



# Agenda

Meeting: **Audit and Governance Committee**  
Date: **28 July 2022**  
Time: **7.00 pm**  
Place: **Council Chamber**

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/webcasts>.

***Please note there will be 37 seats available for members of the public, which will be reserved for those speaking or participating at the meeting. The remaining available seats will be given on a first come, first served basis.***

***Although social distancing measures have now ended, all attendees at meetings are kindly asked to wear face coverings, unless they are addressing the meeting.***

1. **Apologies for Absence**
2. **Declarations of Interest (Pages 5 - 6)**

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

**Queries about the agenda? Need a different format?**

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Email: [committee@folkestone-hythe.gov.uk](mailto:committee@folkestone-hythe.gov.uk) or download from our website  
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- a) disclosable pecuniary interests (DPI);
- b) other significant interests (OSI);
- c) voluntary announcements of other interests.

3. **Minutes (Pages 7 - 10)**

To consider and approve, as a correct record, the minutes of the meeting held on 8 June 2022.

4. **Corporate Health and Safety Annual Report (Pages 11 - 26)**

This report details the performance of Corporate Health and Safety over the last calendar year and looks into future work.

5. **Quarterly Code of Conduct Complaint complaints update (Pages 27 - 30)**

This report provides an update to the Committee on Member Code of Conduct complaints received during the final quarter of 2021/22 (1 January to 31 March 2022).

6. **Review of Corporate Risk Register (Pages 31 - 40)**

This report provides an update to the Corporate Risk Register.

7. **Grant Thornton Update Report (Pages 41 - 64)**

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

8. **Quarterly Internal Audit Update Report from the Head of East Kent Audit Partnership (Pages 65 - 84)**

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 31<sup>st</sup> May 2022.

9. **Internal Audit Annual Report 2021-22 (Pages 85 - 100)**

This report provides a summary of the work undertaken by the East Kent Audit Partnership to support the annual opinion. The report includes the Head of Audit Partnership's opinion on the overall adequacy and effectiveness of the system of internal control in operation and informs the

Annual Governance Statement for 2021-22, together with details of the performance of the EKAP against its targets for the year ending 31<sup>st</sup> March 2022.

10. **Annual Governance Statement 2021/22 (Pages 101 - 132)**

Under the Accounts and Audit (England) Regulations 2015, local authorities are required to produce an Annual Governance Statement. This report describes the process followed and seeks approval for the Annual Governance Statement for the year 2021/22.

11. **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 to the Local Government Act 1972 –**

**‘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.’**

12. **Confidential Excerpt to Quarterly Internal Audit Update Report from the Head of East Kent Audit Partnership (Pages 133 - 138)**

This report includes the confidential summary of the work of the East Kent Audit Partnership (EKAP) since the last Audit and Governance Committee meeting to 30<sup>th</sup> June 2022.

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## **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:	Council Chamber - Civic Centre Folkestone
Date	Wednesday, 8 June 2022
Present	Councillors Mrs Ann Berry (Chairman), Laura Davison, Terence Mullard and Rebecca Shoob
Apologies for Absence	Councillor Philip Martin
Officers Present:	Cheryl Ireland (Chief Financial Services Officer), Ellen Joyce (Democratic Services Trainee), Sue Lewis (Committee Services Officer), Susan Priest (Chief Executive) and Charlotte Spendley (Director of Corporate Services)
Others Present:	Paul Dossett (Grant Thornton)

### 35. **Declarations of Interest**

Councillor Mrs Ann Berry informed that she is now a Director of Oportunitas and elected Member of the main shareholder.

### 36. **Grant Thornton Risk Assessment work**

Grant Thornton are seeking confirmation from the Committee about how it gains assurance from management and from the S151 Officer on the management processes in place. Their request includes a series of questions on fraud, laws and regulations.

Members were provided with amended appendices 1 and 3 of the report and these can now be found on the council's website. It was noted that investigations have now been commissioned relating to the Housing and Operations departments.

The works commissioned are unlikely to conclude at the same time but it is hoped that members will have some findings come forward to the next meeting.

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

**Resolved:**

1. **To receive and note Report AuG/22/01.**
2. **To note the proposed response from management to Grant Thornton's requests (Appendix 1 updated).**
3. **To note the proposed response from management to Grant Thornton's requests on key areas of accounting estimates questions (Appendix 2).**
4. **To approve the proposed response from the Chairman to Grant Thornton's requests (Appendix 3 updated).**

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

**37. Accounting Policies 2021/22**

Accounting Policies are the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements. This report presents the Accounting Policies proposed to be adopted for the 2021/22 financial statements.

Proposed by Councillor Rebecca Shoob  
Seconded by Councillor Terence Mullard and

**Resolved:**

1. **To receive and note Report AuG/22/02.**
2. **To approve the Accounting Policies 2021/22.**

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

**38. Grant Thornton Audit Plan for the Year Ended 31 March 2022**

The report presented the Grant Thornton Audit Plan, which focuses on their proposed work on auditing the statement of accounts for 2021/22 and an update on the audit fees.

Paul Dossett, Grant Thornton presented the report informing that it was similar in content to previous years. He paid particular attention to the changes made by CIPFA, significant risk areas, materiality and value for money (VFM) arrangements.

Members noted the following:

- Change in fees are due to infrastructure asset work.
- EK Audit Partnership are employees of Dover District Council but are part of a shared partnership of 4 councils.
- Procurement and governance issues may need to change if a weakness is identified following the investigations referred to in the first report presented.

Proposed by Councillor Laura Davison



Seconded by Councillor Rebecca Shoob and

**Resolved:**

- 1. To receive and note Report AuG/22/03.**
- 2. To consider Grant Thornton's Audit Plan for the year ended 31 March 2022 and audit fees as outlined within the Appendix to this report.**

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

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This Report will be made public on 20 July 2022



Report Number **AuG/22/05**

**To:** Audit & Governance Committee  
**Date:** 28 July 2022  
**Status:** Information Report  
**Responsible Officer:** Alastair Clifford, Chief Officer - Operations  
Andy Blaszkowicz, Director, Housing and Operations  
**Cabinet Member:** Councillor Stuart Peall

**SUBJECT: CORPORATE HEALTH & SAFETY ANNUAL REPORT**

**SUMMARY:** This report details the performance of Corporate Health and Safety over the last calendar year and looks into future work.

**RECOMMENDATIONS:**

1. To receive and note Report AuG/22/05.

## **1. INTRODUCTION**

This report summarises the District Council's health and safety performance to the end of the annual year 2021, and outlines its intentions for 2022 and beyond. Health and safety is monitored against an ongoing action plan devised by the Corporate Health & Safety officer in agreement with Director for Housing and Operations and the Chief Officer - Operations.

This annual review against the action plan reveals that significant work has been undertaken on the procedures to make the required improvements.

Procedures including abuse, aggression and violence; fire safety; direct labour organisation related safety have been refreshed and considerable proactive work has also been undertaken to ensure the safety of staff, visitors and members in relation to the ever changing requirements of the COVID-19 pandemic.

A large consideration of the work this year was given to the Housing Service and ensuring policies and procedures are in place. This once again demonstrates that the District Council has a strong commitment to the health and safety of its workforce, and to others, such as tenants who may be affected by its activities.

Health and safety is provided by the Corporate Health & Safety Specialist in conjunction with managers and appropriate personnel. The Council employs 451 employees in various roles, including full, part-time and casual staff; equating to 405 FTE. This increase from 2020 year is for the former east Kent Housing coming back in house to Folkestone and Hythe. The Council has a broad range of activities with a wide variety of risks to manage. To ensure that all risks are identified, the Council has risk assessment processes for use by managers and staff. The most common risks identified include:

- Lone working
- Violence and aggression
- Transport and road risk
- Manual handling risks
- Slips and falls
- Work-related ill health, including work-related stress
- Working at height

This report does not cover the activities of Oportunitas, the Otterpool LLP or contractors such as Veolia.

## **2. KEY ACTIVITIES**

### **CODES OF PRACTICE**

Corporate Health and Safety provides codes of practice (COP) and guidance to managers and employees to equip them with the necessary support to meet their

health and safety obligations. The Council has a rolling programme of COP review and implementation to support effective health and safety management. The following COP's were revised/implemented during the year;

- Abuse, Aggression and Violence
- Management of Contractors
- Personal Protective Equipment (PPE)
- Health Surveillance

## **TRAINING**

Training provision is an important part of mitigating risks to health and safety. To ensure there is relevant training and sufficient funding the corporate health and safety specialist work with Human Resource (HR) specialists, Organisational Development (OD) specialists and service area managers. The electronic package WorkRite has been replaced by Learning Pool during 2021 and is used to deliver the majority of employees statutory training, however many of the Direct Labour Organisation (DLO) staff and specialists need further training as identified by individual job requirements.

It is understood that at present there is not a centralised database that identifies and records training requirements for individuals. The organisation and identification of training varies by service area and risk level. To address this issue the H&S officer, OD and HR teams will be working together over the next year to support service area managers to identify their statutory training requirements, fund and deliver these as necessary. This has been difficult to arrange training due to the pandemic during 2021 however a number of courses are being costed for 2022 i.e. IOSH managing safety for a number of managers and supervisors.

Table 1: Training delivered shows some of the critical training that was undertaken during the year. Training was predominantly delivered by external suppliers, except training for fire wardens which was internal, conducted by the corporate H&S officer.

It should be noted that in the DLO organisations of the council, such as that in Grounds Maintenance (GM), Engineering and Buildings (E&B) and the Hythe Pool teams, that practical sessions called toolbox talks and onsite job specific training for equipment are regularly delivered to new starters, seasonal staff and as reminders where near misses and incidents have occurred.

The training does not include the e-learning and is based on practical or external providers.

Table 1: Training delivered

Course Type	No.	Comment
Fire Warden / Refresher (including tenants in rented office space)	9	Fire precautions and methods for evacuating staff in the event of a fire.
Driving Assessments for new starters.	4	This works alongside the road risk procedures and helps towards preventing road traffic collisions.
Manual Handling Techniques	0	Training in correct lifting techniques & risks through incorrect lifting.
Handling difficult customers	0	Customers services dealing with members of public.
First Aid at Work (3 days)	12	Competence to become a qualified First Aider.
Safeguarding	0	Includes a few councillors, call centre / reception staff
Grounds Maintenance Safeguarding vulnerable people.	0	This is how to recognise the vulnerable that are in public places, and how to help.
Asbestos awareness.	0	Half day course directed at those that are most likely to come into contact.
Reactec HAVWEAR monitoring system for Hand Arm Vibration.	0	Training new line manager. Agency / New Starters
New staff inductions	36	The inductions have a section that includes Health and Safety Policy, procedures and the e-learning requirements.
Various training for Grounds Maintenance i.e Chainsaw, ride on mowers etc	43	6 trailer training 5 Tree Working at height 3 Tractor training 15 Wood Chipper 4 Chainsaw 10 Tree Inspections

## **FIRE SAFETY**

The Regulatory Reform (Fire Safety) Order 2005 requires employers to have a strategy to evacuate all occupants within a building. As part of the Council's fire safety arrangements nominated staff are trained as Fire Wardens. Additional refresher training has been conducted during 2021 to include tenants. They perform two roles; undertaking ongoing assessment of fire hazards and risks during their normal daily work tasks, and in the event of an evacuation conducting a sweep of their allocated fire zone to ensure all persons have safely evacuated.

To ensure compliance with the Fire Safety order a review is continuing by the Engineering & Buildings team. Work has been undertaken on high risk buildings, such as the Civic Centre. Work is now ongoing at our depots and will continue through all Council Operated Assets. In general only minor items have been raised which are being addressed predominantly within allocated budgets, but also utilising the capital enhancement funds. Some of these are suitable lighting for access / egress.

Any remedial works from the quarterly external Fire Alarm Checks / Services. Visual checks picked up a couple of concerns i.e. fire extinguishers on floor and not on brackets or items left in fire routes / corridors etc these are dealt with by either maintenance requests or moved to safer location.

Due to the lock down and the civic centre being closed since March 2020 no fire drills have been conducted. These will restart in April after expected end of Covid restrictions. This will be managed by H&S, Civic Wardens with support from Engineering & Buildings.

Fire safety for housing has not been included as part of this annual report. Data can be provided if required.

A more bespoke Fire Warden training is being prepared for Hythe Pool and will be delivered spring 2022 to all pool staff.

## **FIRE BRIGADE INSPECTION**

In December 2021 Hythe Swimming Pool had a planned inspection by Kent Fire and Rescue Service. The inspection was compliant with only one minor issue relating to general housekeeping, where fire and Corona regulations contravened each other. New auto-release door holds have been ordered and installed by property to ensure this would then comply with Fire Regulations.

## **FIRST AID**

The Health and Safety (First-Aid) Regulations 1981 require employers to provide adequate and appropriate equipment, facilities and personnel to ensure their employees receive immediate attention if they are injured or taken ill at work.

As part of this requirement, the Council provides two levels of first aid trained staff in its buildings. At Folkestone and Hythe Civic Centre there is a mixture of full First aid at Work and Appointed Persons (for the 24hr Lifeline call centre). Hythe

Swimming pool staff undergo further training superficially design for swimming pools. Requalification is in line with the HSE guidance and the level of first aid required is based upon specific job risk. DLO staff are also individually identified depending on work location and risk. Due to the pandemic it has been difficult to provide training to staff, a catch up programme is currently being overseen to ensure any gaps are identified and closed. It is expected that this will be complete by Q2.

A review of first aid requirements is scheduled for Q1/2 as training providers are starting to once again provide face to face training. This will include more of the grounds maintenance, property maintenance, Environmental Enforcement teams attending 1 day Appointed Person course due to lone working situations.

As many full first aiders work from home the Civic Wardens and other colleagues that work more regularly within the Civic i.e. Print Room, Customer Access Point colleagues are going to be asked to become First Aiders at Work (3 day course).

There are currently 51 colleagues that have received Mental Health First Aid Training of which 22 are dedicated First Aiders.

## **MEETINGS OF HEALTH AND SAFETY GROUPS**

The Council has in place a number of health and safety groups to ensure that there is a corporate approach and understanding to all relevant issues. The Health and Safety Officer reports to the Staff Consultation Forum (SCF) on a six weekly basis. The SCF is chaired by the Chief Officer – Human Resources, and comprises the Health & Safety Specialist, 8 elected workplace SCF champions, and a UNISON Safety Representative. The Group discuss codes of practice, reports and supports the Corporate Health & Safety Officer in determining the Council's priorities in health and safety.

In addition to the SCF an Operations meeting is held typically held every 3 months, that gathers all the high risk service area managers within the Operations service areas. It is used as a forum to discuss and share best practice regarding any accidents, incidents, near misses and insurance claims in detail and looks at how these can be prevented or reduced.

In recent months these meetings have been broadened to include the Housing staff – bringing a wealth of experience and a greater diversity to the core group. This is expected to have a positive effect on the overall safety of all.

## **OCCUPATIONAL HEALTH**

In January 2022 Innovate became the external Occupational Health provider and have continued to meet the organisation's requirements for dealing with and promoting health at work issues. The core functions of Occupational Health are work-health assessment screening, sickness absence management and health promotion. Table 2: Health surveillance shows a breakdown of the teams that health surveillance is provided to.



The Health, Safety specialist works closely with HR who manages the Occupational Health Advisor to provide a proactive health surveillance programme to required staff following the risk assessment process. This is based on two yearly programme of health surveillance checks, consisting of hand-arm vibration, skin surveillance, respiratory and audiometry.

It should be noted that only limited health surveillance has been provided due to the Covid-19 pandemic. The corporate H&S specialist will need to work closely with the HR Lead Specialist and develop an appropriate catch up process. This is currently being dealt with as a matter of urgency.

*Table 2: Health surveillance*

<b>Team</b>	<b>No.</b>	<b>Notes</b>
Grounds Maintenance	2	Park Keepers, Sports Ground, Cemeteries, Highways.
Engineering & Buildings	0	
Other	0	

### **3. PERFORMANCE**

The following section details accidents in relation to the years 2017, 2018, 2019 2020 & 2021. The Corporate H&S specialist ensures all accidents are recorded in one place. There is a potential of increase reported injuries as the housing team formally East Kent Housing have become part of the council.

The total number of accidents remains low, with an increase over the past year from 11 to a total of 12 accidents recorded (an incident rate of 0.12 per 100 FTE). As can be seen from: Table 3: Accident totals, shows there is no individual type of accident that is the most significant; however most of the accidents can be grouped into “slip trip and falls”, manual handling and struck by.

Table 4: Accidents by service area shows that there has been a decrease in the accidents incurred by “other council staff”.

Table 5: RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) shows there has been two reportable RIDDOR incident involving a council employee in the year 2021. Slip and fall on sloped ground and fractured ankle. This was a colleague from Hythe pool that was working on secondment in the coastal park (during lockdown) and slipped on the bank by the Wardens Hut when dropping keys back. The other was a slip and fall on a bank also in the coastal park straining their ankle.

Table 6: Work days lost due to accidents shows that 70 days have been lost due to accidents.

Table 7: Accidents involving members of the public have remained low over the past three years. There has however been 3 slip and fall accidents with the residents of the housing stock.

Accident statistics continue to remain low, however there has been a slight increase in the number of recorded accidents. This is believed to have incurred in line with a drive to report all accidents, no matter how small. As the largest service area within the Council, grounds maintenance remains as the department with highest related risks.

Training and other interventions remain in place to address the areas of highest injury. The wider H&S team continues to not only address the accident related incidents but also focus on areas which have potential to cause serious injury and must therefore not be overlooked. Such areas identified during the previous year include fire safety, contractor control and site security. These were achieved by either in house or external training. Most accidents related to Grounds Maintenance will have a Safety Notice completed and displayed at all the operational depots. Going into 2022 training again will be focused on DLO and the grounds maintenance teams - for example more task related manual handling, basic maintenance and servicing of tools.

*Table 3: Accident totals*

Type	2017	2018	2019	2020	2021
Contact with machinery or hand tool	0	1*	1	2	1
Struck by moving object	2	2	5*	2	3
Strike by moving vehicle	0	1	0	0	0
Strike against fixed object	2	1	4	0	2
Slip, trip, fall same level	1	3	7*	4	1
Lifting & handling injuries	0	3	1	2	1
Injured by an animal including insect stings	0	1	3	1	0
Fall from height	1*	0	0	0	2*
Physical Assault	0	0	0	0	0
Contact with electricity	0	0	0	0	0

Trapped by something collapsing	0	0	0	0	0
All other kinds & unspecified	2	2	5	0	2
<b>Total</b>	<b>8</b>	<b>14</b>	<b>26</b>	<b>11</b>	<b>12</b>
<b>Incident Rate per 100 FTE employees</b>	0.08	0.135	0.25	0.11	0.12

*\*RIDDORS (reportable injuries)*

*Table 4: Accidents by service area*

Service Area	2017	2018	2019	2020	2021
Grounds Maintenance	7	8	12	7	6
Engineering & Buildings	0	0	2	1	2
Other Council Staff	1	6	11	3	2
Environmental Health / Enforcement	0	0	1	0	2
<b>Total</b>	<b>8</b>	<b>14</b>	<b>26</b>	<b>11</b>	<b>12</b>

*Table 5: RIDDOR*

Type	2017	2018	2019	2020	2021
RIDDOR Accidents	1	0	*2	2	2
RIDDOR Disease	0	1	0	0	0

*Table 6: Work days lost due to accidents*

Type	2017	2018	2019	2020	2021
Number of work - related days lost	0	0	30.5	61	70*

\*The increase to lost time was due to the type of injury and recovery time i.e. the fractured ankle totalling 60 days.

Table 7: Accidents involving members of the public

Type	2017	2018	2019	2020	2021
Public	1	1	1	0	0

## WORK RELATED ILL HEALTH DAYS LOST

Lost working time statistics through ill health e.g. stress, anxiety and depression are gathered and produced via the Human Resources team. An annual update on absence is included within the HR Annual Review which is presented to Personnel Committee in June. The most recent report (P/21/03) was presented at the meeting on 10th June 2021.

## DANGEROUS OCCURENCES

In addition to the accidents in the table above last year there were 3 Dangerous Occurrence Reported.

- Colleague pulled into the road with a trailer and noticed he had not lifted and secured the tailgate on trailer. Colleagues reminded of check procedures for loading and maneuvering trailers.
- Colleague loading mower onto trailer and forward drive stuck and mower hit front plate on the trailer then mounted it. Mower checked and no fault found, colleague spoken to by their line manager.
- Linch Pin not fully secured on ride on mower causing the mowing deck to come off. Ride on mower drivers reminded to complete pre-use checks.

## NEAR MISSES

In addition to accidents in the table above last year there was 1 near miss reported.

- Colleague attended property feeling unwell and tested positive following day with COVID. Procedures reviewed and amended and Housing team briefed with changes.

## 4. AUDIT

There are no outstanding action from the 2018 audit as shown in 2019 year's report.

## 5. LEGISLATION UPDATE

No HSE legislation changes have occurred that affected the Councils current policies and procedures. There have been some updates within the current legislation that has required the council to review some individual task procedures and update the relevant Risk Assessment and Safe Operating Procedure.

There has been a considerable review of many procedures due to the Covid 19 Pandemic, which has produced additional risk assessments and Safe Systems of Work in addition to the normal requirements. As new legislation is developed and released our processes will be updated. It is worth noting that our management of parks and open spaces during the pandemic was presented to other authorities as “best practice”.

