Date: **18 September 2023**
Our Ref: **Governance & Audit Committee/Agenda**
Ask For: **Steven Matthews**
Direct Dial: **(01843) 577207**
Email: **steven.matthews@thanet.gov.uk**

GOVERNANCE & AUDIT COMMITTEE

27 SEPTEMBER 2023

A meeting of the Governance & Audit Committee will be held at **7.00 pm on Wednesday, 27 September 2023** in the Council Chamber, Council Offices, Cecil Street, Margate, Kent.

Membership:

Councillor W Scobie (Chair); Councillors: Bright (Vice-Chair), Barlow, Braidwood, d'Abbro, Donaldson, Farooki, Garner, Manners, Munns, Nichols, Packman, Pope and Towning

AGENDA

Item No	Subject
1.	**APOLOGIES FOR ABSENCE**
2.	**DECLARATIONS OF INTEREST** (Pages 3 - 4) To receive any declarations of interest. Members are advised to consider the advice contained within the Declaration of Interest advice attached to this Agenda. If a Member declares an interest, they should complete the Declaration of Interest Form.
3.	**MINUTES OF PREVIOUS MEETING** (Pages 5 - 14) To approve the Minutes of the Governance and Audit Committee meeting held on 26 July 2023, copy attached.
4.	**QUARTER 1 REVIEW 2023/24: TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY** (Pages 15 - 24)
5.	**RISK MANAGEMENT** (Pages 25 - 44)
6.	**INDICATIVE EXTERNAL AUDIT PLAN 2021/22 - 2022/23** (Pages 45 - 66)
7.	**AUDIT PROGRESS REPORT AND SECTOR UPDATE** (Pages 67 - 80)
8.	**AUDIT FINDINGS REPORT 2020/21** Report to follow.
9.	**QUARTERLY INTERNAL AUDIT UPDATE** (Pages 81 - 112)

Thanet District Council, PO Box 9, Cecil Street, Margate, Kent, CT9 1XZ
Tel: +44 (0)1843 577000 Fax: +44 (0)1843 290906 DX 30555 (Margate) www.thanet.gov.uk
Interim Chief Executive: Colin Carmichael

Item No	Subject

Please scan this barcode for an electronic copy of this agenda.

Do I have a Disclosable Pecuniary Interest and if so what action should I take?

Your Disclosable Pecuniary Interests (DPI) are those interests that are, or should be, listed on your Register of Interest Form.

If you are at a meeting and the subject relating to one of your DPIs is to be discussed, in so far as you are aware of the DPI, you **must** declare the existence **and** explain the nature of the DPI during the declarations of interest agenda item, at the commencement of the item under discussion, or when the interest has become apparent

Once you have declared that you have a DPI (unless you have been granted a dispensation by the Standards Committee or the Monitoring Officer, for which you will have applied to the Monitoring Officer prior to the meeting) you **must:-**

1. Not speak or vote on the matter;
2. Withdraw from the meeting room during the consideration of the matter;
3. Not seek to improperly influence the decision on the matter.

Do I have a significant interest and if so what action should I take?

A significant interest is an interest (other than a DPI or an interest in an Authority Function) which:

1. Affects the financial position of yourself and/or an associated person; or
   Relates to the determination of your application for any approval, consent, licence, permission or registration made by, or on your behalf of, you and/or an associated person;
2. And which, in either case, a member of the public with knowledge of the relevant facts would reasonably regard as being so significant that it is likely to prejudice your judgment of the public interest.

An associated person is defined as:

- A family member or any other person with whom you have a close association, including your spouse, civil partner, or somebody with whom you are living as a husband or wife, or as if you are civil partners; or
- Any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors; or
- Any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000;
- Any body of which you are in a position of general control or management and to which you are appointed or nominated by the Authority; or
- any body in respect of which you are in a position of general control or management and which:
  - exercises functions of a public nature; or
  - is directed to charitable purposes; or
  - has as its principal purpose or one of its principal purposes the influence of public opinion or policy (including any political party or trade union)

An Authority Function is defined as: -
- Housing - where you are a tenant of the Council provided that those functions do not relate particularly to your tenancy or lease; or
- Any allowance, payment or indemnity given to members of the Council;
- Any ceremonial honour given to members of the Council
- Setting the Council Tax or a precept under the Local Government Finance Act 1992

If you are at a meeting and you think that you have a significant interest then you **must** declare the existence **and** nature of the significant interest at the commencement of the matter, or when the interest has become apparent, or the declarations of interest agenda item.

Once you have declared that you have a significant interest (unless you have been granted a dispensation by the Standards Committee or the Monitoring Officer, for which you will have applied to the Monitoring Officer prior to the meeting) you **must:-**

1. Not speak or vote (unless the public have speaking rights, or you are present to make representations, answer questions or to give evidence relating to the business being discussed in which case you can speak only)
2. Withdraw from the meeting during consideration of the matter or immediately after speaking.
3. Not seek to improperly influence the decision.

Gifts, Benefits and Hospitality

Councillors must declare at meetings any gift, benefit or hospitality with an estimated value (or cumulative value if a series of gifts etc.) of £25 or more. You **must,** at the commencement of the meeting or when the interest becomes apparent, disclose the existence and nature of the gift, benefit or hospitality, the identity of the donor and how the business under consideration relates to that person or body. However you can stay in the meeting unless it constitutes a significant interest, in which case it should be declared as outlined above.

What if I am unsure?

If you are in any doubt, Members are strongly advised to seek advice from the Monitoring Officer or the Committee Services Manager well in advance of the meeting.

If you need to declare an interest then please complete the declaration of interest form.

GOVERNANCE & AUDIT COMMITTEE

Minutes of the meeting held on 26 July 2023 at 7.00 pm in Council Chamber, Council Offices, Cecil Street, Margate, Kent.

Present: Councillor William Scobie (Chair); Councillors Bright, Barlow, Braidwood, d'Abbro, Donaldson, Garner, Manners, Munns, Nichols, Pope and Towning

In Attendance:

1. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Farooki who was substituted by Councillor Britcher and Councillor Packman who was substituted by Councillor Matterface.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF PREVIOUS MEETING

Councillor Towning proposed, Councillor Garner seconded and members AGREED to approve the minutes as a correct record of the meeting held on 8 March 2023.

4. EXTERNAL AUDITOR'S AUDIT FINDINGS REPORT

Nick Halliwell, Senior Manager at Grant Thornton introduced the report and made the following key points:

- This was the finance report relating to the 2020-21 financial year end
- There were some issues as to why this report was being presented late, which include some Governance issues and additional works required on provisions relating to grievance and disciplinary matters;
- In terms of the audit opinion from Grant Thornton in relation to the financial statements, the audit is clean and unmodified;
- Mr Halliwell explained that Grant Thornton provided reasonable assurance that accounts were correct, he also explained that the assurance was based on materiality on gross expenditure;
- The audit opinion provided was also based on value for money, which was still ongoing. The reason why it was not complete yet was because there were still 7 outstanding objections to the Council’s accounts. He said that the next opinion will make reference to the statutory recommendations and further advised that there was a weakness to the Council’s Governance arrangements in the 2020-21 financial year;
- Mr Halliwell also said they look to present a paper at the September meeting relating to the financial arrangements of the 2020-21 financial year, 2021-22 financial year and 2022-23 financial year

Speaking under Council Procedure Rule 20.1 Councillor Yates drew attention to the net pension liabilities of £102.7 million and how this was contributed to by bringing housing stock back in-house, following the dissolution of East Kent Housing. This dissolution brought in £10.6 million of pension liability and £6.9 million in pension assets, with a net impact of £3.6 million.

Committee discussion raised the following points:

- Members asked why after hearing the Committee was written too, by the external auditor, that there were concerns of lack of Governance and why no action was taken by Members;
- Officers responded that when Grant Thornton chose to issue statutory recommendations, actions were already being taken at the time. It was primarily staffing matters that were already being handled by the General Purpose Committee and Disciplinary Sub-Committee, therefore the Governance and Audit Committee becoming involved would have interfered with investigations being carried out at the time.

Members agreed to note the report.

5. <u>STATEMENT OF ACCOUNTS</u>

Chris Blundell, Director of Corporate Services and Section 151 Officer introduced the report where he gave the following points:

- The report was relating to the accounts of 2020 / 2021, which were two years late, the draft accounts were however published on time. Members were informed that in the future, plans were put in place to make sure accounts would be submitted in a timely manner.

Matt Sanham, Head of Finance and Procurement, gave the following points:

- The draft accounts were signed and published in line with legislation on 30 July 2021 and were due to be considered in December 2021 by the Governance and Audit Committee. However due to the staffing issues at the time and investigations previously covered by the General Purposes Committee and Disciplinary Sub-Committee, as well as other mitigating circumstances such as Covid-19, it impacted the timeliness of the audit;
- Auditors concluded that subject to completion of a few final tasks, they anticipated an unmodified opinion of the accounts;
- The Council received a number of objections to accounts on the grounds of not being able to secure value for money. Some of these issues had spanned multiple years;
- A backward look at previous reports were to be presented to the committee in September for the years 2018-19, 2019-20 and 2020-21 VFM;
- Before the final sign off of the accounts via Grant Thornton, a letter of representation needed to be signed off by the Section 151 Officer and the Chair of the Governance and Audit Committee. These would then allow the Council to publish the accounts;
- An audit was planned for the accounts for 2021-22 and 2022-23 and was to be started around October time; the 2021-22 accounts should be going for publication in late August

Speaking under Council Procedure Rule 20.1 Councillor Yates said that £55 million went towards Covid-19 grants and thanked the Council and Civica for their hard work.

Discussion raised the following points:

- Members raised a question regarding Council tax recovery. It was asked if Council tax income would be higher in the future or would it be lost revenue. Officers replied that the income was around case summonses and the courts were closed, that the income was considered lost. The debts were still pursued, but it would have been consolidated with recovery action in the following year.

Councillor Britcher proposed, Councillor Bright seconded and Members AGREED that:

1. That the Committee approves the Statement of Accounts for 2020-21;

2 . That the Committee notes the Letter of Representation to Grant Thornton issued by the Director of Corporate Services and Section 151 Officer.

6. CORPORATE RISK MANAGEMENT - QUARTERLY UPDATE

Chris Blundell, introduced the report where he gave the following points:

- He explained that this item appeared on every Governance and Audit Committee meeting;
- Mr Blundell also explained the scoring system of financial risk under Corporate Risk Management as well as how it applied to different service areas of the Council;
- On the topic of Cyber Attack, he explained that it scored high because of the detrimental effect an incident cause to the Council's operations;
- With regards to Limited Resources, he explained that this was also a high scoring item due to the possibility of it resulting in bankruptcy at which point, the government would step in if that were to happen;
- Regarding the topic of Economic Environment, this was another high scoring risk due to its relation to other risks as well and the current rise of inflation. It was also a risk that the Council had less control over;
- EPC Requirements were made tougher, as requirements were now required to reach a grade C rather than a grade E by the end of the decade;
- The Council dedicated itself to be carbon neutral by the end of the decade, via the Net Zero Strategy; however the Council was aware that this was expensive and will not be easy to implement;
- Political Stewardship has reduced as it was originally higher due to the frequent change in leadership
- Governance has also reduced, thanks in part to recommendations of the independent monitoring officer and Grant Thornton, however there is still more work that can be done to reach desired outcomes
- The Covid-19 risk score has also reduced
- Manton Road Depot's score has reduced following secondary EA visits where they were pleased with the progress being made.

With regards to Berth 4/5, Mike Humber, Director of Environment said the following:

- The project had some delays and the financial risk was the reason why it was appearing on the risk management report;
- Majority of the work for the project had already been completed over the previous Summer. Electrical work was still outstanding, but was due for completion in the first week of August;
- There was a live claim with the contractor currently, because they were awarded the contract before the marine licence was granted which constrained the construction period. Officers assured Members that this would be resolved by the end of August.

Speaking under Council Procedure Rule 20.1 Councillor Yates expressed some concerns, specifically that the Economic Environment has scored high in the risk management report. He told Members that Cabinet were looking into options to save money as well as looking at new revenue streams in the future.

Discussion raised the following points:

- Members asked about the Cyber Attack score and what options were available for reducing the risk. Officers replied that it was possible to bring Dan Evans, the Head of ICT to a future meeting to give the committee an update and more detailed report regarding Cyber Attacks. The Council used a shared service partnership with three other councils. However, since then, the service has been disbanded and services were brought back in-house. It was also mentioned that Dan Evans would be producing a report to go to the East Kent Chief Executive to set out how they resourced ICT and how that service functioned across the partnership;
- Members then asked about the type of insurance that had been looked into regarding Cyber Attacks, whether that be business interruption insurance or specialists who were able to advise with data forensics. Officers replied that Bespoke Cyber Security was the provider they were looking into, but the conditions attached made it easy for them to deny coverage and that the expense would not be worth it. However, Members were assured that discussions were made to prepare for any kind of attacks by educating both Members and Officers;
- On the subject of the Climate Change related risks, Members asked what lessons TDC learned in order to reduce risk of water shortages (specifically coming from the Covid-19 experience). Officers replied that there had been emergency planning responses planned for different scenarios, however this was a situation affecting all Authorities on a national level. TDC were looking into ways to distribute water more efficiently and already put continuity plans in place;
- In relation to Ransomware, it was highlighted in the report that £350,000 from the DLUHC had gone towards leading a backup replacement project; Members asked for a breakdown of the expenses. Officers agreed to come back to Members following the meeting regarding this matter;
- On the subject of Limited Resources, Members were aware that there was a new Head of Property and a full review currently underway regarding the Council’s property portfolio. It was requested that the Property Team be fully supported to make sure TDC got full value for these properties. Officers assured members that a lot of resources had gone into the Property Team, resulting in income in the long run, this included putting money into repairs and maintenance to maintain the stock. Recruitment was still ongoing for the Property Team to have full time staff going forward;
- Members requested the Head of Property appear at a future Committee meeting, to lay out a plan going forward regarding generating income with the Council’s leasehold housing stock. Officers agreed to invite the Head of Property and reminded Members that presentation and discussion would focus on the processes, rather than looking at individual properties the Council had in its portfolio as that would come under Scrutiny instead;
- Members also requested further detail on the Economic Environmental section of Risk Management for the next Governance and Audit Committee, specifically in the areas of supplier risk and the mitigation from the Procurement team;
- Members asked about the topic of burial space and wanted to know how far TDC was from running out of space for burials. Officers replied that it was hard to guess due to demand, however there were plans being looked into to expand sites whilst more long term strategies were being looked into

Councillor Britcher proposed, Councillor Donaldson seconded and Members AGREED that to approve the review of corporate risks.

7. CONTRACT STANDING ORDER WAIVERS

Chris Blundell introduced the report where he gave the following points:

- He briefly explained the processes for Procurement of goods, supplies, services and waivers as laid out in the report;
- He then spoke about the waivers approved in the 2022/23 financial year, specifically the area of Deputy Chief Executive as the number seemed high, but this was due in part to approval in areas of Housing. The majority of the waivers however, still came below £100,000;
- The majority of waivers in 2023/24 were also under £100,000. Going forward, the Council was looking at reviewing the processes in general, especially with £100 million to spend over the capital programme within the next 4 years, in order to have more flexible processes that do not jeopardise the rules of Procurement.

Discussion raised the following points:

- Members asked, during the financial year of 2022/23, if 45 was a high number of waivers or whether it was fairly typical. Officers replied that they were higher during the pandemic; however, this was due to rules being relaxed as the situation at the time required more flexibility due to time constraints;
- Members brought up the issue of powers of procurement, during 2019 when the Council was acquiring pontoons, where the then Cabinet portfolio holder was asked to sign off large sums of money. Officers said that it was an issue of debate between officers, which ended when the Council looked for external, legal advice. Since the decision itself was over the sum of £100,000, it needed Cabinet approval as it was classed as a key decision.

Members agreed to note the report.

8. ANNUAL GOVERNANCE STATEMENT 2022-23

Sameera Khan, Interim Head of Legal and Monitoring Officer, introduced the report with the following points:

- The Annual Governance Statement is a statutory requirement, that details how the Council carries out its functions effectively
- Of the twenty seven complaints that were received by the Ombudsman, only 1 was upheld with 12 not needing any further action. This number was drastically down from previous years

Councillor Towning proposed, Councillor d'Abbro seconded and Members AGREED the Annual Governance Statement 2022/23, which will be shared with external auditors for amendment and comment by them before publication.

9. QUARTERLY INTERNAL AUDIT UPDATE REPORT

Simon Webb, Deputy Head of Audit for East Kent Audit Partnership, introduced the report and raised the following points:

- This report was to be on the agenda at every Governance and Audit Committee meeting. He also explained to Members the scoring system used by EKAP with regards to grading the assurance levels;
- Environmental Health Protection and Debtors scored an assurance level of Substantial with no recommendations;
- Refuse Collection and Value Added Tax scored an assurance level of Reasonable;

- Absence Management was broken down into three categories: Annual Leave, Sick Leave and Flexi Leave. Annual Leave scored an assurance level of Reasonable assurance. There was concern where Sick Leave and Flexi Leave scored an assurance level of Limited;
- Licensing scored an assurance level of Reasonable, however there were some aspects of it that had no assurance due to needing a cost neutral exercise to be taken, with no evidence of this having been done;
- Car Parking and Enforcement, scored No assurance level;
- A follow-up audit was carried out 3 months after the report, to see how things have progressed;
- With regards to the follow-up audit for this period based on the previous report submitted; Thanet Community Lotto was highlighted as an item that still had Limited or No assurance level. Museums was also brought up as Limited or No assurance level;
- Dog Warden, Flying Tipping and Litter Enforcement scored Reasonable assurance levels, except for Litter Enforcement, which score a No assurance level, due to the Council not looking into Litter Enforcement currently;
- Work-In Progress audits that were currently being worked on would be presented to the Committee at a later date. He highlighted Cyber-Security as it was discussed earlier in the evening. He advised that this report would come to Committee around November / December time and recommended the Committee to invite the Head of ICT to the committee meeting on that day;
- He explained to Members the Progress Against the Agreed 2023-24 Audit Plan, as highlighted on the appendix of the report, which include areas of Service and ICT related audits
- He also explained the Balanced Scorecard as laid out at the end of the report.

Discussion raised the following points:

- Members asked about the Licensing audit and cost neutral exercise and whether or not it was exclusive to Licensing. Officers replied that it also applied to Land Charges and Building Control
- On the subject of Parking, Members spoke about the element of people outside the district visiting the area and they wanted to know if that was taken into account with the audit. Officers replied that there was disappointment with receiving No assurance with regards to Parking. However this was due to mainly having a new team of officers. Officers assured Members that with changes in the management team going forward and establishing a management procedure should provide progress that would be reported at a later committee meeting. Members further requested a more detailed look at Parking at a future meeting;
- Members asked about the number of CFOs employed that stood currently at 5 and what steps were being taken to reach the goal of 11. Officers replied that they were advertising the roles, but there was still difficulty getting people to apply. They went into further detail with

Parking as raising prices would need to work within the existing legislation
- Members touched upon the Absence audit to ask about the good practices identified and asked if it was true throughout the organisation. Officers replied that results of the audit were shared with officers to take on board any advice needed.

