



Agenda

Meeting: **Audit and Governance Committee**
Date: **3 December 2020**
Time: **7.00 pm**
Place: **Remote Meeting**

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

The committee will consider the matters, listed below, at the date and time shown above. The meeting will be open to the press and public and will be streamed live at bit.ly/YouTubeMeetings.

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.

1. **Apologies for Absence**
2. **Declarations of Interest (Pages 3 - 4)**

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.

3. **Minutes (Pages 5 - 10)**

To consider and approve, as a correct record, the minutes of the meeting held on 30 September 2020.

4. **Internal Audit Progress Report from the Head of the East Kent Audit Partnership (Pages 11 - 30)**

Report AuG/20/11 includes the summary of the work of the East Kent Audit Partnership (EKAP) since the last Audit and Governance Committee

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meeting together with details of the performance of the EKAP to the 30th September 2020.

5. **Grant Thornton Update Report (Pages 31 - 44)**

Grant Thornton's report AuG/20/10 provides an update on recent audit work undertaken, progress against key deliverables and a brief technical update.

6. **Review of the Corporate Risk Register (Pages 45 - 54)**

Report AuG/20/12 provides an update to the Corporate Risk Register.

Declarations of Interest

Disclosable Pecuniary Interest (DPI)

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

Other Significant Interest (OSI)

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

Voluntary Announcement of Other Interests (VAOI)

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

Note to the Code:

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

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Minutes

Audit and Governance Committee

Held at:	Virtual Zoom Meeting
Date	Wednesday, 30 September 2020
Present	Councillors Mrs Ann Berry (Vice-Chair), Laura Davison, Philip Martin (Chairman), Terence Mullard and Rebecca Shoob
Apologies for Absence	None
Officers Present:	Paul Butler (Elections Manager), Kate Clark (Case Officer - Committee Services), Cheryl Ireland (Lead Accountant), Amandeep Khroud (Assistant Director), Mrs Christine Parker (Head of Audit Partnership), Mr Chris Parker (Deputy Head of Audit), Charlotte Spendley (Director of Corporate Services) and Jemma West (Committee Service Specialist)
Others Present:	Paul Dossett and Marc Chang (Grant Thornton)

45. **Declarations of Interest**

There were no declarations of interest.

46. **Minutes**

The minutes of the meeting held on 30 July 2020 were submitted and approved. The Chairman, Councillor Martin, indicated that his electronic signature could be added to the minutes.

47. **Appointment of Temporary Councillor - Brenzett Parish Council**

Due to unforeseen circumstances Brenzett Parish Council could not meet the requirements of quorum at a planned parish meeting on 14 September 2020. A temporary councillor was appointed by the Head of Paid Service under her urgency powers to act at this meeting to fulfil the requirements of quorum and allow the Parish Council to function.

Report AuG/20/06 advised committee members that this had taken place and the Secretary of State had also received notification of this happening.

It was confirmed that District Councillor Tony Hills had been temporarily appointed to Brenzett Parish Council. At the meeting that he attended, one vacant seat was filled by co-option. One vacancy still exists. The Parish Council are now quorate.

Proposed by Councillor Mrs Ann Berry
Seconded by Councillor Rebecca Shoob and

RESOLVED:

- 1. To receive and note report AuG/20/06.**
- 2. To note the use by the Head of Paid Service of her urgency powers to make a temporary appointment to Brenzett Parish Council pursuant to S91 Local Government Act 1972.**

(Voting: For 5; Against 0; Abstentions 0)

48. Internal Audit Progress Report from the Head of the East Kent Audit Partnership

Report AuG/20/05 included a 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 2020.

Mr Chris Parker, Deputy Head of Audit, presented this report to members highlighting the five main topics. The pandemic has had an impact on the audit team's work with some deferrals on audits in the plan.

Members noted further points:

- Climate change. Background work on this had started prior to the pandemic and the plan is that this topic will be part of the audit plan for 2021/22.
- Creditors Duplicate Testing. This is regular work carried out to check for duplicate payments, feedback is then provided to the Finance Team.
- EKH Tenants' Health and Safety. There were a high number of compliance issues, however improvements and mitigation measures are in place. From 1 October 2020 EKH services will be brought back in-house. A detailed compliance report will be presented to the Overview & Scrutiny Committee and members of this committee, Audit & Governance, have asked if they could also see the report.
- Emergency Planning & Business Continuity. This was deferred due to lockdown and officer deployment elsewhere.
- Dog Enforcement and Otterpool Park Governance. These topics show zero actual days due to a delay in finalising reports which were completed after 30 June 2020, the time spent will be reflected in the next report.
- EKH – Tenancy & Right to Buy Fraud. This is work being undertaken across the four councils using Ashford Borough Council's counter-fraud team expertise as a pilot. The pilot being commenced was delayed by

the agreement needing to cover GDPR and is required to be signed by all four councils and due the C19 redeployment of staff.

- Follow-up of Audit Report Action plans is an essential part of the audit process. Any follow-ups will be reported back to this committee. Recommendations are usually followed-up after three to six months of the initial audit, depending upon the priority risk rating and proposed completion date that has been agreed.

Proposed by Councillor Rebecca Shoob
Seconded by Councillor Mrs Ann Berry and

RESOLVED:

- 1. To receive and note Report AuG/20/05.**
- 2. To note the results of the work carried out by the East Kent Audit Partnership.**

(Voting: For 5; Against 0; Abstentions 0)

49. The Audit Findings for Folkestone & Hythe District Council 2019/20

Grant Thornton were required to issue a Report to those charged with governance, summarising the findings and conclusions of their audit work. They were also required by professional auditing standards to report certain matters before giving an opinion on the financial statements for the year ended 31 March 2020.

Mr Paul Dossett and Mr Marc Chang from Grant Thornton presented the report; the audit findings and the financial statement respectively. They highlighted certain areas within the report:

- Significant audit risks assessment
- Going concern assessment
- Value for Money 2019/20

Also highlighted was Value for Money 2018/19, looking at East Kent Housing. It was identified that the poor outcomes for 2018/19 had been addressed and that robust arrangements were put in place for 2019/20. Consideration given to contract and member reports along with officer focus.

The Grant Thornton representatives were keen to point out that the District's Finance Team had been extremely co-operative and thanked them for this.

Proposed by Councillor Mrs Ann Berry
Seconded by Councillor Rebecca Shoob and

RESOLVED:

- 1. To receive and note Report AuG/20/08.**
- 2. To consider & note Grant Thornton's Audit Findings for Folkestone & Hythe District Council Year Ended 31 March 2020 report.**

3. To approve the Letter of Representation and authorise the Chairman and Vice Chairman to sign the Letter on behalf of the Council.

(Voting: For 5; Against 0; Abstentions 0)

50. Statement of Accounts 2019/20

In accordance with the Accounts and Audit (Coronavirus) Amendments Regulations 2020 the council must consider and approve its Statement of Accounts no later than 30 November 2020. The Accounts have been subjected to audit, the details of which are set out in Grant Thornton's Audit Findings report.

Members referred to figures within long and short term borrowing which related to the purchase of land at Otterpool Park.