## **6. HEALTH AND SAFETY ACTIONS FOR 2022/23 AND BEYOND**

In 2022/23 the emphasis will be to support managers and staff to continue good standards of health and safety and continuous improvement. The action plan has been amended to also take consideration many colleagues work from home; a summary of key actions are provided below:

- a. Review the corporate health and safety procedures (2 year programme).
- b. Review corporate guidance on fire safety and fire wardens.
- c. Continue to deliver a health and safety training programme considering gaps that have developed during the pandemic.
- d. Undertake audits/inspections of individual services/teams/buildings.
- e. Undertake fire risk assessments across all council managed buildings and assets.
- f. Update and improve intranet based health and safety information for staff use.
- g. Undertake driving assessments on all outstanding fleet drivers.
- h. Support the new employees within the housing teams.
- i. Where required support colleagues with working from home, i.e. lone working.

## **7. HEALTH AND SAFETY EXECUTIVE VISIT / CONTRAVENTIONS**

- There has been no visits or requests from the HSE during 2021.

## **8. CLAIMS DUE TO ACCIDENTS / INCIDENTS /OTHER**

Table 8: Claims details provide details on what is registered on the insurance database. This is a high level extract and is intended to be indicative only and further information can be requested. In 2021 there were a total of 89 claims. This is an increase of 13 claims across all claim types from previous years.

Road traffic collisions decreased from the previous year to 13 incidents down to 11.

Public liability claims have increased overall to 53 claims or incidents, from the previous year's 43. An increase in documentation within the Engineering and buildings team has successfully allowed claims to be defended against via a portfolio of evidence

Table 8: Claims

Type	2017	2018	2019	2020	2021
Road Traffic Collision. Council vehicles involved in accidental incident either with other vehicles or fixed objects.	14 incidents; 7 Hit third party vehicle 5 Hit stationary object 2 other type of incident	20 incidents; 6 Hit third party vehicle 6 Hit stationary object 8 other type of incident	11 incidents 7 own fault claims where our driver hit other third party vehicles or hit property 4 no fault claims where third parties hit our vehicles	13 incidents 10 own fault claims where our driver hit other third party vehicles or hit property 3 no fault claims where third parties hit our vehicles	11 Incidents 9 own fault claims our driver hit other third party vehicles or hit property 2 Non-fault claims
Members of public vehicles hit by flying debris from strimming etc	14 strimming incidents; 2 incidents involve injury to a person	16 strimming incidents; 0 incidents involve injury to a person	Nil	5 strimming plus 4 grass cutting mower incidents	9 strimming plus 2 grass cutting mower incidents
Liability claims from members of public from faulty equipment, i.e. play equipment, park benches, and uneven ground.	76 claim for public liability; 7 Play Area incidents 9 Slip incidents 6 Trip incidents 43 Other types of claim	66 claim for public liability; 2 Play Area incidents 2 Slip incidents 6 Trip incidents 56 Other types of claim	52 claim for public liability 12 Slip trip claims 10 pot hole claims 9 strimming claims 14 other type of incidents.	45 claim for public liability 14 Slip trip claims 26 other type of incidents including pot holes and highway issues.	53 public liability claims 11 slip trip claims 42 other types of incidents including 11 referred to KCC.

			7 tree root/subsidence claims.	0 tree root/subsidence claims. 1 Employers liability claim	2 subsidence claims, both repudiated.
Property claims across the Housing stock Commercial stock and General Fund.	Nil	Nil	12 Property claims 1 Commercial claim 6 HRA claims 5 General fund claims	17 Property claims 3 Commercial claims 9 HRA claims 2 General fund claims 3 claims where the council are seeking recovery from a third party for damage to council property	16 Property claims 1 Commercial claim 9 HRA claims 4 General Fund claims 2 claims where we are seeking recovery.
	<b>Total: 104</b>	<b>Total: 102</b>	<b>Total: 75</b>	<b>Total: 76</b>	<b>Total: 89</b>

Table 8 shows that there has been an increase in total claim costs. Some of this is older fleet and spares / parts have increased since lockdown and Brexit. However it should be stressed that as claims are ongoing and based upon financial years this data could alter significantly. Some of the cost increase is claims carried over from last year and slightly higher than estimated.

*Table 9: Insurance Claim Costs*

Type	2017/18	2018/19	2019/2020	2020/2021
Motor claims	£31,228	£3,845	£2,750	£11,148
Miscellaneous	£3,367	£2,699	£1,050	£0

Property	£2,970	£1,299	£1,700	£15,100
Public	£411,890*	£1,929	£1,252	£3,049

*\*This includes potential claim for Data Protection Breach for £323,500.*

## **INSURANCE CLAIMS**

In 2021 we registered a total of 80 claims across all heads of loss. 75 Claims were reported in 2020 and the uplift in numbers is mainly due to an increase in public liability queries.

Public Liability - In total we received 53 notifications of incidents resulting in public liability claims which is slightly more than the previous year. 11 of those notifications involved incidents that occurred on the public highway which were repudiated and referred to Kent County Council.

Employers Liability - There were no notifications of Employers Liability claims during 2021.

Motor - We made 11 motor claims during 2021. This is a lower amount than 2020 and represents a good improvement generally since a poor year in 2018.

Property - 16 claims were made across our property portfolio including all housing stock, our commercial properties and our general properties. This is generally in line with previous years.

## **9. CONCLUSION**

Accident levels have positively remained low for the environment and broad work being undertaken within the council. This is testament to the great work of all officers and especially within the DLO sections of the council. There have been 70 lost days caused by accidents for the year and only two RIDDOR for the year.

A substantial effort has been made by all staff to ensure we have been Covid compliant – and keeping up with all the changing legislation. No Covid outbreaks have been reported to be directly linked to work undertaken at the council. A visit by the HSE to enquire about what we were doing was met positively by the HSE and no concerns were raised.

## **10. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS**

### **10.1 Legal Officer's Comments (E)**

There are no legal implications arising directly out of this report other than as already stated therein. It is the Council's duty under the Health and Safety at Work



etc. Act 1974 (as amended) to protect the health, safety and welfare of its employees and other people who might be affected by its business, which includes making sure they are protected from anything that may cause harm and controlling any risks to injury or health that could arise in the workplace.

## **10.2 Finance Officer's Comments (RH)**

There are no financial implications concerning this report.

## **11. CONTACT OFFICERS AND BACKGROUND DOCUMENTS**

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

(Alastair Clifford: Chief Officer - Operations)

Telephone: 01303853277

Email: [alastair.clifford@folkestone-hythe.gov.uk](mailto:alastair.clifford@folkestone-hythe.gov.uk)

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This Report will be made public on 20 July 2022



Report Number **AuG/22/04**

**To:** Audit and Governance  
**Date:** 28 July 2022  
**Status:** Non – executive decision  
**Head of service:** Amandeep Khroud – Assistant Director – Governance and Law

**SUBJECT: QUARTERLY CODE OF CONDUCT COMPLAINTS UPDATE REPORT**

**SUMMARY:** This report provides an update to the Committee on Member Code of Conduct complaints received during the final quarter of 2021/22 (1 January to 31 March 2022).

**RECOMMENDATIONS:**

- 1. To receive and note report AuG/22/04.**

## 1. INTRODUCTION

- 1.1 Section 27 of the Localism Act 2011 requires that relevant authorities have a statutory duty to promote and maintain high standards of conduct by Members and co-opted Members of the authority.
- 1.2 Authorities are required to adopt a Code dealing with the conduct that is expected of Members when they are acting in that capacity.
- 1.3 Section 28 of the Localism Act 2011 requires that Councils in England have in place arrangements under which allegations can be investigated and on which decisions on allegations can be made.
- 1.4 The terms of reference of the Audit and Governance Committee require the Committee to receive quarterly reports (or less frequently, if there are no complaints to report), from the Monitoring officer on the number and nature of complaints received, and action taken, as a result, in consultation with the Independent Person.

## 2. SUMMARY OF COMPLAINTS

- 2.1 For the period 1 January to 31 March 2022, there were a total of 1 complaint.

These can be categorised as follows:

Complaints by members against members	0
Complaints by members of the public	1

### 2.2 Types of complaints

Whilst it is not possible to identify particular trends in the nature of the complaints made (and some complaints may include multiple complaints), the following broad types of complaint have been received:

Public statements including social media / website / internet / email comment	0
Unacceptable Conduct at Council/Committee	1
Conflict of interest	0
Breach of Member/officer protocol	0
Breach of data protection rules	0
Other/miscellaneous	0

### 2.3 Investigation of complaints

The Monitoring Officer will initially consider the complaint and decide if formal investigation is required. Any formal investigation will be carried out by an independent person, who will then report to the Monitoring Officer. The Monitoring Officer will then report to the Audit and Governance if a

breach of the Code of Conduct is found and will advise the committee as to whether further action is recommended.

### **3. RISK MANAGEMENT ISSUES**

3.1 A summary of the perceived risks follows:

<b>Perceived risk</b>	<b>Seriousness</b>	<b>Likelihood</b>	<b>Preventative action</b>
None			

### **4. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS**

#### **4.1 Legal Officer's Comments (AK)**

No legal comments.

#### **4.2 Finance Officer's Comments (CS)**

There are no direct financial implications arising from this report.

#### **4.3 Diversities and Equalities Implications**

### **5. 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 and Law

Tel No: 01303 853253

Email: [Amandeep.khroud@shepway.gov.uk](mailto:Amandeep.khroud@shepway.gov.uk)

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

None

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This report will be made  
Public on 20 July 2022

## Report AuG/22/11

**To:** Audit & Governance  
**Date:** 28 July 2022  
**Director:** Charlotte Spendley, Director – Corporate Services  
– Section 151 Officer  
**Cabinet Member:** Cllr David Monk, Leader of the Council

**SUBJECT:** REVIEW OF 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 report AuG/22/11 and the updated Corporate Risk Register.

## 1. BACKGROUND

- 1.1 The Risk Management Policy and Strategy was updated and agreed by Cabinet in March 2022.
- 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 (red). Additionally the Risk Matrix, which is a pictorial snapshot of the current level of risks faced by the Council, is available at Appendix 2 (with changes identified in italics).
- 2.2 The current Corporate Risk Register identifies 13 risks, which can be categorised as 1 low level risk, 8 high and 4 extreme level risks. Compared to March 2022 matrix which indicated 2 low, 1 moderate, 6 high and 4 extreme.
- 2.3 The key changes made include:  
New risks has been identified for:
  - C6 – Cost of living pressures put unsustainable demands on council services – this risk recognises the current pressures being faced by residents and the anticipated growing impact of these pressures over the coming months. This is anticipated to drive demand for the support offered by the council and impact upon demand and service pressures.
  - C7 – Failure to deliver Strategic Project Princes Parade – this new risk recognises the critical phase of the project and the key license & contract agreements required to secure the delivery of this project.

The scoring for risk:

- C2 – Otterpool Park development has been re-scored from extreme (12) to high (9) recognising the progress made in the finalisation of the Strategic Land Agreement, submission of outline planning application for consideration and the adoption of the Core Strategy.
- C7 – Failure to support economic recovery of district post COVID – this risk has been removed from the register. Sufficient progress with the conclusion of the Place Plan, proposed submission of the Levelling Up bid, continuation to March 2023 of the High Streets Fund to remove this as a specific risk on the corporate risk register.
- C6 – Failure to support the social recovery of the district post COVID has been reshaped to reflect the cost of living pressures affecting residents.



- C10- Waste Collection disruption has been reshaped to include the Street Cleaning service and the pressures being faced as a result of the summer season and high visitor numbers, particularly in coastal areas.

Additionally, a number of risks have updated, actions completed, and new actions identified.

### 3. SUMMARY & NEXT STEPS

- 3.1 CLT have recently considered and agreed the introduction of an officer Risk Management Group (RMG) to heighten risk awareness and ensure risk management is part of the organisational culture. The RMG will be made up of the officers responsible for maintaining the operational risk registers. A RMG can improve the understanding and communication of emerging risks and ensure risks are scored and treated consistently across the organisation. The group will be formed in the Autumn and will continue to assist in embedding a risk management culture within the organisation.
- 3.2 The Risk Register has undergone a comprehensive review in line with the guidance in the revised Risk Management Policy and Strategy. The Risk Register will continue to be monitored, and updated and reported to the next Audit and Governance Committee. The Risk Register continues to be a fluid document that will see risks be rescored often to reflect current circumstances.
- 3.3 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 organisation 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			An up to date strategy

the Councils ability to deliver effectively on its Corporate Plan objectives, impact upon its deployment of resources or impact upon its reputation	High	Low	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

Bob Palmer, Interim Assistant Director – Corporate Services  
 Telephone: 07933 172374  
 Email: [bob.palmer@folkestone-hythe.gov.uk](mailto:bob.palmer@folkestone-hythe.gov.uk)

Charlotte Spendley, Director – Corporate Services  
 Telephone: 07935 517986  
 Email: [charlotte.spendley@folkestone-hythe.gov.uk](mailto:charlotte.spendley@folkestone-hythe.gov.uk)

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

### Appendices:

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

## Corporate Risk Register

Link to Corporate Plan	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
All Priorities	C1	Organisational Capacity	Susan Priest (Chief Exec); Cllr David Monk (Leader)	Diverse political make-up of Council with range of Council motions to manage. Limited capacity and <b>shortage of some</b> specialist skills available in key fields such as <b>Development Management, Climate Change</b> , Strategic Development, Environmental Health, Finance & Building Control. Workforce pressures <b>remain high</b> for key contractors such as Veolia and Mears, and in seasonal roles for Grounds Maintenance. Reputational risk exposure if not sufficiently managed.	<b>Capacity proposals agreed by Cabinet in 2021 to address strategic projects capacity. Agile working introduced to attract skilled workforce.</b> Succession planning being undertaken by Organizational Development (OD) for all Directorates. <b>New grow our own initiative.</b>	3	3	9	Treat	Ongoing work of OD focusing on succession planning. Work with key contractors to gain further assurance on Business Continuity Plans. <b>Enhancement of PMO function</b> to roll out consistent framework for managing projects corporately. <b>Additional promotional work with local schools to highlight entry points / range of career opportunities within the council.</b>	Ongoing	2	2	4
SA 4: Deliver a sustainable new development at Otterpool Park	C2	Otterpool Park development	Ewan Green (Director of Place); Cllr David Monk (Leader)	Delivery of a new Garden Town which will present complex planning issues, requirement for robust governance arrangements, management of financial exposure risks and require new connections to be established with key partners to enable the scale and complexity of delivery	LLP established and Board appointed, Business Plan for 2021-2026 considered and update agreed January 2022. Budget commitment made within MTCP. Regular Owners Committee Meetings. Internal Corporate Oversight Group established. Core Strategy found sound to be adopted March 2022. Paper agreed by Cabinet on appropriate separation of duties for Members and Officers. <b>Dedicated project management role being recruited. Strategic Land Agreement concluded.</b>	3	3	9	Treat	Funding Agreements to be concluded and agreed in line with delegations. Planning Permission to be considered. <b>Phase Delivery Strategy being developed alongside updated Business Plan.</b>	Agreements <b>October 22</b> Planning Permission Dec 22	2	3	6
Page 35 All Priorities	C3	Medium Term Financial Strategy Uncertainty	Charlotte Spendley (S151 Officer) Cllr David Monk (Leader)	Fair funding review will fundamentally change LG funding but further delays anticipated and detail unknown at present. Will need to plan within climate of uncertainty. Lack of certainty on Business Rates Localisation/Retention and other funding streams. <b>A two-year settlement has been promised, but the basis of the settlement is not yet known.</b>	Officers regularly attending briefings on future LG funding. Updated MTFS was considered by Cabinet/Council in November outlining scale of medium term gap with the Budget Strategy agreed in December 21. S151 Officer part of Kent Finance Officers Group. Regular updates provided to Members on the current year position. Balanced budget for 22/23 set.	3	4	12	Treat	Officers will continue to attend briefings on LG Funding and brief members. Update to the MTFS planned for Summer 22 and reported in the Autumn, followed by the Budget Strategy update. Plans to be drafted for budget savings targets for Budget Managers for 23/24 cycle of budget setting following MTFS. Update to HRA Business Plan required following the conclusion of Stock Condition Survey planned for Spring 22. Specialist engaged to undertake this. <b>A review of inflationary pressures across the council underway to assess impact and options.</b>	Ongoing	2	3	6
All Priorities	C4	Failure to deliver Strategic Projects due to volume & scale of projects	Andy Blaszkowicz (Housing & Operations Director) & <b>Simon Baxter (Chief Officer Development)</b> ; CLT; Cllr David Godfrey (Housing, & Special Projects)	Ambitious Strategic & Housing development 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.grant funding, joint venture partners. Failure to attract relevant grants and funding including Levelling Up Fund, Brownfield Sites Fund, <b>Homes England</b> etc.	Experienced resource within projects team. Work ongoing with Homes England, <b>DLUHC</b> , One Estate etc to secure further funding. Engaging specialist advice where required.	3	3	9	Treat	Establishment of PMO function to roll out consistent framework for managing projects corporately. <b>Finance, Housing &amp; Strategic Projects teams working collaboratively to introduce new housing scheme appraisal system.</b>	Completed initial addressing of capacity, maintain progress	2	2	4

Link to Corporate Plan	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
All Priorities	C5	Organisational non compliance with emerging legislative and regulatory requirements and associated new burdens	Susan Priest (Chief Exec); 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) could create reputational damage and delay projects, landlord statutory obligations and Regulator of Social Housing. Changing legislative and regulatory environment (post COVID & Grenfell), risk to authority in meeting the emerging requirements with sufficient resources and skills to fulfil statutory duties. Reputational risk to authority if risk occurs.	Legal support embedded in project teams for key projects. External advice sought where required. Core Strategy found by Inspectors to be sound March 2022.	2	4	8	Treat	Continued external advice sought when required. Use of professional specialists (Legal, Finance, Development, Procurement) in key projects. Ongoing monitoring and regular reporting on compliancy built into CLT monitoring reporting for Housing service. Internal Audits commissioned to review areas of concern. Training funding available for staff to support ongoing learning and development.	Ongoing	2	2	4
SA1: Supporting & empowering our communities	C6	Failure to support social recovery of district post COVID- Cost of living pressures put unsustainable demands on council services	Susan Priest (Chief Exec); Cllr David Monk (Leader)	With the ongoing volatile context and unknown further cost of living pressures predicted communities require ongoing support, vulnerable residents require appropriate access to services and effective signposting to specialist providers of support.	Well established connections made with a variety of partners including the voluntary community sector and specialist support agencies. Community hubs established for responsive work. Consideration given to the use of available UKSPF funds to support cost of living pressures for residents.	4	3	12	Treat	Ongoing role of Community Hubs to continue based on value demonstrated through the pandemic. UKSPF proposed to target support for cost of living.	Ongoing	2	2	4
SA2: Grow the circular economy & reduce waste	C7	Failure to support economic recovery of district post COVID	Susan Priest (Chief Exec); Cllr David Monk (Leader)	Following the pandemic focus now shifts to recovery for the economy with a particular focus on reinvigorating our high streets. Council to play facilitating role to support the regenerations of town centres following the permanent changes accelerated by the pandemic. Council has responsibility to ensure Folca site plays a strategic role to regeneration of Folkestone High Street	Folca purchased. Place Plan and associated action plan agreed and adopted. Support for businesses across the district to remain focused on covid recovery. Use of the Folkestone Works website to promote and signpost to business support. High Street Fund extended to March 2023.	2	3	6	Monitor	Work underway for Leveling Up Fund bid to be submitted. Work with eth F&H Business Advisory Board to continue to ensure business support is appropriately targeted.	Apr-22	2	1	2
All Priorities	C7	Failure to deliver Strategic Project - Princes Parade	Andy Blaszkowicz (Housing & Operations Director) & Simon Baxter (Chief Officer Development); CLT; Cllr David Godfrey (Housing, & Special Projects)	Failure to secure pre-commencement conditions and necessary license & contract agreements to achieve planned start on site. Potential JR process relating to residential site affecting cashflow position of scheme.	Resource deployed to progress the necessary agreements. Additional analysis to support the pre-commencement application by specialists commissioned. Hadron consultants engaged to secure MMO license who are familiar overall project milestones and key dates.	3	3	9	Treat	Regular updates provided to senior team of project progress and risk profile from Strategic Projects team and Hadron consultants. Appropriately qualified senior level resource from LPA considering applications submitted. External advice sought by LPA as necessary.	Ongoing	2	2	4
SA2: Increase our resilience to climate change	C8	Failure to achieve Carbon Neutral ambitions by 2030	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. Competing demands to be managed and interdependencies to be considered.	Climate and Ecological Working Group established and meeting regularly. Carbon Action Plan agreed. Additional resources secured. Staff & Member training commenced. Impact statements being trialed in Cabinet Papers from July 21 onwards. Social Decarbonisation Funding secured. A Carbon Innovation Lab has been established and held it's first meeting in June 2022. Enhanced communications to maintain high profile on the issue.	4	3	12	Treat	Action plan to be delivered and reviewed regularly to ensure actions make the most of the opportunities to reduce carbon emissions from the council's estate and operations. Ongoing work particularly within specialist teams including procurement to create internal frameworks to inform decisions taken and reduce estate emissions. Currently procuring consultancy services to update Carbon Action Plan. A bid will be submitted for the second round of the Social Decarbonisation Fund. Work required on HRA aspects as ambition cannot be funded from existing HRA resources.	Ongoing	3	2	6