Councillor Garner proposed, Councillor Britcher seconded and Members AGREED that:

1. The report be received by Members;

2. That any changes to the agreed 2023-24 internal audit plan, resulting from changes in perceived risk, detailed at point 5.0 of Annex 1 of the committee report be approved.

10. INTERNAL AUDIT ANNUAL REPORT 2022-23

Christine Parker, Head of Internal Report for the East Kent Audit Partnership, introduced the report with the following points:

- She explained to Members the importance for this report and how it applies to the Council, including the Risks, Assurances and Progress Reports provided in the report;
- There were no concerns highlighted in the annual reports submitted by East Kent Services;
- EKAP provided one follow up for items where audits had been carried out;
- Four items in 2022/23 were presented as having Limited or No assurance level: Street Cleansing, Commercial Let Properties and Concessions; Equality and Diversity and Thanet community Lotto;
- EKAP was working to align their opinions with that of Grant Thornton external audit opinion and value for money position;
- The opinion provided on the report under Corporate Governance was based on individual pieces of work, although a subjective view;
- The opinion provided to report Limited to No assurance was based on some recommendations not being implemented yet;
- She drew attention to 10 areas where further follow up was needed and EKAP were looking to providing that follow up at a future Committee meeting;
- On the subject of Risk Management, EKAP were satisfied that the arrangements for this were working effectively;
- EKAP were also satisfied with the Management Response from TDC as it reaffirmed the commitment of the Council.

Chris Blundell added some further comments:

- Officers recognised the Council’s shortcomings when it came to Corporate Governance. However with the turnover of corporate management staff, it caused a strain in their ability to all address recommendations in the required timeframe. Going forward, there were only two positions to be filled on the Corporate Management Team and once those positions were filled, the Council would’ve been able to resource the recommendations from EKAP and implement them as soon as possible.

Discussion raised the following points:

- Members asked for a further breakdown of the Thanet Community Lotto and Equality and Diversity areas in future Committee meetings. Officers replied that Equality and Diversity policies were important to the Council and would like to bring it back for a future Committee meeting, perhaps in November / December;
- Members asked EKAP when it would be likely a review of current projects in TDC, including Berth 4-5 would be. Officers said that some of the recommendations had been quite broad as to accommodate methods and strategies already implemented by TDC as projects had been moving forward already. The follow up report will be provided to Members at a later Committee date;
- Members spoke briefly about the audit report saying that EKAP's work had been hampered due to lack of feedback from management and wanted to know if there were any steps being put in place to prevent that from happening in the future. Officers responded that capacity issues had been the cause of this, however meetings with EKAP were going to be more frequent going forward as well as inviting Ms Parker to CMT meetings in the future;
- Members asked when the Business Continuity Management Audit would be brought back to the committee. Officers replied that it was initially not brought back due to Covid-19 issues, however if there were concerns, EKAP would look at bringing it back after December;
- Members talked about East Kent Opportunities and what the follow up to this would be. Officers replied that it was a live order and would be coming to Members at the next Committee meeting.

Councillor Towning proposed, Councillor Bright seconded and members AGREED:

1. That Members note the Opinion of the Head of Audit Partnership;
2. That Members receive the Annual Report detailing the work of the EKAP and its performance to underpin the 2022-23 opinion.

11. UPDATED RIPA POLICY 2023

Sameera Khan, Interim Head of Legal and Monitoring Officer, introduced this report and made the following points:

- This was the updated policy for 2023 which stood for Regulation of Investigatory Powers under the 2000 Act;
- Members were advised that the Council should not exercise powers under the RIPA unless absolutely necessary;
- There have been no Covid-19 surveillance in 2022 up to this point of 2023;
- She also wanted to remind Members that the Council had its last inspection by the Commissioner in April 2022, which resulted in a number of recommendations;
- It was also confirmed, through a letter from the Commissioner, that all recommendations put forward had been endorsed and achieved by the Council.

Councillor Britcher proposed, Councillor Donaldson seconded and Members AGREED to:

1. Adopt the amended Policy in Appendix 1;

2. Note the letter from IPCO, the recommendations and actions;

3. Sign off the letter from IPCO and recommendations;

4. Note the report of activity during the year.

12. ANNUAL TREASURY MANAGEMENT REVIEW 2022/23

Chris Blundell, introduced the report where he gave the following points:

- CIPFA provided the Council with their definition of Treasury Management as outlined on the report;
- The Council's gross debt at 31 March 2023 was £19.9 million;
- The debt held at the time was around £52 million which was met by the Council's internal cash flow as at the end of the financial year. The Council had £60 million to work with, instead of going to the bank to save it;
- Members were reminded that borrowing money over the last 12 months had become harder, due to the increase in rates and inflation.

Discussion raised the following points:

- Members asked if any reserves would be invested in TDC's own property portfolio. Officers replied that £800,000 was put into the budget going forward and then reminded officers that the £60 million that the Council was holding was also made up of HRA balances and money received in council tax, which got paid over to KCC.

Councillor Bright proposed, Councillor d'Abbro seconded and Members AGREED:

1. Notes the actual 2022/23 prudential and treasury indicators in this report;

2. Makes comments as appropriate on this Annual Treasury Management Report for 2022/23;

3. Recommends this report to council for approval.

Meeting concluded: 9:42pm

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Quarter 1 Review 2023/24: Treasury Management and Annual Investment Strategy

Governance & Audit Committee	27 September 2023
Report Author	Chris Blundell, Director of Corporate Services and Section 151 Officer
Portfolio Holder	Councillor Rob Yates, Cabinet Member for Corporate Services
Status	For Decision
Classification	Unrestricted
Previously Considered by	N/A
Ward	Thanet Wide

Executive Summary:

This report summarises treasury management activity and prudential/ treasury indicators for the first quarter of 2023/24.

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

> *"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions;*
>
> *the effective control of the risks associated with those activities; and*
>
> *the pursuit of optimum performance consistent with those risks."*

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the 2023/24 first quarter position for treasury activities.

Key reporting items to consider include:

- 2023/24 three months capital expenditure on long term assets was £1.7m (2022/23 three months: £2.1m), against a full-year budget of £82.3m
- The Council's gross debt, also called the borrowing position, at 30 June 2023 was £19.7m (30 June 2022: £20.0m).
- The Council's underlying need to borrow to finance its capital expenditure, also called the Capital Financing Requirement (CFR), is estimated to be £60.3m at 31 March 2024 as per the 2023/24 Treasury Management Strategy Statement (TMSS) (31 March 2023: £52.2m).

- The Council has held less gross debt than its CFR and accordingly has complied with the requirement not to exceed its authorised borrowing limit of £81m.
- As at 30 June 2023 the Council's investment balance was £53.8m (30 June 2022: £50.8m).

Recommendation(s):

That the Governance & Audit Committee notes, and makes comments on as appropriate, this report.

Corporate Implications

Financial and Value for Money

The financial implications are highlighted in this report.

Legal

Section 151 of the 1972 Local Government Act requires a suitably qualified named officer to keep control of the Council's finances. For this Council, this is the Director of Corporate Services and Section 151 Officer, and this report is helping to carry out that function.

Risk Management

Risk management is as per the provisions of the annual TMSS, Minimum Revenue Provision Policy Statement and Annual Investment Strategy.

Corporate

Failure to undertake this process will impact on the Council's compliance with the Treasury Management Code of Practice.

Equalities Act 2010 & Public Sector Equality Duty

There are no equity and equalities implications arising directly from this report, but the Council needs to retain a strong focus and understanding on issues of diversity amongst the local community and ensure service delivery matches these.

It is important to be aware of the Council's responsibility under the Public Sector Equality Duty (PSED) and show evidence that due consideration had been given to the equalities impact that may be brought upon communities by the decisions made by Council.

CORPORATE PRIORITIES

This report relates to the following corporate priorities: -

- Growth
- Environment
- Communities.

1 Background

1.1 Treasury management

CIPFA defines treasury management as:

> *"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions;*
>
> *the effective control of the risks associated with those activities; and*
>
> *the pursuit of optimum performance consistent with those risks."*

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operation is to ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

2 Introduction

2.1 The CIPFA Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (annual, mid-year and quarterly reports). This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

3 Treasury Management Strategy Statement and Annual Investment Strategy Update

3.1 The TMSS for 2023/24, which includes the Annual Investment Strategy, Capital Strategy and Non-Treasury Investment Report, was approved by the Council on 9 February 2023. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

3.2 The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate it is considered appropriate to keep investments short-term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions.

3.3 **Creditworthiness**
There have been few changes to credit ratings over the quarter under review. However, officers continue to closely monitor these, and other measures of creditworthiness, to ensure that only appropriate counterparties are considered for investment purposes.

3.4 **Investment counterparty criteria**
The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

3.5 **CDS prices**
Credit Default Swap (CDS) prices (these are market indicators of credit risk) for UK banks have retreated from the spikes caused by the Truss / Kwarteng policy approach in September. Prices are not misaligned with other creditworthiness indicators, such as credit ratings. Nevertheless, it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

3.6 **Investment balances**
The average level of funds available for investment purposes during the quarter was £60.014m. The level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme.

3.7 The yield on deposits for the first three months of the financial year is 4.25% against a benchmark 7 day SONIA compounded rate of 4.34%. The yield achieved is slightly lower than the benchmark due to reinvestment time lags, as interest rates rose during the quarter. The Council's budgeted investment return for 2023/24 is £1.262m (£316k for 3 months) and performance for the first three months of the financial year is above budget at £636k.

3.8 **Approved limits**
Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30 June 2023.

4 Borrowing

4.1 No new external borrowing was undertaken from the PWLB during the quarter ended 30 June 2023.

4.2 **PWLB maturity certainty rates - year to date to 30 June 2023**
Gilt yields and PWLB rates were on a rising trend between 1st April and 30th June.

The 50 year PWLB Certainty Rate target (provided by the Council's external treasury management advisor Link) for new long-term borrowing started 2023/24 at 3.30% before increasing to a peak of 3.80% in June. With actual rates elevated across the whole of the curve, Link's advice to the Council during the quarter was to not borrow long-term unless the Council wanted certainty of rate and judged the cost to be affordable.

4.3 **Debt rescheduling**

Debt rescheduling opportunities have increased significantly in the current quarter where gilt yields, which underpin PWLB rates and market loans, have risen materially. Members will be advised of any rescheduling or part repayment of the debt portfolio.

5 Compliance with Treasury and Prudential Limits

5.1 Prudential and treasury Indicators are shown below

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the quarter ended 30 June 2023, the Council operated within the treasury and prudential indicators set out in the Council's TMSS for 2023/24. The Director of Finance reports that no difficulties are envisaged for the current or future years in complying with these indicators.

5.2 Indicator for Capital Expenditure

The revised GF and HRA budgets include unspent 2022/23 budgets carried forward to 2023/24 of £33.159m and £4.103m respectively.

Capital Expenditure	2023/24 Original Budget £m	Actual spend as at 30/06/23 £m	2023/24 Revised Budget £m
General Fund	32.999	1.136	65.640
HRA	12.453	0.529	16.626
Total	**45.452**	**1.665**	**82.266**

Monitoring information on the capital programme at scheme level, including forecasts to the end of the financial year, is included in the regular Cabinet Budget Monitoring Reports.

5.3 Indicators for Borrowing Activity

5.3.1 A key control over the treasury activity is a prudential indicator to ensure that over the medium term, borrowing will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and next two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

5.3.2 **Operational boundary:** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

5.3.3 **Authorised Limit:** This represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

	£m
Gross external debt as at 30 June 2023	19.719
CFR as at 31 March 2023	52.234
CFR as at 31 March 2024 (estimate as per 2023/24 TMSS)	60.333
Operational Boundary (debt) 2023/24	76.000
Authorised Limit (debt) 2023/24	81.000

The Section 151 Officer reports that no difficulties are envisaged for the current or future years in complying with these prudential indicators.

5.3.4 **Maturity Structures of Borrowing:** These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing.

	2023/24 Original Upper Limit	**Current Position – Actual at 30/06/23**	**2023/24 Revised Upper Limit**
Maturity structure of fixed rate borrowing			
Under 12 months	50%	23.5%	50%
1 year to under 2 years	50%	12.6%	50%
2 years to under 5 years	50%	1.3%	50%
5 years to under 10 years	50%	12.0%	50%
10 years to under 20 years	50%	35.8%	50%
20 years to under 30 years	50%	9.7%	50%
30 years to under 40 years	50%	0.0%	50%
40 years to under 50 years	50%	5.1%	50%
50 years and above	50%	0.0%	50%

The current position shows the actual percentage of fixed rate debt the authority has within each maturity span. None of the upper limits have been breached.

5.4 **Indicator for Investments**

The Council held £53.811m of investments as at 30 June 2023, with maturities all under one year (£50.827m at 30 June 2022). The constituent investments are:

Sector	**Total £m**
Banks	6.285

Money Market Funds	46.526
Bond Funds	1.000
Total	**53.811**

6 Options

6.1 The recommended option (to ensure regulatory compliance as set out in section 1 of this report) is that the Governance & Audit Committee notes, and makes comments on as appropriate, this report.

6.2 Alternatively, the Governance & Audit Committee may decide not to do this and advise the reason(s) why.

7 Disclaimer

7.1 This report (including annexes) is a technical document focussing on public sector investments and borrowings and, as such, readers should not use the information contained within the report to inform personal investment or borrowing decisions. Neither Thanet District Council nor any of its officers or employees makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein (such information being subject to change without notice) and shall not be in any way responsible or liable for the contents hereof and no reliance should be placed on the accuracy, fairness or completeness of the information contained in this document. Any opinions, forecasts or estimates herein constitute a judgement and there can be no assurance that they will be consistent with future results or events. No person accepts any liability whatsoever for any loss howsoever arising from any use of this document or its contents or otherwise in connection therewith.

Contact Officer: Chris Blundell, Director of Corporate Services & Section 151 Officer
Reporting to: Colin Carmichael, Interim Chief Executive

Annex List

Annex 1: Treasury Investments and Debt as at 30 June 2023

Corporate Consultation Undertaken

Finance: N/A
Legal: Sameera Khan, Interim Head of Legal & Monitoring Officer

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ANNEX 1: TREASURY INVESTMENTS AND DEBT AS AT 30 JUNE 2023

Investments

As at 30 June 2023 the Council held £53.811m of investments as follows:

Investment Type	Total £m
UK Banks - instant access	0.231
UK Banks - notice accounts	4.054
UK Banks - time deposits (sustainable)*	2.000
Sterling denominated money market funds	46.526
Sterling denominated bond funds	1.000
Total	**53.811**

*Investments are referenced against the United Nations Sustainable Development Goals including, but not limited to, climate change, health, financial inclusion and education. There is third party verification, with the framework independently reviewed on an annual basis.

Debt

As at 30 June 2023 the Council held £19.719m of debt as follows:

Debt Type	Total £m
PWLB Maturity Loans	14.080
PWLB EIP Loans	1.122
PWLB Annuity Loans	0.017
Market LOBO Loans	4.500
Total	**19.719**

Loan types:

- Maturity: half-yearly payments of interest only with a single payment of principal at the end of the term.
- Equal Instalments of Principal (EIP): equal half-yearly payments of principal together with interest on the outstanding balance.
- Annuity: fixed half-yearly payments to include principal and interest.
- Lender's option borrower's option (LOBO): if the lender exercises its option to change the interest rate then the borrower has the option to repay the loan.

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CORPORATE RISK MANAGEMENT - QUARTERLY UPDATE

Governance and Audit Committee	27th September 2023
Report Author	Chris Blundell, Director of Corporate Services and Section 151 Officer
Portfolio Holder	Councillor Rob Yates, Portfolio Holder for Corporate Services
Status	For information
Classification:	Unrestricted
Key Decision	No
Ward:	All

Executive Summary:

This report provides the Governance & Audit Committee with a quarterly review of corporate risks.

Recommendation(s):

To approve the review of corporate risks and discuss annexed risks

Corporate Implications

Financial and Value for Money

The way in which the council manages risks has a financial impact on the cost of insurance and self-insurance. The council maintains reserves including a risk reserve, the size of which is commensurate with the financial impact of current and future risks. There are no specific financial implications arising from this report.

It is the role and responsibility of the Section 151 Office to have active involvement in all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered.

Legal

Whilst the corporate risk register includes consideration of legal matters in as far as they relate to risks to the council, there are no legal implications for the recommendation required by this report.

Risk Management

As detailed in the body of this report.

Corporate

Governance & Audit Committee approved the revised Risk Management Strategy on 27 July 2022, which includes a requirement to provide regular corporate risk updates to G&A Committee.

Equalities Act 2010 & Public Sector Equality Duty

There are no equity and equalities implications arising directly from this report, but the council needs to retain a strong focus and understanding on issues of diversity amongst the local community and ensure service delivery matches these.

It is important to be aware of the council's responsibility under the Public Sector Equality Duty (PSED) and show evidence that due consideration has been given to the equalities impact that may be brought upon communities by the decisions made by council

CORPORATE PRIORITIES

This report relates to the following corporate priorities: -

- Growth
- Environment
- Communities.

1. Introduction

1.1. The Council monitors and manages its Corporate Risks through the Corporate Risk Register. The contents of the report highlight the high-priority corporate risks and show the arrangements in place to ensure these risks are monitored and managed appropriately. The Council is dedicated to a proactive methodology on Risk Management and interdepartmental cooperation on Risk Strategy to drive an improved and synergetic risk model and landscape.

2. Background and Current Progress

2.1. The strategy defines corporate risks as *'those which could impact across the whole council'*. Operational risks are identified from the 'bottom up', through service planning for the year ahead and through continuous review during the year. Operational risks may be escalated and considered Corporate level risks depending on the evaluation of the risk and through engagement with Senior Management.

2.2. The strategy prescribes that these risks should be assessed by the Corporate Management Team (CMT) and the Member Risk Management Champion and then reported to the Governance and Audit Committee (G&A) on a regular basis.

2.3. The Risk Management Strategy 2022 was approved at the G&A committee on the 27th July 2022. Consequently, the council is in the process of transitioning to operating under the new risk management strategy and our associated new way of monitoring, evaluating and reporting risk. Substantial progress has been made during this risk reporting cycle, with nearly all of the service areas responding, representing a significant improvement on the previous reporting cycles.

2.4. As such, it is now possible to report our Corporate Risks to the committee in accordance with our updated Risk Management Strategy, This is most notably demonstrated in Annex 1, with the presentation of risks through the lens of Current / Emerging / Future risks from all service areas and their scoring which aligns to the risk matrix.

2.5. Future work is being undertaken in subsequent reporting to the committee to apply this framework to the High Scoring Corporate Risks shown at section 4 and also the addition of graphical illustration and tracking of risk scores once this methodology has been established.

