



# Agenda

Meeting: **Audit and Governance Committee**  
Date: **15 March 2023**  
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.***

5. **Statement of Accounts 2021/22 (Pages 3 - 40)**

In accordance with the Accounts and Audit (Amendment) Regulations 2022 the council must consider and approve its 2021/22 Statement of Accounts no later than 30 November 2022. The audit of the 2021/22 Accounts has now been fully completed. The final audit findings in relation to the audit of the 2021/22 Statements of Account are set out in Grant Thornton's Audit Findings report.

Appendix 2 to follow.

**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  
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# Auditor's Annual Report on Folkestone and Hythe District Council

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2021-22

March 2023



# Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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.

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# Executive summary















## Value for money arrangements and key recommendation(s)

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 required to report their commentary on the Council's arrangements under specified criteria and 2021-22 is the second year that we have reported our findings in this way. 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 conclusions are summarised in the table below.

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Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	Direction of travel
Financial sustainability	No risks of significant weakness identified	 No significant weaknesses in arrangements identified or improvement recommendation made.	 No significant weaknesses in arrangements identified, but improvement recommendations made.	
Governance	No risks of significant weakness identified	 No significant weaknesses in arrangements identified, but improvement recommendations made.	 No significant weaknesses in arrangements identified, but improvement recommendations made.	
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	 No significant weaknesses in arrangements identified, but an improvement recommendation made.	 One significant weaknesses in arrangements identified and one key recommendation made.	

	No significant weaknesses in arrangements identified or improvement recommendation made.
	No significant weaknesses in arrangements identified, but improvement recommendations made.
	Significant weaknesses in arrangements identified and key recommendations made.

# Executive summary



## Financial sustainability

We assessed the arrangements concerning Financial Sustainability and raised no indications of potential significant weaknesses.

We did not conduct further risk based work on this arrangements. Therefore whilst we have raised improvement recommendations, we have raised no key recommendations.



## Governance

We assessed the arrangements concerning Governance and raised no indications of potential significant weaknesses.

We did not conduct further risk based work on this arrangements. Therefore whilst we have raised improvement recommendations, we have raised no key recommendations.



## Improving economy, efficiency and effectiveness

We assessed the arrangements concerning Economy, Efficiency and Effectiveness and raised and identified a potential significant weaknesses within the procurement and contract management process. The arrangements for achieving value for money in procurement are deemed to be inadequate.



We have substantially completed our audit of your financial statements and plan to issued an unqualified audit opinion on shortly following Audit & Governance Committee meeting on 15 March 2023. Our findings are set out in further detail on page 29.



# Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

## Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021-22.

We have substantially completed our audit of your financial statements and plan to issued an unqualified audit opinion on shortly following Audit & Governance Committee meeting on 15 March 2023. Our findings are set out in further detail on page 29.

## Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.

We did not issue statutory recommendations.

## Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a Public Interest Report.

## Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not apply to the Court, under Section 28 of the Act.

## Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the Authority or an officer of the Authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure;
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue an advisory notice.

## Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not apply for a judicial review.

# Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:

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## Financial Sustainability

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



## Improving economy, efficiency and effectiveness

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



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 7 to 26. Further detail on how we approached our work is included in Appendix B.





# Financial sustainability



## We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

## Building significant financial pressures into plans

The Medium Term Financial Strategy (MTFS) identified that the Council has a budget shortfall of £1.6m in 2022-23. In advance of the first draft budget submission to Cabinet in December 2021, budget holders and department heads, with the support and review of the Corporate Leadership Team (CLT), Assistant Directors and Chief Officers, refined the annual budget. £444k of unavoidable budget growth was added along with £807k of proposed savings and £240k of additional income was deducted to arrive at a planned deficit (financial gap) of £993k for 2022-23. The Council proposed the budget gap should be met with use of accumulated general fund reserves. Between December 2021 and February 2022 the Council continued to refine the budget, with a final 'balanced' budget submitted to Cabinet on 23 February 2022. Final calculations for business rates, NI employer contributions and other minor adjustments led to an increased financial gap of £2.03m.

Per the 2022-23 Final Budget Strategy, unarmarked general reserves were forecast to be £2.9m at 31 March 2023 and total general fund reserves are forecast to be £11.2m. These balances are above the 'required minimum reserves balance' set by the Council's Reserves Policy (£1.5m for general fund and £2m for HRA). Use of reserves to fund the annual budget financial gap is not a significant immediate risk for the Council, however it is noted that the Council has relied on use of reserves for the two prior financial years also. The Council has a strong financial history and a stable reserves position.

We recommend that the Council seeks to identify ways to bridge budget gaps. In future years, given expected financial challenges, it is unlikely there will be significant excess reserves available and it would be prudent to commence reversion of a significant savings/transformation programme to meet future financial gaps. This matter is further considered on page 8.

The Council's short term borrowing has increased significantly during 2021-22, in part due to timing of creditors payment, as well as investment in significant projects such as Otterpool Park and Princes Parade which will bring about long term improvements within the district. The value of the Council's investment property portfolio has also seen an increase since 2020-21, driven by new additions and increasing property prices in the wider economy. We have no concerns that the Council is leaning too heavily on its investment properties to deliver financial stability. The Council budgets consistently in this area – acknowledging relevant financial gaps and identifying appropriate savings.

Arrangements are in place to keep the Council's financial plans under review, with budgets being set on a "controllable factor" basis only, flexed and adapted when changing conditions are made clear.

## Identifying achievable savings

Combined with the aforementioned savings targets and the ability to draw on its reserves in year, the Council is in a strong position to deliver its 2022-23 budget. The latest MTFS covering 2022-23 to 2025-26, identifies an aggregate gap of £5.8m across this period. It is noted that the Council managed to reduce this aggregate gap (since the 2021-22

# Financial sustainability

MTFS) by c. £8m, which is mostly due to the forecasting of future gains from the Otterpool project. This has helped mitigate some of the Council's medium term cost pressures.

The Council is aware that a significant gap remains and are dedicating time and focus to develop strategies to address this – some working examples to date are a planned exercise to identify and maximise under-utilised assets and/or to seek out government initiatives and incentives such as the Business Rates Pooling scheme.

The Council has, to this point, not relied heavily on non-recurrent savings to bridge its financial gaps. This remains true with respect to 2022-23 savings plan too, with <1% of the proposed growth and savings balance relating to non-recurrent savings. We are also aware that the Council identified further potential savings than those included in the final programme, which could be implemented in future years. To assist with mitigating the risks associated with budget preparation there is a centralised capital contingency £0.5m to allow for unforeseen events and to assist with ensuring delivery of corporate priorities.

Appropriate stakeholders are consulted during the development of key plans such as the budget strategy or key capital projects. The council recognises community consultation/engagement with respect to the annual budget strategy could be improved, so in recent years the Council has commissioned informational videos explaining the importance of budgeting and how it impacts the community in a bid to boost engagement. We see this as an innovative way to encourage community buy-in and feedback.

Quarterly budget monitoring reports are submitted to Cabinet and Council which provide adequate tracking of the budget and reserve balances. We do recommend that **quarterly budget monitoring reports should contain savings delivery updates**. This will enable officers and councillors to track progress with savings plans and hold department heads / budget holders to account if savings are not tracking as planned.

## Supporting the sustainable delivery of services

The Council's financial planning demonstrates a clear understanding of the cost of delivering core statutory services. It is clear that discretionary spend has been prioritised to support the corporate strategy (Creating Tomorrow Together) and is managed within the available funding envelope. This includes investing in the high street and surrounding areas as well as a focus on reducing the Council's carbon footprint.

