



# Agenda

Meeting: **Audit and Governance Committee**  
Date: **7 December 2022**  
Time: **7.00 pm**  
Place: **Council Chamber - Civic Centre Folkestone**

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

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

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

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

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:

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

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

Contact Sue Lewis – Tel: 01303 853265/3267  
Email: [committee@folkestone-hythe.gov.uk](mailto:committee@folkestone-hythe.gov.uk) or download from our website  
[www.folkestone-hythe.gov.uk](http://www.folkestone-hythe.gov.uk)

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

To consider and approve, as a correct record, the minutes of the meeting held on 21 September 2022.

4. **Temporary Polling Place (station) Changes at Parliamentary, Local, police and Crime Commissioner Elections and Parish Polls (Pages 11 - 14)**

It is best practice to ensure delegated power is in place for elections to allow an appropriate officer to determine suitable, alternative arrangements if a polling place (station) is unavailable, or unsuitable for the needs of the election, electorate and/or legislation changes. Temporary measures could be later made permanent at a compulsory polling district and place review and this report seeks to ensure that the necessary authority is in place to ensure polling place requirements are met.

5. **Quarterly update on Code of Conduct Complaints (Pages 15 - 18)**

This report provides an update to the Committee on Member Code of Conduct complaints received during quarters 1 and 2 of 2022/23 (1 April to 30 September 2022).

6. **Review of the Corporate Risk Register (Pages 19 - 28)**

This report provides an update to the Corporate Risk Register.

7. **The Audit Findings for Folkestone & Hythe District Council 2021/22 (Pages 29 - 68)**

Grant Thornton are required to issue a Report to those charged with governance, summarising the findings and conclusions of their audit work. They are also required by professional auditing standards to report certain matters before giving an opinion on the financial statements for the year ended 31 March 2022.

8. **Quarterly Internal Audit Update Report from the Head of East Kent Audit Partnership (Pages 69 - 86)**

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 30<sup>th</sup> September 2022.

9. **Annual Governance Statement Actions –Update on 2022-23 actions  
(Pages 87 - 94)**

This report presents the current position on progress towards achieving the 2022-23 actions set out in the Annual Governance Statement.

10. **Governance Update (Pages 95 - 110)**

This report summarises the key elements of the governance issues identified during 2022 within the Council and those actions agreed to improve the control environment. This report focuses on those matters that relate to the remit of the Audit & Governance Committee, whilst there were associated personnel matters these will be considered by the Personnel Committee where relevant.

This page is intentionally left blank



## **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.

This page is intentionally left blank



# Minutes

## Audit and Governance Committee

Held at: Council Chamber - Civic Centre Folkestone

Date: Wednesday, 21 September 2022

Present: Councillors Mrs Ann Berry (Chairman), Laura Davison, Philip Martin (Vice-Chair), Terence Mullard and Rebecca Shoob

Apologies for Absence

Officers Present: Cheryl Ireland (Chief Financial Services Officer), Amandeep Khroud (Assistant Director), Sue Lewis (Case Officer (Committee)), Mrs Christine Parker (Head of Audit Partnership), Mr Chris Parker (Deputy Head of Audit), Susan Priest (Chief Executive) and Charlotte Spendley (Director of Corporate Services)

Others Present:

### 50. **Declarations of Interest**

Councillors Mrs Ann Berry and Terence Mullard informed they are Directors of Oportunitas and elected members of the main shareholder.

Councillor Rebecca Shoob informed she is a Director of Otterpool Park LLP.

### 51. **Minutes**

The minutes of the meeting held on 28 July 2022 were submitted, approved and signed by the Chairman.

### 52. **Quarterly internal audit update report from the Head of the East Kent Audit Partnership**

This report included the summary of the work of the East Kent Audit Partnership (EKAP) since the last Audit and Governance Committee meeting together with details of the performance of the EKAP to the 30th June 2022.

The Deputy Head of Audit presented the report highlighting the following:

- Three reports completed in respect of Right to Buy, Disposal of Logs and Disposal of White Goods. The latter two were not assurance reviews as they were scoped to establish the processes in place.
- Five follow up reviews have been completed.
- Progress against the Audit Plan is just under 25% which is on target to 30<sup>th</sup> June 2022.

Members noted the following:

- When trees are cut the logs are taken to the depot to be stored until they are collected by the contractor.
- Previous practice of storage of former tenant belongings in garages is being reviewed.
- Energy Performance Certificates (EPC) last for 10 years but it was found that a test of a small number revealed that some had lapsed during the right to buy process. Any implications from the EPC's not being in place at the time of the Right to Buy and which legislation is relevant, will be circulated to members following the meeting.
- The main audit in respect of contract management is drafted and yet to be reviewed by officers and will be reported at the December meeting of the Committee.

Proposed by Councillor Philip Martin  
Seconded by Councillor Rebecca Shoob and

**Resolved:**

- 1. To receive and note Report AuG/22/13.**
- 2. To note the results of the work carried out by the East Kent Audit Partnership.**

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

**53. Grant Thornton update report**

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

Paul Dossett, Grant Thornton updated members on the delays surrounding CIPFA Code requirements for infrastructure assets. This is currently sitting with DLUCH to prepare a statutory override to address the issues raised by CIPFA and auditors. There is no current timescale for the production of the statutory override but it is hoped it will be by end of November/early December.

He informed there is no further works to be done on the accounts for 2021 so they would therefore stand and be closed. The 2022 accounts are in the same position and they could be signed off at the same time.

A request was made to receive individual reports on the financial reporting to allow members to look at each aspect in detail.

Proposed by Councillor Philip Martin  
Seconded by Councillor Rebecca Shoob and

**Resolved: To receive and note Report AuG/22/14.**

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

54. **Statement of Accounts 2021/22**

The council must consider and approve its Statement of Accounts no later than 30 November 2022. The accounts presented are subject to audit which is ongoing at the time of drafting this report.

The Chief Finance Officer confirmed that the accounts remained in draft form and were yet to be signed. The Director of Corporate Services advised the committee that she had yet to sign the accounts for the reasons outlined within the paper, and that she was awaiting the outcome of all the commissioned audits to gain assurance that the accounts as drafted represented a true and fair picture and that no instances of fraud or corruption were found. She confirmed that she anticipated being in a position to sign the accounts shortly, and that she did not anticipate any material changes being made. Grant Thornton confirmed to the committee that they were supportive of the approach being taken.

The draft statement of accounts is available to view on the council's website, with the final being published once signed off. This will remain in the public domain for 3 years as per the regulations.

Proposed by Councillor Philip Martin  
Seconded by Councillor Terence Mullard and

**Resolved:**

1. **To receive and note report AuG/22/12.**
2. **To approve the draft Statement of Accounts 2021/22.**

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

55. **Exclusion of the Public**

Proposed by Councillor Philip Martin  
Seconded by Councillor Mrs Ann Berry and

**Resolved: 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 2 of Part 1 of Schedule 12A to the Local Government Act 1972 –**

**'Information which is likely to reveal the identity of an individual.'**

(Voting: For 4; Against 0; Abstentions 1)

56. **Confidential Excerpt to Quarterly Internal Audit update report from the Head of the East Kent Audit Partnership**

This report included the confidential summary of the work of the East Kent Audit Partnership (EKAP) since the last Audit and Governance Committee meeting on 28th July 2022.

Members noted the preliminary findings, together with the areas for improvement as identified within the draft report and ensuring that staff are reminded of the need to comply and provide the necessary declarations of interest for officers. It was noted that whilst a breach of the Pecuniary Interest rules (Section 117) would have serious implications, none were identified.

Proposed by Councillor Rebecca Shoob  
Seconded by Councillor Terence Mullard and

**Resolved:**

1. **To receive and note Report AuG/22/15.**
2. **To note the results of the confidential extract covering work carried out by the East Kent Audit Partnership since 28th July 2022.**

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

This Report will be made public on 29 November 2022



Report Number **AuG/22/19**

**To:** Audit & Governance Committee  
**Date:** 7 December 2022  
**Status:** Non – executive decision  
**Chief Officer:** Susan Priest, Chief Executive  
**SUBJECT:** TEMPORARY POLLING PLACE (STATION)  
CHANGES AT PARLIAMENTARY, LOCAL, POLICE  
AND CRIME COMMISSIONER ELECTIONS AND  
PARISH POLLS

## **SUMMARY:**

It is best practice to ensure delegated power is in place for elections to allow an appropriate officer to determine suitable, alternative arrangements if a polling place (station) is unavailable, or unsuitable for the needs of the election, electorate and/or legislation changes. Temporary measures could be later made permanent at a compulsory polling district and place review and this report seeks to ensure that the necessary authority is in place to ensure polling place requirements are met.

## **REASONS FOR RECOMMENDATIONS:**

To establish suitable locations for electors, allowing them to vote at elections. In the instance of changes to legislation, implications on health and safety, buildings becoming vacant, or other events rendering the existing polling place (station) unavailable or unsuitable delegated powers are needed to allow the Returning Officer / Acting Returning Officer to arrange alternative suitable polling places (stations).

## **RECOMMENDATIONS:**

1. To receive and note report AuG/22/19.
2. To recommend to the Council that the Returning Officer / Acting Returning Officer be delegated the authority to amend the designation of polling districts and polling places, on a temporary basis, should it become necessary to do so, in the course of conducting Parliamentary, local government, police and crime commissioner elections and parish polls.

## **1. BACKGROUND**

- 1.1 Local authorities are responsible for dividing their constituency into polling districts for UK Parliamentary elections. Polling districts, polling places and polling stations are kept under review to maintain electorate balance and the suitability of venue choices. There is a duty on the Council of the local authority to conduct a review at least once every four years.
- 1.2 The last review of polling district, place and stations for UK Parliamentary elections concluded in 2019 (see minute 54 Council meeting 16 October 2019) and was implemented in January 2020 after the snap general election took place.
- 1.3 Whilst a review is mandatory for polling districts, places and stations used at UK Parliamentary elections, section 31 of the Representation of the People Act 1983, the Police and Crime Commissioner Elections Order 2012 and the Parish and Community Meetings (Polls) Rules 1987 do not impose such requirements on how the allocations are made for local elections, police and crime commissioner elections or parish polls. This report focuses on two aspects of the above legislation - the allocation of a polling place and polling station for local elections.
- 1.3.1 Polling place  
A polling place is a building or geographical area in which a polling station is located. It is good practice to specify where a polling place is, as a building instead of an area to ensure there is a clear indication to electors within and outside of a polling district.
- 1.3.2 Polling station  
A polling station is the room or area within the polling place where voting takes place. Polling stations are chosen by the Returning Officer for each election, and not by the Council.

## **2. PROPOSALS**

- 2.1 In most cases, the allocation of polling districts, places and stations at UK Parliamentary elections is mirrored for local elections, police and crime commissioner elections and parish polls. In the past, last-minute changes have been unavoidable, e.g., in 2019 when a building was condemned 4 days before poll. In the instance of this happening the election team have informed all interested parties swiftly to ensure maximum awareness to the change. This included:
- Letters sent to all properties concerned
  - Social media posts
  - Updated website details
  - Candidates and Agent communications
  - Staff training
  - Signage put on the previous station directing electors to the new venue.



- 2.2 Details of any change are audited, capturing the options put forward by the team and reasons as to why the final decision was made.
- 2.3 Where there is advance warning of a polling station becoming unavailable, or a premises being unsuitable because of staff or elector feedback, it is best practice for the authority to delegate powers to a senior officer, usually the returning officer / acting returning officer to allow him / her to determine an alternative location swiftly. An efficient selection and decision process is beneficial in ensuring plans can be made to inform all interested parties ahead of any local election taking place.
- 2.4 It may seem that the process for considering alternative venues as polling places / stations as premature, however arrangements must be made early to update systems, printer details and literature that is sent out ahead of any election timetable.
- 2.5 For example, a registration deadline for a local election is 12 working days before polling day, however the data for the first dispatch of poll cards is needed approximately 2 months before polling day. A poll card includes polling station details of where electors should go to vote; therefore, it is pertinent to have this in place in good time, with an agreement made with the polling station vendors outlining their availability and any special measures to be put in place as per the booking arrangements.
- 2.6 Delegation of powers is a matter for full Council. It is therefore requested that the Committee recommend to the Council that the Returning Officer / Acting Returning Officer be delegated the authority to amend the designation of polling districts and polling places, on a temporary basis, should it become necessary to do so, at short notice, in the course of conducting Parliamentary, local government, police and crime commissioner elections and parish polls.

### **3. RISKS/CONTROLS**

- 3.1 In light of the fact that there are minimal proposals as part of this report, there are no significant risks identified. There is a greater reputational and democratic risk in not adopting this proposal.

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

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

The legal issues have been dealt with in the Report.

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

There are no direct financial implications arising from the recommendations of this report

#### **4.3 Diversities and Equalities Implications (AS)**

The outcome and recommendations of a review of polling districts and polling places are specifically designed to ensure that all voters are able to exercise their right to vote and, in particular, where voters chose to vote in person at polling stations, that these are accessible to all regardless of disability.

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

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

Paul Butler  
Democratic Services and Elections Lead Specialist  
Telephone: 01303 853497  
Email: paul.butler@folkestone-hythe.gov.uk

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

None

This Report will be made public on 29 November 2022



Report Number **AuG/22/16**

**To:** Audit and Governance  
**Date:** 7 December 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 quarters 1 and 2 of 2022/23 (1 April to 30 September 2022).

