2.3 The risk management cycle (Identify, Assess, Prioritise, Mitigate, Control, Review) remains similar to the previous approach, as are the overarching categories of risk that will be captured through the different risk registers (Corporate, Operational, Project & Partnership), however greater clarity has been provided to aid the understanding of how risks would be captured for each register and also how the registers may interact with each other.
- 2.4 Finally the proposed layout of the Risk Register was amended to include information on the proposed mitigation for the identified risk, including proposed actions, timeframes, and target score for the identified risk. Additionally a risk matrix was agreed to be developed which is a pictorial version of the current score of risks, and provides a snapshot of the risk exposure for Members at a point in time.
- 2.5 Section 9 of the Strategy outlines in full the role of both Members and this Committee. It states:

Cabinet and Elected Members

Cabinet and Elected Members are to oversee the effective management of risk throughout the council. As such Cabinet will review the council's Risk Policy and Strategy and Corporate Risk Register annually in Quarter 2 of the financial year (following these documents being reviewed by the Corporate Leadership Team and Audit and Governance Committee in Quarter 1). It is

also expected that relevant risks are discussed at monthly Portfolio Holder Meetings with Corporate Directors.

Audit and Governance Committee

Audit and Governance Committee are to consider the effectiveness of the authority's risk management arrangements, and to seek assurance that action is being taken to mitigate those risks identified. As such an update on the Corporate Risk Register will be presented at each Quarterly Audit and Governance Committee. In addition Audit and Governance Committee will review the council's Risk Policy and Strategy and Corporate Risk Register annually in Quarter 1 of the financial year, ahead of these documents going to Cabinet.

- 2.6 Cabinet fully supported the agreed Policy and Strategy and will consider this Committees recommendations following the annual review next Spring/Summer.

3. DEVELOPMENT OF CORPORATE RISK REGISTER

- 3.1 The Senior Management Team worked collaboratively to brain storm risks faced by the Council, particularly focusing on those that related to the delivery of our strategic corporate objectives. As a result a new Corporate Risk Register was developed from those themes, and further expanded in detail over recent weeks. It is encouraging to have achieved input from all service areas and senior managers into this process, which is an important step towards risk management being embedded into our operating methods.
- 3.2 The new Corporate Risk Register has been appended in full to this report (Appendix 2). Additionally the Risk Matrix, which is a pictorial snapshot of the current level of risks faced by the Council is available within Appendix 3.
- 3.3 The current Corporate Risk Register identifies 12 risks, which can be categorised as 2 low level risks, 3 moderate and 7 high level risks. No extreme risks have been identified at this time.
- 3.4 The Risk register will continue to be monitored, and will be updated and reported to the next Audit & Governance Committee on 5 March 2019. At this time we will identify for Members the key movements in the Risk Register compared to the position presented here. Additionally work will be commencing on refreshed Operational, Project and Partnership Risk Registers over the coming months for departmental use.

4. RISK MANAGEMENT ISSUES

4.1

Perceived risk	Seriousness	Likelihood	Preventative action
Failure to have a current risk process adopted will cause inconsistencies in approach across the Council	High	Low	A revised Policy & Strategy document has been prepared and relevant officers consulted.
Failure to have a current Risk Register adopted will affect the Councils ability to deliver effectively on its Corporate Plan objectives	High	Low	A revised policy document has been prepared and a register developed for adoption that provides for the management of Corporate Plan Objective risks.

7. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

7.1 Legal Officer's Comments (AK)

There are no legal implications arising directly from this report

7.2 Finance Officer's Comments (CS)

There are no direct financial implications of this report.

7.3 Diversities and Equalities Implications (CS)

There are no direct implications of this report.

8. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

Charlotte Spendley, Assistant Director – Finance, Customer & Support Services

Telephone: 01303 853420

Email: charlotte.spendley@folkestone-hythe.gov.uk

The following background documents have been relied upon in the preparation of this report: Risk Management Policy & Strategy

Appendices:

Appendix 1: Risk Management Policy & Strategy

Appendix 2: Corporate Risk Register

Appendix 3: Risk Matrix

Risk Management Policy & Strategy

June 2018



Risk Management Policy

1. Policy Statement

The Risk Management Policy of Folkestone & Hythe District Council (FHDC) is to adopt best practice in the identification, evaluation, and cost effective control of risks.

Risk is a factor of every-day life and can never be eliminated completely. FHDC is exposed to risk through threats to service provision, failure to deliver its strategic objectives and from the potential of lost opportunities.

All employees must understand the nature of risk and accept responsibility for risks associated with their area of authority. The necessary support, assistance and commitment of senior management will be provided.

Ultimately, effective risk management will help ensure the Council maximises its opportunities and minimises the risks it faces, improving our ability to achieve our strategic objectives and have an effective and sound system of governance in place. This framework will be particularly helpful in moving towards a more commercial approach.

2. Objectives

The council's risk management objectives are to:

1. Develop risk maturity and establish an appropriate risk appetite focussed on identifying, managing and mitigating risks which may prevent the Council from achieving its strategic objectives.
2. Manage risk in accordance with best practice.
3. Embed risk management in our normal management & business processes
4. Anticipate and respond quickly change.
5. Minimise the total cost of risk.

These objectives will be achieved by:

1. Establishing a risk management organisational structure to act in an advisory and guiding capacity and which is accessible to all employees.
2. Adopt processes, which demonstrate the application of risk management principles across the whole council.
3. Providing risk management training as necessary.
4. Devise and maintain contingency plans in key risk areas to secure business continuity where there is a potential for an event having a major impact upon the council's ability to function.
5. Have a proactive approach to managing and anticipating events before they happen through maintaining effective communication and the active involvement of councillors and officers.
6. Monitor arrangements continuously, learning from our mistakes and near misses.

3. Review period

In line with our policy to follow best practice, the Risk Management Strategy will be reviewed annually during Quarter 4 of the financial year so as to capture developments in relevant risk management approaches.

Section 2 – Risk Management Strategy

1. Introduction

1.1 Risk management will help identify and deal with key corporate risks facing the organisation in the pursuit of its objectives; it is a key part of good management, not simply a compliance exercise.

2. What is risk management?

2.1 “It is the process whereby organisations methodically address the risks attaching to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities.” (*A Risk Management Strategy* by the Institute of Risk Management)

2.2 In layman terms, risk management is about ensuring that processes, projects, services and activities are delivered in the best possible manner, while reducing the probability of failure and maximising opportunities.

3. The benefits of good risk management

3.1 Good risk management supports the achievement of the council’s objectives and has a crucial role to play in ensuring that Folkestone & Hythe District Council is well run. Risk management is about managing the threats that may hinder delivery of our priorities and core services, and maximising the opportunities that will help deliver them. It is important that risk management is aligned to the service plans, MTFS, Corporate Plan, policy making, performance management and strategic planning of the organisation.

3.2 The key benefits of a systematic approach to risk management are:

- Protects and enhances the reputation of Folkestone & Hythe District Council
- It provides a framework for future activity to take place in a consistent manner
- Contributes to a more efficient use of capital and resources
- Assists in the protection and enhancement of assets
- Optimises operational efficiency and focus

4. Types of risk – corporate, operational, project and partnership

4.1 Risk Management is integral to corporate planning, specific projects and service management. Categories of risk to be considered are:

4.2 Corporate risks

These are risks that need to be taken into account when looking at the medium to long term objectives of the council. Corporate risks would typically be identified and addressed within the council's Corporate Plan or Medium Term Financial Strategy (MTFS). These risks can be identified through the following sub-categories (this is not an exhaustive list but intended to provide guidance):

- Political – those associated with a failure to deliver either local or central government policy.
- Economic – those affecting the ability of the council to meet its financial commitments.
- Social – those relating to the effects of demographic changes on the council's ability to deliver its objectives.
- Technological – includes the consequences of internal technological failures on the council's ability to deliver its objectives.
- Legislative – those associated with current or potential changes in national or European law.
- Environmental – those relating to environmental consequences of progressing the council's Corporate Objectives.
- Competitive – those affecting the competitiveness of the service and/or its ability to deliver best value.
- Customer – those associated with the failure to meet the current and changing needs and expectations of customers.
- Reputation – those relating to public confidence and failure to recruit high calibre staff.

4.3 Operational risks

These are generally identified and managed by Assistant Directors, Heads of Service and Service Managers as part of their operational business remit. These are risks that managers and staff will encounter in the daily course of their work and can be identified through the following sub-categories:

- Professional – those associated with the particular nature of each profession.
- Financial – those associated with financial planning and control and the adequacy of insurance cover.
- Legal – those related to possible breaches of legislation, breach of contract, negligence, etc.
- Physical – those related to fire, security, accident, prevention and health and safety.
- Contractual – those associated with the failure of contractors to deliver services or products to agreed cost and specification.

- Technological – those relating to reliance on operational equipment.
- Environmental – those relating to pollution, noise or the energy efficiency of ongoing service operations.
- Human Resources – those relating to staff issues.