An example of the Council delivering on the four core objectives set out within the 2021-30 Corporate Plan is the Otterpool Park project, a multimillion pound, 30 year long project involving significant investment in regenerating the town that will:

- deliver a 'positive community leadership' via development of partnerships with businesses operating in the town and jobs for residents through increased demand;
- bring a 'thriving environment' and a 'vibrant economy' as the project plans to significantly improve the town centre, which will draw the wider community in; and
- provide 'quality homes and infrastructure', as the project includes a number of homes and other buildings among the development of shops.

The Otterpool Park project has significant financial requirements and the Council is currently reviewing the financial arrangements going forward. It must be recognised that there are potential significant risks for the Council in relation to this project and this is an area we intend to follow up as part of our VFM work for 2022-23. We have included a specific mention of considerations in respect of the Otterpool Park project as part of improvement recommendation 3 (page 12).

For 2021-22, the Council did not deliver the planned capital programme with c.£30m of projects re-profiled to 2022-23, including Princes Parade Leisure Centre, Greatstone Holiday Lets scheme and Biggins Wood Commercial Development. The latest position is that a significant amount of the re-profiled spend, along with planned future capital spend, will likely be put on hold due to issues in the wider economy – we acknowledge that inflation and associated cost pressures are currently extraordinarily high, requiring re-assessment of value for money on a project by project basis. We recommend that the **Council should review its capital programme to ensure viability of individual projects**. Where projects have already started but no longer viable, sunk costs (which would need to be charged to revenue) will need to be considered, if projects are cancelled rather than paused.

## Consistency of financial plans with other plans

The core annual budget 'Budget Strategy 2022-23' includes both the revenue and capital budgets which are constructed in parallel along with the Treasury Management Statement. All plans are driven by the core principles and assumptions set out within the MTFS, Medium Term Capital Plan (MTCP) and Corporate Plan. All of these plans are review by Cabinet and Council during the same window. This helps ensure that all key plans that are agreed by the

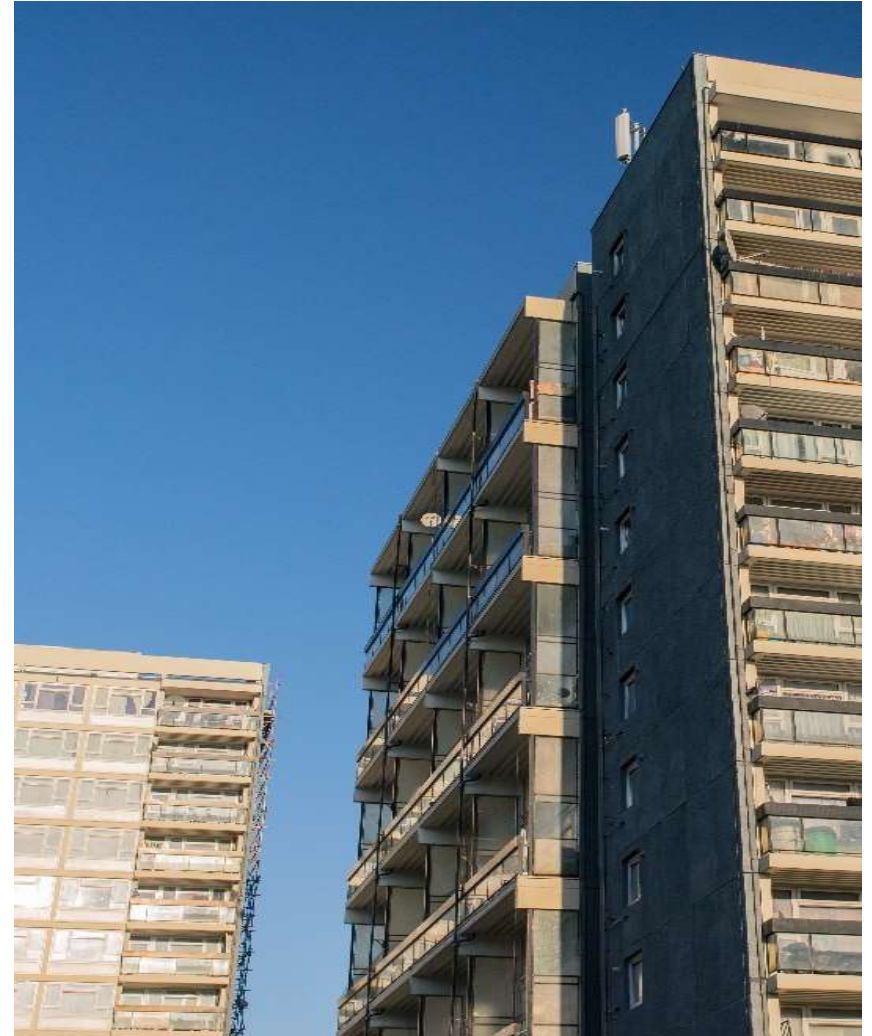
# Financial sustainability

Council, and whether short, medium or long term, are consistent with one another and deliver the Council's core strategic objectives.

There are several strategy documents which the Council regularly updates to ensure they remain relevant. The Capital, Investment, Treasury Management and Risk Management Strategy/policy documents were renewed in 2021-22 and the Council issued a new Procurement Policy. These strategies were used to shape the Council's financial planning documents and help ensure a consistent direction of travel.

The Council considers elements of workforce planning in key documents i.e. the Budget Strategy, MTFS and the Corporate Plan. However, without a formal workforce plan there is a risk that insufficient consideration is given to workforce development and costing. In line with best practice we recommend that **the Council should outline its workforce plans in a formal document or include a dedicated workforce section within key planning documents.**

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# Improvement recommendations



## Financial sustainability

### Recommendation 1

We recommend that the Council seeks to identify ways to bridge budget gaps, such as developing a savings plan which sufficiently covers future financial shortfalls.

### Why/Impact

In future years it is unlikely there will be excess reserves available for the Council to draw upon to bridge budget gaps. It would be prudent to commence re-ignition of a significant savings/transformation programme in order to keep this a business as usual practice.

### Auditor judgement

The medium term budget strategy is to use reserves for any shortfall identified post savings plan. In recent years this has been reasonable given current uncertainties and the level of reserves held by the Council. However, it is not a sustainable medium/long term solution.

### Summary findings

A savings plan based on the medium term financial plan budget projections to 2023-24 will need to be developed.

Cross reference to page 7 where further detail is provided.

### Management comments

Management accepts this proposal. The MTFS outlined the Councils strategic approach but we agree it would be prudent and appropriate to develop a savings plan during 2023/24.



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The range of recommendations that external auditors can make is explained in Appendix C

# Improvement recommendations



## Financial sustainability

### Recommendation 2

We recommend that quarterly budget monitoring reports contain detailed savings delivery updates.

### Why/Impact

Officers and councillors need to be able to track progress with savings plans and hold department heads / budget holders to account if savings are not tracking as planned.

### Auditor judgement

Detailed ongoing monitoring of savings plans significantly improve likelihood of delivering challenging savings targets. We believe the Council will benefit from this practice.

### Summary findings

Quarterly monitoring of the savings plan will help ensure successful delivery of savings targets.

Cross reference to page 8 where further detail is provided.

### Management comments

Management accepts this proposal. The 2023/24 Budget includes an in-year savings target of £200k and management will ensure that budget monitoring updates considered by CLT, Finance & Performance Sub-Committee and Cabinet include updates on this position.