**RECOMMENDATIONS:**

1. To receive and note report AuG/22/16.

## 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 April to 30 June 2022, there were a total of 2 complaints and for the period 1 July to 30 September 2022, there were a total of 3 complaints.

These can be categorised as follows:

	1 April to 30 June	1 July to 30 September
Complaints by members against members	0	0
Complaints by members of the public	2	3

### 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:

	Q1	Q2
Public statements including social media / website / internet / email comment	0	1
Unacceptable Conduct at Council/Committee	1	1
Conflict of interest	0	0
Breach of Member/officer protocol	0	0
Breach of data protection rules	0	0
Other/miscellaneous	1	1

### 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.

For the complaints referred to above, 4 were not deemed to be breaches of the Code of Conduct, and 1 is still being considered by the Monitoring Officer. No investigations have been conducted.

### **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

This page is intentionally left blank

# Agenda Item 6

This Report will be made public on 29 November 2022



Report Number **AuG/22/18**

**To:** Audit and Governance Committee  
**Date:** 7 December 2022  
**Head of service:** Charlotte Spendley, Director – Corporate Services  
– Section 151 Officer

**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 Corporate 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/22/18 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 to work within, as well as supporting 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 provided at Appendix 2 (with changes identified in italics).
- 2.2 The current Corporate Risk Register identifies 13 risks, which can be categorised as 5 high and 8 extreme level risks. Compared to the July 2022 matrix which indicated 1 low level risk, 8 high and 4 extreme level risks.
- 2.3 The key changes made include:

A new risk has been identified for:

- C13 – May 2023 Elections, the first requiring voter ID. This new risk captures concerns that delays in secondary legislation and guidance will obstruct the planning for and delivery of the elections.

An old risk has been deleted:

- C11 (old) – Failure to ensure vulnerable customers can access services. This has been scored as a low level risk since it was included on the re-written register in July 2021. As this has been a low level risk for over a year, it is appropriate to remove it from the register. The low scoring of the risk reflects the work done on implementing the Customer Access Strategy and the wide adoption of the MyAccount application that provides access to many services.

Scores have been updated for risks:

- C3 – MTFS uncertainty of future funding. This was already scored as an extreme risk at 12 but this has increased to the highest possible of score of 16. This reflects the ongoing uncertainty around the settlement for local government, the fair funding review, the re-set of business rates and the future of the new homes bonus.
- C7 – Princes Parade, this has been re-scored from high (9) to extreme (16). This change is necessary given the current review of the scheme and future options.



- C9 – Housing Deliverability, this has been re-scored from high (9) to extreme (12). The risk has been comprehensively updated and the change in scoring reflects concern about meeting net zero carbon requirements.
- C12 Economic Climate, this was previously described as Inflation and scored as high (9). The widening of the risk to cover the whole economic climate and the worsening of that climate has caused the score to increase to extreme (12).

Additionally, a number of risks have been updated to reflect changes since July 2022.

### 3. SUMMARY & NEXT STEPS

- 3.1 The Risk Register has undergone a comprehensive review in line with the guidance in the Risk Management Policy and Strategy. The Risk Register will continue to be monitored and updated and will be reported to the next Audit and Governance Committee. The Risk Register continues to be a fluid document that will see risks re-scored to reflect changes in circumstances.
- 3.2 There are a number of changes both in terms of scoring and in actions that reflect the work ongoing in respect of the identified risks for the organisation.

### 4. RISK MANAGEMENT ISSUES

#### 4.1

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

			the attitude towards Risk Management within the organisation.
--	--	--	---

**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 from this report.

**Diversities and Equalities Implications (CS)**

There are no direct implications from 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: [robert.palmer@folkestone-hythe.gov.uk](mailto:robert.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, <b>challenging recruitment market</b> & shortage of <b>many</b> specialist skills available in key fields such as Development Control, Climate Change, Strategic Development, Environmental Health, Finance & Building Control. Workforce pressures remain high for key contractors such as Veolia and Mears, and in seasonal roles for Grounds Maintenance. Reputational risk exposure if not sufficiently managed.	Capacity proposals agreed by Cabinet in 2021 to address strategic projects capacity. Agile working introduced to attract skilled workforce. Succession planning being undertaken by Organisational Development (OD) for all Directorates. New grow our own initiative. <b>Use of specialist recruiters to target hard to fill roles and interim resource to fill key roles.</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. Additional promotional work with local schools to highlight entry points / range of career opportunities within the council.	Ongoing	2	2	4
SA 4: Quality homes and infrastructure	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. <b>Framework for updated Business Plan considered by O&amp;S in November 22.</b> Budget commitment made within MTCP. Regular Owners Committee Meetings. Internal Corporate Oversight Group established. Core Strategy adopted March 2022. Paper agreed by Cabinet on appropriate separation of duties for Members and Officers. Strategic Land Agreement concluded. <b>Agreement from Cabinet to establish a Stewardship Vehicle and explore a Collaboration Agreement with Homes England.</b>	3	3	9	Treat	Funding Agreements to be concluded and agreed in line with delegations. Planning Permission to be considered. Phased Delivery Strategy being developed alongside updated Business Plan. <b>Further work on financial framework for Stewardship Vehicle underway. Negotiations for a collaboration with Homes England underway. Review of CIL underway.</b>	Agreements November 22 Planning Permission Early 23	2	3	6
All Priorities	C3	Medium Term Financial Strategy Uncertainty of Future Funding	Charlotte Spendley (S151 Officer) Cllr David Monk (Leader)	<b>Central Government continues to indicate a Fair funding review will be delivered to fundamentally change LG funding. However, continued delays suggest that implementation may not occur until as far forward as 2025/26. Will need to plan within climate of uncertainty. Lack of certainty on Business Rates Localisation and reset and also other funding streams such as the end of New Homes Bonus also brings uncertainty. A 3 year funding settlement was announced from 2022/23, however this settlement means a cash-flat position for 2023/24 and 2024/25. The Council awaits the outcome of the Autumn Statement from the Chancellor of the Exchequer to provide further clarity on the national and local picture for public finance. National economic climate creating significant additional pressures and uncertainty.</b>	Officers regularly attending briefings on future LG funding. <b>Updated MTFS was considered by O&amp;S/Cabinet/Council in November outlining scale of medium term gap.</b> S151 Officer part of Kent Finance Officers Group. Regular updates provided to Members on the current year position. <b>MTFS position determined following significant modelling and having taken advice from advisors.</b>	4	4	16	Treat	Officers will continue to attend briefings on LG Funding and brief members. <b>Update to the MTFS to be reported in November, 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 will be made for 2023/24 Specialist advisors engaged to undertake this. A review of inflationary pressures across the council underway to assess impact and options. Member training &amp; senior officer session scheduled for November to cover economic picture and LG Funding.</b>	Ongoing	2	3	6
All Priorities	C4	Failure to deliver Strategic Projects due to volume & scale of projects, <b>alongside the council facing increased financial pressures in an uncertain economic climate.</b>	Andy Blaszkowicz (Housing & Operations Director) & Simon Baxter (Chief Officer Development); 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, Homes England etc. <b>and a changed economic climate results in affordability concerns for the council.</b>	Experienced resource within projects team. Work ongoing with Homes England, DLUHC, One Estate etc to secure further funding. Engaging specialist advice where required. <b>Review of strategic projects undertaken to consider whether to continue or to pause until there is a more favourable economic climate and business cases for investment are strong.</b>	3	3	9	Treat	Establishment of PMO <del>function</del> <b>approach</b> to roll out consistent <del>framework</del> <b>principles</b> for managing projects corporately. Finance, Housing & Strategic Projects teams working collaboratively to introduce new housing scheme appraisal system.	Completed initial addressing of capacity, maintain progress	2	2	4

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	C5	Organisational non compliance with <b>constitution requirements</b> , emerging <b>and new</b> 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, etc. Changing legislative and regulatory environment, presents increased risk to authority in meeting the emerging requirements with sufficient resources and skills to fulfil statutory duties and demands. Reputational risk to authority if risk occurs.	Legal support embedded in key project teams. External specialist advice sought where required. <b>Monitoring of potential changes to planning and environmental legislation. Refreshed training and development programmes offered to staff.</b>	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 key projects. Internal Audits commissioned to review areas of concern. Refreshed training and support materials available for staff to support ongoing learning and development. <b>Additional resource focused on compliance.</b>	Ongoing	2	2	4
SA1: Positive community leadership	C6	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. <b>Following on from the Cost of Living Summit, an information leaflet has been produced and work is being done to record and co-ordinate warm spaces.</b>	Ongoing	2	2	4
All Priorities Page 24	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. <b>Updated MTFS and wider economic landscape requires revaluation of the scheme.</b>	<b>Resource deployed to evaluate options for the scheme giving consideration to affordability, deliverability, planning, economic, community considerations. Project spend suspended. 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.</b>	4	4	16	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 on behalf of LPA considering applications as submitted. External Advice sought by LPA as necessary. <b>Portfolio Holder briefings and member decision required on options appraisal.</b>	Ongoing	2	2	4
SA2: A thriving environment	C8	Failure to achieve Carbon Neutral ambitions by 2030	Charlotte Spendley (S151 Officer) Cllr Lesley Whybrow (Environment)	Council resolution to committ 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 has held three meetings so far. 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. Consultancy services procured to assist in updating 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 existng HRA resources.	Ongoing	3	2	6

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
SA4: Deliver a safe, accountable housing service	C9	Housing deliverability	Andy Blaszkowicz (Housing & Operations Director); Cllr Godfrey (Housing) & 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
SA4: Quality homes and infrastructure	C9	Housing deliverability Tenant safety - capital programme/ Asset Management Health & Safety, Compliance / retrofit /Net Zero Carbon agenda	Andy Blaszkowicz (Housing & Operations Director); Cllr David Godfrey (Housing) & Gill Butler (Chief Officer, Housing)	Delivery against expectations investment /retrofit social housing (Net Zero Carbon), asset management, meeting legislation - decent homes standards, Health & Safety / building safety etc. HRA Business Plan viability /against expectation of HRA new build. Resource issues. Risk that we fall short on compliance / legislation which may cause problems with Regulator of Social Housing in 24/25. Also risk that we will have too many properties left to retrofit 2025-30 - dependent on Wave 2 decision.	Successful Social Housing Decarbonisation Fund Wave 1 bid £2M/£900K (HRA commitment). Some skilled Temp. officers in place to manage SHDF 22/23. Housing Asset Management Strategy commitment to have all homes to Energy Performance Certificate C by 2030. But competing demands from the Net Zero Carbon agenda & meeting Health & Safety /Compliance legislation - against the HRA will place future retrofit programme at risk - if no Wave 2 funding secured for 23-25 this will leave 700 + properties.	3	4	12	Treat	Housing Asset Management Framework in place. Retrofitting /Net Zero Carbon agenda - developing a Housing Carbon Reduction Plan / contract procurement /stock management process in place - planned works module on IT system. Resources - recruiting to vacant posts. HRA Business Plan - to determine priority of spend level of Wave 2 Social Housing Decarbonisation Fund bid submission to November Cabinet.	22/23 -Ongoing	2	3	6
SA2: A thriving environment	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

Page 25



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
SA1: Positive community leadership	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	4	2	2
All Priorities Page 26	C11	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 which would enable systems to be rebuilt 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. 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 on 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

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	C12	Economic Climate	Charlotte Spendley (Director of Corporate Services)	Due to world-wide economic factors, CPI inflation rates have increased at rapid rates and currently (November 22) CPI sits at 11.1% . Cost increase pressures for pay, prices and contracts have necessitated price changes to the estimates of future projects and also the council's MTFS projections. These have to be funded and increase pressure on the MTFS funding gap. Inflation likely to drive higher cost demands that may exceed what has been allowed for in the MTFS. The consequence of this is that budget reductions will be required to maintain service levels within cost, and/or projects may have to be delayed or deferred. Inflationary pressures may challenge scheme feasibility. The state of the economy is likely to impact upon collection rates for major income streams including housing rents, council tax and business rates. As a consequence of high inflation, interest rates are also rising which again influences the cost of future projects and the cost of borrowing which can have a material effect on viability of these schemes.	This is being kept under review by CLT and the finance/case management team for existing contracts and any significant cost increases or shortfalls in income will be highlighted to CLT. Further guidance is awaited from Central Government on how Council's will be compensated for inflationary pressures, for example, will the Business Rates multiplier be increased by CPI rates or will the Council be compensated through the Provisional Local Government settlement. Pay and price negotiations are on-going with suppliers and in respect of pay awards.	4	3	12	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 have been updated and any impact of additional funding pressures have been projected and the additional pressures that this may bring to the Council are identified within the funding gap. The Local Government Association and other relevant bodies are lobbying Central Government for compensatory adjustment within the Provisional Local Government settlement to help Councils balance their budgets.	Ongoing	3	3	9
Page 27 SA 7 Positive community leadership	C13	May 2023 Elections	Susan Priest (Chief Exec & Returning Officer)	Delays to secondary legislation and Electoral Commission Guidance obstructing planning for & delivery of election. May 2023 Elections will be first requiring voter ID and problems may arise with both the software and the ID supplied by electors. Likely to add to requirements for polling stations, additional pressures on staff and need for support from police.	This is being kept under review by the elections lead specialist and liaison ongoing with other authorities and DLUHC.	3	4	12	Treat	Continue to work with electoral and district council networks/LGA to pressure DLUHC to urgently bring forward legislation. Apply similar pressure to Association of Electoral Administrators and Electoral Commission to issue guidance with ample time to implement changes.	May-23	2	3	6

<b>Likelihood</b>	<b>Very Likely (4)</b>			C8 - Carbon Neutral Ambitions C6 - Cost of Living Pressures C12 - Economic Climate	C3 - MT Financial Strategy Uncertainty C7 - Princes Parade
	<b>Likely (3)</b>			C1 - Organisational Capacity C2 - Otterpool Park C4 - Strategic Projects C10 - Waste & Street Cleansing	C9 - Housing Deliverability C11 - Cyber Threat C13 - May 2023 Elections
	<b>Unlikely (2)</b>				C5 - Legislative and Regulatory Non Compliance
	<b>Rare (1)</b>				
		<b>Minor (1)</b>	<b>Moderate (2)</b>	<b>Significant (3)</b>	<b>Severe (4)</b>
	<b>Impact</b>				



This Report will be made public on 29 November 2022



Report Number **AuG/22/22**

**To:** Audit and Governance Committee  
**Date:** 7 December 2022  
**Head of Service:** Charlotte Spendley, Director of Corporate Services  
**Cabinet Member:** Councillor David Monk, Leader of the Council

**Subject:** The Audit Findings for Folkestone & Hythe District Council 2022/22

**Summary:** Grant Thornton are required to issue a Report to those charged with governance, summarising the findings and conclusions of their audit work. They are also required by professional auditing standards to report certain matters before giving an opinion on the financial statements for the year ended 31 March 2022.