4.4 Partnership risks

Folkestone & Hythe District Council works with a range of partners to deliver services. It is important that those partners are brought into the risk management framework to ensure that risks to the council are not overlooked. Risks are identified and addressed in formal partnership agreements and contracts as appropriate. The primary risks are:

- Financial – failure to understand the potential financial liabilities associated with partnership arrangements.
- Reputation – loss of public confidence.
- Contractual – contract requirements not delivered.
- Legal – failure to understand the potential legal liabilities associated with partnership arrangements.
- Service failure – the associated risk of increased costs.

4.5 Project risks

Folkestone & Hythe District Council has a number of major strategic projects that require risk mapping. These projects will have inherent risks and opportunities. Where the project poses a significant risk or is of strategic importance to the delivery of the Corporate Plan an overall risk should be identified within the corporate risk register. The project itself should have a project risk register that is managed by the Project lead/ Project Sponsor and regularly reviewed by the wider project team.

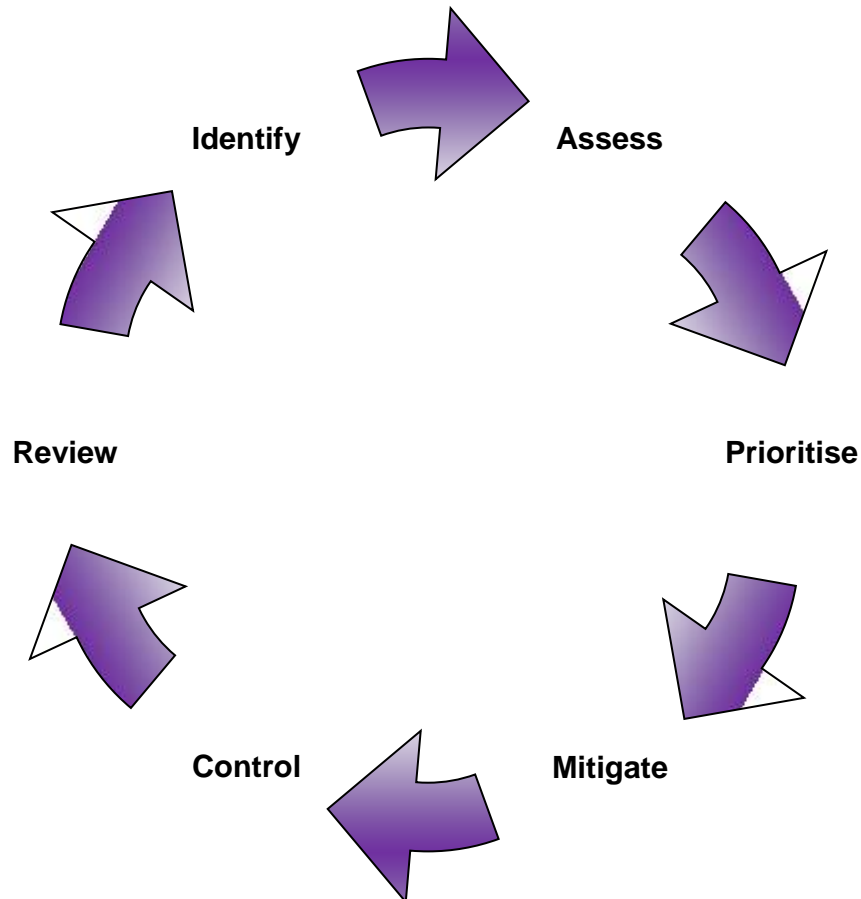
5. Risk management cycle

5.1 There are a number of steps in the cycle of identifying and managing risks within the council. These should be as follows:

- **Identify** – a need to identify the potential risks that may arise if informed decisions are to be made about policies or service delivery methods.
- **Assess** – available data should be used to provide information to help assess the probability of any risk arising or the potential impact on activities undertaken.
- **Prioritise** – action determined on the tolerance and aversion to risk, balanced against the availability of limited resources.
- **Mitigate** – should the risk be terminated, tolerated, treated or transferred.
- **Control** – once the appropriate action is determined for each risk, the process of controlling that risk can commence. This will either involve minimising/eliminating the risk and/or alleviating its potential impact.

- **Review** – risk management needs to be seen as a continuous process. It is essential that the incidence of risk be reviewed to see whether it has changed over time.

5.2 The risk review cycle is captured in the diagram below, which emphasises the need for risk to be embedded as an ongoing process throughout the organisation (diagram 1):



6. Risk identifying, assessing and prioritising

6.1 Risk assessment is about asking:

- What can go wrong?
- What are the opportunities that may be missed?
- What is the likelihood of it going wrong?
- What is the impact should it go wrong?
- What can be done to mitigate the risk?

6.2 This approach can be applied to decisions made every working day, at all levels of the council. However, to ensure appropriate risk management is embedded throughout the organisation formal risk identification is also necessary to capture the key risks faced and identify appropriate mitigation.

6.3 Risks are scored out of four for their likelihood and potential impact. These two figures are multiplied together to give the risk score. This is shown in the Risk Scoring Matrix below. The risk scores then provide an overall ranking for each risk.

6.4 Risk Management Matrix (diagram 2)

Likelihood	Very Likely (4)	Moderate (4)	High (8)	Extreme (12)	Extreme (16)
	Likely (3)	Low (3)	Moderate (6)	High (9)	Extreme (12)
	Unlikely (2)	Very low (2)	Low (4)	Moderate (6)	High (8)
	Rare (1)	Very low (1)	Very low (2)	Low (3)	Moderate (4)
		Minor (1)	Moderate (2)	Significant (3)	Severe (4)
	Impact				

6.5 The definitions of likelihood and impact are outlined below, these are intended as guidance:

Likelihood

Rating	Score	Likelihood
Very Likely	4	More than 85% chance of occurrence Regular occurrence Circumstances frequently encountered
Likely	3	More than 65% chance of occurrence Likely to occur within next 12 months Circumstances have been encountered
Unlikely	2	31%-65% chance of occurrence Likely to happen within next 2 years Circumstances occasionally encountered
Rare	1	Less than 30% chance of occurrence Circumstances rarely encountered or never encountered before

Impact

Rating	Score	Impact
Severe	4	Loss of service for a significant period Fatality to an employee, service user or other Failure to meet major corporate objective Breach of law Financial loss in excess of £500k
Significant	3	Financial loss in excess of £250k Intervention in running a single service area Significant or disabling injury Failure to achieve a high profile major service objective Breach of contractual arrangement
Moderate	2	Service interruption Injury to employee, service user or other Financial loss between £50k-£250k Adverse media coverage/ high levels of service user complaints Failure to achieve a service objective
Minor	1	Minor service disruption/ short term inconvenience Financial loss less than £50k Isolated service user complaints Failure to achieve a team objective

6.6 Once risks have been scored, decisions can be made on the appropriate mitigating action (see Section 7 below).

7. Mitigating actions to control the risk

- 7.1 Once a risk has been identified analysed and profiled, there are four ways to control the risk:
- **Treat** – identify and put in place mitigating actions that reduce the risk to an acceptable level.
 - **Transfer** – the risk is transferred partially or fully to a third party (e.g. contractual agreement/ insurance) to share the risk exposure. This may have a cost attached and whilst the financial risk may be transferred, a reputational risk may remain with the authority.
 - **Tolerate** – Some risks can be tolerated without any further action being taken. For some risks, no further action may be possible or the cost may be disproportionate to the potential benefit gained (consideration should be given to a contingency plan for handling the impact if the risk crystallises).
 - **Terminate** – stop the activity or function that gave rise to the risk (where possible).
- 7.2 If the option is to treat or control the risk, then a decision needs to be made on the best control to put in place. Controls need to be proportionate to the risk and need to give reasonable assurance that the loss will be confined to within an acceptable level for the authority.

8. The Corporate Risk Register

The council's Corporate Risk Register is the core element of the arrangements laid out in this strategy as it represents an articulation and assessment of key risks facing the organisation. As such only the key risks identified in the council's Corporate Plan and MTFS would typically be included in the Corporate Risk Register. In addition where appropriate emerging or changing operational or partnership risks identified by Heads of Service that have a significant bearing on the organisation will be discussed with CLT (Corporate leadership Team) to determine whether these risks need to be included on the Corporate Risk Register. A more details explanation of this process is provided in Section 9 (below).

The diagram below (diagram 3) outlines the risk management journey outlined in this strategy and relationship to the Corporate Risk Register:



9. Responsibility and ownership of risk management

Clear identification of roles and responsibilities is paramount to ensuring the successful adoption of risk management and its embedding into the culture of the council. This strategy supports the roles and responsibilities as outlined in the Financial Procedure Rules, Section C.1. In addition this section sets out how these responsibilities are to be applied.

9.1 Cabinet and Elected Members

Cabinet and Elected Members are to oversee the effective management of risk throughout the council. As such Cabinet will review the council's Risk Policy and Strategy and Corporate Risk Register annually in Quarter 2 of the financial year (following these documents being reviewed by the Corporate Management Team and Audit and Governance Committee in Quarter 1). It is also expected that relevant risks are discussed at monthly Portfolio Holder Meetings with Corporate Directors.