The range of recommendations that external auditors can make is explained in Appendix C

# Improvement recommendations



## Financial sustainability

### Recommendation 3

We recommend that the Council review its capital programme to ensure viability of individual projects. Specifically, it is recommended for the Otterpool Park project that, in reviewing the financial arrangements going forward, potential significant risks to the Council in relation to the project must be clearly outlined and communicated to Members.

### Why/Impact

We note that during 2021-22, the Council did not deliver a significant part of the planned capital programme, seeing c.£30m of projects re-profiled to 2022-23. It is possible these projects will be paused due to issues in the wider economy.

### Auditor judgement

In addition to the above, where projects have already started but are no longer viable, sunk costs will need to be considered, if projects are cancelled rather than paused.

We will follow up progress and any planned changes to the Otterpool Park project financial arrangements as part of the 2022-23 VFM work.

### Summary findings

The Council should consider if re-profiled projects are likely to be achieved in 2022-23 and, if not, consider whether the projects should be cancelled. In the current economic climate it is necessary to review all capital projects to ensure viability.

Cross reference to the page 8 where further detail is provided.

### Management comments

Management accepts this proposal. The Council has already undertaken viability checks on a number of capital projects during 2022/23 due to the changed market conditions, borrowing costs and inflationary pressures. The Council will evaluate all remaining projects during 2023/24. The Council has engaged financial advisors to support the review of funding and associated business plan for Otterpool Park project, and will be presenting the findings of this work to Members during 2023. The Council will ensure that they outline the potential risks clearly to Members.



The range of recommendations that external auditors can make is explained in Appendix C

# Improvement recommendations



## Financial sustainability

### Recommendation 4

The Council should outline workforce plans in a formal document or include a dedicated workforce section within key planning documents.

### Why/Impact

Without a formal workforce plan there is risk that insufficient consideration is given to workforce development and costing.

### Auditor judgement

In line with best practice we recommend the Council should outline its workforce plans in a formal document or include dedicated workforce sections within its key planning documents.

### Summary findings

Elements of workforce planning, for example monitoring of vacancy rates and planned new posts are included in documents such as the MTFS and the Corporate Plan. However, as a key influencing factor workforce planning should be formalised and more prominent.

Cross reference to the page 9 where further detail is provided.

### Management comments

Management accepts this proposal. The Council will ensure workforce planning is considered and appropriately considered moving forward.



The range of recommendations that external auditors can make is explained in Appendix C

# Governance



## We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services

## Assurance over the effective operation of internal controls

The Audit & Governance Committee (AGC) is responsible for considering the effectiveness of the Council's risk management arrangements, and to seek assurance that action is being taken to mitigate identified risks. In addition to the corporate risk register, key risks are outlined within Committee reports where appropriate.

We have reviewed the corporate risk register and the development process that underpins it. The Council uses a traditional risk scoring matrix which is prepared and reviewed internally by management before presentation at AGC on a quarterly basis. Risks are RAG rated, linked to the Corporate Plan and assigned a Director lead officer as well as a lead Cabinet Member. As at 31 March 2022 there are 13 headline corporate risks, which is within our expected range for the Council. Progress made against required actions for each risk is reported to the senior leadership team on a regular basis.

To further improve the Corporate Risk Register we recommend that **the Council should update the format of the risk register** to include the following 'best practice' columns:

- key controls or sources of assurance
- direction of travel Ultimately these aspects are desirable and not a requirement.

Its possible for the Cabinet/A&G to infer the direction of travel from comparing prior risk registers and the current score. This added information will aid Committee Member discussion and awareness.

The Council has a Strategic Risk Management Policy in place which was last agreed by AGC and the Cabinet in March 2022. Internal Audit (IA) plan to review this area again in 2022-23.

The IA function, performed by the East Kent Audit Partnership (EKAP), is adequate and effective at monitoring and assessing the effective operation of the Council's internal controls. The IA function has substantially delivered its 2021-22 plan (97.83%) and there is no evidence of significant gaps in the assurance provided.

The Anti-Fraud & Anti-Corruption Framework is formed of five documents, including the Anti-Fraud & Anti-Corruption Strategy, the Fraud Response Plan, the Whistle Blowing Protocol, the Anti-Money Laundering Policy and the Anti-Bribery Policy. The Section 151 Officer and Monitoring Officer are tasked with ensuring the Framework is up to date.

## Approach to the annual budget setting process

The annual budget setting process is an iterative process. Once the draft budget is developed alternative proposals, directions and scenarios are considered, with input from budget holders, department heads and other senior Members. This work is scrutinised by the Oversight & Scrutiny Committee (OSC) before being submitted to Cabinet and Council. Once the draft budget is approved, the next governance cycle begins, with the detailed budget process following much of the same order of events as above. The detailed budget is usually approved in January before the final version is updated and submitted to Cabinet and Council for approval in February. Once finalised, the budget is viewed to be a 'live' document, meaning



# Governance

assumptions and plans should be updated when better information becomes available.

At the planning phase, there is some evidence of consideration of wider economy trends, which are factored into calculations. We have seen several instances of forecast reports considering risks and ways of mitigation, in a qualitative manner. However, we note there is a lack of numerical sensitivity analysis or scenario planning to accompany this qualitative analysis within the key annual budgetary documents. We acknowledge the Council does include scenario planning / sensitivity analysis within the MTFS and Treasury Management Strategy, but **key annual budget reports would benefit from scenario analysis** (i.e. flexing the inflation rate assumption, or performing a 'best, expected and worse' case analysis) to draw out and quantify possible risks and gaps the Council might encounter in the near future. This analysis is not only beneficial to a council in a 'normal and steady' economy but evermore important in a turbulent economy too.

It is clear that the annual budget setting process is informed by the MTFS and Corporate Plan which lists the four core corporate aims. There is a clear linkage between the priorities in the annual budget and these overarching ambitions in the MTFS. We are content in how the Council approaches and carries out its annual budget setting process and have not identified any significant weaknesses.

## Effectiveness processes and systems in place to ensure budgetary control

Regular budget monitoring took place in 2021-22 to manage the Council's net revenue budget. Meetings were held between officers and the Cabinet Portfolio Holders to discuss specific budget issues and review financial performance, identifying actions to resolve adverse variances where required. Budget monitoring reports were presented to the OSC, Finance & Performance Sub-Committee, and Cabinet on a quarterly basis.

Budget reporting is at a level of detail that enables the Cabinet to make effective decisions. Budget monitoring reports identify budget variances and project them to the year-end. The reports also include explanations for the main variances, risk management issues, legal/financial controls, and policy matters. Budget projection working papers are developed by budget holders and reviewed by finance – these underpin the quarterly budget reports which are submitted to Cabinet/Council. Financial reporting for Council-owned subsidiaries such as Otterpool and Oportunitas are regularly updated at Cabinet, Council and OSC.

The Council has an established Performance Management Framework (PMF) which was approved by Cabinet in July 2021 that keeps the Council on track and focused on delivery of its key priorities, providing elected Members, managers and staff with the information and tools they need to deliver high-quality and high-performing services.

Performance reports are issued bi-annually. They are presented in a format that links to the Corporate Plan's four key service ambitions, which are non-financial in nature. The half-year report was approved by Cabinet in November 2021 and full year in July 2022. The report contains the performance report, Key Performance Indicators (KPIs) which are RAG rated and benchmarked against PY, and the changes made to the KPIs which are reviewed annually to ensure the Council are focused on key priorities and those aspects that need to be monitored more closely. We recognise performance reporting is a strong area for the Council.

## Properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

The Council ensures that all relevant information is provided to decision makers before major decisions are made, and arrangements are in place for the challenge of key strategic decisions before they are taken. As a local authority the chains of review, approval and scrutiny are clear, well-documented and follows the local government best practice arrangements – this is clear with the Council's budget setting process.

Decision-making papers must be published a week in advance of the relevant meeting to ensure sufficient time for Members to review and scrutinise. An extra layer of oversight is provided by the fact that as a local authority these papers must be published online, therefore theoretically being overseen by the general public and potentially challenged through the appropriate channels.

The business case framework allows for consultation, debate and scrutiny, and requires pre-submission of papers for oversight. For significant projects, such as Princes Parade and Otterpool Park, business plans and ongoing decision-making must have received approval from multiple committees (and in the case of Otterpool has its own board) where strategic elements are challenged.

# Governance

Public consultation is more widely accessible through projects, for example the Core Strategy Review or the Folkestone Town Place Plan, for which public consultation was held and over 27 pages of summarised feedback received. These projects factor into the strategic plans of the Council and are the best place to have heightened interest and feedback from external stakeholders. Our experiences with the Council show there to be proactive decision-making, with long term focus with regards to regeneration and investment.

Attendance at AGC provides us with evidence of effective challenge of officers by some Members. Those Charged With Governance (TCWG) are making best use of the skills and experience of its Members. The committee has received training from both Grant Thornton and the IA function in the roles of external and internal auditors respectively. The AGC is stable and has benefited from the addition of an independent Member.

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It is clear that the Council values employee feedback and seeks to be the best employer it can be. A staff survey is performed annually and findings are presented to senior staff Members, officers and councillors. For 2022, the Council received 223 responses (48% of headcount). Key findings that relate to governance are listed on the right hand side.

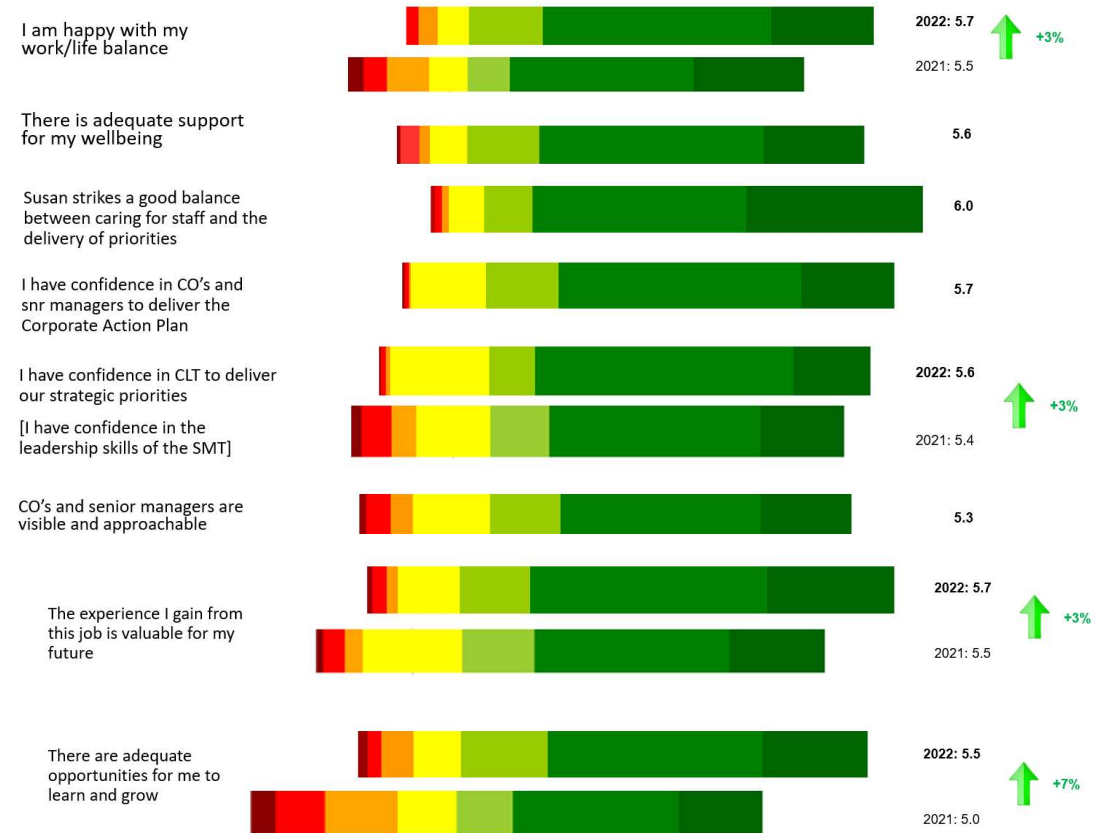
We note that staff are overall happy with the support provided, the tone from the top and experience gained from the role that they are in. This is not only positive from a governance perspective but also encouraging from a sustainability point of view.

## Ensuring appropriate standards

The Constitution sets out, among other matters, the procedures to follow when making decisions, the responsibilities of the Monitoring Officer and Section 151 Officer, and the Member and Councillor’s Code of Conduct and Protocol.

The MO is responsible for promoting and maintaining high standards of conduct and providing support to the AGC as well as being responsible for reporting any actual or potential breaches of the law, or maladministration, to Full Council and/or Cabinet. We have confirmed with the MO that there has not been any unlawful decision making or significant breaches, or instances of non-compliance with the Constitution.

The Section 151 Officer is required to report to Full Council, and the Council's external auditor, if they consider that any proposal, decision or course of action may involve incurring unlawful expenditure, or is unlawful and is likely to cause a loss or deficiency, or if the Council is about to unlawfully enter an item of account.



# Governance

Leadership from senior officers and Members illustrates required standards of behaviour, in turn establishing and maintaining an appropriate culture within the Council. All employees are held accountable against the HR manual (which contains the Employee Code of Conduct) and Constitution, both of which set out the minimum standards required of staff.

The Council also produces a Code of Corporate Governance which is based on guidance and Code issued by CIPFA - a widely recognised good governance framework for the public sector.

We note in August 2021, a lifting of a previously issued Consumer Standards notice. The notice was originally issued due to non-follow up of housing safety compliance actions in September 2019 when the Council's housing service was delivered by East Kent Housing. The service was brought in-house in October 2020, with major improvements made.

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In 2020-21 we made a recommendation with respect to the Gifts and Hospitality register. The register is now available online, containing both councillor and officer declarations. The threshold for declarations is items with a value of £100 or more. Declarations made on the register require the name of the person / body making the offer and receiver, nature of the offer, and action taken by receiver and corporate director.

Officers and Members are required to make declaration of interests at the point they are employed or elected (or re-elected as the case may be) or when a conflict of interest arises. We note that a number of declaration forms are in excess of one year old and **recommend, as good practice, that annual declaration forms should be submitted by officers and Members.**



# Improvement recommendations



## Governance

### Recommendation 5

We recommend that the Council updates the format of its risk register to include the following 'best practice' columns:

- Key controls / Sources of assurance
- Direction of travel

### Why/Impact

This added information will aid Committee Member discussion and awareness.

### Auditor judgement

We are of the view that it is possible for the Cabinet/AGC to infer the direction of travel of identified risks by comparing prior risk registers to the current score. This is a presentational and best practice recommendation which would help assist immediate review and discussion.