Proposed by Councillor Rebecca Shoob
Seconded by Councillor Terry Mullard

RESOLVED:

- 1. To receive and note Report AuG/20/07.**
- 2. To approve the Statement of Accounts 2019/20.**

(Voting: For 5; Against 0; Abstentions 0)

51. Review of Corporate Risk Register

Report AuG/20/09 provided an update to the Corporate Risk Register.

Charlotte Spendley, Director of Corporate Services, highlighted the key changes to the Register, along with a new risks identified for Covid-19 pandemic and Brexit/wider market conditions.

It was noted by members that Climate change is not a specific risk although it is referenced. Climate change could be a consideration to be included in the Register.

Members asked how risks in the Register are determined. Factors for inclusion involve judgement based on focusing on strategic areas within the Council, consideration of Cabinet and Council decisions and regular discussions on emerging risks at CLT.

It was noted that the titles of the scoring section in the Corporate Risk Register contain an error. In this respect a corrected Register will be circulated to members.

Proposed by Councillor Mrs Ann Berry
Seconded by Councillor Rebecca Shoob and

RESOLVED:

To receive and note the updated Corporate Risk Register.

(Voting: For 5; Against 0; Abstentions 0)

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This Report will be made public on 25 November 2020



Report Number **AuG/20/11**

To: Audit and Governance Committee
Date: 3 December 2020
Status: Non-Executive Decision
Corporate Director: Charlotte Spendley – Director – Corporate 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 2020.

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/20/11.**
- 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 2020.

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 four 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 three audit reports completed during the period. These have been allocated assurance levels as follows: one was providing reasonable assurance and two were split assurance reasonable / limited. Summaries of the report findings are detailed within Annex 1 to this report.
- 3.2 In addition, eight 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 2020 129.56 chargeable days were delivered against the planned target of 374.23 days, which equates to achievement of 34.62% of the planned number of days.

3.4 Due to the Covid19 virus the EKAP team were redirected to community work on behalf of the partner councils early in the 2020/21 year. This has impacted upon the amount of internal audit work that can be completed within the year resulting in a revision to the audit plan in appendix 3. At the same time East Kent Housing Limited was taken back in house by the partner councils from 1st October 2020, therefore the plan is further adjusted to bring back in 30 days for 2020/21 and then 35 days from 2021/22 in respect of housing reviews.

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 Director – Corporate Services (s.151). 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@folkestone-hythe.gov.uk

Charlotte Spendley Director – Corporate Services (S151)
Telephone: 01303 853420 Email: Charlotte.spendley@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 2020.

2. SUMMARY OF REPORTS

Service / Topic		Assurance level	No of recs	
2.1	Whistleblowing & Anti Money Laundering	Reasonable	C	0
			H	3
			M	4
			L	1
2.2	Land Charges	Reasonable / Limited	C	0
			H	4
			M	2
			L	1
2.3	Waste Management	Reasonable / Limited	C	0
			H	4
			M	2
			L	3

2.1 Whistleblowing & Anti Money Laundering - Reasonable Assurance

2.1.1 Audit Scope

To provide assurance that the procedures that are in place regarding the confidential reporting policy (Whistleblowing Policy) to enable allegations to be made by various parties are robust and practical and that the policy is complied with.

Also to ensure that the Council's obligations and responsibilities regarding money laundering are adequately discharged; specifically to prevent, wherever possible, the organisation and its staff being exposed to money laundering, to identify the potential areas where it may occur, and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases.

2.1.2 Summary of Findings

The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment they encourage employees and others with serious concerns about any aspect of the Council's work to come forward and voice those concerns without fear of reprisals.

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

- Approved policies are in place that make up the Council's Anti-Fraud and Corruption Framework, however they have not been reviewed for 3 years.
- The Council's Anti-Fraud and Corruption Framework is available to staff and the public.
- There have been no whistleblowing referrals over the last couple of financial years.
- The induction process for new employees includes Whistleblowing and the Anti-Fraud and Corruption Framework.
- The Council has a nominated Anti-Money Laundering Officer and an Anti-Money Laundering Policy is in place.

Scope for improvement was however identified in the following areas:

- The annual report of the Audit & Governance committee should reflect what actions have been carried out to maintain an overview of the Whistleblowing Policy.
- An annual report on Whistleblowing (as stated in the Annual Governance Assurance Statement) including the number of incidents, should be presented to the Audit and Governance Committee each year to assist them in maintaining an overview of the Whistleblowing Policy.
- Employees that are not up to date with their e-learning requirements (including the module on anti-bribery and anti-corruption) should be reminded to bring them up to date and Corporate Leadership Team should receive quarterly reports to identify those staff that continue to have outstanding e-learning actions and take appropriate action.
- The Anti-Fraud and Anti-Corruption Strategy and other policies and supporting guidance (i.e. Financial Procedure Rules) should be reviewed to ensure that they have the correct job titles and officer's names within them.

2.2 Land Charges – Reasonable / Limited Assurance

2.2.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls to ensure that the Land Charges function provides a good standard of service to the public at the stipulated fee. The key issues for this service are that the information provided is within required timescales, charges are made at the correct fee and the information is accurate and reliable and that all income controls are in place.

2.2.2 Summary of Findings

The Local Land Charges Act 1975 was designed to ensure that prospective purchasers of land/property were informed of any obligations enforced by the local authority which may affect the land/property.

Two types of search are provided by the Council.

1. A personal search which is a search of the local land charges register and this is free of charge unless a search of the planning or building control database is also required and then a small fee is levied.
2. A search of the full local land charges register. This is a two part search which will also look at data recorded on other systems held by the Council such as building control, environmental health and housing. The search includes looking at the information held by the County Council regarding the highways near the land/property.

The primary findings giving rise to the Reasonable/Limited Assurance opinion (The Limited Assurance is in respect of the cost neutral exercise) in this area are as follows:

- All land charge applications are retained electronically on the Sales Force system which was implemented in January 2020. A considerable amount of work has been carried out by the officers to make this work but there are still some issues with the system that need addressing.
- The majority of land searches are being processed within the target of 10 working days. Currently the figure is 82% for the period April to August 2020 although this is down compared to prior going live with Sales Force (before which it was 100%).
- Processes are in place to ensure that all income is received for the service provided. However, they could be further enhanced by developing regular reconciliation routines and showing the fees on the individual records on the Sales Force system.
- Procedure notes have been produced to assist officers to complete the land charges process on the Sales Force system.

Scope for improvement was however identified in the following areas:

- There is the need for a cost neutral exercise to be carried out on a regular basis to ensure that the fees and charges are reflecting the service being provided. (The lack of evidence for this being undertaken gives rise to the Limited Assurance).
- The fees for the individual questions on the CON 29 should be included within the approval process for the fees and charges each year.
- There are residual issues with the Sales Force system which are impacting on meeting the performance indicators and also the day to day processes that have to be carried out and Officers are working on these issues.

2.3 Waste Management – Reasonable / Limited Assurance

2.3.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the waste management contract terms and conditions are being complied with regarding the performance of the service and to ensure that current payments to the contractor are in accordance with the contract terms.

2.3.2 Summary of Findings

There is a joint waste contract in place between Dover District Council, Folkestone & Hythe District Council, Kent County Council & Veolia which expires in January 2021. The contractor is tasked with monitoring and reporting on its own performance and a regular performance report is provided to senior management. The Council employs a team to inspect and monitor the performance of the contractor.

Management can place Reasonable Assurance on the system of internal controls in operation and a partially Limited Assurance level in respect of performance management.