9.2 Corporate Leadership Team

The council's Corporate Leadership Team (CLT) are to ensure that the council manages risk effectively through the development and embedding of the Risk Management Strategy plus monitoring its implementation and development. CLT will review the council's Risk Policy and Strategy and Corporate Risk Register annually in Quarter 1 of the financial year, ahead of these documents going to Cabinet and Audit and Governance Committee.

CLT will undertake a formal quarterly review of the corporate risk register but will also actively consider emerging or changing risks on a regular basis.

9.3 Assistant Directors/Heads of Service

The Assistant Director – Strategy, Performance & Communications will have overall accountability for overseeing the council's risk management framework and ensuring that the ownership and governance arrangements outlined within this strategy are adhered to.

Assistant Directors and Heads of Service are to manage risk effectively in their service areas. It is also their role to consider risks to services being delivered in partnerships and to work with partnerships to develop partnership risk registers. As such it is expected that Heads of Service work with their Managers and Team Leaders to develop and maintain Operational Risk Registers for their business unit, as well as lead or commission project/partnership risk registers where appropriate. Heads of Service will also be responsible for determining when operational risks reach such a level that they should be escalated to CLT for consideration of their inclusion in the council's Corporate Risk Register.

Heads of Service & Assistant Directors are responsible for ensuring their risk registers remain current and relevant and are encouraged to have emerging risks as a standing item on their Team Leader meeting agendas.

9.4 All Council Staff

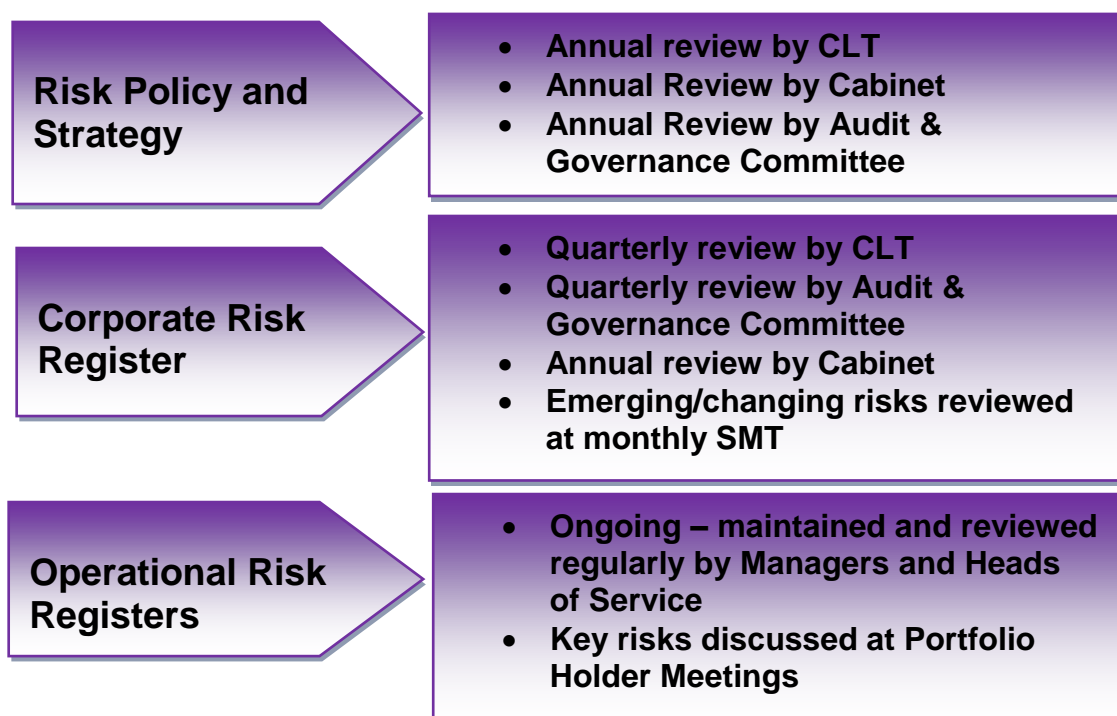
All council staff are expected to manage risk effectively in their day-to-day tasks and to liaise with their line manager to assess areas of risk within their role. Also council staff should also be familiar with the council's Risk Management Strategy and to comply with Health and Safety procedures. If any staff member feels they require training on either Risk or Health and Safety they are to raise this in their monthly one-to-one with their Team Leader. Staff should also take responsibility to escalate risks to their manager so appropriate controls can be agreed.

9.5 Audit and Governance Committee

Audit and Governance Committee are to consider the effectiveness of the authority's risk management arrangements, and to seek assurance that action is being taken to mitigate those risks identified. As such an update on the Corporate Risk Register will be presented at each Quarterly Audit and Governance Committee. In addition Audit and Governance Committee will review the council's Risk Policy and Strategy and Corporate Risk Register annually in Quarter 1 of the financial year, ahead of these documents going to Cabinet.

11. Governance and Reporting

In line with the responsibility and ownership details outlined above the following diagram (diagram 4) details the governance and reporting timetable arrangements for both the Risk Management Policy and Strategy and the Corporate Risk Register.



10. Supporting Documents

10.1 Corporate Risk Register 2018/19 (file path)

10.2 Financial Procedure Rules, Section C.1 (file path)

Folkestone & Hythe District Council- Risk Register layout

Risk ID	Risk Name	Risk Owner	Risk Description /Trigger	Actions in place	Pre-mitigation Score			Mitigation scheme (Tolerate, Treat, Transfer, Terminate)	Proposed Actions	Timeframe	Post-mitigation Score		
					Likelihood	Impact	Total				Likelihood	Impact	Total

Corporate Risk Register

Risk ID	APPENDIX 2		Risk Description & Triggers	Actions in place	Pre-mitigation Score			Mitigation scheme (Tolerate, Treat, Transfer, Terminate)	Proposed Actions	Timeframe	Post mitigation Score		
	Risk Name	Risk Owner			Likelihood	Impact	Total				Likelihood	Impact	Total
C1	Organisational Instability	Susan Priest (HoPS); Cllr David Monk (Leader)	High levels of staff turnover during transformation. Internal secondments creating some team pressure points (e.g. Customer Services). Loss of professional/organisational expertise in some key roles. Election preparation drawing from core resource. Potential Political instability due to 2019 Elections.	Retention packages; talent mapping with SMT has commenced; Internal Communications increased including monthly Staff Briefings by HoPS and regular Transformation drop in lunches; dedicated team for Elections established.	3	3	9	Treat	Continue with Talent mapping exercise and plans to support staff through development and training; Communications & Engagement Strategy being developed by SR to be considered by Cabinet in November. People Strategy to provide a visible framework to move staff towards new culture and further explore "grow our own" opportunities; continue with increased Internal Communications messages; continue with iese knowledge transfer to aid transformation delivery. Provide training for new Members in May/June 2019 following election.	December 18 & ongoing	2	2	4
C2	Shortage of skills to deliver new agenda	Susan Priest (HoPS); Cllr David Monk (Leader)	Geographical location restricts available pool; recruitment difficulties (terms & conditions); shortage of specialist skills including project management, insight, business case preparation and evaluation, commercial appraisal	Alternative staff incentives on offer such as flexible working, F&H Rewards. Utilising iese to deliver training to transfer knowledge on activities such as process mapping, customer journey mapping etc. Significant (£450k over 2 financial years) training provision made available	2	3	6	Treat	Continue with skills transfer from iese; SMT to identify training programmes for skills gap within team; People Strategy to consider alternative recruitment options	December 18 & ongoing	1	2	2
C3	Failure to deliver Otterpool Park development	John Bunnett (Strategic Director); Cllr David Monk (Leader)	Delivery of a Graden Town which will present complex planning issues, financial exposure risks and require new connections to be established with key partners to enable delivery e.g.inward Investment required to facilitate infrastructure	Experienced dedicated Strategic Development projects team with embedded Legal & Financial representation on working group. Work has commenced building connections with Homes England and MHCLG. Engaging specialist advice where required. Land acquired to date has an agricultural value. Collaboration agreement with key partner established.	3	3	9	Treat	Detailed Business cases to be developed and considered by Cabinet ahead of project commencement. Continue to engage specialist advice where required. Specific advice to be obtained for exploration of Joint Venture feasibility. Funding options will need to be assessed ahead of commencement of delivery of project.	Ongoing	1	3	3
C4	Medium Term Financial Uncertainty	Tim Madden (S151 Officer) Cllr M Dearden (Portfolio Holder Finance)	Fair funding review will fundamentally change LG funding but detail unknown at present; requirement to arrive at 19/20 balanced budget; Commercial plans need to be defined and Member appetite understood; Financial capacity to deliver on major programme; Lack of certainty on Business Rates Localisation/Retention.	Officers regularly attending briefings on future LG funding. Updated MTFs was considered by Cabinet/Council in October and Budget Strategy to be considered in November. S151 Officer part of Kent wide working group for Business Rates Retention. Work on Investment Strategy to define overall scope of plans for the district underway.	3	3	9	Treat	Budget Strategy to be considered in November and detailed 2019/20 Budget Proposals in December. Officers will continue to attend briefings on LG Funding and brief members. Staff and Members to be provided with regular updates on MTFs to address Peer review feedback. Investment Strategy to be developed	Budget Strategy November 18; 2019/20 Budget February 2019; Capital & Investment Strategy to be developed; ongoing	2	2	4