3. Risk, Risk Management and Responsibilities

3.1. **What is risk -** Risk is defined as the uncertainty of outcome, whether positive opportunity or negative threat, of actions and events.

3.2. **Risk Management -**

Risk can be a threat (downside) or an opportunity (upside)

3.3. **Responsibilities**

A local authority's purpose is generally concerned with the delivery of service or with the delivery of a beneficial outcome in the public interest. The delivery of these objectives is surrounded by uncertainty which both poses threats to success and offers opportunity for increasing success.

3.4. **What is risk management -** Risk Management was defined by the Audit Commission as:

*'Risk Management is the process by which risks are **identified, evaluated and controlled**. It is a key element of the framework of governance together with community focus, structures and processes, standards of conduct and service delivery arrangements'*

(Audit Commission)

The Government's Orange Book on risk management also states that:

Risk management shall be an essential part of governance and leadership, and fundamental to how the organisation is directed, managed and controlled at all levels.

Each public sector organisation should establish governance arrangements appropriate to its business, scale and culture
(Source Orange Book - Gov.co.uk)

3.5. Risk Evaluation

3.6. Risks have to be assessed in respect of the combination of the likelihood of something happening, and the impact which arises if it does actually happen. Risk management includes identifying and assessing risks and then responding to them. Risk is unavoidable, and every organisation needs to take action to manage risk in a way which it can justify to a level which is tolerable. The amount of risk which is judged to be tolerable and justifiable is the “risk appetite”.

3.7. The likelihood of a risk occurring is evaluated against the following criteria:

3.8. The possible impact on the council should the risk occur is then assessed across a range of categories. The risk score is determined by the highest scoring possible outcome against any of the risk headings

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

Impact

Headings	Reputation	Strategic	Wellbeing	Service Delivery	Finance	Compliance
4 Severe	Council receives nationally adverse publicity perceived as failing in a significant area of responsibility	Failure to deliver council priorities / services / major corporate project	Significant staff dissatisfaction / long term absence / increased staff turnover including key personnel	Loss of service for a significant period	Financial loss or overspend greater than £500k	Breach of law leading to some sanction Litigation almost certain with some / minimal defence
3 Significant	Significant adverse local publicity	Possible impact on the delivery of council priorities	Declining staff dissatisfaction / loss of staff due to absence or turnover	Reduction in service performance / service disruption for 1 – 2 days	Financial loss or overspend between over £250k	Breach of regulation or responsibility or internal standard Litigation possible
2 Moderate	Minor impact on staff morale/public attitudes	Minor / adverse impact on Council priorities	Possible short-term staff dissatisfaction / likely impact on absence and turnover	Poor service / service disruption up to one day	Financial loss or overspend between £50k - £250k	Breach of internal procedur e or policy Complaints likely
1 Minor	Unlikely to cause adverse publicity	No significant impact on the delivery of Council priorities	Loss of staff morale but unlikely to result in absence or turnover of staff	No significant difficulty providing a service or delivery of a project	Financial loss or overspend under £50k	Minor breach of policy or internal procedure Complaints Unlikely

3.9. The overall risk scores are then arrived at by multiplying the "likelihood" score by the "impact" score, where the maximum score for each is four, so the maximum total score is sixteen.

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

3.10. **Roles and responsibilities -** The primary member oversight on risk is provided by the Governance and Audit Committee. Cabinet also has a member Risk Champion (the Leader of the Council and Portfolio Holder for Corporate Performance and Risk) who promotes risk management and its benefits throughout the council.

3.11. At staff level, the high-level corporate risk register is regularly considered by the Corporate Management Team (CMT). G&A Committee considers changes to the corporate risk register, the reasons for the changes and the actions being taken to mitigate the likelihood and impact of those risks. A view is also taken regarding the extent to which the risks should be tolerated.

3.12. The Chartered Institute of Public Finance and Accountancy (CIPFA) Position Statement on Audit Committees (2018) sets out the key principles for audit committees operating in local government.

3.13. The statement sets out the key responsibilities of the committee to include:

*'consider the **effectiveness** of the authority's **risk management arrangements** and the control environment, reviewing the risk profile of the organisation and*

***assurances that action is being taken** on risk-related issues, including partnerships and collaborations with other organisations'*

3.14. The report seeks to aid the committee to discharge these responsibilities

4. Corporate risk register

4.1. A summary of the highest scoring corporate risks on the register is set out in the table and the following narrative below, together with the comparative scores noted by the Governance & Audit Committee on 26th July 2023

4.2. The scores are arrived at by multiplying the "likelihood" score by the "impact" score, where the maximum score for each is four, so the maximum total score is sixteen.

Description	July 23 Score	Sept 23 Score	Change
Cyber Attack	16	16	**No**
Limited Resources	12	12	**No**
Economic Environment	16	16	**No**
Homelessness	16	16	**No**
Berth 4/5	12	12	**No**
Environmental Act 2021	16	16	**No**
EPC requirements	12	12	**No**
Net Zero Strategy	16	16	**No**

4.3. Each corporate risk is the responsibility of a member of CMT and they manage risk mitigation plans with the aim of reducing the likelihood and/or impact of each risk to a manageable level. As time moves on, the external environment changes and this can have an impact on the effectiveness of mitigating actions as well as on the likelihood and impact of a risk: hence the need to maintain vigilance in respect of mitigation plans as well as new and changing risks.

4.4. It is more difficult to take action to reduce the impact of a risk occurring, than it is to take action to reduce its likelihood. Hence in some cases, the scores after mitigation will remain relatively high.

Highest-scoring risks

4.5. **Cyber Attack (Impact 4, Likelihood 4) Future risk**

Reputation, Service Delivery, Strategic and Financial risk score 4

The Council is becoming more and more aware of cyber attacks across the local government sector.

At a time when some staff are working from home and on a hybrid basis, a much higher reliance on IT systems is needed and therefore the risk of disruption to Council services as a result of a Cyber attack is heightened.

The Council is mitigating the impact of any potential attack by ensuring IT systems are as robust as possible, but as we've seen globally, even the larger international companies are still susceptible to attack.

The Council did consider Cyber insurance as an mitigating action to protect itself against the financial impact that could be caused by such an event. Unfortunately the cyber market is now not conducive to our risk profile.

With that in mind officers have been liaising with our risk management partners through our insurers and are exploring other risk management solutions with them in lieu of Cyber Insurance.

Ransomeware is one of the largest digital risks facing the authority and as such it has become increasingly important to protect our data and have readily available access to offline copies. To facilitate this the Head of ICT led a backup replacement project across the partnership, utilising £350,000 funding from the DLUHC to implement the new back up system, which is now in place and live.

The MHCLG made this funding available following post-incident reviews of cyber attacks against local government organisations. During some attacks backups were deleted to prevent their use, making it harder to avoid paying any ransom. Mitigating this change in tactics, for many councils, required a substantial investment in 'Offline' technology. The designed solution will install an identical set of backup appliances in each of three geographic locations.

The security team within ICT continues to monitor vulnerabilities and these are reported within the report provided to the Corporate Information Governance Group (CIGG). Compliance tickets are raised and monitored to ensure that out of date devices and software are dealt with.

Regular meetings are held with the EKS Security Team and the council to review security risks and to discuss digital projects and preventative measures to be put in place for the authority.

The ITHC (IT Health Check) has been completed by an external company and they tested devices, external firewalls and external websites. The EKS security team is now reviewing the report. In summary across the partnership there was 51 Critical 157 High, 398 Medium vulnerabilities identified. This is much lower than previous scans where the critical vulnerabilities were in the hundreds. Tickets for the critical vulnerabilities are currently being worked on with the high ones being raised with each individual ICT team this week. (W/C 18th September).

Corporate Risk Lead Officer: Head of ICT (EKS)

4.6. **Limited Resources (Impact 4, Likelihood 3) Current/Emerging/Future**

Strategic, Financial Risk Score 4

The high score for Limited Resources reflects the fact that it is one of the few risks that could result in the council losing control of its own destiny.

As in prior years this means that the Council is restricted to setting a meaningful budget for only one year and although scenarios can be put forward through the Medium Term Financial Strategy (MTFS), a budget position can not be guaranteed due to the various factors outside of the Council's control.

To mitigate this risk the Council undertakes a rigorous approach to budget setting, exploring a wide range of opportunities to minimise spending pressures and maximise our income streams. For the 2024/25 budget setting process this will again include a Star Chamber process, where Service Directors are required to articulate and justify their budgetary requirements to a panel comprising the Leader, the Portfolio Holder for Finance and the Chief Executive and s151 Officer. This process will inform the shape and substance of next year's budget adjustments.

Due to the changing nature and composition of Local Government funding, authorities are becoming increasingly reliant on locally raised sources of funding such as Council Tax and Fees and Charges. Therefore, to mitigate the risk of 'Limited Financial Resources' and enhance our long-term financial sustainability and resilience, it is the view of the section 151 officer that it is essential to optimise these local raised income streams, whilst also considering the affordability constraints of our residents and service users.

In addition, the council has a range of budgetary controls in place to manage spending pressures in-year, including regular reporting of spending forecasts to the Corporate Management Team and Cabinet.

Corporate Risk Lead Officer: Director of Corporate Services & s151 Officer

4.7. **Economic Environment (Impact 4, Likelihood 4) Current/Emerging/Future**

Service Delivery, Strategic and Financial risk score 4

The UK economy continues to experience inflationary pressures, with the Consumer Price Index at 6.8% as at June 2023 (August inflation data is scheduled to be published on 20 September 2023, which is after the publication date of this report and as such a verbal update will be provided to the committee on the latest inflation estimates).

This has an impact on all items of goods and services that the council has to purchase and consequently presents a risk of overspending against a number of budget headings. Wherever possible this is being managed within the confines of existing approved budgets, but inflationary pressures will be one of the key budgetary constraints to delivering a balanced budget for 2024/25.

This is particularly prevalent in the construction industry and could lead to a rationalisation of some of our capital projects, to ensure they are delivered within budget, or the potential for significant overspends.

The cost of living crisis is a significant issue for both the Council and all Thanet residents. It is likely to force more households to be homeless (see Homelessness risk below), force more into fuel poverty and have a direct impact on jobs in leisure/retail with households having less disposable income. The council continues to provide financial support and advice to residents where it can, for example via the administration of government funding (e.g. Household Support Fund, Council Tax Energy Rebate) or the provision of tools and information regarding benefit entitlement on our website and information channels.

The cost of living crisis and the impact of rising inflation continues to place pressure on staffing budgets. For 2022/23 the Council needed to reopen pay negotiations in order to consult on a revised offer. This revised offer resulted in an increase of 1% from 2% to 3% for 22/23, adding an additional cost pressure to be accommodated as part of the 23/24 budget setting process. A 4% offer was agreed with the unions for 2023/24.

Furthermore, given the current economic environment, there is a heightened risk of a reduction in supplier base through mergers, business closure/insolvency, which could impact on our services and also make further procurement more difficult through depleted markets and lack of competition. This risk is addressed through the central management of our supplier base by the Procurement team, who scrutinise the rationale for supplier adoption and undertake a company credit check via Creditsafe.

Corporate Risk Lead Officer: Director of Corporate Services & s151 Officer

4.8. **Homelessness (Impact 4, Likelihood 4) Highest scoring mechanism is financial risk at 4 Current/Emerging/Future**

Service Delivery, Strategic and Financial risk score 4

During 2021, the Council experienced an increased requirement to provide temporary accommodation (TA) for homeless households, and this trend has continued during 2022.

- Increasing costs in the private rented sector, leading to more households struggling with their rent costs, whilst at the same time Local Housing allowance rates have continued to be frozen.
- Landlords leaving the market for sale or short-term letting alternatives.
- Increased demand for private renting in the district, leading to a reduction in the number of private sector lets that are affordable to households on low incomes.

Changing working patterns nationally, the lifting of the 2020/2021 evictions ban on 1 June 2021 and the current cost of living crisis are all compounding these pressures. Local housing allowances have fallen significantly behind average private sector rents as a result of rent inflation. Cases that were delayed as a result of the eviction ban are now progressing through the courts, resulting in additional service and financial pressures.

These pressures have made it much more difficult for the council to prevent homelessness and find suitable, affordable solutions for people facing homelessness in the private rented sector. This has resulted in an increased number of households living in temporary accommodation.

The pressures led to a budget overspend in 2022/23 of around £1.2m and the decision to include budget growth of £800k in the 2023/24 budget.

Corporate Risk Lead Officer: Corporate Director of Place

4.9. **Berth 4/5 (Impact 4, Likelihood 3): Current/Emerging/Future**

Reputation, Service Delivery and Financial risk score 4

The project was delayed whilst an environmental impact assessment was developed to inform planning and marine licensing consents. The original berth was taken out of service in November 2020 due to its deteriorated condition.

A Cabinet decision was made in July 2021 to increase budget provision for the project. The EIA was completed in January 2022. The Planning Prior Approval and Marine Licence were both granted in May 2022.

The berth installation works commenced in June 2022 and reached substantial completion at the end of September 2022. Electrical supply and service lighting installation work was completed at the beginning of August.

The berth is ready for service subject to the installation of an aggregates conveyor by Brett Aggregates. The timescale for the installation of the conveyor has not yet been confirmed.

The change in project programme following the notification that an Environmental Impact Assessment was required has resulted in a financial risk to the council due to extended berth outage and associated contractual costs. The final cost of the work element of the scheme has not yet been determined but is anticipated by the end of October 2023.

Corporate Risk Lead Officer: Director of Environment

4.10. **Environmental Act (Impact 4, Likelihood 4) Current/Emerging/Future**

Reputation, Service Delivery, Strategic and Financial risk score 4

The Environment Act became law on 9 November 2021. This includes fundamental changes in responsibility for waste and recycling, which will have implications for the way we deliver statutory household waste collections.

As a member of the Kent Resource Partnership, TDC responded to Government consultations in 2021 on consistency of household collections, the Extended Producer Responsibility and a Deposit Return Scheme. Changes affecting household waste as a result of the new act are likely to be implemented from this year. Whilst the act includes provision for new burdens funding and support to local authorities for the proposed changes, the implications for our vehicle fleet and resourcing, income associated with green waste and income from recycling and waste diverted from landfill are not yet clear.

Corporate Risk Lead Officer: Director of Environment

4.11. **Change to EPC Requirements in 2023 (Impact 3 Likelihood 4) Current/Emerging/Future**

Reputation, Service Delivery, Strategic risk score 3

On 1 April 2023, the next round of EPC Regulations came into force as part of the government's push to achieve net zero emissions by 2050 (under the Energy Performance of Buildings (England and Wales) Regulations 2012)

All rented commercial property needs to have an energy performance certificate (EPC) rating of band 'E' or better and failure to achieve this will see landlords face potential fines, and/or the inability to continue with current leases and/or enter into new lease agreements with potential tenants. This translates to the risk of additional costs or lost revenue to the authority.

There are a number of council tenanted properties that are at risk of not meeting these changes, either because their current EPC rating is below the E rating (i.e F or G) or there are no coherent records to evidence an EPC assessment has been undertaken. There is also a high probability that these properties will require some form of improvement works in order to achieve the required E rating (which is a landlord cost). To establish a clear cost analysis, EPC assessments need to be undertaken as a priority.

The Estates Department has taken proactive measures to address the EPC assessments for council-tenanted properties. We have to date successfully completed assessments for 85.3% of the properties. To ensure ongoing compliance, we are implementing a robust system for compliance monitoring and management. This will ensure that recommended works are prioritised and included in our planned maintenance program (subject to policy and funding). For properties that require significant retrofitting to meet EPC regulations, we will explore strategies such as targeted disposal. This will enable the council to effectively manage risks, minimise revenue loss, and address any leasing limitations that may arise while also optimising the performance and sustainability of our property portfolio.

Corporate Risk Owner: Head of Property

4.12. **Climate change and Net Zero Strategy (Impact 4 Likelihood 4) Current/Emerging/Future**

Service Delivery, Strategic and Financial risk score 4

The global attention on climate change and its impacts has never been more focused. The risk that climate change presents to the council and the wellbeing of its residents is stark and will potentially impact the council right across the risk spectrum; including financially, reputationally, in terms of service provision and the wellbeing of our staff and residents. For example, climate change presents an increased risk of extreme weather, such as the heat waves seen during the summer of 2022, which had consequent implications for service provision and also the wellbeing and welfare of our staff and residents.

The organisation has responded to these risks and challenges by declaring a climate emergency in 2019 and subsequently developing a Net Zero strategy, which was approved by the Cabinet on Thursday 2 March 2023.

The Net Zero Strategy shows how the council will meet its net zero pledge and is split into:

- addressing emissions in Thanet District Council's core carbon footprint to achieve net zero by 2030;
- addressing the wider council emissions that we have partial control over by 2050 at the very latest;
- supporting Kent County Council, government, business, industry and the community to reduce emissions generated across the district by 2050 at the latest.

The Net Zero Strategy shows how we will reduce emissions to 2030 and 2050 and will help to avoid the worst impacts of climate change.
As global temperatures have already increased by 1.2oC, some impacts of climate change are already baked in and so we will work with KCC and DEFRA to understand these and the steps we need to take to adapt to those unavoidable impacts.

The progress on the Net Zero Strategy and action plan will be evaluated this year and the risks to achieving our pledge will be set out in the next risk register.

Major risks to meeting our core pledge currently are the very old gas boilers in Cecil Street and the Kent Innovation Centre (KIC). If these are replaced by further gas boilers, instead of air or ground source heat pumps, we will not reach net zero by 2030. These decarbonisation projects will need to start as soon as possible and the decision over the future of the cecil offices is a critical step in this. The Cecil and KIC gas boiler replacement projects have been added as capital bids and may be part funded by the Public Sector Decarbonisation Fund - which the council will apply for.

Corporate Risk Lead Officer: Head of Strategy & Transformation

5. Other risks

5.1. G&A meeting members requested to have oversight of all risks as part of the regular reports. This would however substantially increase the size of the report and so all risks scoring 8 or more after mitigation have been included within **Annex 1**.

Contact Officer: Chris Blundell (Director of Corporate Services)
Reporting to: Colin Carmichael (Interim Chief Executive)

Annex 1 September 2023

Summary of risks scoring 8 or 9 after mitigation

1. Current risks

Governance (8) (Impact 4, Likelihood 2) Current/Emerging/Future

Statutory Recommendations were received from the external auditors, Grant Thornton, in relation to governance matters and an extraordinary Council meeting agreed the recommendations.

Following the appointment of an Independent Monitoring Officer in December 2021 to address Grant Thornton's concerns, his recommendations were approved at the May 2022 Council meeting.

A new interim Chief Executive was subsequently appointed on 14 July 2022, whose remit it is to review and implement the recommendations of the Independent Monitoring Officer.

A timetable for delivery of those actions has been drawn up and progress has been made against a number of those actions. Therefore, the risk to Governance has been reduced accordingly.