**Reasons for recommendations:**

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

a) It is responsible for considering governance matters on behalf of the Council.

**Recommendations:**

1. To receive and note Report AuG/22/22.
2. To consider & note Grant Thornton's Draft Audit Findings for Folkestone & Hythe District Council Year Ended 31 March 2022 report.

## **1. INTRODUCTION**

- 1.1 Grant Thornton are required to issue a Report to those charged with governance summarising the conclusion of their audit work and to report certain matters before giving an opinion on the financial statements for the year ended 31 March 2022.
- 1.2 Their draft report 'The Audit Findings for Folkestone & Hythe District Council' from Grant Thornton is attached as Appendix 1 to this covering report.
- 1.3 The audit commenced in July and the work remains ongoing at the time of drafting this report. A number of key elements of the audit have been concluded and Grant Thornton have provided a draft findings report by way of update to the committee. A further report is anticipated in January following the conclusion of the final audit work currently underway.
- 1.4 The report cites resourcing issues within the council team as a reason for the audit not being concluded. The council does not agree with this position and will be discussing the matter further with Grant Thornton at a future client meeting.
- 1.5 The audit will not be concluded within the statutory timeframes (30 November) however, this is an issue being experienced nationally across the audit sector and a significant number of local government audit opinions will not be issued by the statutory deadline. Failure to meet the deadline does not pose any implications to the Council in terms of financial penalties but does present a risk of reputational damage and more critically means the finance team are working on several important activities at the same time.

## **2. KEY MESSAGES**

- 2.1 The messages from of the Audit Findings Report are:
  - i. The 2021/22 audit is progressing and Grant Thornton currently plans to issue an unqualified opinion on the financial statements.
  - ii. Many of the audit risks identified at the planning stage have all been reviewed, but further work is required to conclude this work, however no issues have been identified to date.
  - iii. The value for money conclusion for 2021/22 has yet to be determined, this work has commenced and will be substantially completed in December.

## **3. AUDIT FINDINGS 2021/22**

### **3.1 Section 1 – Headlines**

Sets out the approach to the audit and confirms that Grant Thornton anticipate providing an unqualified audit opinion in respect of the financial statements.

The full audit opinion can be found in Appendix C of the Audit Findings report.

### **3.2 Section 2 – Financial Statements**

This section explores the key risks identified within the Audit Plan previously considered by Members and confirms the testing.

The audit adjustments are fully outlined within Appendix A of the Audit Findings report.

This section also considers the Councils going concern status and key judgements & estimates which were concluded to have been applied appropriately.

### **3.3 Section 3 – Value for Money**

This section outlines the key elements of the Value for Money assessment undertaken by Grant Thornton. This work has commenced for 2021/22, arrangements are in place for it to progress at pace during December. The conclusion of this work will be reported to the committee.

### **3.4 Section 4 – Independence and ethics**

This section outlines the independence of the external auditors, including outlining additional work undertaken by the auditors. Full details of all audit fees can be found in Appendix B of the Audit Findings report.

## **4. CONCLUSION**

- 4.1 Grant Thornton's work has led to the result that it is expected they will be able to issue an unqualified opinion on the financial statements for 2021/22, but there is further work to be undertaken. The outcome of this work will be reported to the committee.

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

### **5.1 Legal Officer's Comments (NM)**

There are no legal issues arising from this report.

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

This report has been prepared by Financial Services and all financial matters contained within the body of the report.

### **5.3 Diversity and Equalities Implications (CS)**

There are none arising directly from this report.

### **5.4 Climate Change Implications (OF)**

There are none arising directly from this report.

## **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

Tel: 07935 517986

email: [charlotte.spendley@folkestone-hythe.org.uk](mailto:charlotte.spendley@folkestone-hythe.org.uk)

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

### **Appendices:**

**Appendix 1:** Grant Thornton report – The Audit Findings for Folkestone & Hythe District Council Year Ended 31 March 2022

# The Audit Findings for Folkestone & Hythe District Council

**Year ended 31 March 2022**

Folkestone & Hythe District Council

December 2022

Page 33



# Contents



**Your key Grant Thornton team members are:**

**Paul Dossett**

Key Audit Partner

E: [paul.dossett@uk.gt.com](mailto:paul.dossett@uk.gt.com)

**Richmond Nyarko**

Audit Manager

E: [richmond.n.nyarko@uk.gt.com](mailto:richmond.n.nyarko@uk.gt.com)

**Jieying Chen**

Audit In-Charge

E: [jieying.chen@uk.gt.com](mailto:jieying.chen@uk.gt.com)

## Section

1. Headlines
2. Financial statements
3. Value for money arrangements
4. Independence and ethics

## Appendices

- A. Audit adjustments
- B. Fees
- C. Draft audit opinion
- D. Audit letter in respect of delayed VFM work

## Page

- 3  
5  
20  
21  
  
23  
27  
28  
35

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Audit Committee.

Name: Paul Dossett  
For Grant Thornton UK LLP  
Date: 7 December 2022

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Folkestone & Hythe District Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2022 for those charged with governance.

Page 35

---

## Financial Statements

---

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed during June-November. Our findings are summarised on pages 5 to 19. We have identified one adjustment to the financial statements that has resulted in a £712k adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix A.

Except for the resolution of the national issue on accounting for Infrastructure Assets, our work is fairly progressed and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters:

- completion of our outstanding testing in the following areas:
  - Property, Plant and Equipment revaluation
  - Investment Properties revaluation
  - Debtors
  - Creditors
  - Grant income
- Key audit partner review of completed work.
- Receipt of management's letter of representation.
- Review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

---

# 1. Headlines

## Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance.

We have not yet completed all of our VFM work and so are not in a position to issue our 2021-22 Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in Appendix D. We expect to issue our Auditor's Annual Report in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our planning assessment, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. At the planning stage we did not identify any significant risks and based on our current understanding this remains the case.

## Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our 2021-22 Auditor's Annual Report.

## Significant matters

We did encounter staffing challenges within the finance team of the Council, acknowledging that recruitment and retention is highly challenging across the local government finance profession, which has resulted in outstanding audit matters as stated on page 3 of this report.



# 2. Financial statements

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice (‘the Code’). Its contents will be discussed with management and the Audit and Governance Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

## Audit approach

Our audit approach was based on a thorough understanding of the group’s business and is risk based, and in particular included:

- An evaluation of the group’s internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group’s gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that analytical reviews were required for each component; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

### 2020-21 Financial Statements Audit

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 as stated on page 10 of this report.

## Conclusion

We have fairly progressed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion by the end of January 2023, once the statutory override for infrastructure assets is in place and the opinion on the 2020-21 financial statements has been issued. The outstanding items in relation to the 2021-22 financial statements audit are detailed on page 3 of this report.

### Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

## 2. Financial statements



### Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have revised the materiality amount from that communicated in the Audit Plan to reflect the decrease in gross expenditure for the financial year 2021-22. For planning purposes, we used the gross expenditure for financial year 2020-21 as the figures for financial year 2021-22 had not yet been made available.

We have also revised the performance materiality percentage from 75% to 70% of materiality to reflect the number of misstatements identified in the 2020-21 financial statements and the national issues around Infrastructure Assets.

	Group Amount (£)	Council Amount (£)
Materiality for the financial statements	1,834,000	1,815,000
Performance materiality	1,283,800	1,270,500
Trivial matters	91,700	90,800
Materiality for officers' remuneration	50,000	50,000



## 2. Financial statements – Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

### Risks identified in our Audit Plan

### Commentary

#### Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.

We therefore identified management override of controls, in particular journals, management estimates, and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

To address this risk we:

- evaluated the design effectiveness of management controls over journals;
- analysed the journals listing and determined the criteria for selecting high risk unusual journals;
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;
- gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

We have not identified any issues in relation to the significant risk of management override of controls.



## 2. Financial statements – Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of land and buildings including Investment Properties

The Council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for investment properties) at the financial statements date, where a rolling programme is used.

We therefore identified valuation of land and buildings including Investment Properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

To address this risk we:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- wrote to the valuer to confirm the basis on which the valuation was carried out;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer's report and the assumptions that underpin the valuation;
- tested revaluations made during the year to see if they had been input correctly into your asset register; and
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Our audit work is still in progress but has not identified any issues in this area to date.

#### Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£72.548m in the Council's 2021-22 balance sheet) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.

To address this risk we:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- performed procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- obtained assurances from the auditor of Kent County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

We have not identified any issues in relation to the significant risk in relation to the valuation of the pension fund net liability.

## 2. Financial statements – Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Fraud in expenditure recognition of operating expenditure

As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may be greater than the risk of fraud related to revenue recognition. There is a risk the Council may manipulate expenditure to meet externally set targets and we had regard to this when planning and performing our audit procedures.

Management could defer recognition of non-pay expenditure by under-accruing for expenses that have been incurred during the period but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.

To address this risk we:

- inspected transactions incurred around the end of the financial year to assess whether they had been included in the correct accounting period;
- inspected a sample of accruals made at year end for expenditure but not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year; compared size and nature of accruals at year to the prior year to help ensure completeness; and
- investigated manual journals posted as part of the year end accounts preparation that reduces expenditure to assess whether there is appropriate supporting evidence for the reduction in expenditure.

Our audit work is still in progress but has not identified any issues in this area to date.

#### Level 3 financial assets and liabilities

The Council has reviewed the fair value of the finance assets as part of the IFRS 9 assessment in preparing the draft accounts and concluded that the soft loans for private sector housing improvement purposes and the equity investment in Oportunitas Limited are Level 3 assets.

By their nature Level 3 assets and liabilities valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the sensitivity of this estimate to changes in key assumptions.

Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 financial assets and liabilities by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.

We therefore identified valuation of Level 3 financial assets and liabilities as a significant risk, which was one of the most significant assessed risks of material misstatement.

To address this risk we:

- gained an understanding of the Council's process for valuing hard to value financial assets and liabilities evaluate the design of the associated controls;
- reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuation provided for the assets and liabilities;
- considered the competence, expertise and objectivity of any management experts used; and
- challenged management about the disclosure of the Level 3 financial assets.

Our audit work is still in progress but has not identified any issues in this area to date.