Corporate Risk Register

Risk ID	APPENDIX 2		Risk Description & Triggers	Actions in place	Pre-mitigation Score			Mitigation scheme (Tolerate, Treat, Transfer, Terminate)	Proposed Actions	Timeframe	Post mitigation Score		
	Risk Name	Risk Owner			Likelihood	Impact	Total				Likelihood	Impact	Total
C5	Brexit/Wider Market Conditions	John Bunnett (Strategic Director) & Cllr Collier (Economy)	Recession. Labour issues (most relevant to Housing Responsive Repairs & Waste contracts). Volatility of housing market (Impact on key Strategic Project delivery). Economic risk to district of Brexit due to key infrastructure links to Europe eg M20/Eurotunnel/Stack	Project plans in place for retender of Responsive Repairs & Waste Contracts. Key Strategic Projects modelled with tolerances for market volatility. Attending local and regional contingency planning meetings on Brexit including multi-agency planning days	2	4	8	Tolerate	Await clarity on Brexit deal. Meet with key stakeholders at appropriate time once detail understood and impacts can be modelled. Progress with Strategic Projects, ensure market conditions evaluated at full business case appraisal stage	Ongoing	2	4	8
C6	Capacity to deliver competing demands	Susan Priest (HoPS); Cllr David Monk (Leader)	Balance between business as usual activity and aspiration including emerging commercial agenda	Member awayday defined key priority areas from Corporate Plan. HoS tasked with identifying any necessary changes to service plans	2	2	4	Tolerate	Monitor against agreed priorities to ensure there is no mission creep	Ongoing	2	2	4
C7	Capacity & Financial Resilience of key partners	Susan Priest (HoPS) & Cllr J Hollingsbee (Communities)	Pressures faced by many public services impact upon our ability and capacity to deliver against Corporate Plan including Police who are key to ASB duties; "Health Matters"links to NHS & GP issues locally, coastal district with natural & historic sites so Appearance matters outcome partially reliant on other agencies.	Key Strategic Partnerships established including Folkestone & Hythe Community Safety Partnership and South Kent Coast Health and Wellbeing Board . Corporate Plan and priorities have been agreed with members	3	1	3	Tolerate	Monitor against agreed priorities to ensure there is no mission creep & teams remain focused on agreed input. Protocols established for role of Council with partner organisations.	Ongoing	3	1	3
C8	Failure to deliver Transformation change including key components of ICT & People Strategy	Susan Priest (HoPS); Cllr David Monk (Leader), Hollingsbee (Communities) & Love (Customers, Communications & Digital)	Transformational change is not delivered by the agreed timescales, to agreed budget, project objectives or fails to make required savings. IT delivered is not customer focused or fit for the future (as well as current requirements). The People Strategy does not deliver cultural change required to suport new operating model.	Project plan in place. Assistant Director role appointed to lead project. Contract agreed with iese. Project Executive Board established to track project progress against milestones. People Strategy well progressed. IT Strategy agreed. Digital Strategy agreed. Resource Pool established drawing from across organisation.	2	4	8	Treat	Continued Project Management and measurement against agreed deliverables & timescales. People Strategy to be presented to Personnel Committee in Autumn 2018. Project Plans for specific ICT streams to be developed including cross organisational input.	Key milestone December 2018 & ongoing	1	4	4
C9	Failure to deliver Strategic Projects due to complexity	Susan Priest (HoPS); Cllr David Godfrey (Special Projects)	Ambitious Strategic Development projects agenda identified of a complex nature presenting planning risks, financial exposure risks and require new connections to be established with key partners to enable delivery e.g.inward Investment required to facilitate infrastructure	Experienced dedicated Strategic Development projects team. Work has commenced building connections with Homes England and MHCLG with some funding already agreed. Engaging specialist advice where required.	2	3	6	Treat	Stakeholder map to be drafted to identify connections that exist and need to be built. Detailed Business cases to be developed and considered by Cabinet ahead of project commencement. Continue to engage specialist advice where required.	Stakeholder map - February 19	1	3	3

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Corporate Risk Register

Risk ID	APPENDIX 2		Risk Description & Triggers	Actions in place	Pre-mitigation Score			Mitigation scheme (Tolerate, Treat, Transfer, Terminate)	Proposed Actions	Timeframe	Post mitigation Score		
	Risk Name	Risk Owner			Likelihood	Impact	Total				Likelihood	Impact	Total
C10	Risk of non compliance	Susan Priest (HoPS); Cllr David Monk (Leader)	FHDC operates in a complex regulatory and legislative environment. Risk of challenge over Planning decisions (Secretary of State or Judicial Review) or potential intervention into Core Strategy Review and Places and Policies Local Plan that would delay projects.	PPLP submitted to Secretary of State with examination in public due to commence by December 2018. Core Strategy Review consultation complete. Legal support embedded in project teams for key projects. External Advice sought where required.	2	4	8	Treat	Continued External Advice sought when required. Use of professional specialists (Legal, Finance, Procurement) in key projects (e.g. Waste Contract, Strategic Development)	Ongoing	1	3	3
C11	Reputational Risks	Susan Priest (HoPS); Cllr David Monk (Leader) & Cllr Love (Customers, Communications & Digital)	Key contracts to deliver (2020/21 Waste & Recycling and Housing Responsive Repairs) risks include procurement challenge, Member agreement to proposals, effective shared working with EK Councils/EKH, financial impact. Reputational risks associated with implementation of Strategic Projects such as Secretary of State call in or Judicial review, challenge to Core Strategy or loss of current pool provision without replacement. Customer satisfaction falls during Transformation changes.	Quarterly KPI monitoring. Working Groups established early to progress key contract delivery by agreed timeframes. Procurement expertise on working group with external advice being sought as required.	3	3	9	Treat	Business Case for delivery of replacement pool on Princes Parade site to be considered by Cabinet by early 2019. Project Governnace and oversight of key contracts to be agreed with CLT.	Business Case Princes Parade Early 2019	2	2	4
C12	Non-compliance with ESIF regulations for the Folkestone Community Works (FCW) programme	John Bunnett (Strategic Director) & Cllr Collier (Economy)	FHDC is the accountable body with management responsibilities for the FCW programme. As a result it forward funds approved project spend and recoups quarterly from DWP and MCHLG, as the managing authorities for ESF and ERDF. Any non-compliance could result in financial risk to the council	Indepth scrutiny of ability and systems of project lead organisations to undertake EU compliant projects; FHDC decision panel to scrutinise assessments of lead organisations and projects prior to approval; robust Grant Funding Agreements with project lead organisations; regular quarterly monitoring by the programme management team and oversight by the LAG; LAG to regularly monitor the more detailed operational risk register for the FCW programme	3	2	6	Treat	Ensure that the mechanisms in place to reduce the risk are operationalised by undertaking checks and check that their effectiveness with Managing Authorities during the quarterly claims process	Ongoing	1	2	2

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APPENDIX 3 Matrix - Corporate Risk Register

Likelihood	Very Likely (4)				
	Likely (3)	C7 - Key Partner Capacity	C12 - FCW ESIF regulations	C1- Organisational Instability C3 - Otterpool Park delivery C4 - Financial Uncertainty C11-Reputational	
	Unlikely (2)		C6 - Competing demands	C2 - Shortage of skills C9 - Complexity of Projects	C5 - Brexit / Market Conditions C8 - Transformation C10 - Non-compliance
	Rare (1)				
		Minor (1)	Moderate (2)	Significant (3)	Severe (4)
	Impact				

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This Report will be made public on 26 November 2018



Report Number **AuG/18/14**

To: Audit and Governance Committee
Date: 4 December 2018
Status: Non-Key Decision
Head of Service: Charlotte Spendley, Assistant Director – Finance, Customer & Support Services
Cabinet Member: Councillor Malcolm Dearden – Cabinet Member for Finance

Subject: Grant Thornton Update Report

Summary:

Grant Thornton's report provides an update on recent audit work undertaken, progress against key deliverables and a brief technical update.

Reasons for recommendations:

The Committee is asked to agree the recommendation in order to formally note the progress made against key actions undertaken by Grant Thornton.

Recommendations:

1. To receive and note Report AuG/18/14.

1. INTRODUCTION

- 1.1 It was agreed by the Audit Committee that the External Auditor should submit regular progress and update reports to their meetings.
- 1.2 A representative from Grant Thornton LLP has been asked to attend the meeting to present the report and answer Members' questions.