Manston Road Depot Building (8) (Impact 4 Likelihood 2) Current/Emerging/Future

Manston Road Depot is pivotal to the delivery of Recycling, Waste Collection and Street Cleansing as well as various ancillary services. The site is dated and in need of investment in order to future proof for an ongoing and improved service delivery model. This will mean investment is required in the short to medium term in order to safeguard this operation and allow for review. Without this necessary investment in the site, there is a significant risk of disruptions to the statutory provision of waste and recycling services.

This became more evident when the new Environment Agency regulatory officer appointed to Manston Road Depot visited on 21 October and raised concerns regarding the site. A follow up visit was undertaken by the Environment Agency on 26 June, during this visit the improvements to the arrangements at Manston Road were noted and there was recognition of the positive steps taken to date. A plan is now in place to implement the required remaining improvements and mitigate these risks moving forward, for which a budget was agreed in February of this year by Council.

Burial space Total Score (9) Impact 3 Likelihood 3

Capacity at Margate Cemetery is reducing.

The team has immediate mitigating actions in place to support this and the council is also actively searching for and considering options for adding new cemetery capacity in Margate.

No change

Crematorium Building (8) Impact 2 Likelihood 4

A surveyor is required to assess the roof and skylights. Budget proposals to fund this via the capital programme are being explored.

Reviewed 16/06/23

Algae on slipways Total Score (9) Impact 3 Likelihood 3

Algae grows rapidly on smooth surfaces covered by the sea at high tide and exposed at low tide and is slippery when wet.

A contractor is in place to clean the slipways and additional signs have been provided to warn the public. The decision has also been taken to close the Westbrook West Slipway as a precaution.

Updated 23/06/23 - no change in scoring although some new mitigations in place

Updated 15/09/23 - Weekly cleaning through the summer at Margate and Walpole tidal pools.

Major emergency Total Score (9) Impact 3 Likelihood 3

A major emergency is an event or situation which threatens serious damage to human welfare. Training in this area has reduced as a result of the Brexit and Covid-19 emergencies.

The council has emergency planning preparedness in place through the partnership with the Kent Resilience Team (KRT) and this area needs to continue to be resourced.

Update 15/09/23 - The KRT has recently been restructured to reflect the greatly reduced resources they have in the organisation. Following this restructure the KRT are no longer able to support district councils in the same way that they have done in the past or as detailed in the KRT/TDC SLA. The new KRT SLA will not include a dedicated link officer & district councils will be required to pick up some duties that were previously undertaken by the KCC/KRT; to address this it has been proposed that additional emergency planning resources are included in the imminent Technical Services restructure.

Tenant Health and Safety Total Score (8) Impact 4 Likelihood 2

The occurrence of a significant incident leading to injury or death of a TDC tenant or tenants and the New Fire Safety Legislation and Building Safety Act.

New Health and Safety Policies have been adopted and there is routine monitoring and reporting in place, including quarterly to Cabinet. It’s a standing item on the Corporate Health and Safety Committee agenda. There is an experienced, trained and well resourced team in place and Action plan progress is monitored.

No change September 2023

Local Plan Review Total Score (8) Impact 4 Likelihood 2

A delay in the process would mean that we do not have a sound plan in place. The current plan has weight in decision making but this will diminish over time, particularly in relation to housing numbers.

There is a Local Plan Cabinet Advisory Group in place to review progress.

No change reviewed September 2023

Lack of Investment in Infrastructure Total Score (8) Impact 4 Likelihood 2

There is a risk of key infrastructure projects not being prioritised, which could impact on future economic development in the district.

Mitigating actions include:
- Ensuring TDC has high level representation at relevant key meetings.
- Providing regular briefings to partners on requirements, including engagement on Infrastructure Delivery Plan.
- Identification of external funding streams and joined up corporate working on funding bids.
- A proactive approach to finding and retaining strategic partners.
- Take all available opportunities to engage with Central Government on the need for funding/investment or changes to infrastructure.

No change

Slow delivery of housing Total Score (9) Impact 3 Likelihood 3

There is a risk to the achievement of the required delivery of housing in the district, as determined by the Housing Delivery test. This affects the supply of new housing, plus undermining plan housing targets, meaning the weight given to the plan is diminished and increases the threat of development in inappropriate locations. Plus impact of slow housing market due to interest rate rises.

This is mitigated by:
- Complete annual development monitoring and monitoring of implementation of Infrastructure Delivery Plan.
- Close working with developers to build understanding of barriers to development.
- Seek funding as appropriate.
- Housing Delivery Test Action Plan published.
- New Housing Strategy adopted and published.

No change reviewed September 2023

Building safety legislation Total Score (8) Impact 4 Likelihood 2

Ability to meet the new legislation (employing the right people, improving data integrity and obtaining data needed on buildings).

Building Safety Policy to be adopted, team roles and responsibilities to be clarified including training for key staff and legislation to be kept under review.

No change reviewed 30th June 2023

Temporary Agency Staff Provision Total Score (9) Impact 3 Likelihood 3

Difficult to identify and retain temporary staff in Operational Services.

A gap analysis is being reviewed, to consider service changes and capacity required and an agency tender is to be awarded again.

No change June 2023

Anti social behaviour (ASB) 'hotspots within the district Total score (9) Impact 3 Likelihood 3

Each year Thanet sees an increase in anti-social behaviour, this increase tends to be linked with the summer months and predominantly on the local beaches. The council previously received funding to commission a service to help alleviate the impact of ASB, unfortunately this funding is no longer available. The council recognised enforcement officers were required to support the reduction of ASB on the beaches, these were put in place late June. The enforcement officers will patrol the foreshores and have the power to issue fixed penalty notices. Throughout the year there is a multi-agency approach to tackling ASB, the number of agencies increasing over the summer months due to the increase of negative behaviour.

Reviewed 13th June 2023

Flap Gate Hydraulic RAM failures Total score (8) Impact 4 Likelihood 2

At Ramsgate Harbour there are two ‘dock gate’ systems which control the water level in the Inner Basin, these are known as the Flap Gate and the Mitre Gates. The gates are all located in a formed channel through the Crosswall between the Inner and Outer Basins which affords vessel access.

Either the Flap Gate or the Mitre Gates may be used to control and retain water in the Inner Basin over a low tide cycle and together the gate systems offer a high level of system resilience.

In March a fault on the hydraulic system of the Flap Gate was identified which requires on site repairs and off site fabrication works. It is anticipated that this work will be complete by the end of October.

Although this issue reduces the overall resilience of this important infrastructure at Ramsgate Harbour, the Mitre Gates will continue to be operated on each tide to control the water level in the Inner Basin until the Flap Gate is returned to service.

Reviewed September 2023

First Aid Risk Assessments Total Score (9) Impact 3 Likelihood 3

A first aid risk assessment is not in place for all sites and the Council currently is not fulfilling the number of first aiders required and recognised by the risk assessments already undertaken.

This lack of first aiders goes hand in hand with the Flexible Working Policy as it has a direct impact on the number of first aiders within the office at any given time.

Departmental managers have now been instructed to carry out a first aid risk assessment for their respective areas.

New September 2023

Property Compliance Total Score (9) Impact 3 Likelihood 3

This relates to the risk of a significant incident impacting on the health and safety of council employees, tenants and visitors to council owned buildings.

Health and Safety reporting is a standing item on the agenda for the council's Corporate Health and Safety Committee and new indicators are being developed. Officers are developing a new corporate health and safety compliance policy for its corporate estate, and are in the process of realigning the responsibilities for the completion of risk assessments and the allocation of actions to ensure an improved level of compliance. We are also introducing new arrangements for the auditing of risk assessments and action plans to provide greater assurance. Key indicators of the level of compliance will be included within corporate performance reporting to Overview and Scrutiny Committee and Cabinet.

There remains work to be done to improve the level of compliance across the corporate estate and the Asset Compliance Officer, within the Property Service, is leading on developing a detailed action plan.

New September 2023

2. Emerging risks

Clock House total score (9) Impact 3 likelihood 3

Clear and firm negotiation through the leaseholders legal team.
End date set ahead of considering legal action within the council's powers.
Continued engagement with National Lottery Heritage Fund on the current position.
Significant damage to the building provides a risk to the value of works to the building, without being able to get in and complete urgent works.
Delays in ending the lease arrangements will impact on the National Lottery Heritage Fund application

Reviewed September 2023

NEC M3 Desupport Total score (8) Impact 4 likelihood 2

A project is ongoing to renew and upgrade one of the council's back office systems 'M3' used by a number of different council departments. The existing system is supported up until the end of the financial year so there is pressure to prioritise this activity. The Digital team is working with the relevant departments to scope out the specification for the new system and to progress the procurement process.

Reviewed September 2023

Parishing of Margate Charter Trustees Total Score (9) Impact 3 Likelihood 3

Potential risk of delay due to resources required to undertake the review, especially if there was an overlap with any electoral review the Council is asked to undertake by the Local Government Boundary Commission for England.

Once the Charter Trustees have submitted their petition mitigation measures will be identified to support this.

Reviewed September 2023

New online forms package not compatible with M3 Total Score (9) Impact 3 Likelihood 3

One of the council's internal corporate systems M3 (used by a number of frontline services) is due to be decommissioned and a new system will be rolled out. Until the new system is in place, the old M3 system will not be compatible with the council's new online forms package.

A work around has been agreed using an old server until the replacement system is procured. If the server fails, it could mean that some online forms have to be manually added into M3 for a short period of time.

This has been communicated to the relevant service managers and the risk of this highlighted.

TAM System Replacement Total Score (9) Impact 3 Likelihood 3

The main Health & Safety Management system TAM is due to be switched off in March 2024 and therefore a replacement system has to be implemented by this date.

The proposed system replacement is Google and the project's importance was escalated to CMT in September 2023.

There are two actions as part of the project replacement, the replacement of the system itself to be undertaken by Strategy & Transformation and an analysis of the risk of system change over to Google to be monitored corporately.

New September 2023

3. Future Risks

Manston Airport - public protection roles Total Score (9) Impact 3 Likelihood 3

Following the granting of the DCO, the expected opening date of cargo hub operation is 2025 and, depending on the nature of imports, TDC will need to provide Port Health authority Public Protection officers based on required volumes of inspections.

Engagement with airport operators will be undertaken to determine opening dates, level and nature of imports anticipated, including countries of origin. Staffing budget and new staff will be required to undertake this role. No change

HAVS monitoring Total score (9) Impact 3 Likelihood 3

To monitor staff vibration levels to make sure the staff stay within their EAV/ELV levels, this is to reduce over exposure and to make sure rotation is in constant use.

This is ongoing, data is constantly in use throughout the use of vibrating tools, this is looked at on a daily basis,and staff are regularly monitored.

No change September 2023

Indicative External Audit Plan 2021/22 - 2022/23

Governance & Audit Committee	27 September 2023
Report Author	Chris Blundell (Director of Corporate Services - S151)
Portfolio Holder	Cllr Rob Yates, Cabinet Member Corporate Services.
Status	For Information
Classification:	Unrestricted
Key Decision	No

Executive Summary:

The External Audit Plan 2021/22 and 2022/23 has been developed by our appointed external auditor, Grant Thornton LLP, and sets out the proposed external audit work and fee relating to the 2021/22 and 2022/23 annual audit at Thanet.

Recommendation(s):

1. That the external audit plan be noted.

Corporate Implications

Financial and Value for Money

The proposed fee for the annual audit can be met from existing budget provision.

Legal

The audit of the Council's accounts is governed by the Accounts and Audit Regulations 2015

Corporate

The audit of the accounts is a statutory requirement

Equality Act 2010 & Public Sector Equality Duty

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

There are no equity or equalities issues arising from this report.

Corporate Priorities
This report relates to the following corporate priorities: -

- Growth
- Environment
- Communities

1.0 Introduction and Background

1.1 Grant Thornton, the Council's appointed external auditor, has submitted their draft External Audit Plan for the 2021/22 and 2022/23 annual audits, attached at Annex 1, following consultation with the Section 151 Officer and his deputy.

1.2 The report also sets out the proposed fees for the 2021-22 and 2022/23 audits, which can be met from existing budget provision. Any variation to the fees must be approved by the independent Public Sector Audit Appointments body.

1.3 The committee is asked to note the report and make comments as appropriate.

1.4 A representative from Grant Thornton will attend the meeting to present the report.

Contact Officer: Matthew Sanham (Head of Finance, Procurement and Risk)

Reporting to: Chris Blundell (Director of Corporate Services - S151)

Annex List

Annex 1: External Audit Plan

Corporate Consultation

Finance: N/A

Legal: N/a

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Grant Thornton

Thanet District Council Indicative Audit Plan

Covering the years ending 31 March 2022 and 31 March 2023

Thanet District Council

September 2023

Contents

Your key Grant Thornton team members are:

Matt Dean
Key Audit Partner
T 020 7728 3181
E matt.dean@uk.gt.com

Nick Halliwell
Senior Manager
T 020 7728 2469
E nick.j.halliwell@uk.gt.com

Hameem Gulraiz
Manager
T 020 7728 2078
E Hameem.Gulraiz@uk.gt.com

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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.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Thanet District Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Thanet District Council.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance the Audit and the governance and Audit Committee; and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Governance and Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Joint Indicative Audit plan

Due to a number of factors previously presented to this committee there have been delays to the audit timetable. This has resulted in us having not yet started our audits of the 2021-22 or 2022-23 financial years. There is therefore clearly a need to catch up in relation to this position. As is noted in our Sector Update paper this audit backlog is not uncommon across local authorities in England, but it is clear there is a requirement to improve the timeliness of reporting.

From discussions with the Councils management, we have agreed that both the 2021-22 and 2022-23 audits should be undertaken in parallel. This is to help us seek audit efficiencies where possible and enable us to form a realistic plan with how we can deal with the backlog of old audits at the Council. We are also aware of plans for backstop dates to be put in regarding old audit periods with the potential risk being disclaimer opinions which highlights the importance in the timeliness of both the 2021-22 and 2022-23 Audits.

Under the International Standards on Auditing, we are required to undertake a number of procedures to assess the risks at the Council, prior to issuing our audit plan. Whilst our planning work on the 2021-22 audit has partially been undertaken there are a number of key procedures we have not completed and in relation to the 2022-23 year our planning work has not yet taken place. Due to this this is an indicative audit plan and is subject to change. For both years we will issue finalised audit plans setting out the finalised audit plan once this work is complete. The purpose of this paper is to set out to the Committee our indicative plan for approval to enable us to commence our work in October on both financial years.

In relation to the 2021-22 Financial year the following planning procedures remain outstanding that are required by the ISA's.

- Review of finalised audit opinion for 2020-21. As is noted in our Audit Findings Report we intend to sign the 2020-21 audit opinion following the September Audit committee.
- Final engagement team planning meeting- which will take place following the signing of the 2020-21 financial statements.
- Agreement of opening Balances to the signed prior year financial statements.
- Quality checks of audit planning file by manager and Key audit Partner.
- Finalisation of our IT audit strategy

Significant risks

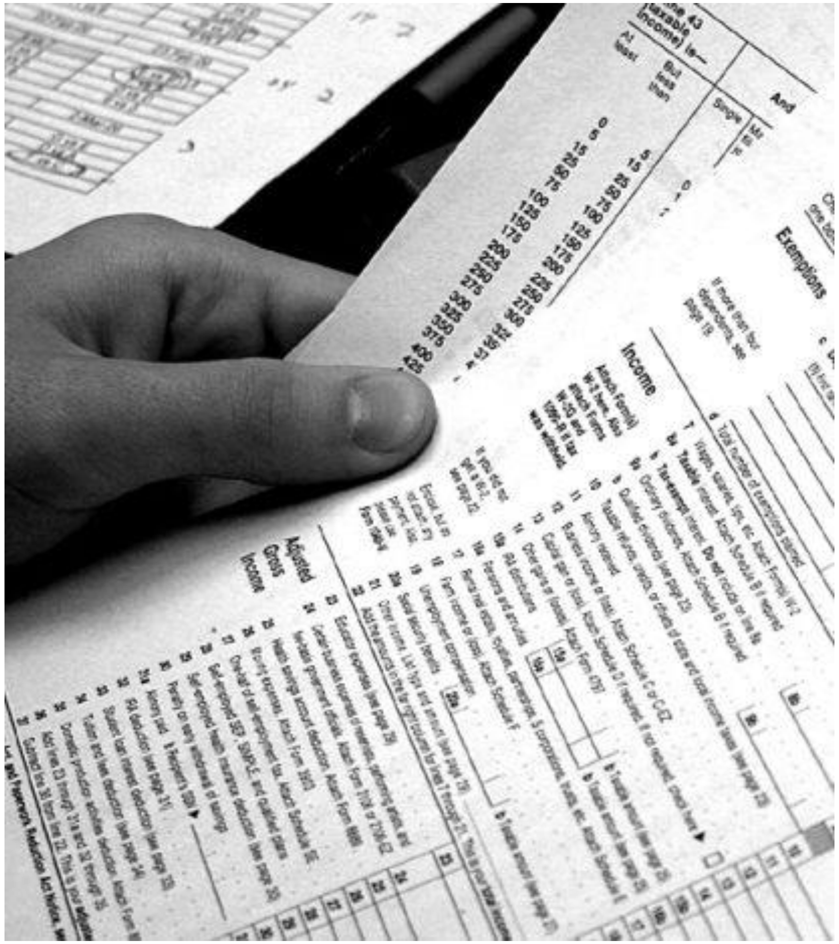
Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Valuation of Investment Properties
- Valuation of Property Plant and Equipment assets
- Valuation of Pension Liability
- Management Override of Controls

These are the Indicative significant risks we have identified for both the 2021/22 and 2022/23 financial year.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Introduction and headlines cont.



Materiality

We have determined our indicative planning materiality to be the same for both financial years and this has been sat at £2.7 million (PY £2.6 million) for the Council, which equates to 2% of your 2020-21 gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £135k, (PY £130k).

Note these are indicative figures and we will report the finalised figures for both years once our planning procedures are finalised.

Audit logistics

Our audit work to complete our planning procedures and undertake the fieldwork for the 2021-22 and 2022-23 audit will commence in October 2023. We will aim to complete as much of this work from this period.

Our key deliverables are the finalised Audit Plan, our Audit Findings Report and Auditor's Annual Report. We have completed as is now permitted under the Value for Money arrangements joint reporting in relation to the Auditor's Annual Report and have issued an interim report covering the 2020-21, 2021-22 and 2022-23 financial years. This Interim report can be found as part of our papers for this Committee meeting.

This remains an interim report is we are required to consider the impact of any objections that may be received in this work. Given the inspection period for both years has not yet elapsed and for the 2022-23 year not commenced there is the possibility objections may be received on either of these financial years.

Our proposed audit fees can be found on page 15 of this report, the fees set are subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) 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..

Indicative Significant risks identified

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.