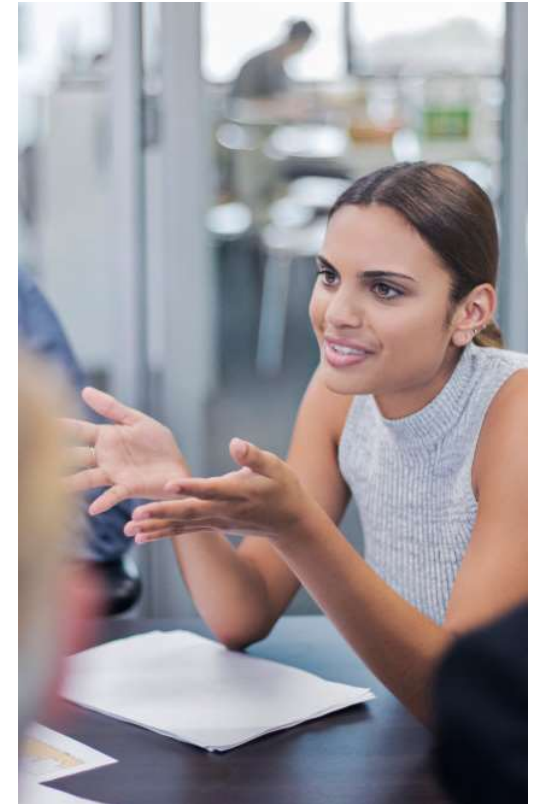
### Summary findings

We recommend two (best practice) additional columns are added to the risk register to aid review and discussion.

Cross reference to page 14 where further detail is provided.

### Management comments

Management accepts this proposal. Management review their approach to Risk Management annually, and will seek to incorporate this feedback.



The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations



## Governance

### Recommendation 6

We recommend inclusion of numerical sensitivity analysis or scenario planning to accompany the qualitative analysis seen within the key annual budgetary documents.

### Why/Impact

Sensitivity and scenario analysis is not only beneficial to a Council in a 'normal and steady' economy but evermore important in a turbulent one. Scenario analysis can draw out and quantify possible risks or gaps the Council may encounter in the near future.

### Auditor judgement

Inclusion of numerical analysis or scenario planning (i.e. flexing the inflation rate assumption, or performing a 'best, expected and worse' case analysis) in key annual budget documents would help to draw out and quantify possible risks or gaps arising from the use of different assumptions.

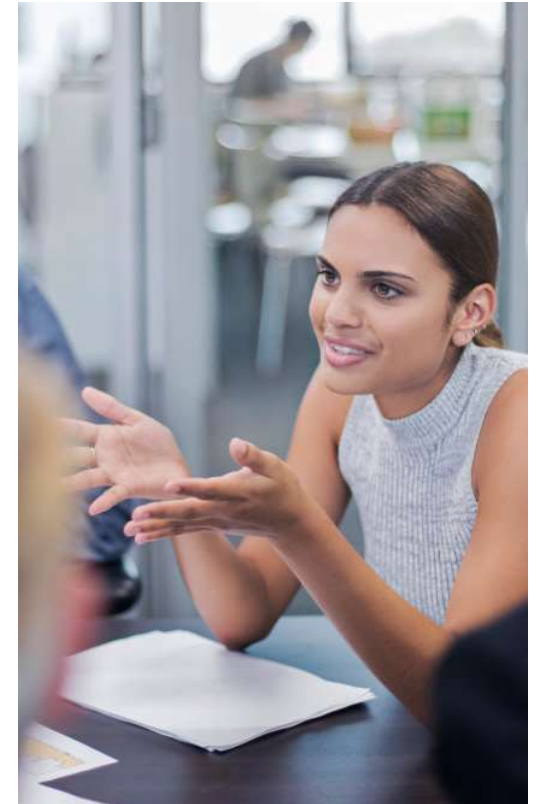
### Summary findings

The Council includes scenario planning / sensitivity analysis within its MTFS and Treasury Management Strategy but not within key annual budgetary documents.

Cross reference to page 15 where further detail is provided.

### Management comments

Management accepts this proposal. The Council already undertakes scenario planning through its MTFS, and will seek to expand this to consider scenario planning / sensitivity analysis through the budget strategy work. However the Council does not feel that when presenting the final budget to Members that this would be a helpful addition, so will seek to utilise this approach in the early budget planning process.



The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations



## Governance

### Recommendation 7

We recommend that declaration forms should be submitted by officers and Members on an annual basis (and not only at the point of election or re-election).

### Why/Impact

Under the current requirements, there is a risk that declaration forms could become out-of-date as individuals remain in post for a number of years.

### Auditor judgement

By requesting annual declaration submissions the Council will be able to identify conflicts in a timely manner.

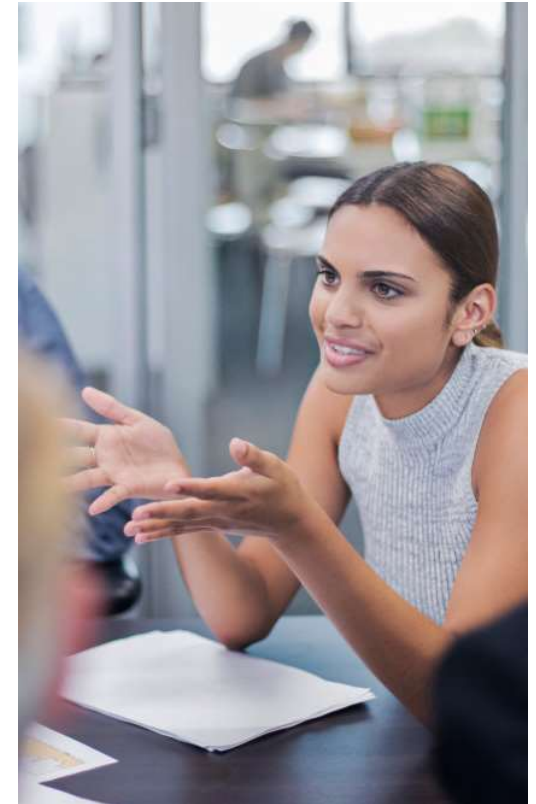
### Summary findings

Officers and Members are required to make declarations of interests at the point they are employed or elected, or when a conflict of interest arises.

Cross reference to page 17 where further detail is provided.

### Management comments

Management accepts this proposal and will seek to introduce it.



The range of recommendations that external auditors can make is explained in Appendix C.

# Improving economy, efficiency and effectiveness



## We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits

## Assessing performance to identify areas for improvement.

The Council has recently enhanced its performance reporting procedures to Members. The Cabinet receives quarterly Performance Reports enabling it, along with other Members of the Council and the public to scrutinise the performance against strategic deliverables and key indicators in accordance with the approved Corporate Plan. KPIs, which are presented on a RAG-rated dashboard, are reported against the new corporate action plan objectives, drawing a direct link between strategic planning and performance.

The Council is part of the Kent Finance Officers Group (KFOG), made up of several district councils and other government organisations. The group shares knowledge and best practice to enable opportunities for improvement.

The Council uses various datasets as benchmarking tools to aid decision making. Examples are:

- Housemark benchmarking, possibly the most important benchmarking currently in use by the Council, given the relatively recent decision to bring the Housing Service in-house (in 2020-21). Performance benchmarking is presented to CLT annually and the Council participates in a monthly benchmarking exercise on key indicators. Most recent benchmarking shows the in-house service operational performance was above that of its peers, however costs were higher. This is a step in the right direction regarding quality, with work to be done with respect to costs.
- CIPFA financial resilience index, which shows that the Council is not an outlier, providing some comfort the Council is operating/performing as it should.