Link to Corporate Plan	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
SA4: Deliver a safe, accountable housing service	C9	Housing deliverability	Andy Blaszkowicz (Housing & Operations Director); Cllr Godfrey (Housing) Director & Gill Butler (Chief Officer, Housing)/Simon Baxter, Chief Officer Development	Delivery against high expectations - new build and investment /retrofit social housing (NZC), asset management, HRA Business Plan viability	Pipeline of sites has been identified (new build). Working with local developers to build out sites with delivery to the HRA. Work going on to identify and explore carbon zero options for retrofitting existing social housing stock. / MMC and OSM delivery possibilities. Some skilled Officers in place. Stock condition survey completed and new NEC IT system being implemented. Successful SHDF Wave 1 bid £2M/£800K (HRA commitment). Competing demands from the NZC agenda will place future development of HRA new builds/ regen.at risk.	3	3	9	Treat	Design and Implement new Asset Management Framework to include New Build / Retrofitting / Carbon Zero / stock Management and retention / disposals / site acquisitions. Document to fully inform new HRA 30 year business plan. Work with local developers to secure sites and bring housing forward. Secure S106 affordable housing allocations from developers across district including Otterpool. Access new frameworks for further opportunities. Develop partnerships to bring further opportunities forward. HRA BP to determine priority of spend anticipated Wave 2 SHDF bid submission autumn 2022.	Ongoing	2	2	4
SA2: Ensure an excellent environment for everyone Page 37	C10	Waste Collection & Street Cleansing Distruption	Ewan Green (Director of Place); Cllr Stuart Peall (Waste)	Service delivery failure or disruption to contract performance resulting in poor service to our residents, reputational damage, financial costs, impact on clean and attractive environment for residents, visitors and businesses. Possible triggers include - 1. Contractor service failures. 2. Weather disruption. 3. Disruption to transportation routes, fuel supplies and availability of HGV drivers. 4. Industrial action. 5. Pandemic/Covid Absences. 6. Volume of unacceptable littering behaviour	1. Regular monitoring of contract performance by Waste Team. 2. Joint approach with DDC as part of the Waste Partnership. 3. Use of contract performance clauses e.g. performance deductions. 4. Updated Business Continuity Plans. 5. Regular monitoring of contractor resource levels e.g. drivers and crews. 6. Targeted communications about taking home / disposing of waste responsibly.	3	3	9	Treat	Continue the relevant actions as set out in 'Actions In Place'. Targeted communications.	Ongoing	2	2	4
SA1: Supporting & empowering our communities	C11	Failure to ensure vulnerable customers can access services.	Ewan Green (Director of Place); Cllr Ray Field (Transformation, Digital, IT & Customer)	The Customer Access Strategy sets out the Council's aims for customers to access as many services as possible through digital platforms. There is requirement to ensure that customers who are unable to engage in that way are not disadvantaged and provide access to services in non digital format via the telephone or Customer Access Point (CAP).	Staff group established with focus on ensuring vulnerable customers needs can continue to be met. Commitment in CAS to ensure that customers can continue to contact and transact with the Council in all formats. Welfare team established to identify and support vulnerable residents financially and signposting for further support.	2	2	4	Monitor	Ensure the development and effective running of the CAP considers the needs of the most vulnerable residents and council service users. Monitor for service impacts and amend as necessary. Continue to develop links within the district and to use intelligence to identify and reach out to the most vulnerable residents.	Ongoing	1	2	2

Link to Corporate Plan	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
All Priorities	C12	Cyber Threat	Charlotte Spendley (Director of Corporate Services); Cllr Ray Field (Transformation, Digital, IT & Customer)	All ICT systems face cyber threats resulting in a number of possible outcomes including but not limited to - prolonged loss of access to FHDC network and key systems potential loss of data prolonged disruption to service delivery	The council has a number of layers of anti virus security both internally and externally (e.g. on the Kent Connects network). Education policies protection (own and shared) cloud system to be in support at all times. There are Acceptable Use and Information security policies in place which contain incident reporting procedures to provide guidance for staff. Staff have recently had security awareness training. The number of routes by which a virus could enter the network have been curtailed. Backups are held in the event of a loss of data which are tested annually. The council maintains its compliance with government standards which includes rigorous testing of security and if necessary monitoring remedial actions.	3	4	12	Treat / Tolerate	Maintain the current position of not permitting private devices on the corporate network when new equipment is rolled out for transformation project. A project aimed at reducing the amount of data held on the network is being developed. This will reduce the risk of virus infection spreading, raise the awareness of staff of the importance of good data management, reduce the effort required should restoration be necessary. Continue to monitor security systems and solutions and upgrade and renew as a matter of priority over other ICT works. Continue to educate users and carry our targeted email campaigns to ensure staff awareness remains high Renew the council "Cyber Essentials" accreditation, and review if this needs to be enhanced Continue to migrate systems to the cloud in line with the 2018 -2023 ICT Strategy where better security can be provided by vendors on a larger scale and also reduce the risk of cross contamination between key systems compared to when hosted in the local data centre. Review position regards insurance against cyber-attack remediation	Ongoing	3	2	6
All Priorities	C13	MTFS - Inflation	Charlotte Spendley (Director of Corporate Services)	Increasing CPI rate. Cost increases for existing contracts and changes to estimates of future projects. Inflation likely to drive higher wage demands that may exceed what has been allowed for in the MTFS. Consequence would be savings required to maintain service levels, and/or projects being delayed or deferred. Inflationary pressures may challenge scheme feasibility. Cost of living crisis may impact upon council recovery rates.	This is being kept under review by the finance/case management team for existing contracts and any significant increases will be highlighted to CLT.	3	3	9	Treat/ Tolerate	To ensure Value for Money in all contracts and projects and mitigate as far as possible to avoid entering into fluctuating value contracts. Inflation assumptions in MTFS to be updated.	Ongoing	3	3	9

<b>Likelihood</b>	Very Likely (4)			C8 - Carbon Neutral Ambitions C6 - Cost of Living Pressures	
	Likely (3)			C1 - Organisational Capacity C2 - Otterpool Park C4 - Strategic Projects C7 - Princes Parade C9 - Housing Deliverability C10 - Waste & Street Cleansing C13 - MTFS Inflation	C3 - MT Financial Strategy Uncertainty C12 - Cyber Threat
	Unlikely (2)		C11 - Vulnerable Customers		C5 - Legislative and Regulatory Non Compliance
	Rare (1)				
			Minor (1)	Moderate (2)	Significant (3)
	<b>Impact</b>				

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This Report will be made public on 20 July 2022



Report Number **AuG/22/06**

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**To:** Audit and Governance Committee  
**Date:** 28 July 2022  
**Status:** Non-Key Decision  
**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/22/06.

## **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 to 7, progress as at July 2022 with regard to:
  - Financial Statements Audit and Value for Money
  - Meetings & events
  - Audit Fees
  - Audit Deliverables for 2020/21 and 2021/22
- 2.2 The report also includes:
  - A summary of the Financial Reporting Council's annual report (pages 8 to 9), and a Sector Update (pages 10 to 19) including the Levelling Up White Paper, responses to reports and inquiries on local authority financial sustainability and auditor reporting on local government, the emergency consultation on 2021/22 reporting requirements, the Prudential Code and Treasury Management Code and NAO good practice guides.
- 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 – Director of Corporate Services*  
Telephone: 07935 517986 - email: [charlotte.spendley@folkestone-hythe.gov.uk](mailto: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 – July 2022

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# Folkestone and Hythe District Council Audit Progress Report and Sector Update

Year ending 31 March 2022.

July 2022  
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# Introduction

## Your key Grant Thornton team members are:

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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)

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 <https://www.grantthornton.co.uk/en/services/public-sector-services/>

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 July 2022

## Financial Statements Audit

### 2020 /21

We commenced our audit work in July 2021, and expected to conclude in December 2021. The further delay is due to an additional technical focus on Infrastructure assets.

We have issued a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2020/21 financial statements.

We have completed all testing with the exception of Infrastructure assets.

### 2021 /22

We undertook our initial planning for the 2021/22 audit in April 2022. We expect to begin our work on your draft financial statements in mid August 2022.

We issued a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2021/22 financial statements in April 2022.

Our audit work is underway, and we aim report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by 30 November 2022., subject to the resolution of national issues related to accounting for Infrastructure Assets.

The Accounts and Audit (Amendment) Regulations 2021 push back the date by which principal authorities need to publish their draft financial statements to the first working day of August. The Department for Levelling Up, Communities and Housing (DLUHC) states that they intend, subject to consultation, to introduce secondary legislation to extend the deadline for publishing audited local authority accounts to 30 November 2022 for the 2021/22 accounts.

## Value for Money

The Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code was the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline for the issue of the Auditor's Annual Report is now no more than three months after the date of the opinion on the financial statements. We anticipate issuing our Auditor's Annual Report by November 2022.



# Progress at July (cont.)

## Other areas

### Meetings

We met with Finance Officers in April 2022 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. We also met with your Chief Executive and other senior officers throughout the year to discuss the Authority's strategic priorities and plans.

### Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers attended our Accounts Workshop in January and February 2022, where we highlighted financial reporting requirements for local authority accounts and gave insight into elements of the audit approach.

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## Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2021/22 is the fourth 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 the period 2018/19 to 2021/22 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 continue to discuss this with your s151 Officer, including any proposed variations to the Scale Fee set by PSAA Limited, and will communicate this with the Audit 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

## 2020/21 Deliverables

### Audit Plan

We are required to issue a detailed audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Authority's 2020/21 financial statements and the Auditor's Annual Report on the Authority's Value for Money arrangements.

**Planned Date**

Complete

**Status**

Complete

### Audit Findings Report(version two)

The Audit Findings Report was reported to the March Audit and Governance Committee.

March 2022

Complete

### Auditors Report

This includes the opinion on your financial statements.

TBC

Not yet

### Auditor's Annual Report

This Report communicates the key issues arising from our Value for Money work.

Complete

Complete

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## 2020/21 Audit-related Deliverables

### Housing Benefit Subsidy – certification

This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.

**Planned Date**

11 February 2022

**Status**

Complete

### Pooling of housing capital receipts - certification

This is the report we submit to Ministry of Housing, Communities and Local Government based upon the mandated agreed upon procedures we are required to perform.

24 February 2022

Complete

# Audit Deliverables

2021/22 Deliverables	Planned Date	Status
<p><b>Audit Plan</b></p> <p>We are required to issue a detailed audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Authority's 2021/22 financial statements and the Auditor's Annual Report on the Authority's Value for Money arrangements.</p>	June 2022	Completed
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report will be reported to the November Audit and Governance Committee.</p>	November 2022	Not yet
<p><b>Auditors Report</b></p> <p>This includes the opinion on your financial statements.</p>	November 2022	Not yet
<p><b>Auditor's Annual Report</b></p> <p>This Report communicates the key issues arising from our Value for Money work.</p>	November 2022	Not yet

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2021/22 Audit-related Deliverables	Planned Date	Status
<p><b>Housing Benefit Subsidy – certification</b></p> <p>This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.</p>	November 2022	Not yet
<p><b>Pooling of housing capital receipts - certification</b></p> <p>This is the report we submit to Ministry of Housing, Communities and Local Government based upon the mandated agreed upon procedures we are required to perform.</p>	31 January 2023	Not yet

# Financial Reporting Council annual report

On 29 October, the Financial Reporting Council (FRC) published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here:

[FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

## Our file review results

The FRC reviewed nine of our audits this year. It graded six opinion files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our "Opinion" results over the past three years are shown in the table below:

Grade	Number 2020/21	Number 2019/20	Number 2018/19
Good with limited improvements (Grade 1 or 2)	6	1	1
Improvements required (Grade 3)	3	5	2
Significant improvements required (Grade 4)	0	0	1
Total	9	6	4

Our "VFM" results over the past two years are shown in the table below. The FRC did not review VFM in 2018/19:

Grade	Number 2020/21	Number 2019/20
Good with limited improvements (Grade 1 or 2)	6	6
Improvements required (Grade 3)	0	0
Significant improvements required (Grade 4)	0	0
Total	6	6

# Financial Reporting Council annual report (cont.)

## Quality Assurance Department (QAD) Reviews

In addition to the reviews undertaken by the FRC on major local audits, the QAD team from the ICAEW undertake annual reviews of non-major local audits as well as reviews of Foundation Trusts on behalf of NHSE&I.

The QAD reviewed five of our audits this year and graded all of them (100%) as 'Satisfactory / generally acceptable' for both the financial statements and VFM elements of the audit, which is the highest grading.

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Grade	Number 2020/21	Number 2020/19	Number 2019/18
Satisfactory / generally acceptable	5	6	2
Improvement required	0	1	0
Significant improvement required	0	0	0
Total	5	7	2

## Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID-19, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis.

As auditors we have shown compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Having formal internal consultations when considering complex technical issues.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

## Conclusion

Local audit plays a critical role in the way public sector audits and society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

# Sector Update

Authorities 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.

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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 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:

A teal rectangular button with the text "Public Sector" in white, sans-serif font, centered within the button.

Public Sector

A dark purple rectangular button with the text "Local government" in white, sans-serif font, centered within the button.

Local  
government

# Levelling up White Paper – Department for Levelling Up, Communities and Housing (“DLUCH”)

On 2 February the Department for Levelling Up, Communities and Housing (“DLUCH”) published its Levelling Up White Paper.

The paper states “Levelling up requires a focused, long-term plan of action and a clear framework to identify and act upon the drivers of spatial disparity. Evidence from a range of disciplines tells us these drivers can be encapsulated in six “capitals”:

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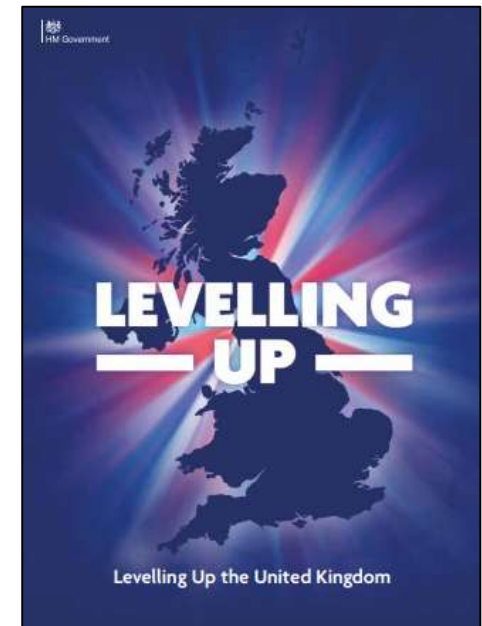
- Physical capital – infrastructure, machines and housing.
- Human capital – the skills, health and experience of the workforce.
- Intangible capital – innovation, ideas and patents.
- Financial capital – resources supporting the financing of companies.
- Social capital – the strength of communities, relationships and trust.
- Institutional capital – local leadership, capacity and capability.”

The paper also states “This new policy regime is based on five mutually reinforcing pillars.” These are set out and explained as:

- 1) The UK Government is setting clear and ambitious medium-term missions to provide consistency and clarity over levelling up policy objectives.
- 2) Central government decision-making will be fundamentally reoriented to align policies with the levelling up agenda and hardwire spatial considerations across Whitehall.

- 3) The UK Government will empower decision-makers in local areas by providing leaders and businesses with the tools they need.
- 4) The UK Government will transform its approach to data and evaluation to improve local decision-making.
- 5) The UK Government will create a new regime to oversee its levelling up missions, establishing a statutory duty to publish an annual report analysing progress and a new external Levelling Up Advisory Council.

[Levelling Up the United Kingdom - GOV.UK](https://www.gov.uk/levelling-up)  
([www.gov.uk](https://www.gov.uk))



# Grant Thornton – reaction to Levelling up White Paper

On 2 February the Department for Levelling Up, Communities and Housing (“DLUCH”) published its Levelling Up White Paper.

Commenting on the release of the government’s Levelling up White Paper plans, Phil Woolley, Head of Public Sector Consulting, Grant Thornton UK LLP, said:

“The publication of today’s White Paper plans is a welcome first step and it is reassuring to see the government recognise the need for systemic changes in order to deliver its central aim of Levelling up. The ‘12 missions’ can be seen as an attempt to consolidate existing elements of government activity behind a singular banner and now provides a clearer picture of the levelling up opportunity.

“Following a decade of successful regional devolution and mayors, the White Paper marks the next stage of the country’s devolution journey. With government now offering a clear framework of devolved powers and accountability, local leaders will need to embrace the opportunity and collaborate across the public and private sector to ensure they negotiate and then deliver the best deal for their communities. Grant Thornton’s Levelling Up Index shows that the economies of the 10 worst performing local authorities in England are on average over five times smaller than their best performing counterparts - highlighting the scale of the challenge ahead.

“To level up, these areas would need to grow their economies by £12billion, increase employment rates by 6 percentage points, create 1,700 new businesses a year and increase average weekly pay by £200. It is too early to determine whether the measures announced today will be sufficient, but it is a start. Success will ultimately depend on the ability and willingness of local and national government to translate these new frameworks into meaningful change in people’s lives.

“The Spending Review offers the next opportunity for government to show its commitment by realigning departmental objectives behind these new goals.”



# Government response to MHCLG Select Committee report on Local Authority financial sustainability & the section 114 regime – MHCLG

Government has published a response to the Housing, Communities & Local Government (HCLG) Committee report on local authority financial sustainability and the section 114 regime, published in July.

The HCLG report states “In recent years, the financial sustainability of local government has faced successive challenges, including increased demand for services, especially social care, changes to the level of funding equalisation between councils and, most recently, the COVID-19 pandemic. In some instances, councils have been in such acute financial trouble that they have approached the Ministry of Housing, Communities and Local Government for financial assistance; three of these—Northamptonshire in 2018, Croydon in late 2020 and Slough in July 2021—issued section 114 notices, essentially declaring they had run out of money. Our inquiry has sought to identify the most serious threats facing local councils’ finances. In light of the various factors we consider in the report, including the somewhat delayed Fairer Funding Review, renewed discussion about property taxes and the need to reform funding for social care, the time is right to consider a more radical review of local government finances—and our report makes various recommendations about how this should be done. We also consider what happened at Croydon—which prompted us to look at the section 114 regime—in the annex to our report.”

The report includes sections on:

- Social Care
- Funding
- COVID-19
- Local authority commercial investment
- Audit and control

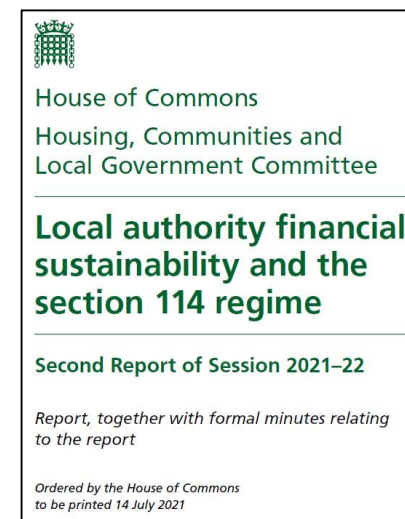
The report made 13 recommendations, and the Government response to these was published in October. The response notes “Moving forward, we will work to provide the sector with a sustainable financial footing, enabling it to deliver vital frontline service and support other government priorities. We will also take stock, including of the impact of the pandemic on local authority resources and service pressures, to determine any future reforms.”

The initial report can be found here:

<https://committees.parliament.uk/publications/6777/documents/72117/default/>

Government response can be found here:

<https://www.gov.uk/government/publications/local-authority-financial-sustainability-and-the-section-114-regime>



# Public Accounts Committee (PAC) – Local auditor reporting on local government in England & government response

The PAC inquiry examined the timeliness of auditor reporting on English local public bodies' financial statements covering 2019-20. The National Audit Office (NAO) report, on which this inquiry is based, found that “delays in the delivery of audit opinions beyond the deadlines for publishing local authority accounts, alongside concerns about audit quality and doubts over audit firms' willingness to continue to audit local public bodies, highlight that the situation needs urgent attention.”

The PAC report found “Without urgent action from government, the audit system for local authorities in England may soon reach breaking point. With approximately £100 billion of local government spending requiring audit each year, the Ministry of Housing, Communities & Local Government (the Department) has become increasingly complacent in its oversight of a local audit market now entirely reliant upon only eight firms, two of which are responsible for up to 70% of local authority audits. This has not been helped by the growing complexity of local authority accounts, with audit firms now asked to carry out more work in each audit, comply with new regulatory demands and adapt to the new multifaceted landscape in which local authorities operate, while also struggling to hire and retain experienced auditors.”

Key conclusions were:

- The marked decline in the timeliness of external audit undermines accountability and hampers effective decision-making.
- There is a pressing risk of market collapse due to an over reliance on a small number of audit firms and significant barriers to entry.
- The commercial attractiveness to audit firms of auditing local authorities has declined.

- The rapidly diminishing pool of suitably qualified and experienced staff increases the risks to the timely completion of quality audits.
- We are not convinced that the recently announced new local audit arrangements will meet the pressing need for effective system leadership now.
- Unless local authority accounts are useful, relevant and understandable they will not aid accountability.

The report made recommendations in each of these areas. The government response was published on 28 October.

The PAC report and response can be found here:

[Timeliness of local auditor reporting on local government in England - Committees - UK Parliament](#)



House of Commons  
Committee of Public Accounts

**Local auditor reporting on local government in England**

Eleventh Report of Session 2021–22

# Emergency consultation on 2021/22 reporting requirements – CIPFA

On 4 February CIPFA released an emergency four week consultation on time limited changes to the Code to help alleviate delays to the publication of audited financial statements. This explores two possible changes that might be made as an update to the 2021/22 code and to the agreed position in the 2022/23 code.

The decision to launch the consultation came after the Department for Levelling up, Housing and Communities (DLUHC) asked CIPFA to consider amendments to the Code of Practice on Local Authority Accounting, after just 9% of local audits for 2020-21 were published on time.

After considering a wide range of options CIPFA LASAAC decided to explore two approaches:

1) An adaptation to the code to allow local authorities to pause professional valuations for operational property, plant and equipment for a period of up to two years (though the initial proposal is for the 2021/22 financial year); this approach also explores the use of an index to be used to increase or reduce that valuation

2) Deferring the implementation of IFRS 16 Leases for a further year and reversing the planned changes to the 2022/23 code to implement that standard.