2. PROGRESS UPDATE

- 2.1 Grant Thornton's report sets out, at pages 4 and 5, progress as at December 2018 with regard to:
 - 2018/19 Audit and deliverables
 - Grant certification work
 - Meetings & upcoming events
 - Finalisation of the Certificate of Completion for 2017/18 audit
- 2.2 The report also includes:
 - Links to reference material for Audit Committees (page 3)
 - A Sector Update (pages 6 to 10) including current consultations, reports of interest and information about Grant Thornton publications & events
- 2.3 A copy of the full report is attached at Appendix 1.

3. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

3.1 Legal Officer's Comments (AK)

There are no additional legal comments arising from this report

3.2 Finance Officer's Comments (CS)

There are no financial implications arising directly from this report.

4. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

Charlotte Spendley – Assistant Director – Finance, Customer & Support Services

Telephone: 01303 853420 - email: charlotte.spendley@folkestone-hythe.gov.uk

The following background documents have been relied upon in the preparation of this report:

- None

Appendices

1. Grant Thornton Update Report – December 2018

Audit Progress Report and Sector Update

Folkestone and Hythe District Council
Year ending 31 March 2019
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4 December 2018



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Introduction



Elizabeth L Jackson

Engagement Lead

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

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

Members of the Audit and Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk ..

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



Andy N Conlan

Engagement Manager

T 020 7728 2492
E Andy.N.Conlan@uk.gt.com

Progress at December 2018

2018/19 Audit

We have begun our planning processes for the 2018/19 financial year audit.

Our detailed work and audit visits began at the end of November 2018 when we carried out an onsite risk assessment visit with your team. Our risk assessment work included:

- updating our understanding of your control environment, system and process;
- carrying out walkthroughs of systems which we consider to be significant to the financial statements and our audit;
- discussed updates to relevant accounting frameworks and guidance and what the impact will be on the financial statements;
- discussed key accounting estimates and significant judgements;
- updated our discussions on significant events and financial performance during 2018/19; and
- reviewed our working paper and testing requirements in advance of our February 2019 interim audit visit.

We also continue to:

- continue to hold regular discussions with management to inform our risk assessment for the 2018/19 financial statements and value for money audits;
- review minutes and papers from key meetings; and
- continue to review relevant sector updates to ensure that we capture any emerging issues and consider these as part of audit plans.

Other areas

Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. The fieldwork for this certification work for the 2018/19 claim has been completed, and we have concluded our certification work.

The results of the certification work are reported to you in our certification letter which will be issued in December 2018

Meetings

We continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Our next event is aimed at Chief Accountants and will be held on 5th February 2019 and 28th February 2018 in London. Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Certification of completion of the 2017/18 audit

We have now closed all elector objections and questions relating to prior year audits and we have issued the certificate of completion for the 2017/18 audit.

Audit Deliverables

2017/18 Deliverables

	Planned Date	Status
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2018	Complete

2018/19 Deliverables

	Planned Date	Status
Fee Letter Confirming audit fee for 2018/19.	April 2018	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.	March 2019	Not yet due
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2019	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	July 2019	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2019	Not yet due

Sector Update

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

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

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

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

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website

A Caring Society – bringing together innovative thinking, people and practice

The Adult Social Care sector is at a crossroads. We have yet to find a sustainable system of care that is truly fit for purpose and for people. Our Caring Society programme takes a step back and creates a space to think, explore new ideas and draw on the most powerful and fresh influences we can find, as well as accelerate the innovative social care work already taking place.

We are bringing together a community of influencers, academics, investors, private care providers, charities and social housing providers and individuals who are committed to shaping the future of adult social care.

At the heart of the community are adult social care directors and this programme aims to provide them with space to think about, and design, a care system that meets the needs of the 21st Century, taking into account ethics, technology, governance and funding.

We are doing this by:

- hosting a 'scoping sprint' to determine the specific themes we should focus on
- running three sprints focused on the themes affecting the future of care provision
- publishing a series of articles drawing on opinion, innovative best practices and research to stimulate fresh thinking.

Our aim is to reach a consensus, that transcends party politics, about what future care should be for the good of society and for the individual. This will be presented to directors of adult social care in Spring 2019, to decide how to take forward the resulting recommendations and policy changes.

Scoping Sprint

This took place in October. Following opening remarks by Hilary Cottam (social entrepreneur and author of Radical Help) and Cllr Georgia Gould (Leader of Camden Council), the subsequent discussion brought many perspectives but there was a strong agreement about the need to do things differently that would create and support a caring society. Grant Thornton will now take forward further discussions around three particular themes:

1. Ethics and philosophy: What is meant by care? Should the state love?
2. Care in a place: Where should the power lie? How are local power relationships different in a local place?
3. Promoting and upscaling effective programmes and innovation

Sprint 1 – What do we really mean by 'care'?

This will take place on 4 December. Julia Unwin, Chair of the Civil Societies Futures Project, former CEO of the Joseph Rowntree Association and author on kindness will provide her insight to spark the debate on what we really mean by 'care'

Find out more and get involved

- To read the sprint write-ups and opinion pieces visit: grantthornton.co.uk/acaringsociety
- Join the conversation at #acaringsociety

Care Homes for the Elderly – Where are we now?

It is a pivotal moment for the UK care homes market. In the next few months the government is to reveal the contents of its much-vaunted plans for the long-term funding of care for older people.

Our latest Grant Thornton report draws together the most recent and relevant research, including our own sizeable market knowledge and expertise, to determine where the sector is now and understand where it is heading in the future. We have spoken to investors, providers and market consultants to showcase the diversity and innovation that care homes can offer.

Flourishing communities are not a 'nice to have' but an essential part of our purpose of shaping a vibrant economy. Growth simply cannot happen sustainably if business is disconnected from society. That is why social care needs a positive growth framing. Far from being a burden, the sector employs more people than the NHS, is a crucible for technological innovation, and is a vital connector in community life. We need to think about social care as an asset and invest and nurture it accordingly.

There are opportunities to further invest to create innovative solutions that deliver improved tailored care packages to meet the needs of our ageing population.

The report considers a number of aspects in the social care agenda

- market structure, sustainability, quality and evolution
- future funding changes and the political agenda
- the investment, capital and financing landscape
- new funds and methods of finance
- future outlook.

The decline in the number of public-sector focused care home beds is a trend that looks set to continue in the medium-term. However, it cannot continue indefinitely as Grant Thornton's research points to a significant rise in demand for elderly care beds over the coming decade and beyond.

A strategic approach will also be needed to recruit and retain the large number of workers needed to care for the ageing population in the future. Efforts have already begun through education programmes such as Skills for Care's 'Care Ambassadors' to promote social care as an attractive profession. But with the number of nurses falling across the NHS as well, the Government will need to address the current crisis.

But the most important conversation that needs to be had is with the public around what kind of care services they would like to have and, crucially, how much they would be prepared to pay for them. Most solutions for sustainable funding for social care point towards increased taxation, which will generate significant political and public debate. With Brexit dominating the political agenda, and the government holding a precarious position in Parliament, shorter-term funding interventions by government over the medium-term look more likely than a root-and-branch reform of the current system. The sector, however, needs to know what choices politicians, and society as a whole, are prepared to make in order to plan for the future.

Copies of our report can be requested on our website



In good company: Latest trends in local authority trading companies

Our recent report looks at trends in LATC's (Local Government Authority Trading Companies). These deliver a wide range of services across the country and range from wholly owned companies to joint ventures, all within the public and private sector.

Outsourcing versus local authority trading companies

The rise of trading companies is, in part, due to the decline in popularity of outsourcing. The majority of outsourced contracts operate successfully, and continue to deliver significant savings. But recent high profile failures, problems with inflexible contracts and poor contract management mean that outsourcing has fallen out of favour. The days of large scale outsourcing of council services has gone.

Advantages of local authority trading companies

- Authorities can keep direct control over their providers
- Opportunities for any profits to be returned to the council
- Provides suitable opportunity to change the local authority terms and conditions, particularly with regard to pensions, can also bring significant reductions in the cost base of the service
- Having a separate company allows the authority to move away from the constraints of the councils decision making processes, becoming more agile and responsive to changes in demand or funding
- Wider powers to trade through the Localism act provide the company with the opportunity to win contracts elsewhere

Choosing the right company model

The most common company models adopted by councils are:

Wholly
owned

Joint
Ventures

Social
Enterprise

Wholly owned companies are common because they allow local authorities to retain the risk and reward. And governance is less complicated. Direct labour organisations such as Cormac and Oxford Direct Services have both transferred out in this way.

JVs have become increasingly popular as a means of leveraging growth. Pioneered by Norse, Corserv and Vertas organisations are developing the model. Alternatively, if there is a social motive rather than a profit one, the social enterprise model is the best option, as it can enable access to grant funding to drive growth.

Getting it right through effective governance

While there are pitfalls in establishing these companies, those that have got it right are: seizing the advantages of a more commercial mind-set, generating revenue, driving efficiencies and improving the quality of services. By developing effective governance they can be more flexible and grow business without micromanagement from the council.