Note our expectation is that all significant risks identified below will apply to both financial years – we will provide updates to Management and TCWG should this change at all.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transaction (rebutted)	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA 240 and nature of the revenue streams at Thanet District Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Thanet District Council, mean that all forms of fraud are seen as unacceptable. We do not consider this to be a significant risk for the Council	We will rebut the presumed risk of fraud in revenue, and as such there is no specific work planned for this risk. To gain assurance over revenue, we will: • Document our understanding of the revenue business process. • Test a sample of revenue to gain assurance over the accuracy and occurrence of revenue recorded during the financial year. • Perform testing over post year-end receipts to assess completeness of revenue and receivables recognition.
Fraud in expenditure recognition	Practice Note 10 suggest that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially an entity that is required to meet financial targets. Having considered the risk factors relevant to Thanet District Council and the relevant expenditure streams, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed on page 8 relating to revenue recognition apply. We consider the risk relating to expenditure recognition would relate primarily to period-end journals and accruals which are considered as part of the standard audit tests and our testing in relation to the significant risk of Management override of controls set out on page 8.	To address this risk we will: • Perform testing over post year-end transactions to assess completeness of expenditure recognition. • Test a sample of operating expenses to gain assurance over the accuracy and occurrence of expenditure recorded during the financial year.

Indicative Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings, council dwellings and investment properties	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.	To address this risk we will: • Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work. • Evaluate the competence, capabilities and objectivity of the valuation experts. • Discuss with or write to the relevant valuers to confirm the basis on which the valuation was carried out. • Challenge the information and assumptions used by the valuers to assess completeness and consistency with our understanding. • Test revaluations made during the year to see if they have been input correctly to Thanet District Council's asset register. • Assess the value of a sample of assets in relation to market rates for comparable properties. • Test a sample of beacon properties in respect of HRA dwellings to consider whether their valuation assumptions are appropriate and whether they are truly representative of the other properties within that beacon group. • Evaluate 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.

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto. Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Indicative Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management override of controls	Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. Thanet DC faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for Thanet DC, which was one of the most significant assessed risks of material misstatement.	To address this risk we will: • Evaluate the design effectiveness of management controls over journals. • Analyse the journals listing and determine the criteria for selecting high risk unusual journals. • Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence. • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto. Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Indicative Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of pension fund net liability	The pension fund net liability, as reflected in the Council's balance sheet as pensions liability, represents a significant estimate in the financial statements. Further, regulation 62 of the Local Government Pension Scheme (LGPS) requires pension fund administering authorities to obtain an actuarial valuation of defined benefit pension scheme every three years. The triennial valuation reports as at 31 March 2022 were required to be obtained by 31 March 2023. Estimation of the net liability depends on a number of complex adjustments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates. The pension fund net liability is considered a significant estimate due to the size of the numbers involved 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 will: • Update our understanding of the processes and controls put in place by management to ensure that the Council's Pension net liability is not materially misstated and evaluate the design of the associated controls. • Evaluate the instructions issued by management to their management expert for this estimate and the scope of the actuary's work. • Assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation. • Assess the accuracy and completeness of the information provided by Council to the actuary to estimate the liability. • Test 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. • Undertake 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. • Document the scope of the actuary's work for the triennial valuation. • Identify, document and evaluate the procedures and controls used by City of London Pension Fund to establish the accuracy and completeness of the source data, and over the provision of this source data, to the actuary for the purposes of preparing the triennial valuation. • Perform audit procedures in respect of the triennial valuation data submitted to the actuary. • Consider testing the individual member data used by the actuary in their triennial valuation calculations against independent records.

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto. Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures which* includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Governance Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

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Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022 and 2023

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, council dwellings and investment properties
- Depreciation
- Year end provisions and accruals, the Council has a number of sensitive provisions relating to grievances matters we expect to require attention in the 2021-22 and 2022-23 audit.
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities

The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.

Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- **What the assumptions and uncertainties are;**
- **How sensitive the assets and liabilities are to those assumptions, and why;**
- **The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and**
- **An explanation of any changes made to past assumptions if the uncertainly is unresolved.**

Planning enquiries

As part of our planning risk assessment procedures, we have set out our enquiries to the Committee and management regarding the estimates in the financial statements. These are noted as an Appendix to this paper and require the Committee's approval. This covers the 2021-22 position and we will require further enquiry responses for the 2022-23 financial year as things progress.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf

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Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
  - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Indicative Materiality

The concept of materiality

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. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

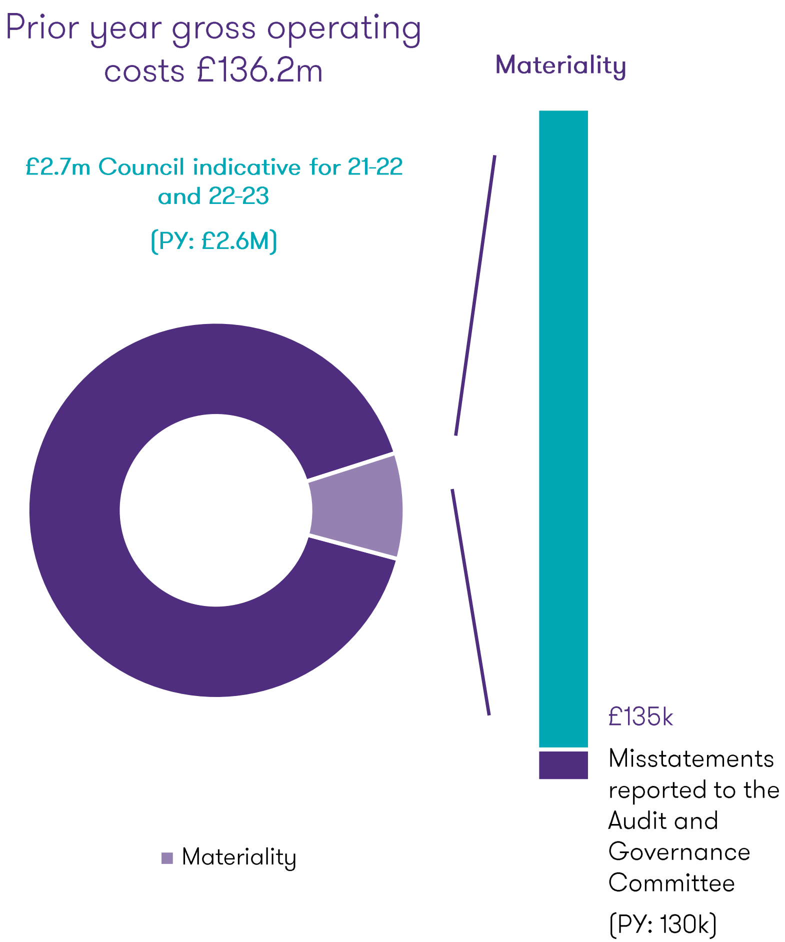
We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit for both he 2021-22 and 2022-23 audit is £2.7 million (PY- 20-21, £2.6 million, which equates to 2% of your forecast gross expenditure for the year.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £xm (PY £xm).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Governance Committee to assist it in fulfilling its governance responsibilities.



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Updated Auditing Standards ISA 315 and ISA 240 – Impacting 2022-23 Financial year

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Council's-IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £3,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf [and has been agreed with the Director of Finance].

Audit fees

In 2017, PSAA awarded a contract of audit for Thanet District Council to begin with effect from 2018/19. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed fees for 2021/22 and 2022/23 are set out below. All fees are subject to PSAA approval as is the case for the 2020-21 fee set out below. For the Council there has been a requirement to undertake a significant amount of additional work on areas relating to our statutory responsibilities via statutory recommendations, objections work and an increased level of work regarding the Council's Value for money arrangements.

	Actual Fee 2020/21	Proposed fee 2021/22	Proposed fee 2022/23
Fee communicated in Audit Plan	£81,548	£92,799	£95,799
Additional VFM work	£25,000	£10,000	£10,000
Additional work related to statutory recommendations and objections work (£7,500 relates to 2019-20 objection work)	£57,500	TBC	TBC
Technical accounting issues	£10,000	TBC	TBC
Additional work required identified from regulator reviews and in response to national issues identified in the sector	£1,750	Included above	Included above
Legal costs associated with management challenge of statutory recommendations and objections incurred by Grant Thornton	£7,781	N/A	N/A
Total audit fees (excluding VAT)	**£183,579**	**£102,799**	**£105,799**

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of financial statements , supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2019) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

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Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 (Revised 2019) 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. We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

The following other services provided by Grant Thornton were identified. No other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

The non-audit work we undertake for the Council relates to Grants which is commonly undertaken by the external audit. For this work we are separately appointed to it by the Council who are able to appoint other providers for Grant Certification work.

This work is now undertaken by our specialist Grants audit team and there have been increases to the cost of this work due to increased costs in the market. The above represents the fee for 2021-22's audit with the same fee proposed for 2022-23.

The final fee will be determined on completion of the audit for Housing Benefits as the scope of the work is increased dependent on findings as required by the DWP.

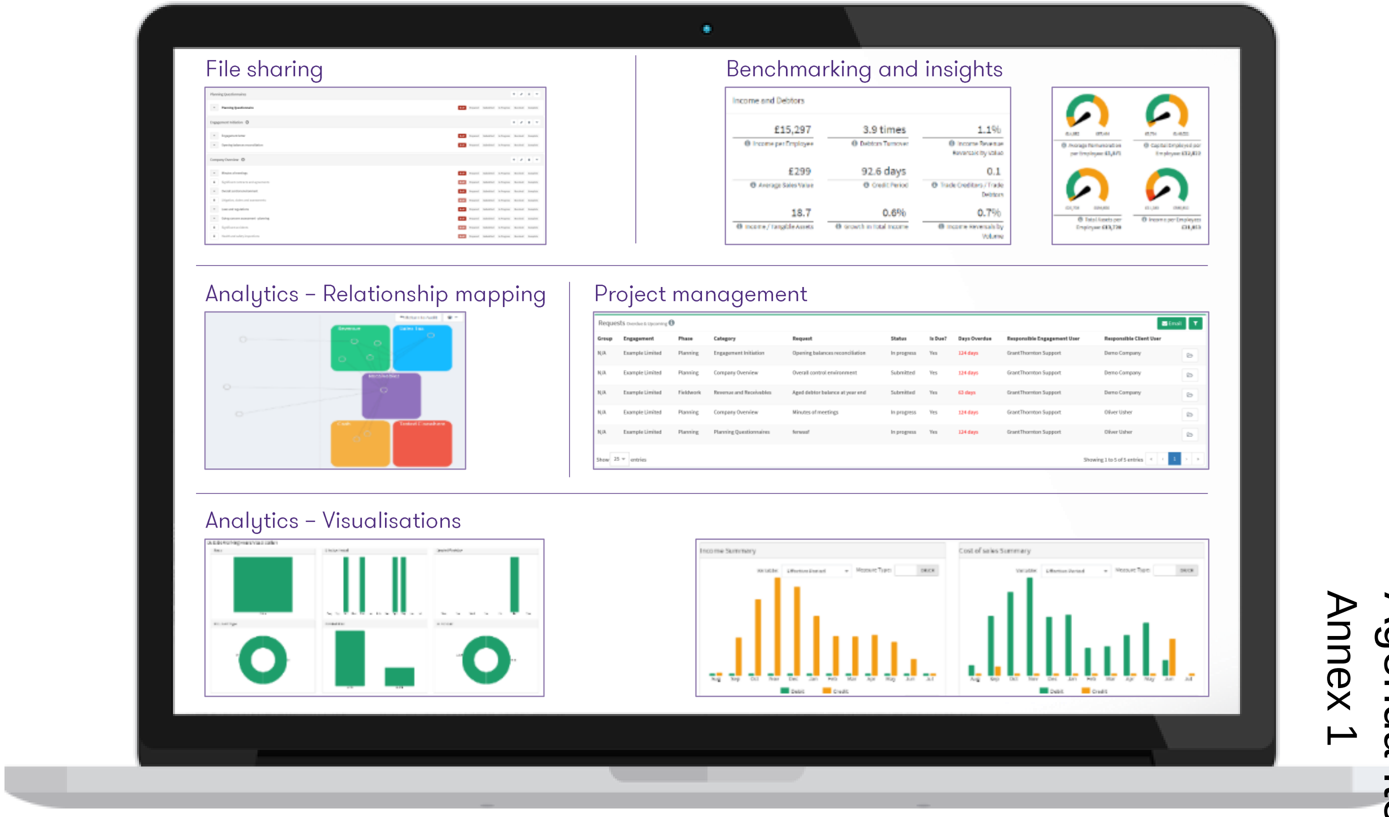
None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Capital receipts grant	£7,500	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 £7,500 in comparison to the total fee for the audit of £102,799 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 Benefit Grant Audit	£60,000	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 £60,000 in comparison to the total fee for the audit of £102,799 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.

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data

File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work

Project management

- Facilitates oversight of requests
- Access to a live request list at all times

Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.

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Audit Progress Report and Sector Update

Governance & Audit Committee	27 September 2023
Report Author	Chris Blundell (Director of Corporate Services - S151)
Portfolio Holder	Cllr Rob Yates, Cabinet Member Corporate Services.
Status	For Information
Classification:	Unrestricted
Key Decision	No

Executive Summary:

The sector update provided by Grant Thornton is attached and provides an up to date summary of emerging national issues and developments in order to try and support Local Government.

Recommendation(s):

1. That the sector update be noted.

Corporate Implications

Financial and Value for Money

There are no financial implications arising from this report.

Legal

The audit of the Council's accounts is governed by the Accounts and Audit Regulations 2015

Corporate

The audit of the accounts is a statutory requirement

Equality Act 2010 & Public Sector Equality Duty

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

There are no equity or equalities issues arising from this report.

Corporate Priorities
This report relates to the following corporate priorities: -

- Growth
- Environment
- Communities

1.0 Introduction and Background

1.1 Grant Thornton, the Council's appointed external auditor, has submitted their sector update report for consideration, this is attached at Annex 1, following consultation with the Section 151 Officer and his deputy.

1.2 The committee is asked to note the report and make comments as appropriate.

1.3 A representative from Grant Thornton will attend the meeting to present the report.

Contact Officer: Matthew Sanham (Head of Finance, Procurement and Risk)

Reporting to: Chris Blundell (Director of Corporate Services - S151)

Annex List

Annex 1: Audit Progress Report and Sector Update

Corporate Consultation

Finance: N/A

Legal: N/a

Thanet District Council
Audit Progress Report and Sector Update

September 2023

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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 Authority 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.

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Introduction

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

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

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

- Grant Thornton Publications
- Insights from local government sector specialists
- Reports of interest
- Accounting and regulatory updates

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local government

Delayed publication of audited local authority accounts

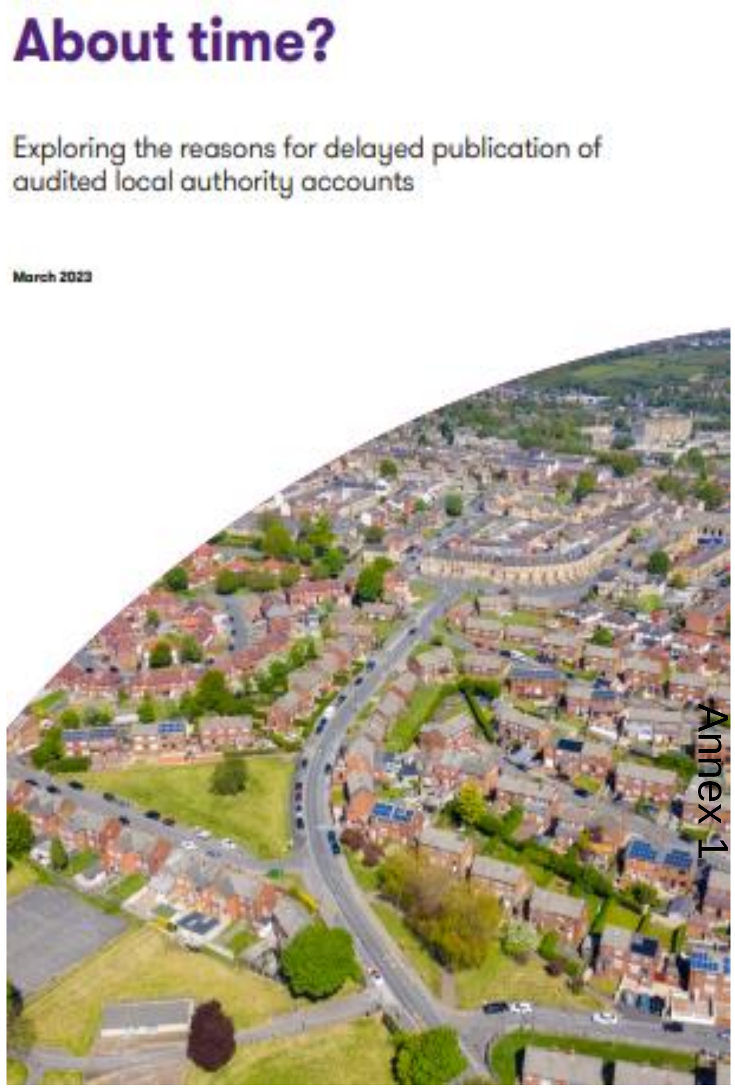
As at December 2022 there were over 600 local audit opinions outstanding. This means that many stakeholders can't rely on audited accounts to inform decision making – a significant risk for governance and control.

Local authority accounts are becoming increasingly complex as accounting standards evolve and local authorities enter more and more innovative financing arrangements and income generation projects. A significant challenge in managing local audits is the differing needs of various stakeholders. The local government sector, central government and regulators need to agree on the purpose of local audit and find a consensus on improving efficiency in publishing accounts. Grant Thornton has produced a report that explore the reasons for delayed publication of audited local authority accounts.

Table 1 below illustrates the declining performance against the target date for publication of audited accounts in recent years.

Table 1 Audited accounts published by target date over the last six years

Financial year	Deadline for publication of unaudited accounts	Target date for publication of audited accounts	% audited accounts published by target date (all firms average)	% audited accounts published by target date (Grant Thornton audits)
2016/17	30 June 2017	30 September 2017	95	97
2017/18	31 May 2018	31 July 2018	87	91
2018/19	31 May 2019	31 July 2019	58	65
2019/20	1 September 2020	30 November 2020	45	54
2020/21	1 August 2021	30 September 2021	9	12
2021/22	1 August 2022	30 November 2022	12	20



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Delayed publication of audited local authority accounts

What more can be done?