CIPFA Chief Executive Rob Whiteman said: “DLUHC is understandably concerned about this growing crisis – and CIPFA shares this concern. We are committed to supporting CIPFA LASAAC in its exploration of the options that may improve timeliness issues, without significantly impacting accountability. But this is a difficult issue, and we need feedback from stakeholders on whether and how this might work.”

CIPFA said that the changes do not represent the best form of financial reporting for local authorities, but are a “temporary expedient to help improve an unacceptable situation”.

The consultation closed on Thursday 3 March. Any updates to the Code are subject to oversight by the Financial Reporting Advisory Board before implementation.

The consultation can be found here:

<https://www.cipfa.org/policy-and-guidance/consultations/emergency-proposals-for-update-of-202122-and-202223-codes>

## Summary of the Grant Thornton response

### Property, Plant & Equipment Valuations

In principle we are very supportive of changes to the measurement basis for operational property, plant and equipment. However our view is that it is too late to effect change for the 2021/22 reporting cycle. Our response highlighted a number of difficulties with this approach, including the risk that some assets then fall outside of the requirement to be revalued every five years as a minimum, and the challenge of consistent application of indexation. The proposed amendments to the Code do not appear to override the requirement that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period, which stems from IAS 16:31. If the financial reporting requirements are not sufficiently tightly defined and auditors therefore cannot obtain sufficient and appropriate audit evidence to support this requirement, there is a risk that audit opinions could be modified as a result.

### Deferral of IFRS 16 - Leases

The removal of the requirement for disclosure (based upon IAS 8) in 2021/22 is not likely to have a significant impact in terms of freeing up auditor time and audit work covering the disclosures in 2022/23 would then be required in the 2022/23 audit. Savings to preparer time and effort would depend on what progress has already been made in preparing for the imminent implementation of IFRS 16.

# Prudential Code and Treasury Management Code – CIPFA

On 20 December CIPFA published the new Prudential Code for Capital Finance in Local Authorities (Prudential Code) and Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code).

CIPFA commented “These two statutory and professional codes are important regulatory elements of the capital finance framework in which local authorities operate. Local authorities are required by regulation to ‘have regard to’ their provisions. These two codes have been published a principles-based consultation from February to April, which was followed by a second consultation on the detailed changes to the code from September to mid-November.

The updated Prudential Code includes some substantive changes. Most notably, the provisions in Code which present the approach to borrowing in advance of need in order to profit from additional sums borrowed have been strengthened. Additionally, the relevant parts of Code have augmented to be clear that borrowing for debt-for-yield investment is not permissible under the Prudential Code. This recognises that commercial activity is part of regeneration but underlines that such transactions do not include debt-for-yield as the primary purpose of the investment or represent an unnecessary risk to public funds.”

The updated Prudential Code removes the "advance of need" terminology and emphasises the legislative basis for borrowing, namely that a local authority can borrow and invest for any legislative function and/or for the prudent management of their financial affairs.

The examples listed in the Code of legitimate prudential borrowing are:

- Financing capital expenditure primarily related to the delivery of a local authority’s functions;
- Temporary management of cash flow within the context of a balanced budget;
- Securing affordability by removing exposure to future interest rate rises; or
- Refinancing current borrowing, including replacing internal borrowing, to manage risk or reflect changing cash flow circumstances.



# Good practice in annual reporting – NAO

The National Audit Office (NAO) has published this guide which sets out good practice principles for annual reporting with examples from public sector organisations

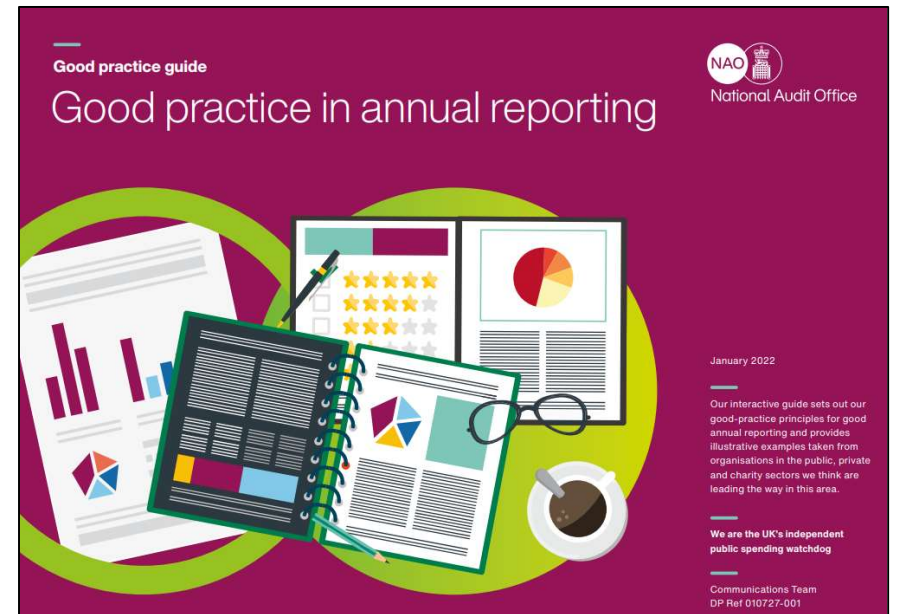
The NAO comment that the guide sets out “good-practice principles that we believe underpin good annual reporting. These principles are: Supporting Accountability; Transparency; Accessibility; and the need for the report to be Understandable.”

The NAO further comment “The best annual reports we have seen use these principles to tell the “story” of the organisation. It is important that stakeholders, including the public and Parliament, are able to hold an organisation to account. To do this effectively, stakeholders need to properly understand the organisation’s strategy, key risks that might get in the way of delivering this strategy and the effectiveness of their management, and the amount of taxpayers’ money that has been spent to deliver the outcomes the organisation seeks to achieve.”

The guide draws on examples of good practice from within each of the six sections of an Annual Report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance
- External factors

Although the guide does not include any local authority examples, those included, and the underlying principles, are equally relevant to all public facing organisations.



The guide can be found here:

[Good practice in annual reporting - National Audit Office \[NAO\] Report](#)

# Climate change risk: A good practice guide for Audit and Risk Assurance Committees – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks.

The NAO comment “Audit and Risk Assurance Committees (ARACs) play a key role in supporting and advising the board and Accounting Officer in their responsibilities over risk management.

This guide will help ARACs recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks. We have outlined specific reporting requirements that currently apply.

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Our primary audience is ARAC chairs of bodies that we audit, but the principles of the guide will be relevant for bodies across the wider public sector. It promotes good practice and should not be viewed as mandatory guidance.

Climate change and the nature of its impacts on organisations globally is changing rapidly. This guide acknowledges the evolving nature of climate change and its associated risks and opportunities and will be refreshed in the future to reflect those changes.”

The guide includes sections on “How to support and challenge management”. This includes sections on governance and leadership; collaboration; risk identification and assessment; risk treatment, monitoring and reporting and continual improvement. There is also a “Complete list of questions that Audit and Risk Assurance Committees can ask” for each of these areas. The guide also includes “Key guidance and good practice materials” with links.



The report can be found here:

[Climate change risk: A good practice guide for Audit and Risk Assurance Committees - National Audit Office \(NAO\) Report](#)

# Cyber and information security: Good practice guide – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees scrutinise cyber security arrangements. To aid them, this guidance complements government advice by setting out high-level questions and issues for audit committees to consider.

The NAO state “Audit committees should gain the appropriate assurance for the critical management and control of cyber security and information risk.

Cyber security is the activity required to protect an organisation’s data, devices, networks and software from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management of processes as well as technical controls.

Our guide supports audit committees to work through this complexity, being able to understand and question the management of cyber security and information risk.

It takes into account several changes which affect the way in which we interact with and manage our information and can drive increased risk. These include changes to the way we work and live due to the COVID-19 pandemic and the ongoing demand to digitise and move to cloud-based services.

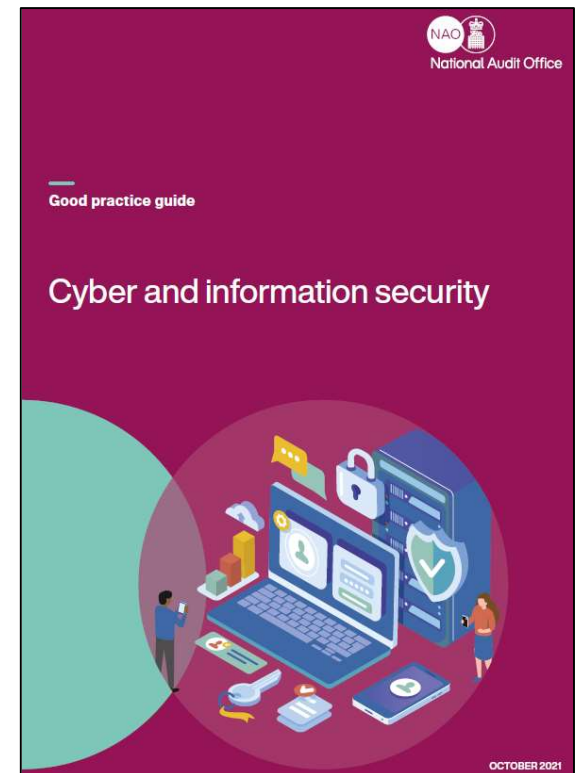
The strategic advice, guidance and support provided by government has also been updated to keep pace with these changes, detailing the impact and risks on the management of cyber security and information risk.

The guide provides a checklist of questions and issues covering:

- The overall approach to cyber security and risk management
- Capability needed to manage cyber security
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.”

The report can be found here:

<https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>





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This Report will be made public on 20 July 2022



Report Number **AuG/22/08**

**To:** Audit and Governance Committee  
**Date:** 28 July 2022  
**Status:** Non-Executive Decision  
**Corporate Director:** Charlotte Spendley – Director – Corporate Services (S151)

**SUBJECT: QUARTERLTY INTERNAL AUDIT UPDATE 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 31<sup>st</sup> May 2022.

**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/22/08.**
- 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 meeting.

## **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 five audit reports completed during the period. These have been allocated assurance levels as follows: two were providing reasonable assurance and three were not applicable for an assurance. Summaries of the report findings are detailed within Annex 1 to this report.
- 3.2 In addition, eleven 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 31<sup>st</sup> May 2022 49.25 chargeable days were delivered against the planned target of 350 days, which equates to achievement of 14.07% of the planned number of days.

#### 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 (CS)

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](mailto:Christine.parker@folkestone-hythe.gov.uk)

Charlotte Spendley Director – Corporate Services (S151)  
Telephone: 01303 853420 Email: [Charlotte.spendley@folkestone-hythe.gov.uk](mailto: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 – Quarterly 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 31<sup>st</sup> May 2022.

**2. SUMMARY OF REPORTS**

Service / Topic		Assurance level	No of recs	
2.1	COVID Grant Schemes – eligibility checks and payments	Reasonable	C	0
			H	0
			M	3
			L	0
2.2	Climate Change	Reasonable	C	0
			H	3
			M	0
			L	0
2.3	Development Management Salesforce Print Issue	Not Applicable	C	0
			H	0
			M	1
			L	0
2.4	Housing Data Integrity	Not Applicable	C	0
			H	1
			M	1
			L	0
2.5	Ross House Lessons learned	Not Applicable	C	0
			H	0
			M	4
			L	0
2.6	Housing Planned Maintenance Contract Management  See Confidential Appendix	No Assurance	C	2
			H	12
			M	0
			L	0

## 2.1 COVID Grant Schemes – Eligibility and Payments – Reasonable Assurance

### 2.1.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to administer the grants payable to businesses both from Government and the Council during the COVID pandemic.

### 2.1.2 Summary of Findings

In response to the Covid-19 Pandemic and its impact on the economy the Government announced time limited grant schemes to support businesses. Funds were provided to Local Authorities (LA) across England under Section 31 of the Local Government Act 2003. Via these schemes £21.8bn was distributed by the LA's to eligible businesses and/or activity within their geographic area in line with published Scheme Guidance; of which £18.9bn was paid out in 2020-21 (*Source – CiPFA Public Finance National Audit Office New 30 Nov 2021*).

The Secretary of State confirmed to LAs that the Department for Business, Energy and Industry Strategy (BEIS) would underwrite the payment of grants made on the Covid-19 Business Support Schemes if the LA acted in a reasonable and practicable manner in the award of the grant. (*Source – Covid-19 Business Grant Funding Schemes: Assurance guidance for local authorities*).

Grant schemes were targeted around the national restrictions that were put in place, which either prevented businesses from trading/opening or with limitations on trading/opening.

BEIS instructed Council's to prioritise the issuing of grants to ensure that funds were paid to businesses swiftly. LAs were required to provide a proportionate, risk based approach in delivering the grant schemes; and as such the Council needed to develop pre and post payment assurance plans for each scheme to include eligibility checks and recipient checks on all payments. BEIS relied on information provided by LAs to understand if funding had been applied as intended.

As a result of this urgency to deliver payments to struggling businesses the grants were delivered at pace with live guidance expanding and changing throughout the lifecycle of the different schemes. Management and officers did well to respond and react promptly and appropriately to ensure that grants were awarded to eligible businesses in compliance with guidance.

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

- Officers remained abreast of evolving government guidance and scheme requirements, which were consistently applied.

- The discretionary element of grant schemes were based on BEIS guidance taking into account local economic factors; and were approved as urgent key decisions by the Leader.
- Risks of administering the grants schemes were documented in accordance with government guidelines; with the highlighted risks incorporated within the application and assessment process for each scheme.
- Appropriate fraud prevention/detection checks were undertaken pre and/or post grant payment.
- Applications were processed and grants awarded within the timescales and budgets set by central government.
- Regular reporting to management and to BEIS was in place.

Scope for improvement was however identified in the following areas:

- Although recovery action was taken where errors in payments and/or fraudulent payments are identified, invoices were not raised in every case.
- Access to personal and sensitive personal data may be accessible by officers without a business reason to view the data. Duplicate copies of data may be held without a valid business purpose in contravention of data protection legislation and may inadvertently increase the risk of a data breach.

## **2.2 Climate Change – Reasonable Assurance**

### 2.2.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council is working towards its corporate objectives regarding climate change, after they had declared a climate and ecological emergency in 2019 and then introduced a Carbon Action Plan in February 2021 including to become carbon net zero by 2030.

### 2.2.2 Summary of Findings

Human activity has warmed the earth by about 1°C since pre-industrial times and the impacts of this are felt across the globe. Warming continues unabated, making this an urgent problem. The goal of the Paris Agreement is to limit global warming to well below 2°C, preferably 1.5°C compared to pre-industrial levels. However, it is difficult to project future global temperatures to a single figure as there are so many uncertainties and influencing feedbacks (e.g. release of greenhouse gases from permafrost). Climate Action Tracker puts the globe somewhere between 4.1°C and 4.8°C by 2100, if policies do nothing to reduce greenhouse gases. One or two degrees may seem very little, but temperature rises of between 2.0-4.9°C threatens a million species with extinction over the next few decades and would result in a complete loss of sea ice, tropical rainforests and coral reefs; droughts and storms could render much of the planet uninhabitable and cause devastating human suffering and conflict.

In 2019 the Council, and around 300 other local government authorities (LGA), recognised the severity of this situation and declared a climate and ecological

emergency in order that action could be taken to reduce harmful greenhouse gases and other emissions; loss of biodiversity would also be addressed.

This review looks at progress to date against the key actions arising from the motion in 2019.

Management can place Reasonable Assurance on the system of internal controls in operation, mainly due to the infancy of measures which need time to embed, as well as areas that have not yet been fully addressed such as housing, public engagement, and transport.

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

- The Council has established its baseline for emissions and has identified its main emission sources.
- A carbon action plan has been produced and work is ongoing to progress its implementation.
- The Council has addressed, or is the process of addressing, the action points agreed in the 2019 climate change motion, such as;
  - Embedding climate and ecological considerations into all Council decision making, and;
  - Reviewing existing policies and strategies to ensure alignment with the carbon emission reduction goals.
- Work to engage with the community and other stakeholders is currently being developed in a district-wide carbon plan. The procurement strategy is also being reviewed.
- The Council is a member of the Climate Change Network which provides opportunities for learning and sharing best practice with other authorities.
- Modes of transport, particularly the Council's grey fleet, is currently being assessed as this presents a significant opportunity to reduce carbon emissions within the Council's own scope.
- Housing and retrofitting for greater energy efficiency is being explored but there are some barriers at present which are recognised and being explored with expert partners such as the Greater South East Energy Hub, and the stock condition survey has been completed and results analysed prior to bidding for future central government funds.
- Low Carbon Toolkit to inform private developers, councils own stock, and homeowners has been commissioned and is in development.

Scope for improvement was however identified in the following areas:

- The Council may benefit from collaborating with neighbouring local authorities for exchange of ideas and support. Introductions were made during this audit. Furthermore, the Council is learning from other councils such as Tunbridge Wells, Canterbury and Hounslow and is part of the Climate Change Network.
- It is really important that cabinet report authors consider climate and ecological impacts themselves since they have greater knowledge of the report's subject and it encourages everyone to contribute to the net zero goal. An all staff email



on this matter was circulated during the audit therefore no recommendation has been included in the action plan. However, the impact statement would benefit from a methodology to score and quantify the effects of the decision/project on carbon emissions / natural environment (positive and/or detrimental).

- The Council may benefit from a review of the policies to promote and influence the use of zero-emission vehicles in the District including:
  - Council fleet and council staff which is being explored.
  - Work with other local authorities to develop a viable and rapid-expansion strategy for public EV charging facilities
  - Review of incentives to influence and promote EV ownership; and
  - Cabinet are considering the role of tiered pricing of parking permits in accordance with engine size and carbon emissions.
- Bringing in an additional resource to identify sources of funds to support F&HDC decarbonisation and natural capital improvement policy, and to identify projects, prepare and draft applications and manage bids and post-bid mobilisation. Funding to bid for includes:
  - funding from central government sources, and in particular for decarbonisation in civic realm, social housing, private homes and business
  - to signpost and facilitate funding from charitable sources in collaboration with communities for 'ready-to-go' community improvement, education and natural capital initiatives
  - to identify, support and bid for funding to reduce fuel poverty
  - to identify, support and bid for energy-related grants for residents
  - for investment funding from investors and other sponsorship to develop green and renewable generation initiatives in the District
- Climate change training has been successfully delivered to in the region of 200 staff, as well as members, the Cabinet and senior managers. The training should continue to be offered to new staff, members and manager and, as a minimum, the climate change e-learning course should be mandatory for all staff.

## **2.3 Development Management Salesforce Print Issue – Not Applicable**

### 2.3.1 Audit Scope

To review the actions, internal controls, risk assessment and governance regarding the application of patches, updates and fixes to the Salesforce system and VPN connectivity issues which led to the problems processing Development Management applications. Establish:

- What happened, and
- What additional controls are required to prevent a reoccurrence?

### 2.3.2 Summary of Findings

An external email was received 1<sup>st</sup> December 2021 stating that no consultation through neighbour letters was received on a particular application. This prompted an

investigation as to why the Development Control letter was recorded as having been sent 11<sup>th</sup> November 2021, but none had been received by neighbours.

Initially the Print Room offered a technical explanation regarding some changes made to the printer server in November, and some issues with a MS Patch that was applied 14<sup>th</sup> September 2021. Data was then produced going back to July 2021 and this identified the number of cases where batches of letters had failed to print. However, as further investigations were made it was later explained by a connectivity issue, a drop out or temporary loss of internet connection from the user to the system. The issue was found to be random, intermittent and unable to be replicated, meaning logically that it was not a software issue. Software either works or it does not.

A full summary of the cases implicated, what stage they were at and how it had affected the planning process was established and members were fully briefed on the implications of the issue in December 2021.

Following detection of the error, a new control was immediately introduced. An acknowledgement email being sent each time the Print Room system receives a print request from Salesforce DM. The user will be required to 'manually' reconcile that if they have sent (for example) 5 requests that day, that they have received 5 acknowledging emails. This is their responsibility. It has worked effectively since it was introduced.

Members were initially briefed that "once all applications affected have been reviewed legal advice will be sought to determine next steps for the Council". The updated position is that the work to review all 34 approved applications, and 9 rejected applications, has been completed and no matters of concern have been identified with the related planning decisions.

From April 2022 a completely new "Print to Post" Service has been introduced, this will give the user even more control over print jobs, as they will see logged via a web portal-

- When submitted
- When received
- When processed
- When posted via Royal Mail etc.

It is concluded that if the system were not due to change from 1<sup>st</sup> April 2022 further investigations to be able to provide a definitive answer on the cause would be worthwhile. However on balance, coupled with the fact the problem has not reoccurred, and an effective control is in place to detect it if it did reoccur, it is recommended to accept the view of the professionals and move forward. One recommendation for consideration had been made as follows.

- The new Print to Post solution is intended to provide the user with more control over their output, and given the importance, the Council may consider obtaining

some independent assurance (a light touch check) on the new process to ensure controls are working as expected.

## **2.4 Housing Data Integrity – Not Applicable**

### 2.4.1 Audit Scope

The aim of this review is to ensure that all council housing property and named tenants are being accounted for correctly, that the data held by the Housing Service is accurate and reliable since the housing service was taken back in house.

### 2.4.2 Summary

The housing function was brought back in house in October 2020 and this included the rent collection and debt monitoring processes.

As part of this review different data sets have been matched and various audit tests have been carried out using IDEA (a software interrogation package) and excel. Where the results of these tests have identified queries, that need further investigation, these have been put into an excel workbook and have been passed to relevant officers for them to investigate and amend / update any records accordingly along with any supporting procedure notes and processes that will ensure that data will continue to be processed correctly.