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

- The waste management arrangements are compliant with the Environmental Protection Act 1990 and the Code of Practice on Litter and Refuse 2006;
- The scope of the contractor street cleansing inspection regime is good;
- During visits key locations looked clean and tidy and aligns with the performance figures reported in the performance reports being generated by the contractor;
- The format and content of the performance information provided to management by the contractor is in accordance with the contract and is widely distributed;
- Contract payments and recharges are correctly and clearly calculated; and
- Management is preparing for the new 2021 contract.

Scope for improvement was however identified in the following areas:

- Extensive audit testing suggests that a number of key contract monitoring systems, processes and controls are not functioning as effectively as they could be, which is weakening the ability of management to detect some elements of contractor performance issues for street cleansing rectification work;
- The Waste Services Privacy Notice was missing from the Folkestone & Hythe District Council website.

3.0 FOLLOW UP OF AUDIT REPORT ACTION PLANS

3.1 As part of the period's work eight 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
Treasury Management	Substantial	Substantial	C 0 H 0 M 1 L 3	C 0 H 0 M 1 L 3
VAT	Reasonable	Substantial	C 0 H 0 M 1	C 0 H 0 M 0

			L 0	L 0
Housing Allocations	Reasonable	Reasonable	C 0 H 1 M 4 L 3	C 0 H 1 M 1 L 0
Financial Procedure Rules	Reasonable	Reasonable	C 0 H 1 M 4 L 2	C 0 H 0 M 3 L 1
Taxi's	Reasonable / Limited	Reasonable	C 0 H 5 M 7 L 4	C 0 H 0 M 0 L 0
GDPR	Limited	Reasonable	C 0 H 6 M 6 L 6	C 0 H 0 M 1 L 0
EKH Tenant Health & Safety - Lifts	No	Reasonable	C 2 H 1 M 0 L 0	C 2* H 1* M 0 L 0
EKH Tenant Health & Safety – Fire Safety	No	Limited	C 2 H 4 M 0 L 0	C 1* H 1* M 0 L 0

*Partially implemented at the time of follow up

- 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 there was one for this period on the grounds that this recommendation has not been implemented by the dates originally agreed with management, it is escalated for the attention of the s.151 officer and Members' of the Governance and Audit Committee.

The purpose of escalating outstanding 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.

3.4 East Kent Housing – Tenant Health & Safety – Lifts

Since the appointment in November 2019 of a dedicated Compliance Manager with responsibility for lifts, significant improvements in procedures around the actioning of faults identified on lift examination reports has become evident. While a number of faults remain outstanding on some lifts tested, this is mainly due to a large number of faults outstanding on lifts in late 2019, a number of lifts requiring refurbishment and also lift contractors having reduced manning to address faults due to Covid-19.

New procedures have been introduced and have been evidenced during the audit, so that where category “A” faults are identified as part of a lift examination, if the lift maintenance contractor is unable to undertake and complete the repair to the lift on the day, the lift is taken out of service until the fault has been rectified.

3.5 East Kent Housing – Tenant Health & Safety – Fire Safety

Several significant issues identified during the original audit needed to be addressed. The main issue being around fire prevention work identified in Fire Risk Assessments (FRA) and repairs to be undertaken to emergency lighting identified as faulty at the annual tests. A contractor has since been appointed and has made some progress on the fire prevention works to rectify the weaknesses recorded on FRA's. The Coronavirus pandemic has meant that to date the majority of the work completed has been restricted to communal areas. It is likely that it will take a number of years to complete all outstanding fire prevention work meaning that responsibility for completion of the work will become the responsibility of each Council from October 2020. Work has started on the development of zone plans for each building, that work is not yet complete and will also become the responsibility of each Council for completion.

At present, the EKH Chief Executive is named as the Responsible Person on all FRA's. Responsibility for all FRA's will fall back to each Council in October. Therefore, each Council will need to update all FRA's in October with a new Responsible Person.

Contractors responsible for the completion of annual testing of emergency lighting have now been instructed to repair all lights identified as faulty at the time of testing. This means that all emergency lighting is now working and has passed the annual test.

While a significant amount of work has already been undertaken in respect of fire safety, a large amount of fire prevention work remains outstanding and will not be completed before responsibility falls back to each Council for the completion of the work. Each Council should ensure that it has suitably qualified and experienced members of staff in place to plan, monitor and sign off fire prevention work and then review and update all Fire Risk Assessments.

4.0 WORK IN PROGRESS

4.1 During the period under review, work has also been undertaken on the following topics, which will be reported to this Committee at future meetings: Insurance; Performance Management, Bank Reconciliation; Contract Standing Orders; Community Safety Partnership and Debtors.

5.0 CHANGES TO THE AGREED AUDIT PLAN

5.1 The 2020/21 audit plan was agreed by Members at the meeting of the Audit & Governance Committee on 4th March 2020.

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.

- 5.3 There has of course been an impact on the work of the internal audit team as a result of the C19 Crisis. The Audit Plan for 2020-21 was prepared as usual throughout February and agreed with the s.151 Officer and CLT and was presented to the March meeting. Following this, the team was re-deployed to assist with C19 response work in the community. As a consequence, no new internal audit work has been commissioned or undertaken throughout April to June, leading to a total of 152 audit days being lost (over the partnership). The plan that was approved at the March meeting is set out in the table in Appendix 3, showing the days allocated up to the end of September. It has therefore been necessary to work with the s.151 Officer to agree a revised plan based on 9 month's work not 12, the reviews that are deferred within the overall five-year strategic audit plan are also shown. Additionally, the revised plan also accommodates the new Housing audits which have transferred back to the four councils from 1st October. Except for follow up, no new EKH Ltd audits commenced before the end of September, and therefore the revised EKH Plan is also shown in Appendix 3.

6.0 FRAUD AND CORRUPTION

There are currently no reported incidents of fraud or corruption being investigated by EKAP on behalf of Folkestone-Hythe District Council.

7.0 INTERNAL AUDIT PERFORMANCE

- 7.1 For the period ended 30th September 2020, 129.56 chargeable days were delivered against the planned target of 374.22 days, which equates to achievement of 34.62% of the original planned number of days.
- 7.2 The financial performance of the EKAP for 2020/21 is on target.

Attachments

- Appendix 1 Summary of high priority recommendations outstanding or in progress after follow up
- Appendix 2 Summary of services with limited / no assurances yet to be followed up.
- Appendix 3 Progress to 30th September 2020 against the revised 2020/21 Audit plan.
- Appendix 4 Balanced Scorecard to 30th September 2020
- Appendix 5 Assurance Definitions.