- Arlingclose – the Council's financial instrument expert pools and ranks its clients' investment exposure position and share the league table with the Council allows the benchmarking against other similar councils.
- Portfolio holders across services meet monthly and, on an ad-hoc basis, externally with other councils to compare performance.

During 2021-22 Ofsted performed a full inspection of the Council's apprenticeships arrangements, scoring "Good" overall. The report did not identify any breaches (regulatory or legal) and made two minor improvement points. It is evidence that the Council takes these findings seriously, developing a 30-task action plan to address the report findings. The action plan is comprehensive, identifying individual task owners and deadlines, and tracking current progress.

## Evaluating the services it provides

We have not identified any instances of a failure to meet minimum service standards in core service areas for 2021-22.

The council has demonstrated it is able to identify areas which require improvement, and then successfully seek funding. During 2021-22 the Council secured funding from the National Leisure Recovery Fund to provide support to the Marsh Academy Sports Centre in New Romney and Three Hills Sports Park in Folkestone. The National Leisure Recovery Fund, is designed to give the leisure sector the best chance of recovery in the medium to long term, by supporting with the reopening of publicly owned facilities, as well as being used to rebuild their customer base.

# Improving economy, efficiency and effectiveness

In parallel with the Core Strategy Review, the Council has prepared the Places & Policies Local Plan, which sets out proposals for development on small and medium-sized sites throughout the district. The Places & Policies Local Plan was found 'sound' by the Planning Inspector and was adopted by the Council in September 2020. With the adoption of the Core Strategy Review by Full Council on 30 March 2022, the Council has completed two major district-wide development plans within 18 months. The Planning Inspectorate's record shows that no other local authority in England has adopted two local plans of this type within such a short time period or has come close to this achievement.

The Council continuously reviews and monitors performance and does not shy away from challenging previous decisions and altering a planned course of action for the better of the district. For example, the Otterpool project – the business plans was initially presented and approved by Cabinet in 2020-21. Our work in 2020-21 noted the business plan was costed over the full life of the project and that other performance metrics such as service potential, speed, environmental concerns were also appropriately considered. Now, in 2022-23 the Council is carrying out a review of the existing plan to determine whether it remains effective and efficient, given the significant unexpected changes in the wider economy. As of 2021-22 the plan remained in place, deemed effective, however this latest action demonstrates that the Council sees project business plans as 'live' documents which can be challenged and amended when required, ensuring long term sustainable services.

## Delivering role within significant partnerships and engaging with stakeholders

The Council maintains a Partnership register, published online for public review. All partnerships with a value of £5,000 or more must be recorded within the register which aids transparency. Partnership engagement and monitoring is initially managed by project holder within the Council and reported up through the Finance & Performance Sub-Committee, on to OSC and Cabinet, depending on the partnership's significance. The most significant partnerships, such as the Otterpool or Princes Parade projects, have standing agenda items or dedicated committee groups which provide opportunity for dialogue and assessment of progress and risk exposure against the plan on a more detailed and frequent basis.

We note that the Council acts where partnerships are no longer working effectively, for example the decision to bring the Housing Service back in-house, or the support given to

Veolia during the nationwide lockdown. Through the Council's quick actions and support, they were able to keep control of the situation by setting up a Task and Finishing Group which consisted of Council members and senior members of Veolia, meeting on a number of occasions during 2021-22 to ensure issues were quickly resolved and that both parties understood what was required from each other. The Chief Executive is proud of how the Council responded to this challenge and pleased to report that Veolia are now operating at an efficiency level higher than they were pre-pandemic.

We recommend that the Council's [Partnership Policy is refreshed, since its last update in 2015](#).

## Realising the expected benefits in commissioning or procuring services

The Council recently issued a new Procurement Plan for the period 2023-28. The Council recognises that the public sector has experienced a number of changes and challenges in recent years, most notably BREXIT, Covid-19 and impact on global supply chains. The Council plans to use their procurement processes to support innovation, drive competitive advantage (i.e. reduce spend without loss of quality) and promote their strategic objectives. The new plan sets out how this is to be achieved.

The Council also has a Procurement Guide (Framework) and a set of Contract Standing Orders (CSOs) in place for 2021-22. The CSOs set out the minimum requirements to be followed by officers to procure works, supplies (goods) and services and can only be updated in accordance with the provisions set out in the Council's Constitution. The Procurement Guide is a "living" document which is reviewed at least annually and in line with any changes to the CSOs and any relevant regulations. These documents are designed to ensure that the Council carries out procurement in in line with its plan and rules.

During 2021-22 a significant procurement breach was identified by the Council through standard checks of controls. The Council initiated an investigation which has led to some officers leaving the Authority. The Council commissioned an internal audit which has uncovered a number of instances whereby officers were failing to comply with CSOs, and therefore, by definition, are failing to achieve the standards required by the Council in terms of procurement. Whilst the Council has instituted a programme of training and reinforcement – further breaches continue to be identified along with a clear failure to declare appropriate declaration of interests. Some council officers have failed to comply with the standards set by the Council and with the expectations of wider stakeholders.



# Improving economy, efficiency and effectiveness

The overall conclusion for the Contract Management IA review was “Limited Assurance” and another IA report, already underway as part of the 2021-22 IA audit plan – Housing Planned Maintenance – report received “No Assurance”. Both reports issued several recommendations, although we note that no ‘critical’ level recommendations were identified within the main Contract Management report.

These audits identified significant levels of non-compliance by officers with respect to the procurement and management of contracts. Areas of concerns were:

- Failing to comply with, and identify non-compliance with CSOs.
- Failing to maintain properly documents such as contracts (for where the value exceeds £10,000) or the Contract Register.

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- Failure to obtain a sufficient number of quotes for a competitive tender.
- Failing to arrange (or document) meetings to formally review performance against the contract.
- Failing to identify that work is being paid for before it is complete.

In our view the bulk of the recommendations can be grouped into two overarching areas in need of improvement: training and controls (to prevent and detect breaches). IA found that officers responsible for the procurement and management of contracts have not been provided with CSO awareness training for a number of years and that 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.

From discussion with the Council, they have initiated the following key actions to address the issues identified above:

- Detailed training for officers on the Council’s Financial Procedure Rules and Contract Standing Orders.
- Review of the CSOs to ensure the requirements contained within them are necessary and appropriate.
- Clear instructions to be issued to staff providing reminders of key responsibilities, controls and processes.
- 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.

- Development and communication to all officers with the Housing Planned Maintenance team a procedure detailing the expectations for post-inspections.
- Development of robust procedures for management oversight of the work undertaken within the Housing Planned Maintenance team.
- Review of the three policies which have a bearing on officer interests to ensure they are clearly and expressly detail what is required by officers, the role and responsibility of those receiving and authorising the document, and the frequency of review. This review will include a review of the related forms – their requirements and the triggers for an update to forms to be clarified.

On identifying the breach the Council responded in a swift and authoritative manner once the issue was brought to senior management’s attention. However, the findings of the IA investigation are significant and systemic in this service area, and at the point of writing this report, there has not been sufficient time for the Council’s actions to be fully implemented and embedded. **We therefore conclude that a significant weakness exists with respect to the Council’s procurement and contract management.**

**Review of the work conducted by Internal Audit shows both significant and systemic deficiencies in the area of procurement and contract management, and is indicative that the behaviour and culture in this area is deficient. It is our Key Recommendation that the Council must fully action the recommendations set out by Internal Audit in both the Contract Management and Housing Planned Maintenance reviews.**

We agree with Internal Audit’s view that there is no significant or material impact to the 2021-22 financial statements, however, non-adherence to Contract Standing Orders calls into question if the Council has achieved value for money in the purchase of supplies and services using taxpayers’ money, and if contracts have been fairly let in a proper competitive process.