## 2. Financial statements – Other risks identified

Issue	Commentary
<p data-bbox="129 429 506 450"><b>Valuation of Infrastructure Assets</b></p> <p data-bbox="129 470 792 608">Infrastructure assets include roads, highways, street lighting and coastal assets. As at 31 March 2021 the net book value of Infrastructure Assts was £10.346m, which is over five times the financial statements materiality. Gross book value at 31 March 2021 was £36.156m.</p> <p data-bbox="129 628 792 735">In accordance with the LG Code, Infrastructure Assets are measured using the historical cost basis, and carried at depreciated historic cost. With respect to the financial statements there are two risks we plan to address:</p> <ol data-bbox="129 756 792 1018" style="list-style-type: none"> <li data-bbox="129 756 792 858">1. The risk that the value of Infrastructure Assets is materially misstated as a result of applying an inappropriate Useful Economic Life (UEL) to components of Infrastructure Assets.</li> <li data-bbox="129 879 792 1018">2. The risk that the presentation of the PPE note is materially misstated insofar as the gross cost and accumulated depreciation of Infrastructure Assets is overstated. It will be overstated if management do not recognise components of Infrastructure when they are replaced.</li> </ol> <p data-bbox="129 1038 792 1145">For the avoidance of any doubt, these two risks have not been assessed as a significant risk at this stage, but we have assessed that there is some risk of material misstatement that requires an audit response.</p> <p data-bbox="129 1166 792 1267">We also await the outcome of the current CIPFA Infrastructure Assets consultation addressing some of the risks above and the extent to which local authorities are complying with the Code.</p>	<p data-bbox="826 429 1128 450">To address this risk we have:</p> <ul data-bbox="826 470 1836 699" style="list-style-type: none"> <li data-bbox="826 470 1514 491">• reconciled the fixed asset register to the financial statements;</li> <li data-bbox="826 512 1836 560">• used our own point estimate and considered the reasonableness of depreciation charge to Infrastructure Assets;</li> <li data-bbox="826 580 1771 601">• obtained assurance that the UELs applied to Infrastructure Assets are reasonable; and</li> <li data-bbox="826 622 1836 699">• documented our understanding of management’s processes for derecognising Infrastructure Assets on replacement, and obtain assurances that the disclosure in the PPE note is not materially misstated.</li> </ul> <p data-bbox="826 756 1836 863">We have gained an understanding of how the Council determines the appropriate UELs for Infrastructure Assets and how these have been kept under review and applied. The UELs are reviewed annually. We also understand that Infrastructure Assets are replaced largely at the end of their UELs.</p> <p data-bbox="826 884 1836 932">We will continue to review procedures and provide an update to the Audit and Governance Committee once the CIPFA consultation is complete.</p> <p data-bbox="826 952 1836 1059">As at November 2022, our understanding is that the Department for Levelling Up, Housing and Communities are laying a statutory instrument before Parliament shortly which should address the issues, as laid out to the left, and should enable us to sign off the 2020-21 accounts in January 2023 and the 2021-22 accounts shortly thereafter.</p>

## 2. Financial statements – Key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit comments	Assessment																								
Net pension liability – £72.548m	<p>The Council's net pension liability at 31 March 2022 is £72.548m (PY £76.591m) comprising the Kent County Council Local Government Pension Scheme. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 31 March 2019. A roll-forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<p>We considered the following areas:</p> <ul style="list-style-type: none"> <li>assessed the Council's actuary, Barnett Waddingham, to be competent, capable and objective.</li> <li>assessed the actuary's approach taken, detail work undertaken to confirm reasonableness of approach.</li> <li>used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:</li> </ul> <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.60%</td> <td>2.55% - 2.60%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>3.20%</td> <td>3.05% - 3.45%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>4.20%</td> <td>0.5% - 2.5% above CPI inflation (3.10% - 5.1%)</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>21.6 yrs</td> <td>20.5 – 23.1</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>23.7 yrs</td> <td>23.4 – 25.0</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimates.</li> <li>conducted an analytical review to confirm reasonableness of the Council's share of LGPS pension assets.</li> <li>confirmed adequacy of disclosure of the estimate in the financial statements.</li> </ul>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.60%	2.55% - 2.60%	●	Pension increase rate	3.20%	3.05% - 3.45%	●	Salary growth	4.20%	0.5% - 2.5% above CPI inflation (3.10% - 5.1%)	●	Life expectancy – Males currently aged 45 / 65	21.6 yrs	20.5 – 23.1	●	Life expectancy – Females currently aged 45 / 65	23.7 yrs	23.4 – 25.0	●	Light Purple
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	2.60%	2.55% - 2.60%	●																								
Pension increase rate	3.20%	3.05% - 3.45%	●																								
Salary growth	4.20%	0.5% - 2.5% above CPI inflation (3.10% - 5.1%)	●																								
Life expectancy – Males currently aged 45 / 65	21.6 yrs	20.5 – 23.1	●																								
Life expectancy – Females currently aged 45 / 65	23.7 yrs	23.4 – 25.0	●																								

### Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial statements – Key judgements and estimates

Page 44

Significant judgement or estimate	Summary of management's approach	Audit comments	Assessment
Provisions for NNDR appeals - £2.011m	The Council are responsible for repaying a proportion of successful rateable value appeals. Management's calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. Due to a reduction in outstanding appeals, the provision has decreased by £266k in 2021-22.	<p>In the course of our work we have:</p> <ul style="list-style-type: none"> <li>Assessed the method used by the Council to calculate the estimate is that agreed by all Kent Authorities.</li> <li>Assessed if the disclosure of provisions in the financial statements is adequate.</li> </ul> <p>Our review of the provision calculation confirms that appropriate information has been used to determine the estimates and we deem the estimate to be reasonable.</p>	Light Purple
Surplus Assets - £20.54m	<p>Surplus Assets are not specialised in nature and have been valued at fair value under IFRS13, estimated at highest and best use from a market participant's perspective. The Council has engaged WHE to complete the valuation of Surplus Assets as at 31 March 2022. This class of assets contains land at Princes Parade and Recreation Ground.</p> <p>The year end valuation of surplus assets was £20.54m, a net increase of £5.8m from 2020-21 (£14.736m).</p>	<p>We have assessed management's estimate, considering:</p> <ul style="list-style-type: none"> <li>an assessment of management's expert;</li> <li>the completeness and accuracy of the underlying information used to determine the estimate;</li> <li>the reasonableness of the assumptions behind the valuations; and</li> <li>the reasonableness of the increase in the estimate.</li> </ul> <p>Our audit work is still in progress in this area to date.</p>	TBC

### Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious



# 2. Financial statements – Key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit comments	Assessment
Land and Building valuations – Other - £26.4m	<p>Other land and buildings comprise specialised assets such as swimming pools and other leisure facilities, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings assets that are not specialised in nature and are required to be valued at existing use in value (EUV) at year end.</p> <p>The Council has engaged Wilks Head &amp; Eve LLP (WHE), to complete the valuation of properties as at 31 March 2022, on a five yearly cyclical basis. 65% of total assets were revalued during 2021-22. The total year end valuation of land and buildings was £27.084m, a net increase of £0.661m from 2020-21 (£26.423m).</p> <p>Management have considered the year end value of non-valued properties, based on the market review provided by the valuer as at 31 March 2022, to determine whether there has been a material change in the total value of the properties. Management's assessment of assets not revalued has identified no material change to the properties' value.</p>	<p>We identified a significant audit risk in respect of the valuation of land and buildings. In the course of our work we have:</p> <ul style="list-style-type: none"> <li>checked the completeness and accuracy of the underlying information used to determine the valuation of land buildings;</li> <li>reviewed the consistency of estimate against the valuation trends for the period;</li> <li>checked the reasonableness of the net increase in the valuation of land and buildings; and</li> <li>checked the adequacy of disclosure relating to the valuation of land and buildings in the financial statements.</li> </ul> <p>Our audit work is still in progress in this area to date.</p>	TBC

## Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# 2. Financial statements – Key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit comments	Assessment
Land and Buildings – Council Housing - £220.2m	<p>The Council owns 3,396 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged WHE to complete the valuation of these properties which was completed on a desktop basis this year using industry indices.</p> <p>The year end valuation of Council Housing was £220.2m, a net increase of £34.6m from 2020-21 (£185.6m).</p>	<p>In the course of our work we have:</p> <ul style="list-style-type: none"> <li>assessed the Council's valuer, WHE, to be competent, capable and objective;</li> <li>carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate;</li> <li>checked the consistency of estimate against valuation trends for the period;</li> <li>checked the reasonableness of the net increase in the valuation of council dwellings; and</li> <li>checked the adequacy of disclosure of estimate in the financial statements.</li> </ul> <p>Our audit work is still in progress in this area to date.</p>	TBC

## Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial statements – Key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit comments	Assessment
Investment Property - £90.14m	<p>The Council has made significant Investment Property acquisitions in 2021-22 (£2.9m), first and foremost relating to the development of the Otterpool assets.</p> <p>Investment Property is required to be valued at fair value at year-end. The Council has engaged its valuer WHE to complete the valuation of Investment Properties as at 31 March 2022.</p> <p>100% of Investment Property assets were revalued during 2021-22, and the fair value adjustment on valuation resulted in an increase of £3.086m across the portfolio.</p>	<p>We identified a significant audit risk in respect of the valuation Investment properties. In the course of our work we have:</p> <ul style="list-style-type: none"> <li>reviewed the Investment Property valuation estimate in line with the revised ISA540 requirements.</li> <li>assessed management's valuation expert, competent, capable and independent</li> <li>reviewed the valuations against the relevant market indices such as Grant Thornton Real Estate Market update for August 2022, Gerald Eve Market Valuations and Knight Frank yields guide as benchmark tools</li> <li>reviewed the underlying information used to determine the estimate is complete and accurate; and</li> </ul> <p>Our audit work is still in progress in this area to date.</p>	TBC
Minimum revenue provision - £1.211m	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge was £1.211m a net increase of £0.436m from 2020-21 (£0.775m).</p>	<p>We have carried out the following work:</p> <ul style="list-style-type: none"> <li>Assessed that the MRP has been calculated in line with the statutory guidance</li> <li>Confirmed that the Council's policy on MRP complies with statutory guidance.</li> <li>Assessed there are no changes to the authority's policy on MRP in comparison with 2020/2021.</li> </ul> <p>Our audit work is still in progress in this area to date.</p>	TBC

### Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# 2. Financial statements – Key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit comments	Assessment
Grant income recognition and presentation - £47.8m	<p>Management's policy states that grants are immediately recognised where the Council has reasonable assurance it will comply with the conditions attached to the grant, and the grants or contributions will be received. Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is recognised as income as soon as the Council has reasonable assurance it will comply with the conditions attached to the grant, and the grants or contributions will be received.</p> <p>For this purpose, the Council acts as the principal and credited such grants, contributions and donations to the Comprehensive Income and Expenditure Statement. These mainly comprise of:</p> <ul style="list-style-type: none"> <li>- Local Authority Discretionary Grant Fund (LADGF)</li> <li>- Additional Restrictions Grant</li> </ul> <p>However, for some grants the Council is also acting as an agent and does not recognise grant income. The Council has recognised the following grants as agency transactions:</p> <ul style="list-style-type: none"> <li>- Small Business Grant Fund (SBGF) and Retail, Hospitality and Leisure Grant Fund (RHLGF)</li> <li>- Business Grants Fund</li> <li>- Local Restrictions Support Grant (including Addendum)</li> </ul>	<p>Work performed during our audit covered the following:</p> <ul style="list-style-type: none"> <li>• Review of management's judgement of whether the Council is acting as the principal or agent, which determines whether the Council recognises the grant at all.</li> <li>• Check of completeness and accuracy of the underlying information used to determine whether there are conditions outstanding that determines whether the grant be recognised as a receipt in advance or in-year income.</li> <li>• The assessment for grants received, whether the grant is specific or non-specific grant, also whether it is a capital grant, as this impacts on where the grant income is presented within the CIES.</li> <li>• Review of adequacy of disclosure of management's policy around recognition of grant income in the financial statements.</li> </ul> <p>Our audit work is still in progress in this area to date.</p>	TBC

## Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial statements – Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Written representations	We will request management's representations in advance of issuing the 2021-22 opinion on the financial statements.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banking, investment and borrowing institutions. This permission was granted and the requests were sent and returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Subject to completing our work we have not found any material omissions in the financial statements to date.
Audit evidence and explanations/significant difficulties	We did encounter staffing challenges within the finance team of the Council, acknowledging that recruitment and retention is highly challenging across the local government finance profession, which has resulted in outstanding audit matters as stated on page 3 of this report.

## 2. Financial statements – Other communication requirements



### Our responsibility

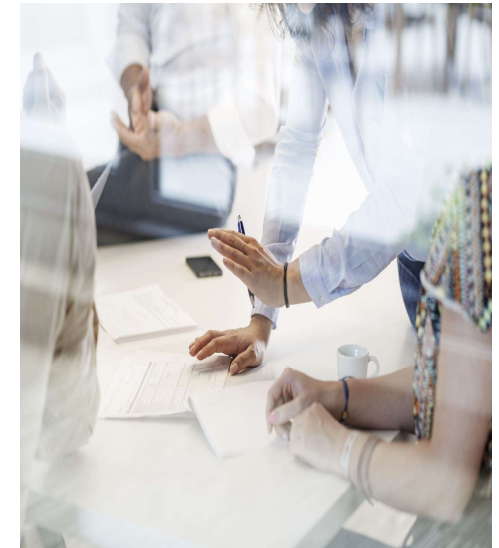
As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).

Page 50

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities; and</li> <li>for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the Council and the environment in which it operates;</li> <li>the Council’s financial reporting framework;</li> <li>the Council’s system of internal control for identifying events or conditions relevant to going concern; and</li> <li>management’s going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified; and</li> <li>management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. Financial statements – Other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit;</li> <li>• if we have applied any of our statutory powers or duties; or</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses.</li> </ul> <p>We have nothing to report on these matters</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that this work is not required as the Council does not exceed the reporting threshold.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2021-22 audit of Folkestone &amp; Hythe District Council in the audit report, as detailed in Appendix C, due to incomplete VFM work.</p>





# 3. Value for Money arrangements

## Approach to Value for Money work for 2021-22

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information.

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.



## Our procedures and conclusions

We have not yet completed all our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in Appendix D to this report. We expect to issue our Auditor's Annual Report no later than 3 months after the date of the opinion on the 2021-22 financial statements. This is in line with the National Audit Office's revised deadline.

As part of our work we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our VFM planning work has not identified any risks of significant weakness at this stage.



## 4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix B.

### Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020).

### Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified:

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefits Assurance Process	13,800	Self-interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £13,800 in comparison to the total fee for the audit of £73,553 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Capital Receipts return	6,000	Self-interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £6,000 in comparison to the total fee for the audit of £73,553 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

# Appendices

# A. Audit adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

An adjusted misstatement is set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Financial Instrument - Loan to Otterpool Park LLP			
We identified that Otterpool loan was held at cost of £1.25m, however the Otterpool Park LLP net asset position as at 31/03/2022 was £0.537m. We challenged management that if Otterpool Park LLP was no longer a going concern the maximum recovery in respect of the loan for the Council would be £0.537m.			
DR FV Impairment (loss)	712		712
CR FV Investments		(712)	
<b>Overall impact</b>	<b>£712</b>	<b>(£712)</b>	<b>£712</b>

# A. Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Auditor recommendations	Adjusted?
<b>Group Balance Sheet</b> We noted that the short-term debtors balance of £4.132m for 2020-21 in the Group Balance Sheet was incorrect and should be £17.442m	Group Balance Sheet should be amended to reflect the correct prior year value. <b>Management response:</b> Management agreed to amend.	✓
<b>Assumptions made about the future and other major sources of estimation uncertainty – Note 4</b> We noted in Valuations (Property, Plant and Equipment, Investment Property & Heritage assets) that the 10% reduction or increase value disclosed was incorrect as it should be £35.8m, not £34.8m.	Note 4 should be amended to reflect the correct calculation of possible valuation movements. <b>Management response:</b> Management agreed to amend.	✓
<b>Audit fees – Note 14</b> The payable for certification of housing benefit subsidy and housing capital receipts was incorrect as this should be £19,800, not £17,000.	Note 14 should be amended to reflect the correct values. <b>Management response:</b> Management agreed to amend.	✓
<b>Impairment of Short-term Debtors – Note 21</b> The impairment balance disclosed in the Financial statement is incorrect as it should be £1.840m, not £1.478m.	Note 21 should be amended to include all impairments. <b>Management response:</b> Management agreed to amend.	✓
<b>Interests in Companies and Other entities – Note 40</b> We identified some disclosure errors which were brought to management's notice. These errors were all minor and have no impact to the Balance Sheet or the Comprehensive Income and Expenditure Statement.	Note 40 should be amended to in the manner that has been communicated by the audit team. <b>Management response:</b> Management agreed to amend.	✓

# A. Audit adjustments

## Misclassification and disclosure changes continued

Disclosure	Auditor recommendations	Adjusted?
<p><b>Financial instruments – Note 27</b></p> <p>Our audit work on financial instruments identified a £5m balance which had been classified and recorded as Money Market Fund however our review of this asset did not meet the classification of a Money Market Fund instead it should be classified as structured loan and deposits.</p>	<p>Note 27 financial instruments should be correctly classified to reflect the nature of financial instruments.</p> <p><i>Management response:</i> Management agreed to amend.</p>	✓
<p><b>Contractual Commitments – Note 16</b></p> <p>Heating replacement programme balance of £0.48m is incorrect and should be £1.61m.</p>	<p>Note 16 should be amended to reflect the correct value for contractual commitments.</p> <p><i>Management response:</i> Management agreed to amend.</p>	✓

# A. Audit adjustments



## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021-22 audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
<b>Fees, Charges &amp; Other Service Income</b>				Not material
As part of our Fees, Charges & Other Service Income testing, we noted an isolated error in Receipts in Advance calculation where the cash was not received.				
DR Rent/Service charge in advance (Liability code)		254		
DR Income (I&E)	18		Nil	
CR Caxton Debtor account		(254)		
CR Rent in advance (Liability code)	(18)			
<b>Fees, Charges &amp; Other Service Income</b>				Not material - extrapolated
As part of our Fees, Charges & Other Service Income testing, we identified one transaction of £0.020m which was incorrectly classified as income instead of refund of expenditure.				
We extrapolated the impact of this error across the population tested which resulted in an extrapolated overstatement of £1.133m.				
Dr Other expenditure	1,133	Nil	Nil	
Cr Fees, Charges & Other Service Income	(1,133)			
<b>Overall impact</b>	<b>£Nil</b>	<b>£Nil</b>	<b>£Nil</b>	

# B. Fees

We confirm below our final fees charged for the audit and provision of non-audit services

<b>Audit fees</b>	<b>Proposed fee</b>	<b>Final fee</b>
Folkestone & Hythe District Council statutory audit	£73,553	TBC
Total audit fees (excluding VAT)	£73,553	TBC

Page 59

<b>Non-audit fees for other services</b>	<b>Proposed fee</b>	<b>Final fee</b>
<b>Audit-related services</b>		
Certification of Housing Benefit Assurance Process	13,800	TBC
Certification of Housing Capital Receipts return	6,000	TBC
Total non-audit fees (excluding VAT)	£19,800	TBC

# C. Audit opinion

Our audit opinion is included below. We anticipate we will provide the Council with an unmodified audit report.

DRAFT Independent auditor's report to the members of Folkestone and Hythe District Council

Report on the Audit of the Financial Statements

## Opinion on financial statements

We have audited the financial statements of Folkestone and Hythe District Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2022 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Corporate Services use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.



# C. Audit opinion

In our evaluation of the Director of Corporate Services' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Director of Corporate Services' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Director of Corporate Services with respect to going concern are described in the 'Responsibilities of the Authority, the Director of Corporate Services and Those Charged with Governance for the financial statements' section of this report.

## Other information

The Director of Corporate Services is responsible for the other information. The other information comprises the information included in the Statement of Accounts and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

# C. Audit opinion

## Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

## Responsibilities of the Authority, the Director of Corporate Services and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Corporate Services. The Director of Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Director of Corporate Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Corporate Services is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority and the group will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

# C. Audit opinion

## Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003.
- We enquired of senior officers and the Audit and Governance committee, concerning the group and Authority’s policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Governance committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority and group’s financial statements to material misstatement, including how fraud might occur, by evaluating officers’ incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and any other fraud risks identified for the audit. We determined that the principal risks were in relation to Valuation of land and buildings, including investment properties and council dwellings and Valuation of pension fund net liability.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Director of Corporate Services has in place to prevent and detect fraud;
  - journal entry testing, with a focus on unusual journals made during the year and the accounts production stage for appropriateness and corroboration.
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, council dwellings and investment property and defined benefit pensions net liability valuations; and
    - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

# D. Audit opinion

The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to valuation of land and buildings, including investment properties and council dwellings and Valuation of pension fund net liability.

Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority and group including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA, LASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- The Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

**Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

**Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

## Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

# D. Audit opinion

## Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Folkestone and Hythe District Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report,
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

## Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

---

# D. Audit opinion

Signature

Paul Dossett

Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

Date: XX January 2023

# E. Audit letter in respect of delayed VFM work

Dear Councillor Mrs Ann Berry,

The original expectation under the approach to VFM arrangements works set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangement for local government by 30 September each year at the least. Unfortunately, due to the on-going challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, we have been unable to complete our work 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.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than three months after the date of the opinion on the financial statements. This is in line with the National Audit Office's revised deadline.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delays.

Yours faithfully

Paul Dossett

Key Audit Partner





This Report will be made public on 29 November 2022



Report Number **AuG/22/17**

---

**To:** Audit and Governance Committee  
**Date:** 7 December 2022  
**Status:** Non-Executive Decision  
**Corporate Director:** Charlotte Spendley – Director – Corporate Services (S151)

**SUBJECT: QUARTERLY 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 30<sup>th</sup> September 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/22/17.
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 is currently one review with such a level of assurance as shown in appendix 2 of the EKAP report.
- 2.5 The purpose of the Council's Audit and Governance Committee is to provide independent assurance of the adequacy of the risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements and to seek assurance that action is being taken to mitigate those risks identified.
- 2.6 To assist the Committee in meeting its terms of reference with regard to the internal control environment an update report is regularly produced on the work of internal audit. The purpose of this report is to detail the summary findings of completed audit reports and follow-up reviews since the report submitted to the last meeting of this Committee.

## **3. SUMMARY OF WORK**

- 3.1. There have been three audit reports completed during the period. These have been allocated assurance levels as follows: one was Substantial / Limited and two were Limited assurance. Summaries of the report findings are detailed within Annex 1 to this report.
- 3.2 In addition, two follow up reviews have been completed during the period. The follow up reviews are detailed within section 3 of the update report.

3.3 For the period to 30th September 2022 177.14 chargeable days were delivered against the planned target for the year of 350 days, which equates to achievement of 50.61% 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 (AK)

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 30<sup>th</sup> September 2022.

**2. SUMMARY OF REPORTS**

Service / Topic		Assurance level	No of recs	
2.1	Car Parking Income	Substantial / Limited	C	0
			H	7
			M	0
			L	0
2.2	Garden Waste / Recycling Management	Limited	C	0
			H	2
			M	5
			L	0
2.3	Contract Management – Controls and Governance	Limited	C	0
			H	10
			M	0
			L	0

**2.1 Car Parking Income – Substantial / Limited Assurance**

2.1.1 Audit Scope

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

2.1.2 Summary of Findings

Car Parking and Enforcement income is a major income stream to the Council therefore there is the need to ensure that monies are collected and banked in a timely manner and processes are in place to recover any outstanding monies.

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

- Established processes are in place for the processing of permit applications and the recovery processes for PCN`s.

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

- There are ongoing issues with the Kent wide cash collection contract which means that car park income in its various forms (cash, card payments and RINGO) has not been reconciled correctly since September 2021. Audit tickets are not being provided by the contractor which impacts on the reconciliation routines at the time of the audit.
- There have been instances of the car park machines becoming out of service due to being full, as the cash boxes have not been pulled by the contractor.
- There are issues with a small number of car park machines causing reports produced from the car park machine system to possibly not be accurate.

## **2.2 Garden Waste / Recycling Management – Limited Assurance**

### **2.2.1 Audit Scope**

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the waste recycling income, comprising green waste, food waste, paper/card, glass, tin and plastic is being correctly charged for, in accordance with Council policy / agreements and that all income is correctly received and reconciled.

### **2.2.2 Summary of Findings**

Dover District Council (DDC) and Folkestone & Hythe District Council (FHDC) are the statutory local Waste Collection Authorities (WCA). For the service delivery they maintain a joint Waste, Recycling and Street Cleansing contract, with Veolia Environmental Services UK Ltd; with DDC acting as the lead authority. The current Contract commenced in January 2021.

The Council offers a (non-statutory) Garden Waste collection service, for an annual subscription; and statutory (non-chargeable) household waste and recycling collection service. The councils also provide a bulky waste collection service, for items that will not fit in a designated container, and all items, but especially those that the Council are unable to collect, can be taken to a Household Waste Recycling Centre (operated by Kent County Council).

The day-to-day management and monitoring of the contract is through the joint DDC/FHDC Waste Services Team.

The Waste Management System, ECHO, currently records that there are 14,747 subscribers to the FHDC garden waste collection service.

Effective control was evidenced in the following areas:

- The Council has an approved garden waste charging policy for 2022/23 which is correctly advertised on the Council's Website.
- Fees are received in advance of services being provided.
- Monthly contract monitoring meetings are held with performance statistics provided by Veolia.
- Recycling and waste performance statistics are updated in line with DEFRA requirements and performance statistic are also reported quarterly to Cabinet.

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

- Refund processing and record retention are open to error which may result in collection services continuing where payment has not been received.
- There is no reconciliation between the actual income received as recorded on the financial management system and expected income as recorded on the Garden Waste system.
- Due to a lack of an interface between the in-house garden waste system and Veolia's manual intervention is required, which leaves the system open to error and has resulted in discrepancies between the two systems.

## **2.3 Contract Management – Controls and Governance – Limited Assurance**

### **2.3.1 Audit Scope**

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the organisation's internal controls over contract management are robust and there are sound governance processes in place.

### **2.3.2 Summary of Findings**

A sample of contracts from across all directorates (with the exception of Housing Planned Maintenance as these were tested as part of a separate review earlier in 2022/23) was tested.

Contract Standing Orders (CSOs) set out the minimum requirements to be followed by officers to procure works, supplies (goods) and services. Testing found a number of instances whereby officers are failing to comply with CSOs and therefore by definition are failing to achieve the standards required by the Council in terms of procurement. It should be noted that none of the CSOs tested have an impact on the transactions in the Financial Statements.

Effective control was identified in the following areas:

- For all of the contracts tested, sufficient budget was confirmed to be in place prior to the advertising of the procurement opportunity.
- The Council publishes details of purchase orders raised above £5,000 on its website.

- CSO 14.2 – On the whole, all contract variations and extensions are being properly documented and approved.
- All payments to suppliers were properly reviewed and authorised.

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

- CSO 7.4 (a) - From a sample of 15 suppliers tested, 4 were found to have not been advertised, the CSO's require competition to ensure best value is obtained.
- CSO 7.4 - From a sample of 15 contracts, five (33%) contracts had an approved waiver in place which resulted in 3 (30%) of the remaining 10 having not obtained the required number of quotes or tenders as required by CSOs. Therefore 7 (70%) contracts had obtained the required number of quotes/tenders.
- CSO 3.4 – For a sample of 15 contracts with a value of £10,000 a contract was in place for 9 (60%) suppliers.
- CSO 5.4(f) - For a sample of 15 suppliers with expenditure in excess of £5,000. 9 (60%) were found to have been listed on the Contracts Register.
- Meetings to formally review performance against the contract are taking place in 8 (53%) of the 15 contracts.

Testing identified a number of weaknesses that are considered to be as a result of officers responsible for the procurement and management of contracts requiring CSO awareness training. While officers were found to be aware of the existence and general principles of CSOs, most were unfamiliar with all the requirements specified in CSOs. Testing also established that officers are unaware of the requirements to undertake a genuine pre-estimate of the contract value covering the whole life of the contract.