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.
Housing Allocations		
<p>1. Management should update the ID verification process for the Housing Waiting List, if not at the application stage (to prevent unnecessary administrative burden on officers) then at nomination stage in order to prevent and detect fraud.</p> <p>Document verification training must be provided to all staff who may check the original ID documentation to ensure they have guidance on how to identify fake ID and on what Home Office documentation is required as proof of social housing entitlement for foreign nationals.</p> <p>The Housing Allocations Policy and internal procedure notes for staff should be updated with the new processes.</p>	<p>Agreed. The Housing and Inclusion Manager will liaise with The Business Support Team and the Front Office to implement original ID documentation verification checks. Once determined the Housing Allocations Policy and internal procedures for staff will be updated accordingly.</p> <p>Document verification training has been arranged for dates in April.</p> <p>Proposed Completion Date 31 July 2020</p> <p>Responsibility Housing and Inclusion Manager in liaison with the Business Support Team and Customer Services</p>	<p>Due to the COVID pandemic the document verification training has been postponed; with reviewed dates yet to be arranged.</p> <p>However, at a recent Kent Homechoice sub-group meeting the Locata enhancement available on the system for validating an applicant’s proof of ID using TrustID at offer stage was discussed. The cost for set up is £200 and the validation cost is £1.50 per check.</p> <p>Further information on the enhancement has been sought and consideration will be given as to whether or not this is the most cost effective and efficient method for the ID document verification checks to be made.</p> <p>Outstanding.</p>

SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED			
Service	Reported to Committee	Level of Assurance	Follow-up Action Due
Licensing	September 2020	Reasonable / Limited	Quarter 4
Tenancy & Right to Buy Fraud	March 2019	Limited	A pilot Counter Fraud scheme is being undertaken in conjunction with Ashford Borough Council

PROGRESS AGAINST THE F&HDC AUDIT PLAN 2020/21

Review	Original Planned Days	Revised Planned Days	Actual To 30/09/2020	Status and Assurance level
FINANCIAL SYSTEMS				
Bank Reconciliation	10	10	1.37	Work in progress
Business Rates	10	10	0.17	Quarter 3
Debtors	10	10	1.45	Work in progress
Insurance	10	10	0.17	Quarter 3
Housing Benefits Quality	10	10	0.20	Quarter 3
HOUSING SYSTEMS				
Homelessness	15	15	0	Quarter 3
Tenant Health & Safety Compliance	0	10	0	Quarter 4
Data Quality	0	10	0	Quarter 4
Leasehold Services	0	10	0	Quarter 4
ICT SYSTEMS				
ICT review	10	10	0.05	Quarter 4
HUMAN RESOURCES SYSTEMS				
Payroll	10	10	0.10	Quarter 3
GOVERNANCE RELATED				
Members Code of Conduct & Standards	10	10	6.55	Finalised - Substantial
Whistleblowing & Anti Money Laundering	9	9	9.82	Finalised - Reasonable
Fraud Resilience	10	10	0	Quarter 4
Performance Management	10	10	5.35	Work in progress
SERVICE LEVEL				
Contract Monitoring	10	0	0	Deferred
Contract Standing Orders	10	10	7.12	Work in progress
Community Safety Partnership	10	10	0.82	Work in progress
Customer Services	10	0	0	Deferred
Emergency Planning & Business Continuity	10	0	0	Deferred
E-Procurement & Purchase Cards	10	0	0.04	Deferred
Folkestone Community Works Grant	10	10	0.08	Quarter 4
Garden Waste Recycling	10	10	0.16	Quarter 4
Grounds Maintenance	10	10	0	Quarter 3
Land Charges	10	10	9.29	Finalised –Reasonable/Limited

Review	Original Planned Days	Revised Planned Days	Actual To 30/09/2020	Status and Assurance level
Lifeline	10	10	0	Quarter 3
Planning S106s & CIL	10	10	0	Quarter 4
Special Projects 2019/20	10	0	0	Deferred
OTHER				
Committee reports & meetings	10	10	7.40	Ongoing
S151 meetings & support	12	12	3.68	Ongoing
Corporate advice / CMT	3	3	0.54	Ongoing
Liaison with External Audit	1	1	0.11	Ongoing
Audit plan prep & meetings	10	10	4.07	Ongoing
Follow Up Reviews	15	15	13.46	Ongoing
FINALISATION OF 2019-20 AUDITS				
Days under delivered in 19/20		29.23	0	Allocated Below
Dog Enforcement	10	1	0.07	Finalised - Substantial
Engineers		1	0.88	Work in progress
Licensing		8	7.85	Finalised Reasonable / Limited
Oportunitas Governance		6	5.45	Finalised - Reasonable
Otterpool Park Governance		1	0.71	Finalised - Substantial
Waste Management		2	1.55	Finalised –Reasonable/Limited
Climate Change		2	2.01	Completed – N/A
Creditors Duplicate Testing		1	1.00	Completed – N/A
RESPONSIVE WORK				
COVID 19 Assistance	0	40	38.04	Completed
Total	315	374.23	129.56	34.62% at 30/09/2020
Note - 30 days have been added to the revised planned days from the former East Kent Housing audit plan from 1 st October 2020.				

REVISED EAST KENT HOUSING LIMITED PLAN:

Review	Original Planned Days	Revised Planned Days	Actual To 30/09/2020	Status and Assurance Level
Planned Work:				
CMT/Audit Sub Ctte/EA Liaison	4	4	3.09	Finalised
Follow-up Reviews	15	0	0	Finalised
Tenants' Health & Safety	0	7	8.14	Finalised - Various
Finalisation of 2019/20 Work-in-Progress:				
Days over delivered in 2019/20		-7.37	0	Allocated
Welfare Reform	0	1	0.40	Finalised - Substantial
Employee Health & Safety	1	0.63	1.00	Finalised - Limited
Total	20	12.63	12.63	100% as at 30/09/2020

BALANCED SCORECARD

Appendix 4

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2020-21 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2020-21 Actual</u>	<u>Original Budget</u>
	Quarter 2		Reported Annually		
Chargeable as % of available days	90%	80%	• Cost per Audit Day	£	£339.14
Chargeable days as % of planned days			• Direct Costs	£	£437,130
CCC	66.05%	50%	• + Indirect Costs (Recharges from Host)	£	£10,530
DDC	49.04%	50%	• - 'Unplanned Income'	£	Zero
F&HDC	34.62%	50%			
TDC	42.90%	50%			
EKS	25.20%	50%			
EKH	100.00%	50%			
<i>Plus, C19 Redeployment Days 152.14</i>			• = Net EKAP cost (all Partners)		£447,660
Overall	43.30%	50%			
Follow up/ Progress Reviews;					
• Issued	20	-			
• Not yet due	24	-			
• Now due for Follow Up	32	-			
Compliance with the Public Sector Internal Audit Standards (PSIAS) (see Annual Report for more details)	Partial	Full			

<u>CUSTOMER PERSPECTIVE:</u>	<u>2020-21 Actual</u>	<u>Target</u>	<u>INNOVATION & LEARNING PERSPECTIVE:</u>	Actual	Target
	Quarter 2		Quarter 2		
Number of Satisfaction Questionnaires Issued;	22		Percentage of staff qualified to relevant technician level	75%	75%
Number of completed questionnaires received back;	13		Percentage of staff holding a relevant higher level qualification	39%	36%
	= 59%		Percentage of staff studying for a relevant professional qualification	15%	N/A
Percentage of Customers who felt that;			Number of days technical training per FTE	0.94	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)	39%	39%
	100%	90%			
	100%	100%			

Definition of Audit Assurance Statements & Recommendation Priorities

CiPFA Recommended Assurance Statement Definitions:

Substantial assurance - A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Reasonable assurance - There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Limited assurance - Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

No assurance - Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

EKAP Priority of Recommendations Definitions:

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

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

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

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

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Agenda Item 5

This Report will be made public on 25 November 2020



Report Number: **AuG/20/10**

To: Audit and Governance Committee
Date: 3 December 2020
Head of Service: Charlotte Spendley, Director of Corporate Services
Cabinet Member: Councillor David Monk – Leader & 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/20/10.