LATC's need to adapt for the future

- LATC's must adapt to developments in the external environment
 - These include possible changes to the public procurement rules after Brexit and new local authority structures. Also responding to an increasingly crowded and competitive market where there could be more mergers and insolvencies.
- Authorities need to be open to different ways of doing things, driving further developments of new trading companies. Relieving pressures on councils to find the most efficient ways of doing more with less in today's austere climate.

Overall, joint ventures can be a viable alternative delivery model for local authorities. Our research indicates that the numbers of joint ventures will continue to rise, and in particular we expect to see others follow examples of successful public-public partnerships.



[Download the report here](#)

Links

Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<https://www.grantthornton.co.uk/en/insights/a-caring-society/>

<https://www.grantthornton.co.uk/en/insights/care-homes-where-are-we-now/>

<https://www.grantthornton.co.uk/en/insights/the-rise-of-local-authority-trading-companies/>

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National Audit Office link

<https://www.nao.org.uk/report/the-health-and-social-care-interface/>

Ministry of Housing, Communities and Local Government links

<https://www.gov.uk/government/news/social-housing-green-paper-a-new-deal-for-social-housing>

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf

Institute for Fiscal Studies

<https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>

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This Report will be made public on 26 November 2018



Report Number: **AuG/18/12**

To: Audit and Governance Committee
Date: 4 December 2018
Status: Non-Executive Decision
Corporate Director: Tim Madden – Customer Support & Specialist Services (S151)

SUBJECT: INTERNAL AUDIT PROGRESS REPORT FROM THE HEAD OF THE EAST KENT AUDIT PARTNERSHIP

SUMMARY: This report includes the summary of the work of the East Kent Audit Partnership (EKAP) since the last Audit and Governance Committee meeting together with details of the performance of the EKAP to the 30th September 2018.

REASONS FOR RECOMMENDATION:

The Committee is asked to agree the recommendations set out below because: In order to comply with best practice, the Audit and Governance Committee should independently contribute to the overall process for ensuring that an effective internal control environment is maintained.

RECOMMENDATIONS:

1. To receive and note Report AuG/18/12
2. To note the results of the work carried out by the East Kent Audit Partnership.

1. INTRODUCTION

- 1.1 This report includes the summary of the work completed by the East Kent Audit Partnership (EKAP) since the last Audit and Governance Committee progress report, together with details of the performance of the EKAP to the 30th September 2018.

2. AUDIT REPORTING

- 2.1 For each Audit review, management has agreed a report, and where appropriate, an Action Plan detailing proposed actions and implementation dates relating to each recommendation. Reports continue to be issued in full to the relevant Heads of Service, as well as an appropriate manager for the service reviewed.
- 2.2. Follow-up reviews are performed at an appropriate time, according to the status of the recommendation, timescales for implementation of any agreed actions and the risk to the Council.
- 2.3. An assurance statement is given to each area reviewed. The assurance statements are linked to the potential level of risk, as currently portrayed in the Council's risk assessment process. The assurance rating given may be substantial, reasonable, limited or no assurance.
- 2.4 Those services with either limited or no assurance are monitored, and brought back to Committee until a subsequent review shows sufficient improvement has been made to raise the level of assurance to either reasonable or substantial. There are currently no reviews with such a level of assurance as shown in appendix 2 of the EKAP report.
- 2.5 The purpose of the Council's Audit and Governance Committee is to provide independent assurance of the adequacy of the risk management arrangements, the control environment and associated anti fraud and anti corruption arrangements and to seek assurance that action is being taken to mitigate those risks identified.
- 2.6 To assist the Committee in meeting its terms of reference with regard to the internal control environment an update report is regularly produced on the work of internal audit. The purpose of this report is to detail the summary findings of completed audit reports and follow-up reviews since the report submitted to the last meeting of this Committee.

3. SUMMARY OF WORK

- 3.1. There have been six audit reports completed during the period. These have been allocated assurance levels as follows: two were classified as providing substantial assurance and four reasonable assurance. Summaries of the report findings are detailed within Annex 1 to this report.

- 3.2 In addition, four follow up reviews have been completed during the period. The follow up reviews are detailed within section 3 of the update report.
- 3.3 For the period to 30th September 2018 157.41 chargeable days were delivered against the planned target of 379.79 days, (including 64.79 days carried over from 2017/18) which equates to achievement of 41% of the planned number of days.
- 3.4 Other performance figures for the East Kent Audit Partnership for the period 2018/19 are on target.

4. RISK MANAGEMENT ISSUES

- 4.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Non completion of the audit plan	Medium	Low	Review of the audit plan on a regular basis
Non implementation of agreed audit recommendations	Medium	Low	Review of recommendations by Audit and Governance Committee and Audit escalation policy.
Non completion of the key financial system reviews	Medium	Medium	Review of the audit plan on a regular basis. A change in the external audit requirements reduces the impact of non-completion on the Authority.

5. LEGAL, FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

5.1 Legal Officer's comments (DK)

No legal officer comments are required for this report.

5.2 Finance Officer's Comments (TM)

Responsibility for the arrangements of the proper administration of the council's financial affairs lies with the Chief Finance Officer (S151). The internal audit service helps provide assurance as to the adequacy of the arrangements in place. It is

important that the recommendations accepted by Heads of Service are implemented and that audit follow-up to report on progress.

5.3 **Head of the East Kent Audit Partnership comments (CP)**

This report has been produced by the Head of the East Kent Audit Partnership and the findings / comments detailed in the report are the service's own, except where shown as being management responses.

5.4 **Diversities and Equalities Implications (CP)**

This report does not directly have any specific diversity and equality implications however it does include reviews of services which may have implications. However none of the recommendations made have any specific relevance.

6. **CONTACT OFFICERS AND BACKGROUND DOCUMENTS**

- 6.1 Councillors with any questions arising out of this report should contact either of the following officers prior to the meeting.

Christine Parker, Head of the Audit Partnership
Telephone: 01304 872160 Email: Christine.parker@dover.gov.uk

Tim Madden, Corporate Director – Customer Support & Specialist Services (S151)
Telephone: 01303 853371 Email: Tim.madden@folkestone-hythe.gov.uk

- 6.2 The following background documents have been relied upon in the preparation of this report:

Internal Audit working papers - Held by the East Kent Audit Partnership.

Attachments

Annex 1 – Update report from the Head of the East Kent Audit Partnership.

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

1. INTRODUCTION AND BACKGROUND

1.1 This report includes the summary of the work completed by the East Kent Audit Partnership since the last Audit and Governance Committee meeting, together with details of the performance of the EKAP to the 30th September 2018.

2. SUMMARY OF REPORTS

Service / Topic		Assurance level	No of recs	
2.1	BOSCO	Substantial	C H M L	0 0 1 0
2.2	Housing Benefit Admin & Assessment	Substantial	C H M L	0 0 2 0
2.3	Building Control Income	Reasonable	C H M L	0 0 1 3
2.4	Members Allowances	Reasonable	C H M L	0 0 2 0
2.5	Recruitment & Leavers	Reasonable	C H M L	0 1 1 0
2.6	Car Parking Income & Enforcement	Reasonable	C H M L	0 3 6 0

2.1 BOSCO - Substantial Assurance

2.2.1 Audit Scope

To provide assurance on the governance arrangements of the association and the financial contributions made by the Council and ensure that these are in line with those due to be made.

2.2.2 Summary of Findings

The Boulogne and Shepway Co-Operation Association (BOSCO) is a partnership between Folkestone & Hythe District Council and Boulogne Council. It was originally formed to enable various European funding to be accessed. Both parties were intended to contribute to the costs incurred in running the scheme and this commenced in 2002. Many of the projects associated with the BOSCO scheme were Interreg Grants. Canterbury City Council joined the association between the years 2007 and 2011.

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

- There are various statutes in place which act as the rules to be followed for the governance of the association.
- There are regular meetings including an AGM taking place to discuss the association's objectives and achievements, together with minutes taken to record the outcomes.
- The finances of the association are controlled by a treasurer and the final accounts are reviewed by French accountants.
- Where required reports are taken to committee for decisions to be made.

Scope for improvement was however identified in the following areas:

- The minutes of the meetings should fully record the outcomes for each agenda item to document the decisions made.

2.2 Housing Benefit Admin & Assessment - Substantial Assurance

2.2.1 Audit Scope

To ensure that the processes and procedures established are sufficient to incorporate relevant internal controls regarding the administration and assessment of Housing Benefit claims.

2.2.2 Summary of Findings

Folkestone and Hythe District Council remain responsible for the administration of Housing Benefit to a large number of housing benefit claimants despite the recent move to Universal Credit in the Folkestone job centre area.

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

- No calculation errors were identified in the sample testing of twenty new claims tested.
- Sufficient information is being obtained to support all benefit calculations.
- Good use is made of internal performance monitoring information to ensure that all benefits assessment staff maintain high levels of accuracy and output when assessing new benefit claims and changes in circumstances.