### 3.0 FOLLOW UP OF AUDIT REPORT ACTION PLANS

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

3.2

Service / Topic	Original Assurance level	Revised Assurance level	Original recs	Outstanding recs
Garage Management	Reasonable	Substantial / Reasonable	C 0 H 3 M 7 L 1	C 0 H 0 M 0 L 0



Service / Topic	Original Assurance level	Revised Assurance level	Original recs	Outstanding recs
Resident Engagement	Reasonable	Reasonable	C 0 H 0 M 3 L 0	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, Creditors, Council Tax, Homelessness and Fraud resilience.

#### **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 30<sup>th</sup> September 2022 177.14 chargeable days were delivered against the planned target for the year of 350 which equates to achievement of 50.61% 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 after follow up.
- Appendix 2 Summary of services with limited / no assurances yet to be followed up.
- Appendix 3 Progress to 30<sup>th</sup> September 2022 against the 2022-23 Audit plan.
- Appendix 4 Balanced Scorecard to 30<sup>th</sup> September 2022.
- Appendix 5 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>
Right to Buy	September 2022	Limited	March 2023

## PROGRESS AGAINST THE AUDIT PLAN 2022/23

Review	Original Planned Days	Revised Planned Days	Actual To 30/09/2022	Status and Assurance level
<b>FINANCIAL SYSTEMS:</b>				
Bank Reconciliation	10	0	0	Deferred (to cover Officers Interests)
Car Parking Income	10	16	16.56	Finalised – Reasonable / Limited
Council Tax	10	10	0.30	Quarter 3
Creditors	10	10	3.75	Work in progress
Housing Benefit Admin & Assessment	10	10	0.28	Quarter 3
Housing Benefit Subsidy	10	0	0	Deferred (to cover disposal of logs / white goods)
<b>HOUSING SYSTEMS:</b>				
Capital Programme Planned Repairs	10	10	0.55	Deferred (to cover Housing contract man)
Housing Anti-Social Behaviour	10	10		Quarter 4
Improvement Grants & DFGs	10	10	0.16	Quarter 3
Tenants Health& Safety	10	10	0.36	Quarter 3
Housing Contract Management	10	25	25.55	Finalised – No Assurance
New Build Capital Programme	10	0	0.73	Quarter 4
Responsive Repairs and Maintenance	10	10	0.17	Quarter 4
Right to Buy	10	10	10.19	Finalised - Limited
Tenancy & Estate management	10	10		Quarter 4
Tenancy Counter Fraud	10	10	0.36	Quarter 3
Homelessness	15	15	10.64	Work in progress
<b>TECHNOLOGY / CYBER:</b>				
ICT Review	10	10	0.14	Quarter 3
<b>CORPORATE GOVERNANCE:</b>				
Otterpool Governance	10	10	1.41	Quarter 4
Whistleblowing	5	5	3.06	Work in progress
<b>COUNTER FRAUD:</b>				
Fraud Resilience Arrangements	10	6	0.03	Quarter 3
<b>PROCUREMENT &amp; CONTRACTS:</b>				

Contract Management / CSOs	10	12	10.65	Finalised - Limited
<b>ASSET MANAGEMENT:</b>				
Asset Management	10	0	0	Deferred (to cover Housing contract management)
<b>SERVICE LEVEL:</b>				
Corporate Responsive Repairs	10	0	0	Deferred (to cover corporate leak review)
<b>Review</b>	<b>Original Planned Days</b>	<b>Revised Planned Days</b>	<b>Actual To 30/09/2022</b>	<b>Status and Assurance level</b>
Members Allowances	10	10	0.27	Quarter 3
Planning Income	10	10		Quarter 4
Garden Waste / Recycling Management	10	21	21.17	Finalised - Limited
<b>PEOPLE MANAGEMENT:</b>				
Employee Benefits in Kind	10	10	0.19	Quarter 3
Recruitment	10	10		Quarter 4
<b>OTHER:</b>				
Committee Reports & Meetings	10	10	7.66	Ongoing
S151 Meetings & Support	10	10	8.76	Ongoing
Corporate Advice / CMT	5	8	8.46	Ongoing
Liaison with External Audit	1	1	0.92	Ongoing
Audit Plan Prep & Meetings	10	7	2.92	Ongoing
Follow Up Reviews	14	12	12.18	Ongoing
<b>FINALISATION OF 2021-22 AUDITS:</b>				
COVID Grants	10	1	0.54	Finalised - Reasonable
Freedom of Information		3	2.89	Work in progress
Housing Data Integrity		6	5.51	Finalised – N/A
<b>RESPONSIVE ASSURANCE:</b>				
Corporate Leak Investigation	0	5	3.05	Finalised – N/A
Officers' Interests	0	11	10.88	Finalised – Reasonable / Limited
Disposal of logs / white goods	0	6	6.85	Finalised – N/A
<b>Total</b>	<b>350</b>	<b>350</b>	<b>177.14</b>	<b>50.61%</b>

**BALANCED SCORECARD**

**Appendix 4**

<u>INTERNAL PROCESSES PERSPECTIVE:</u>	<u>2022-23 Actual</u>	<u>Target</u>	<u>FINANCIAL PERSPECTIVE:</u>	<u>2022-23 Actual</u>	<u>Original Budget</u>
	Quarter 2		Reported Annually		
Chargeable as % of available days	88%	90%	<ul style="list-style-type: none"> <li>• Cost per Audit Day</li> </ul>	£	£
Chargeable days as % of planned days			<ul style="list-style-type: none"> <li>• Direct Costs</li> </ul>	£	£
CCC	50.89%	50%	<ul style="list-style-type: none"> <li>• + Indirect Costs (Recharges from Host)</li> </ul>	£	£
DDC	51.03%	50%	<ul style="list-style-type: none"> <li>• - 'Unplanned Income'</li> </ul>	£	Zero
TDC	41.75%	50%			
F&HDC	50.62%	50%			
EKS	38.45%	50%			
Overall	47.36%	50%	<ul style="list-style-type: none"> <li>• = Net EKAP cost (all Partners)</li> </ul>		£
Follow up/ Progress Reviews;					
<ul style="list-style-type: none"> <li>• Issued</li> </ul>	25	-			
<ul style="list-style-type: none"> <li>• Not yet due</li> </ul>	15	-			
<ul style="list-style-type: none"> <li>• Now due for Follow Up</li> </ul>	29	-			
Compliance with the Public Sector Internal Audit Standards (PSIAS) (see Annual Report for more details)	Partial	Partial			

<b><u>CUSTOMER PERSPECTIVE:</u></b>	<b><u>2022-23 Actual</u></b>	<b><u>Target</u></b>	<b><u>INNOVATION &amp; LEARNING PERSPECTIVE:</u></b>	<b>Actual</b>	<b>Target</b>
	<b>Quarter 2</b>		<b>Quarter 2</b>		
<b>Number of Satisfaction Questionnaires Issued;</b>	<b>30</b>		<b>Percentage of staff qualified to relevant technician level</b>	<b>61%</b>	<b>60%</b>
<b>Number of completed questionnaires received back;</b>	<b>20</b>		<b>Percentage of staff holding a relevant higher level qualification</b>	<b>36%</b>	<b>36%</b>
	<b>= 67%</b>		<b>Percentage of staff studying for a relevant professional qualification</b>	<b>14%</b>	<b>N/A</b>
<b>Percentage of Customers who felt that;</b>			<b>Number of days technical training per FTE</b>	<b>2.48</b>	<b>3.5</b>
<ul style="list-style-type: none"> <li>• Interviews were conducted in a professional manner</li> </ul>	<b>100%</b>	<b>100%</b>	<b>Percentage of staff meeting formal CPD requirements (post qualification)</b>	<b>50%</b>	<b>50%</b>
<ul style="list-style-type: none"> <li>• The audit report was 'Good' or better</li> </ul>	<b>94%</b>	<b>90%</b>			
<ul style="list-style-type: none"> <li>• That the audit was worthwhile.</li> </ul>	<b>97%</b>	<b>100%</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 page is intentionally left blank

This report will be made public on 29 November 2022



Report Number **Aug/22/20**

**To:** Audit and Governance Committee  
**Date:** 7th December 2022  
**Status:** Non-Executive Function  
**Director:** Charlotte Spendley, Director of Corporate Services

**SUBJECT: ANNUAL GOVERNANCE STATEMENT ACTIONS –UPDATE ON 2022-23 ACTIONS**

**SUMMARY:** This report presents the current position on progress towards achieving the 2022-23 actions set out in the Annual Governance Statement.

**REASONS FOR RECOMMENDATIONS:**

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

**RECOMMENDATIONS:**

1. To receive and note report AuG/22/20.
2. To note the progress towards achieving the actions in the Annual Governance Statement (Appendix 1).

## 1. INTRODUCTION

- 1.1 The Annual Governance Statement for 2021-22 was considered by the committee on 29<sup>th</sup> July 2022 (report AUG/22/07).
- 1.2 The governance statement identified significant governance issues that were likely to arise during this year. This report sets out progress against those actions.
- 1.3 To support the progress updates set out as part of this report, there will be a separate report that has been included within this committee report pack which will cover in more detail the governance issues that have been identified during 2022. The governance issues will also be reflected in the 2022-23 Annual Governance Statement when it's drafted in the new financial year.

## 2. THE ANNUAL GOVERNANCE STATEMENT ACTIONS - UPDATE

- 2.1 The Annual Governance Statement identified actions for 2022-23 (See Appendix 1) which are necessary to improve the overall effectiveness of its governance arrangements.
- 2.2 The committee will receive a final update on the progress of these actions as part of the 2022-23 Annual Governance Statement that will be brought forwards for consideration at this committee in July 2023.

## 3. RISK MANAGEMENT ISSUES

- 3.1 A summary of the perceived risks follows:

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

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

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

There are no legal issues arising from this report.

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

There are no financial implications arising from this report.

### 4.3 Diversities and Equalities Implications (GE)

No diversities and equalities implications.

## 5. CONTACT OFFICER AND BACKGROUND DOCUMENTS

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

Gavin Edwards, Performance & Improvement Specialist

Tel: 01303 853436

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: None

### **Appendices:**

Appendix 1: 2022-23 Annual Governance Statement Actions - Progress Update

This page is intentionally left blank

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

	<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 Directors, Assistant Directors/Chief Officers and internal audit's opinion report.</p>	Monitoring Officer	May 2023	<p>The review of Corporate Governance has been completed for year 2021/2022, this document will remain live and under review until the accounts are signed.</p> <p>The annual review of governance for 2022/23 will be undertaken in early 2023.</p> <p><b>Status: Completed</b></p>
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	<p>This is a matter which is being kept under ongoing review.</p> <p><b>Status: Ongoing</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 ensuring Officers and Members of the council are aware of their responsibilities.</p>	Monitoring Officer	March 2023	<p>The Data Protection Policy and the General Data Protection Policy are being kept under review and will be updated as necessary.</p> <p><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>The governance arrangements of the Overview &amp; Scrutiny Committee is an ongoing action that will be kept under review.</p> <p><b>Status: Ongoing</b></p>

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>	<p>Chief Financial Services Officer &amp; Monitoring Officer</p>	<p>December 2022</p>	<p>This work will be undertaken in late 2022/ early 2023, as part of a suite of training being delivered to officers.</p> <p><b>Status: Not Completed</b></p>
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>	<p>S151/ Monitoring Officer</p>	<p>Autumn 2022</p>	<p>Work is underway to review the Governance Arrangements and early discussions have happened with the LLP. Work scheduled to be completed by end December 2022.</p> <p><b>Status: In Progress</b></p>
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 reporting, consistency and governance oversight across all projects.</p>	<p>Programme Management Lead Specialist</p>	<p>March 2023</p>	<p>Work has commenced, with the broad framework having been established but not yet widely rolled out. Function is under review due to funding availability.</p>
9.	<p><b>Review of the Partnership Policy</b></p> <p>To review and update the Council's Partnership Policy to ensure it's reflective of current working practices.</p>	<p>Performance &amp; Improvement Specialist</p>	<p>October 2022</p>	<p>The work on reviewing the Partnership Policy had been delayed but work on its review is now currently underway. The policy is being reviewed and consulted on with other officers to ensure its reflective of current working practices for establishing and monitoring of partnerships. The work on updating the policy is anticipated to be concluded by the New Year, where it will then be submitted for committee approval.</p> <p><b>Status: In Progress</b></p>





This page is intentionally left blank

This Report will be made public on 29 November 2022



Report Number **AuG/22/21**

**To:** Audit and Governance Committee  
**Date:** 7 December 2022  
**Director:** Susan Priest, Chief Executive & Head of the Paid Service  
Charlotte Spendley, Director of Corporate Services and Section 151 Officer  
Amandeep Khroud, Assistant Director of Governance & Law and Monitoring Officer  
**Cabinet Member:** Councilor David Monk, Leader of the Council  
**Subject:** Governance Update

**Summary:** This report summarises the key elements of the governance issues identified during 2022 within the Council and those actions agreed to improve the control environment. This report focuses on those matters that relate to the remit of the Audit & Governance Committee, whilst there were associated personnel matters these will be considered by the Personnel Committee where relevant.

**Reasons for recommendations:**

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

- a) It is responsible for considering governance matters on behalf of the Council.
- b) The members of this committee have a duty to discharge in understanding and evaluating the actions taken regarding the management of risk and internal control.
- c) In order to comply with best practice, those charged with governance should independently contribute to the maintenance of an effective programme of internal control.