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 on pages 4 and 5 progress as at November 2020 with regard to:
 - Financial Statements Audit work
 - Value for money assessment
 - Grant certification work
 - Meetings & upcoming events
 - Fees
- 2.2 The report also includes a Sector Update at page 7 including emerging national issues and development, current consultations and reports of interest.
- 2.3 A copy of the full progress 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 – Director of Corporate Services

Telephone: 07935 517986

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 – November 2020

Audit Progress Report and Sector Update

Folkestone and Hythe District Council
Year ending 31 March 2020
Page 33
23 November 2020



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Audit Deliverables	6
Sector Update	7

Introduction



Paul Dossett

Engagement Lead

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This paper provides the Audit and Governance 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; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)



Marc Chang

Engagement Manager

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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.

Progress at November 2020

Financial Statements Audit

We undertook our initial planning for the 2019/20 audit in December 2019, and interim audit in January 2020. We began our work on your draft financial statements in June.

In March we issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2019/20 financial statements.

We reported our work in the Audit Findings Report presented in July 2020 and provided an updated report to the September Committee. We signed the 2019/20 financial statements on November 19th 2020 and also signed the delayed 2018/19 VFM opinion at the same time.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

The NAO consultation on a new Code of Audit Practice (the "Code") has finished, and the new Code has completed its approval process in Parliament. It therefore came into force on 1 April 2020 for audit years 2020/21 and onwards. The new Code supersedes the Code of Audit Practice 2015, which was published by the National Audit Office (NAO) in April 2015.

The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations. The NAO public consultation ran until 2 September 2020. The NAO will now analyse all consultation responses received and consider what changes are required to the draft guidance. Please see page 10 for more details.

Progress at November 2020 (Cont.)

Other areas

Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2019/20 claim is planned to start at the end of November. It should be noted that, in response to the impact of the Covid-19 pandemic, the DWP has moved the reporting deadline back to 31 January 2021.

Meetings

We have met with Finance Officers since start of the pandemic as part of our regular liaison meetings and 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. Your officers attended our Financial Reporting Workshop in February, which helped to ensure that members of your Finance Team were up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the second year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated fully with the Audit, Governance and Standards Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

Audit Deliverables

2019/20 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2019/20.	April 2019	Complete
Audit Plan We are required to issue a detailed audit plan to the Audit, Governance and Standards Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements and a Conclusion on the Council's Value for Money arrangements.	March 2020	Complete
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 2020	Complete
Audit Findings Report The Audit Findings Report was presented to the July Audit and Governance Committee and an update on progress provided to the November Audit and Governance Committee	September 2020	Complete
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	November 2020	Complete
Annual Audit Letter This letter communicates the key issues arising from our work.	January 2021	Not yet due

Sector Update

Councils continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

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 local government sector 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 by clicking on the logos below:

Public Sector

Local
government

The Redmond Review

The Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting – “The Redmond Review” was published on 8 September.

The review has examined the effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public. It also considered whether the current means of reporting the Authority’s annual accounts enables the public to understand this financial information and receive the appropriate assurance that the finances of the authority are sound.

The Review received 156 responses to the Calls for Views and carried out more than 100 interviews. The Review notes “A regular occurrence in the responses to the calls for views suggests that the current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way. To address this concern an increase in fees must be a consideration. With 40% of audits failing to meet the required deadline for report in 2018/19, this signals a serious weakness in the ability of auditors to comply with their contractual obligations. The current deadline should be reviewed. A revised date of 30 September gathered considerable support amongst respondents who expressed concern about this current problem. This only in part addresses the quality problem. The underlying feature of the existing framework is the absence of a body to coordinate all stages of the audit process.”

Key recommendations in the report include:

- A new regulator - the Office of Local Audit and Regulation (OLAR) to replace the Financial Reporting Council’s (FRC) role and that of Public Sector Auditor Appointments (PSAA)
- Scope to revise fees - the current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements
- Move back to a September deadline for Local Authorities - the deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year
- Accounts simplification - CIPFA/LASAAC be required to review the statutory accounts to determine whether there is scope to simplify the presentation of local authority accounts.

The OLAR would manage, oversee and regulate local audit with the following key responsibilities:

- procurement of local audit contracts;
- producing annual reports summarising the state of local audit;
- management of local audit contracts;
- monitoring and review of local audit performance;
- determining the code of local audit practice; and
- regulating the local audit sector.

The current roles and responsibilities relating to local audit discharged by the Public Sector Audit Appointments (PSAA); Institute of Chartered Accountants in England and Wales (ICAEW); FRC; and The Comptroller and Auditor General (C&AG) to be transferred to the OLAR.

How you can respond to the Review

One of the recommendations was for local authorities to implement:

The governance arrangements within local authorities be reviewed by local councils with the purpose of:

- an annual report being submitted to Full Council by the external auditor;
- consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
- formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.

Whilst Redmond requires legislation, in practice the second and third bullets are things which authorities could start doing now.

The full report can be obtained from the gov.uk website:

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>

Code of Audit Practice and revised approach to Value for Money audit work - National Audit Office

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The most significant change in the Code is the introduction of a new 'Auditor's Annual Report', which brings together the results of all the auditor's work across the year. The Code also introduced a revised approach to the audit of Value for Money.

Value for Money - Key changes

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering governance, financial sustainability and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VfM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The new approach to VfM re-focuses the work of local auditors to:

- Promote more timely reporting of significant issues to local bodies
- Provide more meaningful and more accessible annual reporting on VfM arrangements issues in key areas
- Provide a sharper focus on reporting in the key areas of financial sustainability, governance, and improving economy, efficiency and effectiveness
- Provide clearer recommendations to help local bodies improve their arrangements.

Implications of the changes

Grant Thornton very much welcomes the changes, which will support auditors in undertaking and reporting on work which is more meaningful, and makes impact with audited bodies and the public. We agree with the move away from a binary conclusion, and with the replacement of the Annual Audit Letter with the new Annual Auditor's Report. The changes will help pave the way for a new relationship between auditors and audited bodies which is based around constructive challenge and a drive for improvement.

The following are the main implications in terms of audit delivery:

- The Auditor's Annual Report will need to be published at the same time as the Auditor's Report on the Financial Statements.
- Where auditors identify weaknesses in Value for Money arrangements, there will be increased reporting requirements on the audit team. We envisage that across the country, auditors will be identifying more significant weaknesses and consequently making an increased number of recommendations (in place of what was a qualified Value for Money conclusion). We will be working closely with the NAO and the other audit firms to ensure consistency of application of the new guidance.
- The new approach will also potentially be more challenging, as well as rewarding, for audited bodies involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years.

The Code can be accessed here:

https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf

Local government reorganisation in two-tier shire counties – District Councils’ Network

The District Councils’ Network (DCN) a report ahead of the publication of the government’s ‘devolution and local recovery’ white paper.

The report comments “Devolution should back the success of districts in delivery. It should not distract from the local recovery effort or reduce delivery capacity through forcing reorganisation into a less local, less agile, less responsive local government pushed by interests wanting county unitary councils everywhere. Local governance is a local matter, places must be free to decide how to organise services and to progress any kind of reform only where there is significant local agreement.”