As this was a data matching review of data integrity, an assurance opinion was not applicable.

## **2.5 Ross House Lessons Learned Review – Not Applicable**

### 2.5.1 Audit Scope

To review the actions, decision making, risk assessment and governance regarding the acquisition of Ross House to establish:

- the assessment processes and overall project management methodology engaged to control the elements of risk within the project.
- establish the necessary governance and due diligence required for making such an acquisition, identifying appropriate key milestones. Check that all the required authorisations were properly obtained at those milestones and that all stages of the project were appropriately signed off by the relevant decision-maker.

### 2.5.2 Summary

The initial strategy to build and purchase buildings to increase the number of units of social housing available was agreed by Cabinet in March 2016. There is sufficient governance in place to be able to track the decisions made regarding acquiring this specific building. There is no project management file governing the specifics (such as a detailed risk assessment, who was on the project team and their relevant

responsibility), but key evidence is available to demonstrate that officers acted within their authority and with Member approval.

The conversion from offices to residences was undertaken under a Building Notice, seven inspections were undertaken during the conversion and the evidence supplied by the developer was signed off by Building Control. The onus is upon the developer to comply with the regulations of the day. One area consulted upon and agreed with Building Control was the roof void space, as compartmentalisation was not possible with the water tanks in situ, an acceptable alternative was agreed to double board the ceilings in the first floor flats to provide a 60 minute firebreak. This was not known by the independent person undertaking the FRA in November 2019 when they graded the building as “intolerable”. The opportunity to consult Building Control was missed at this time, and the matter was escalated externally by EKH colleagues to KFRS. Thereafter the Council has taken a ‘belt and braces’ reactive approach; instead of being in a position of planning ahead and carefully looking at ways to improve the building, a great deal of resources have been utilised to reach the point where the latest FRA has resulted with 3 Medium and 1 low risk actions. (Three of which actions required are due to residents’ use of the building).

The issues identified by the 2019 FRA’s resulted in works being raised largely by EKH (and inherited by FHDC) these works were to later standards than those in place at the time of the build (for example the fire doors to individual flats – at the time of the build, component fire door assembly kits were permitted, the later regulations require complete (sealed) units). The opportunity to upgrade from 30 minutes to 60 minutes protection was taken when the doors were replaced (not required). How much of this work was required is subjective, and to some degree someone’s (informed) opinion against the latest standards. The total cost of the works identified during this review are £224,300.

There is little doubt that the works undertaken to the building has delivered a very safe living environment, and good assurance can be demonstrated in the following changes made since;

- The Council (since August 2019) revised the past policy of ‘acknowledging’ with an acceptance letter where those Building Notices do not have plans have full fire safety plans submitted with them that can be used for consultation with KFRS. Notices submitted without full plans are now invalidated, regardless of whether work is underway or not. This does not mean that the Council has the power to issue stop notices under current legislation but proposals to introduce this requirement under new and revised legislation are currently in hand.
- All process are now managed by dedicated in house teams. The specialists coming together to work on new builds and acquisitions for the HRA. The ‘3<sup>rd</sup> party’ element of the former EKH relationship will not be repeated in future.
- The FRA process is now managed in house, with an individual officer with oversight of the actions which will be checked before they are signed off as completed. The process will remain annual.

- The specialists now in post will ensure good contract management going forward. Therefore, if holes are to be drilled in floors and ceilings which could compromise the protection against the spread of fire and smoke; the correct fire stopping and making good will be enforced through the contract at the time of the works.

Further recommendations for control improvement were made as follows.

- Consider including parameters and rules to guide officers to cover land and property acquisitions in the next version of Financial Procedure Rules.
- Consider introducing a due diligence protocol to assist in the decision making process whether to enter into contract with any entity.
- Consider introducing an HRA Acquisitions Policy or Strategy to assist with future planning.
- Ensure acquisitions are treated as projects, so that a formal project management methodology is used to ensure all project risks are carefully considered, to ensure that the acquisition is made on time and to budget, to remove any nasty surprises (as far as can be mitigated against) and to ensure named roles and responsibilities for the project are clearly defined.

## **FOLLOW UP OF AUDIT REPORT ACTION PLANS**

### **3.0 FOLLOW UP OF AUDIT REPORT ACTION PLANS**

3.1 As part of the period's work eleven 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

<b>Service / Topic</b>	<b>Original Assurance level</b>	<b>Revised Assurance level</b>	<b>Original recs</b>	<b>Outstanding recs</b>
Insurance	Substantial	Substantial	C 0 H 0 M 0 L 1	C 0 H 0 M 0 L 0
Otterpool Park Governance	Substantial	Substantial	C 0 H 0 M 1 L 1	C 0 H 0 M 0 L 0
Employee Allowances & Expenses	Substantial	Substantial	C 0 H 0 M 1 L 2	C 0 H 0 M 0 L 0

Service / Topic	Original Assurance level	Revised Assurance level	Original recs	Outstanding recs
Members Code of Conduct	Substantial	Substantial	C 0 H 0 M 1 L 2	C 0 H 0 M 0 L 0
Rent Setting	Substantial	Substantial	C 0 H 0 M 2 L 1	C 0 H 0 M 0 L 0
ICT	Substantial	Substantial	C 0 H 0 M 2 L 1	C 0 H 0 M 1 L 0
Budget Monitoring	Substantial	Substantial	C 0 H 0 M 3 L 0	C 0 H 0 M 1 L 0
Oportunitas Governance	Reasonable	Substantial	C 0 H 1 M 9 L 2	C 0 H 0 M 0 L 0
Debtors	Reasonable	Reasonable	C 0 H 0 M 1 L 2	C 0 H 0 M 1 L 0
Performance Management	Reasonable	Reasonable	C 0 H 0 M 0 L 4	C 0 H 0 M 0 L 0
Section 106s & CIL	Limited	Reasonable	C 0 H 4 M 4 L 4	C 0 H 0 M 0 L 0

- 3.3 Details of any individual critical or high priority recommendations outstanding after follow-up are included at Annex 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 Audit & Governance Committee (none this quarter).

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.

#### **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: Freedom of Information, Corporate Leaks, Car Parks Income, Homelessness and Garden Waste / Recycling.

#### **5.0 CHANGES TO THE AGREED AUDIT PLAN**

- 5.1 The 2022/23 audit plan was agreed by Members at the meeting of the Audit & Governance Committee on 16<sup>th</sup> March 2022.
- 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 on behalf of Folkestone-Hythe District Council.

#### **7.0 INTERNAL AUDIT PERFORMANCE**

- 7.1 For the period ended 31<sup>st</sup> May 2022 49.25 chargeable days were delivered against the planned target of 350 which equates to achievement of 14.07% of the original planned number of days.
- 7.2 The financial performance of the EKAP for 2022/23 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 31<sup>st</sup> May 2022 against the 2022/23 Audit plan.
- Appendix 4 Assurance Definitions.

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



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

## PROGRESS AGAINST THE AUDIT PLAN 2022/23

Review	Original Planned Days	Revised Planned Days	Actual To 30/05/2022	Status and Assurance level
<b>FINANCIAL SYSTEMS:</b>				
Bank Reconciliation	10	10		Quarter 4
Car Parking Income	10	10	2.95	Work in progress
Council Tax	10	10		Quarter 2
Creditors	10	10		Quarter 4
Housing Benefit Admin & Assessment	10	10		Quarter 2
Housing Benefit Subsidy	10	10		Quarter 3
<b>HOUSING SYSTEMS:</b>				
Capital Programme Planned Repairs	10	10	0.17	Quarter 3
Housing Anti-Social Behaviour	10	10		Quarter 4
Improvement Grants & DFGs	10	10		Quarter 2
Tenants Health& Safety	10	10	0.20	Quarter 3
Housing Contract Management	10	20	15.59	Work in progress
New Build Capital Programme	10	10	0.73	Quarter 3
Responsive Repairs and Maintenance	10	10	0.17	Quarter 4
Right to Buy	10	10		Quarter 1
Tenancy & Estate management	10	10		Quarter 4
Tenancy Counter Fraud	10	10		Quarter 3
Homelessness	15	15	0.37	Work in progress
<b>TECHNOLOGY / CYBER:</b>				
ICT Review	10	10		Quarter 2
<b>CORPORATE GOVERNANCE:</b>				
Otterpool Governance	10	0		Deferred
Whistleblowing	5	5	0.37	Quarter 4
<b>COUNTER FRAUD:</b>				
Fraud Resilience Arrangements	10			Quarter 1
<b>PROCUREMENT &amp; CONTRACTS:</b>				
Contract Standing Orders	10			Quarter 3
<b>ASSET MANAGEMENT:</b>				
Asset Management	10			Quarter 4
<b>SERVICE LEVEL:</b>				
Corporate Responsive Repairs	10			Quarter 4

<b>Review</b>	<b>Original Planned Days</b>	<b>Revised Planned Days</b>	<b>Actual To 31/05/2022</b>	<b>Status and Assurance level</b>
Members Allowances	10	10		Quarter 3
Planning Income	10	10		Quarter 2
Garden Waste / Recycling Management	10	10	5.67	Work in progress
<b>PEOPLE MANAGEMENT:</b>				
Employee Benefits in Kind	10	10		Quarter 3
Recruitment	10	10		Quarter 4
<b>OTHER:</b>				
Committee Reports & Meetings	10	10	1.56	Ongoing
S151 Meetings & Support	10	10	2.23	Ongoing
Corporate Advice / CMT	5	5	3.01	Ongoing
Liaison with External Audit	1	1	0.52	Ongoing
Audit Plan Prep & Meetings	10	10	1.47	Ongoing
Follow Up Reviews	14	14	5.17	Ongoing
<b>FINALISATION OF 2021-22 AUDITS:</b>				
COVID Grants	10		0.54	Finalised - Reasonable
Freedom of Information			2.21	Work in progress
Housing Data Integrity			5.51	Finalised – N/A
<b>RESPONSIVE ASSURANCE:</b>				
Corporate Leak Investigation	0	5	0.81	Work in progress
<b>Total</b>	<b>350</b>	<b>350</b>	<b>49.25</b>	<b>14.07%</b>

### 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.

This Report will be made public on 20 July 2021



Report Number **AuG/22/09**

**To:** Audit and Governance Committee  
**Date:** 28 July 2022  
**Status:** Non-Executive Decision  
**Corporate Director:** Charlotte Spendley – Director – Corporate Services (S151)

**SUBJECT: INTERNAL AUDIT ANNUAL REPORT 2021-22**

**SUMMARY:**

This report provides a summary of the work undertaken by the East Kent Audit Partnership to support the annual opinion. The report includes the Head of Audit Partnership's opinion on the overall adequacy and effectiveness of the system of internal control in operation and informs the Annual Governance Statement for 2021-22, together with details of the performance of the EKAP against its targets for the year ending 31<sup>st</sup> March 2022.

**REASONS FOR RECOMMENDATION:**

The Committee is asked to agree the recommendations set out below because:  
In order to comply with best practice, the Audit & 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 the Opinion of the Head of Audit Partnership in Report **AuG/22/09**.
2. To receive and note the Annual Report detailing the work of the EKAP and its performance to underpin the 2021-22 opinion.

## 1.0 INTRODUCTION

1.1 The primary objective of Internal Audit is to provide independent assurance to Members, the Head of Paid Service, Directors and the Section 151 Officer on the adequacy and effectiveness of those systems on which the Authority relies for its internal control. The purpose of bringing forward an annual report to members is to:

- Provide an opinion on the overall adequacy and effectiveness of the Council's internal control environment.
- Present a summary of the internal audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies,
- Draw attention to any issues the Head of the Audit Partnership judges particularly relevant to the preparation of the Annual Governance Statement.
- Compare actual audit activity with that planned, and summarise the performance of Internal Audit against its performance criteria.
- Comment on compliance with the Public Sector Internal Audit Standards (PSIAS) and report the results of the Internal Audit quality assurance programme.
- Confirm annually that EKAP is organisationally independent, whether there have been any resource limitations or instances of restricted access.

1.2 The report attached as Annex A therefore summarises the performance of the East Kent Audit Partnership (EKAP) and the work it has performed over the financial year 2021-22 for Folkestone & Hythe District Council, and provides an opinion on the system for governance, risk management and internal control based on the audit work undertaken throughout the year, in accordance with best practice. In providing this opinion, this report supports the Annual Governance Statement.

1.3 The EKAP delivered 97.83% of the agreed audit plan days to F&HDC. The performance figures for the East Kent Audit Partnership as a whole for the year show good performance against the targets. It is the opinion of the Head of Audit that sufficient work has been undertaken to be able to support an opinion for 2021-22.

1.4 No system of control can provide absolute assurance, nor can Internal Audit give that assurance. This opinion is intended to provide assurance that there is an ongoing process for identifying, evaluating and managing the key risks.

## 2.0 RISK MANAGEMENT ISSUES

2.1 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 & 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.
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### **3.0 LEGAL, FINANCIAL AND OTHER CONTROLS/POLICY MATTERS**

#### **3.1 Legal Officer's comments –**

There are no legal issues arising out of this report.

#### **3.2 Finance Officer's Comments –**

Responsibility for the arrangements of the proper administration of the Council's financial affairs lies with the Chief Finance Officer. The internal audit service helps provide assurance as to the adequacy of the arrangements in place. It is very reassuring that EKAP have given positive feedback on their overall assessment of the Council's system of internal controls for 2021-22, stating that there were "no major areas of concern".

#### **3.3 Head of the East Kent Audit Partnership comments –**

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

#### **3.4 Diversities and Equalities Implications**

This report does not directly have any specific diversity and equality implications however it does include reviews of services which may have implications.

### **4.0 CONTACT OFFICERS AND BACKGROUND DOCUMENTS**

#### **4.1** 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](mailto:christine.parker@folkestone-hythe.gov.uk)

Charlotte Spendley Director – Corporate Services (S151)

Telephone: 01303 853420 Email: [Charlotte.spendley@folkestone-hythe.gov.uk](mailto:Charlotte.spendley@folkestone-hythe.gov.uk)

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

Internal Audit Annual Plan 2021-22 - Previously presented to and approved by the Audit & Governance Committee.

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

Previous Audit Charter –presented and approved by the Audit & Governance Committee.

#### **Attachments**

Annex A – East Kent Audit Partnership Annual Report 2021-22

## Annual Internal Audit Report for Folkestone & Hythe District Council 2021-22

### 1. Introduction

The Public Sector Internal Audit Standard (PSIAS) defines internal audit as:

*"Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."*

A more detailed explanation, of the role and responsibilities of internal audit, is set out in the approved Audit Charter. The East Kent Audit Partnership (EKAP) aims to comply with the PSIAS, and to this end has produced evidence to the s.151 and Monitoring Officers to assist the Council's review of the system of internal control in operation throughout the year.

This report is a summary of the year, a snapshot of the areas at the time they were reviewed and the results of follow up reviews to reflect the actions taken by management to address the control issues identified. The process that the EKAP adopts regarding following up the agreed recommendations will bring any outstanding high-risk areas to the attention of members via the regular reports, and through this annual report if there are any issues outstanding at the year-end.

### 2. Objectives

The majority of reviews undertaken by Internal Audit are designed to provide assurance on the operation of the Council's internal control environment. At the end of an audit we provide recommendations and agree actions with management that will, if implemented, further enhance the environment of the controls in practice. Other work undertaken, includes the provision of specific advice and support to management to enhance the economy, efficiency and effectiveness of the services for which they are responsible. The annual audit plan is informed by special investigations and anti-fraud work carried out as well as the risk management framework of the Council.

A key aim of the EKAP is to deliver a professional, cost effective, efficient, internal audit function to the partner organisations. The EKAP aims to have an enabling role in raising the standards of services across the partners through its unique position in assessing the relative standards of services across the partners. The EKAP is also a key element of each councils' anti-fraud and corruption system by acting as a deterrent to would be internal perpetrators.

The four partners are all committed to the principles and benefits of a shared internal audit service and have agreed a formal legal document setting out detailed arrangements. The statutory officers from each partner site (the s.151 Officer) together form the Client Officer Group and govern the partnership through annual meetings. The shared arrangement for EKAP also secures organisational independence, which in turn assists EKAP in making conclusions about any resource limitations or ensuring there are no instances of restricted access.

### 3. Internal Audit Performance Against Targets

#### 3.1 EKAP Resources

The EKAP has provided the service to the partners based on a FTE of 6.74. Additional audit days have been provided via audit contractors in order to meet the planned workloads.



### **3.2 Performance against Targets**

The EKAP is committed to continuous improvement and has various measures to ensure the service can strive to improve. The performance measures and indicators for the year are shown in the balanced scorecard of performance measures at Appendix 4. The measures themselves were reviewed by the Client Officer Group at their annual meeting and no changes were made.

### **3.3 Internal Quality Assurance and Performance Management.**

All internal audit reports are subject to review, either by the relevant EKAP Deputy Head of Audit or Head of the Audit Partnership; all of who are Chartered Internal Auditors. In each case this includes a detailed examination of the working papers, action and review points, at each stage of report. The review process is recorded and evidenced within the working paper index and in a table at the end of each audit report. Detailed work instructions are documented within the Audit Manual. The Head of Audit Partnership collates performance data monthly and, together with the monitoring of the delivery of the agreed audit plan carried out by the relevant Deputy Head of Audit, regular meetings are held with the s.151 Officer. The minutes to these meetings provide additional evidence to the strategic management of the EKAP performance.

### **3.4 External Quality Assurance**

The external auditors, Grant Thornton, conducted a review in February 2022 of the Internal Audit arrangements. They concluded that, where possible, they can place reliance on the work of the EKAP. See also 3.6.1 below.

### **3.5 Liaison between Internal Audit and External Audit**

Liaison with the audit managers from Grant Thornton for the partner authorities and the EKAP is undertaken largely via email to ensure adequate audit coverage, to agree any complementary work and to avoid any duplication of effort. The EKAP has not met with any other review body during the year in its role as the Internal Auditor to Folkestone & Hythe District Council. Consequently, the assurance, which follows is based on EKAP reviews of the Council's services.

### **3.6 Compliance with Professional Standards**

3.6.1 The EKAP self-assessment of the level of compliance against the Public Sector Internal Audit Standards shows that some actions are required to achieve full compliance which EKAP will continue to work towards. There is, however, no appetite with the Client Officer Group to undertake an External Quality Assessment of the EKAP's level of compliance, relying on a review by the s.151 officers of the self-assessment. Consequently, the EKAP can only say that it partially conforms with PSIAS and this risk is noted in the AGS.

3.6.2 The internal audit activity adds value to the organisation (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management and control processes.

3.6.3 In 2021-22 EKAP as required by the standards has demonstrated that it achieved the Core Principles in three key ways. Firstly, by fulfilling the definition of Internal Auditing which is the statement of fundamental purpose, nature and scope of internal auditing. The definition is authoritative guidance for the internal audit profession (and is shown at paragraph 1 above). Secondly, by demonstrating that it has been effective in achieving its mission showing that it;-

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organization.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

And thirdly by complying with The Code of Ethics, which is a statement of principles and expectations governing behaviour of individuals and organisations in the conduct of internal auditing. The Rules of Conduct describe behaviour norms expected of internal auditors. These rules are an aid to interpreting the Core Principles into practical applications and are intended to guide the ethical conduct of internal auditors. Throughout 2021-22 the EKAP has been able to operate with strong independence, free from any undue influence of either officers or Members.

### 3.7 Financial Performance

Expenditure and recharges for the year 2021-22 are all in line with the Internal Audit cost centre hosted by Dover District Council. The EKAP was formed to provide a resilient, professional service and therefore achieving financial savings was not the main driver, despite this, considerable efficiencies have been gained through forming the partnership.

## 4. Overview of Work Done

The original audit plan for 2021-22 included a total of 29 projects. EKAP has communicated closely with the s.151 Officer, CLT and this Committee to ensure the projects undertaken continued to represent the best use of resources. As a result of this liaison some changes to the plan were agreed during the year. A few projects (14) have therefore been pushed back in the overall strategic plan, to permit some higher risk projects (6) to come forward in the plan and to finalise (5) projects from the 2020-21 plan. The total number of projects completed was 24, with 2 being WIP at the year-end to be finalised in April.

### Review of the Internal Control Environment

#### 4.1 Risks

During 2021-22, 88 recommendations were made in the agreed final audit reports to Folkestone & Hythe District Council. These are analysed as being Critical, High, Medium or Low risk in the following table:

Risk Criticality	No. of Recommendations	Percentage
Critical	0	0%
High	26	30%
Medium	43	48%
Low	19	22%
<b>TOTAL</b>	<b>88</b>	<b>100%</b>

Naturally, more emphasis is placed on recommendations for improvement regarding high risks. Any high priority recommendations where management has not made progress in implementing the agreed system improvement are brought to management and members' attention through Internal Audit's regular update reports. During 2021-22 the EKAP has

raised and escalated two recommendations to the quarterly Audit & Governance Committee meetings. Across the year a total of 88 recommendations were agreed, and whilst 30% were in the Critical or High-Risk categories, none require further escalation at this time.

## 4.2 Assurances

Internal Audit applies one of four 'assurance opinions' to each review, please see Appendix 1 for the definitions. This provides a level of reliance that management can place on the system of internal control to deliver the goals and objectives covered in that particular review. The conclusions drawn are described as being "a snapshot in time" and the purpose of allocating an assurance level is so that risk is managed effectively, and control improvements can be planned. Consequently, where the assurance level is either 'no' or 'limited', or where high priority recommendations have been identified, a follow up progress review is undertaken and, where appropriate, the assurance level is revised.