**Recommendations:**

1. To receive and note Report AuG/22/21.
2. To approve the proposed amendments to the Annual Governance Statement 2021/22 as outlined in section 11

## 1. INTRODUCTION

- 1.1 The Audit and Governance Committee were made aware earlier in the year of a number of governance issues identified which largely relate to non-compliance with the Council's Contract Standing Orders. They have received private briefings as well as updates through internal audit reports and investigations in a mix of public and private sessions of the committee.
- 1.2 The committee has also received on 28 July the draft Annual Governance Statement (AGS) for 2021/22 which outlined in summary form the issues identified. The Statement has been updated and is included elsewhere within this agenda, however this report seeks to explore the issues and actions more fully in hand, for the purposes of transparency and clarity for members.
- 1.3 The draft AGS reported to members that:  
"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."
- 1.4 The committee also received the Annual Review of Internal Control report from the Head of the East Kent Audit Internal Audit Partnership, and an update to that position is noted in section 11 of this paper.

## 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;

### **3. AUDITS AND INVESTIGATIONS UNDERTAKEN**

- 3.1 In total six pieces of work were commissioned with EKAP (East Kent Audit Partnership) between the months of March and July. Some pieces were already within the agreed Audit Plan and work programme for 2022/23 and others were specific investigations commissioned by the Statutory Officers.
- 3.2 The purposes of these audits were to:
- Establish facts based on the agreed scope
  - Evaluate the effectiveness of the control environment
  - Make recommendations for improvements to the control environment
- 3.3 The Statement of Accounts for 2021/22 has been drafted and was presented to the Committee on 21 September. In England, the responsible financial officer (Section 151 Officer) in each authority is required to confirm that they are satisfied that the statement of accounts presents a true and fair view of the financial position, performance and cash flows of the authority at the end of the relevant financial year. There is also a requirement to ensure the council has taken reasonable steps for the prevention and detection of fraud and other irregularities. The audits have therefore also formed a picture of assurance to enable the Statement of Accounts to be signed for the 2021/22 financial year.

### **4 HOUSING PLANNED MAINTENANCE – CONTRACT MANAGEMENT**

- 4.1 This Internal Audit had formed part of the original 2022/23 Audit Plan, however the timing of the audit was brought forward and the scope / time allocated was expanded, following an issue being brought to the Statutory Officers attention regarding the use of a contractor significantly beyond the agreed contractual sum. This matter was identified and raised by a more a more senior officer of the housing team.
- 4.2 The scope of this audit was:  
To examine and evaluate the procedures and controls established by management, to include:-
- a) Ensure that contracts are properly let via quotes or tenders.
  - b) Establish if contracts are managed following the processes and procedures set out in CSOs.
  - c) Ascertain if there are regular meetings with the contractors to discuss issues and progress and that these achieve the right outcomes (no gaps) and action points are recorded.
  - d) Ensure that there are inspections of the works completed.

- e) Review a sample of contracts to ensure that the contracts are paid in line with the contract rates.
- f) Ensure that contract claims for payments are properly reviewed, prior to payment.
- g) Establish if variations are required they are properly documented and approved.
- h) Ascertain if there is regular budgetary control over contracts.
- i) Evaluate the management oversight arrangements to determine if the right meetings are prompting the right questions, generating the right outcomes to identify any possible gaps, either in behaviour or culture/ approach to contract management.
- j) With regard to Thinking Ahead, review processes to ensure that new contracts are set up in good time prior to the expiry of current ones.
- k) Establish whether contract files are kept, and what the retention period is.
- l) Identify and evaluate any significant risks to the authority and give advice on any control improvements in a report to management

4.3 And the objective was to provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the organisation derives the maximum possible value and the highest level of performance and customer satisfaction from its various contracts.

4.4 The Audit work found that management could place No Assurance on the system of internal controls in operation around both the procurement and management of contracts in operation in the Housing Planned Maintenance section. The primary findings giving rise to the No Assurance opinion in this area are as follows:

#### **Housing Planned Maintenance - Procurement**

- From a sample of 20 suppliers where a contract should be in place, no written risk assessments were found to be in place for any of the contracts around the procurement process as required by CSO's.
- From a sample of 20 suppliers, in only 12 instances were officers found to have complied with CSO's and obtained at least three written quotes/tenders following advertisement by public notice.
- From a sample of 20 suppliers tested with expenditure above £10,000, a contract was in place for only 11 suppliers.
- Around £1,452,646 was spent in 2021/22 on suppliers without a CSO compliant contract, of which £650,000 was spent using expired contracts.
- From 14 suppliers with a current or expired contract, expenditure on only 5 contracts was found to be in line with contract sums, in all other cases expenditure exceeded contract sums.
- The role of procurement is to support spending officers with advice and guidance meaning there is no dedicated role (outside of line management) within the Council responsible for independently monitoring and reporting compliance with CSO's to Senior Management.
- Poor forward planning is resulting in suppliers being used with no contract in place, or expired contracts continuing to be used.

### **Housing Planned Maintenance - Contract Management**

- From a sample of 10 contractors selected for testing, in 4 cases officers confirmed that they either do not have any review meetings with the contractor to review performance under the contract, or any meetings they do have are not documented.
- Suitable post inspection routines were found to be in place for only 1 of 10 contracts tested.
- Officers are placing reliance on external 3<sup>rd</sup> parties acting as Clerk of Works paid for by the contractor as a substitute for undertaking post inspections themselves.
- Post inspections are not being documented.
- Site visits during the audit identified numerous issues not previously identified by post inspections by officers.
- Payment requests from contractors not being scrutinised resulting in duplicate payments being made to suppliers.
- Multiple instances identified during the audit of work being paid for when not yet completed.
- Testing also identified that work relating to a fire alarm replacement costing £27,000 was incorrectly specified, and still requires additional work.
- Costs on two other fire alarm system replacements could have been reduced significantly by undertaking upgrades rather than full system replacements.
- Testing identified several examples whereby work has been paid for but either the work is not yet fully complete, or the necessary certification documentation is yet to be provided.

Testing was undertaken on a sample of 20 suppliers used by the Planned Maintenance section in 2021/22. Two of the suppliers being used were found to have contracts originally put in place under what was formerly East Kent Housing. Despite those contracts expiring in 2021/22, officers had continued to use those suppliers past the contract expiry date.

In the case of one supplier, work valued at £76,499 in respect of fire alarm upgrades in three buildings was found to have been paid for in March 2022, but none of which was completed by mid May 2022. Work on one of the buildings was found to have not commenced until 3<sup>rd</sup> May despite being paid for in March 2022. Testing also identified that part of the work was also incorrectly specified, and at least part of the cost was unnecessary. For the same supplier, numerous queries are outstanding in respect of work possibly being charged for twice. The estimate value of that work requiring further investigation amounts to approximately £88,000.

Based on the results of testing undertaken, it was considered that there were currently significant weaknesses evident around management oversight and review of work undertaken by officers in the Planned Maintenance department. This audit has identified significant levels of non-compliance by officers with even basic procedures for the procurement and

management of contracts. Gaps in management review procedures included:

- Failing to identify non-compliance with Contract Standing Orders.
- Failing to identify that expired contracts continue to be used rather than being formally extended or re- tendered.
- Failing to identify that post inspections are not being undertaken, or where they are being undertaken, they are not being documented.
- Failing to identify that work is being paid for before it is complete.
- Failing to confirm that all necessary certification documentation is in place before work is paid for.

Fourteen recommendations were agreed with Management, two of which were classified as critical priority and the remaining 12 were classified as high priority. Further information on the recommendations and resulting actions can be found in section 10.

- 4.5 In addition to the EKAP review undertaken a management review of the HR investigations was undertaken by the Section 151 Officer and the Monitoring Officer and several recommendations made for improvements identified, the key issues have been covered in section 10.

## **5. CORPORATE DATA LEAKS**

- 5.1 The Chief Executive commissioned an audit investigation at the end of May 2022 following the leak of a confidential staffing matter being leaked to an outside source.
- 5.2 The scope of this investigation was “to establish facts as far as possible surrounding a leak of sensitive, confidential data to a Blog author, leading to a matter being published on social media.”
- 5.3 The commission was in response to our ethical responsibilities to all employees and concern surrounding the culture of the organisation.
- 5.4 Audit investigations do not return an assurance outcome, but three management opportunities were identified to improve the handling of confidential staffing data, the key issues have been covered in section 10.

## **6. DISPOSAL OF WHITE GOODS LEFT IN HOUSING VOIDS**

- 6.1 Following an allegation that officers were inappropriately disposing of white goods from vacated council housing an audit report was commissioned.
- 6.2 The objective of this audit was “To establish the facts in response to allegations made, as far as possible, surrounding the correct processes for disposing of white goods left in housing voids.”
- 6.3 The scope of the review was required to establish the facts and was limited to;
- a) Disposing of white goods left in housing voids:



- Establishing how common this actually is,
  - Establishing what records are maintained, if any,
  - Establishing whether any formal process note exists
- b) Recommending whether additional steps should be taken in future.
- 6.4 The review found that on average 16 properties per month (based on 2021/22 relets) become void, often requiring works to bring them up to standard. Former tenants may leave goods in a property, which may include white goods. A procedure was found to be in place for managing void properties that includes how to deal with possessions left by former tenants.
- 6.5 The review highlighted that:
- The Council has a documented voids management policy in place, which links to the Tort Procedure that provides instruction to ensure obligations are met under the Torts (Interference with Goods) Act 1977 as a landlord in respect of goods left in a property by a former tenant or other occupant.
  - It was encouraging to see procedures now in place and being complied with by FHDC officers. Those procedures however do not appear to reflect the previous practices when managed by East Kent Housing. An audit review of Garage Management in 2021/22, highlighted the Auditor was advised that approximately sixty garages are being used as storage facilities for evicted tenants' possessions and some have been used for up to ten years. Work has been found to be underway on addressing the historic use of garages by EKH.
  - The policy and procedures are accessible to all housing staff, and require full records of goods left by former tenants to be retained.
  - The documents provide clear instruction and guidance to staff, with the exception that the 'gifting' of quality white goods to the new incoming tenants is not mentioned.
  - Former tenants are invoiced to recover clearance and disposal costs incurred.
- 6.6 The review did not find any evidence which substantiated the allegations made and two low level management recommendations were made through this review.

## **7. DISPOSING OF FELLED AND FALLEN TREES**

- 7.1 Alongside the white goods matter, a concern was raised alleging that staff were privately selling logs acquired from the Council's management of trees.
- 7.2 The scope of this audit was to establish the facts and limited to:

- a) Disposing of felled or fallen trees
- Determining whether a policy or procedure exists for felling trees and disposing of fallen trees,
  - Identifying whether all wood should be chipped to form bark to be used in Council amenity areas, or something else
  - Establishing, if approval is given for staff to remove logs, if this is in fact 'custom and practice' and has been happening long term, and if this is the case:
    1. Identifying who benefits,
    2. Identifying if such approval is for personal use only, or for sale,
    3. If the latter, establishing whether the proceeds are split between all staff, or do one or more individuals benefit most.
- b) Recommending whether additional steps should be taken in future.

7.3 The review highlighted that:

- Documented procedures were not in place but processes for the disposal of felled and fallen trees are well established.
- A number of factors have prevented the Council from commercially selling its timber waste; mainly being the lack of sufficient suitable storage, limited access to Hawkinge Depot and lack of sufficient resources to process timber to a standard that can meet legislative requirements for the sale of logs; and the lack of volume of timber of sufficient quality to make a profit.
- Improvements are required to ensure that compliance with Contract Standing Orders when procuring good/services is sufficiently documented.
- Staff have been allowed to take small quantities of logs home for personal use only; with continued verbal reminders from Ground Maintenance management that the logs must not be sold.

7.4 The review did not find any evidence to substantiate the claims made. Two recommendations were made within this report.

## **8. OFFICERS INTERESTS**

8.1 The general public should expect the highest standards from the Council's officers whilst they are undertaking their duties on behalf of the Council. To ensure that the officers are fully aware of what is required of them in their role as a Council officer there are codes and procedures that the officers are required to follow and comply with. One of the important roles of some Council Officers is to oversee the use of contractors on behalf of the Council to enable works within the district to be undertaken. The codes that are in place to guide the officers involved with contractors include Contract Standing Orders, the Code of Conduct for Officers, Declarations of Interests and Related Party Transactions.

The Senior Management requested that Internal Audit on their behalf to look at the internal controls in place for registering interests, with specific focus

regarding the management of contractors, especially where a relationship between the officer and the contractor may exist.

8.2 The scope of the audit was to examine and evaluate the procedures and controls established by management, to include:-

- a) Ensure that the expected governance is in place and is fit for purpose regarding links contained within the Officer's Code of Conduct, Declarations of Interest, and Related Party Transactions reporting arrangements.
- b) Determine what the oversight and compliance arrangements are, and establish if they are up to date and robust.
- c) For the case recently highlighted, test what was done, how this compared to what needed to be done, and identify the gaps in governance.
- d) Establish if declarations were made (including verbal less formal arrangements) who knew, confirm this had been authorised by a senior manager.
- e) Separately confirm, what it was the Senior Authorising Officer had been told and what it was they were authorising.
- f) Identify and evaluate any significant risks to the authority and give advice on any control improvements in a report to management.