Page 42

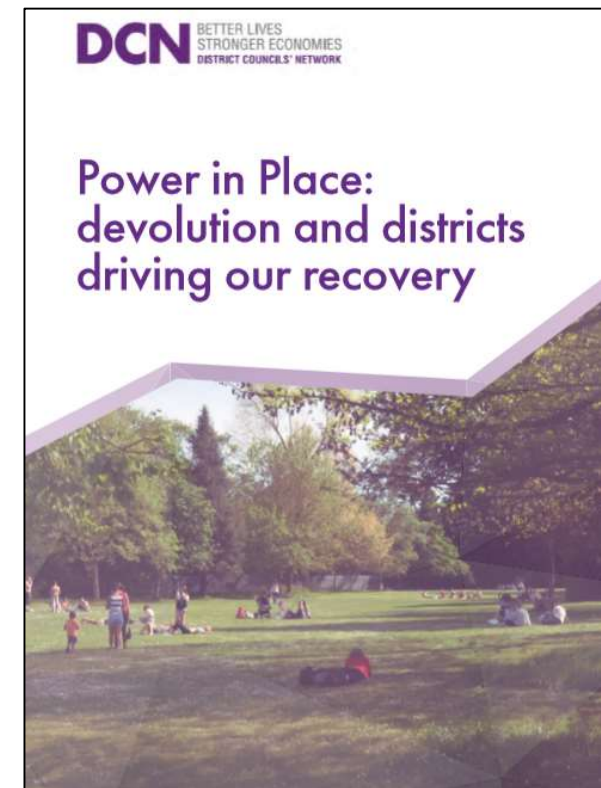
The report calls for the Devolution and Local Recovery White Paper to:

- 1) Deliver genuine devolution that moves quickly to drive local growth
- 2) Retain and build on the local capacity to deliver
- 3) Empower real-world economies
- 4) Continue to anchor local government in local communities
- 5) Reject false arguments that bigger local government is better or cheaper local government
- 6) Support strategic leadership across wider functional economic areas
- 7) Introduce an upper limit for the size of new unitary councils, in line with the principle of electoral equality

The report includes a number of case studies in each of these areas.

The full report can be obtained from the District Councils’ Network website:

<https://districtcouncils.info/wp-content/uploads/2020/08/DCN-Report-Sept-1.pdf>



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Agenda Item 6

Folkestone
& Hythe



District Council

This Report will be
made public on
25 November 2020

Report Number: **AuG/20/12**

To: Audit & Governance
Date: 3 December 2020
Status: Non key decision
Head of service: Charlotte Spendley, Director – Corporate Services
– Section 151 Officer
Cabinet Member: Cllr David Monk, Leader of the Council

SUBJECT: REVIEW OF THE CORPORATE RISK REGISTER

SUMMARY: This report provides an update to the Corporate Risk Register.

REASONS FOR RECOMMENDATIONS:

It is essential that the Committee regularly review the Risk Register to consider progress made against agreed actions, and consider the key risks faced by the organisation.

RECOMMENDATIONS:

1. To receive and note the updated Corporate Risk Register.

1. BACKGROUND

- 1.1 The Risk Management Policy and Strategy was updated and agreed by Cabinet in December 2019.
- 1.2 Effective risk management is a key framework in the management of a complex organisation such as Folkestone & Hythe District Council. The 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. UPDATE TO CORPORATE RISK REGISTER

- 2.1 The updated Corporate Risk Register has been appended in full to this report (Appendix 1). For ease of reference the changes to the Risk Register have been highlighted. Additionally the Risk Matrix, which is a pictorial snapshot of the current level of risks faced by the Council is available within Appendix 2.
- 2.2 The current Corporate Risk Register identifies 15 risks (following the addition of one risks), which can be categorised as 1 low level risks, 6 moderate and 7 high and 1 extreme level risk (previously 2 low level risks, 3 moderate and 5 high and 4 extreme level).

- 2.3 The key changes made include:

C1 – Organisational Instability – the impact has been increased to 3 (significant) from 2 (moderate) bringing the overall level of risk to a moderate level risk recognising the potential risk to the workforce of the second wave of COVID-19.

C7 – Capacity & Financial Resilience of key partners – this risk has decreased following revaluation by senior managers. It is now considered a high level risk to the Council.

C9 – Failure to deliver Strategic Projects – the likelihood of this risk has been increased to significant from moderate reflecting the number of projects and the work underway to consider resources & skills required for the delivery of key projects.

C10 – Risk of non-compliance – this risk has been reduced following the reduction of the impact score to reflect the improvements to LGSR compliance and the return of the housing service to in-house provision.

C11- Reputational risks – this risk has been decreased following the reduction of the likelihood score to unlikely, following re-evaluation by managers.

C13 - New Landlord service – this risk has amended to reflect the new service provision.

C15 – Climate Emergency - this is a new risk identified on the register at a moderate level, it considers the challenge of the zero carbon agenda and the work underway to manage this.

Other narrative changes have been made to the register to reflect the current position, but they will not in every instance require a change in scoring.

3. SUMMARY & NEXT STEPS

- 3.1 The Risk Register has had a comprehensive review undertaken, with cross service manager input. The Risk register will continue to be monitored, and will be updated and reported to the next Audit & Governance Committee in March. The Risk Register should be a fluid document that will see risks be rescored often to reflect current circumstances.
- 3.2 There are a number of changes both in terms of scoring and in actions that reflect the work ongoing in respect of the identified risks for the organisation.

4. RISK MANAGEMENT ISSUES

4.1

Perceived risk	Seriousness	Likelihood	Preventative action
Failure to have a current Risk Management Policy & Strategy in place will cause inconsistencies in approach across the Council	Medium	Low	Policy & Strategy document is in place, relevant officers consulted, and organization wide training delivered. Work is ongoing to ensure all aspects risk are managed in line with the framework.
Failure to manage risks effectively could affect the Councils ability to deliver effectively on its Corporate Plan objectives, impact upon its deployment of resources or impact upon its reputation	High	Low	An up to date strategy framework is in place, training delivered and regular reporting occurring to both CLT and Audit & Governance Committee. CLT have also given a commitment to

			continue to develop the attitude towards Risk Management within the organisation.
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5. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

Legal Officer’s Comments (AK)

There are no legal implications arising directly from this report.

Finance Officer’s Comments (CS)

There are no direct financial implications of this report.

Diversities and Equalities Implications (CS)

There are no direct implications of this report.