The summary of Assurance Levels issued on the nineteen pieces of work completed for Folkestone & Hythe District Council together with the finalisation of the five 2020-21 audits over the course of the year is as follows:

*NB: the percentages shown are calculated on finalised reports with an assurance level*

<b>Assurance</b>	<b>No.</b>	<b>Percentage of Completed Reviews</b>
Substantial	5	26%
Reasonable	13	68%
Limited	1	6%
No	0	0%
Not Applicable	5	-
Work in Progress at Year-End	2	-

*NB: 'Not Applicable' is shown against special investigations or work commissioned by management that did not result in an assurance level.*

Taken together 94% of the reviews account for substantial or reasonable assurance, only 6% of reviews placed a limited assurance to management on the system of internal control in operation at the time of the review. There were no reviews assessed as having No Assurance.

For each recommendation, an implementation date is agreed with the Manager responsible for implementing it. Understandably, the follow up review is then timed to allow the service manager sufficient time to make progress in implementing the agreed actions against the agreed timescales. The results of any follow up reviews yet to be undertaken will be reported to the Committee at the appropriate time.

## 4.3 Progress Reports

In agreeing the final Internal Audit Report, management accepts responsibility to take action to resolve all the risks highlighted in that final report. The EKAP carries out a follow up/progress review at an appropriate time after finalising an agreed report to test whether an agreed action has in fact taken place and (for high risk) to test whether it has been effective in reducing risk.

As part of the follow up action, the recommendations under review are either:

- “closed” as they are successfully implemented, or
- “closed” as the recommendation is yet to be implemented but is on target, or
- (for medium or low risks only) “closed” as management has decided to tolerate the risk, or the circumstances have since changed, or
- (for critical or high risks only) escalated to the audit committee.

At the conclusion of the follow up review the overall assurance level is re-assessed.

The results for the follow up activity for 2021-22 are set out below.

<b>Total Follow Ups undertaken 19</b>	<b>N/A</b>	<b>No Assurance</b>	<b>Limited Assurance</b>	<b>Reasonable Assurance</b>	<b>Substantial Assurance</b>
<b>Original Opinion</b>	1	0	2	10	6
<b>Revised Opinion</b>	1	0	1	9	8

The reviews with an original limited assurance, together with the result of the follow up report, are shown in the following table:

<b>Area Under Review</b>	<b>Original Assurance (Date to A&amp;G Cttee)</b>	<b>Follow Up Result</b>
Licensing	Limited (September 2020)	Limited (September 2021)
CIL and s.106	Limited (September 2021)	Work in Progress

Consequently, the areas with fundamental issues of note arising from the audits and follow up undertaken in 2021-22 have been resolved, or escalated to the Audit & Governance Committee, during the year.

#### **4.4 Special Investigations and Fraud Related Work**

The prevention and detection of fraud and corruption is ultimately the responsibility of management however, the EKAP is aware of its own responsibility in this area and is alert to the risk of fraud and corruption. Consequently, the EKAP structures its work in such a way as to maximise the probability of detecting any instances of fraud. The EKAP will immediately report to the relevant officer any detected fraud or corruption identified during the course of its work; or any areas where such risks exist.

The EKAP is, from time to time, required to carry out special investigations, including suspected fraud and irregularity investigations and other special projects. Whilst some responsive assurance work was carried out during the year at the request of management, there were no fraud investigations conducted by the EKAP on behalf of Folkestone & Hythe District Council in 2021-22.

The EKAP is named in the Council’s whistleblowing policy as a route to safely raise concerns regarding irregularities, for which EKAP manages the Hotline (24-hour answer machine service) 01304 872198.

The internal audit team will build on its data analytical skills and will continue to develop exploring the opportunity to discover fraud and error by comparing different data sets and matching data via the use of specialist auditing software.

#### **4.5 Completion of Audit Plan**

Appendix 2 shows the planned time for reviews undertaken, against actual time taken, follow up reviews, responsive assurance work and reviews resulting from any special investigations

or management requests. 342.42 audit days were completed for Folkestone & Hythe District Council during 2021-22 which represents 97.83% plan completion.

The EKAP was formed in October 2007; it completes a rolling programme of work to cover a defined number of days each year. As at the 31<sup>st</sup> March each year there is undoubtedly some “work in progress” at each of the partner sites; some naturally being slightly ahead and some being slightly behind in any given year. The Balanced Scorecard at Appendix 3 provides the overview of plan completion across the partnership.

## 5. Overall Opinion 2021-22

It is a requirement of s.151 of the Local Government Act 1974 for the Council to maintain an ‘effective’ internal audit function, when forming my opinion on the Council’s overall system of control, I need to have regard to the amount of work which we have undertaken upon which I am basing my opinion. Having completed 97.83% of the planned days, there is sufficient underpinning evidence to provide my opinion for 2021-22, as follows;

### 5.1 Corporate Governance

Corporate Governance is defined as being the structure of rules, practices and processes that direct and control the Council. To support the Head of Audit Opinion the EKAP will undertake specific reviews (on a rotational basis) aligned to these processes as a part of the Audit Plan. During 2021-22 four such reviews were finalised, to include Freedom of Information, COVID Grant Schemes, Councillor Grants and Princes Parade Project Arrangements. Good levels of assurance in these areas for 2021-22 means the Head of Audit Partnership is satisfied the Council complies with Corporate Governance guidance.

### 5.2 Internal Control

The EKAP has been commissioned to perform only one follow up, in 2020-21 there was one review that remained Limited Assurance after follow up, and there were two recommendations that were originally assessed as critical or high risk, which remained a high priority and outstanding after follow up escalated to the Audit & Governance Committee during the year.

Reviews previously assessed as providing a Limited or No Assurance that are yet to be followed up are shown in the table below. The progress reports for these will be reported to the Committee at the meeting following completion of the follow up.

Area Under Review	Original Assurance (Date to A&G Cttee)	Progress Report
CIL and s.106	Limited (November 2016)	Quarter 1 2022-23

Management has responded well to agreed recommendations made by Internal Audit, worthy of note is the successful turnaround of Tenant’s Health and Safety with the final review in this area achieving a Substantial Assurance as reported to the July 2021 meeting of this Committee. The Council brought EKAP in to review the Tenant Health & Safety procedures early after taking back control of the housing function in October 2020. This resulted in low levels of assurance and generated recommendations to enable the Council to improve its systems and controls. Once embedded, this led to the revised opinion of Substantial Assurance, which in turn helped the Council be released from regulation by the Housing Regulator, this was a significant achievement and the approach taken by Management was very positive.

The Head of Audit Partnership is satisfied the Council can place assurance on the aspects of the systems of control tested and in operation during 2021-22.

### **5.3 Risk Management**

The Council keeps a corporate risk register. The Audit & Governance Committee are responsible for overseeing the risk management framework. Each quarter the Committee reviews the Corporate Risks and considers the report of the Director – Corporate Services. The next independent EKAP review of the Risk Management process is scheduled for the 2023-24 audit plan. The previous EKAP review concluded in 2019 with Substantial Assurance.

The Head of Audit Partnership is aware of the corporate review of risk management in 2021-22 and is satisfied the Council's risk management arrangements are effective.

## 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.

**Performance against the Agreed 2021-22  
Folkestone & Hythe District Council Audit Plan**

<b>Review</b>	<b>Original Planned Days</b>	<b>Revised Planned Days</b>	<b>Actual To 31/03/2022</b>	<b>Status and Assurance level</b>
<b>FINANCIAL SYSTEMS</b>				
Business Rates	10	0	0	Deferred
Housing Benefit Overpayments	10	11	11.25	Finalised - Substantial
Housing Benefit DHP	10	8	8.10	Finalised - Substantial
Housing Benefit Subsidy	10	0	0	Deferred
<b>HOUSING SYSTEMS</b>				
Homelessness	10	0	0.14	Deferred
Rent Setting, Accounting & Collection	10	12	12.12	Finalised - Substantial
Resident Engagement	10	8	8.14	Finalised - Reasonable
Voids Management	10	14	14.62	Finalised - Reasonable
Tenants' Health & Safety	10	0	0.41	Deferred
Contract Management	10	0	0.27	Deferred
Data Integrity	10	10	8.40	Work-in-Progress
Garage Deposits/ Management	10	13	13.21	Finalised - Reasonable
Housing Regulator	10	0	0.17	Deferred
Right to Buy	10	0	0.03	Deferred
<b>ICT SYSTEMS</b>				
ICT review	10	12	11.66	Finalised - Substantial
<b>HUMAN RESOURCES SYSTEMS</b>				
Flexi, Leave and Sickness	10	0	0.17	Deferred
<b>GOVERNANCE RELATED</b>				
Freedom of Information	10	10	7.78	Work-in-Progress
Fraud Resilience Arrangements	10	1	1.25	Deferred
Otterpool Park Governance	10	1	0.92	Deferred
<b>SERVICE LEVEL</b>				
Business Continuity / Emergency Planning	10	0	0	Deferred
Councillor Grants	10	13	13.49	Finalised - Reasonable
Climate Change	10	16	16.85	Finalised - Reasonable
E-Procurement & Purchase Cards	10	12	12.41	Finalised - Reasonable
Engineers / Coast Management	10	13	13.24	Finalised - Reasonable
Garden Waste / Recycling Management	10	10	0.84	Deferred
Lifeline	10	0	0.10	Deferred
Folkestone Community Works Programme	10	10	9.39	Finalised - Reasonable
Planning Income	10	0	0	Deferred
Safeguarding	10	10	9.93	Finalised - Reasonable
<b>OTHER</b>				
Committee Reports & Meetings	10	10	10.52	Finalised for 2021-22
S151 Meetings & Support	10	6	5.88	Finalised for 2021-22
Corporate Advice / CMT	5	4	3.57	Finalised for 2021-22
Liaison with External Audit	1	1	0.03	Finalised for 2021-22
Audit Plan prep & Meetings	10	12	12.49	Finalised for 2021-22
Follow Up Reviews	14	23	23.53	Finalised for 2021-22



Review	Original Planned Days	Revised Planned Days	Actual To 31/12/2022	Status and Assurance level
<b>FINALISATION OF 2020-21 AUDITS</b>				
Scheme of Delegations	10	1	1.29	Finalised - Reasonable
Community Safety Partnership		3	3.19	Finalised - Reasonable
Planning CIL & S106		7	7.18	Finalised - Limited
Grounds Maintenance		1	0.68	Finalised - Reasonable
Housing H&S Compliance		7	6.58	Finalised - Substantial
<b>RESPONSIVE ASSURANCE</b>				
Election Duties	0	2	1.74	Completed
Princes Parade Project Arrangements	0	13	13.39	Finalised – N/A
COVID Grants	0	52	52.56	Draft Report - Reasonable
Pay Policy	0	4	3.69	Finalised – N/A
Ross House	0	9	9.32	Finalised – N/A
Apprentices Review	0	6	6.65	Finalised – N/A
Development Management Salesforce Print Issue	0	5	5.24	Finalised – N/A
<b>Total</b>	<b>350</b>	<b>350</b>	<b>342.42</b>	<b>97.83%</b>

**EKAP Balanced Scorecard – 2021-22**

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2021-22 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2021-22 Actual</u>	<u>Original Budget</u>
	Quarter 4		Reported Annually		
Chargeable as % of available days	89%	80%	• Cost per Audit Day	£319.67	£356.35
Chargeable days as % of planned days			• Direct Costs	£446,288	£459,443
CCC	94.78%	100%	• + Indirect Costs (Recharges from Host)	£10,530	£10,945
DDC	99.20%	100%	• - 'Unplanned Income'	-£7,587.50	Zero
TDC	91.00%	100%			
FHDC	97.83%	100%	• = Net EKAP cost (all Partners)	£449,230.50	£470,388
EKS	92.73%	100%			
Overall	95.45%	100%			
Follow up/ Progress Reviews;			Minus Prior Year Saving Refunded	-£27,261.54	Zero
• Issued	62	-	EKAP Charge for 2021-22	£421,968.96	
• Not yet due	21	-			
• Now due for Follow Up	20	-			
Compliance with the Public Sector Internal Audit Standards (PSIAS)	Partial	Full			

<b><u>CUSTOMER PERSPECTIVE:</u></b>	<b><u>2021-22 Actual</u></b>	<b><u>Target</u></b>	<b><u>INNOVATION &amp; LEARNING PERSPECTIVE:</u></b>	<b><u>2021-22 Actual</u></b>	<b><u>Target</u></b>
	<b>Quarter 4</b>		<b>Quarter 4</b>		
<b>Number of Satisfaction Questionnaires Issued;</b>	<b>62</b>		<b>Percentage of staff qualified to relevant technician level</b>	<b>74%</b>	<b>74%</b>
<b>Number of completed questionnaires received back;</b>	<b>25</b>		<b>Percentage of staff holding a relevant higher level qualification</b>	<b>38%</b>	<b>38%</b>
	<b>= 40%</b>		<b>Percentage of staff studying for a relevant professional qualification</b>	<b>15%</b>	<b>N/A</b>
<b>Percentage of Customers who felt that;</b>			<b>Number of days technical training per FTE</b>	<b>6.66</b>	<b>3.5</b>
• Interviews were conducted in a professional manner	<b>99%</b>	<b>100%</b>	<b>Percentage of staff meeting formal CPD requirements (post qualification)</b>	<b>38%</b>	<b>38%</b>
• The audit report was 'Good' or better	<b>100%</b>	<b>90%</b>			
• That the audit was worthwhile.	<b>98%</b>	<b>100%</b>			

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This report will be made public on 20 July 2022



Report Number **AUG/22/07**

**To:** Audit and Governance Committee  
**Date:** 28th July 2022  
**Status:** Non-Executive Function  
**Director:** Amandeep Khroud, Assistant Director – Governance, Law and Service Delivery

**SUBJECT: ANNUAL GOVERNANCE STATEMENT 2021/22**

## **SUMMARY**

Under the Accounts and Audit (England) Regulations 2015, local authorities are required to produce an Annual Governance Statement. This report describes the process followed and seeks approval for the Annual Governance Statement for the year 2021/22.

## **REASONS FOR RECOMMENDATIONS:**

The Committee is asked to agree the recommendations set out below because:-

- a) The Council is required to publish an Annual Governance Statement under the Accounts and Audit (England) Regulations 2015.
- b) In order to comply with best practice, those charged with governance should independently contribute to the maintenance of an effective programme of internal control.
- c) Those charged with governance are required to consider the statement independently of the financial statements.

## **RECOMMENDATIONS:**

1. To receive and note report AuG/22/07.
2. To approve the draft Annual Governance Statement for 2021/22.
3. To approve the council's corporate action plan outlined in Appendix 1 for 2022/23.

## **1. INTRODUCTION**

1.1 The Annual Governance Statement is a corporate document and should involve a variety of people charged with delivering good governance across the authority. This includes:

- Chief Executive, Directors, Assistant Directors, Chief Officers and managers who are responsible for managing risks and the delivery of services.
- The Chief Financial Officer who is responsible for the accounting control systems and the preparation of the Statement of Accounts.
- The Monitoring Officer in meeting his/her statutory responsibilities.
- Members (e.g. the Leader and the Audit and Governance Committee).
- Others responsible for providing assurance, such as Internal Audit.

1.2 As a corporate document the Annual Governance Statement should be owned by all senior officers and members of the local authority. A successful statement will support the Council in achieving its statutory obligations and objectives, therefore satisfying the regulations.

## **2. LEGISLATIVE REQUIREMENTS**

2.1 Regulation 3 of the Accounts and Audit (England) Regulations 2015, states:

### **Responsibility Internal Control**

A relevant authority must ensure that it has a sound system of internal control which —

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk.

2.2 Regulation 6 of the Accounts and Audit (England) Regulations 2015 states:

### **Review of Internal Control System**

(1) A relevant authority must, each financial year —

- (a) Conduct a review of the effectiveness of the system of internal control required by regulation 3; and
- (b) Prepare an annual governance statement;

(2) If the relevant authority referred to in paragraph (1) is a Category 1 authority, following the review, it must —

(a) Consider the findings of the review required by paragraph (1)(a) —

(i) by a committee; or

(ii) by members of the authority meeting as a whole; and

(b) Approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of —

(i) a committee; or

(ii) members of the authority meeting as a whole.

2.3 The Annual Governance Statement, as required by 2(b) above, is appended to this report. The format of the statement follows the guidance given by CIPFA in its document [“delivering good governance” addendum.pdf](#).

2.4 The Council’s external auditor, Grant Thornton, reviews the assurance process annually as part of its work programme. The assurance process must show evidence that the Council has “effective corporate governance arrangements embedded within the authority”.

### **3. Annual Governance Statement 2021/22**

3.1 A number of officers have been involved in the production of the Annual Governance Statement (AGS), and they have updated and reviewed the sections relevant to their service area. These officers include the Chief Executive, S151 Officer, the Monitoring Officer, the Lead Accountant and the Performance & Improvement Specialist. The Annual Governance Statement has also been reviewed by the Head of the East Kent Audit Partnership.

3.2 This year’s AGS includes sections on:

- The lifting of the regulatory notice for health and safety non-compliance on the Council’s Housing Service by the Regulator for Social Housing as result of the improvement work undertaken since the service returned to the Council in October 2020 from the now dissolved East Kent Housing ALMO. The service, which is integrating as part of the council’s operations, has established reporting mechanisms. Internal governance processes are under review and will focus on ensuring continuous service improvement for tenants (See section 5 of the AGS).
- The Legal and Governance arrangements following the first annual review of the Otterpool Park LLP business plan (approved by Cabinet in January 2022) and the introduction of a new assurance framework established by the Statutory Officers of the Council during the year to support the business plan. (See Sections 6.4 and 6.5 of the AGS)

3.3 As part of the review of the council’s governance arrangements a number of areas for development have been identified, which are detailed in the action plan for 2022/23, which can be found in Appendix 1 of AGS.

3.4 The Action Plan for 2021/22 has been reviewed and progress against last year's actions is detailed in Appendix 2 of this document.

#### 4. RISK MANAGEMENT ISSUES

4.1 The risk associated with this report are summarised as follows:

Perceived risk	Seriousness	Likelihood	Preventative Action
The Annual Governance Statement is prepared incorrectly	High	Low	The statement has been reviewed by all the council's Statutory Officers and the council's external auditors, Grant Thornton.
The Annual Governance Statement is prepared without involving members	High	Low	The Audit and Governance Committee's Terms of Reference includes responsibility for reviewing the Annual Governance Statement and the item will be considered at their meeting on 28 July 2022.
The action plan contained with the Annual Governance Statement is not carried out	Medium	Low	The action plan is reviewed and monitored regularly throughout the year and actions are regularly reported to the Audit and Governance Committee by the council's Monitoring Officer.

#### 5. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

##### 5.1 Legal Officer's Comments (AK)

The council's statutory duties to produce an Annual Governance Statement are set out in the body of the report.

##### 5.2 Finance Officer's comments (CI)

The requirements for sound financial management/reporting are set out in the body of the report. The Annual Governance Statement sets out how the council complies with these requirements.

##### 5.3 Equalities (GE)

No issues arising directly from the report. The council has sound governance arrangements to ensure it complies with all its statutory duties, as set out in the Equality Act 2010.



## 6. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Cheryl Ireland – Chief Financial Services Officer  
Telephone: 07834 150176  
Email: [cheryl.ireland@folkestone-hythe.gov.uk](mailto:cheryl.ireland@folkestone-hythe.gov.uk)

Gavin Edwards  
Performance and Improvement Specialist  
Tel: 01303 85 3436  
Email: [gavin.edwards@folkestone-hythe.gov.uk](mailto:gavin.edwards@folkestone-hythe.gov.uk)

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

CIPFA Delivering Good Governance in Local Governance: Framework.  
CIPFA Delivering Good Governance in Local Governance: Framework. -  
Addendum  
CIPFA Delivering Good Governance in Local Governance: Guidance Note  
for English Authorities

### **Appendices:**

**Appendix 1:** Annual Governance Statement 2021/22

**Appendix 2:** Review of the 2021/22 Action Plan for improvement following review of effectiveness of governance arrangements.

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Appendix 1



# Folkestone & Hythe District Council Annual Governance Statement 2021/22 (DRAFT)



# Annual Governance Statement 2021/22

## 1. SCOPE OF RESPONSIBILITY

- 1.1 Folkestone and Hythe District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and the management of risk.
- 1.3 The Council has a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE framework “Delivering Good Governance in Local Government.” A copy of the code is on our website or a copy can be obtained from the Council offices. This statement explains how the Council has complied with the code and also meets the requirements under the Accounts and Audit Regulations 2015 (SI 2015/184).

## 2. THE PRINCIPLES OF GOOD GOVERNANCE

- 2.1 The CIPFA/SOLACE Delivering Good Governance publication (2016) defines the various principles of good governance in the public sector. The document sets out seven core principles that underpin the governance framework and these are set out below:



### 3. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 3.1 The governance framework comprises the systems and processes, culture and values, by which the Council is directed and controlled. It also comprises the activities through which the Council accounts to, engages with and leads the community. The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:
- Identify and prioritise risks to the achievement of the Council’s aims and objectives.
  - Evaluate the likelihood and impact of those risks.
  - Manage those risks efficiently, effectively and economically.
- 3.3 The information provided in the governance framework includes matters to the year ending 31 March 2022, and up to the date of approval of the annual report and statement of accounts.