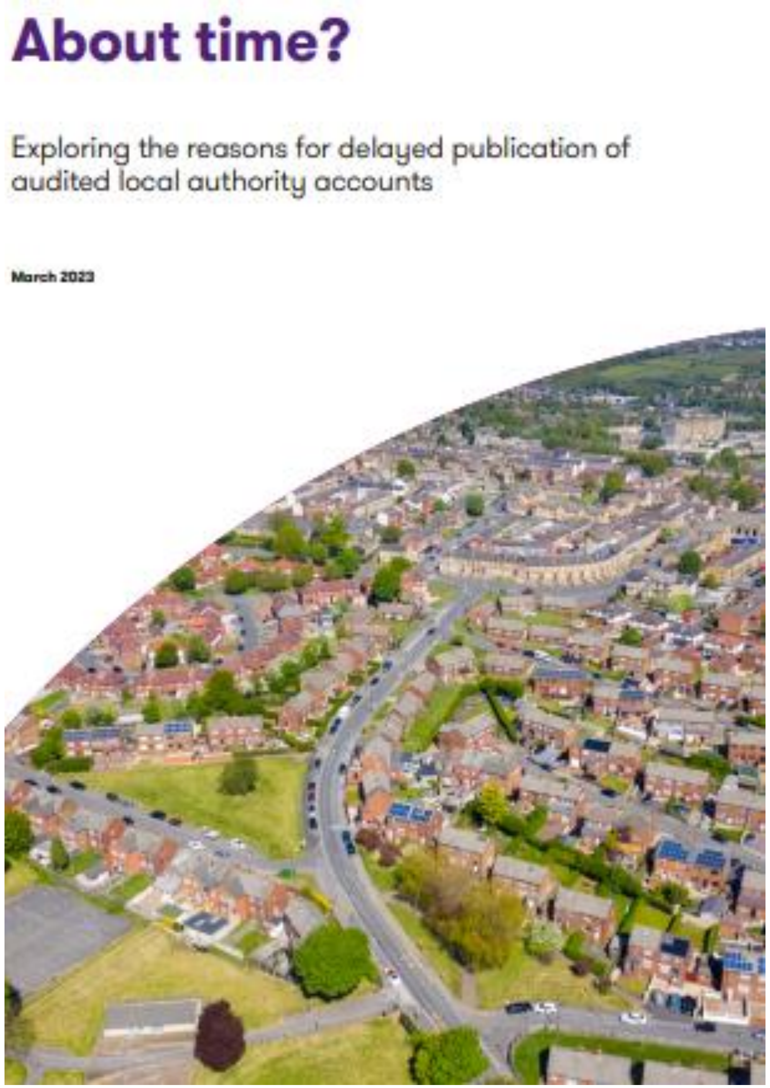
All key stakeholders in the local audit system will need to continue their efforts to secure improvement and a return to high levels of compliance with timely publication of audited accounts. The report explores several of the causes of delay and steps which might be taken to reduce the incidence of delays.

These steps relate to systems leadership, holding both authorities and auditors to account for their performance, a continued focus on the quality of accounts preparation and audit, and the effective engagement between auditors and audited bodies.

The report makes 20 recommendations for improving timeliness in publishing audited accounts.

The report also sets out a checklist which management and the audit committee should consider. The report recommends DLUHC, CIPFA or the FRC set out expectations for the system as a whole.

Click here for full report



Exploring the reasons for delayed publication of audited local authority accounts in England – Grant Thornton - published March 2023

Recent performance against target publication dates for audited local authority accounts in England has been poor. There are some reasons for optimism that there will be an improvement in the timeliness of publication of audited accounts as foundations are being laid for the future.

In this report we explore the requirements for publication of draft and audited accounts and look at some of the reasons for the decline in performance against these requirements over time. Only 12% of audited accounts for 2021/22 were published by the target date of 30 November 2022. There is no single cause for the delays in completing local authority audits, and unfortunately there is no quick solution in a complicated system involving multiple parties. We consider a variety of factors contributing to delays, note the measures which have already been taken to support the local audit system and make recommendations for further improvement.

There are some reasons for cautious optimism that the system will begin to recover and there will be a gradual return to better compliance with publication targets. However, we consider that these are outweighed by a number of risk factors and that the September deadline for audited accounts set by DHLUC is not achievable in the short term and also not achievable until there is further significant change in local audit and local government.

We note the following matters that are yet to be tackled:

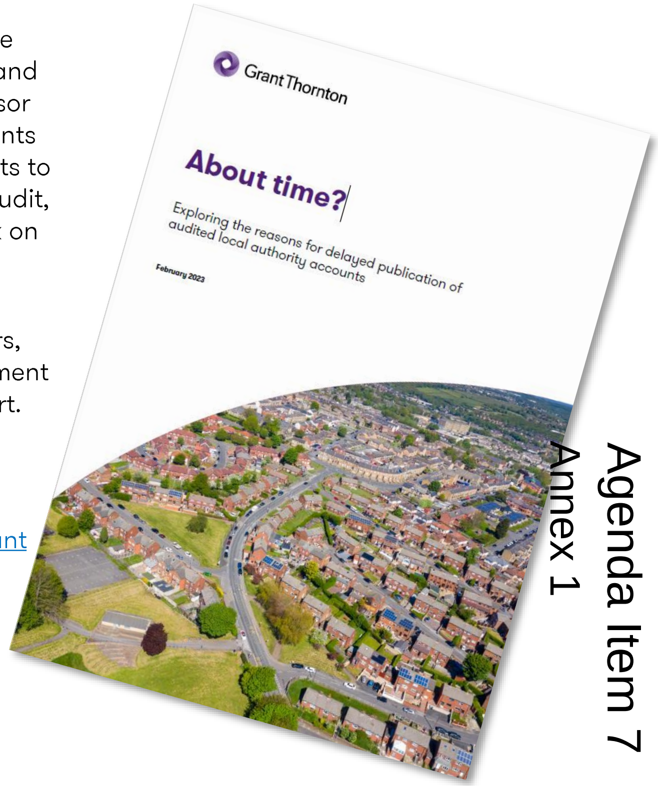
- clarity over the purpose of local audit
- the complexity of local government financial statements
- agreement on the focus of financial statements audit work
- an improvement in the quality of financial statements and working papers
- an agreed approach to dealing with the backlog of local government audits
- Government intervention where there are significant failures in financial reporting processes

All key stakeholders including local audited bodies, the audit firms, the Department for Levelling Up Housing and Communities, PSAA, the NAO, the FRC and its successor ARGA, CIPFA and the Institute of Chartered Accountants in England and Wales will need to continue their efforts to support a coherent and sustainable system of local audit, acknowledging that it will take time to get things back on track.

We make recommendations in our report for various stakeholders, including Audit Committees and auditors, and include a checklist for consideration by management and Audit Committees within an Appendix to the report.

Read the full report here:

[Report: key challenges in local audit accounting | Grant Thornton]



DLUHC to implement its new proposals to clear audit backlog by year-end

A range of proposals and actions to address the backlog of local audits in England has been set out by the Department for Levelling Up, Housing and Communities (DLUHC).

These include setting statutory deadlines and issuing qualifications and disclaimers of opinion in the short term.

The proposals have been agreed in principle with key partners across the local audit system, DLUHC said. The National Audit Office (NAO) is considering whether to develop a replacement Code of Audit Practice to give effect to the changes, the department added.

In addition, DLUHC is considering whether legislative change is needed to set new statutory deadlines for local bodies to publish accounts to mirror the proposed changes to the Code of Audit Practice.

Legislative change may also be needed to address any knock-on effects of the proposals which may impact the audit of opening balances within the accounts for future years, the department said.

Under these proposals, section 151 officers will be expected to work with Audit Committee members (or equivalent) to approve the final accounts by the statutory deadline in order for the audit opinion to be issued at the same time.

Read full proposal here

committees.parliament.uk/publications/40932/documents/199432/default/

Call for sanctions for late accounts amid fears of 'more Woking's - public accounts committee (PAC)

The Commons' public accounts committee (PAC) published a report, Timeliness of local auditor reporting, today, which highlights problems caused by the delays to local audit.

Just 12% of local government bodies received their audit opinions in time to publish their 2021-22 accounts by the extended deadline. The committee warned that the problem is likely to get worse before it gets better.

The report points out that there are no sanctions for failing to produce accounts on time, for either auditors or councils.

The PAC and others have been concerned about the implications of audit delays and Sir Geoffrey Clifton-Brown said cases like that of Thurrock Council and Woking BC demonstrate why this issue needs to be addressed. Both councils had years of unaudited accounts when they declared themselves effectively bankrupt due to excessive levels of debt

Read full report here

Timeliness of local auditor reporting - Committee of Public Accounts (parliament.uk)

Local government procurement and contract management

Background

Local authorities in England spend around £82.4 billion a year on goods and services. More than a third of all UK government spending on goods and services is spent in the local government sector1. Allowing for capital spending as well, the UK public sector procures around £300 billion a year overall.

We reviewed a large number of reports, inspections and interventions issued by a number of firms, including 53 Annual Auditor Reports issued by Grant Thornton UK LLP. To help build on existing good practice, in this report we highlight some common themes for members and officers to consider:

This report considers a selection of issues we identified under each theme and makes recommendations both to local authorities and, in one case, to central government. The report presents a good practice checklist for local authority members and officers to reflect on.

The analysis sets out five key themes for ensuring good practice:

•Strategic planning

•Internal control

•Time, technical expertise, and people

•Commercial awareness

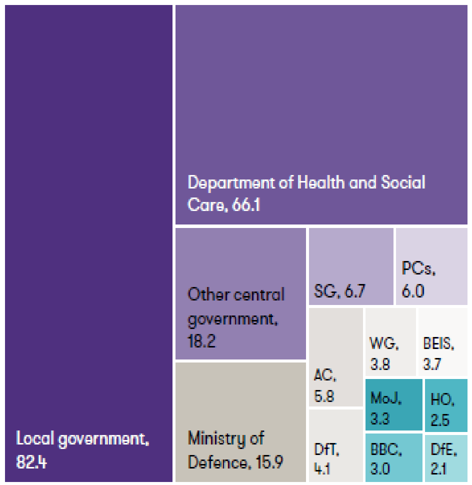
•Contract management

full report here

More than a third of all UK government spending on goods and services is spent by local government, so it's important councils have effective arrangements for procurement and contract management

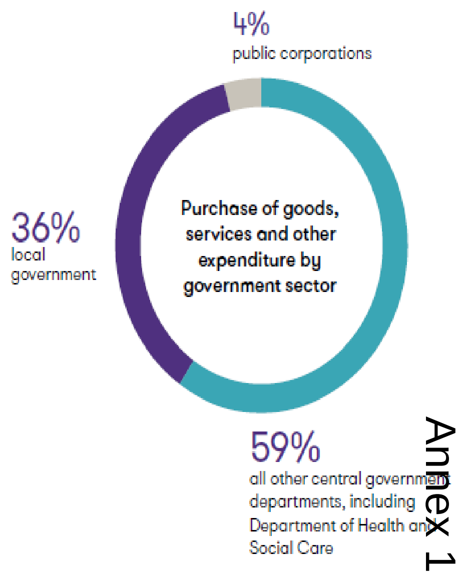
UK public spending

Public spending on goods and services, £ billions – analysis by segment and department[3]



PCs	Other Public Corporations	**AC**	Academies
DfT	Department for Transport	**MoJ**	Ministry of Justice
WG	Welsh Government	**BBC**	British Broadcasting Corporation
HO	Home Office	**BEIS**	Department of Business, Industry Strategy
DfE	Department of Education		
SG	Scottish Government		

Goods, services and other expenditure by segment[4]



1 HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022
2 Cabinet Office, Transforming Public Procurement: Government response to consultation, December 2021
3 HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022
4 HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022

LGPS valuation gives 'cause for optimism – Hymans Robertson

Many Local Government Pension Schemes are in a stronger position than three years ago to meet future member benefits, pension advisors have said following the most recent valuations.

Despite market instability brought on by Covid-19 and exacerbated by Russia's invasion of Ukraine, the overall funding level rose to 107% of past service in March 2022, compared to 98.5% in 2019, Hymans Robertson said in a report.

Analysts reviewed the triennial valuations of 73 of the 86 LGPS funds, and said that on average fund asset values rose by 27.5% up to March 2022.

Hymans Robertson said the better-than-expected funding outlook has prompted a reduction in employer contributions, from 21.9% of pay in 2019 to 20.8% now.

Robert Bilton, head of LGPS valuations at Hymans Robertson, said: "Our analysis gives cause for optimism that the outlook for the long-term funding sustainability of the LGPS is robust, not least due to the hard work that has taken place across all funds over the last decade and longer.

"While the good news is welcome, the hard work doesn't stop, and it is important that funds use the next two years to continue to systematically review their risks to keep them in the best place possible ahead of the valuations in 2025."

The report said funding levels rose by the most for schemes that were already better-funded in 2019, but balances increased "across the board" in all funds that were reviewed.

Researchers said higher asset values mean funds will only need to deliver real investment returns of about 1.5% per year over the next 20 years to ensure they are fully funded.

Hymans said it expects more than three-quarter (77%) of funds to be able meet the annual level of investment returns by 2040.

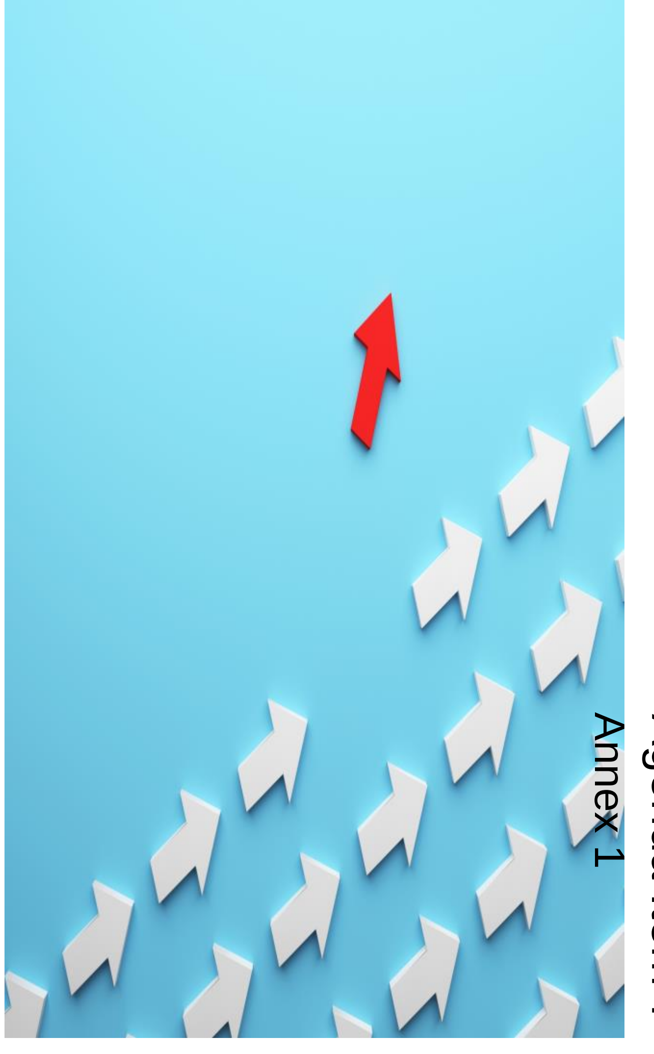
"This is a very positive funding position for the LGPS," the report said.

"Considering that, not so long ago, the Scheme Advisory Board had set up a 'deficit working group' and the significant market events that the LGPS has had to navigate in recent years.

"Being in such a strong position is a testament to the diligent and hard work of administering authorities over the last decade."

Read full report here

LGPS_2022_Valuation_-_the_big_picture.pdf (hymans.co.uk)



Agenda Item 7
Annex 1

Sustainability reporting in the public sector - CIPFA

Sustainability reporting in the public sector is in its infancy, and there is an evolutionary journey to be embarked upon – sooner rather than later.

Sustainability reporting is the recording and disclosure of an organisation's environmental impact caused by its activities. It has been widely adopted in the private sector, but in the public sector it is not the same story.

Having a clear understanding of the overall carbon footprint of the public sector is vital if we are to tackle climate change, find solutions and encourage sustainable development.

Public sector sustainability reporting: time to step it up' provides answers and positive steps to addressing the most pressing challenges around public sector sustainability questions. The current patchwork of public sector sustainability reporting frameworks are inconsistent and confusing. The report draws on already existing standards and frameworks that are relevant and useful to the public sector, rather than trying to reinvent the wheel.

Alignment to financial reporting

The report recommends an approach that aligns sustainability reporting with the wider practice of financial reporting. The four key areas in this approach are governance, the management approach, performance and targets, and strategy. 'Public sector sustainability reporting: time to step it up' provides public finance professionals with a good understanding of what information needs to be disclosed and the process in producing a high quality report.

Read full report from CIPFA here

[Sustainability Reporting (cipfa.org)]

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Quarterly Internal Audit Update Report

Governance & Audit Committee	27 September 2023
Report Author	Head of Internal Audit
Portfolio Holder	Cllr Rob Yates, Cabinet Member Corporate Services.
Status	For Decision
Classification:	Unrestricted
Key Decision	No

Executive Summary:

This report provides Members with a summary of the internal audit work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 30th June 2023.

Recommendation(s):

1. That the report be received by Members.

2. That any changes to the agreed 2023-24 internal audit plan, resulting from changes in perceived risk, detailed at point 5.0 of Annex 1 of the attached report be approved.

Corporate Implications

Financial and Value for Money

There are no financial implications arising directly from this report. The costs of the audit work are being met from the Financial Services 2023-24 budgets.

Legal

The Council is required by statute (under the Accounts and Audit Regulations and section 151 of the Local Government Act 1972) to have an adequate and effective internal audit function.

Risk Management

A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Non completion of the audit plan	Medium	Low	Review of the audit plan on a regular basis.

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

Corporate

Under the Local Code of Corporate Governance the Council is committed to comply with requirements for the independent review of the financial and operational reporting processes, through the external audit and inspection processes, and satisfactory arrangements for internal audit.

Equality Act 2010 & Public Sector Equality Duty

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

There are no equity or equalities issues arising from this report.

Corporate Priorities

This report relates to the following corporate priorities: -

- Growth
- Environment
- Communities

1.0 Introduction and Background

1.1 This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 30th June 2023.

1.2 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 member of the Senior Management Team, as well as the manager for the service reviewed.

1.3 Follow-up reviews are performed at an appropriate time, according to the priority of the recommendations, timescales for implementation of any agreed actions, and the risk to the Council.

1.4 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.

1.5 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. A list of those services currently with such levels of assurance is attached as Appendix 2 to the EKAP report.

1.6 The purpose of the Council's Governance and Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent review of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

1.7 To assist the Committee meet 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 was submitted to the last meeting of this Committee.

2.0 Summary of Work

2.1 There have been nine internal audit assignments completed during the period, which are summarised in the table in section 2 of the quarterly update report.

2.2 In addition three follow-up reviews have been completed during the period, which are detailed in section 3 of the quarterly update report.

2.3 For the three months to 30th June 2023, 80.37 chargeable days were delivered against the target of 318, which equates to 23.09% plan completion.