6. 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, Director – Corporate Services
 Telephone: 07935 517986
 Email: charlotte.spendley@folkestone-hythe.gov.uk

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

Appendices:

- Appendix 1: Corporate Risk Register
- Appendix 2: Risk Matrix

Corporate Risk Register

Risk ID	Risk Name	Risk Owner	Risk Description & Triggers	Actions in place	Current Score			Mitigation scheme	Proposed Actions	Timeframe	Target Score		
					Likelihood	Impact	Total				Likelihood	Impact	Total
C1	Organisational Instability	Susan Priest (HoPS); Cllr David Monk (Leader)	High levels of staff turnover & loss of professional/organisational expertise in some key roles. Changes in political make-up of the Council, greater political complexity. Impact of Coronavirus on council services from staff issues. Risk of key staff members going off sick with Covid.	Phase 1, 2 & 3 Transformation completed & integrated into service. Corporate Plan is out to consultation during November. Collaboration on Cabinet agreed with Green and Liberal Democrat parties. Three Corporate Directors established in post. Emergency response well tested throughout pandemic, areas of strain within organisation but all key services maintained. Difficult job market likely to result in lower staff turnover.	2	3	6	Treat	Transformation programme will be concluded in March 2021 and the focus will be on continuous improvement. Strong training offer based on recent (July 2020) Learning Needs Analysis to upskill staff and drive engagement and retention of knowledge.	December 20 & ongoing	2	2	4
C2	Shortage of skills to deliver agenda	Susan Priest (HoPS); Cllr David Monk (Leader)	Shortage of specialist skills including project management, insight, business case preparation and evaluation, commercial appraisal. Additional duties being placed on Local Authorities through COVID-19 pandemic, eg Environmental Health and Enforcement roles.	Alternative staff incentives on offer such as flexible working. Pay agreement has secured improved terms for existing and new staff.	3	3	9	Treat	Local Authorities are being asked to undertake additional duties during the COVID 19 response. In some instances these have come with additional funding and in others not. Work underway to specify the skills we need to deliver large-scale projects; maket supplements will be offered where necessary.	Ongoing	1	2	2
C3	Failure to deliver Otterpool Park development	Ewan Green (Director of Place); Cllr David Monk (Leader)	Delivery of a Garden 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 projects team with embedded Legal & Financial representation on working group. Connections with Homes England and MHCLG have been made. Legal, Financial and Commercial advisors in place. Financial model has been developed. Full Council decision to earmark funds for project to commence and control of all major landholdings / options achieved. Further grant funding bid made to Homes England. LLP to develop the site has been established and Directors appointed with broad range of skills applicable to the project. Internal Corporate Oversight Group established.	2	3	6	Treat	Continue to engage specialist advice where required. Specific advice has been commissioned to develop the LLP's first Business Plan, due to be considered alongside the Strategic Land Agreement in early 2021. Funding options will need to be assessed ahead of commencement of delivery of project. Ensure adequate Planning resources and access appropriate specialist advice.	Ongoing	1	3	3
C4	Medium Term Financial Uncertainty	Charlotte Spendley (S151 Officer) Cllr David Monk (Leader)	Fair funding review will fundamentally change LG funding but further delays announced and detail unknown at present. Will need to plan with within climate of uncertainty. Lack of certainty on Business Rates Localisation/Retention and other funding streams. COVID 19 has placed an additional financial burden within 2020/21 which is likley to also impact on at least 2021/22.	Officers regularly attending briefings on future LG funding/Pixel. Updated MTFS was considered by Cabinet/Council in November outlining scale of medium term gap and Budget Strategy to be considered in December. S151 Officer part of Kent Finance Officers Group. Balanced budget for 2020/21. Budget Managers tasked with identifying savings for the Budget Strategy to support the overall savings requirement identified in the updated MTFS. Regular updates provided to Members on the current year position.	4	3	12	Treat	Officers will continue to attend briefings on LG Funding and brief members. Fundamental review of detailed budget for 2021/22 currently underway. Await outcomes of Spending Review and LG Finance Settlement for 2021/22.	Ongoing	2	2	4

Corporate Risk Register

Risk ID	Risk Name	Risk Owner	Risk Description & Triggers	Actions in place	Current Score			Mitigation scheme	Proposed Actions	Timeframe	Target Score		
					Likelihood	Impact	Total				Likelihood	Impact	Total
C5	Transition (Brexit) & Wider Market Conditions	Andy Blaszkwicz (Housing & Operations Director)/ Ewan Green (Place); Cllr D Monk (Leader) / Cllr Wimble (Economy)	Recession. Labour issues (most relevant to Housing Responsive Repairs). Volatility of housing market (Impact on key Strategic Project delivery). Economic risk to district of transition due to key infrastructure links to Europe eg M20/Eurotunnel/Stack. Major disruption to Kent road network. Issues with ability to carry out essential and statutory services during transition implementation.	Regular contract meetings in place with all contract service providers. Key Strategic Projects modelled with tolerances for market volatility. Attending local and regional contingency planning meetings on transition. Further multi-agency planning exercises are ongoing. FHDC working closely with KRF and other stakeholders to ensure plans are effective. Key staff have received tactical and strategic training. Business continuity plans have been updated. Impact on staff reduced due to continued home-working.	3	3	9	Treat	Continue working closely with KRF and other Key Stakeholders. Clear communication through the South East Chief Execs group and central Gov. Attendance / dial in with strategic and tactical meetings as required. Progress with Strategic Projects, ensure market conditions evaluated at full business case appraisal stage. Model scenarios of economic impact within revision to MTFS. Development of Recovery Plan with Economic theme. Member briefings to be set up as deadline	Ongoing	2	3	6
C6	Capacity to deliver competing demands	Susan Priest (HoPS); Cllr David Monk (Leader)	Balance between business as usual activity and aspiration including emerging agendas (including High Streets fund, Climate Change Emergency, Governance Review, Pesticides motion) leading to stretched resource base (staffing & financial). Additional pressures placed on LA's during pandemic.	Draft Corporate Plan has been developed and currently out to public, staff and stakeholder consultation.	3	3	9	Treat	Public consultation being undertaken on Corporate Plan. Currently developing an action plan that will sit underneath the Corporate Plan to determine priority of actions over the next 3 years.	February 21 & Ongoing	2	2	4
C7	Capacity & Financial Resilience of key partners	Susan Priest (HoPS); Cllr J Hollingsbee (Communities); Cllr Godfrey (Housing)	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. Issues exasperated by impact of COVID-19 on all public service providers. Financial difficulties for some providers such as leisure trusts.	Key Strategic Partnerships established including Folkestone & Hythe Community Safety Partnership, Local Children's Partnership Group and South Kent Coast Health and Wellbeing Board. Links to community and voluntary sector strengthened as part of the response to COVID-19, including Council funding support for a community based response model.	3	3	9	Monitor	Out to consultation with partners regarding Corporate Plan; continue to liaise with partners to support where feasible.	Ongoing	3	2	6
C8	Failure to deliver Transformation change including key components of ICT & People Strategy	Susan Priest (HoPS); Cllr David Monk (Leader), Cllr Field (Transformation)	Final stages of transformation and move to continuous improvement not delivered to current timescale, to agreed budget, project objectives or fails to make required savings. IT delivered is not customer focused or fit for current and future requirements. The People Strategy does not deliver cultural change required to support new operating model.	Transformation Board established to track project progress against milestones and budget. IT Strategy agreed and implementation commenced. Experienced Project Manager appointed to lead transformation. Implementation of Phase 1, 2 and 3 completed. Phase 4 to follow, with consultation in January 2021, then moving to a process of continuous improvement. Skype for Business, new Customer Contact Centre, Staff Hub, Built Environment and launch of My Account & Customer Access Strategy all completed.	1	3	3	Treat	Phase 4 scheduled to be completed by March 21. Continued work on Customer Access Strategy to be undertaken by cross departmental Officer Group. Further phases of My Account roll out planned for 2020 and 2021. Transformation Board continue to have oversight. Work underway to understand all department IT requirements and ensuring everything is fit for purpose now and in the future.	Sep-21	1	3	3
C9	Failure to deliver Strategic Projects due to complexity	Andy Blaszkwicz (Housing & Operations Director); CLT; Cllr David Godfrey (Housing, Transport & Special Projects)	Ambitious Strategic Development & housing 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	Some experienced resource within projects team. Work ongoing with Homes England and MHCLG with some funding already agreed. Engaging specialist advice where required.	3	3	9	Treat	CLT currently considering resource required for wider strategic projects & identifying resource requirements for each project. Detailed Business cases to be developed and considered by Cabinet ahead of project commencement. Continue to engage specialist advice where required.	Ongoing	1	3	3