**Table 1: Overview of the Council’s governance framework**

<u>Cabinet</u>		
Responsible for: <ul style="list-style-type: none"> <li>• Discharging executive functions in accordance with the policy framework and budget</li> <li>• Approving the authority’s risk management policy statement and strategy, and for reviewing the effectiveness of risk management</li> <li>• Approving the Anti-Fraud and Corruption Framework</li> <li>• Receiving regular performance updates to monitor achievement of key priorities, customer charter standards, performance indicators and spend against the planned budget.</li> </ul>		
<u>Overview &amp; Scrutiny</u>	<u>Council</u>	<u>Audit and Governance</u>
Responsible for: <ul style="list-style-type: none"> <li>• Reviewing the work and decisions of the Cabinet, and all areas of the Council’s work.</li> <li>• Carrying out specific projects and investigations and considering matters or services provided by an outside organisation that could affect local residents.</li> <li>• Exercise the power to call in a decision of the cabinet or a cabinet member.</li> </ul>	Responsible for: <ul style="list-style-type: none"> <li>• Adopting the authority’s Constitution, including codes of conduct and approving the budget and policy framework.</li> <li>• Setting the budget and determining the level of Council Tax</li> <li>• All the authority’s non-executive functions. Functions which have not been delegated, remain the sole responsibility of the whole or full Council.</li> </ul>	Responsible for: <ul style="list-style-type: none"> <li>• Promoting and maintaining the highest standards of conduct by Councillors.</li> <li>• Monitoring the operation of the Councillors’ Code of Conduct.</li> <li>• Advising, training or arranging to train Councillors on matters relating to the Code where necessary.</li> <li>• Considering and recommending to Council, when necessary, changes to the financial procedure rules and contract standing orders.</li> <li>• Providing independent assurance on the adequacy of the risk management framework.</li> </ul>

<p><b>Finance and Performance Sub Committee</b></p> <p>Responsible for:</p> <ul style="list-style-type: none"> <li>To scrutinise the Council's performance against KPIs and make recommendations as appropriate, to the Cabinet and / or Overview and Scrutiny Committee.</li> <li>To scrutinise the Council's financial monitoring data against budget and make recommendations as appropriate, to the Cabinet and / or Overview and Scrutiny Committee.</li> </ul>		
<p><b><u>Decision Making</u></b></p> <ul style="list-style-type: none"> <li>All decisions are made in line with legislation and rules set out in Council's Constitution.</li> <li>Reports, decisions and minutes of committee meetings published on the Council's website.</li> <li>All committee meetings are held in public and webcast. Webcast recordings of previous meetings are available to the public for six months.</li> </ul>	<p><b><u>Risk Management</u></b></p> <ul style="list-style-type: none"> <li>The Councils' Risk management Strategy ensures proper management of risks</li> <li>Risk registers identify both strategic and operational risks</li> <li>Regular updates on the management of risk are provided to the Corporate Leadership Team, Audit and Governance Committee and Cabinet.</li> </ul>	
<p><b><u>Statutory Chief Officers</u></b></p> <ul style="list-style-type: none"> <li><b>Head of Paid Service:</b> This role resides with the Chief Executive and has a duty to monitor and review the operations of the Constitution to ensure its aims and principles are given full effect. The Authority keeps the appropriateness of the Constitution under review.</li> <li><b>Chief Finance Officer (Section 151):</b> The Director for Corporate Services holds the role of Chief Finance Offer, a fundamental building block of good corporate governance. The two critical aspects of the role are stewardship and probity in the use of resources; and performance, extracting the most value from the use of those resources.</li> <li><b>Monitoring Officer:</b> The Assistant Director for Governance &amp; Law holds the role of Monitoring Officer and is responsible for: <ul style="list-style-type: none"> <li>Maintaining and interpreting the Councils constitution, ensuring lawfulness and fairness of decision-making.</li> <li>Providing advice to all councillors, on the scope of powers and authority to take decisions; maladministration; financial impropriety; probity; and Budget and Policy Framework issues.</li> <li>Conducting investigations, or arrange for investigations to be conducted, into complaints concerning alleged breaches of the councillor's Code of Conduct.</li> </ul> </li> </ul>		

Following a full council motion work was undertaken during 2019/20 to review and strengthen the governance structure of the Council. This work, which remains ongoing, made in-year improvements in the functioning of the Overview & Scrutiny Committee. During the year assistance from external specialist expertise was given from Bevan Brittan, the Local Government Association and from the Centre for Governance and Scrutiny. Best practice elsewhere was considered and in October 2021, the following changes were

introduced to provide more robust scrutiny and greater Member involvement earlier in strategy and policy development, and in decision making by:

- Focusing meetings of the Overview and Scrutiny Committee on critical council activities.
- Creating a dedicated finance and performance sub-group to meet quarterly.
- Developing a prioritised committee work plan to include about 12 clearly scoped topics by OSC Members, allowing for detailed consideration of the most significant matters facing the council and considering no more than two of those topics per meeting, in general.
- Ensuring work plan topics have clear lines of enquiry, questions, and to draw on external expertise as necessary.
- Members leading the items at Scrutiny meetings, with relevant portfolio holders in attendance.
- Introducing an established Cabinet and Overview and Scrutiny Protocol to clarify relationships between the two and to help ensure the smooth conduct of Scrutiny work, which was adopted by both groups in October 2020.

In February 2022, full council received a progress update on the work undertaken to review the governance arrangements of the council (report ref: A/21/22). The report highlighted the work achieved so far against a set of goals agreed by members for governance change – Inclusiveness, Representation, Accountability, Effective Scrutiny, Efficiency and Transparency. A further decision on any changes to the council's governance arrangements was then considered at full council in May 2022, and members decided not to make changes to the current governance arrangements (report ref A/22/07).

In addition to the improvements implemented with the Overview & Scrutiny Committee, it should be noted that:

- In December 2019, members of Full Council approved a recommendation made by the Audit and Governance committee to appoint an independent member to that committee in line with the updated 2018 CIPFA Practical Guidance for Local Authorities and Police (Report ref: A/19/20). The guidance recognises that the recruitment of independent members is undertaken to bring additional knowledge and expertise to the committee, reinforce political neutrality as well as maintain continuity of committee membership where it is affected by the electoral cycle. The position for an independent member of the Audit and Governance committee was advertised during the year and was successfully appointed at a Special meeting of the Audit and Governance Committee held on the 24 November 2020.

- Since 1<sup>st</sup> February 2020 changes have also been made to the membership of Cabinet which now includes a Councillor from the Green party and a Councillor from the Liberal Democrat party. They joined two councillors from the Independent party, and five conservative members to form the executive under the leadership of the Conservative party. The political composition of executive has continued to remain the same during the 2021/22 year.

## Strategic Planning
















3.4 The Council identifies and communicates its aims and ambitions for the district through its Corporate Plan. The latest plan covers the period 2021 to 2030, and was agreed by both Cabinet and Council in February 2021 (report ref: A/20/10). Within this period in the short term there is a focus on COVID recovery, and the Plan will be reviewed in 2024.

The Corporate Plan sets out the Council’s vision for improving the lives for all those who live and work in the district for the next nine years.

The vision for Folkestone & Hythe is ‘**Creating Tomorrow Together**’.

To help achieve the vision for the district, the Council has four service ambitions and six guiding principles set out below:

### Creating Tomorrow Together: Corporate Plan 2021-30

<p><b>Service ambition 1:</b> Positive community leadership</p> <p>Priorities in the next three years</p> <ul style="list-style-type: none"> <li> Improve physical and mental health &amp; wellbeing</li> <li> Safer communities</li> <li> Supporting &amp; empowering our communities</li> </ul>	<p><b>Service ambition 2:</b> A thriving environment</p> <p>Priorities in the next three years</p> <ul style="list-style-type: none"> <li> Ensure an excellent environment for everyone</li> <li> Grow the circular economy &amp; reduce waste</li> <li> Increase our resilience to climate change</li> </ul>	<p><b>Service ambition 3:</b> A vibrant economy</p> <p>Priorities in the next three years</p> <ul style="list-style-type: none"> <li> Reinvalidate the high streets</li> <li> Support a vibrant &amp; diverse business community</li> <li> Help people access jobs &amp; opportunity</li> <li> Grow the skills we need for the future</li> </ul>	<p><b>Service ambition 4:</b> Quality homes and infrastructure</p> <p>Priorities in the next three years</p> <ul style="list-style-type: none"> <li> Improve outcomes &amp; support for homeless people</li> <li> Deliver sustainable, affordable housing</li> <li> Deliver a safe, accountable housing service</li> <li> Digital inclusion &amp; connectivity</li> <li> Deliver a sustainable new development at Otterpool Park</li> </ul>		
<p><b>In everything we do we will follow these guiding principles:</b></p>					
<p><b>Sustainable recovery</b> We will do all we can to ensure a strong recovery for the district from the effects of COVID.</p>	<p><b>Locally distinctive</b> We will protect the special distinctive and diverse nature of our district - working with our key partners to enhance it.</p>	<p><b>Greener Folkestone &amp; Hythe</b> We will encourage and create a more sustainable district consuming fewer natural resources.</p>	<p><b>Transparent, stable, accountable and accessible</b> We will be financially sustainable and communicate effectively with our communities in an accessible way.</p>	<p><b>Working effectively with partners</b> We will engage with partners to understand the vital role they play and work collaboratively with them to ensure the best outcomes for our residents.</p>	<p><b>Continuous improvement</b> We will embed a culture of continuous improvement, seeking feedback and being innovative and creative to find new ways to deliver services.</p>



3.5 For each service ambition set out above, the Council has committed to a number of priorities within the Corporate Plan that will be delivered over the next three years.



- 3.6 In order to support the delivery of the corporate plan priorities illustrated above, work has been undertaken during the year with directors, chief officers and their service leads to develop a Corporate Action Plan that documents a series of high level actions under each of the four corporate service ambitions that the Council will work towards achieving during the three year period to 2024. A draft of the Corporate Action Plan was presented to the Overview & Scrutiny Committee for consideration in September 2021 before being approved at Cabinet in October 2021 (Report ref: C/21/40).
- 3.6 Elected Members of the council are ultimately responsible for the delivery of the council's corporate objectives. The council has strong communication channels between Members and officers. Meetings are regularly held between officers and Cabinet Members to discuss specific issues relating to their individual portfolios and the progression towards defined corporate objectives.
- 3.7 Effective communication, both within departments and across the council is continually supported through the wider management team, consisting of the Chief Executive, Directors, Chief Officers and Service Managers to help ensure consistent delivery of corporate priorities and messages.
- 3.8 On an annual basis, managers are required to develop, and keep under review, a departmental service plan setting out the priorities and key outcomes for the coming year. Service plans form an integral part of the overall corporate planning process, linking the Council's strategic aspiration (Corporate Plan) to team performance (service plans) and individual performance (performance reviews), in order to effectively manage resources and deliver high quality services for our residents.

During the 2021/22 year the council has also undertaken a number of unexpected activities, such as awarding an Energy Tax Rebate and responding to the support for Ukraine etc., and these additional activities have been undertaken by the council's existing teams with relevant reports being provided to Members so that appropriate governance controls are in place with Member oversight.

## **Transparency**

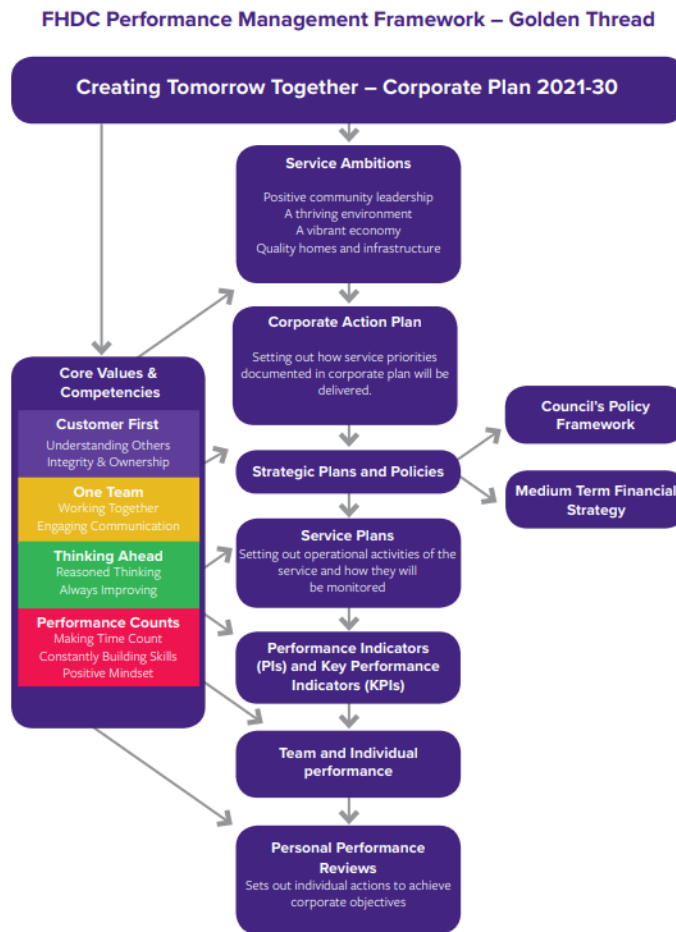
- 3.9 In 2015, the Government introduced the Local Government Transparency Code. The Code is designed to ensure data is made more readily available by local authorities to increase democratic accountability and make it easier for local people to contribute to the local decision making process and help shape public services.
- 3.10 Folkestone and Hythe District Council as a public funded organisation is fully committed to principles of openness and accountability and has clearly articulated this as a Guiding Principle in its Corporate Plan. In line with the Transparency Code, the Council continues to publish on its website a series of data sets and information including;
- Senior Staff Salaries

- Organisational Structure Chart
- Payment to suppliers (over the value £250)
- Purchase Orders (£5,000 and over)
- Pay Multiples - The ratio between the earnings of the highest paid employee and the median earnings figure of our employees.
- Grants to Voluntary, Community and Social Enterprise Organisations
- Parking Accounts
- Local Authority Land Assets
- Fraud - Information relating to the work we do countering fraud
- Trade Union Facility Time

## **Performance Management**

- 3.11 The Council has an established Performance Management Framework (PMF) in place to keep the Council on track and focused on delivery of its key priorities, by providing elected members, managers and staff with the information and tools they need to deliver high-quality and high-performing services which help to achieve good outcomes for residents.
- 3.12 The Performance Management Framework demonstrates how the Council's corporate vision and objectives are cascaded down through the organisation in what is known as the 'Golden Thread' (See diagram 1). The objectives defined with the corporate plan and our core values help drive the development of strategic policy, operational service plans and the performance of both teams and individual members of staff. This matter is kept under review and a revised version of framework was considered by the Overview & Scrutiny Committee in June 2021 and approved by Cabinet in July 2021 (Report ref: C/21/25).

## Diagram 1: FHDC Golden Thread of Performance Management:



3.13 The Council has recently enhanced its performance reporting procedures to Members. The new Finance & Performance Sub Committee and Cabinet receive Quarterly Performance Reports enabling them, along with other Members of the Council and the public to scrutinise the performance of the Council against strategic deliverables and key indicators in accordance with the approved Corporate Plan. All performance reports presented are made publically available through the Council's website.

3.14 A key component of performance management for the Council is the overall quality of the service provided to the customer. The Customer Access Strategy takes into consideration customers' feedback to develop and implement plans to improve the way in which the Council delivers and receives day to day information about the services it provides. The strategy also sets out the council's principles in delivering customer service for its residents.

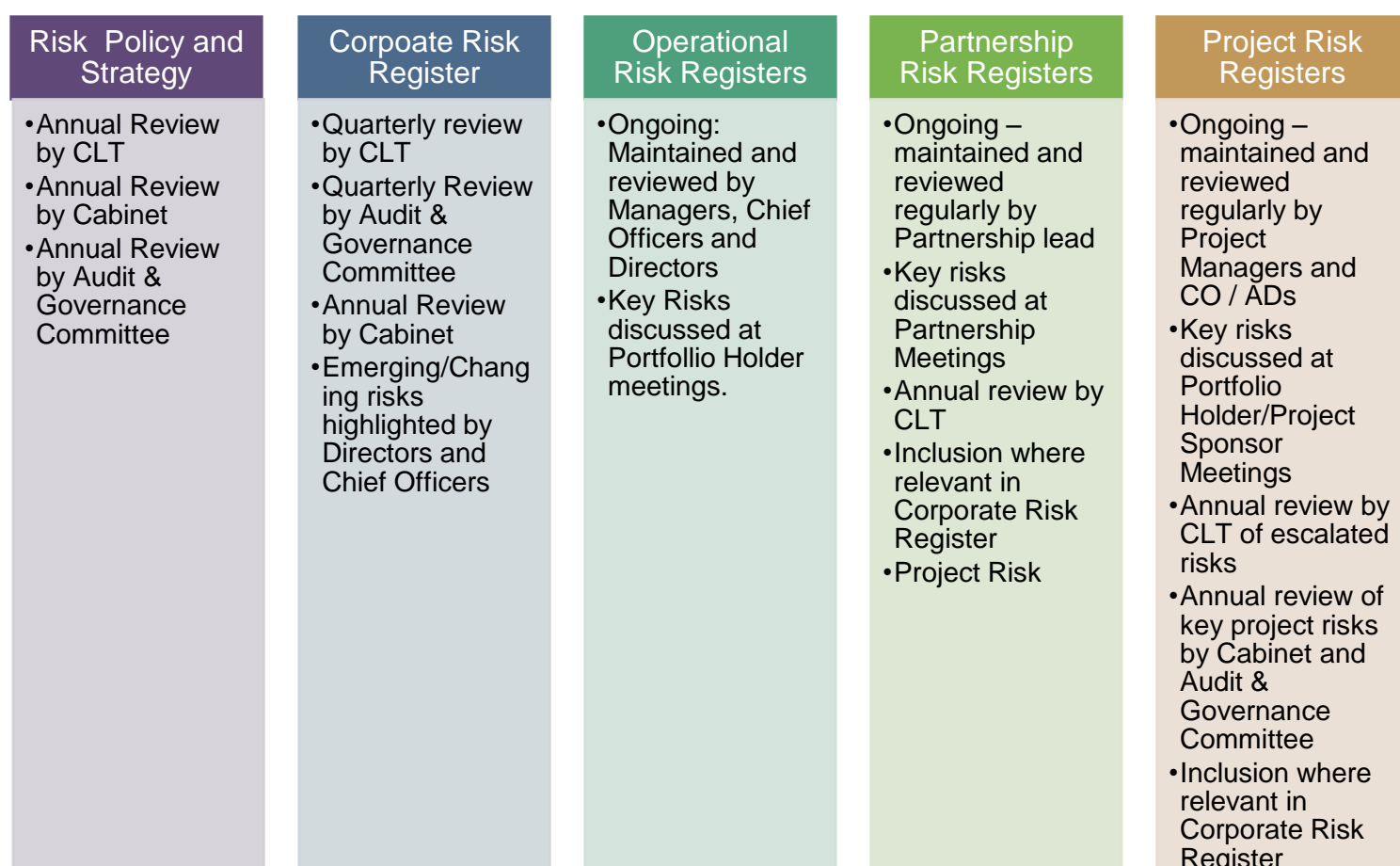
In September 2021, the Council successfully retained its Customer Service Excellence (CSE) accreditation. The accreditation is a Government standard developed to offer a practical tool for driving customer-focused change within organisations. The independent assessor was so impressed by the Council's ongoing commitment to customer service he awarded a further 2 compliance

plusses as part of his latest inspection bringing the overall number awarded to 17.

## **Risk**

- 3.15 The Council's Risk Management Strategy (Adopted by Cabinet in March 2022, report ref: C/21/95) is reviewed on annual basis to reflect any changes in the council's assessment of risk management matters. The strategy sets out the approach that has been adopted for identifying, evaluating, managing and recording risks to which the council is exposed.
- 3.16 In preparing the Council's Corporate Risk Register a detailed review of the risks is undertaken by Directors and Chief Officers, with consideration given to the emergence of potential new risks alongside those previously identified as part of the business planning process. This is a dynamic process with progress made against any required action in relation to the risks being reported to the council's Corporate Leadership Team on a regular basis for review and action.
- 3.17 The Audit and Governance Committee are responsible for considering the effectiveness of the authority's risk management arrangements, and to seek assurance that action is being taken to mitigate those risks identified. The Corporate Risk Register is presented regularly to the Audit and Governance Committee. In addition the committee reviews the council's Risk Policy and Strategy and Corporate Risk Register annually, ahead of these documents being presented to Cabinet for adoption. The latest edition of the Risk Policy and Strategy and Corporate Risk Register was considered by the Audit & Governance Committee on 16<sup>th</sup> March 2022 and then approved by Cabinet on 23<sup>rd</sup> March 2022 (Report ref: C/21/95).
- 3.18 Diagram 2 below provides an overview of the updated governance and reporting arrangements in place for both the Risk Management Policy and Strategy and the Corporate Risk Register to ensure risk remains at the forefront of the Council's operations:

**Diagram 2: Reporting Arrangements for Risk Management**



## Finance

- 3.19 Section 151 of the Local Government Act 1972 requires a council to ensure that one of their officers has responsibility for the proper administration of its financial affairs. During 2021/22 this responsibility was held by the Director of Corporate Services. Directors, Chief Officers and Service Managers are responsible for the financial management of their service areas within the council, which includes accurate forecasting and the effective monitoring of financial performance against budget considered throughout the year.
- 3.20 The council’s financial management arrangements conform to the governance requirements of CIPFA’s Statement on the Role of the Chief Financial Officer in Local Government as set out in ‘*Delivering Good Governance in Local Government*’.
- 3.21 The Medium Term Financial Strategy (MTFS) is the Council’s key financial planning document which puts the financial perspective on the council’s Corporate Plan priorities. The MTFS was updated and approved by Council in October 2021 and expresses the aims and objectives of various plans and strategies in financial terms over a four year period ending 31<sup>st</sup> March 2026.

The MTFS is a key element of sound corporate governance and financial management which is reviewed and agreed by Members on a regular basis.