Scope for improvement was however identified in the following areas:

- Staff user declarations have not been completed since 2016 and consequently should be re-issued to staff for completion.
- The current Business Continuity Plan for the Revenues and Benefits service was last reviewed in April 2015 and therefore requires review and updating as necessary.

2.3 Building Control Income - Reasonable Assurance

2.3.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and internal controls surrounding the income received by the Council's Building Control service and ensure that these comply with the requirements of the Building (Local Authority Charges) Regulations 2010.

2.3.2 Summary of Findings

Building Control are tasked with ensuring that buildings meet legal and regulatory standards. The overall principle of the local authority building control charging system under the Charges Regulations 2010 are full cost recovery whilst users only pay for the service they receive.

Building regulation charges should relate to the costs of carrying out the building regulations chargeable service only. The costs attributed to the building regulations chargeable service should be isolated from any other service provision that also forms part of the building control service i.e. statutory duties. For 2017/2018 the building control service overall was in deficit by £51k, with the chargeable function in surplus by £22k.

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

- Fees and charges are approved and published.
- Income is banked on the day of receipt.
- VAT is being correctly applied, with a very minor issue resolved during the review.
- Outstanding debts for invoices inspection charges are effectively monitored and recovered.

Scope for improvement was however identified in the following areas:

- Fees and Charges are regularly reviewed although a formal methodology for the basis of the calculation on current data; and a documented protocol for the consistent management of reserves, surpluses and deficits is not in place.
- Income processes procedure notes should be produced by the Business Support Unit.
- The delegated authority to approve refunds has not been formally documented.

2.4 Members Allowances – Reasonable Assurance

2.4.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that Councillors are paid in accordance with the approved scale of allowances and that adequate evidence is required and monitored where appropriate.

2.4.2 Summary of Findings

The Members' Allowances Scheme is prescribed under regulation and must comply with The Local Authorities (Members Allowances) (England) Regulations 2003 (as amended). These regulations allow for certain allowances to be paid each year to Councillors to assist them in undertaking their public role for the district. Other expenses such as travel and subsistence are also allowable under the scheme. The amounts payable each year are decided and authorised by an Independent Remuneration Panel, a notice is to be published in at least one local newspaper circulating the local area to state that it has received the report and to summarise its findings. The full report will detail recommendations made by the panel relating to the scheme and copies are to be provided to any persons who request it and who pay the authority such reasonable fee as the authority may determine.

As a minimum, details of the allowances paid should be published as soon as reasonably practicable after the year end to which the scheme relates. All records are to be maintained and be available, at all reasonable times, for inspection. Providing copies of records upon request are allowed to be chargeable under the regulations.

Consideration has also been given to the Data Protection Act and the Local Government Transparency Code.

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

- There is an approved Members Allowances Scheme in place.
- The amounts being paid under the scheme have been published in accordance with the regulations and this promotes openness and transparency.
- The identification and implementation of the Independent Remuneration Panel works well; and
- A documented audit trail is in place for the claims process.

Scope for improvement was however identified in the following areas:

- The ICT allowance needs to be reviewed to give clarity over the conditions for claiming; and
- Ensure that the publication arrangements meet the requirements set down within legislation.

2.5 Recruitment & Leavers – Reasonable Assurance

2.5.1 Audit Scope

To ensure that the Council's recruitment procedures are robust, in order to ensure that the Council selects the best candidates for the available positions and that those applicants are of good character and are professionally qualified where required. Also that leavers are processed accurately to include calculation of their last pay including any outstanding holiday pay or debts to the Council and the issuing of the P45 documentation.

2.5.2 Summary of Findings

There is various legislation regarding the employment of workers which must be complied with by the Council, such as the Employment Rights Act 1996 and various discrimination acts as well as other legislation. The Council's recruitment and selection processes in place ensure that these requirements are met.

It is also important that the Council's employs the most suitable candidates for the job and that it correctly processes all leavers from the Council ensuring that required information is produced for the relevant bodies such as HMRC for tax purposes and KCC as the pensions' administrator.

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

- There is a Recruitment & Selection Policy in place which provides detailed guidance to managers regarding the recruitment process. This is currently being updated by HR.
- All necessary checks are undertaken on new employees.
- All leavers are processed correctly for their last pay and the production of required documentation such as P45 and pension notifications.
- The recruitment and selection processes are working well apart from the issues raised below for improvement.

Scope for improvement was however identified in the following areas:

- It is recommended that guidance be produced for managers regarding the processes to be followed where an employee leaves the Council's employment.
- Processes should be strengthened to ensure that ICT are advised when an officer leaves the Council's employment, to ensure that the employee's ICT access is closed at the appropriate time.

2.6 Car Parking Income & Enforcement – Reasonable Assurance

2.6.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that all income due from car parks, including machine income, residents permits and season tickets and penalty charge notices is adequately monitored and reconciled to expected income and that income trends are monitored for individual car parks for management information.

2.6.2 Summary of Findings

In 2017/18 net income received was £983,080 for all off-street parking activities and £251,556 was received for all on-street parking activities.

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

- The service is operating in accordance with regulations;
- Cash collection routines and electronic payment methods are working well;
- Sample testing revealed no significant issues in the way administrative controls and processes are operating;
- Accountancy coding is operating effectively;
- Personal data is being processed and managed in a secure way; and
- Roles and responsibilities and various contract controls in place are generally working effectively.

Scope for improvement was however identified in the following areas:

- Some fees and charges have not been implemented in accordance with the Cabinet decision;
- The cash collection reconciliation process and records could be better defined and improved;
- System access to one of the online systems used to access and monitor real-time parking machines needs to be reviewed;
- The Council needs to monitor the individual performance of enforcement officers as testing revealed that some very simple mistakes are being routinely made.

3.0 FOLLOW UP OF AUDIT REPORT ACTION PLANS

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

3.2

Service / Topic	Original Assurance level	Revised Assurance level	Original recs	Outstanding recs
Members Allowances	Reasonable	Reasonable	C 0 H 0 M 2 L 0	C 0 H 0 M 0 L 0
Environmental Protection	Reasonable	Reasonable	C 0 H 4 M 4 L 2	C 0 H 0 M 3 L 0
East Kent Housing – Complaints Monitoring	Reasonable	Reasonable	C 0 H 2 M 2 L 3	C 0 H 0 M 1 L 0
East Kent Housing – Safeguarding Children & Vulnerable Groups	Reasonable / Limited	Reasonable	C 0 H 4 M 0 L 0	C 0 H 0 M 0 L 0

3.3 Details of any individual Critical and High priority recommendations still to be implemented at the time of follow-up are included at Appendix 1 and on the grounds that these recommendations have not been implemented by the dates originally agreed with management, they are now being escalated for the attention of the s.151 officer and Members' of the Governance and Audit Committee.

The purpose of escalating high-priority recommendations which have not been implemented is to try to gain support for any additional resources (if required) to resolve the risk, or to ensure that risk acceptance or tolerance is approved at an appropriate level.

WORK IN PROGRESS

4.1 During the period under review, work has also been undertaken on the following topics, which will be reported to this Committee at future meetings: Business Rates Relief, HRA Business Plan; Council Tax; Creditors; Fraud Assurance Mapping and EKH Tenancy & RTB Fraud.

5.0 CHANGES TO THE AGREED AUDIT PLAN

5.1 The 2018/19 audit plan was agreed by Members at the meeting of the Audit & Governance Committee on 7th March 2018.

5.2 The Head of the Audit Partnership meets on a regular basis with the Section 151 Officer or their deputy to discuss any amendments to the plan. Members of the Committee will be advised of any significant changes through these regular update

reports. Minor amendments are made to the plan during the course of the year as some high profile projects or high-risk areas may be requested to be prioritised at the expense of putting back or deferring to a future year some lower risk planned reviews. The detailed position regarding when resources have been applied and or changed are shown as Appendix 3.

6.0 FRAUD AND CORRUPTION

There are currently no reported incidents of fraud or corruption being investigated by EKAP.

7.0 INTERNAL AUDIT PERFORMANCE

- 7.1 For the period ended 30th September 2018, 157.41 chargeable days were delivered against the planned target of 379.79 days, (including 64.79 days that were carried over from the previous year) which equates to achievement of 41% of the original planned number of days.
- 7.2 The financial performance of the EKAP for 2018/19 is on target for Folkestone & Hythe District Council.

Attachments

- Appendix 1 Summary of high priority recommendations outstanding or in progress after follow up
- Appendix 2 Summary of services with limited / no assurances.
- Appendix 3 Progress to 30th September 2018 against the agreed 2018/19 Audit plan.
- Appendix 4 Balanced Scorecard of performance indicators to 30th September 2018
- Appendix 5 Assurance Statements.