Corporate Risk Register

Risk ID	Risk Name	Risk Owner	Risk Description & Triggers	Actions in place	Current Score			Mitigation scheme	Proposed Actions	Timeframe	Target Score		
					Likelihood	Impact	Total				Likelihood	Impact	Total
C10	Risk of organisational 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, landlord statutory obligations and Regulator of Social Housing; data integrity issues- housing.	Legal support embedded in project teams for key projects. External Advice sought where required. LGSR arrangements procured and commissioned and service being delivered and monitored. LGSR activity now fully compliant with other key compliance areas being actioned. Voluntary undertaking with Housing regulator agreed. Compliancy resource identified and recruited to within new Housing Service. Local Plan adopted by Full Council in September 2020.	3	3	9	Treat	Continued External Advice sought when required. Use of professional specialists (Legal, Finance, Procurement) in key projects (e.g. Waste Contract, Strategic Development). Ongoing monitoring and regular reporting on compliancy built into CLT monitoring reporting from day 1 of new Housing service. Risk of challenge to Examination in Public (EIP) to be managed through appointment of experienced barrister. Internal Audits commissioned to review areas of concern.	Ongoing	1	3	3
Page 57	Reputational Risks	Susan Priest (HoPS); Cllr David Monk (Leader)	Failure to deliver key Corporate objectives and Financial plans. Key contracts to deliver (2020/21 Waste & Recycling) 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. Customer satisfaction falls during Transformation changes and / or through COVID-19 operational changes. Risk of partner / service failure, referral / investigation from regulatory body.	Quarterly KPI monitoring and exception reporting to CLT, OSC and Cabinet. Internal Audit reporting quarterly to Audit & Governance. Working Groups established early to progress key contract delivery by agreed timeframes. Procurement expertise on working group with external advice being sought as required. Application for Judicial Review on Princes Parade ongoing. Local Plan adopted by Full Council in September 2020. Staff survey undertaken to assess impact on customers of COVID-19 operational changes. Waste Contract Let.	2	3	6	Treat	Project Governance and oversight of key contracts to be agreed with CLT.	Ongoing	2	2	4
C12	Non-compliance with ESIF regulations for the Folkestone Community Works (FCW) programme	Katharine Harvey (Chief officer) & Cllr Wimble (Economy)	FHDC is the accountable body with management responsibilities for the Folkestone Community Works CLLD programme (FCW). 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	In-depth scrutiny of ability and systems of project lead organisations to undertake EU compliant projects; FHDC decision panel to scrutinise assessments of lead delivery 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. PMT resources increased to include a Project Support Officer, to ensure project compliance. Quarterly claim checks by Managing Authorities ensure satisfactory processes and evidence in place. Managing Authorities are satisfied with process during annual On the Spot Inspection Visits. Regular review of programme delivery due to impacts of COVID-19.	Ongoing	1	2	2
C13	New Landlord Service	Andy Blaszkowicz (Housing & Operations Director); Cllr Godfrey (Housing) Director & John Holman (Assistant Director Housing)	The Council has established its own housing service after returning the service from EKH in October 2020. The new Housing service as landlord needs to comply with its H&S and regulatory obligations, ensure accurate data and transparent reporting are available. An upgrade to the current ICT platform is required and its delivery is a key aspect to the success of the service delivery.	Vision for new service agreed. New housing team recruited; Performance reporting being implemented, Internal audits being engaged to verify performance; discussions held with regulator to update on progress made. New computer system being implemented. Northgate project team to be created.	2	3	6	Monitor	Having recruited the new service future action requires the bedding in of staff, writing procedures, the implementation of the new Northgate Housing system in 2021 and a series of audits in December 2020 to confirm direction of travel and in March 2021 with view to being 'signed off' by the regulator. Member training to embed corporate knowledge of housing, development of tenant scrutiny and publication of performance. This risk has been assessed on the assumption that Northgate will be implemented as planned. If this doesent happen, by September 2021) the risk of reporting accurately (& therefore non compliance increases significantly).	2022	1	3	3

Corporate Risk Register

Risk ID	Risk Name	Risk Owner	Risk Description & Triggers	Actions in place	Current Score			Mitigation scheme	Proposed Actions	Timeframe	Target Score		
					Likelihood	Impact	Total				Likelihood	Impact	Total
C14	COVID 19	Susan Priest (HoPS); Cllr David Monk (Leader)	There has been a substantial escalation of the Coronavirus and this has had an impact on the district, its residents, economy, as well as council services & finances. There is currently a second wave and likely to be ongoing restrictions of varying degrees. Adapting to the new normal/ ways of working and unforeseen and increasing requirements from Central Govt. Resourcing new challenges. Whilst being expected to do BAU.	Regular online staff and manager briefings undertaken by Cex and CLT. Regular staff surveys. Staff requests for equipment fulfilled. Additional IT resource put in place. Regular communications messages. Community Hubs supported (financially and resources) during height of first wave of pandemic. Resources deployed to priority areas e.g. Area Offices, Environmental Protection Officers etc. Business Continuity Plans. MTFS updated. Revision to 2020/21 Budget. Cashflow monitoring.	3	3	9	Treat	New business grants to be distributed. Re-establishment of community support. Potential delivery of new projects e.g Local tracing. Regular emergency planning meetings with the Strategic Planning Group to assess resource and requirements for new agile working. Review IT infrastructure and put in place back up measures in case internet goes down (eg telephone conferencing).	March 20 & ongoing	3	3	9
C15	Climate Emergency	Charlotte Spendley (S151 Officer) Cllr Whybrow (Environment)	Council resolution to commit to reduce the Council's estate and operations to zero net carbon by 2030.	Climate and Ecological Working Group established and meeting regularly. Draft Carbon Action Plan in development. Low Carbon & Sustainability Specialist appointed.	2	3	6	Treat	All Member briefing scheduled for January 2020. Staff training being planned to raise corporate awareness. Carbon Action Plan to be considered by Cabinet in January 2021.	January & Ongoing	1	2	2

Appendix 2 Matrix - Corporate Risk Register

Likelihood	Very Likely (4)			C4 - Financial Uncertainty	
	Likely (3)		C12 - FCW ESIF regulations	C2 - Shortage of Skills C5 - Transition C6 - Competing demands C7 - Key Partner Capacity C9 - Complexity of Projects C10 -Non-Compliance C14 - COVID -19	
	Unlikely (2)			C1-Organisational Instability C3 - Otterpool Park delivery C11 - Reputational Risks C13 -New Landlord Service C15 - Climate Emergency	
	Rare (1)			C8 - Transformation	
		Minor (1)	Moderate (2)	Significant (3)	Severe (4)
	Impact				

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