We will revisit this area of significant weakness in our work for 2022-23.

# Improving economy, efficiency and effectiveness

When the Council engages in complex or unusual work, there are controls in place to ensure that these decisions are made by appropriately skilled individuals. If appropriately skilled individuals are not available internally these are obtained either by employing an expert or creating a new role. It is mostly the case that complex/unusual activity are related to large significant projects (for example Otterpool or Princes Parade). Given the additional level of governance, scrutiny and spotlight with regard to these projects the risk of a complex or unusual area not receiving sufficient expertise and scrutiny is reduced.

In reviewing committee papers we note that the Contract Waivers list is not a standing agenda item at any committee. Instead it is reviewed by the MO and S151 only. The Council should consider including the Contract Waivers list as a standing agenda item for the Audit & Governance Committee to allow for wider review and public scrutiny. This is common practice for many public sector bodies.

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# Improvement recommendations



## Improving economy, efficiency and effectiveness

**Recommendation 8** The Council's Partnership Policy should be refreshed.

**Why/Impact** This policy was last updated in 2015, so it is likely to be out-of-date in parts.

**Auditor judgement** It is important for the Council to have an up to date partnership policy current arrangements/practices follow best practice.

**Summary findings** The Council has a Partnership Policy in place, last updated in 2015.  
Cross reference to page 22 where further detail is provided.

**Management comments** Management accepts this proposal and will seek to undertake the refresh during 2023, this work is underway.



The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations



## Improving economy, efficiency and effectiveness

### Recommendation 9

The Council should consider including the Contract Waivers list as a standing agenda item for AGS.

### Why/Impact

Contract waivers are subject to wider and public scrutiny .

### Auditor judgement

AGS should have oversight of the contract waivers on a regular basis. This is all the more important given the issues the Council has identified in respect of its procurement and contract management.

### Summary findings

The Contract Waivers list is reviewed by the Monitoring Officer and S151 Officer. It is not a standing agenda item at any of the Council committees.

Cross reference to page 24 where further detail is provided.

### Management comments

Management notes this recommendation and will consider its implementation.



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The range of recommendations that external auditors can make is explained in Appendix C.

# Key recommendation



## Key recommendation 1

The Council must fully action the recommendations set out by Internal Audit in both the Contract Management and Housing Planned Maintenance reviews.

### Why/Impact

The work conducted by Internal Audit shows both significant and systemic deficiencies in the area of procurement and contract management. It is indicative that the behaviour and culture in this area is deficient at the Council.

### Auditor judgement

There is no significant or material impact to the Council's 2021-22 financial statements. However, non-adherence to the Council's Contract Standing Orders calls into question if the Council has achieved value for money in the purchase of supplies and services using taxpayers' money, and if contracts have been fairly let in a proper competitive process.

### Summary findings

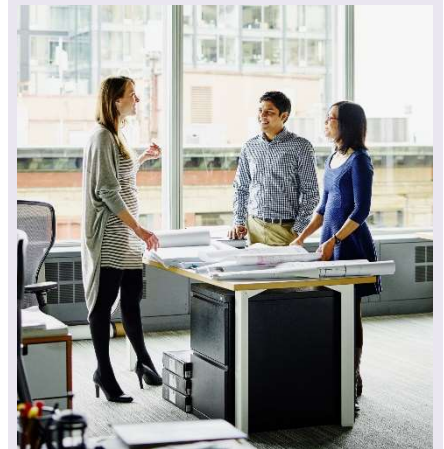
On identifying the breach in its Contract Standing Orders the Council responded in a swift and authoritative manner. However, the findings of the Internal Audit investigation are significant and systemic in this service area.

Cross reference to pages 22-23 where further detail is provided.

### Management comments

Management accepts this proposal. Management have already created a governance action plan which incorporates all relevant Internal Audit recommendations and agreed actions, which is being regularly monitored by CLT. Management are committed to ensuring these matters are addressed in a swift and authoritative manner.

The range of recommendations that external auditors can make is explained in Appendix C.



# Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	Financial Sustainability: The Council should consider how to present its mitigating actions or assurances of change against risk areas in a more linear and direct fashion. This will provide scrutineers with assurance that management are mitigating risks and will provide a basis for challenge of the effectiveness of those mitigations.	Improvement	June 2021	The Council has not adopted this approach to date but will consider the approach of other authorities to risk and how they achieve the outcome identified here.	No	Yes
2	Governance: Improve the accessibility and completeness of the information of the gift and hospitality register.	Improvement	June 2021	A register is available online <a href="#">here</a> which addresses the points raised by the auditor.	Addressed	Continue to monitor from a VFM perspective.
3	Three Es: Review the cost of the housing service against peers to understand if the continuing costs of service provision (rather than establishing costs) are providing value for money.	Improvement	June 2021	The Council has uses "Housemark" to evaluate performance and costs against other providers. The most recent benchmarking shows the in-house service operational performance was above that of its peers, however costs were higher. This is a step in the right direction regarding quality, however there is still work to be done with respect to costs.	Yes - improvement recommendation required a monitoring control, which the Council now has.	Continue to monitor from a VFM perspective.

# Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	The Council runs a 'tolerate, treat, transfer or terminate' system to dictate the type of mitigating actions it should take. However within this there is not a clear link to the assurances or key controls applied. We judge this to not be a risk of significant weakness as there are mitigations and action plans, they are just not the best practise as we have viewed at comparative councils. This is not an indication that the Council is not acting on risks or mitigations, but is a manifestation that the Council have several very high level risks which are mitigated against in very high level ways.	Improvement	March 2023	Management to update	No	Yes
2	Online there is a register of gifts and hospitality for councillors but this is only viewable against each councillor and for 1 year time frames. This means that it is not very transparent. For example if you wished to check whether any councillors had received gifts from ABC Construction Ltd you would have to click on each councillor and change the time frame for each year you were interested in. There is also no description as what constitutes a gift or hospitality. Finally this only covers the Councillors, not very senior leadership as would be expected. It does not constitute a significant weakness as the information is largely present, just in a difficult format. There is also no indication of how up-to-date this information is because the policy and the compliance are is not accompanying the data.	Improvement	March 2023	Management to update	No	Yes
3	We have not found any instances of the Council failing to consider the risk and rewards when undertaking significant commercial ventures, outsourcing, shared service arrangements or partnerships. However we draw attention again to East Kent Housing and the re-establishing this as an in-house service.  Now that the service has had chance to settle and establish itself the Council should consider whether they have constructed a cost efficient programme. We see from our comparison data that in 19-20 the Council had the highest housing costs per head. We recommend, given that the new service is within FHDC, that the cost per head of population of the housing service is now reviewed against its' peers. This includes a consideration as to how many households have support needs which contribute to higher unit costs and how many families are in temporary accommodation.	Improvement	March 2023	Management to update	No	Yes

# Opinion on the financial statements



## Audit opinion on the financial statements

We gave an **unqualified opinion or we qualified the opinion** on the Council's financial statements on **XX March 2023**.

## Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit and Governance Committee on 21 September 2022, and subsequently updated on **XX March 2023**.