Contact Officer: Christine Parker, Head of the Audit Partnership, 01304 872160
Simon Webb, Deputy Head of Audit

Reporting to: Chris Blundell; Director of Corporate Services

Annex List

Annex 1: East Kent Audit Partnership Quarterly Update Report – 27-09-2023

Background Papers

Internal Audit Annual Plan 2023-24 - Previously presented to and approved in March 2023 at Governance and Audit Committee meeting

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

Corporate Consultation

Finance: Chris Blundell; Director of Corporate Services

Legal: Sameera Khan, Interim Head of Legal & Monitoring Officer

EAST KENT
DOVER•FOLKESTONE&HYTHE•THANET•CANTERBURY
AUDIT PARTNERSHIP

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

1.0 INTRODUCTION AND BACKGROUND

This report provides Members with an update of the work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 30th June 2023.

2.0 SUMMARY OF REPORTS

Service / Topic		Assurance level	No. of Recs.	
2.1	Garden Waste & Recycling Income	Substantial	C H M L	0 0 0 1
2.2	HRA Business Plan	Substantial	C H M L	0 3 1 2
2.3	Insurance & Inventories of Portable Assets	Substantial	C H M L	0 0 0 0
2.4	Environmental Protection Service Requests	Reasonable	C H M L	1 2 2 0
2.5	Rent Accounting, Collection & Debt Management	Reasonable/Limited	C H M L	1 6 2 1
2.6	EKS Data Management Desegregation Project	Limited	C H M L	0 6 1 0
2.7	Employee Health & Safety	Limited	C H M L	2 22 3 3
2.8	Planned Maintenance - Contract Letting & Management	No	C H M L	0 10 0 0
2.9	East Kent Opportunities	No	C H M L	0 8 0 0

2.1 Garden Waste and Recycling Income- Substantial Assurance

2.1.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the waste recycling income, comprising Garden 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.

2.1.2 Summary of findings

Management can place Substantial assurance on the system of internal controls around the operation of the Garden Waste Service and recycling income. The primary findings giving rise to the Substantial assurance opinion are as follows:

- Fees for Garden Waste have been suitably approved in line with the Council's constitution.
- Fees for the Garden Waste service are being correctly applied.
- Suitable controls are in place to ensure that the service is only provided after payment has been made.
- Where Garden Waste subscriptions are not renewed, suitable action should be taken to remove the bin and discontinue further collections from the property.
- Invoices are being raised at the correct value in respect of recyclable materials collected.
- Performance in respect of Garden Waste and recycling is accurately calculated based on independently collected data. Performance is reported at regular intervals as part of the Corporate Performance reporting process.

2.2 HRA Business Plan – Substantial Assurance

2.2.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council maintains a Housing Revenue Account in accordance with section 74 of the Local Government and Housing Act 1989 and that the current business plan clearly demonstrates that the Council can maintain its properties to the Decent Homes Standard Plus for the full 30 years of the plan (which runs to 2036).

2.2.2 Summary of findings

Management advised that whilst there is not a legislative requirement to maintain a 30 year plan, it is good practice to ensure that long term financial planning is undertaken. The Local Government and Housing Act 1989 states that authorities must formulate proposals in respect of HRA income and expenditure for the financial year which, on the best assumptions and estimates that the Council is able to make at the time, ensure that the HRA does not show a debit balance.

According to the Council's Website and Spring Housing Factsheet, the Council Housing portfolio consisted of the following for which on-going maintenance works are required:

Types of housing in stock

Number of units	Size of unit
80	Bedsits
561	1 bedroom
1374	2 bedroom
908	3 bedroom
96	4+ bedroom

(Data c. 31 March 2020)

As reported on 09 February 2023 the HRA reserves were as follows:

Table 3 HRA Reserves

Reserves	31 Mar 23	Movement	31 Mar 24	Movement	31 Mar 25
	£000	£000	£000	£000	£000
HRA - Balances Reserve	4,771	-1,436	3,335	108	3,443
HRA - New Prop/ Repairs Reserve	0	0	0	0	0
HRA - Major Repairs Reserve	14,952	-3,722	11,230	-4,466	6,764
Total	**19,723**	**(5,158)**	**14,565**	**(4,358)**	**10,207**

The HRA Capital Projects - To date the Council has delivered 161 additional homes over the last nine years, with funding already in place for 47 more (new build phase 4). The business plan incorporates new build expenditure of £8.1m per annum from 2024/25 funded via borrowing and other sources including capital receipts.

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

- The Council's HRA strategy conforms with legislation, remains up to date and is agreed by members.
- The Council's HRA business plan has been properly approved, with all relevant parties involved in the production of the HRA Business Plan being clearly identified and consulted on.
- The stock investment data has been clearly identified and included within the business plan, further reports on such investments have also been evidenced and within the public domain.
- Performance is being appropriately managed and reported on.

Scope for improvement was identified in the following areas:

- The plan needs to be robust and meet the Decent Home Standard Plus, whilst evidence was provided that financial planning for the forthcoming years has been considered, the methodology applied requires improvement to include horizon scanning and consideration of any trends arising from the compliance checking data; such compliance testing needs to be able to demonstrate the standards being met along with any Housing Health & Safety Ratings. One way to achieve this would be via the use of risk setting and register process to be discussed at the monthly meetings; there are currently 2 identified risks within the Asset Risk Register that could impact the HRA Plan and budgets.
- Whilst the HRA business plan has been regularly risk assessed via the budget setting and reporting process, those identified risks require to be monitored and managed via the risk management process.

2.3 Insurance & Inventories of Portable Assets– Substantial Assurance

2.3.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established:

- To ensure that sufficient insurance coverage is in place for the Council to limit the risks that face the authority in carrying out its many and varied functions.
- To ensure that all Council assets are completely and accurately accounted for and safely held.

2.3.2 Summary of findings

Management can place Substantial Assurance on the system of internal controls currently in operation. The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- Responsibility for insurance within the Council is clearly defined.
- The insurance service has been market tested in accordance with Contract Procedure Rules.
- All activities, property and assets are appropriately insured.
- The Council maintains a safe register together with appropriate levels for the insured value of cash held therein.

- The Corporate insurance provider is notified of changes to assets or properties promptly.
- All incidents that may result in a claim are reported to the Insurance Officer. Claim forms are completed, signed and sent to the insurer as quickly as possible.
- The Insurance Officer periodically reviews claims made to identify the highest and lowest risk areas.
- Insurance claims refused by the Insurer are appropriately managed.
- Service Managers and officers are aware of insurance limits and risks relating to their service areas.
- The Council's Financial Standing Orders suitably detail the procedures for implementation and maintenance of inventories.
- Each year as part of the insurance renewals process, the Insurance Officer sends each inventory to the relevant service manager where they are asked to review and update their inventory. Once all inventories have been returned, the Insurance Officer then uses each inventory to update the relevant insurance schedules.
- The asset inventories include details such as description, serial number (where applicable) and asset location etc.
- The necessary arrangements should be in place between the officers responsible for maintaining the asset inventory and those maintaining the insurance cover such that all assets are insured for the appropriate amount.

2.4 Environmental Protection Service Requests - Reasonable Assurance

2.4.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the Council has an effective system of controls and procedures for investigating and responding to environmental protection service requests in the following areas:

1. Dust;
2. Smoke;
3. Odour;
4. Fumes;
5. Animals;
6. Noise;
7. Accumulations ;
8. Filthy and verminous premises ;
9. Drainage.

2.4.2 Summary of Findings

The majority of complaints dealt with by the Environmental Protection Team are statutory nuisances under the Environmental Protection Act 1990. Other legislation may also apply and may be utilised where they don't require as high a burden of proof such as, Anti Social Behaviour Crime and Policing Act 2014, Prevention of Damage by Pests Act 1949, Public Health Act 1936 and Building Act 1984, and the Control of Pollution Act 1974.

Officers decide the best course of action based on the type and level of nuisance to ensure a proportionate response based on the principles of engage, explain, encourage, and enforce.

Management can place Reasonable Assurance on the system of internal controls currently in operation. The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- Clear and comprehensive policies and procedures are in place and applied by officers,
- Advisory and enforcement action is taken in line with the Council policies and procedures but could be further enhanced with appropriate budgets for various support services.
- A good management trail of actions taken, and correspondence issued and received is maintained.

Scope for improvement was however identified in the following areas:

- The resources engaged in Environmental Protection (as identified through budget monitoring controls) mean the Council overspends in responding to the demand placed on the services, including the budgets for legal advice, for example. The demand on resources and the team could have an impact on the capacity to deliver the required statutory services
- Regular exercises should be carried out to ensure that worksheets are being closed down when all action has been taken or when timeframes for responses have been passed.
- Consideration should be given to putting in place communications guidelines that provide guidance on the types of offences that should be reported following successful prosecutions carried out by all of the various departments of the Council.

2.5 Rent Accounting, Collection & Debt Management - Reasonable/ Limited Assurance

2.5.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the rent accounting, collection and recovery functions are carried out efficiently and effectively.

2.5.2 Summary of Findings

The financial health of the Housing Revenue Account (HRA) depends upon tenants and leaseholders paying their rent and service charges on time. During 2022/23 the Council processed the following: -

- £14,056,700 in rental income (adverse variance of 0.6% against budget)
- £147,500.32 in garage income (favourable variance of 202% against budget)
- £174,480 of debt was written off.

Management can place Reasonable Assurance on the system of internal controls in operation for rent accounting and rent collection of newer debt; and Limited Assurance on the system of internal control over the recovery processes in place for older and larger, existing and former tenant debt.

The primary findings giving rise to the Reasonable Assurance opinion in this areas of rent accounting and rent collection are as follows:

- Performance information is accurately reported to senior management and the Cabinet in a timely manner, although no information is reported on the amount of debt being written off.
- Recovery processes in place for newer debt is prioritised and well managed which is helping the Council meet its performance targets.
- The post EKH audit trail of transactions and correspondence is good.
- Rent accounting routines and processes are working effectively.
- Refund processes are mainly working well.

Scope for improvement was however identified in the following areas:

- The Income Manager should have the £2k credit card limit increased to at least £5k to ensure this does not act as a barrier for taking cases to court.
- The audit trail of checks as part of the refund process could be improved.

The primary findings giving rise to the Limited Assurance opinion for some of the recovery processes are as follows:

- Recovery processes for older and larger debts are not currently effectively deployed and there are missed opportunities to locate and chase former tenants; and missed opportunities to chase existing tenants and take tenants to court at an earlier stage.
- Management is not complying with a constitutional requirement for rent debts to be written off by the Section 151 Officer as well as a senior manager.
- The recovery policy in place does not provide enough clarity or detail in relation to trigger points and debt thresholds attached to the various stages of recovery.

2.6 EKS Data Management Desegregation Project – Limited Assurance

2.6.1 **Audit Scope**

To ensure that the controls over the administration of ICT electronic files, for data protection purposes and back ups are robust and sufficient, following the project to desegregate from EK Services.

2.6.2 **Summary of findings**

In 2022/23 the decision was made to move ICT away from EK Services and for each Council to become responsible for its own data. This has meant that each partner authority and EK Services have had to undertake work to move the management of data back under the responsibility of each authority.

Management can place Limited Assurance on the system of internal controls in place around the desegregation project. The primary findings giving rise to the Limited Assurance are as follows:

- The Council does not currently have a Risk Register in place for the desegregation project.
- The Council does not have a Project Plan in place detailing the work needed to complete the project and the key dates for the completion of the tasks necessary to complete the entire desegregation project.
- Discussions are yet to be held to agree on the raising of charges (or not) for Thanet DC to run Dover DC servers, until Dover DC has moved its servers out of the Thanet DC data centre.

Effective controls were found to be in place in the following areas:

- EK Services and each of the Partner authorities have held regular meetings to review the desegregation project.
- All partner authorities are in agreement regarding arrangements in the short term for the backing up of data belonging to each authority.

Management Response:

A Project Plan and Project Risk Register have been developed by EKS for the three partners on their behalf.

Head of Shared Services TDC

2.7 Employee Health & Safety – Limited Assurance

2.7.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the policies and procedures established to protect Council staff in relation to various health and safety issues, such as fire safety, lone working and home working, whilst also taking into account the legislative requirements placed upon the Council as their employer.

2.7.2 Summary of Findings

The Council uses a dedicated system for the management of employee health & safety data, known as TAM. The future use of this system is currently under review and a test scheme using Housing Services as the test subject is being modelled, this system is a Google Led system. For the purposes of this review process only data for TAM has been reviewed and used as this is still currently the main system.

It should be noted that for some of the data i.e. training, fire, lifts, asbestos are being maintained via Human Resources, Property Services and Finance.

The system has documented 7 main Council sites that employees operate out of, these being:

1. Cecil Street - Main Offices;
2. Crematorium;
3. Dane Park Depot;
4. Droit House;
5. Kent Innovation Centre;
6. Manston Road; and
7. Port & Harbours.

Responsibility for health and safety falls to all employees, however, in order to manage safe systems of work and ensure compliance with Health and Safety Legislation, the responsibilities within the workplace cascade down as follows:

The Chief Executive
↓
Corporate Director Health & Safety
↙ ↓
H&S Advice ← Head of Service
↓
Service Managers
↓
Employees

There are currently 3 members of staff employed within the H&S Team who provide advice on health & safety matters and maintain the corporate recording systems across the authority.

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

- A corporate training programme relating to all Employee Health & Safety issues has been established, but now requires updating. The provider for the platform for corporate training has changed and the switch over process has left a gap in the ability for staff to maintain and undertake their mandatory training. The new system is yet to go live, and historical data has been lost from the old system which has been switched off. This could be problematic should any supporting evidence be required by the HSE.
- A H&S data security risk within the dedicated TAM system should be resolved, a change in process is underway with the use of a google led system. (This was not reviewed as it has yet to be implemented).
- The use of risk registers and the reporting on such requires improvement i.e. HAVS risks being registered but not reported on to CMT/G&A Committee; risks not being identified or recorded i.e. Training, security issue for TAM.
- The effective challenge and reporting processes for Health, Safety and Welfare matters via CMT reports and the Health & Safety Committee should become more regular and the action points arising should be recorded and monitored.
- There should be a regular programme of inspections set up for the Health & Safety Committee to undertake and report on, however this could not be evidenced within TAM, nor was it a regular item on the agenda for this committee.
- There are no performance indicators set up for the management and monitoring or employee Health & Safety.
- A first aid needs risk assessment has not been carried out for all sites and for the

two that had, it identified a shortfall in the number of recommended first aiders. Currently across all sites there are 29 first aiders listed within the policy statements and on TAM, this list did not match those receiving the monthly payment and a reconciliation is required.

- Asbestos surveys need to be completed on a regular basis and recommendations contained within these surveys need to be reported on, along with any works undertaken, to the H&S committee for effective management and monitoring to occur.
- Evidence of DSE assessments could not be sourced.

Effective control was however evidenced in the following areas:

- The Council has a Health and Safety Policy in place that is reviewed and updated on a regular basis.
- Procedures are in place, up to date and relevant for all staff working in, around and for the Council.
- PPE is being identified via the risk assessments, the issuing of such is done via the use of one supplier and the spend is being monitored and managed. The use of PPE is being checked as part of the compliance officer role, who should report any findings to the manager, HSA and H&S Committee for action as necessary.
- There are risk assessment templates on the system for Working from Height and Manual Handling which has been used for job role specific assessments carried out across all sites.
- The Council has in place, via HR, the issuing of eye sight test vouchers for those staff who use a VDU / DSE. The process to obtain a voucher is documented via the staff intranet.
- There is a template in place and guidance notes for staff for Manual Handling; job specific risk assessments for this type of work have been carried out for 9 job roles within the Council.
- There is a process in place to report accidents and incidents at work which is being scrutinised and reported on.

Management Response:

The Director of Corporate Services welcomes the findings of this audit and the Council has completed the audit action plan setting out how it will address all of the points raised by the audit and the timescales for doing so.

Director of Corporate Services & s.151 Officer

2.8 Planned Maintenance, Contract Letting & Management - No Assurance

2.8.1 <u>Audit Scope</u>

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that planned maintenance of the Council's social housing stock is undertaken economically, efficiently and effectively.

2.8.2 <u>Summary of Findings</u>

Management can place No Assurance on the system of internal controls in place around the Procurement and Management of contracts within the planned maintenance section of Tenant and Leasehold Management Services. The primary findings giving rise to the No Assurance opinion in this area are split over the headings of Procurement and Contract Management as follows:

Procurement

- CSO 4.7 - Written Risk Assessments are not being completed for contracts in excess of £10,000 as is a requirement of Contract Standing Orders.
- CSO 6.5.4 - Not all contracts valued at more than £5,000 are being published on the Council's contract register as required by Contract Standing Orders and the Local Government Transparency Code 2015.
- For contracts with an anticipated spend of around £100,000 or less, officers are relying on the use of CSO waivers.
- CSO 4.2 - Not all contracts with a value of £10,000 or more are being made using the Council's Standard Terms and Conditions of Contract.
- Poor planning is resulting in some procurement processes having to be completed in timescales much shorter than normal to ensure that the new contract is in place prior to the expiry of the old contract or a waiver having to be requested as a substitute to a CSO compliant tender process.
- Despite all officers in the department having been provided with CSO/Procurement related training, testing identified widespread non-compliance with some elements of CSO's within the department.

Contract Management

- Officers are placing reliance on external third parties acting as Clerk of Works being paid for by the contractor, as a substitute for undertaking post inspections themselves.
- Testing identified that the over reliance being placed on the external Clerk of Works has resulted in officers failing to identify that the contractor has been charging the Council for work which has not been undertaken or measured incorrectly. As a result, a re-measure of the last valuation was completed by the contractor where it was identified that the original charge was reduced down. It is likely that had less reliance been placed on the Clerk of Works and a more robust post inspection process had been in place, that this would have been identified earlier by the Contract Surveyor.
- Suitable post inspection routines have not been in place for new boiler installations to confirm that installation has been completed in accordance with the contract despite the average cost of each installation being around £2,000.
- A lack of post inspections on new boiler installations has meant that officers have failed to identify that the contractor is charging the Council to install hard wired Carbon Monoxide alarms in properties (as per the scheduled item in the contract), but is instead installing a lower cost option battery powered alarm (for which a scheduled item needs to be agreed as a variation to the contract).
- Testing of a sample of 13 new boiler installations identified 13 instances whereby work has been paid for, but the necessary boiler certification documentation had not been provided in accordance with the requirements of the contract.

- Several issues relating to contract management were identified as a result of weaknesses with post inspection routines. Issues identified on individual contracts were typically all the same. Planned maintenance work is often low in volume, but high in value and more importantly repetitive in nature. This means that a higher proportion of post inspections are necessary to ensure that not only is current work completed in accordance with the contract, but also to remind the contractor of the expected standard for all future work.

Good procedures were found to be in place for the following areas:

- Officers responsible for managing contracts have access to a copy of the signed contract and contract specification.
- Suitable arrangements are in place to review weaknesses in current contracts so that weaknesses can be fed back into the contract letting process for the future contracts.
- Officers are having regular meetings with contractors to review performance against the contract. Minutes of all meetings are being retained.
- Contract extensions are completed with input and support from Legal Services.

Management Response

The Director of Place would like to thank the East Kent Audit Partnership for its work on this audit.