- 3.22 In addition, the Finance & Performance Subcommittee recommended to Cabinet the adoption of the Treasury Management Strategy for the 2021/22 financial year at its meeting on 12<sup>th</sup> January 2021; Cabinet endorsed this at its subsequent meeting (report ref: C/20/64). A mid-year Treasury Management monitoring report was then presented to the Finance & Performance Sub Committee at its meeting on 18<sup>th</sup> January 2022 which provided an update on the council's treasury management activities that had taken place during the year against the agreed strategy and an update on the treasury management indicators.
- 3.23 Full Council consider annually the Investment Strategy and Capital Strategy by 31 March for the financial year ahead. These strategies consider the Council's service and commercial investments and capital expenditure, financing & treasury management, as well as Prudential Indicators. Full Council adopted the relevant strategies for 2021/22 on 24 February 2021 (report references: C/20/72 & C/20/74).
- 3.24 Regular budget monitoring took place in 2021/22 in order to manage the council's net revenue budget. Regular meetings were held between officers and the Cabinet Portfolio Holders to discuss any specific budget issues and budget monitoring reports were presented to the Finance & Performance Sub Committee and Cabinet on a quarterly basis. It was appropriate to continue to have an additional focus on the council's revenue budget monitoring during 2021/22 due to the unprecedented impacts of the pandemic on council finances.
- 3.25 The level of reserve balances is reviewed annually in line with the budget setting process and is reported to Finance & Performance Sub Committee and Cabinet as part of the quarterly budget monitoring reports. The level of reserves currently held has been endorsed and reported by the S151 Officer as adequate and in line with the council's Reserves Policy.
- 3.26 During the very latter stages of the 2021/22 year the senior team was made aware of issues within the Housing service area regarding contract management and potential breaches of the Contract Standing Orders. Both a disciplinary investigation and Internal Audit review were commissioned to identify the extent of the non-compliance and make recommendations for improvement of the control environment. These are now well progressed and anticipated to be concluded by the Autumn. Further to those issues arising further matters relating to financial transactions within the Operations service area were identified and are also subject to ongoing disciplinary and audit reviews. The Section 151 Officer has also commissioned an Internal Audit wider in scope exploring contract management across the Council to gain assurance that the issues identified are not prevalent. All bar one of these irregularities was identified through the Council's own assurance and control procedures undertaken by its staff or EKAP. At the time of preparing this

Statement, all of these matters are the subject of thorough investigation by EKAP and the necessary appropriate reports will be made to the Audit and Governance Committee, and appropriate reference will be made in the 2022/23 Annual Governance Statement.

## **Partnership and Joint-working**

- 3.27 The Council is continuously looking at innovative solutions to deliver its range of services, including the processes associated with improving service delivery, the ongoing requirements to address the demand for and scale of services, and any associated income opportunities. This approach to service design ensures consideration is given to partnership working with other public bodies and local agencies, including identification of shared service opportunities where appropriate.
- 3.28 The Partnership Policy sets out the Council's vision and scope for partnership working; providing clarity of the types of partnership the Council is involved with and guidance to assist in making decisions regarding setting up or joining partnerships. All partnerships entered into by the Council over the value of £5,000 are recorded within the Grants & Partnerships Register and published on the Council's website for public transparency. The Partnership Policy is currently undergoing review and will be presented for member consideration in late 2022.

## **Internal and External Audit**

### **Internal Audit**

- 3.29 The internal audit function for the Council is performed by the East Kent Audit Partnership (EKAP), which provides internal audit services to the councils of Canterbury, Dover, Folkestone and Thanet. As a result of this collaborative approach the partnership is able to provide a mechanism for promulgating best practice to the East Kent authorities that use its services. The East Kent Audit Partnership Internal Audit Team reports to the S151 Officer, the Director – Corporate Services. They operate under a Charter, which defines their relationship with officers, and the Audit and Governance Committee. Through their audit assurance work, internal audit provides an opinion on the effectiveness of the systems of internal control. As part of the annual review of governance arrangements and in particular the system of internal control, the Council undertakes an annual review of the effectiveness of the system of internal audit.
- 3.30 Internal Audit has responsibility to:
- Report on the level of assurance in respect of the Council's internal control systems; and
  - Provide an overall independent annual Opinion from the Head of the Audit Partnership highlighting areas of concern. This is compiled from

the Internal Audit work programme and a review of the Council's risk management and Corporate Governance arrangements.

3.31 The overall opinion of the System of Internal Controls in operation throughout 2021-22 based on the work of the East Kent Audit Partnership is presented in their annual report to the Governance and Audit Committee in July 2022:

- The internal auditors are independent to the management of the Council and have direct access to the Chair of the Governance and Audit if required. They provide a regular update to the Committee at each of the quarterly meetings and may attend any special meetings that may be convened during the year.
- As at 31 March 2022 the Internal Auditors completed 342.42 days of review equating to 97.83% of planned completion.
- The EKAP undertakes a regular schedule of follow up audits to ensure that management have implemented the action plans arising from each audit. Members can see full details within the Internal Audit Annual Report 2021-22.
- In March 2020 EKAP considered the Public Sector Internal Audit Standards (PSIAS) Checklist for compliance. The results of this self-assessment showed that internal audit is currently working towards full compliance and has agreed an action plan to achieve this. The lack of an External Quality Assessment (EQA) against the PSIAS is hereby disclosed as non-conformance in this Annual Governance Statement. The four S151 Officers acting as the EKAP Client Officer Group continue to be content to rely on the self-assessment process for the PSIAS and not commission an EQA.
- As part of EKAP's quality monitoring arrangements Members should be aware that following the completion of each audit, a satisfaction questionnaire is completed by the managers of the service that has been audited enabling the officers involved to comment on the conduct and outcome of the audit. This information is used, in part, to inform the self-assessment and continuous improvement.

### **External Audit**

3.32 The external audit work of the Council is undertaken by Grant Thornton UK LLP. The main duties are governed by section 15 of the Local Government Finance Act 1982, and the Local Audit and Accountability Act 2015 section 4.

3.33 Each year the Council receives a report from its external auditor on the quality of its financial and management administrative arrangements. This is considered both by Cabinet and the Audit and Governance Committee.

3.34 The 2020/21 draft Audit Findings Report has been issued, however the audit is yet to conclude due to a national issue regarding infrastructure assets, which advice from CiPFA is awaited. Grant Thornton have indicated that they expect to give an unqualified opinion on the Council's financial statements. The



auditors were also able to certify the pooling of housing capital receipts return without amendment or qualification, and the Housing Benefits Subsidy return was certified by the auditor and submitted to Department of Work & Pensions.

### **Counter Fraud Arrangements**

3.35 The Council is firmly opposed to any form of fraud and corruption and will take prompt and decisive action to deal equally with perpetrators from inside and outside the Council. To ensure the highest standards of conduct are upheld, the Council has an established Anti-Fraud and Anti-Corruption Framework in place that is designed to:

- encourage fraud deterrence and prevention;
- raise awareness of fraud and corruption and promote their detection;
- perform investigations and facilitate recovery in a prompt, thorough and professional manner; and
- invoke disciplinary proceedings and further action as appropriate.

The Anti-Fraud & Anti-Corruption Framework is formed of five documents, including the Anti-Fraud & Anti-Corruption Strategy, the Fraud Response Plan, the Whistle Blowing Protocol, the Anti-Money Laundering Policy and the Anti Bribery Policy. This framework has now been reviewed and updated by the S151 Officer and Monitoring Officer.

3.36 The responsibility for the prevention of fraud and corruption lies with management who ensure that adequate controls, including policies and procedures, are in place to prevent and detect fraud and corruption. The Council has developed systems and procedures that incorporate effective and efficient internal controls, and management ensure that controls minimise risk to an appropriate level. Controls are regularly reviewed to ensure they remain appropriate and effective. The internal and external auditors independently monitor the existence, effectiveness and appropriateness of these controls.

3.37 The Chief Finance Officer (Section 151 Officer) is responsible for the proper administration of the authority's financial affairs. Under Section 114 of the Local Government Finance Act 1988, the Chief Finance Officer is required to report to the full Council, Cabinet and the external auditor if the Council or one of its officers:

- has made, or about to make, a decision which involves incurring unlawful expenditure;
- has taken, or about to take, an unlawful action which has resulted or would result in a loss or deficiency to the authority; and
- is about to make an unlawful entry in the authority's accounts.

- 3.38 The Assistant Director for Governance & Law is the 'Monitoring Officer' for the Council. Under 5(2) of the Local Government and Housing Act 1989, the Monitoring Officer is required to report to Cabinet and Council where it appears to him/her that the Cabinet or Council and/or officers appointed by them:
- has made or is about to make a decision which contravenes any enactment, or rule of law; and
  - has made or is about to make a decision that would give rise to maladministration or injustice as referred to in Part III of the Local Government Act 1974.

## **4 REVIEW OF EFFECTIVENESS**

- 4.1 The Council has responsibility for conducting, at least annually, a review of effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of East Kent Audit Partnership's annual report and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2 In maintaining and reviewing the effectiveness of the governance framework, the key elements are as follows:
- The Audit and Governance Committee, which has responsibility to provide independent assurance on the adequacy of the risk management framework and the associated control environment. The committee provides independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk. It also oversees the financial reporting process and oversees the work of the East Kent Audit Partnership.
  - The council's internal management processes, such as performance monitoring and reporting; budget monitoring and reporting; the staff performance appraisal framework and monitoring of policies, such as the corporate complaints and health and safety policies.
  - The opinion on the overall adequacy and effectiveness of the council's overall control environment from the Head of Internal Audit.
  - An annual self-assessment and management assurance statement signed by Directors and senior managers, confirming that the Code of Conduct, Financial Regulations and other corporate governance processes have operated as intended within their directorates throughout the year.
  - Reviews carried out by Internal Audit, External Audit and other review bodies which generate reports commenting on the effectiveness of the systems of internal control employed by the council.

- The Council continues to seek external specialist advice when appropriate on some of our large projects, including Otterpool Park and Princes Parade.

## **5 HOUSING SERVICE**

- 5.1 In August 2021 the Regulator of Social Housing removed the regulatory notice for health and safety non-compliance, stating that our performance ‘satisfactorily addressed the areas of non-compliance which led to the publication of the notice in September 2019’. The Housing Service has attained and reported full compliance on the six key areas of; fire, water, electrical safety, asbestos and lifts. We continue to monitor an extensive set of KPIs, reported monthly to the Housing Leadership Team. Data is scrutinised quarterly by the Corporate Leadership Team (CLT) and the Strategic Tenants Advisory Panel (STAP) and published on the Council’s website.

The Housing Service is embedding an internal governance process focused on continuous service improvement. The team is responding to new legislation, i.e. the Charter for Social Housing Residents (White paper), by introducing a Tenant Engagement Strategy which included setting up Strategic Tenant Advisory Panel as the senior level tenant-led scrutiny panel that contributes to the way the council monitors and delivers service improvement. In response to changes in the Regulator of Social Housing consumer standards, we are using the new Tenant Satisfaction Measures to undertake an extensive STAR (Survey of Tenants and Residents) satisfaction survey in May. The council is also now improving benchmarking capabilities through HouseMark (industry leaders for the housing sector) to ensure the provision of a good, cost-effective and financially viable service. This will include new measures for building health and safety in the coming year.

## **6 OTTERPOOL PARK LLP**

- 6.1 The LLP was established on 27 May 2020. The LLP will act as master developer for Otterpool Park. As such, it is envisaged that the LLP will secure planning permissions and put in place infrastructure in order that parcels of land can be sold to housebuilders. This will be the main focus of activity and generator of value, i.e. income to the LLP and in due course financial return to the council. The main documents and mechanisms governing the relationship between the Council and the LLP are:

- The Members’ (or Owners’) Agreement approved on 27 May 2020;
- A single overarching Strategic Land Agreement;
- Related agreements including the Phased Delivery Strategy governing the transfer of land from the Council to the LLP (or other parties) pursuant to the Strategic Land Agreement;

- Legal instruments in relation to loans / members' equity;
  - Loan agreements in relation to funds provided to the LLP by the Council as debt; and
  - The Business Plan agreed with the Council (it is a requirement of the Members' (or Owners') Agreement that every 5 years, the LLP submits its proposed business plan to the Council for approval).
- 6.2 Regular meetings (at least quarterly) between the Council and the LLP Board are held and provide opportunity for dialogue and assessment of progress against the approved Business Plan, including detailed consideration of financial matters and project risks. Attendees at these meetings are the nominated representatives, which include elected Members and the statutory officers of the Council as agreed by Cabinet (see Minute 6 of Cabinet meeting 27 May 2020 report ref C/20/02).
- 6.3 Cabinet considered the first Business Plan of the LLP on 20 January 2021. The Business Plan included a draft vision document which set out the aspirations of the LLP for the development and which captures the essence of the scheme. The vision document drew on a range of Council documents, primarily the Charter for Otterpool Park (report ref C/17/49). In November 2019, Full Council determined to *“To make available an additional one hundred million pounds to be drawn down over a period of up to five years to enable the Otterpool Park project to proceed.”*, (report ref A/19/17).
- 6.4 The first annual update on the Business Plan was considered during the year by the Overview and Scrutiny Committee in December 2021 before being considered at Cabinet in January 2022 (Report ref C/21/70). The report sets out a number of updates to sections of the business plan including Section 4: Legal and Governance summarised below:
- Actions in 2021 have included amendments to the scheme of delegations and the approval of a staff handbook containing the human resources policies of the LLP. A Strategic Land Agreement and the method of procuring the on-site wastewater treatment works also secured Board approval. The Cabinet of the Council resolved that the Council should enter into the Strategic Land Agreement with the LLP and the Agreement will be completed shortly.*
- Supported by the new Head of Finance, the Board will continue to keep track of the LLP's financial performance and it will also consider Phase Delivery Strategies.*
- Proposals for long-term governance and stewardship of community assets will be prepared for Board and Council approval in the New Year.*
- 6.5 A new Assurance Framework has been established during the year by the Council's Statutory Officers, which will support the delivery of the Otterpool Park LLP business plan. The framework is designed to guide the consideration of corporate governance and matters arising and will be

reported to Members as required. The framework is scheduled for review on a 6 monthly basis to ensure it is aligned with the Otterpool Park LLP business plan and Council decisions.

## 7. CONCLUSION

7.1 In line with the council's responsibilities for its internal control and overall governance environment (paragraph 1.1), the conclusion to the annual review process for the year ended 31 March 2022 and up to the date of approval of the Statement of Accounts is that the arrangements in place are considered to be fit for purpose and in accordance with the council's governance framework, with no significant areas of the framework requiring attention.

However, during the very latter stages of the 2021/22 year, the senior team was made aware of potential breaches of the council's Financial Procedure Rules and Contract Standing Orders. These matters were highlighted, largely, through regular routine checks made by the procurement and finance teams. At the time of preparing this Statement, these matters are the subject of thorough investigation by EKAP and the necessary appropriate reports will be made to the Audit and Governance Committee, and appropriate reference will be made in the 2022/23 Annual Governance Statement.

7.2 Set out in Appendix 1 is the current action plan outlining the steps the Council proposes to take over the coming year to further enhance our governance arrangements. This action plan will be kept under review through the year and updated as appropriate.

7.3 The findings of the annual review of the governance framework will be reported to Members of the Audit and Governance Committee on 28<sup>th</sup> July 2022.

Signed

Signed

Signature here

Signature here

Cllr David Monk

Dr Susan Priest

Leader of the Council

Chief Executive

Date: Month/Year

### APPENDIX 1: Action plan for improvement following review of effectiveness of governance arrangements 2022-23

	Action	Who	Date
1	<p><b>Annual Review of Corporate Governance</b></p> <p>At the end of the year, the Council will produce its statement on governance, which includes end of year assurance statements by Directors, Assistant Directors/Chief Officers and internal audit's opinion report.</p>	Monitoring Officer	May 2023
2	<p><b>Governance Arrangements</b></p> <p>To keep under review the Council's governance arrangements, making any necessary improvements in response to the reported potential breaches that are investigated throughout the year.</p>	Monitoring Officer	March 2023
3	<p><b>Data Retention Policy and General Data Protection Regulation</b></p> <p>To keep under review, the Data retention policy and the new General Data Protection Policy ensuring Officers and Members of the council are aware of their responsibilities.</p>	Monitoring Officer	March 2023
4	<p><b>Review of the Overview &amp; Scrutiny Committee function</b></p> <p>To keep under review the governance and working arrangements of the committee.</p>	Monitoring Officer	Ongoing
5	<p><b>Financial Management Code</b></p> <p>Raise awareness in the organisation of the CIPFA Statement of Principles of Good Financial Management.</p>	Chief Financial Services Officer & Monitoring Officer	December 2022
7	<p><b>Otterpool Park Governance Arrangements</b></p> <p>Periodically review the assurance framework and governance arrangements between FHDC and Otterpool Park LLP to ensure they reflect the needs of the Council.</p>	S151/ Monitoring Officer	Autumn 2022
8	<p><b>Development of the new Programme Management Office Function:</b></p> <p>To implement and develop a programme management office approach across all of the Council's major projects to provide standardised</p>	Programme Management Lead Specialist	March 2023

	reporting, consistency and governance oversight across all projects.		
<b>9.</b>	<b>Review of the Partnership Policy</b> To review and update the Council's Partnership Policy to ensure it's reflective of current working practices.	Performance & Improvement Specialist	October 2023

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**APPENDIX 2: Action plan for improvement following review of effectiveness of governance arrangements 2021-22**

	<b>Action</b>	<b>Who</b>	<b>Date</b>	<b>Progress Update</b>
1	<p><b>Annual Review of Corporate Governance</b></p> <p>At the end of the year, the Council will produce its statement on governance, which includes end of year assurance statements by Assistant Directors/Chief Officers and internal audit's opinion report</p>	Monitoring Officer	May 2022	<p>The review of corporate governance has been completed for year 2020/2021.</p> <p align="center"><b>Status: Completed</b></p>
2	<p><b>Governance Arrangements</b></p> <p>To keep under review, the Council's governance arrangements. As part of this review the Governance Working Group will continue to examine this topic.</p>	Monitoring Officer	March 2022	<p>This matter was formally reported to Full Council in May 2022 and Members were asked to make a decision on this matter.</p> <p>It was decided by Full Council that no change be made to the system of Governance.</p> <p align="center"><b>Status: Complete</b></p>
3	<p><b>Data Retention Policy and General Data Protection Regulation</b></p> <p>To keep under review, the Data retention policy and the new General Data Protection Policy.</p>	Monitoring Officer	March 2022	<p>The Data Retention Policy is a live document and will be updated as and when there is something new to be added or detail to be amended.</p> <p>The responsibility for the overarching policy lies with the Data Protection Officer. A recent request was sent out to all managers to review their own retention schedules within this policy and check whether they need to be updated to suit their current business needs.</p> <p align="center"><b>Status: Ongoing</b></p>

4	<p><b>Review of the Overview &amp; Scrutiny Committee function</b></p> <p>To keep under review the governance and working arrangements of the committee.</p>	Monitoring Officer	Ongoing	<p>Changes have been made the working arrangements of the Overview and Scrutiny Committee. The changes have resulted in stronger pre-decision scrutiny through a clear well planned and articulated work plan which helps deliver greater inclusiveness and representation.</p> <p><b>Status: Ongoing</b></p>
5	<p><b>Review of Corporate Risk Policy for the Council:</b></p> <p>Encourage all services to have up to date Departmental / Project Risk Registers that comply with the Corporate Policy.</p> <p>Undertake the annual review of the Policy alongside the Audit &amp; Governance Committee and make recommendations to Cabinet.</p>	Director of Corporate Services	March 2022	<p>The review of the Corporate Risk Policy has taken place and the update policy was presented to Audit &amp; Governance Committee on 16<sup>th</sup> March 2022 and agreed by Cabinet on 23 March 2022.</p> <p><b>Status: Completed</b></p>
6	<p><b>Financial Management Code</b></p> <p>Review and assess conformity with the CIPFA Statement of Principles of Good Financial Management, raise awareness in the organisation and make appropriate changes to processes to ensure compliance with the Financial Management Code for 2021/22.</p>	Lead Accountant & Monitoring Officer	October 2021	<p>Action plan presented to CLT in March 2022. Consideration needed as to how this is to be shared with Members and how to facilitate awareness sessions/training with all staff.</p> <p><b>Status: In Progress</b></p>
7	<p><b>Folkestone &amp; Hythe Accelerated Delivery Board:</b></p>	Corporate Director of Place		<p>The Folkestone &amp; Hythe Accelerated Delivery Board has been replaced with a new 'Folkestone Town Centre</p>

	Existing governance arrangements for the board will be reviewed in light of the council's approach to COVID-19 recovery and the new Corporate Plan (with due consideration of key strategic projects such as Otterpool Park and Folkestone Town Centre Place Plan).		March 2022	Partnership Board' by agreement of the Leader of the Council. The new board came into effect in April 2022 and will provide strategic leadership required to deliver transformational and sustainable place shaping interventions for Folkestone town centre.  <b>Status: Completed.</b>
8	<b>Otterpool Park LLP Assurance Framework</b> Conclude the work being undertaken on the assurance framework and governance arrangements between FHDC and Otterpool Park LLP.	S151/ Monitoring Officer	Autumn 2021	The Assurance Framework has been established by the Council's Statutory Officers. The framework is in place to support the delivery of the Otterpool Park LLP business plan. It is a framework to guide consideration of corporate governance and matters arising and will be reported to Members as required. The framework is reviewed on a 6 monthly basis to ensure it is aligned with the Otterpool Park LLP business plan and Council decisions  <b>Status: Completed</b>

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

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