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

We have not yet completed the WGA return for 2021-22 as guidance has yet to be received from the NAO

## Preparation of the accounts

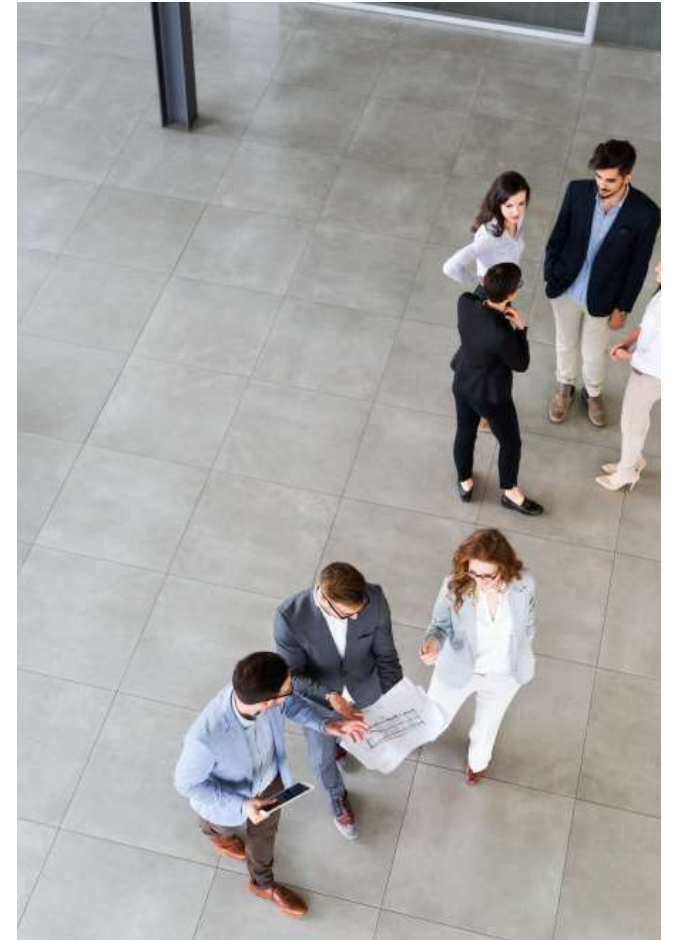
The Council provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

## Issues arising from the accounts:

No key issues were identified in the annual report and accounts.

## Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation





# Appendices

# Appendix A – Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

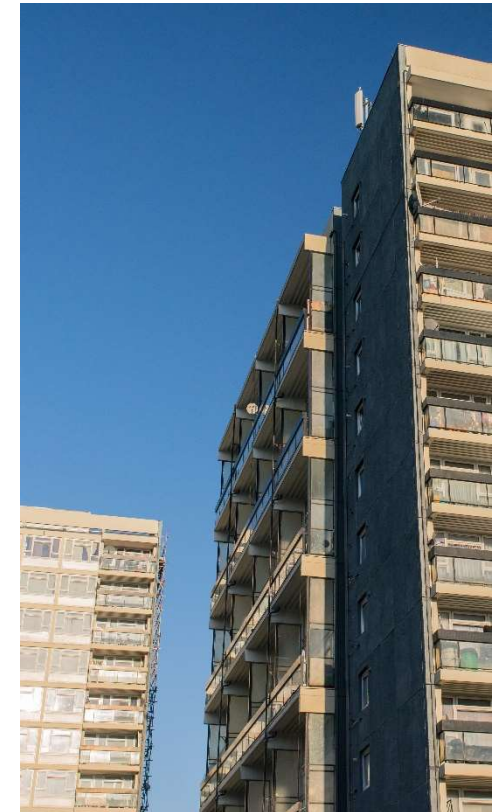
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare 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. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure 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.



# Appendix B – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment 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 that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed in relations to significant weaknesses identified, and our related findings, and the final outcome of our work:

Risk of significant weakness	Procedures undertaken to address significant weakness	Findings from additional procedures	Outcome
Financial sustainability – no significant weaknesses identified.	Not applicable	Not applicable	Appropriate arrangements in place, four improvement recommendations raised.
Governance – no significant weaknesses identified.	Not applicable	Not applicable	Appropriate arrangements in place, three improvement recommendations raised.
Improving economy, efficiency and effectiveness – significant weakness identified, refer to pages 22-23 further detailed information.	No additional procedures undertaken as matter fully investigated by Internal Audit.	A significant weakness was identified in relation to the Council's procurement and contract management processes.	Appropriate arrangements not in place, two improvement recommendations and one key recommendation raised.

# Appendix C – An explanatory note on recommendations

A range of different recommendations can be raised by the Council’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	Yes	Page 27
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes	Financial sustainability: pages 10-13 Governance: pages 18-20 Economy, Efficiency & Effectiveness: pages 25-26

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# Appendix D – Sources of evidence



## Staff involved

- Susan Priest, Chief Executive
- Charlotte Spendley, Director of Corporate Services & Finance
- Sara Sivalingham, Finance

- Capital Monitoring Reports 21-22
- Capital strategy 22-23
- Cash flow forecasts 22-23
- Code of Corporate Governance
- Committee effectiveness reviews / Terms of Reference Reviews 21-22

- Latest Corporate Plan / Strategy
- Latest Risk Management Strategy / Policy
- Medium term financial plan 22-23 onwards
- Ofsted reports and related action plans
- Otterpool and Oportunitas Reporting to Cabinet and OS Committee

- Conflicts of interest policy

- Partnership Policy and Register

- Constitution

- Performance Management Framework (PMF)

- Consultations with stakeholders

- Performance Management Framework and Data Quality Strategy

- Equality and Diversity Policy 2021-25

- Performance reports (KPIs)

- FHDC Audit Findings Report LG 21-22

- Procurement strategy

- General Fund Medium Term Capital Programme MTCP (and update)

- Register of interests 21-22

- Gifts and hospitality policy

- Risk register 21-22

- Gifts and hospitality register 21-22

- s25 report produced by s151 officer 22-23

- Head of Internal Audit Opinion 21-22

- Task and Finish Group - Waste Contract board pack and minutes

- ICO failures / breaches - detail

- Treasury Management Annual Report 21-22

- Internal audit plan and Charter 21-22 and 22-23

- Treasury Management Strategy 22-23

- Internal audit Quarterly updated

- Year-end outturn report 21-22

- Internal audit reports 21-22



## Documents Reviewed

- Action Plan and KPIs - 'Creating Tomorrow Together'
- Annual budget report (revenue and capital) 22-23, including the Savings Plan
- Annual governance statement 21-22
- Annual report 21-22
- Anti-fraud and corruption framework
- Approved Procurement Waivers Spreadsheet 21-22
- Benchmarking data reports 21-22
- Budget monitoring reports 21-22
- Cabinet & Committee Board packs and minutes

# Appendix E - Key acronyms and abbreviations

The following acronyms and abbreviations have been used within this report

Medium Term Financial Strategy (**MTFS**)

Corporate Leadership Team (**CLT**)

Medium Term Capital Plan (**MTCP**)

Audit and Governance Committee (**AGC**)

Internal Audit (**IA**)

East Kent Audit Partnership (**EKAP**)

Overview & Scrutiny Committee (**O&S**)

Performance Management Framework (**PMF**)

Director of Finance (**DoF**)

Key Performance Indicators (**KPIs**)

Those Charged With Governance (**TCWG**)

Kent Finance Officers Group (**KFOG**)

Contract Standing Orders (**CSOs**)



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