The audit process and the following activities to improve the way we manage planned works has benefited all, from the senior management of the team, to the officers managing the projects.

The recommendations made in the report helped us to explore and develop more efficient processes for planned works projects, assisting officers to make better decisions and act earlier in the lifecycle of a project where there might be risk. Doing this has also helped us implement more robust contract management arrangements.

In particular, in respect of the identified over valuation of external decorations work, we have commissioned a full remeasure of all work completed under this contract and suspended further work. The valuation checked as part of the audit had not been verified or paid at the time of the audit, and has subsequently been paid at the correct value. The revaluation work is now complete and we will work with the contractor to ensure that any under or over payments are properly reconciled, and consider whether any further action is required. The final two valuations for this contract have not yet been paid and will be factored into the reconciliation, in line with contractual procedures.

The contract structure and the decision to include clerk of works services was determined prior to the tenant and leaseholder coming back in house, and contracts would not be structured in that way now. No further work has been issued under this contract since the audit, and the contract is due to end in September 2023. For future contracts the provision of a clerk of works arrangement will either be from in-house resources or 3rd party consultant, appointed by TDC officers.

The recommendation in relation to planning for procurements, to allow sufficient time related to the reprocurement of the council's gas servicing and repairs contract. This procurement was successfully completed and mobilised on time, although it is agreed that more time would have been beneficial.

The partnering responsive repairs contract with Mears is due to expire on 31/3/2025. The team is appointing a consultant right now to help with the modelling of the new contract and specification, giving a long lead intime to carry out the procurement exercise.

Director of Place

2.9 East Kent Opportunities LLP- No Assurance

2.9.1 Audit Scope

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that appropriate systems of governance, control and risk management are in place surrounding achieving outcomes for East Kent Opportunities LLP.

2.9.2 Summary of Findings

East Kent Opportunities LLP (EKO) was incorporated in 2008 as a joint venture between Thanet District Council and Kent County Council with the express aim of bringing forward two sites in Thanet in a complementary way to support Economic Development and Regeneration in the area.

In 2008, the Council contributed land into EKO LLP with a Stamp Duty value of £4.5 million along with a cash payment of £400,000 as working capital. To date, EKO LLP has achieved sales of around £11 million with the Council receiving disbursements from EKO LLP of £900,000 as a return on its investment.

EKO LLP is scheduled to be disbanded at the end of 2025, by that time, EKO LLP is forecasting that TDC could have received total disbursements of around £1.8 million from the land and cash valued at £4.5 million in 2008 when it was put into EKO LLP. There is no evidence in the minutes of Board meetings that the level of distributions compared with initial investment has been subject to any challenge and agreement by members of the Board.

Management can place No Assurance on the system of internal controls in place around East Kent Opportunities LLP. The primary findings giving rise to the No Assurance opinion in this area are as follows:

- The Council should give consideration to appointing different officers as Partnership Board members so that any difficulties regarding an actual or potential conflict of interest are avoided.
- A renewed assessment of the IR35 status of the Executive Project Coordinatorshould be undertaken to ensure the rules are complied with. The employment status and whether IR35 applied to the Executive Project Co-ordinator was raised as a concern in the 2018 EKO audit.
- EKO LLP is forecasting to deliver a negative return on investment to both partners which to date is not recorded as having been challenged by either partner. That lack of challenge was raised as a concern in the 2018 audit.
- EKO LLP has only recently developed a risk register, which to date has not been presented to the EKO Board. The lack of a risk register, and not reporting risks to the EKO Board was raised as a concern in the 2018 Audit.
- EKO LLP has no current Business Plan in place. This was raised in the 2018 audit as a concern.
- EKO LLP has no contract in place with the company currently fulfilling the role of Executive Project Coordinator meaning that the company could stop providing its services at short or without any notice.This was raised as a concern in the 2018 audit.
- EKO LLP has no exit strategy in place.This was also raised as a concern in the 2018 audit.

Effective controls were found to be in place in the following areas:

- The Council (TDC) has access to the Partnership Agreement, with members of the Board being aware of their responsibilities under the Partnership Agreement.
- Arrangements for sharing of liabilities and profits are clearly specified in the Partnership Agreement.
- All Board Members are making declarations at meetings where necessary.
- Minutes are taken for each meeting and agreed at the following meeting.

Management Response

The Director of Corporate Services welcomes the findings of this audit and the insight provided by EKAP into the operations of EKO. It is frustrating and disappointing that many of the findings that were identified and reported within the 2018 audit have not been addressed; this is perhaps symptomatic of both the change in staff at senior level in the organisation over the last 18 months and also the limited senior management capacity during this time given the high level of vacancies.

Nonetheless, management accepts all the findings and recommendations of this audit and will work with our counterparts at KCC to implement them at their earliest opportunity.

Director of Corporate Services & s.151 Officer

3.0. **FOLLOW UP OF AUDIT REPORT ACTION PLANS:**

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

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs. Outstanding after follow-up	
a)	VAT	Reasonable	Reasonable	C H M L	0 1 1 2	C H M L	0 0 1 0
b)	Complaints Monitoring	No	Reasonable	C H M L	0 7 3 0	C H M L	0 1 1 0
c)	Absence Management	Reasonable Limited Limited	Reasonable Limited Limited	C H M L	0 6 1 1	C H M L	0 3 1 0

3.2 Details of any individual Critical and High priority recommendations yet to be implemented at the time of follow-up are included at Appendix 3 and on the grounds that these recommendations have not been implemented by the dates originally agreed with management, they are now being escalated for the attention of the s.151 Officer and Members of the Governance and Audit Committee.

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

c) Absence Management - The initial audit found inconsistencies in the way in which absence management processes were recorded and managed and a number of recommendations were made that focused on improvements to policy, technical control (automated trigger points) and governance processes. The policy improvements are being implemented but the Council is unable to implement the technical controls and the absence management information to senior management is still being worked on.

Management Response - HR continues to provide high level support on absence management through active case management, management absence reports available on EKP, policy and process advice and implementation and upskilling of managers in its application. Work is progressing on flexible working and as such the policy review has been agreed to be moved forward from Phase 3 HR policy review to Phase 2, however this is a wider piece of work reviewing the 'way we work' to review flexible working arrangements, flexi time and the right to request flexible working.

As Head of HR I have actively worked with the Senior HR Advisor and HR Advisory team to ensure improved support and intervention for managers in managing absence management and although work in some areas of absence remains ongoing areas of high absence and/or concerns around absence management have been prioritised and have been addressed.

The HR team actively reviews its own processes and through a review of continuous improvements and to further support the management of absence HR has recently changed the occupational health referral process which now ensures that all referrals come via HR to be reviewed and signed off before going to occupational health thus ensuring that referrals are relevant, robust and managers are supported by HR with the management of referral outcomes.

The Council's Policy Officer role has been vacant since the post holder left in late 2022, this has had an impact on the Council's ability to implement and refresh policies, including HR, across the Council at pace; however recruitment for an enhanced Policy Manager role will begin in August.

Head of Human Resources

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: Cyber Security, Homelessness, Treasury Management, Capital, and Planning Applications, Income & s.106.

5.0 CHANGES TO THE AGREED AUDIT PLAN:

5.1 The 2023-24 internal audit plan was agreed by Members at the meeting of this Committee on 8th March 2023.

5.2 The Head of the Audit Partnership meets on a quarterly basis with the Section 151 Officer or their nominated representative 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 1.

6.0 FRAUD AND CORRUPTION:

There are no known instances of fraud or corruption being investigated by the EKAP to bring to Members' attention at the present time.

7.0 UNPLANNED WORK:

All responsive assurance / unplanned work is summarised in the table contained at Appendix 1.

8.0 INTERNAL AUDIT PERFORMANCE

8.1 For the three-month period to 30th June 2023, 80.37 chargeable days were delivered against the target for the year of 348 days which equates to 23.09% plan completion.

8.2 The financial performance of the EKAP is on target at the present time.

8.3 As part of its commitment to continuous improvement and following discussions with the s.151 Officer Client Group, the EKAP has established a range of performance indicators which it records and measures.

8.4 The EKAP audit maintains an electronic client satisfaction questionnaire which is used across the partnership. The satisfaction questionnaires are sent out at the conclusion of each audit to receive feedback on the quality of the service.

Attachments

Appendix 1	Progress to 30th June 2023 against the agreed 2023-24 Audit Plan.
Appendix 2	Definition of Audit Assurance Statements & Recommendation Priorities
Appendix 3	Summary of Critical and High priority recommendations not implemented at the time of follow-up.
Appendix 4	Summary of services with Limited / No Assurances yet to be followed up.
Appendix 5	Balanced Scorecard of Performance Indicators to 30th June 2023

APPENDIX 1

PROGRESS AGAINST THE AGREED 2023-24 AUDIT PLAN
THANET DISTRICT COUNCIL

Area	Original Planned Days	Revised Budgeted Days	Actual days to 30-06-2023	Status and Assurance Level
FINANCIAL GOVERNANCE:				
Capital	10	10	0	Quarter 3
Treasury Management	10	10	0	Quarter 3
External Funding Protocol	10	10	0	Work-in-Progress
Insurance & Inventories of Portable Assets	10	10	7.69	Finalised - Substantial
HOUSING SYSTEMS:				
Homelessness	10	10	1.12	Work-in-Progress
Void Property Management	10	10	0	Quarter 4
Rent Accounting, Accounting & Debt Management	10	10	10.1	Finalised - Reasonable/Limited
Tenancy Fraud	10	10	0	Work-in-Progress
Resident Involvement	10	10	0	Quarter 3
Anti-Social Behaviour	5	5	0	Quarter 2
HRA Business Plan	10	10	2.22	Work-in-Progress
GOVERNANCE RELATED:				
Scheme of Officer Delegations	10	10	0	Quarter 4
Performance Management	10	10	0	Quarter 3
Corporate Advice/ CMT	2	2	0.03	Ongoing
s.151 Officer Meetings & Support	9	9	3.66	Ongoing
Governance & Audit Committee Meetings and Report Preparation	12	12	4.76	Ongoing
2024-25 Audit Plan & Preparation Meetings	9	9	0	Ongoing
HR RELATED:				
Payroll	3	3	0	Work-in-Progress
COUNTER FRAUD:				

Counter Fraud & Corruption	10	10	0	Quarter 4
ICT RELATED:				
Change Controls	15	15	0	Quarter 4
Network Security	10	10	0	Quarter 3
Cyber-Security	10	10	2.74	Work-in-Progress
SERVICE LEVEL:				
CSO Compliance	10	10	0.26	Work-in-Progress
Community Safety	10	10	0	Quarter 3
Environmental Protection Service Requests	10	10	11.4	Finalised - Reasonable
Grounds Maintenance	12	12	0	Quarter 3
Ramsgate Harbour Accounts	5	5	0	Quarter 4
Planning Applications, Income & s.106	10	10	0.19	Work-in-Progress
Building Control	10	10	0	Quarter 4
Your Leisure	10	10	0	Quarter 3
VICs	10	10	0	Quarter 3
Garden Waste	10	10	5.64	Finalised - Substantial
Refuse Collection	10	10	8.97	Finalised - Reasonable
Climate Change	5	5	0	Quarter 4
Employee Health & Safety	10	10	11.52	Finalised - Limited
OTHER:				
Liaison With External Auditors	1	1	0.27	Ongoing
Follow-Up Reviews	15	15	1.53	Ongoing
FINALISATION OF 2022-23 AUDITS:				
Absence Management	5	5	0.23	Finalised - Reasonable/ Limited
Car Parking & Enforcement			5.57	Finalised - No
Ramsgate Harbour Accounts			2.48	Finalised
RESPONSIVE ASSURANCE:				
None to Date				
TOTAL	**348**	**348**	**80.37**	**23.09%**

PROGRESS AGAINST THE AGREED 2023-24 AUDIT PLAN
EAST KENT SERVICES

Review	Original Planned Days	Revised Planned Days	Actual days to 30/06/2023	Status and Assurance Level
EKS REVIEWS:				
Housing Benefits Administration	15	15	0.17	Quarter 2
Housing Benefits Testing	20	20	2.50	Work-in-Progress
Council Tax Reduction Scheme	15	15	0.16	Quarter 3
Customer Services	15	15	0.06	Quarter 4
OTHER:				
Corporate/Committee	4	4	1.50	Ongoing
Follow Up	2	2	0.11	Ongoing
FINALISATION of 2022-23 AUDITS:				
Debtors	2	2	1.45	Finalised - Substantial
Data Management- Desegregation Project	1	1	1.06	Finalised - Limited
Total	**74**	**74**	**7.01**	**9.46%**

APPENDIX 2

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.

SUMMARY OF CRITICAL & HIGH PRIORITY RECOMMENDATIONS NOT IMPLEMENTED AT THE TIME OF FOLLOW-UP – APPENDIX 3		
Original Recommendation	**Agreed Management Action , Responsibility and Target Date**	**Manager's Comment on Progress Towards Implementation.**
Complaints Monitoring - July 2023		
Ensure that the date of receipt is accurately recorded for all complaints.	This relates to complaints that have been forwarded to Customer Feedback by the Customer Services team. The system is set to start the ten days from receipt of the complaint by the Customer Feedback (CF) team. The acknowledgement to the resident states the date the complaint was received by CF and that a response will be sent to them within ten days of that date. The Digital team are looking into the possibility of amending this within the current system but this automated change may not be possible until a new system is in place. The SLA with customer services will also need to be reviewed to ensure that responses are not delayed with customer services reducing the number of working days the manager has to investigate the complaint. **Proposed completion date and responsibility:** Executive Support Manager & System Improvement Manager 31/05/23	Officers have confirmed that this cannot be resolved within the current system and will be fully addressed as and when a new system is available. **Recommendation Outstanding**

Absence Management - July 2023		
All managers (including senior management) responsible for managing any staff member should be provided with additional absence management training from HR. The training should focus on: - - How and when to record absences on the People Manager system. - How and when to record return to work interviews. - Refresher and clarity over the sickness trigger points. - Clarity over management responsibilities. - Clarity over HR responsibilities. - How and when to record absences relating to covid particularly the 'number of days lost'.	The roll out of the new absence policy included manager training to support the application of the policy, process, recording and documentation. HR in-house has enabled robust and proactive support intervention for managers in dealing with absence cases. Going forward HR support with managers will include EKP employee absence data monitoring, trigger reports as well as reaching out to managers to ensure that they are aware of next steps and return to work support. HR will monitor absence trends across the Council and ensure review plans and manager intervention within areas of concern. **Proposed Completion Date & Responsibility** February 2023 and ongoing - HR Manager (SG)	<u>Audit Update</u> HR has confirmed that as an alternative to formal training, it has directed HR support to areas of service which require additional support in the absence management processes based on high risk areas. The Absence Management Policy and Guidance has been updated and HR have confirmed that it has worked with managers informally to work through the new requirements and the new process. Official training for line managers is the preferred course of action as this is the second successive audit where Limited Assurance has been provided. There are not many management controls that can be put in place other than policies, guidance and training, it is important that these controls are implemented. **Recommendation Outstanding.**
Once recommendations 3, 4 and 5 have been implemented to help improve the recording of sickness absences by line managers, HR should put in place processes that ensure senior management are provided with sickness reports	Reporting of sickness absence will be covered in a 6 monthly high level HR report and will be cascaded to CMT, GPC and Managers Forum. The report will provide a	HR has been asked to pull together absence management data to share with directors and heads of service to help improve governance processes. This is likely to be put in place by October 2023.

on all of their employees on at least a six-monthly basis, reporting to them on any triggers that may have been hit.	narrative for managing absence and required interventions. Managers are responsible for the management and recording of both short and long term sickness absence within their own teams. Ongoing HR absence management support by providing advice and guidance in the application of policy and process. **Proposed Completion Date & Responsibility** April 2023 - HR Manager (SG)	**Recommendation Outstanding. Revised Implementation Date October 2023.**
HR should be regularly reporting on sickness levels to senior managers and elected members.	Reporting of sickness absence and other employee relation matters will be detailed as part of the agreed 6 monthly HR report. **Proposed Completion Date & Responsibility** May 2023 - HR Manager (SG)	HHR has been asked to pull together absence management data to share with directors and heads of service to help improve governance processes. This is likely to be put in place by October 2023. **Recommendation Outstanding. Revised Implementation Date October 2023.**

SERVICES GIVEN LIMITED / NO ASSURANCE LEVEL YET TO BE REVIEWED – APPENDIX 4			
Service	**Reported to Committee**	**Level of Assurance**	**Follow-up Action Due**
Licensing	July 2023	Reasonable/ No	Autumn 2023
Planned Maintenance - Contract Letting & Management	September 2023	No	Winter 2023
East Kent Opportunities	September 2023	No	Work-in-Progress
Berth 4-5 Post Implementation Review	March 2023	No	Winter 2023
Car Parking & Enforcement	July 2023	No	Winter 2023
EKS Data Management	September 2023	Limited	Winter 2023

Appendix 5

Balanced Scorecard

INTERNAL PROCESSES PERSPECTIVE :	**2023-243 Actual Quarter 1**	**Target**
Chargeable as % of available days	**86%**	**90%**
Chargeable days as % of planned days	**16.88%**	**25%**
CCC	**29.04%**	**25%**
DDC	**23.09%**	**25%**
TDC	**21.68%**	**25%**
FHDC	**9.46%**	**25%**
EKS		
	22.3%	**25%**
Overall		
Follow up/ Progress Reviews;		
	17	**-**
• **Issued**	**23**	**-**
• **Not yet due**	**31**	**-**
• **Now due for Follow Up**		
Compliance with the Public Sector Internal Audit Standards (PSIAS) (see Annual Report for more details)	**Partial**	**Partial**

FINANCIAL PERSPECTIVE:	**2023-243 Actual**	**Original Budget**
Reported Annually		
• **Cost per Audit Day**	**£**	**£403.37**
• **Direct Costs**	**£**	**£521,918**
• **+ Indirect Costs (Recharges from Host)**	**£**	**£10,530**
• **- 'Unplanned Income'**	**£**	**Zero**
• **= Net EKAP cost (all Partners)**		**£532,448**

Agenda Item 9
Annex 1

CUSTOMER PERSPECTIVE:	**2023-24 Actual**	**Target**
	Quarter 1	
Number of Satisfaction Questionnaires Issued;	18	
Number of completed questionnaires received back;	5 = 28 %	
Percentage of Customers who felt that;		
• Interviews were conducted in a professional manner	100%	100%
• The audit report was 'Good' or better	96%	90%
• That the audit was worthwhile.	98%	100%

INNOVATION & LEARNING PERSPECTIVE:	**2023-24 Actual**	**Target**
Quarter 1		
Percentage of staff qualified to relevant technician level	61%	60%
Percentage of staff holding a relevant higher-level qualification	50%	50%
Percentage of staff studying for a relevant professional qualification	0%	N/A
Number of days technical training per FTE	1.5	3.5
Percentage of staff meeting formal CPD requirements (post qualification)	50%	50%

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