8.3 The assurance for this review was split by EKAP, they stated that management could place Reasonable Assurance regarding the policies and procedures in place and could place Limited Assurance on the system of internal controls in operation around the Officer Interest process.

8.4 The primary findings arising from this review supporting the Reasonable Assurance are as follows:

- The Council has policies and procedures in place to provide guidance to officers who are involved in overseeing contractors.
- There are well defined procedures in place that require the officer to make a declaration in certain circumstances, and in particular if there is any relationship between them and a potential contractor for the Council.

8.5 The primary findings arising from this review supporting the Limited Assurance and where scope for improvement was identified in the following areas:

- The policies and procedures that are relevant to the declarations of interest and related party transactions require review to add clarification over the nature of the related party, i.e. individual's name or company name and actual relationship.
- The policies and procedures should be regularly reviewed and version controlled to show when the policy was updated and by whom.
- Officers should be regularly reminded of the policies and procedures and their responsibilities concerning interests and relationships with contractors.
- Any declarations made, should be checked and authorised by the officer's line management to ensure clarity (and any implications) of the declaration being made, in so doing, agreeing any additional controls if warranted.
- The declarations made should be reviewed at an appropriate interval, perhaps annually, to ensure that the declaration remains valid and if it is still

appropriate or requires updating, and to confirm if any additional agreed internal controls are adequate and effective.

- The purchase orders that are recorded on the Badger system should be reviewed to ensure that the details of the purchase order are recorded within the Transparency Data on the Council's website.
- The contractor should not bid for work managed by the same team as the related officer.
- The related officer should not authorise any purchase orders or invoices for the related contractor.
- Officers should be made aware of the pecuniary register of interests (Section 117) as any breach of these rules may be a criminal offence.

8.6 This audit identified fourteen recommendations, seven of which were classified as high priority. Further details on the key recommendations and actions can be found in section 10.

8.7 There was an associated HR disciplinary investigation related to this audit. This investigation is close to its conclusion at the time of writing this report. The Council has been unable to establish any evidence of fraud or otherwise due to the officer concerned being unable to co-operate with further questioning due to ill health. The employee has now left the employment of the Council.

## **9. CONTRACT MANAGEMENT – CONTROLS AND GOVERNANCE**

9.1 Following the review commissioned on Housing Planned Maintenance, EKAP were asked by Senior Management to look at the broader contract management within the council and make related recommendations. This audit is covered in the EKAP update report also contained within this agenda pack.

9.2 The scope of this audit was:

- a) Check that the contracts /works have sufficient budget allocation prior to advertising / letting of the contract.
- b) Ensure that contracts are properly let via quotes or tenders, including advertising and award.
- c) Check that the contract if over £5,000 is recorded on the Council's contract register.
- d) Ensure that a purchase order is raised for the works to be completed and that this information is included in the publication of the Council's purchase order data on their website.
- e) Establish if contracts are managed following the processes and procedures set out in CSOs.
- f) Ascertain if there are regular meetings with the contractors to discuss issues and progress and that these recorded.
- g) Ensure that there are inspections of the works completed.
- h) Review a sample of contracts to ensure that the contracts are paid in line with the contract rates and that these payments are recorded in the payments to suppliers data on the Council's website.

- i) Ensure that contract claims for payments are properly reviewed and authorised, prior to payment.
- j) Establish if variations are properly documented and approved.
- k) Ascertain if there is regular budgetary control over contracts.
- l) Ensure that no further work is allocated after the expiry of the contract period.
- m) Review whether diary notes or similar are recorded to ensure that new contracts are set up and advertised in good time prior to the expiry of current ones, where this is required.
- n) Establish whether contract files are kept to hold all the contract documentation.
- o) Ascertain what information and training has been provided to officers with regard to contract management.
- p) Establish whether contract files are kept to hold all the contract documentation.
- q) Identify and evaluate any significant risks to the authority and give advice on any control improvements in a report to management.

9.3 A sample of contracts from across all directorates (with the exception of Housing Planned Maintenance) was tested.

9.4 Contract Standing Orders (CSOs) set out the minimum requirements to be followed by officers to procure works, supplies (goods) and services. Testing found a number of instances whereby officers are failing to comply with CSOs and therefore by definition are failing to achieve the standards required by the Council in terms of procurement. It should be noted that none of the CSOs tested have an impact on the transactions in the Financial Statements.

9.5 Effective control was identified in the following areas:

- For all of the contracts tested, sufficient budget was confirmed to be in place prior to the advertising of the procurement opportunity.
- The Council publishes details of purchase orders raised above £5,000 on its website.
- CSO 14.2 – On the whole, all contract variations and extensions are being properly documented and approved.
- All payments to suppliers were properly reviewed and authorised.

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

- CSO 7.4 (a) - From a sample of 15 suppliers tested, 4 were found to have not been advertised.
- CSO 7.4 - From a sample of 15 contracts, five (33%) contracts had an approved waiver in place which resulted in 3 (30%) of the remaining 10 having not obtained the required number of quotes or tenders as required by CSOs. Therefore 7 (70%) contracts had obtained the required number of quotes/tenders.
- CSO 3.4 – For a sample 15 contracts with a value of £10,000 a contract was in place for 9 (60%) suppliers.
- CSO 5.4(f) - For a sample of 15 suppliers with expenditure in excess of £5,000. 9 (60%) were found to have been listed on the Contracts Register.
- Meetings to formally review performance against the contract are taking place in 8 (53%) of the 15 contracts.

- 9.7 Separately to this audit, the procurement team in undertaking their regular checks identified a further issue with compliance on the CSO related to payments made to utility companies.
- 9.8 The resulting HR disciplinary investigation identified that the CSO's had been breached and two members of staff were subject to disciplinary action as a result. The investigation found that the works commissioned had been sub-contracts of a contract which had been subject to a full and compliant procurement process. However due to other factors, the related main contract had not been entered into, and therefore an alternative approach had been required for these time critical works.
- 9.9 The investigation found that the advice of the Section 151 Officer and Monitoring Officer had been sought, which advised that a waiver would be required, but this advice had not been followed.

## **10. ACTIONS TO ADDRESS THE ISSUES**

- 10.1 Significant resource and the highest priority has been given to the matters covered in this report by all the statutory officers and the Corporate Leadership Team. The Chief Executive has agreed to utilise resources made available to her as Head of the Paid service to facilitate the additional compliancy work identified below. Each Audit report has its own recommendations and specific management actions which are being addressed as a matter of urgency. In addition the management reviews have identified a range of improvements that are being acted upon by the wider management team.
- 10.2 The key actions include:
- Detailed training for officers on the Council's Financial Procedure Rules and Contract Standing Orders (CSO)
  - Review of the CSO's to ensure the requirements contained within them are necessary and appropriate
  - Instructions to be issued to staff reminding them on:
    - the requirement to keep the Contracts Register up to date
    - the presumption on CSOs in favor of competition through the advertising of contracts and that waivers are utilized in exceptional circumstances
    - the requirement to properly plan with sufficient time for procurement processes to be undertaken fully
    - the requirement to undertake an accurate pre-estimate of work prior to tender
    - the need to involve the Procurement team at the commencement of the procurement planning process
    - the requirement to ensure contracts for work with suppliers in excess of £10,000 is covered by an approved and signed contract
    - the requirement to undertake regular contract monitoring and review meetings, with appropriate documentation retained for future record and to ensure actions can be followed through.

- The need to manage contracts within their terms and that all extensions and variations should be documented and approved, which must occur before the contract expiration
- The need to review the policies and explanatory notes which have a bearing on officer interests and ensure appropriate declarations are made
- A temporary compliance function to provide independent oversight to monitor and report to management on contract management within Housing, and to consider the expansion of procurement resource within the organisation
- The development and communication to all officers within the Housing Planned Maintenance team a procedure detailing the expectations for post inspections
- The development of robust procedures for management oversight of the work undertaken within the Housing Planned Maintenance team
- The review of the three policies which have a bearing on officer interests to ensure they are clear and expressly detail what is required by officers, the role & responsibility of those receiving & authorising the document, and the frequency for review, this review will include a review of the related forms, their requirements, the triggers for an update to forms to be clarified
- Clarification on the voluntary register of interests should be provided to staff
- Management will through the review of policies determine the frequency of future reviews, the delegation of responsibilities for future forms, the retention period for forms and a process established to prevent work being placed by a department or authorised by an individual where an associated declaration is made
- Undertake further work & associated training on the culture of the organisation, promoting behaviours and conduct, include appropriate steps for recruiting managers to take in setting expectations from the outset of appointment of staff.

## **11. CONCLUSION**

11.1 It is proposed we update the Annual Governance Statement section 3.26 and the associated summary paragraph 7.1 to reflect that the audit work has now concluded. None of the work undertaken through EKAP, management review or HR investigations found evidence of transactions contained within the financial statements which were incorrect. There are therefore no transactions which require amendment in the 2020/21 or 2021/22 Statement of Accounts as a result of the issues identified. Through the work undertaken on contract management, disposal of white goods & felled trees and data leaks, no instances of fraud, corruption or suspected fraud were identified. With regards to the review of officer interests, the EKAP review did not identify any evidence of fraud.

11.2 It is proposed that the Annual Governance Statement is amended to:

“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 reviews are now concluded and the recommendations and actions identified.](#) Further to those issues arising further matters relating to financial transactions within the Operations service area were identified and are [were](#) also subject to disciplinary and audit reviews. The Section 151 Officer has also commissioned an Internal Audit wider in scope exploring contract management across the Council. All bar one of these irregularities was identified through the Council’s own assurance and control procedures undertaken by its staff or EKAP. [In total six EKAP reviews were undertaken. Broadly they found that whilst some processes and procedures would benefit from reviewing and updating that the required framework was in place and effective. However, they also found that some teams were failing to follow due process when procuring goods and services. Compliance was varied across the Council, however it is recommended that all staff responsible for procuring are retrained and reminded of a number of key matters related to these activities. The reviews did not identify transactions within the financial statements that were not appropriate but they did identify poor contract management and related parties practice which needs to be addressed. A full report on all matters was tabled to the Audit & Governance committee in December 2022, drawing a conclusion the investigations and summarising the actions to improve the control environment and compliance with CSOs.”](#)

11.3 The Head of EKAP have also proposed to update their section in the 2021/22 Annual Governance Statement as outlined below in blue:

#### Internal Audit

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 s.151 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.

Internal Audit has responsibility to:

- Report on the level of assurance in respect of the Council's internal control systems,
- 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.



The overall opinion of the System of Internal Controls in operation throughout 2021-22 based on the work of the East Kent Audit Partnership to 31<sup>st</sup> March 2022 is presented in their annual report to the Governance and Audit Committee in July.

- The internal auditors are independent to the management of the Council and have direct access to the Chair of the Audit and Governance Committee 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.
- The EKAP met as a team in March 2020 and 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 s.151 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.
- In the period April to September 2022 the EKAP has undertaken responsive work in a number of areas arising from different requests made by the s.151 Officer. All of these matters, briefed to determine the risks and identify any control improvements, have been concluded by the EKAP and the results of the work have been reported to the Audit & Governance Committee. The impact on the Audit Plan has been minimised due to the fact that the agreed risk based Audit Plan for 22-23 had provision for three ten day reviews regarding COS's, Contract Management and Planned Maintenance, the work on CSO Compliance and Contracts has been resourced from this provision, totalling 36.2 days. The balance (6.2 days) and the other three responsive reports regarding Corporate Leaks (3.05 days) Officer Interests (10.88 days) and Disposal of Logs and White Goods (6.86 Days) have been funded by deferring two 10 day reviews, in response to a management request as they were unable to accommodate the audit (for different reasons) and reducing one review to 5 days. The EKAP Quarterly Update Report provides full details on resource allocation and any amendments to the Audit Plan are agreed with members of the Audit & Governance Committee. The agreed management actions resulting from all planned and responsive work are followed up. If there are any Critical or High priority issues outstanding at the time of the progress report, they are reported and escalated to the Audit & Governance Committee via the Quarterly Update Report. Anything outstanding at the year-end is escalated in the EKAP Annual Report.

11.4 CLT have deployed a significant amount of work in understanding the scale of the issues during 2022, and in commencing the work to address the findings. CLT will continue to monitor the progress against actions

undertaken. Additional funding available to the Chief Executive is to be deployed to provide additional assurance and management oversight. In addition, the Organisational Development team will be supporting specialists in providing training to staff in addition to continuing work on the cultural piece related to compliance and behaviours. Management will continue to work on the actions identified and the outcome of progress against them will be reported to the committee through the future Progress Updates by EKAP.

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

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

There are no legal issues arising from this report.

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

There are no direct financial implications arising from the recommendations of this report.

### **12.3 Diversity and Equalities Implications (CS)**

There are none arising directly from this report.

## **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  
Tel: 07935 517986  
E-mail: [charlotte.spendley@folkestone-hythe.gov.uk](mailto:charlotte.spendley@folkestone-hythe.gov.uk)

Susan Priest, Chief Executive  
Email: [susan.priest@folkestone-hythe.gov.uk](mailto:susan.priest@folkestone-hythe.gov.uk)

Amandeep Khroud, Assistance Director Governance & Law  
Email: [Amandeep.khroud@folkestone-hythe.gov.uk](mailto:Amandeep.khroud@folkestone-hythe.gov.uk)

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

None