SUMMARY OF CRITICAL /HIGH PRIORITY RECOMMENDATIONS OUTSTANDING AFTER FOLLOW-UP – APPENDIX 1		
Original Recommendation	Agreed Management Action , Responsibility and Target Date	Manager’s Comment on Progress Towards Implementation.
None		

SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED			
Service	Reported to Committee	Level of Assurance	Follow-up Action Due
None			

PROGRESS AGAINST THE AGREED F&HDC AUDIT PLAN 2018/19

Review	Original Planned Days	Revised Planned Days	Actual - 30/09/2018	Status and Assurance level
FINANCIAL SYSTEMS				
Capital	10	10	0.11	Quarter 4
Car Parking	10	10	10.68	Finalised – Reasonable
Creditors	10	10	1.27	Work in progress
VAT	10	10	0.16	Quarter 3
Budgetary Control	10	10	0.14	Quarter 4
HB Admin & Assessment	10	12	11.96	Finalised - Substantial
Council Tax	10	10	0.49	Quarter 3
Business Rates Relief	10	10	6.93	Work in progress
Debtors	10	10	0.10	Quarter 4
HOUSING SYSTEMS				
HRA Business plan	10	10	1.87	Work in progress
ICT SYSTEMS				
ICT review	9	9		Quarter 4
HUMAN RESOURCES SYSTEMS				
Recruitment & Leavers	10	8	7.61	Finalised - Reasonable
Payroll transactions	10	10	0.06	Quarter 3
GOVERNANCE RELATED				
GDPR	15	10		Quarter 3
Special Projects 17-18	10	10	10.11	Finalised
Special Projects 18-19		6	5.49	Work in progress
Alternative Delivery Projects (Otterpool)	10	10	0.17	Quarter 3
Fraud Assurance Map	10	10	1.96	Work in progress
Transformational Governance	10	10	0.44	Quarter 3
SERVICE LEVEL				
Asset Management	10	10	0.46	Quarter 3
Community Safety	10	10		Quarter 4
Public Health Burials	10	8	7.88	Finalised - Substantial
Out of Hours Service	10	10	0.12	Quarter 3
Members Allowances	10	12	12.32	Finalised - Reasonable
Building Control Income	10	13	13.14	Finalised - Reasonable
Customer Services	10	10		Quarter 4
OTHER				
Committee reports & meetings	10	10	4.52	Ongoing
S151 meetings & support	11	11	5.32	Ongoing
Corporate advice / CMT	3	3	1.30	Ongoing
Liaison with External Audit	1	1		Ongoing

Audit plan prep & meetings	11	11	5.16	Ongoing
Follow Up Reviews	15	10	6.22	Ongoing
FINALISATION OF 2017-18- AUDITS				
Days under delivered in 2017/18		64.79		Allocated Below
Finalise 2017/18 audits	10	11		
Local Code of Corporate Governance			1.77	Finalised - Substantial
Housing Benefit DHPs			9.34	Finalised - Substantial
Events Management			0.07	Quarter 4
Homelessness			0.37	Quarter 3
Employee Benefits in kind			0.53	Finalised - Substantial
CIL scheme			2.81	Quarter 3
Business Continuity			0.44	Quarter 4
Safeguarding			0.35	Finalised - Reasonable
Electoral Finance			11.14	Finalised - Reasonable
Equality & Diversity			0.83	Finalised - Reasonable
Public Scrutiny			12.87	Finalised
BOSCO			1.01	Finalised - Substantial
Total	315	379.79	157.41	41% complete as at 30/09/2018

EAST KENT HOUSING LIMITED:

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-2018	Status and Assurance Level
Planned Work:				
CMT/Finance & Audit Sub Ctte/External Audit Liaison	4	4	2.22	Work-in-progress throughout 2018-19
Follow-up Reviews	4	4	4.71	Work-in-progress throughout 2018-19
Repairs & Maintenance	30	30	0.27	Quarter 3
Void Property Management	20	20		Quarter 3
Tenant Health & Safety	20	20		Quarter 4
Contract Monitoring	17	17	26.50	Work-in-progress
Performance Management	15	15	2.05	Work-in-progress
Welfare Reform	10	10	0.18	Quarter 3
Resident Involvement	10	10	0.18	Quarter 3
Service Level Agreements	10	10		Quarter 4
Finalisation of 2017-18 Work-in-Progress:				
Days under delivered in 2017-18	0	10.94		Allocated
Complaints Management			0.36	Finalised - Reasonable
GDPR & Information Management			4.14	Finalised - Reasonable
Leasehold Services			1.15	Finalised - Reasonable
Tenancy & RTB Fraud Prevention			14.05	Work-in-Progress
Property Services Action Plan			8.14	Finalised - Reasonable
Responsive Assurance Work				
Contract Management supplementary work			4.74	Finalised
Single System Planned Maintenance Module			0.18	Finalised
Total	140	150.94	68.84	46% at 30/09/2018



BALANCED SCORECARD

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2018-19 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2018-19 Actual</u>	<u>Original Budget</u>
	Quarter 2		Reported Annually		
Chargeable as % of available days	87%	80%	<ul style="list-style-type: none"> • Cost per Audit Day 	£	£300.38
Chargeable days as % of planned days			<ul style="list-style-type: none"> • Direct Costs 	£	£385,970
CCC	48%	50%	<ul style="list-style-type: none"> • + Indirect Costs (Recharges from Host) 	£	£10,530
DDC	47%	50%			
F&HDC	41%	50%	<ul style="list-style-type: none"> • - 'Unplanned Income' 	£	Zero
TDC	44%	50%			
EKS	49%	50%	<ul style="list-style-type: none"> • = Net EKAP cost (all Partners) 	£	£396,500
EKH	46%	50%			
Overall	45%	50%	<ul style="list-style-type: none"> • Saving Target (10% of 2016-17) 	£	£34,620
Follow up/ Progress Reviews;					
<ul style="list-style-type: none"> • Issued 	30	-			
<ul style="list-style-type: none"> • Not yet due 	20	-			
<ul style="list-style-type: none"> • Now due for Follow Up 	30	-			
Compliance with the Public Sector Internal Audit Standards (PSIAS) (see Annual Report for more details)	Partial	Full			

<u>CUSTOMER PERSPECTIVE:</u>	<u>2018-19 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	<u>2018-19 Actual</u>	<u>Target</u>
	Quarter 2		Quarter 2		
Number of Satisfaction Questionnaires Issued;	26		Percentage of staff qualified to relevant technician level	76%	75%
	8		Percentage of staff holding a relevant higher level qualification	37%	38%
Number of completed questionnaires received back;	= 31%		Percentage of staff studying for a relevant professional qualification	14%	N/A
Percentage of Customers who felt that;			Number of days technical training per FTE	1.03	3.5
<ul style="list-style-type: none"> • Interviews were conducted in a professional manner • The audit report was 'Good' or better • That the audit was worthwhile. 	100%	100%	Percentage of staff meeting formal CPD requirements (post qualification)	37%	38%
	100%	100%			
	100%	100%			

Definition of Audit Assurance Statements & Recommendation Priorities

Assurance Statements:

Substantial Assurance - From the testing completed during this review a sound system of control is currently being managed and achieved. All of the necessary, key controls of the system are in place. Any errors found were minor and not indicative of system faults. These may however result in a negligible level of risk to the achievement of the system objectives.

Reasonable Assurance - From the testing completed during this review most of the necessary controls of the system in place are managed and achieved. There is evidence of non-compliance with some of the key controls resulting in a marginal level of risk to the achievement of the system objectives. Scope for improvement has been identified, strengthening existing controls or recommending new controls.

Limited Assurance - From the testing completed during this review some of the necessary controls of the system are in place, managed and achieved. There is evidence of significant errors or non-compliance with many key controls not operating as intended resulting in a risk to the achievement of the system objectives. Scope for improvement has been identified, improving existing controls or recommending new controls.

No Assurance - From the testing completed during this review a substantial number of the necessary key controls of the system have been identified as absent or weak. There is evidence of substantial errors or non-compliance with many key controls leaving the system open to fundamental error or abuse. The requirement for urgent improvement has been identified, to improve existing controls or new controls should be introduced to reduce the critical risk.

Priority of Recommendations Definitions:

Critical – A finding which significantly impacts upon a corporate risk or seriously impairs the organisation's ability to achieve a corporate priority. Critical recommendations also relate to non-compliance with significant pieces of legislation which the organisation is required to adhere to and which could result in a financial penalty or prosecution. Such recommendations are likely to require immediate remedial action and are actions the Council must take without delay.

High – A finding which significantly impacts upon the operational service objective of the area under review. This would also normally be the priority assigned to recommendations relating to the (actual or potential) breach of a less prominent legal responsibility or significant internal policies; unless the consequences of non-compliance are severe. High priority recommendations are likely to require remedial action at the next available opportunity or as soon as is practical and are recommendations that the Council must take.

Medium – A finding where the Council is in (actual or potential) breach of - or where there is a weakness within - its own policies, procedures or internal control measures, but which does not directly impact upon a strategic risk, key priority, or the operational service objective of the area under review. Medium priority recommendations are likely to require remedial action within three to six months and are actions which the Council should take.

Low – A finding where there is little if any risk to the Council or the recommendation is of a business efficiency nature and is therefore advisory in nature. Low priority recommendations are suggested for implementation within six to nine months and generally describe actions the Council could take.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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